



**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION-2019**  
**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>

**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.** Explain shortly all audit assertions related to class of transactions (revenue and expenses), account balances (assets/liabilities/equities), and presentation & disclosure. (20)
- Q. 3.** Define and explain different types of audit risks. How these risks are used to manage the audit assignment. (20)
- Q. 4.** What are Computer Assisted Audit Techniques (CAATs) that can be used in e-commerce environment. (20)

**SECTION – II (BUSINESS TAXATION)**

- Q. 5.** (a) Explain the concept of input tax, output tax, zero rated supply, exempt supply and input tax credit. (10)
- (b) From the following data, calculate the tax payable by Mr. Aslam for the year ended 30<sup>th</sup> June 2018: (10) (20)
- (i) Salary Rs. 19,500 pm.
  - (ii) Special pay Rs. 3,000 p.m
  - (iii) Bonus for the year Rs. 38,000.
  - (iv) Conveyance allowance Rs. 1,500 p.m
  - (v) Free accommodation provided by the employer. He was entitled to a house allowance of Rs. 72,000.
  - (vi) Medical expenses reimbursed by his employer under the contract of employment Rs. 24,000.
  - (vii) Zakat paid under Zakat Ordinance during the year Rs. 11,300.
  - (viii) Donation to approved charitable institutions under section 61 Rs. 15,000.
  - (ix) Legal expenses during the year Rs. 6,000.
  - (x) Amount paid for approved pension scheme during the year Rs. 90,000.
  - (xi) Shares of listed companies purchased Rs. 6,000.
- Q. 6.** (a) What deductions are not allowed to be deducted before arriving at the taxable profits of a business? (10)

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- (b) Mr. Mohammad Adil received the following emoluments during the year ended 30<sup>th</sup> June 2018. (10) (20)
- |       |   |                |
|-------|---|----------------|
| (i)   | Basic Salary (Scale 55,000-5,000-70,000)  | Rs.60,000 P.M. |
| (ii)  | House rent allowance                      | 25,000 P.M     |
| (iii) | Utilities allowance                       | 14,250 P.M     |
| (iv)  | Medical allowance                         | 10,000 P.M.    |
| (v)   | Agricultural income                       | 130,000 P.M.   |
| (vi)  | Payment of Loan installment on 30.06.2018 | 1,00,000       |
- He claims the following deductions:
- |      |                      |          |
|------|----------------------|----------|
| (i)  | Zakat paid           | 67,428   |
| (ii) | Investment in shares | 2,25,000 |

### **Notes**

- (i) Mr. Mohammad Adil received an interest free loan of Rs. 12,00,000 from his employer on 01.07.2017.
- (ii) His employer has provided him a new car to be used for personal and official purposes. The car costs the employer Rs. 15,00,000.

**Required.** Calculate the tax payable by Mr. Mohammad Adil.

## SECTION – III (BUSINESS STUDIES AND FINANCE)

- Q. 7. (a) Explain Yield To Maturity (YTM), its calculation, and the procedure used to value bonds that pay interest semiannually. (8)
- (b) Joan Messineo borrowed \$15,000 at a 14% annual rate of interest to be repaid over 3 years. The loan is amortized into three equal, annual, end-of-year payments. (12) (20)
- (i) Calculate the annual, end-of-year loan payment.
- (ii) Prepare a loan amortization schedule showing the interest and principal breakdown of each of the three loan payments.
- (iii) Explain why the interest portion of each payment declines with the passage of time.
- Q. 8. (a) Explain the relationships among financial decisions, return, risk and the firm's value. (10)
- (b) Nicholson Roofing Materials, Inc., is considering two mutually exclusive projects, each with an initial investment of \$150,000. (10) (20)
- The company's board of directors has set a maximum 4-year payback requirement and has set its cost of capital at 9%. The cash inflows associated with the two projects are shown in the following table:

Cash inflows (CF <sub>t</sub> )		
Year	Project A	Project B
1	\$45,000	\$75,000
2	45,000	60,000
3	45,000	30,000
4	45,000	30,000
5	45,000	30,000
6	45,000	30,000

- (i) Calculate the payback period for each project.
- (ii) Calculate the NPV of each project at 10%
- (iii) Calculate the NPV of each project at 9%.
- (iv) Derive the IRR of each project.
- (v) Rank the projects by each of the techniques used. Make and justify a recommendation.