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# CSS Past Papers

**Subject: Accountancy &  
Auditing**

**Year: 2023**

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**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION-2023**  
**FOR RECRUITMENT TO POSTS IN BS-17**  
**UNDER THE FEDERAL GOVERNMENT**  
**ACCOUNTANCY AND AUDITING, PAPER-I**

Roll Number

**TIME ALLOWED: THREE HOURS**  
**PART-I(MCQS): MAXIMUM 30 MINUTES**

**PART-I (MCQS)**  
**PART-II**

**MAXIMUM MARKS = 20**  
**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 **TWO** questions 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**

- Q. 2.** (A) What are the Accounting Principles? Define any four accounting principles shortly. (5)  
(B) What are the Accounting Conventions? Define any four accounting conventions shortly. (5)  
(C) The below mentioned balances are extracted from the books of Emerging Technologies Pvt. Ltd. as on 31<sup>st</sup> August 2022.

Head of Account	Amount
Sundry expenses	166,000
Opening Stock	400,000
Premises	3,775,000
Furniture	1,350,000
Machinery	2,600,000
Drawings	250,000
Purchases	6,455,000
Sales	12,262,000
Discount received	47,000
Discount allowed	54,000
Carriage outward	18,000
Returns inward	122,000
Return outwards	28,000
Closing Stock	372,500
Wages and salaries	1,750,000
Cash in hand	940,000
Rent, rates and taxes	137,000
Rent received in advance	53,000
Bills receivables	192,000
Trade creditors	2,076,000
Book debts	3,150,000
Bills payable	130,000
Bank loan	580,000
Capital	6,200,000
Carriage inward	17,000

**Required:** Prepare a Trial Balance as on that date in a proper format.

(10) (20)

- Q. 3.** Deluxe Software Private Limited closes its books on 31<sup>st</sup> December every year. You are provided with the following data:

Shareholders Equity	(Rs.'000')	
	2021	2020
Opening	700	600
Profit after tax	<u>220</u>	<u>200</u>
	920	800
Dividend	<u>(100)</u>	<u>(100)</u>
Closing	820	700
<b>Other data</b>		
Number of Shares (in '000s)	60	60

## ACCOUNTANCY AND AUDITING, PAPER-I

### **Required:**

- (a) On the basis of above data, compute the following for the year 2020 and 2021 (5)
- Earnings per share (EPS)
  - Return on closing equity (ROE)
  - Book value per share (BV) (5)
- (b) Compute dividend per share and rate of dividend for the year 2022. (5)
- (c) For the year ending 31st December 2022 the management decided to aim for EPS Rs.4.00 (9% higher than for the year 2021) and return on closing equity of 25%. Compute the estimated book value as at 31st December 2022 assuming that management targets are achieved. Also compute estimated figures for Profit after Tax, Dividend and Equity. (10) (20)

- Q. 4. (A)** Post-closing Trial Balance of Premium Fabrics Private Limited for the year ended December 31, 2021 and 2022 are as follows:

	2022	2021
<b><u>Equities and Liabilities</u></b>		
Issued and paid-up capital	5,000,000	5,000,000
Short-term running finance	3,000,000	800,000
Unappropriate profit	400,000	300,000
Trade Creditors	3,000,000	1,000,000
<b>Accumulated Depreciation:</b>		
Plant and Machinery	900,000	600,000
Motor Vehicle	420,000	280,000
	<b><u>12,720,000</u></b>	<b><u>7,980,000</u></b>
<b><u>Assets</u></b>		
Land and Building	2,500,000	1,500,000
Plant and Machinery	3,000,000	2,500,000
Motor vehicles	620,000	580,000
Stock in Hand	3,600,000	1,100,000
Trade debtors	3,000,000	2,300,000
	<b><u>12,720,000</u></b>	<b><u>7,980,000</u></b>

Additional data:

- During the year 2022, a dividend @ 10% was distributed to the shareholders. The paid-up value of each share is Rs. 10/-
- A Motor vehicle, having original cost of Rs. 100,000 and depreciated book value of Rs. 60,000 was sold for Rs. 80,000.
- Gross funds generated from operations during the year was Rs. 1,060,000.

