

NWFP PUBLIC SERVICE COMMISSION, PESHAWAR

COMPETITIVE EXAMINATION FOR PROVINCIAL MANAGEMENT SERVICES, 2008

Accountancy and Auditing Paper-II

Time Allowed: 03 Hours

Max. Marks:100

Note: Attempt any **FIVE** questions.

1. Forge Machine Works collects its cost data by the job order cost accumulation procedure. For Job 642, the following data are available:

Direct Materials	Direct Labor
14-9-2000 issued Rs.1,200	Week of September 20 – 180 hours @ Rs.6.2/hr
20-9-2000 issued Rs.662	Week of September 26 – 140 hours @ Rs.730/hr
22-9-2000 issued Rs.480	

Factory overhead is applied at the rate of Rs.3.50 per direct labor hour.

Required:

- The appropriate information entered on job order cost sheet.
 - The sales price of the job, assuming that it was contracted with a markup of 40% of cost. (20 marks)
2. The Tracy Company manufactures joint products X and Y as well as by-product. Cumulative cost data for the period show Rs.2,04,000 representing 20,000 completed units processed through the Refining Department at an average cost of Rs.10.20. Costs are assigned to X and Y by market value method which considers further processing costs in subsequent operations. To determine the cost allocation to Z, the market value (reversal cost) method is used. Additional data:

Particular	Z	X	Y
Quantity processed	2,000 units	8,000 units	10,000 units
Sales price per unit	Rs.5	Rs.20	Rs.25
Further processing cost per unit	Rs.1	Rs.5	Rs.7
Marketing and administrative expenses per unit	Rs.1		
Operating profit per unit	Rs.1		

Required:

Cumulative cost allocated to Z, X, and Y. (20 marks)

- Define 'Auditing' and explain how it is different from 'Investigation?' (8+12 marks)
 - Write a detailed note on duties and rights of auditor. (8+12 marks)
4. Write detailed notes on any Two of the following Heads of Income:
- Salary
 - Income from property
 - Income from business or profession
 - Capital gains (10+10 marks)
5. Mr. Ghalib is employed in a scale of Rs.13,000 – 1,000 – 17,000. His basic salary is Rs.15,000 per month. Other benefits provided to him by his employer during the year ended on 30th June, 2007 are given below:
- | | |
|-------------------------|-------------------------|
| Dearness Allowance | Rupees 18,000 per annum |
| Entertainment Allowance | 26,000 per annum |
| Conveyance Allowance | 24,000 per annum |

Notes:

- Mr. Ghalib has been provided a rent-free furnished accommodation by his employer. Mr. Ghalib was entitled to a accommodation allowance of Rs.60,000 if accommodation was not provided to him
- Salary of sweeper who works in Mr. Ghalib's accommodation is Rs.12,000 per annum. This salary is also paid by his employer.

Required:

Calculate Taxable Income of Mr. Ghalib. (20 marks)

6. Write a detailed note on advantages and disadvantages of short term financing. Also critically evaluate its role in the economic development of Pakistan. (20 marks)
7. Write detailed note on following categories of ratios:
- Liquidity Ratios
 - Profitability Ratios (10+10 marks)