FEDERAL PUBLIC SERVICE COMMISSION
SECTION OFFICERS PROMOTIONAL EXAMINATION - 2017

Roll Number

ACCOUNTING & AUDITING

TIME ALLOWED: THREE HOURS	**MAXIMUM MARKS = 100**

NOTE: (i) Attempt **FIVE** questions in all by selecting at least **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** Marks.
(ii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iii) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the **Q. Paper**.
(iv) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(v) Extra attempt of any question or any part of the attempted question will not be considered.
(vi) Leave some blank space and draw two horizontal lines (======) at the end of each answer.

SECTION-A
(PRINCIPLES OF ACCOUNTING)

Q. No. 1. M/s. ABC and Company has recently finalized to go in diversification. For the purpose of financing they have planned to issue 80% common shares of total financing requirement which is 1000000. 30% of which would be on lump sum basis issued at 20% premium. 70% would be on instalment at 45% premium. 10% of which would be subscribed, 20% would be allotment, 30% 1st call and remaining would be at second call. When the company subscribed the shares 20% more applications were received, 10% of which were refunded and remaining were adjusted in allotment money on prorate basis. 1st call was made, and 90% were paid the first call, At 2nd call 85% were paid and remaining remained in arrears. All of the arrears were forfeited after due period of time and were re-issued at 10% discount. **(20)**
10% of total financing was financed by preferred shares which were issued at 20% discount.
Required: Record all of the above transactions in general journal and post them in ledgers.

Q. No. 2. Messers ABC & Co. bought 3 Motor Cars during 2005 as follows: **(20)**
A. Car ABC, on 1st January for Rs. 250000
B. Car DEF, on 1st April for Rs. 300000
C. Car GHI, on 1st July for Rs. 240000

She closes her books on 30th September each year and provides 20% Depreciation p.a on book value on all Motor Cars. On 1st October 2006 she sold car ABC for Rs. 150000. On 1st January 2007 she traded in car GHI at Rs. 195000 for another car JKL that cost Rs. 400000 meeting the difference in cash.
Show the Motor Cars account, Depreciation expense account, Provision for Depreciation on Motor Cars and Disposal of Assets account in her ledger, balance each year on 30th September, till 30th September 2007.

Q. No. 3. Differentiate between the following with the help of examples: (4 each) **(20)**
(a) Accrual based accounting and Cash based accounting
(b) Operating lease and financial lease
(c) Operating activities and financing activities
(d) Stock dividend and Bonus shares
(e) IAS and IFRS

Q. No. 4. The summarized Balance Sheet at the end of the last two financial years of ABC Ltd are as follows: **(20)**

Summarized Balance Sheet
As at 31st December 2005

	2004	2005		2004	2005
	Rs.	Rs.		Rs.	Rs.
Capital issued and fully paid O.S	10000	19000	Freehold property	7,000	14,000
Redeemable preference shares	2000	0	Fixture and fittings	4,000	3,900
Retained Earnings	2400	4700	Stock in trade	2,500	4,400
Bank Overdraft	0	3000	Trade Debtors	3,700	5,800
Trade Creditors	4600	1400	Balance at bank	1,800	
	9000	28100		19,000	28,100

Additional information:

(a) The last time the company issued shares for cash was in 1988.

(b) The surplus arising from the revaluation of freehold property gave rise to a capitalization issue.

(c) All fixtures and fittings held at 31st December 2004 were bought in 1999, at a total cost of Rs. 10,000.

(d) Some fixtures were bought in the year for Rs. 2,000 while some fixtures with a cost of Rs. 3,000 were sold for Rs. 2,300.

(e) The only fixed assets of which depreciation is provided are fixtures and fittings are the annual rate of 10% of the cost of assets held at the end of each financial year.

Required: A Funds Flow Statement and a Cash Flow Statement for the year ended 31st December, 2005.

SECTION-B
(PRINCIPLES OF AUDITING)

Q. No. 5. According to International Auditing Standards what are different professional liabilities of an Auditor? **(20)**

Q. No. 6. What are different circumstances where auditor can suspect fraud? What procedure should he adopt and what duties auditor should adapt to detect fraud? Describe your answer with the help of examples where appropriate? **(20)**

Q. No. 7. How many elements an Auditors report should have? List down and elaborate briefly. **(20)**

Q. No. 8. What do we mean by Audit evidence? How many types of evidences are there? What is the audit procedure to obtain audit evidence? **(20)**

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