

# ACCOUNTANCY & AUDITING

## PAPER-I

### A). Financial Accounting (50 Marks)

#### **I. Fundamental Accounting Principles, Concepts, Assumptions and Conventions:**

- Nature and Scope of Accounting
- Accrual/Matching Concept
- Consistency of Presentation and Comparability
- True and Fair View
- Neutrality, Materiality, Prudence, Completeness, Understandability and Usefulness
- Going Concern
- Substance over Form.

#### **II. Accounting Cycle/Process and Financial Statements:**

- Transactions and/or Events
- General Journal & General Ledger
- Trial Balance (Unadjusted), Adjusting Entries and Adjusted Trial Balance
- Work Sheet & Financial Statements including Income Statement
- Statement of Financial Position (Balance Sheet), Statement of Cash Flows and Statement of Changes in Equity in accordance with the Financial Reporting
- Framework as specified by International Accounting Standard Board (IASB) through IFRSs/IASs, and by Securities and Exchange Commission of Pakistan through Companies Ordinance 1984
- Closing and Reversing Entries.

#### **III. Attributes, and Significance of Accounting Information:**

- Attributes of Accounting Information
- Information/Reporting Requirements of various Users/Stakeholders of Financial Statements including External (Investors/Shareholders, Creditors, Suppliers, Lenders/Financiers, Government Agencies etc.) and Internal (Board of Directors, Partners, Managers, Employees etc.) Stakeholders.

#### **IV. Accounting for common Legal Forms of a Business:**

- Accounting Principles and Financial Statements of Sole-proprietorships
- Partnerships and Joint Stock Companies including Banking Companies (Excluding Advanced Topics like Amalgamation, Capital Reduction, Consolidation etc.)

#### **V. Accounting for Associations Not-for-profit, and for Public Sector:**

- Accounting Principles and Financial Statements - of Associations Not-for-profit, and - of Public Sector Entities as per Standardized Financial Reporting Framework provided by International Public Sector Accounting Standards (IPSAS) Board and Practices being followed in the country.

#### **VI. Accounting for Non-current Tangible Assets:**

- Fundamental Concepts and Principles concerning Non-current Assets: Cost; Depreciable Amount; Depreciation; Fair Value; Property, Plant and Equipment; Residual Value; and Useful Life.
- Depreciation Methods and their Application (as specified by International Accounting Standards Board): Straight-line Method; Reducing Balance Method; Number of Units Produced and basic know-how of other Methods/Techniques being commonly used by the industry.

#### **VII. Fundamental and Technical Analysis of various Forms of Organizations:**

- Financial Statements' Analysis including both Horizontal (Measuring Change) and Vertical (Ratio) Analysis including Liquidity Ratios, Activity Ratios, Debt Ratios, Profitability Ratios and Market Ratios; Technical and Industry Analysis.

## **B). Cost & Managerial Accounting (50 Marks)**

### **VIII. Fundamental Cost Accounting Principles and Concepts:**

- Nature and Scope of Cost and Managerial Accounting
- Cost Concepts, Elements and Classification
- Underlying Differences among Financial, Cost, and Management Accounting.

### **IX. Accounting for Material, Labour and Factory Overheads (FOH):**

- Recognition and Valuation Principles for Material Inventory, and Methods to control Material Inventory
- Calculation/Measurement and Accounting for Payroll for all forms of Labour
- Time Rate and Piece Rate Systems
- Commonly used Group Incentive Schemes
- Factory Overhead Costs and FOH Rate
- Departmentalization of FOH Costs, their Allocation, Apportionment and Reapportionment (Primary and Secondary Distributions)
- Methods for Secondary Distribution including both Repeated Apportionment/Distribution and Algebraic Method

### **X. Costing for Specific Jobs, and Process Costing:**

- Nature of a Specific Job, and Job-order Costing; Process Flow and Process Costing by the use of Cost of Production Report (CPR).

### **XI. Management Accounting for Planning, Decision-making and Control:**

- **Budgeting and its Use:** Meaning and Nature of a Budget; Major Forms of a Budget including Production and Sales Budget, Cash Budget, Flexible Budgets, Zero-based Budget, Master Budget etc.
- **Break-even Analysis:** Difference between Marginal and Absorption Costing Techniques; Concept of Relevant Cost; Application and Use of Contribution Margin and other Concepts for Planning and Decision-making (under Break-even Analysis)
- **Variance Analysis:** Meaning and Use of Standards and Variances; Major Classification of Variances including Material, Labour and FOH Variances, and their Computation.

