



National Officers Academy

Mock Exams CSS-2022

January 2022(Mock-7)

ACCOUNTANCY AND AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS
PART-I(MCQS): MAXIMUM 30 MINUTES

PART-I (MCQS)
PART-II

MAXIMUM MARKS = 20
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** 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. **Use of calculator is allowed.**

PART – II

SECTION-A (AUDITING)

- Q.2. (a)** What does the term “Scope of audit” refer to? How would you describe the “Scope of audit” of a listed company? (10)
- (b)** Why an auditor cannot provide an absolute assurance as a result of audit? Explain. (10)
- Q.3** What is meant by Auditor's Report? Describe the key characteristics of a good audit report, along with the significance of Auditor's report to show the transparent picture of the company. (20)
- Q.4** How an internal control system helps in management in conduct of their business affairs? Explain the difference among internal check, internal audit, and internal control. (20)

SECTION – II (BUSINESS TAXATION)

- Q.5** Mr. Mohammad Adil received the following emoluments during the year ended 30th June 2018.
- i. Basic Salary (Scale 55,000-5,000-70,000) Rs.60, 000 P.M.
 - ii. House rent allowance 25,000 P.M
 - iii. Utilities allowance 14,250 P.M
 - iv. Medical allowance 10,000 P.M.
 - v. Agricultural income 130,000 P.M.
 - vi. Payment of Loan installment on 30.06.2018 1,00,000

He claims the following deductions:

- i. Zakat paid 67,428
- ii. Investment in shares 2,25,000

Notes

- i. Mr. Mohammad Adil received an interest free loan of Rs. 12,00,000 from his employer
- ii. His employer has provided him a new car to be used for personal and official purposes. The car costs the employer Rs. 15,00,000.

Required. Calculate the tax payable by Mr. Mohammad Adil. (20)

Q.6 (A). What is the scope of sales tax? What is the procedure for transfer of registration and deregistration under Sales Tax Act, 1990? (10)

(B) Mr Abdul Packages Ltd is a registered manufacturer of candies. Data regarding his business is given below:

Taxable turnover to registered person	Rs.5, 000,000
Taxable turnover to non-registered person	18,000
Sales to retailers	50,000
Exempted sales	60,000
Supplies to DTRE registered person	25,000
Zero rated supply	70,000
Supplies donated	150,000
Taxable purchases from registered person	200,000
Taxable purchases from non-registered person	90,000
Taxable Purchases from wholesaler	60,000
Imported raw material specified in SRO 644(1) 2016	100,000
Sales tax paid on PTCL dues	9,000
Sales tax paid on electricity bill	3,000

Required: Calculate the sales tax liability for July 2016 (10)

SECTION – II (BUSINESS STUDIES AND FINANCE)

Q.7 (a) Define financial markets and explain the features and classification of financial Markets.(10)

(b) ABC Company is considering a new product line to supplement its range line. It is anticipated that the new product line will involve cash investment of Rs. 700,000 at Time 0 and Rs. 1.0 million in year 1. After tax cash inflows of Rs. 250,000 are expected in year 2, Rs 300,000 in year 3, Rs. 350,000 in year 4, and Rs. 400,000 each Year thereafter through year 10. Through the product line might be viable after Year 10, Company prefers to be conservative and end all calculations at that time.

Required: (10)

- If the required rate of return is 15% what is the net present value of the Project. Is it acceptable?
- What is its internal rate of return?
- What would be the case if the required rate of return was 10%?

Q.8 (a) Define & explain Business Cycle and discuss its implications in detail. (10)

(b) Mr. Tom has \$ 50,000/- that he can deposit in any of the three saving accounts for a period of three years. Bank A compounds interest on annual basis, Bank B Compounds interest on semi-annually basis and bank C compounds interest on Quarterly basis. All these banks have a stated rate of 5% per annum.

Required: (10)

- Compute Effective Annual Rate (EAR), Mr. Tom can earn from each bank.
- What amount would Mr. Tom have at the end of 3rd year, leaving all interest Paid on deposit (no withdrawals), from each bank?

Best Wishes for CSS-2022