



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION - 2016
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS	PART-I (MCQS)	MAXIMUM MARKS = 20
PART-I(MCQS): MAXIMUM 30 MINUTES	PART-II	MAXIMUM MARKS = 80
<p>NOTE: (i) Part-II is to be attempted on the separate Answer Book.</p> <p>(ii) Attempt ONLY FOUR questions from PART-II by selecting ATLEAST ONE question from EACH SECTION A, B, & C. ALL questions carry EQUAL marks.</p> <p>(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.</p> <p>(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.</p> <p>(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.</p> <p>(vi) Extra attempt of any question or any part of the attempted question will not be considered.</p> <p>(vii) Use of calculator is allowed.</p>		

PART-II
SECTION-A (AUDITING)

- Q. No. 2.** As an Auditor of an entity, during your interim visit you observed that Internal Control were not in use throughout the period under Audit. What are the Control Objectives you would like to consider for your purpose? **(20)**
- Q. No. 3.** What is materiality? Discuss materiality in planning and performing an Audit in relations to ISA-320. **(20)**
- Q. No. 4.** Financial Statements of a company are prepared in accordance with International Financial Reporting Standards. Being an Auditor what consideration would be taken while planning & performing Audit based on this condition? **(20)**

SECTION-B (BUSINESS TAXATION)

- Q. No. 5.** (a) What is Income from Property? What are possible deduction allowed under Income from Property, explain in detail? **(10)**
- (b) You are Manager of a Tax Consultant Firm. One of your internee is assigned to prepare an assessment report of your client. Following is the information provided by client **(10)**
- | | |
|--|----------------|
| Basis Salary | Rs. 40,000 p.m |
| (30,000-5,000-60,000), | |
| Free accommodation facility provided | |
| Cost of motor Vehicle provided for personal use only | Rs. 700,000 |
| Concessional loan @8% p.a Rs. 3000,000 whereas the benchmark rate was 10%. | |
| Medical Allowance | Rs. 50,000 |
| Flying allowance | Rs. 200,000 |
| Agricultural Income | Rs. 90,000 |
| Special allowance | Rs. 5,000 |
| Dearness Allowance | Rs. 12,000 |
- Required:** Calculate the Taxable Income & Tax Payable based on above data.
- Q. No. 6.** (a) What is Sales Tax? What procedure a person should follow to get himself registered under Sales Tax Act, 1990? What are conditions under Sales Tax Act, 1990, where registration becomes compulsory? **(10)**

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- (b) Shahid Dairy Products Ltd is registered manufacturer of Ice-Cream. Data regarding its business for the month of May-2015 is given below. . (10)
- | | |
|---|-------------|
| 1. Sales to registered persons | Rs. 300,000 |
| 2. Sales to consumer (Including tax) | Rs. 150,000 |
| 3. Sales to Non registered person | Rs. 100,000 |
| 4. Sales to school children during factory visit | Rs. 20,000 |
| 5. Sales of Dairy products to retailers | Rs. 200,000 |
| 6. Purchase of Milk & vegetables without brand name | Rs. 70,000 |
| 7. Purchase of Milk & vegetables from registered person | Rs. 50,000 |
| 8. Purchase of cream from non-registered person | Rs. 80,000 |
| 9. Ice Cream flavour imported | Rs. 30,000 |
| 10. Purchase of syrup from wholesaler (used in ice cream) | Rs. 18,000 |

Required: Compute the sales Tax liability of Shahid Dairy Products Ltd for month of May-2015 (**Note: Purchase of Milk & Ice cream at Sr. No 6 & 7 is Zero rated**)

SECTION-C (BUSINESS STUDES & FINANCE)

- Q. No. 7.** (a) Explain the Contemporary challenges posed by business now a days in Pakistan. (10)
- (b) You have just the following information about ABC Ltd, which pays tax @ 35% p.a (10)
- (i) 7000 Bonds with 8% coupon, face value of \$1000 & maturity period of 15 years, payments to be made semi-annually, currently sold at 90% of par value.
- (ii) 300,000 common shares outstanding, currently selling at \$ 60 per share having beta of 1.10.
- (iii) 20,000 outstanding shares of \$6 preferred shares, selling at \$95 per share.

Required: Work out overall cost of capital assuming 7% market risk premium and 5% risk free rate of return.

- Q. No. 8.** (a) Define & explain Business Cycle and discuss its implications in detail. (10)
- (b) Mr. Tom has \$ 50,000/- that he can deposit in any of the three saving accounts for a period of three years. Bank A compounds interest on annual basis, Bank B compounds interest on semi-annually basis and bank C compounds interest on quarterly basis. All these banks have a stated rate of 5% per annum.
- Required:**
- (1) Compute Effective Annual Rate (EAR), Mr. Tom can earn from each bank. (4)
- (2) What amount would Mr. Tom have at the end of 3rd year, leaving all interest paid on deposit (no withdrawals), from each bank? (6)