

**KHYBER PAKHTOON KHWA, PUBLIC SERVICE COMMISSION, PESHAWAR**

**COMPETITIVE EXAMINATION FOR THE POSTS OF PROVINCIAL  
MANAGEMENT SERVICES (BPS-17) 2010**

**Accountancy and Auditing Paper-II**

**Time Allowed: 03 Hours**

**Max. Marks: 100**

**Note:** Attempt any **FIVE** questions.

1. The accounting department of the Ruthven Company provided the following data for May: sales, \$72,000; marketing expenses, 5%; administrative expenses, 1%; other expenses, 5% of sales; purchases, \$36,000; factory overhead, 2/3 of direct labor; direct labor, \$15,000

Beginning inventories:

Finished goods .....	\$7,000
Work in process .....	8,000
Materials .....	8,000

Ending inventories:

Finished goods .....	\$10,200
Work in process .....	15,000
Materials .....	8,500

**Required:**

1. Cost of goods sold statement.  
2. Income statement. (10+10 marks)
2. The normal capacity of a plant is 20,000 labor hours per month. At normal capacity, the budgeted factory overhead is \$2.10 per direct labor hour, consisting of \$12,000 fixed expense and \$1.50 per hour variable expense. During June, the plant operated 18,000 direct labor hours, with actual factory overhead of \$40,000. The standard for the capacity attained is 17,500 hours.  
**Required:**  
An analysis of factory overhead using two, three and four variance methods. (20 marks)
3. Define 'Audit'. Write a detailed note on advantages and disadvantages of continuous audit. (20 marks)
4. Write a detailed note on the principles of 'Internal Control.' (20 marks)
5. The following incomes were earned by a salaried person during the year ended 30<sup>th</sup> June, 2009:

Basic salary	Rs.3,000 p.m.
Bonus	Five months basic salary
Utility allowance	Rs.6,000
House rent allowance	Rs.20,000
Conveyance allowance	Rs.12,000

**Required:**  
Calculate the taxable income of the salaried person. (20 marks)
6. Write a detailed note on income exempt from income tax under Income Tax Ordinance 2001. (20 marks)
7. Discuss the mutual rights, liabilities and duties of different types of partners in a partnership. (20 marks)
8. Critically evaluate the role of following financial institutions in the economic development of Pakistan:
  - a. Zarai Taraqati Bank (Formerly Agricultural Development Bank of Pakistan)
  - b. Pakistan Industrial Credit and Investment Corporation (PICIC) (10+10 marks)