CSS Past Papers

Subject: Accountancy and Auditing

Year: 2017

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION – 2017
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS	**PART-I (MCQS)**	**MAXIMUM MARKS = 20**
PART-I(MCQS): MAXIMUM 30 MINUTES	**PART-II**	**MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II,** 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) 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-I

Q. 2. Bella Beauty Salon's unadjusted trial balance for the current year follows: **(20)**

Bella Beauty Salon
Trial Balance
December 31

Cash	$ 4,200	
Prepaid insurance	1,480	
Shop supplies	990	
Shop equipment	3,860	
Accumulated depreciation shop equipment		$ 770
Building	57,500	
Accumulated depreciation–building		3,840
Land	55,000	
Unearned rent		1,600
Long-term notes payable		50,000
Bella Hanson, Capital		49,860
Rent earned		2,400
Fees earned		23,400
Wages expense	3,200	
Utilities expense	690	
Property taxes expense	600	
Interest expense	4,350	
Totals	$131,870	$131,870

Additional information:

a. An insurance policy examination showed $1,240 of expired insurance.
b. An inventory count showed $210 of unused shop supplies still available.
c. Depreciation expense on shop equipment, $350.
d. Depreciation expense on the building, $2,220.
e. A beautician is behind on space rental payments, and this $200 of accrued revenues was unrecorded at the time the trial balance was prepared.
f. $800 of the Unearned Rent account balance was earned by year-end.
g. The one employee, a receptionist, works a five-day workweek at $50 per day. The employee was paid last week but has worked four days this week for which she has not been paid.
h. Three months' property taxes, total $450, have accrued. This additional amount of property taxes expense has not been recorded.
i. One month's interest on the note payable, $600, has accrued but is unrecorded.

Required: Based on the above information, prepare the adjusting journal entries for Bella's Beauty Salon and adjusted trial balance for Bella's Beauty Salon.

Q. 3. **(A)** A corporation had stockholders' equity on January 1 as follows: **(20)**
Common Stock, $10 par value, 1,500,000 shares authorized, 600,000 shares issued;Paid-in Capital in Excess of Par Value, Common Stock, $1,000,000;
Retained Earnings, $2,500,000.
Required: Prepare journal entries to record the following transactions:
Feb. 15 The board of directors declared a 10% stock dividend to stock holders of record on March 1, to be issued on April 15. The stock was trading at $8 per share prior to the dividend.
March 30 Sold 100,000 shares of common stock for $11 per share.
March 31 Issued the stock dividend.

(B) Company installs a computerized manufacturing machine in its factory at the beginning of the year at a cost of $42,300. The machine's useful life is estimated at 10 years, or 363,000 units of product, with a $6,000 salvage value. During its second year, the machine produces 35,000 units of product.
Required: Determine the machine's second-year depreciation under the straight-line method.

Q. 4. The following financial data were taken from the annual financial statements of Smith Corporation: **(20)**

Details	2007	2008	2009
Current assets	$ 450,000	$ 400,000	$ 500,000
Current liabilities	390,000	300,000	340,000
Sales	1,450,000	1,500,000	1,400,000
Cost of goods sold	1,180,000	1,020,000	1,120,000
Inventory	280,000	200,000	250,000
Accounts receivable	120,000	110,000	105,000

Required: (A). Based on these data, calculate the following for 2008 and 2009:
1. Working capital
2. Current ratio
3. Acid-test ratio
4. Accounts receivable turnover
5. Merchandise inventory turnover
6. Inventory turnover in days

(B). Evaluate the results of your computations in regard to the short-term liquidity of the firm.

SECTION-II

Q. 5. The marketing department of Graber Corporation has submitted the following sales forecast for the upcoming fiscal year. **(20)**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Budgeted unit sales .	16,000	15,000	14,000	15,000

The selling price of the company's product is $22.00 per unit. Management expects to collect 75% of sales in the quarter in which the sales are made, 20% in the following quarter, and 5% of sales are expected to be uncollectible. The beginning balance of accounts receivable, all of which is expected to be collected in the first quarter, is $66,000. The company expects to start the first quarter with 3,200 units in finished goods inventory. Management desires an ending finished goods inventory in each quarter equal to 20% of the next quarter's budgeted sales. The desired ending finished goods inventory for the fourth quarter is 3,400 units.
Required: **1.** Prepare the company's sales budget and schedule of expected cash collections.
2. Prepare the company's production budget for the upcoming fiscal year.

Q. 6. Valenko Company provided the following account balances for the year ended December 31 (all raw materials are used in production as direct materials): **(20)**
Selling expenses..$215,000
Purchases of raw materials.. $260,000
Direct labor .... ?
Administrative expenses $160,000
Manufacturing overhead applied to work in process $340,000
Total actual manufacturing overhead costs.............................. $350,000
Inventory balances at the beginning and end of the year were as follows:

	Beginning of Year	End of Year
Raw materials ..	. . . $50,000	$40,000
Work in process .	. .. . . ?	$33,000
Finished goods	$30,000	?

The total manufacturing costs for the year were $675,000; the cost of goods available for sale total $720,000; the unadjusted cost of goods sold total $665,000; and the net operating income was $35,000. The company's over-applied or under-applied overhead is closed entirely to cost of goods sold.
Required: Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement. (Hint: Prepare the income statement and schedule of cost of goods sold first followed by the schedule of cost of goods manufactured.)