**Required:** prepare a cash flow statement of Premium Fabrics as per IAS-7 for the year 2022.

- (B) Mr. Haider started a business on March 1<sup>st</sup> 2022 with a capital of Rs. 645,000. His newly appointed bookkeeper records transaction on simple papers. His cash book page shows following transactions for the year. (10)

Particulars	Amount	Particulars	Amount
Expenses Paid	27,500	Sales on cash	322,000
Receipts from debtors	241,000	Drawings of Mr. Haider	25,500
Purchase of Motorbike	92,000	Payments to creditors	322,000
Purchases on cash	148,000		

On December 31<sup>st</sup> 2022 value of closing stock is 46,000. The payables and receivables are Rs.125,000 and Rs. 80,000 respectively. Useful life of motorbike is 8 years and salvage value will be 32000. Bookkeeper decided to use the straight-line method of depreciation for the whole useful life of motorbike.

**Required:** Prepare Trading and Profit and Loss account and Balance Sheet as on 31<sup>st</sup> December 2022. (10) (20)

## SECTION – II

- Q. 5. (A)** Eagle Star is a manufacturing company. The Company uses Rowan Premium bonus scheme for its workers payroll. Workers are also entitled to dearness allowance of Rs. 2,400 per week of 48 hours. Mr. Afzal is one of the workers of that company. His basic wage rate is 1,200 per day of 8 hours. His time sheet for the week is as under:

Job Name	Time Allowed	Time Taken
Crafting	25 hours	20 hours
Assembling	30 hours	20 hours
Idle time (Waiting)	----	8 hours

**Required:** Calculate gross wage of Mr. Afzal for the week. (10)

## ACCOUNTANCY AND AUDITING, PAPER-I

(B) An Automobile factory will use 500,000 tyres for its production in coming year. The incremental cost of placing an order is Rs. 8,000. The cost of storing a tyre for whole year is Rs. 2000. Lead time on an order is 5 days and the company wishes to keep reserve supply of two days usage. Usage per day will be constant in whole work year. Company work year consists of 250 days.

**Required:** Calculate Economic Order Quantity and Reorder point.

(10) (20)

Q. 6. (A) A manufacturing company of Lahore submits the following information for the year ending 31st December 2022:

Particulars	Amount	Particulars	Amount
Sales	4,500,000	Raw Material 1 <sup>st</sup> January	150,000
Purchases	2,020,000	Finished Goods 1 <sup>st</sup> January	700,000
Tools Expenses	45,000	Indirect Labour	50,000
Depreciation of Plant	45,000	Power, Heat & Light	30,000
Work in process 1 <sup>st</sup> January	300,000	Finished Goods 31 <sup>st</sup> December	605,000
Purchase Retunes	20,000	Depreciation of machinery	60,000
Fire Insurance	8,000	Raw Material 31 <sup>st</sup> December	290,000
Direct Labour	590,000	Work in Process 31 <sup>st</sup> December	250,000
Misc. Manufacturing Costs	9,000	Indirect Material Consumed	50,000
Selling Expenses	5% of sales	Administrative Expenses	2% of sales

**Required:** Prepare an Income Statement for the year ended 31st December 2022

(10)

(B) Khizra manufacturing corporation has fixed cost for the year ended 31st December 2022 is Rs. 400,000. Variable cost per unit is Rs. 20. Each Unit sells at Rs. 100.

