

# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS BPS-17 UNDER THE FEDERAL GOVERNMENT, 2005.

### ACCOUNTANCY & AUDITING, PAPER-I

**TIME ALLOWED: THREE HOURS**

**MAXIMUM MARKS: 100**

- NOTE:** (i) Attempt FOUR questions in all, including QUESTION Nos. 5 & 6, which are COMPULSORY. QUESTION NO.5 carries 40 marks. All other questions carry EQUAL marks i.e. 20 marks each.
- (ii) Give workings to solution of questions, wherever relevant.

**Q.No.1:** Answer the following short questions briefly.

- Define Accrual system of accounting.
- Describe three basic functions of an accounting system.
- Define worksheet.
- What do you understand by capital loss? Give an example of capital loss.
- Prepare rectifying entry for sales book over cast by Rs. 900.
- Make an adjusting entry for prepaid rent Rs. 1000.
- Define "budget".
- What do you understand by adjusting entries? Make three adjusting entries with your own figures.
- List down the four types of book keeping errors.
- Describe bad debts recovered.

**Q.No.2:** Differentiate between the following:

- Capital expenditure and Revenue expenditure.
- Single entry system and double entry system of bookkeeping.
- Receipts & payment account and Income & Expenditure account.
- Straight-line method and diminishing balance method of depreciation.

**Q.No.3:** Best manufacturing purchased molding machine for Rs.3,00,000 on 1<sup>st</sup> January 2000. It cost Rs. 6000 on erection of the machine. On 1<sup>st</sup> July in the same year an additional machinery costing Rs.1,50,000 was acquired. On 1<sup>st</sup> January 2002, the machine purchased on 1<sup>st</sup> January 2000 was disposed off at a price of Rs.75,000. Depreciation was provided for annually on 31<sup>st</sup> December @ 10% per annum on the cost of the machine. In the year 2002, however, the following changes were introduced:

- The existing method of depreciation was replaced with written down value method.
- The rate of depreciation was increased from 10% to 15%.

**Required:**

Machine account as it would appear at 31<sup>st</sup> December each year from year 2000 to 2004.

## ACCOUNTANCY & AUDITING, PAPER-I:

Q.No.4: S & Y are partners with profit sharing ratio as 2:1. The position of the business as on 31<sup>st</sup> December 2004 when they decided to dissolve the business was as follows:

Liabilities	Rs.	Assets	Rs.
Sundry Creditor	1,50,000	Plant & Machinery	2,50,000
General Reserve	1,00,000	Furniture	40,000
Capital Accounts:		Stock	1,00,000
S           2,20,000		Debtors	2,00,000
Y           2,20,000	4,40,000	Cash at bank	1,00,000
<b>Total</b>	<b>6,90,000</b>	<b>Total</b>	<b>6,90,000</b>

The details of realisation was as follows:

1. S took over plant & machinery and furniture at book value less 10%.
2. Y took over the stock at Rs. 1,75,000.
3. Debtors realized Rs. 1,85,000.
4. Sundry creditors were settled at a discount of 5%.

### Required:

Prepare necessary journal entries and ledger accounts to close the books of the firm.

### COMPULSORY QUESTIONS

Q.No.5: Following is the Trail Balance of Rizwan & brothers as on December 31, 2004.

Particulars	Debit Rs.	Credit Rs.
Drawings	42,600	
Machinery	69,000	
Opening Stock	87,600	
Purchases	6,00,000	
Capital Account		2,55,000
Sales		7,14,000
Sales Return	12,600	
Purchases Return		11,400
Salaries	26,400	
Stationary	19,200	
Apprentice Fee Received		4,800
Bank overdraft		8,400
Bad debts	10,200	
Accounts Receivable	1,92,000	
Accounts Payable		60,000
Provision for bad debts		6,000
<b>Total</b>	<b>10,59,600</b>	<b>10,59,600</b>

**Adjustments:**

1. Stock on December 31, 2004 was Rs. 1,02,000.
2. Increase bad debts provision on account receivable to 5% and provide discount reserve on account receivable at 2%.
3. Depreciate machinery by 10%.
4. Goods taken away by the owner for his personal use Rs. 2,400.
5. Machinery purchased Rs. 6,000 was wrongly included in purchases.
6. Unused stationary for Rs.1,800 wrongly included in closing stock.
7. Apprentice fee to be adjusted for four years.

**Note:** No depreciation should be charged on the machinery purchased during the year and on carriage paid on such machinery.

