



**FEDERAL PUBLIC SERVICE COMMISSION  
COMPETITIVE EXAMINATION-2018  
FOR RECRUITMENT TO POSTS IN BS-17  
UNDER THE FEDERAL GOVERNMENT  
ACCOUNTANCY AND AUDITING, PAPER-II**

Roll Number

<b>TIME ALLOWED: THREE HOURS</b> <b>PART-I(MCQS): MAXIMUM 30 MINUTES</b>	<b>PART-I (MCQS)</b> <b>PART-II</b>	<b>MAXIMUM MARKS = 20</b> <b>MAXIMUM MARKS = 80</b>
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- 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) Candidate must 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 attempted question will not be considered.  
(vii) **Use of Calculator is allowed.**

**PART – II**  
**SECTION – A (AUDITING)**

- Q. No. 2.** How an internal control system helps the management in conduct of their business affairs? Explain the difference among internal check, internal audit and internal control. (20)
- Q. No. 3.** ABC Company is an audit and assurance firm, which has recently accepted the audit of XYZ. Explain the purpose of auditing financial statement of XYZ and the three elements of audit risk faced by the company. (20)
- Q. No. 4.** Due to the inherent limitations of audit, auditors are only able to offer 'reasonable assurance' over the truth and fairness of the financial statements rather than absolute assurance. Keeping in view the above statement, explain the limitation of audit of financial statement. (20)

**SECTION – B (BUSINESS TAXATION)**

- Q. No. 5.** (A) Explain the law regarding the definition of business and taxability of business income along with the relevant examples under section (18) of Income Tax Ordinance 2001. (10)  
(B) Mr. Atif is working as Chief accountant of a multi-national company. He received the following income during the tax year 2017. He is a non-filer. (10) (20)

Basic Salary	Rs. 12,00,000
Bonus	300,000
House Allowance	500,000
Conveyance Allowance	200,000
Utilities Allowance	100,000
Zakat Paid	180,000
Capital gain on sale of securities (holding period more than 12 months but less than 24 months)	70,000
Agricultural Income	400,000

**Required:** Calculate his tax payable.

- Q. No. 6.** (A) What is the scope of sales tax? What is the procedure for transfer of registration and deregistration under Sales Tax Act, 1990? (10)  
(B) Mr Abdul Packages Ltd is a registered manufacturer of candies. Data regarding his business is given below: (10) (20)

Taxable turnover to registered person	Rs. 5,000,000
Taxable turnover to non-registered person	18,000
Sales to retailers	50,000
Exempted sales	60,000
Supplies to DTRE registered person	25,000
Zero rated supply	70,000
Supplies donated	150,000
Taxable purchases from registered person	200,000
Taxable purchases from non-registered person	90,000
Taxable Purchases from wholesaler	60,000
Imported raw material specified in SRO 644(1) 2016	100,000
Sales tax paid on PTCL dues	9,000
Sales tax paid on electricity bill	3,000

**Required:** Calculate the sales tax liability for July 2016

## ACCOUNTANCY AND AUDITING, PAPER-II

### SECTION-C (BUSINESS STUDIES AND FINANCE)

- Q. No. 7.** (A) Information technology is perceived as an important source of future economic prosperity and employment growth. Explain the role of information technology in business organisation in Pakistan's scenario. (10)
- (B) You have been hired as a financial advisor to Raheel Abbas. He has received two offers for playing professional basketball and wants to select the best offer, based on considerations of money only. Offer A is a Rs.10m (offer for Rs.2m a year for 5 years). Offer B is a Rs.11m (offer of Rs.1m a year for four years and Rs.7m in year 5). **Required:** Calculate the present value of each contract by assuming a range of interest rate (8% - 14%). What is your advice regarding the contracts. (10) (20)
- Q. No. 8.** (A) Define financial markets and explain the features and classification of financial markets. (10)
- (B) ABC Company is considering a new product line to supplement its range line. It is anticipated that the new product line will involve cash investment of Rs.700,000 at time 0 and Rs. 1.0 million in year 1. After tax cash inflows of Rs. 250,000 are expected in year 2, Rs 300,000 in year 3, Rs. 350,000 in year 4, and Rs. 400,000 each year thereafter through year 10. Through the product line might be viable after year 10, Company prefers to be conservative and end all calculations at that time. **Required:** (a) if the required rate of return is 15% what is the net present value of the project. Is it acceptable? (10) (20)
- (b) What is its internal rate of return?
- (c) What would be the case if the required rate of return was 10%?

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