



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2024 FOR RECRUITMENT
TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-II

Roll Number

TIME ALLOWED: THREE HOURS

PART-I (MCQs) : MAXIMUM 30 MINUTES

(PART-I MCQs) MAXIMUM MARKS: 20

(PART-II) 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) There is no negative marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ☐ on the OMR Answer Sheet. (20x1=20)

(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. Minor's income is clubbed to:

- (A) Father's income (B) Mother's income
(C) Father's or mother's income, whichever is greater (D) None of these

2. From which head of income an assessee never incurs any loss?

- (A) Property (B) Salary (C) Capital gain (D) None of these

3. Commissioner of Income Tax is appointed by:

- (A) FBR (B) Ministry of finance (C) Central govt. (D) None of these

4. Capital assets include:

- (A) Shares (B) Personal effects (C) Gold deposit bonds (D) None of these

5. Highest Appellate authority in FBR is also known as:

- (A) High court (B) Appellate tribunal (C) Supreme court (D) None of these

6. Gratuity received by a govt. employee is:

- (A) Fully exempted (B) Partly exempted (C) Fully taxable (D) None of these

7. Which of the following statement is not true?

- (A) Management fraud is more difficult to detect than employee fraud
(B) Internal control system encourages the possibility of occurrence of employee fraud and management fraud
(C) The auditor's responsibility for detection and prevention of errors and frauds is critical.
(D) All of these

8. Which of the following is not a limitation of audit as per AAS-4?

- (A) Objectivity of auditor's judgment (B) Selective testing
(C) Persuasiveness of evidence (D) None of these

9. Professional skepticism requires that the auditor assume that management is:

- (A) Reasonably honest (B) Neither honest nor dishonest (C) Not necessarily honest (D) None of these

10. For which of the following, Audit is optional?

- (A) Trusts. (B) Joint stock companies. (C) Proprietorship concern. (D) None of these

11. When the markets required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:

- (A) Premium (B) Discount (C) Par (D) None of these

12. In conducting a vertical common-size analysis every balance sheet item is divided by _____ and every income statement is divided by _____.

- (A) Its corresponding base year balance sheet item; its corresponding base year income statement item
(B) Its corresponding base year income statement item; its corresponding base year balance sheet item
(C) Net sales or revenues; total assets. (D) Total assets; net sales or revenues

13. The firm of Sun and Moon purchased a share of Acme.com common stock exactly one year ago for \$45. During the past year the common stock paid an annual dividend of \$2.40. The firm sold the security today for \$85. What is the rate of return the firm has earned?

- (A) 5.3% (B) 88.9% (C) 94.2% (D) None of these

14. Market interest rates and the prices of bonds in the secondary market.

- (A) Generally move in opposite directions. (B) Generally move in the same direction.
(C) Sometimes move in the same direction, sometimes in opposite directions. (D) None of these

15. Which of the following best describes going-concern value?

- (A) The price a security "ought to have" based on all factors bearing on valuation.
(B) The amount a firm could be sold for as a continuing operating business.
(C) The amount of money that could be realized if an asset or a group of assets is sold separately from its operating organization. (D) None of these

16. The risk of material misstatement comprises:

- (A) Inherent risk (B) Control risk (C) Both (A) & (B) (D) None of these

17. Heads of income under the income tax ordinance 2001 are:

- (A) Six (B) Five (C) Four (D) None of these

ACCOUNTANCY AND AUDITING, PAPER-II

18. Mr. Ahmed has a taxable income of PKR 1,200,000. If the exemption limit is PKR 600,000, what is the taxable amount, and how much tax does he owe at a rate of 25% _____?
- (A) Taxable amount: PKR 1,200,000; Tax: PKR 150,000 (B) Taxable amount: PKR 1,200,000; Tax: PKR 300,000
(C) Taxable amount: PKR 600,000; Tax: PKR 150,000 (D) None of these
19. Which of the following set of ratios relates the market price of the firm's common stock to selected financial statement items?
- (A) Liquidity Ratios (B) Leverage Ratios (C) Market Value Ratios (D) None of these
20. The DuPont Approach breaks down the earning power on shareholders' book value (ROE) as follows: ROE = _____.
- (A) Net profit margin × Total asset turnover × Equity multiplier
(B) Total asset turnover × Gross profit margin × Debt ratio
(C) Total asset turnover × Net profit margin (D) None of these

PART – II

NOTE: (i) Part-II is to be attempted on the separate Answer Book.
(ii) Attempt ONLY FOUR questions from PART-II by selecting at least ONE question from EACH SECTION. ALL questions carry EQUAL marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) Use of Calculator is allowed.

SECTION – I (AUDITING)

- Q. 2. What is meant by CAATs? Highlight benefits and procedures pertaining to usage of CAATs for financial statement audits of firms. (20)
- Q. 3. Identify differences between vouching and verification. What are the points to be considered by an auditor during verification? (20)
- Q. 4. What are the basic principles, which govern the auditor's professional responsibilities, and which should be complied with whenever an audit is carried out, as per AAS-1 (20)

SECTION – II (BUSINESS TAXATION)

- Q. 5. Discuss the legal provisions regarding exemption of following under Income Tax Ordinance 2001. (5 each) (20)
- (a) Pension
(b) Profit on debt
(c) Medical charges
(d) Agricultural Income
- Q. 6. For the purposes of this question you should assume that today's date is 15 June 2018. Naseer is 63 years old and is resident in Pakistan. He files his tax returns regularly. During the tax year 2018, he earned the following income:
- (1) Salary income of Rs. 750,000 from his employment on a contract basis. From this amount, tax of Rs.14,500 was deducted at source.
(2) Net income of Rs. 200,000 from a solitary trading transaction.
(3) Gross dividend income of Rs. 450,000 from a company engaged in the production of sugar. Tax was deducted at source from this amount at the prescribed rate.
In addition to the above, Naseer's son, who is a taxpayer in Pakistan, gave Naseer a cash gift of Rs. 400,000 through a prescribed banking channel.
- Required:**
- (a) Compute Naseer's tax liability for the tax year 2018, giving reasons for any reduction of tax liability on account of his age. (10)
- (b) Explain, by giving reasons, why the gift received by Naseer from his son is not taxable. (10)

SECTION – III (BUSINESS STUDIES AND FINANCE)

- Q. 7.** What are different forms of business entities? Highlight different features of a Corporation and its advantages over other organizational forms. **(20)**
- Q. 8.** Carbide Chemical Company is considering the replacement of two old machines with a new, more efficient machine. It has determined that the relevant after-tax incremental operating cash flows of this replacement proposal are as follows: **(20)**

END OF YEAR

0	–Rs.404,424
1	Rs.86,890
2	Rs.106,474
3	Rs. 91,612
4	Rs. 84,801
5	Rs. 84,801
6	Rs. 75,400
7	Rs. 66,000
8	Rs. 92,400

What is the project's net present value if the required rate of return is 14 percent? Is the project acceptable?