**Required:**

Trading and Profit & Loss Account for the year ended Dec 31, 2004 and Balance Sheet after taking into account the above adjustments.

**Q.No.6:** Select the most suitable option.

- (1) The purchase of machinery on account would:
  - (a) Increase an asset and decrease another asset
  - (b) Increase an asset and decrease liability
  - (c) Increase an asset and increase liability
  - (d) Decrease an asset and increase a liability
- (2) In general, the accounts in the Income Statement are known as:
  - (a) Real Account
  - (b) Contra Asset
  - (c) Nominal Account
  - (d) Unrecorded revenue account
- (3) In general terms, financial assets appear in the Balance Sheet at:
  - (a) Face Value
  - (b) Current Cash Value
  - (c) Cash
  - (d) Estimated future sales value
- (4) A limited Co; sold marketable securities cost Rs. 80,000 for Rs. 92,000 cash. In Co's income statement and statement of cash flows respectively, this will appear as:
  - (a) A Rs. 12,000 gain and Rs.92,000 cash receive
  - (b) A Rs. 92,000 gain and Rs.8,000 cash receive
  - (c) A Rs. 12,000 gain and Rs.80,000 cash receive
  - (d) A Rs. 92,000 sales and Rs.92,000 cash receive
- (5) Which of the following is least important as a measure of short-term liquidity.
  - (a) Debtor Ratio
  - (b) Current Ratio
  - (c) Cash flow from operating activities
  - (d) Quick Ratio
- (6) Uzma Ltd; Net Income was Rs. 4,00,000 in 2003 and Rs. 1,60,000 in 2004. What percentage increase in net income must achieve in 2005 to off set the decline in profits in 2004?
  - (a) 60%
  - (b) 150%
  - (c) 200%
  - (d) 70%
- (7) Which of the following does not describe accounting?
  - (a) Language of Business
  - (b) Is an end rather than a mean to an end
  - (c) Useful for decision making
  - (d) Used by business government, non profit organizations and individuals.

**ACCOUNTANCY & AUDITING, PAPER-I:**

- (8) External uses of financial accounting information include all of the following:
- (a) Investors
  - (b) Labour Unions
  - (c) Line Manager
  - (d) General Public
- (9) A fixed budget is:
- (a) A budget for single level of activity
  - (b) A budget which ignored inflation
  - (c) Used only for fixed cost
  - (d) An overhead cost budget
- (10) Heavy expenditure on advertisement of a new product is a:
- (a) Capital expenditure
  - (b) Revenue expenditure
  - (c) Deferred Revenue expenditure
  - (d) None of the above
- (11) Subscriptions received in advance is:
- (a) An Income
  - (b) An Asset
  - (c) A Liability
  - (d) A Loss
- (12) At the time of admission of a new partner, goodwill raised should be written off in:
- (a) New profit sharing ratio
  - (b) Old profit sharing ratio
  - (c) Sacrificing ratio
  - (d) Gaining ratio
- (13) A and B are partners in the ratio of 2:1. They admit C for  $\frac{1}{4}$  share who contributes Rs.3000 for his share of goodwill. The total value of the goodwill of the firm is:
- (a) Rs. 3,000
  - (b) Rs. 9,000
  - (c) Rs. 12,000
  - (d) Rs. 15,000
- (14) Sales to Mustafa of Rs. 10,000 not recorded in the books would affect:
- (a) Sales Account
  - (b) Mustafa Account
  - (c) Sales Account and Mustafa Account
  - (d) None of the above
- (15) Depreciation is a process of:
- (a) Valuation
  - (b) Allocation
  - (c) Both a & b
  - (d) None of these
- (16) Loss on sale of an asset should be written off against:
- (a) Share premium account
  - (b) Sales account
  - (c) Depreciation fund account
  - (d) None of the above
- (17) Income and expenditure account reveals:
- (a) Cash in hand
  - (b) Surplus or deficiency
  - (c) Capital account
  - (d) None of the above
- (18) Which of the following is true regarding the work sheet.
- (a) It is the form, which an accountant uses for his own aid and convenience
  - (b) It assists in the orderly preparation of the adjustments and financial statements at the end of the account periods
  - (c) It can substitute for Journal and Ledger
  - (d) Only a & b are true
- (19) The post closing trial balance will:
- (a) Contain only income statement accounts
  - (b) Contain only balance sheet accounts
  - (c) Contain both income statement and balance sheet accounts
  - (d) Be prepared before closing entries are posted to the ledger
- (20) The cost of goods and services used up in the process of obtaining revenue are called:
- (a) Net Income
  - (b) Revenue
  - (c) Expenses
  - (d) Liabilities

# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17 UNDER THE FEDERAL GOVERNMENT, 2005.

