

CSS Past Papers

Subject: Accountancy and Auditing

Year: 2025

CSS/PMS GRAMMAR

— علم بڑی طاقت ہے —



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2025 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 MARKS: 20
PART-I (MCQs) : MAXIMUM 30 MINUTES	(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.
- In financial accounting, goodwill is classified as:**
(A) Tangible asset (B) Intangible asset (C) Current liability (D) Contra asset
 - Which of the following statement about the accounting cycle is TRUE?**
(A) The cycle begins with financial statement preparation. (B) Adjusting entries are optional.
(C) Closing entries transfer balances from temporary accounts to retained earnings.
(D) The post-closing trial balance includes temporary accounts.
 - The purpose of reversing entries is:**
(A) To correct errors in the trial balance (B) To simplify recording certain transactions in the next period
(C) To adjust financial statements (D) To close permanent accounts
 - Accounting information is said to be relevant when it:**
(A) Is free from material error. (B) Influences the decision-making of users.
(C) Can be compared across entities. (D) Is supported by evidence from independent sources.
 - The predictive value of accounting information refers to its ability to:**
(A) Validate past decisions. (B) Highlight errors in accounting practices
(C) Influence future investment decisions. (D) Support regulatory compliance.
 - If two companies in the same industry use different depreciation methods, the comparability of their financial information may be compromised unless:**
(A) The companies belong to the same regulatory framework. (B) They operate in similar markets.
(C) The companies use IFRS standards. (D) Full disclosure of the methods is provided
 - Which financial statement in a sole proprietorship reflects the owner's withdrawals for personal use?**
(A) Income Statement (B) Statement of Financial Position
(C) Statement of Cash Flows (D) Statement of Owner's Equity
 - When a corporation issues shares above their par value, the excess amount is credited to:**
(A) Retained Earnings (B) Share Premium Account (C) Capital Account (D) Revenue Account
 - A partnership decides to incorporate into a private company. What happens to the partners' equity accounts?**
(A) They are closed and converted into common stock. (B) They are retained in the company's balance sheet.
(C) They are written off as expenses. (D) They are transferred into the retained earnings account.
 - Which of the following is a financial statement prepared specifically by not-for-profit organizations?**
(A) Statement of Comprehensive Income (B) Statement of Profit and Loss
(C) Receipts and Payments Account (D) Statement of Changes in Equity
 - Which financial statement is unique to public sector accounting?**
(A) Statement of Financial Performance (B) Statement of Cash Flows
(C) Appropriation Account (D) Statement of Changes in Equity
 - A not-for-profit organization's annual report emphasizes the use of funds to achieve its mission rather than profitability. This highlights:**
(A) Faithful representation in financial reporting. (B) The focus on accountability over profitability.
(C) Compliance with government regulations. (D) The reliance on accrual accounting.
 - Which costing method is most suitable for industries where products are unique and produced to customer specifications?**
(A) Process costing (B) Activity-based costing (C) Job order costing (D) Marginal costing
 - Marginal costing is primarily used for:**
(A) Financial reporting. (B) Decision-making related to fixed costs.
(C) Short-term decision-making. (D) Preparing budgets for external stakeholders.
 - Over-applied overhead means:**
(A) Actual overheads are less than applied overheads. (B) Actual overheads are greater than applied overheads.
(C) Fixed costs were not allocated properly. (D) Direct labor costs were overstated.
 - A manufacturing company is considering whether to produce in-house or outsource production. Relevant costs for this decision include:**
(A) Fixed costs of the company. (B) Historical costs of production.
(C) Direct variable costs and outsourcing costs. (D) Total costs incurred in the prior year.



17. **Zero-based budgeting (ZBB) requires managers to:**
 - (A) Justify only incremental changes in budgeted amounts.
 - (B) Prepare budgets based on historical costs.
 - (C) Justify all budgeted expenditures from scratch.
 - (D) Ignore past costs entirely.
18. **In responsibility accounting, costs that a manager can directly influence are called:**
 - (A) Uncontrollable costs.
 - (B) Fixed costs.
 - (C) Indirect costs.
 - (D) Controllable costs.
19. **A company has an annual fixed cost of \$200,000/-, a variable cost of \$20 per unit, and a selling price of \$50 per unit. How many units must the company sell to break even?**
 - (A) 8,000
 - (B) 7,000
 - (C) 6,000
 - (D) 10,000
20. **In a sales mix decision, the product with the highest contribution margin per unit should be:**
 - (A) Sold exclusively, regardless of customer demand
 - (B) Prioritized when resources are constrained
 - (C) Avoided to reduce risk.
 - (D) Discounted to maximize revenue.

