



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2020
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY & AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS	PART-I (MCQS)	MAXIMUM MARKS = 20
PART-I(MCQS): MAXIMUM 30 MINUTES	PART-II	MAXIMUM MARKS = 80

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.**

PART – II
SECTION – I (AUDITING)

- Q. 2.** Why computerized audit is required in the presence of manual audit? Elaborate the computerized auditing by application of Computer Assisted Audit Techniques (CAAT). (20)
- Q. 3.** Define audit and auditing. Comment on the auditor's (dependence) consideration of "reasonable assurance" and "True & Fair view" for the financial audit of a corporate entity. (20)
- Q. 4.** Write notes on any TWO of the followings: (10 marks each) (20)
(a) Audit materiality
(b) Misstatement and Fraud
(c) Test of Control and Substantive Procedures

SECTION – II (BUSINESS TAXATION)

- Q. 5.** Elaborate the following fundamental definitions/terminologies as defined under Section 2 of the Income Tax Ordinance 2001. (20)
(a) Heads of Income [Section 11]
(b) Tax Credits [Section 61 to 65]
(c) Capital Gains [Section 37 to 38]
- Q. 6.** ABC (Pvt) Limited has earned income from business amounting to Rs. 75056000 during the tax year 2019. It also has a plaza situated in Faisalabad. The rent receivable from plaza amounts Rs. 47543000. Moreover, Company claims the following deductions (in Rs.): (20)
- | | |
|---|---------|
| 1. Property repair expenses | 4324200 |
| 2. Lawyer fee to defend the title of property | 6050000 |
| 3. Insurance premium of the property | 1477500 |
| 4. Property tax paid | 5422300 |
| 5. Tax with held by the tenants @17.5% | 8320025 |
| 6. Rental income paid to HBFC | 3600000 |
| 7. Administrative and collection charges | 2900000 |

Required: Calculate Total income and the Tax payable by the Company for the tax year 2019. The company is a Non-filer.

SECTION – III (BUSINESS STUDIES AND FINANCE)

- Q. 7.** How many legal forms of Business Entity exist in Pakistan? Explain the features of Joint Stock Company and its procedure of formation (stages for formation of a Joint Stock Company-both Public limited and Private Limited companies). (20)
- Q. 8.** XYZ Co. has Rs. 400 million in outstanding debt and Rs. 100 million in preferred stock. Its total value is Rs. 800 million. Its cost of debt (rd) is 8%, its cost of preferred stock is (rps) 9%, and its cost of common stock (rcs) is 12%. The firm has recently had numerous depreciation tax shields as well as low earnings. Consequently, it does not pay taxes. (20)

What is its Weighted Average Cost of Capital (WACC) assuming it will continue to not pay taxes?