### ACCOUNTANCY & AUDITING, PAPER-II

**TIME ALLOWED: THREE HOURS**

**MAXIMUM MARKS:100**

- NOTE:** (i) Attempt FIVE questions in all, including QUESTION No. 9, which is COMPULSORY.  
(ii) Select at least ONE QUESTION from each of the PART A,B,C and D. All questions carry EQUAL marks

#### PART-A: (Cost Accounting)

- Q.No.1:** Distinguish between: (20)
- a) Cost accounting and financial accounting.
  - b) Job order costing and process costing.
  - c) Joint product cost and by-product cost.
  - d) Standard cost and budget.

- Q.No.2:** Rahmat Manufacturing Company uses process costing. The costs incurred in department No. 2 during the month of January were: (20)

Direct Material Cost	Rs. 1,98,000
Direct Labour Cost	Rs. 1,18,800
Factory Overheads	Rs. 79,200

The quantity schedule shows that 50,000 units were received from department 1 at a unit cost of Rs. 9. During the month 30,000 units were completed and transferred to next department. 5000 units were completed but in hand. 5000 units were lost during processing. The remaining units were in process at the end of the month. The degree of completion of the in process units was as follows:

- 40% of the units were 50% complete.
- 20% of the units were 60% complete.
- 20% of the units were 40% complete.
- Balance of the units was 30% complete.

**Required:**

Cost of production report for department No 2 for the month of January.

#### PART-B: (Auditing)

- Q.No.3:** What is Internal control? Explain principles of Internal control. Also differentiate between Internal check, Internal audit and Internal control. (20)

- Q.No.4:** Define continuous audit. Discuss advantages and disadvantages of continuous audit. Suggest the steps that can be taken to reduce the drawbacks of continuous audit.

(20)

Contd... P/2

**PART-C: (Income-Tax)**

Q.No.5: Explain the term "Income from Business" under section 18. What are the incomes of a person that shall be chargeable under the head "Income from Business" under section 18 of Income tax ordinance 2001? (20)

Q.No.6: Compute the taxable income of Mr. Waqar who during the tax year ended June 30, 2004 derived income from the following sources: (20)

	<u>Rs</u>
1 Salary	1,00,000
2 Loss from speculation on shares	4,000
3 Annual leave fare assistance	10,000
4 Interest free loan received from employer	90,000
5 Overtime payment received	10,000
6 Rent ceiling paid by the employer	1,50,000
7 Zakat paid	2,000
8 Tax deducted at source	1,000
9 Conveyance allowances (Conveyance provided by employer partly for personal and partly for official purpose, expenditure Rs. 12,000)	4,700
10 Share from AOP	8,000
11 Gratuity received from the employer (Approved by CBR)	2,10,000
<u>Amount claimed for Rebate</u>	
(a) Shares of listed companies purchased	13,658
(b) Personal legal expenditure	5,000
(c) Life insurance premium paid by employee	10,000

**PART-D: (Business Organization and Finance)**

Q.No.7: Define "Joint Stock Company". Identify and explain the main points of difference between Joint Stock Company and other forms of business organization. (20)

Q.No.8: What is Business Finance? Discuss in detail various financial sources available to a new venture. (20)

Contd... P/2

are various

**ACCOUNTANCY & AUDITING, PAPER-II: COMPULSORY QUESTION**

StudentBounty.com

Q.No.9: Deliver the correct answer in the answer book. Do not reproduce the question. Over writing is not allowed. Over writing answer will carry no grade.

- (1) State which of the following are characteristics of job costing:
  - (i) Homogeneous Products
  - (ii) Customer driven production
  - (iii) Complete production possible within a single accounting period.
  - (a) (i) only
  - (b) (i) and (ii) only
  - (c) (ii) and (iii) only
  - (d) (i) and (iii) only
  - (e) None of above
  
- (2) State which of the following are characteristics of contract costing:
  - (i) Homogeneous Products
  - (ii) Customer driven production
  - (iii) Short time scale from commencement to completion of the cost unit
  - (a) (i) and (ii) only
  - (b) (i) and (iii) only
  - (c) (ii) and (iii) only
  - (d) (ii) only
  - (e) None of above
  
- (3) The following extract is taken from the production cost budget of S. Ltd;
 

