

KHYBER PAKHTUNKHWA PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR THE POSTS OF PROVINCIAL MANAGEMENT SERVICES (BPS-17)

ACCOUNTING & AUDITING, PAPER-II

TIME ALLOWED: 03 HOURS

MAX: MARKS: 100

Note: Attempt any five questions. All questions carry equal marks.

- Q.1- The Gassert Company uses process costing in its two producing departments. The following information pertains to Department 2 for November. Normal spoilage is 5% of output; inspection and identification of spoilage take place at the end of the process; materials are added after inspection. Department 2 received 14,000 units from Department 1 at a cost of Rs.140,000. A total of 8,000 units were completed and transferred to finished goods. At the end of the month, 5000 units were still in process, estimated to be 60% complete as to conversion costs. Prepare a cost of production report for department 2.

- Q.2- The CBA Company produces three joint products, C, B and A. During February the following information was recorded:

| | C | B | A | Total |
|----------------------|----------|----------|----------|-----------|
| Joint materials | - | - | - | Rs. 5,000 |
| Joint processing | - | - | - | Rs.23,000 |
| Separable processing | Rs.8,000 | Rs.5,000 | Rs.2,000 | Rs.15,000 |
| Output in Kilograms | 2,000 Kg | 5,000 Kg | 3,000 Kg | 10,000 Kg |
| Sales in Kilograms | 1,500 Kg | 4,200 Kg | 2,400 Kg | 8,100 Kg |
| Sales price/Kilogram | Rs.10 | Rs.6 | Rs.7 | ---- |

You are required to compute:

- Total cost for each product using the market value method.
- Justification for treating a joint product as a by-product.

- Q.3- Define Audit Plan and explain that what factors should be considered by the Auditor while developing a comprehensive audit plan.
- Q.4- Distinguish between Internal Auditor and External Auditor and write a detailed note on Rights and Duties of External Auditor.
- Q.5- Mr. Gul Zaman is 66 years of age. At present he is working as Director Finance in a multinational organization. His particulars for the year ended 30th June, 2016 are as follows:
- Basic Salary Rs.30,000 p.m
 - House Allowance Rs.10,500 p.m
 - Markup on House Financing Scheme Rs.3,000

Compute his tax payable given the following tax rates.

Tax Rates: Upto Rs.400,000 – Exempt

Rs.400,000 to Rs.500,000 – 2% of the amount exceeding Rs.400,000

- Q.6- Define short term financing and write a detailed note on advantages and disadvantages of short term financing.
- Q.7- Explain the following set of ratios, and critically analyze their usefulness and limitations with suitable examples:
- Liquidity Ratios
 - Profitability Ratios