**Required:**

- Break Even point (both in units and value) (2)
  - If turnover for the next year is Rs. 800,000, calculate the estimated contribution and profit, assuming the cost and selling price remain the same (4)
  - A profit target of Rs. 400,000 has been desired for the next year. (4)
- Calculate the turnover required to achieve the desired result. (10) (20)

Q. 7. The Balance Sheet of Fazal Din & Co. as on 31st December 2021 was as follows:

### BALANCE SHEET

Liabilities & Capital	Amount	Assets	Amount
Current Liabilities	Rs. 17,500	Cash	Rs. 5,000
<u>Paid-up-Capital</u>		Accounts Receivable	Rs. 10,000
3,000 ordinary shares of Rs. 10 each	Rs. 30,000	Materials	Rs. 4,000
Retained Earnings	Rs. 10,000	Work in Process	Rs. 2,000
		Finished Goods	Rs. 6,000
		Prepaid expenses	Rs. 500
		Fixed Assets(net)	Rs. 30,000
	<u>Rs. 57,500</u>		<u>Rs. 57,500</u>

During the year 2022 the retained earnings increase 50% as a result of good business. No dividend was paid during the year. Balances of Accounts receivables, prepaid expenses, current liabilities and paid-up capital were the same as 31<sup>st</sup> December 2022 as they had been on 31<sup>st</sup> December 2021, Inventories were reduced as follows:

Material	50%
Work in process	50%
Finished goods	33-1/3%

Fixed Assets were reduced by depreciation of Rs. 4,000 charged 3/4<sup>th</sup> to factory overhead and 1/4<sup>th</sup> to administrative expenses. Sales were made of Rs. 60,000 on account of finished goods costing Rs. 40,000. Direct labor cost was Rs. 9,000. Factory overhead was applied at the rate of 100% of direct labor cost, leaving Rs. 2,000 under applied which was closed to cost of goods sold account. Total marketing and administrative expenses amounting to 10% and 15% respectively of the gross sales.

**Required:**

- An Income statement for 2022, along with the details of Cost of goods manufactured and sold (10)
- A balance Sheet as on 31st December 2022. (10) (20)

**ACCOUNTANCY AND AUDITING, PAPER-I**

**Q. 8.** A chemical factory manufactures three kinds of chemicals namely Eucalyptus oil, Hexachlorobenzen and Toxaphene. In the last week of December 2022, the records were:

<b>Labor Grade</b>	<b>No of Employees</b>	<b>Rate per hour (Rs.)</b>	<b>Hours Worked by each employee</b>
I	12	40	40
II	36	32	42
III	8	28	40
IV	2	16	44

Output and standard times during the same week were as follows:

<b>Components</b>	<b>Output (In Units)</b>	<b>Standard Minutes for each unit</b>
Eucalyptus oil	888	30
Hexachlorobenzen	1800	54
Toxaphene	960	66

Normal working hours per week are 38. Overtime is paid at the premium of 50 % of the normal hour rate.

**Group Incentive Scheme:**

A group incentive scheme is in operation. The time saved is expressed as a percentage of hours worked and is shared between the group as a proportion of the hours worked by each grade. The incentive rate is 75% of the normal hour rate.

**Required:** Prepare the payroll for the last week of December 2022 showing the basic pay, overtime and incentive amount as separate totals for each grade of labor. **(20)**

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**ACCOUNTANCY & AUDITING, PAPER-II**

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

- Q. 2.** Define professional skepticism and explain its key characteristics. Why should auditors act as though there is always a potential conflict of interest between the auditor and the management of the enterprise under audit? **(20)**
- Q. 3.** What are CAATs? What are some audit procedures that can be performed using CAATs? What advantages are derived from using CAATs in the financial statement audit? **(20)**
- Q. 4.** Define and explain the differences among several kinds of employee frauds that might occur at an audit client. **(20)**

**SECTION – II (BUSINESS TAXATION)**

- Q. 5. a.** Zia inherited certain assets from his father in the year 20x1. The fair market values of the assets on the date of inheritance were as follows:

	Rs.
25,000 shares of a private limited company	25,00,000
21,000 shares of public listed company	4,62,000
Membership card of Pakistan Stock Exchange	20,000,000
Jewelry	15,00,000

