

**ACCOUNTANCY & AUDITING, PAPER-II**

- Q. 6.** Explain the correct tax treatment in each of the following situations: (20)
1. Mr. Hamza made a total contribution of Rs. 150,000 as a donation to the approved institution mentioned in the 13<sup>th</sup> schedule. His total income from a business during the tax year 2023 is Rs. 1,800,000.
  2. Nine years ago, Masood inherited a rare sculpture of Buddha which had a fair market value of Rs. 200,000 on the date of inheritance. In August 2022, the sculpture was sold by him at Rs. 500,000.
  3. In June 2022, Imran entered into an agreement for the sale of the residential plot to Ibrahim, who paid an advance of Rs. 500,000. According to the agreement, Ibrahim was required to pay the balance by August 31, 2022. However, instead of paying the balance amount, he terminated the sale agreement. Imran forfeited the advance of Rs. 500,000 in accordance with the terms of the agreement.
  4. In September 2022, Adnan sold his personal car, Toyota Corolla, to one of his cousins at the price of Rs. 500,000 whereas the fair market value of the car was Rs. 20,00,000. The car was purchased by him six years ago at a cost of Rs. 10,00,000.
  5. Imran was working as a Chief Financial Officer in Dawood Pakistan (Pvt) Limited, which is a wholly owned subsidiary of Dawood AG, Germany. According to the Company's policy, Imran was sent on secondment to Germany on January 1, 2022, for a period of five years. During this period, half of his salary will be credited to his bank account in Pakistan, whereas the remaining portion will be received by him in Germany.
  6. Maqsood provided consultancy services to a listed company. In consideration for his services, he received a net amount of Rs. 45,000 after a tax deduction of Rs. 5,000.

**SECTION – III (BUSINESS STUDIES AND FINANCE)**

- Q. 7.** Fitch Industries is in the process of choosing the better of two equal-risk, mutually exclusive capital expenditure projects, M and N. The relevant cash flows for each project are shown in the following table. The firm's cost of capital is 9%. (20)

	Project M	Project N
Initial investment-Cash Outflow	-\$40,000	-\$40,000
Year (t)	Cash inflows	Cash inflows
1	\$14,000	\$23,000
2	14,000	12,000
3	14,000	10,000
4	14,000	9,000

- i. Calculate each project's payback period.
  - ii. Calculate the net present value (NPV) for each project.
  - iii. Calculate the internal rate of return (IRR) for each project.
  - iv. Summarize the preferences dictated by each measure you calculated, and indicate which project you would recommend. Explain why?
- Q. 8.** How have globalization and information technology created new opportunities for entrepreneurs? How does an aging population create opportunities for entrepreneurs? Describe current demographic trends that suggest new goods and services for entrepreneurial businesses. (20)

\*\*\*\*\*