

**ACCOUNTANCY AND AUDITING, PAPER-II**

**FEDERAL PUBLIC SERVICE COMMISSION  
COMPETITIVE EXAMINATION FOR  
RECRUITMENT TO POSTS IN BPS-17 UNDER  
THE FEDERAL GOVERNMENT, 2009**

**ACCOUNTANCY AND AUDITING, PAPER-II**

S.No.	
R.No.	

<b>TIME ALLOWED:</b>	<b>(PART-I) 30 MINUTES</b>	<b>MAXIMUM MARKS:20</b>
	<b>(PART-II) 2 HOURS &amp; 30 MINUTES</b>	<b>MAXIMUM MARKS:80</b>

- NOTE:** (i) First attempt **PART-I (MCQ)** on separate **Answer Sheet** which shall be taken back after **30 minutes**.  
(ii) **Overwriting/cutting of the options/answers will not be given credit.**

**PART – I (MCQ)**  
**(COMPULSORY)**

**Q.1. Select the best option/answer and fill in the appropriate box on the Answer Sheet. (20)**

- (i) Audit programme is prepared by:  
(a) Audit staff (b) Chief Accountant (c) Directors  
(d) Audit Management (e) None of these
- (ii) Verification is carried out for:  
(a) Closing stock (b) Rent income (c) Dividend Received  
(d) Wages & Salaries (e) None of these
- (iii) Retiring auditor can be appointed at:  
(a) Statutory Meeting (b) AGM (c) Directors Meeting  
(d) Creditors Meeting (e) None of these
- (iv) Unqualified report is favourable for:  
(a) Management (b) Creditors (c) Debtors  
(d) Employees (e) None of these
- (v) Normally test checking is adopted in case of:  
(a) Continuous Audit (b) Final Audit (c) Interim Audit  
(d) Special Audit (e) None of these
- (vi) In partnership minimum number of members is:  
(a) 2 (b) 3 (c) 4  
(d) 5 (e) 20
- (vii) In Public Ltd. Company, minimum number of members is:  
(a) 2 (b) 3 (c) 5  
(d) 7 (e) 10
- (viii) Short term finance can be arranged through:  
(a) Sales of Debentures (b) Sales of Shares (c) Bank loan  
(d) Debtors collection (e) None of these
- (ix) Statutory meeting is necessary in case of:  
(a) Private Ltd. Co. (b) Public Ltd. Co. (c) Partnership  
(d) Cooperative Society (e) None of these
- (x) Current Companies Ordinance is that of:  
(a) 1932 (b) 1984 (c) 2001  
(d) 2002 (e) 2003
- (xi) The Addition of Material and Labour is called:  
(a) Conversion cost (b) Prime cost (c) Financial cost  
(d) Absorption cost (e) None of these
- (xii) Expenses can be called as:  
(a) Expired cost (b) Project cost (c) Prime cost  
(d) Conversion cost (e) None of these
- (xiii) EOQ is adopted to have efficient:  
(a) Material Management (b) Labour Management (c) FOH Management  
(d) Selling Expenses Control (e) None of these
- (xiv) Which of the following is Fixed cost:  
(a) Rent (b) Income Tax (c) Repair

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- (d) Electricity (e) Insurance
- (xv) The statement prepared under process costing is called:  
(a) Cost of goods sold statement (b) Income statement (c) Cost of Production Report  
(d) Variance statement (e) None of these
- (xvi) Current Income Tax Ordinance is that of:  
(a) 1990 (b) 2001 (c) 2002  
(d) 2003 (e) 2008
- (xvii) Which of the following will be considered as capital expenditure?  
(a) Material Expenses (b) Machinery Purchased (c) Labour Paid  
(d) FOH applied (e) Income Tax Paid
- (xviii) Which of the following is exempted from tax at present?  
(a) Agricultural Income (b) Bank Profits (c) Salary Income  
(d) Profit of Public Ltd. Co. (e) Profit Private Ltd. Co.
- (xix) If Income year of a salaried person ends on 30<sup>th</sup> June, 2008, then tax year would be:  
(a) 2007 – 08 (b) 2008 – 09 (c) 2009 – 10  
(d) 2008 (e) None of these
- (xx) Which of the following can be adjusted against Income Tax Liability:  
(a) Withholding Tax on Telephone Bills  
(b) Excise duty paid  
(c) Custom duty paid  
(d) Sales tax paid  
(e) Trade tax paid