During the tax year 20x5, Zia undertook the following transactions:

- 1) He gifted some of the assets to his 20-year old son Ishaq. The detail and fair market values of the assets are as follows:
- |  | Rs.        |
|--|------------|
| -----10,000 shares of a private limited company  | 2,000,000  |
| -----10,000 shares of a public limited company   | 1,700,000  |
| ----- Membership card of Pakistan Stock Exchange | 40,000,000 |
- 2) The remaining shares were sold as follows:
- |   | Rs.       |
|---|-----------|
| ----- shares of a private limited company | 3,000,000 |
| ----- shares of a public limited company  | 1,500,000 |

Ishaq sold all the assets transferred through gift in the same year. The assets fetched the following amounts:

	Rs.
-----10,000 shares of a private limited company	2,500,000
-----10,000 shares of a public limited company	1,500,000
----- Membership card of Pakistan Stock Exchange	55,000,000

**Required:**

- (i) Based upon the above information, compute the taxable income of Zia and Ishaq for the tax year 20x5 **(10)**
- (ii) Give a brief explanation for the items not included in the taxable income. **(10)** **(20)**

## **ACCOUNTANCY & AUDITING, PAPER-II**

**Q. 6.** Explain the correct tax treatment in each of the following situations: **(20)**

1. Mr. Hamza made a total contribution of Rs. 150,000 as a donation to the approved institution mentioned in the 13<sup>th</sup> schedule. His total income from a business during the tax year 2023 is Rs. 1,800,000.
2. Nine years ago, Masood inherited a rare sculpture of Buddha which had a fair market value of Rs. 200,000 on the date of inheritance. In August 2022, the sculpture was sold by him at Rs. 500,000.
3. In June 2022, Imran entered into an agreement for the sale of the residential plot to Ibrahim, who paid an advance of Rs. 500,000. According to the agreement, Ibrahim was required to pay the balance by August 31, 2022. However, instead of paying the balance amount, he terminated the sale agreement. Imran forfeited the advance of Rs. 500,000 in accordance with the terms of the agreement.
4. In September 2022, Adnan sold his personal car, Toyota Corolla, to one of his cousins at the price of Rs. 500,000 whereas the fair market value of the car was Rs. 20,00,000. The car was purchased by him six years ago at of cost of Rs. 10,00,000.
5. Imran was working as a Chief Financial Officer in Dawood Pakistan (Pvt) Limited, which is a wholly owned subsidiary of Dawood AG, Germany. According to the Company's policy, Imran was sent on secondment to Germany on January 1, 2022, for a period of five years. During this period, half of his salary will be credited to his bank account in Pakistan, whereas the remaining portion will be received by him in Germany.
6. Maqsood provided consultancy services to a listed company. In consideration for his services, he received a net amount of Rs. 45,000 after a tax deduction of Rs. 5,000.

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

**Q. 7.** Fitch Industries is in the process of choosing the better of two equal-risk, mutually exclusive capital expenditure projects, M and N. The relevant cash flows for each project are shown in the following table. The firm's cost of capital is 9%. **(20)**

	<u>Project M</u>	<u>Project N</u>
Initial investment-Cash Outflow	-\$40,000	-\$40,000
Year (t)	Cash inflows	Cash inflows
1	\$14,000	\$23,000
2	14,000	12,000
3	14,000	10,000
4	14,000	9,000

- i. Calculate each project's payback period.
- ii. Calculate the net present value (NPV) for each project.
- iii. Calculate the internal rate of return (IRR) for each project.
- iv. Summarize the preferences dictated by each measure you calculated, and indicate which project you would recommend. Explain why?

**Q. 8.** How have globalization and information technology created new opportunities for entrepreneurs? How does an aging population create opportunities for entrepreneurs? Describe current demographic trends that suggest new goods and services for entrepreneurial businesses. **(20)**

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