Q. 7. Linden Company manufactures and sells a single product. Cost data for the product as follows: **(20)**

Variable costs per unit:	
Direct materials	$ 6
Direct labor	12
Variable factory overhead	4
Variable selling and administrative	3
Total variable costs per unit	$25
Fixed costs per month:	
Fixed manufacturing overhead	$240,000
Fixed selling and administrative	180,000
Total fixed cost per month	$420,000

The product sells for $40 per unit. Production and sales data for May and June, the first two months of operations, are as follows:

	Units Produced	Units Sold
May	30,000	26,000
June	30,000	34,000

Income statements prepared by the accounting department, using absorption costing, are presented below:

	May	June
Sales	$1,040,000	$1,360,000
Cost of goods sold	780,000	1,020,000
Gross margin	260,000	340,000
Selling and administrative expenses	258,000	282,000
Net operating income	$ 2,000	$ 58,000

Required:

1. Determine the unit product cost under:
   a. Absorption costing.
   b. Variable costing.
2. Prepare contribution format variable costing income statements for May and June.
3. Reconcile the variable costing and absorption costing net operating incomes.

Q. 8. The PVC Company manufactures a high-quality plastic pipe that goes through three processing stages prior to completion. Information on work in the first department, Cooking, is given below for May: Production data: **(20)**

Pounds in process, May 1: materials 100% complete; conversion 90% complete	70,000
Pounds started into production during May	350,000
Pounds completed and transferred to the next department.	?
Pounds in process, May 31: materials 75% complete; conversion 25% complete	40,000
Cost data:	
Work in process inventory, May 1:	
Materials cost	$86,000
Conversion cost	$36,000
Cost added during May:	
Materials cost	$447,000
Conversion cost	$198,000

The company uses the weighted-average method.

Required:

1. Compute the equivalent units of production.
2. Compute the costs per equivalent unit for the month.
3. Determine the cost of ending work in process inventory and of the units transferred out to the next department.
4. Prepare a cost reconciliation report for the month.

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION – 2017
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS	**PART-I (MCQS)**	**MAXIMUM MARKS = 20**
PART-I(MCQS): MAXIMUM 30 MINUTES	**PART-II**	**MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II,** selecting **AT LEAST ONE** questions from **EACH SECTION A, B & C. 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. What system of Internal check would you recommend for a large manufacturing company to prevent fraud in connection with the purchase of raw material on credit basis? **(20)**

Q. No. 3. A fraud has been committed in a business. Being a Manager of Accounts you are asked by the authorities to take up investigative measures and steps to extract the fraudulent matter. Discuss the measures and steps you will take in this regard. **(20)**

Q. No. 4. What is meant by Auditor's Report? Describe the key characteristics of a good audit report, along with the significance of Auditor's report to show the transparent picture of the company. **(20)**

SECTION-B (BUSINESS TAXATION)

Q. No. 5. **(A)** Define the concept of sales tax & describe the sales tax act of 1990. Identify the official positions of Inland revenue officers and their powers. **(20)**

(B) Mr. Sartaj is registered under the Sales Tax Act, 1990 as a manufacturer as well as a commercial importer. He has provided you the following information for the month of February, 2016:

	Rs. in Million
Export sales – manufactured goods	35
Local sales of exempt manufactured goods	25
Taxable supplies – manufactured goods	130
Taxable supplies – commercial imports	70
Purchases • Local purchases of raw material from: Registered person Unregistered persons	 180 60
• Commercial imports	50

All the above amounts are exclusive of sales tax. Commercial imports have been stated at C&F value and are subjected to customs duty at the rate of 10%. There was no stock of commercial imports at the beginning or end of the month.

Required:
Compute the sales tax liability of Mr. Sartaj along with input tax to be carried forward (if any) in his sales tax return for the month of February 2016. **(Ignore the effect of minimum value addition in case of commercial imports)**

Q. No. 6. **(A)** Identify the main features of Income Tax ordinance 2001. Also discuss the exemptions and tax concessions available to a taxpayer under that ordinance. **(20)**

(B) Mr. Ahmed is an employee of a company. He has submitted the following information for the tax year 2016.

	Rs.
Basic Salary per annum	340,000
Bonus	56,000
Cost of living allowance	66,000
Dearness allowance	32,000
Rent free unfurnished accommodation – annual value	162,000
Company maintained car for personal and official use, cost of vehicle is.	980,000
Utility allowance	58,000
Leave encashment	31,600
Leave Fare Assistance provided every year	22,600
Hotel bills paid by the company relating to a pleasure trip	28,400
Employee's contribution towards provident fund	30,000
Zakat paid under Zakat and Ushr Ordinance	15,000
Tax deducted by the company for salary	35,000

Required: Compute the total income, taxable income and tax liability of Mr. Ahmed.

SECTION-C (BUSINESS STUDIES & FINANCE)

Q. No. 7. **(A)** Identify the major barriers that hamper global business in an open economy. **(20)**

(B) Consider a coupon bond that has a face value of $1000, has a yield of 16%, pays a semi annual coupon of 70, and matures in one year 'assuming that the bond will pay the face value amount that the cost coupon payment on the maturity date. Calculate the price of the bond.

Q. No. 8. **(A)** Describe the economic systems, also Identify which system is more beneficial for the economic development of the country. **(20)**

(B) XYZ company presently pays a dividend of $ 1.50 per share on its common stock. The company expects to increase the dividend at a 20% annual rate the first four years and at the rate of 13% at the next four years then the growth on the dividend at a 7% thereafter. This phased growth patterns is in keeping with the expected life cycle of earnings. You are required a 16% return to invest in this stock. What value should you place on a share of this Stock?