## PART – II

<b>NOTE:</b>	<p>(i) <b>PART-II</b> is to be attempted on the separate <b>Answer Book</b>.</p> <p>(ii) Attempt <b>ONLY FOUR</b> questions from <b>PART-II</b>, selecting <b>ONE</b> question from <b>EACH SECTION A,B,C and D</b>. All questions carry <b>EQUAL</b> marks.</p> <p>(iii) Extra attempt of any question or any part of the attempted question will not be considered.</p> <p>(iv) Use of simple calculator is allowed.</p>
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### SECTION-A (Cost Accounting)

**Q.2.** ABC company made the following data available from its accounting records and reports: **(20)**

- (i) Rs. 60,000 estimated Factory overhead.
- (ii) 20,000 estimated direct Labour hours
- (iii) Rs. 3 pre-determined Factory overhead rate.
- (iv) One third of the rate is variable cost oriented.
- (v) During the year, the company worked on 21,000 direct Labour hours.
- (vi) Actual Factory overhead expenses for the year were Rs. 63,100.

You are required to calculate spending and idle capacity variances.

**Q.3.** The records of MN Company show the following information for the year ending 30<sup>th</sup> June, 2008.

(i) Material used.	Rs. 880,000
(ii) Direct Labour	580,000
(iii) Indirect Labour	92,000
(iv) Light and Power	8,520
(v) Depreciation	9,400
(vi) Repair of Machinery	11,600
(vii) Misc. Factory overhead	58,000
(viii) Opening Wip inventory	82,400
(ix) Opening Finished Goods inventory	68,600
(x) Ending Wip inventory	85,000
(xi) Ending Finished Goods inventory	63,000

During the year 36,000 units were completed. You are required to calculate:-

- (a) A cost of Goods sold statement for the year ending on 30<sup>th</sup> June, 2008.
- (b) The unit cost of Goods manufactured.

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- (c) The amount of over or under applied factory overhead if the company applies factory overhead on the basis of 30% of direct labour cost.

**SECTION – B (Auditing)**

- Q.4.** What is meant by a Qualified report? Give specimen of such report after the completion of annual audit of a Public Limited Company. (20)
- Q.5.** Under what circumstances an auditor can be held liable for Negligence? Support your answer with relevant legal cases. (20)

**SECTION – C (Income Tax)**

- Q.6.** Explain the legal provisions governing the exemption of following items from Income Tax:- (20)
- (i) Pensions (ii) Facility of accommodation (iii) Income of Trusts  
(iv) Income of Modarba

- Q.7.** The following information is available in respect of Mr. Hassan for Tax year ending on 30<sup>th</sup> June, 2008. (20)

(i) Salary	Rs. 300,000
(ii) Income from Agriculture	15,000
(iii) Income from Poultry farm	12,000
(iv) Payment to workers welfare fund	5,000
(v) Entertainment bills reimbursed	10,000
(vi) Telephone Bills reimbursed	6,000
(vii) Efficiency honorarium	10,000
(viii) Profit on sale of inherited house	14,000
(ix) Over time payments received	7,000
(x) Remuneration for literary work	9,000
(xi) Dividend income from private company	17,000
(xii) Zakat paid	3,000

You are required to calculate taxable Income of Mr. Hassan for the year ending on 30<sup>th</sup> June, 2008.

**SECTION – D (Business Organization and Finance)**

- Q.8.** Explain the legal procedure in respect of establishment of a Public Limited Company. (20)
- Q.9.** Explain the duties and functions of a Financial Manager of a large scale business. (20)

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