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 **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.**

SECTION – I

Q. 2. ABC Traders is a sole proprietorship owned by Mr. Ali. Below are the financial details of the business as of December 31, 2024:

- i. Cash in hand: **PKR 50,000**
- ii. Accounts Receivable: **PKR 80,000**
- iii. Inventory: **PKR 120,000**
- iv. Office Equipment (at cost): **PKR 200,000.**
- v. Accumulated Depreciation on Office Equipment: **PKR 40,000**
- vi. Accounts Payable: **PKR 60,000**
- vii. Loan Payable to Bank: **PKR 100,000**
- viii. Owner's Capital (as of January 1, 2024): **PKR 300,000**
- ix. Owner's Drawings during the year: **PKR 30,000**
- x. Net Income earned during the year: **PKR 90,000**

Required:

- a) Categorize the above details under different heads of accounting equation.
- b) Prepare the balance sheet of ABC Traders as of December 31, 2024 using the information above.

**5
15 (20)**

Q. 3. Continued with the data provided in Question No 1, Additional Adjustments in the accounts of ABC Traders as of December 31, 2024 are as follow:

- a) **Accrued Salaries** of **PKR 10,000** are unpaid and unrecorded.
- b) **Office Equipment Depreciation:** Straight-line method over **5 years** with no residual value.
- c) **Unearned Revenue** of **PKR 15,000** was incorrectly recorded as sales revenue.
- d) **Supplies Expense** of **PKR 5,000** needs to be recorded for supplies used during the year.
- e) **Accrued Interest** on the bank loan of **PKR 4,000** remains unpaid and unrecorded.

Required:

- a) Prepare the necessary **adjusting journal entries** for the above adjustments.
- b) Prepare an **Income Statement** for the year ended **December 31, 2024.**
- c) Update the **Balance Sheet** to reflect these adjustments.

**6
7
7 (20)**

Q. 4. XYZ Corporation, a merchandising company, is preparing its financial records for the year ended December 31, 2024. Below are the extracted balances from the general ledger:

Balances of the Items	Amount in PKR
Cash:	70,000
Accounts Receivable:	200,000
Inventory (Beginning):	150,000
Purchases:	500,000
Purchase Returns and Allowances:	30,000
Sales Revenue:	900,000
Sales Returns and Allowances:	20,000
Office Supplies:	10,000
Prepaid Insurance:	24,000
Office Equipment:	300,000
Accumulated Depreciation - Office Equipment:	80,000
Accounts Payable:	90,000
Salaries Payable:	12,000
Bank Loan Payable (Non-Current):	150,000
Salaries Expense:	100,000
Utilities Expense:	45,000
Rent Expense:	60,000
Depreciation Expense:	30,000
Owner's Capital (January 1, 2024):	400,000
Owner's Drawings:	50,000

Additional Information for Adjustments

- i. Inventory at the end of the year is **PKR 120,000**.
- ii. Office supplies used during the year are **PKR 6,000**.
- iii. Insurance expired during the year amounts to **PKR 8,000**.
- iv. Accrued salaries at year-end are **PKR 15,000**.
- v. Depreciation on office equipment is recorded using the straight-line method over 10 years (no residual value).

Required:

- a) Prepare an unadjusted Trial Balance as of December 31, 2024.
- b) Incorporate the adjustments and prepare the adjusted Trial Balance.

10
10 (20)

Q. 5. Ali, Bilal, and Sara formed a partnership business on **January 1, 2024**, under the name **ABS Traders**. The partners agreed to share profits and losses in the ratio **3:2:1** respectively. The following balances were provided at the end of the first year, **December 31, 2024**:

Particulars	Amount (PKR)
Cash	80,000
Accounts Receivable	150,000
Inventory	200,000
Furniture & Fixtures	100,000
Accounts Payable	90,000
Loan Payable	110,000
Ali's Capital (Jan 1, 2024)	200,000
Bilal's Capital (Jan 1, 2024)	150,000
Sara's Capital (Jan 1, 2024)	100,000
Ali's Drawings	30,000
Bilal's Drawings	20,000
Sara's Drawings	10,000
Net Income for the Year	120,000



Required:

