



**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION-2022**  
**FOR RECRUITMENT TO POSTS IN BS-17**  
**UNDER THE FEDERAL GOVERNMENT**

Roll Number

**ACCOUNTANCY & AUDITING, PAPER-II**

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

**PART – II**

**SECTION – I (AUDITING)**

- Q. 2.** Define audit planning. What factors should be considered by an auditor in developing an audit plan. (20)
- Q. 3.** (a) Define an audit program. Give its advantages and disadvantages. (10)  
 (b) What are the purposes/benefits of conducting audit through a fixed audit program? (10) (20)
- Q. 4.** (a) Define 'Fraud' as applied to accounting. What are different types of frauds? (10)  
 (b) How will you detect and prevent the frauds related with embezzlement of cash? (10) (20)

**SECTION – II (BUSINESS TAXATION)**

- Q. 5.** ABC is a private limited company. The company manufactures and supplies consumer goods. ABC sells its product through various distributors in Karachi, Lahore and Islamabad. The following is the profit and loss account of ABC for the year ended on June 30, 2021: (20)

	Rs."000"		Rs."000"
Sundry expenses	2,240	Gross Profit	235,200
Office salaries	29,120	Interest on bank deposit	300
Rent, rates & taxes	8,960	Recovered bad debts (Allowed in the past)	448
Legal charges	2,016	Dividend	672
Finance charges on leased assets	350		
Advertisement	5,600		
Auditor's fees	6,720		
Cost of issue of debentures	5,600		
Loss on sales of furniture	2,240		
Provident fund contribution	7,840		
Bad debts	4,480		
Vehicle expenses	8,960		
Fire insurance premium	7,840		
Preliminary expenses	1,008		
Provision for taxes	10,080		
Provision for bad debts	4,480		
Liquidated damages	3,360		
Depreciation	44,800		
Net Profit	80,926		
<b>Total</b>	<b>236,620</b>	<b>Total</b>	<b>236,620</b>

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

- a) Sundry expenses include donation of Rs. 502,000 paid to an unrecognized charitable institution.
- b) Office salaries include Rs.6,000,000 paid to one of the directors.
- c) Provident Fund is recognized by the Income Tax Department.
- d) Vehicle expenses are not vouched and verifiable to the extent of Rs.1,881,000.
- e) Actual depreciation works out to Rs.32,650,000 only.
- f) Lease rental for the year are Rs.1,750,000.

**Required:** Calculate the taxable income and tax liability of the company for the tax year 2021 from the above data.

- Q. 6.** Discuss ten allowable deductions under the head of “income from business” under section 20 of Income Tax Ordinance 2001. (20)

**SECTION – III (BUSINESS STUDIES AND FINANCE)**

- Q. 7.** (a) What is the purpose of financial markets? How can this purpose be accomplished efficiently? (10)
- (b) Discuss the functions of financial intermediaries. (10) (20)
- Q. 8.** Why do bonds with long maturities fluctuate more in price than do bonds with short maturities, given the same change in yield to maturity? (20)

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