



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2025 FOR RECRUITMENT
TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-II

Roll Number

TIME ALLOWED: THREE HOURS

PART-I (MCQs) : MAXIMUM 30 MINUTES

(PART-I MCQs) MAXIMUM MARKS: 20

(PART-II) MAXIMUM MARKS: 80

NOTE: (i) First attempt PART-I (MCQs) on separate OMR Answer Sheet which shall be taken back after 30 minutes.

(ii) Overwriting/cutting of the options/answers will not be given credit.

(iii) There is no negative marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ☐ on the OMR Answer Sheet. (20x1=20)
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. _____ is a systematic examination of the books and records of a business.
(A) Auditing (B) Vouching (C) Verification (D) Checking
2. An auditor is like a:
(A) Blood hound (B) Watch dog (C) May both (A) & (B) according to situation (D) None of these
3. The fundamental objective of the audit of a company is to:
(A) Protect the interests of the minority shareholders (B) Detect and prevent errors and fraud
(C) Assess the effectiveness of the company's performance (D) Attest to the credibility of the company's accounts
4. Internal check is carried on by:
(A) Staff specially appointed for the purpose (B) Internal auditor
(C) Supervisor of the staff (D) Members of the staff
5. When issuing unqualified opinion, the auditor who evaluates the audit findings should be satisfied that the:
(A) Amount of known misstatement is documented in working papers
(B) Estimates of the total likely misstatement is less than materiality level
(C) Estimates of the total likely misstatement is more than materiality level
(D) Estimates of the total likely misstatement cannot be made
6. An auditor should not accept a loan on favourable commercial terms from an audit client because of the threat to his or her independence. The threat would be a:
(A) Self-interest threat (B) Self-review threat (C) Advocacy threat (D) Familiarity threat
7. Which of the following statements is, generally, correct about the reliability of audit evidence?
(A) To be reliable, evidence should conclusive rather than persuasive
(B) Effective internal control system provides reliable audit evidence
(C) Evidence obtained from outside sources routed through the client (D) All of these
8. The authority to remove the first auditor before the expiry of term is with:
(A) The shareholders in a general meeting (B) The shareholders in the first annual general meeting
(C) The Board of Directors (D) The Central Government
9. A progressive tax system is one where?
(A) Marginal tax rates are high
(B) Higher income taxpayers pay more taxes than do lower income taxpayers.
(C) Marginal tax rates are low.
(D) Higher income taxpayers pay a greater percentage of their income in taxes than do lower income taxpayers.
10. If a tax on a good is doubled, the deadweight loss from the tax:
(A) Doubles (B) Stays the same (C) Increase by a factor of four. (D) Could rise or fall
11. When tax on a good start small and is gradually increased, tax revenue:
(A) Will fall (B) Will rise (C) Will first rise and then fall (D) Will first fall and then rise
12. In normal circumstance, taxes are charged on:
(A) Gross Receipt (B) Total Income (C) Taxable Income (D) Gross Income
13. Which of the following is the main tool of Fiscal Policy?
(A) Deficit Financing (B) Subsidies (C) Transfer Payments (D) Taxes
14. Taxes are important instrument of which of the following policy?
(A) Monetary Policy (B) Fiscal Policy (C) Trade Policy (D) Economic Policy
15. Which of the following enjoys limited liability?
(A) A general partnership. (B) A corporation. (C) A sole proprietorship. (D) None of these
16. A project's profitability index is equal to the ratio of a project's future cash flows to the project's:
(A) Present value; initial cash outlay (B) Net present value; initial cash outlay
(C) Present value; depreciable basis (D) Net present value; depreciable basis
17. The discount rate at which two projects have identical _____ is referred to as Fisher's rate of intersection.
(A) Present values (B) Net present values (C) IRRs (D) Profitability indexes
18. You are considering investing in a zero-coupon bond that sells for \$250. At maturity in 16 years, it will be redeemed for \$1,000. What approximate annual rate of growth does this represent?
(A) 8 percent. (B) 9 percent. (C) 12 percent. (D) 25 percent

19. When the market's required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:
 (A) A premium (B) A discount (C) Cannot be determined without more information (D) Face value
20. The trade terms "2/15, net 30" indicates that:
 (A) A 2% discount is offered if payment is made within 15 days.
 (B) A 15% discount is offered if payment is made within 30 days.
 (C) A 2% discount is offered if payment is made within 30 days.
 (D) A 30% discount is offered if payment is made within 15 days.

PART – II

- 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.**

SECTION – I (AUDITING)

- Q. 2. What are the different types of financial audit? Discuss the situations where each type of audit is applicable. (20)
- Q. 3. What are the audit working papers? Why should these be carefully preserved by the auditor? (20)
- Q. 4. Differentiate between the following audit terms: (5 each) (20)
- Internal audit and external audit
 - Vouching and Verification
 - Qualified audit report and Unqualified audit report
 - Disclaimer of opinion and Adverse opinion

SECTION – II (BUSINESS TAXATION)

- Q. 5. Mr. Usman Kabir is a registered manufacturer. From the following data, compute the sales tax payable for august 2021 (20)
- | | |
|--|-----------|
| 1. Taxable supplies at 15% discount (discount is not the normal practice) | 2,300,000 |
| 2. Taxable supplies to associated person (open market price 350,000) | 300,000 |
| 3. Supplies to consumers (inclusive of sales tax) | 200,000 |
| 4. Supplies to employees | 100,000 |
| 5. Taxable purchases from registered person (original invoices are available) | 1,400,000 |
| 6. Input tax not claimed (outstanding) in relevant period (claimed in fifth succeeding period) | 15,000 |
| 7. Fixed asset purchased during August 2021 from non-registered person | 1,500,000 |
| 8. Furniture, furnishing and office equipments purchased | 200,000 |
| 9. Electrical appliance purchased from non-business (personal) use | 100,000 |
| 10. Purchase of diaries for valued customers (at the start of new financial year) | 60,000 |
| 11. Withholding tax deducted as withholding agent | 50,000 |
| 12. Withholding tax deducted by withholding agent | 70,000 |
| 13. Mobile phone set purchased by marketing staff | 150,000 |
| 14. Goods purchased in auction (treasury challan is not available) | 400,000 |
| 15. Unconsumed stock at the time of filing return (purchased 30 days before filing return) | 250,000 |
| 16. Imported tax goods (bill of entry is not available) | 500,000 |
| 17. Sales tax paid on electricity bill | 30,000 |

- Q. 6.** What are the inadmissible deductions under the head of “Income from Other Resources”? Explain in detail. **(20)**

SECTION – III (BUSINESS STUDIES AND FINANCE)

- Q. 7.** Why are financial markets important to the health of the economy? Explain in the context of Pakistan. **(20)**
- Q. 8. (a).** ABC is evaluating a capital investment project. The after-tax cash flows for the project are listed as follows: **(10)**

Year	YEAR EXPECTED CASH FLOW
0	- 400,000
1	50,000
2	50,000
3	150,000
4	350,000

The risk-free rate is 8 percent, the firm’s weighted average cost of capital is 10 percent, and the management-determined risk-adjusted discount rate appropriate to this project is 15 percent. Should the project be accepted? Explain, why or why not?

- (b).** Explain what is meant by the time value of money. Why is a bird in the hand worth two (or so) in the bush? Which capital budgeting approach ignores this concept? Is it optimal? **(10)**
