FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT, 2013

ACCOUNTANCY & AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS			
	(PART-I MCQs)	30 MINUTES	MAXIMUM MARKS: 20
	(PART-II)	2 HOURS & 30 MINUTES	MAXIMUM MARKS: 80

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

PART-I ((MCQs) (COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Circle on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere, other than OMR Answer Sheet, shall not be considered.

1. Double Entry Book Keeping was fathered by:
(a) Luca Paioli **(b)** Yoyji Ijiri **(c)** Micheal Hammer **(d)** Ishikawa

2. Accumulated loss of a company is shown in the balance sheet as:
(a) Liability **(b)** As an asset **(c)** As foot note to balance sheet **(d)** None of these

3. Under the Companies Ordinance 1984, disclosure of financial information is legally required for listed companies under:
(a) Schedule 6 **(b)** Schedule 5 **(c)** Schedule 4 **(d)** Schedule 8

4. A company is considered sick under the Companies Ordinance 1984 where current ratio is:
(a) Below 0.5 : 1 **(b)** Below 3 : 1 **(c)** Above 2.5 : 1 **(d)** None of these

5. Banks are required to prepare their financial statements as per following legislation:
(a) Free to prepare with no legislative requirements **(b)** Under Companies Ordinance 1984
(c) Banking Ordinance 1962 **(d)** State Bank Laws

6. Preparation of financial statement of listed insurance companies in Pakistan is governed by:
(a) Insurance Act 1938 **(b)** Insurance Ordinance 2000 **(c)** Companies Act 1913 **(d)** Companies Ordinance 1984

7. Trading loss occurs when:
(a) Revenues exceed the matching relevant costs. **(b)** Revenue and matching costs are equal to each other.
(c) When relevant matching cost exceeds revenues **(d)** None of these

8. Accounting requirements governing NGOs are prescribed in:
(a) Partnership Act 1932 **(b)** Cooperative societies legislation **(c)** Companies Ordinance 1984 **(d)** None of these

9. Work sheet is equivalent to:
(a) Balance sheet **(b)** Income statement **(c)** Trial Balance **(d)** None of these

10. Work sheet does include:
(a) Fund flows statement **(b)** Cash gensation statement **(c)** Cash flow statement **(d)** None of these

11. Deffered tax is shown in the balance sheet as:
(a) Liability **(b)** Asset **(c)** An expenditure in income statement **(d)** None of these

12. The following represent tangible assets and are shown in the balance sheet as:
(a) People **(b)** Expenses **(c)** Revenue **(d)** Goodwill

13. Under the Rule of thumb a good current ratio is:
(a) 6 : 1 **(b)** 10 : 1 **(c)** .05 : 1 **(d)** 2 : 1

14. Financial analysis is a legislative requirement under:
(a) Companies Ordinance 1984 **(b)** Partnership Act 1932 **(c)** Voluntary act **(d)** None of these

15. Pakistan follows the following budgeting system at Federal level:
(a) Zero-Based Budgeting **(b)** Program Budgeting
(c) Responsibility Budgeting **(d)** Incremental / decremental budgeting

16. Preparation of budget by a company is compulsory under:
(a) No Law **(b)** Several laws **(c)** Securities & Exchange Ordinance 1969 **(d)** Companies Ordinance 1984

17. Depreciation must be accounted for:
(a) Revenues **(b)** Fixed Assets **(c)** Share Capital **(d)** None of these

18. Accelerated depreciation is allowed under:
(a) Income Tax Ordinance 2001 **(b)** Voluntary principals **(c)** Prudential Regulations **(d)** None of these

19. Partnerships are legally required to prepare their financial statements for distribution on wide basis under:
(a) Partnerships Act 1932 **(b)** Securities & Exchange Rules 2000
(c) Voluntary Act for Compliance **(d)** None of these

20. A company is considered sick if the market value compared to its par value is:
(a) 1 : 1 **(b)** 2 : 1 **(c)** 0.25 : 1 **(d)** None of these

PART-II

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the Q.Paper.
(iii) Attempt **ONLY FOUR** questions from **PART-II**, selecting **TWO** questions from EACH **SECTION. ALL questions carry EQUAL marks.**
(iv) Extra attempt of any question or any part of the attempted question will not be considered.
(v) **Use of Calculator is allowed.**

SECTION-A

Q.2. The following information is available: **(20)**

Trial Balance as at December 31, 2012.