- i. Using the data provided, prepare an **unadjusted trial balance** as of **December 31, 2024**. 5
- ii. Distribute the **Net Income of PKR 120,000** among the partners (Ali, Bilal, and Sara) based on their agreed profit-sharing ratio of **3:2:1**. 5
- iii. Calculate the **adjusted capital balances** for each partner after considering their profit ratio. 5
- iv. Prepare the **Capital Accounts** for Ali, Bilal, and Sara in a **T-account format** or in a statement form. 5 (20)

SECTION – II

Q. 6. ABC Manufacturing produces custom furniture. Below are the details for the month of November 2024:

Accounting Activities/Items	Amounts in PKR
Beginning Balances:	
Raw Materials Inventory (Nov 1, 2024):	120,000
Work-in-Process (WIP) Inventory (Nov 1, 2024):	80,000
Finished Goods Inventory (Nov 1, 2024):	150,000
Transactions During November:	
Raw materials purchased during November (paid in cash):	350,000
Direct materials issued to production:	280,000
Indirect materials issued:	50,000
Total direct labor incurred: (80% paid in cash; 20% accrued).	200,000
Total indirect labor incurred (paid in cash):	60,000
Total factory overhead incurred including: - Depreciation on machinery: PKR 70,000 - Utilities: PKR 50,000 - Other factory expenses: PKR 130,000	250,000
Manufacturing overhead applied to production at 120% of direct labor cost .	
Ending Balances	
Raw Materials Inventory (Nov 30, 2024):	140,000
Work-in-Process (WIP) Inventory (Nov 30, 2024):	100,000
Finished Goods Inventory (Nov 30, 2024):	180,000
Sales	
Total finished goods transferred to Cost of Goods Sold:	650,000
Total sales for November (80% received in cash, 20% on account).	800,000

Required:

- a) Prepare the Raw Materials Inventory T-account, including purchases, usage, and ending balance. 7
- b) Calculate the total manufacturing costs added to production during November. 7
- c) Prepare the **Work-in-Process Inventory T-account**, including beginning balance, costs added, and ending balance. 6 (20)



Q. 7. XYZ Furniture Ltd. manufactures wooden chairs. The following **standard costs** were established for producing one chair:

Cost Component	Standard Rate	Standard Quantity per Chair
Direct Materials	PKR 500 per unit	2 units
Direct Labor	PKR 300 per hour	4 hours
Factory Overhead	PKR 100 per direct labor hour	Applied at a rate of 50% of direct labor cost

During **November 2024**, the company produced **1,000 chairs**, and the following actual data was recorded:

- i. **Materials:**
 - a. 2,100 units of direct materials were purchased and used.
 - b. Total cost of materials: PKR 1,120,000.
- ii. **Labor:**
 - a. 3,800 hours of direct labor were worked.
 - b. Total labor cost: PKR 1,160,000.
- iii. **Factory Overhead:**
 - a. Actual overhead incurred: PKR 200,000.
 - b. Overhead applied at the standard rate based on actual direct labor hours.

Required:

Calculate and interpret the results of:

- i. the **Material Price Variance** and the **Material Quantity Variance**. 7
- ii. the **Labor Rate Variance** and the **Labor Efficiency Variance**. 7
- iii. the **Overhead Spending Variance** and the **Overhead Efficiency Variance**. 6 (20)

Q. 8. ABC Café operates a specialty coffee shop that sells handcrafted beverages and desserts. The café incurs a Total Fixed Costs: PKR 1,000,000 including monthly rent of PKR 500,000, salaries of PKR 300,000, Utilities and Miscellaneous Expenses of PKR 200,000. The owner wants to determine its break-even point to plan for future growth. The following data is provided:

Product Line Information

1. Coffee Drinks (Regular) i. Selling Price: PKR 400 per cup ii. Variable Cost: PKR 180 per cup iii. Current Sales Mix: 70%	2. Desserts (Premium) i. Selling Price: PKR 600 per item ii. Variable Cost: PKR 280 per item iii. Current Sales Mix: 30%
--	---

Required:

- i. Calculate the **contribution margin** for both coffee drinks and desserts. 7
- ii. Compute the **weighted average contribution margin (WACM)** based on the sales mix. 7
- iii. Determine the **break-even sales in units** for the café. 6 (20)



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)
- a. Internal audit and external audit
 - b. Vouching and Verification
 - c. Qualified audit report and Unqualified audit report
 - d. 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)

CSS/PMS GRAMMAR

— علم بڑی طاقت ہے —