

**KHYBER PAKHTUNKHWA PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR THE POST OF
PROVINCIAL MANAGEMENT SERVICES OFFICERS (BPS-17), 2022**

Time Allowed: 03 Hours

ACCOUNTING AND AUDITING PAPER-II Max Marks: 100

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

Q1: Answer each of the following questions concerning an audit of the financial statements of a publicly owned company.

- What is the basic purpose of this type of audit?
- Who performs the audit?
- Why is the concept of independence important in a financial audit?
- What consideration do these auditors give to the company's system of internal control?
- Briefly distinguish between a financial audit and a review of financial statements by an auditing firm.

Q2: At the beginning of September, certain ledger accounts in the books and records of Ambler Products Company had the following balances:

	Dr \$	Cr \$
Work in process	2,020	
Materials	7380	
Accrued Payroll		1436

The balance in the work in process account is supported by these details appearing in the job order cost sheets:

	\$
Direct Materials	640
Direct Labor (150 hrs)	900
Applied Factory overhead	480
Total	\$ 2,020

Certain columnar totals in the accounts payable register at the end of September show:

	Dr	Cr
Accounts payable		13820
Discounts lost	108	
Materials	10600	
Accrued payroll	8704	
Employees Income tax payable		956

Materials requisitions indicate:

For production	\$ 8540
For Repair & Maintenance	500
For Factory Supplies	1200

The Labour distribution sheet shows:

i. Direct Labor (For Job orders), 2000 hrs	12,000
ii. Factory overhead:	
Supervisor's Salary	1600
Repair & Maintenance	360
Indirect Labour	1200
Total	31,60
	15,160

The finished orders for the month consist of:

	\$
Direct Materials	8060
Direct Labour (1910 hrs)	11,460
Applied Factory overhead	6112
Total	25,632

The following subsidiary accounts and their balances controlled by the factory overhead control account appear in the ledger as of September, 30:

	\$		\$
Supervisory Salary	1600	Factory Insurance	300
Repair & Maintenance	860	Light & Power	320
Indirect Labour	1200	Water & Heat	300
Factory Supplies	1200	Payroll Taxes	1500
Depreciation (Factory Equip)	240	Rent-Factory	400

At the end of month, the 3-incomplete productions (job) orders can be summarized as follows:

Materials	\$ 1120
Direct Labour (240 hrs)	1440
Applied Factory Overhead	768
Total	\$ 3,328

Instructions:

- Prepare a statement of cost of Goods manufactured for September.
- A calculation of the over or under applied factory overhead for September.

P.T.O.

- Q3:** During February, the Assembly Department received 60,000 units from the cutting Department at a unit cost of \$5. Costs added in the Assembly Department were:

Material	41,650
Labour	101,700
Factory overhead	56,500

There was no beginning inventory of the 60,000 units received, 50,000 units were transferred out; 9,000 units were in process at the end of month (all materials, 2/3 converted); 1,000 lost units were 1/2 complete as to materials and conversion costs. The entire loss is considered abnormal and is to be charged to factory overhead.

Instructions: Prepare Cost of production Report.

- Q4:** Write a detailed comprehensive note on an "Audit Program" explaining its design, advantages and effects to all stake holders having all liabilities fulfilled by the Auditors.
- Q5:** The monthly compensation plan of MR. ABC is as follow:

	Rs.
Basic Salary	80,000 per month
Entertainment allowance	90,000
House rent allowance	15,000
Conveyance allowance	60,000
Tax paid by employer	25,000
Encashment against un-availed leave	20,000
Medical allowance	80,000
Telephone bills paid by MR. ABC	12,000 (500 tax paid with bills)
Tax paid on cash with drawl from bank	2500
Accommodation paid by employer for official duties	30,000

Instructions: Calculate Income Tax payable by MR. ABC for the Tax year ending 30th June 20xx.

- Q6:** A perpetual inventory system is used by Black Hawk Inc; and an inventory record card is maintained for each type of product in stock. The following transactions show beginning inventory, purchases and sales of product KR9 for the month of May:

	\$
May 1. Balance on hand, 20 units, cost \$40 each	800
May 2. Sale, 8 units, sales price \$60 each	480
May 6. Purchase, 20 units, cost \$45 each	900
May 20. Sale, 10 units, sales price \$60 each	600
May 31. Sale, 15 units, sales price \$65 each	975

Instructions:

- Record beginning inventory, purchases, the cost of goods sold and the running balance on an inventory card using Last-In First-Out (LIFO) method.
- Prepare general entire for purchases & sales in May assuming all transactions on Account.

- Q7:** The balance sheet of xyz Inc; as on 31-12-20xx was as follow:

Assets	Rs.
Plant & Machinery	24,000
Land & Building	40,000
Furniture & Fixtures	16,000
Stock	12,000
Debtors	12,000
Investments (Short-term)	4,000
Cash in hand	12,000
	1,20,000

Liabilities & Equity:

Equity Share Capital	40,000
Capital Reserve	8,000
8% Loan on Mortgage	32,000
Creditors	16,000
Bank overdraft	4,000

Taxation:

Current	4,000
Future	4,000
Profit & Less a/c	12,000
	1,20,000

Instructions:

- Compute (a) Current Ratio. (b) Quick Ratio. (c) Debt to Equity Ratio. (d) Proprietary Ratio.

- Q8:** Explain in detail the concept and the role of all the ratios used during Ratio Analysis of the financial statements. The explanation must include formula, and decision criterion of each ratio.