



National Officers Academy
Mock-8 for CSS-2024
January 2024
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 Explain shortly all audit assertions related to class of transactions (revenue and expenses), account balances (assets/liabilities/equities), and presentation & disclosure. (20)

Q.3. (a) Which persons are not qualified for appointment as auditor of a company under the Companies (10) Ordinance 1984? (10)
(b) Why an auditor cannot provide an absolute assurance as a result of audit? Explain. (10)

Q.4. What is the difference between investigation and auditing? (20)

SECTION – B (BUSINESS TAXATION)

Q.5

The following information is available in respect of Mr. Abdullah for tax year ending on June 30, 2009

Basic salary	Rs.300000
Dearness allowance	25000
Computer allowance	30000
Medical facility by employer	10000
Gas and electricity allowance	5000
Salary of watch man paid by employer	36000
Profit on sale of shares of private limited company	12000
Leave fare assistance	45000
Employer contribution to provident fund	35000
Profit on sale of shares of listed public limited company	9000

Calculate taxable income of Mr. Abdullah

(20)

Q-6 Define the following: (20)

- (i) Business (ii) non-profit organization (iii) Resident person
(iv) Public company (v) Agricultural income (vi) Banking company

SECTION – C (BUSINESS STUDIES AND FINANCE)

Q-7 (a) 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 (r_d) is 8%, its cost of preferred stock is (r_{ps}) 9%, and its cost of common stock (r_{cs}) 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? **(10)**

(b) Define financial markets and their types? **(10)**

Q-8

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:

Cash inflows (CF_t)		
Year	Project A	Project B
1	\$45,000	\$75,000
2	45,000	60,000
3	45,000	30,000
4	45,000	30,000
5	45,000	30,000
6	45,000	30,000

- (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.

(20)

Best Wishes for CSS-2024