Production (Units)	2,000	3,000
Production Cost (Rs)	11,100	12,900

 The budget cost allowance for an activity level of 4,000 units is
  - (a) Rs. 7,200
  - (b) Rs. 14,700
  - (c) Rs. 17,200
  - (d) Rs. 22,200
  - (e) None of these values
  
- (4) Direct costs are:
  - (a) Costs which can be identified with a cost center but not identified to a single cost unit.
  - (b) Costs which can be identified with a single cost unit
  - (c) Costs incurred as a direct result of a particular decision.
  - (d) Costs incurred which can be attributed to a particular accounting period.
  - (e) None of above
  
- (5) A master budget comprises:
  - (a) The budgeted profit and loss account
  - (b) The budgeted cash flow, budgeted profit and loss account and budgeted balance sheet.
  - (c) The budgeted cash flow.
  - (d) The entire set of budgets prepared.
  - (e) None of above
  
- (6) The best description of a by-product is a Joint product which:
  - (a) Has no economics value
  - (b) Accounts for a relatively small proportion of the total sales value of the production process.
  - (c) Accounts for a relatively small proportion of the total value of the production process.
  - (d) Will need to be disposed off at a cost.
  - (e) None of above
  
- (7) What type of budget is designed to take into account forecast changes in costs, prices etc.
  - (a) Rolling budget
  - (b) Functional Budget
  - (c) Flexible Budget
  - (d) Master Budget
  - (e) None of them

www.StudentBounty.com

Ans. Td. - 1/4

- 4 -

**ACCOUNTANCY & AUDITING, PAPER-II:**

- (8) Working capital is the:
- Effective capital of the company when the business is in full swing
  - Capital borrowed from the bank
  - Difference between the current assets and current liabilities
  - None of them
- (9) The most acceptable method of measuring income is:
- To match the costs with revenue
  - To find out this difference in net worth as on two dates
  - To apply normal rate of return on capital invested
  - None of above
- (10) Up to what level Agriculture income is exempt from tax?
- Rs. 80,000
  - Rs. 100,000
  - Totally exempt
  - Totally taxable
  - None of the above
- (11) Average relief is available on the following except:
- Donation for charitable purpose
  - Investment in shares
  - Retirement Annuity scheme
  - Mark up on Housing Finance Scheme
  - Donations to Baitul-Mal Fund
  - None of above
- (12) Special tax relief is granted to a senior citizen if his age is:
- 50 years or above
  - 60 years or above
  - 65 years or above
  - None of the above
- (13) When preparing balance sheet of a company, Goodwill, Patents, Trade Mark and designs come under the head of:
- Fixed Assets
  - Fictitious Assets
  - Current Assets
  - Miscellaneous Expenditure
  - None of above
- (14) When debentures are issued at par and are redeemable at premium, credit given to premium on redemption of debentures account is in the nature of a:
- Personal Account
  - Real Account
  - Nominal Account
  - None of the above
- (15) In comparison to the external auditor, an internal auditor is more likely to be concerned with:
- Internal Administrative Control
  - Cost Accounting Procedures
  - Operational Auditing
  - Internal Accounting Control
  - None of above
- (16) An auditor's unqualified short form report:
- Implies only, that items disclosed in the financial statement and foot notes are properly presented and takes no position on the adequacy of disclosure.
  - Implies that disclosure is adequate in the financial statements and foot notes.
  - Explicitly states that disclosure is adequate in the financial statements and foot notes
  - Explicitly states that all material items have been disclosed in conformity with generally accepted accounting principles
  - None of above

com Tol --- P/5



- 5 -

**ACCOUNTANCY & AUDITING, PAPER-II:**

- (17) The role of finance function in the future will be:
- (a) Tactical
  - (b) Professional Advisor
  - (c) Stewards
  - (d) Specialist team member
  - (e) None of above
- (18) In principle current Assets are financed from:
- (a) Retained Earning
  - (b) Long term debts
  - (c) Issue of fresh Capital
  - (d) Current Liabilities
  - (e) None of above
- (19) A non-banking asset is:
- (a) Item of office equipment
  - (b) Bank premises
  - (c) Secured property acquired from defaulting borrower
  - (d) All of the above
  - (e) None of the above
- (20) When preparing a production budget, the quantity to be produced equals:
- (a) Sales quantity + Opening stock + Closing stock
  - (b) Sales quantity - Opening stock + Closing stock
  - (c) Sales quantity - Opening stock - Closing stock
  - (d) Sales quantity
  - (e) None of the above

[www.onlineexambhelp.com](http://www.onlineexambhelp.com)