Particulars	Debit Rs.	Credit Rs.
Capital		6400000
Drawings	1813800	
Goodwill	3618200	
Land & Buildings	2400000	
Plant & Machinery	1600000	
Loose Tools	120000	
Bills Receivable	145800	
Bills Payable		1352000
Creditors		3068840
Purchase Returns		106000
Sales		8720000
Stock, 1st Jan 2011	1677800	
Purchases	2050800	
Wages	858000	
Carriage Outward	22160	
Carriage inward	55000	
Coal & gases	234160	
Salaries	1414560	
Rent, Rates & Taxes	113000	
Discount	60520	
Cash at Bank	1016840	
Cash in Hand	18600	
Sundry Debtors	1800000	
Repairs & maintenance	74600	
Printing & Stationery	20600	
Bad Debts	48520	
Advertisements	140840	
Sales Returns	85000	
Furniture	48000	
General Expenses	210040	
	19646840	**19646840**

The following adjustments are to be made:

1. Closing Stock as on December 31, 2011 was Rs 1400000.
2. Depreciation is to be provided on the following assets:
   — Plant & Machinery 10 %
   — Loose Tools 10 %
   — Furniture 10 %
   — Land & Buildings 2.5 %
3. Provide for the following payables:
   — Wages – Rs. 60000
   — Advertisements – Rs. 20000
   — Salaries – Rs.120000
   — Repairs & Maintenance – Rs. 15000
4. Provide 5 % on the debtors against bad debts and 2 % against discounts.

Required:- Prepare Trading, Profit & Loss Account and Balance Sheet as at December 31, 2011 from the above Data.

Q.3. The following results of a company are available: **(20)**

a. Current Ratio 6 : 1
b. Quick Ratio 0.50 : 1
c. Debt Equity Ratio 90 : 10
d. Collection index 136 days
e. Time Interest Earned 08 : 1

Required:-

Offer your comments on each of the above regarding their adequacy or otherwise.

Q.4. Review salient features of Zero-based Budgeting. Who authored it? Is it relevant to conditions prevailing in Pakistan? Present your view point candidly. **(20)**

SECTION-B

Q.5. Present legal requirements governing preparation of financial statements of an Insurance Company under Insurance Ordinance, 2000. Illustrate your answer wherever your can. **(20)**

Q.6. G and D are equal partners in a business in which the books are kept by single entry. Their position on July 01, 2012 was as under: **(20)**

Liabilities	Rs.	Assets	Rs
Bills Payable	62000	Cash in Hand	2700
Sundry Creditors	200000	Cash in Bank	138800
Capital Accounts G Rs 800000	1600000	Bills Receivable	46000
Capital Accounts D Rs 800000		Sundry Debtors	486500
		Stock	338000
		Plant & Machinery	800000
		Furniture & fixture	50000
	1862000		**1862000**

The following existed as state of affairs as on June 30, 2012.

— Cash in hand Rs 4000
— Cash at bank Rs 158000
— Sundry Creditors Rs 212000
— Stock Rs 367000
— Sundry debtors Rs 668000
— Bills Payable Rs 6000
— Bills Receivable Rs 88000
— Plant & Machinery is to be depreciated at 10 %

Required:- Calculate the profit for the year ended on June 30, 2012 and draw up the statement of affairs as on that date showing the accounts of the partners in details assuming G withdrew Rs.100000 and D withdrew Rs.80000 during the year.

Q.7. Currently there is a growing interest of more and more disclosure in financial reports of corporate. **(20)**

You are required to first list and then explain the following:-

1. Rationale behind the above movement.
2. Push forces behind the above trends.
3. How for one should go for full disclosure? Where one should stop?

Q.8. Define and illustrate the following: **(20)**

a. Depreciation on Replacement cost
b. Revaluation of assets and legal provisions governing this.
c. Deferred Taxation
d. Cash generation statement.

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