



# National Officers Academy

**Mock Exams CSS-2023**

**November 2022(Mock-4)**

## 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)**

**Q2.** What is difference between substantive procedure and Test of controls? Kindly write down the four substantive procedures and four tests of control for purchase cycle? (20)

**Q3.** How an internal control system helps the management in conduct of their business affairs? Can business be successfully operated even in absence of controls? (20)

**Q4.** (a) Write a note on CAATS (Computer Assisted Audit Techniques). (10)

(b) What is difference between auditing & investigation? (10)

#### **SECTION – II (BUSINESS TAXATION)**

**Q5.** Define the following terms:

- |                     |                    |
|---------------------|--------------------|
| 1) Salary           | 6) Banking company |
| 2) Exempt income    | 7) Bonus shares    |
| 3) Capital Gain tax | 8) Income tax      |
| 4) Taxable income.  | 9) Private company |
| 5) Resident person  | 10) public company |

**Q6**

(B) Mr. Atif is working as Chief accountant of a multi-national company. He received the following income during the tax year 2017. He is a non-filer.

Basic salary	1200000
Bonus	300,000
House allowance	500,000
Conveyance allowance	200,000
Utilities Allowance	100,000
Zakat paid	180,000
Capital gain on sale of securities (holding period more than 12 months but less than 24 months)	70000
Agricultural Income	400,000

Required: Calculate his tax payable

## **SECTION – II (BUSINESS STUDIES AND FINANCE)**

**Q. 7**

(10)

a) Nicholson Roofing Materials, Inc., is considering two mutually exclusive projects, each with an initial investment of \$150,000.

The company's board of directors has set a maximum 4-year payback requirement and has set its cost of capital at 9%. The cash inflows associated with the two projects are shown in the following table:

Year	Cash Inflows	
	Project A	Project B
1	45000	\$75000
2	45000	60000
3	45000	30000
4	45000	30000
5	45000	30000
6	45000	30000

- (i) Calculate the payback period for each project.
- (ii) Calculate the NPV of each project at 10%
- (iii) Calculate the NPV of each project at 9%.
- (iv) Derive the IRR of each project.
- (v) Rank the projects by each of the techniques used. Make and justify a recommendation.

Part (B): Explain in detail the factors which are related to the risk structure of interest rates. (10)

**Q8:**

(A) XYZ company presently pays a dividend of \$ 1.50 per share on its common stock. The company expects to increase the dividend at a 20% annual rate the first four years and at the rate of 13% at the next four years then the growth on the dividend at a 7% thereafter. This phased growth patterns is in keeping with the expected life cycle of earnings. You are required a 16% return to invest in this stock. What value should you place on a share of this Stock? (10)

(B) XYZ Co. has Rs. 400 million in outstanding debt and Rs. 100 million in preferred stock. Its total value is Rs. 800 million. Its cost of debt (rd) is 8%, its cost of preferred stock is (rps) 9%, and its cost of common stock (rcs) is 12%. The firm has recently had numerous depreciation tax shields as well as low earnings. Consequently, it does not pay taxes. What is its Weighted Average Cost of Capital (WACC) assuming it will continue to not pay taxes?

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***Best Wishes for CSS-2023***