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.

1. **In financial accounting, goodwill is classified as:**
(A) Tangible asset (B) Intangible asset (C) Current liability (D) Contra asset
2. **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.
3. **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
4. **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.
5. **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.
6. **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
7. **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
8. **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
9. **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.
10. **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
11. **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
12. **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.
13. **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
14. **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.
15. **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.
16. **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. **5**
b) Prepare the balance sheet of ABC Traders as of December 31, 2024 using the information above. **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. **6**
b) Prepare an **Income Statement** for the year ended **December 31, 2024.** **7**
c) Update the **Balance Sheet to** reflect these adjustments. **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. **10**
b) Incorporate the adjustments and prepare the adjusted Trial Balance. **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: o Depreciation on machinery: PKR 70,000 o Utilities: PKR 50,000 o 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)**	2. **Desserts (Premium)**
i. Selling Price: PKR 400 per cup ii. Variable Cost: PKR 180 per cup iii. Current Sales Mix: 70%	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)**

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