# ACCOUNTANCY & AUDITING

## PAPER-II

### A). Auditing (40 Marks)

#### **I. Fundamental Auditing Principles and Concepts:**

- Audit and Auditing
- True and Fair View
- Audit Assertions
- Reasonable Assurance
- Documentation and Audit Evidence, Audit Program, Audit Risks
- Computer Information Systems (EDP Systems) and Computer-assisted Audit Techniques (CAAT)
- Inspection, Fraud, Going Concern, Audit Materiality, Misstatement, Governance and Premise
- Tests of Control and Substantive Procedures.

#### **II. Audit Considerations, Dimensions and Conduct:**

- Internal Control System and Internal Audit
- Internal VS External Audit
- Responsibility for Financial Statements
- Audit Planning, Scope of an Audit, Objectives of an Audit
- Inherent Limitations of an Audit
- Risk Assessment and Management
- Internal Audit and Corporate Governance
- Classification of Audit
- Qualities of an Auditor
- Auditing in Computer Information Systems (EDP Systems)
- Computer-assisted Audit Techniques
- General Auditing Principles and Techniques commonly applicable to various Types of Undertakings including Merchandizing, Manufacturing, Banking, Insurance, Investment Entities etc.
- Audit Performance and Audit Completion.

### **III. Role and Responsibilities of an Auditor:**

- Auditor's professional and legal Rights
- Responsibilities, Duties, and Liabilities
- Auditor's Opinion and Report, and their classification (Types); - as specified under the Companies Ordinance 1984, and in the handbook of IFAC.

### **B). Business Taxation (30 Marks)**

#### **IV. Tax Structure, and Fundamental Concepts vis-à-vis Income Tax in Pakistan:**

- Tax Structure in Pakistan
- Fundamental Definitions/Terminologies defined under Section 2 of the Income Tax Ordinance 2001.

#### **V. Income Tax and Sales Tax Principles, and their application:**

- Selected Provisions from Income Tax
- Income for Tax Purposes [Section 4, 9 & 10]
- Heads of Income [Section 11]
- Tax Payable on Taxable Income [First Schedule to the Ordinance]
- Salary Income and Taxation [Sections 12 to 14]
- Income from Property [Sections 15 & 16]
- Income from Business [Sections 18 to 20]
- Capital Gains [Sections 37 to 38]
- Income from other sources [Section 39, 40, 101(6), 111]
- Tax Credits [Sections 61 to 65]
- Taxation of Individuals, Association of Persons (AOPs) and Companies [Sections 86, 92, 94]
- Due Date for Payment of Tax [Section 137]
- Deduction of Tax at Source/With-holding Tax [Sections 147, 149, 153, 155] and related Income Tax Rules 2002
- Selected Definitions and Provisions from Sales Tax -Scope of Tax [Section 3]
- Exempt supply [Section 2(11)], Goods [Section 2(12)] & Input Tax [2(14)]
- Registered person [Section 2(25)]
- Supply [Section 2(33)]
- Tax [Section 2(34)]
- Retail Price and Retailer [Section 2(27) & 2(28)]

- Taxable Activity [Section 2(35)]
- Taxable Supply [Section 2(41)]
- Tax Fraction [Section 2(36)]
- Tax Period [Section 2(43)]
- Time of Supply [Section 2(44)]
- Determination of Tax Liability [Section 7].

### **C). Business Studies, and Finance (30 Marks)**

#### **VI. Business Studies:**

- Nature and Scope of a Business Entity
- Contemporary Challenges posed to a Business
- Common Legal Forms of a Business Entity - Sole proprietorship, Partnership, Joint Stock Company, their Features, Formation and Management
- Business Combinations and their Scope
- Business Cycle and its Implications
- Role of Information Technology in Business.

#### **VII. Finance:**

- Meaning, Nature and Scope of Finance, and Financial Management
- Common Modes of Business Finance: Short-, Medium-, and Long-term Financing
- Nature and Scope of Financial Markets and Institutions
- Features and Classification of Financial Markets
- Financial Management Techniques for Decision making: Time Value of Money, Cost of Capital and Capital Budgeting Techniques.