



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2023
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number



ACCOUNTANCY & AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS	PART-I (MCQS)	MAXIMUM MARKS = 20
PART-I(MCQS): MAXIMUM 30 MINUTES	PART-II	MAXIMUM MARKS = 80
NOTE: (i) Part-II is to be attempted on the separate Answer Book. (ii) Attempt ONLY FOUR questions from PART-II by selecting at least ONE question 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.		

PART – II
SECTION – I (AUDITING)

- Q. 2. Define professional skepticism and explain its key characteristics. Why should auditors act as though there is always a potential conflict of interest between the auditor and the management of the enterprise under audit? (20)
- Q. 3. What are CAATs? What are some audit procedures that can be performed using CAATs? What advantages are derived from using CAATs in the financial statement audit? (20)
- Q. 4. Define and explain the differences among several kinds of employee frauds that might occur at an audit client. (20)

SECTION – II (BUSINESS TAXATION)

- Q. 5. a. Zia inherited certain assets from his father in the year 20x1. The fair market values of the assets on the date of inheritance were as follows:

	Rs.
25,000 shares of a private limited company	25,00,000 ✓
21,000 shares of public listed company	4,62,000 ✓
Membership card of Pakistan Stock Exchange	20,00,000 ✓
Jewelry	15,00,000 ✓

During the tax year 20x5, Zia undertook the following transactions:

- 1) He gifted some of the assets to his 20-year old son Ishaq. The detail and fair market values of the assets are as follows:
- | | Rs. |
|--|------------|
| —10,000 shares of a private limited company | 2,000,000 |
| —10,000 shares of a public limited company | 1,700,000 |
| — Membership card of Pakistan Stock Exchange | 40,000,000 |
- 2) The remaining shares were sold as follows:
- | | Rs. |
|---------------------------------------|-------------|
| — shares of a private limited company | 3,000,000 ✓ |
| — shares of a public limited company | 1,500,000 ✓ |

Ishaq sold all the assets transferred through gift in the same year. The assets fetched the following amounts:

	Rs.
—10,000 shares of a private limited company	2,500,000 ✓
—10,000 shares of a public limited company	1,500,000 ✓
— Membership card of Pakistan Stock Exchange	55,000,000 ✓

Required:

- (i) Based upon the above information, compute the taxable income of Zia and Ishaq for the tax year 20x5. (10)
- (ii) Give a brief explanation for the items not included in the taxable income. (10) (20)