



ICMA
Pakistan

MODEL PAPERS

[COMPUTER BASED EXAMINATIONS]

• Managerial Level-2

- [M4] Financial Accounting & Corporate Reporting
- [M5] Advanced Management Accounting
- [M6] Corporate Governance, Business Laws & Ethics

• Strategic Level-1

- [S1] Advanced Financial Accounting & Corporate Reporting
- [S2] Audit & Assurance
- [S3] Business Taxation

• Strategic Level-2

- [S4] Strategic Management Accounting
- [S5] Strategic Financial Management
- [S6] Strategic Management

• Local Laws Gateway Examination [LLG]

Effective from July 2020 Examinations

EXAMINATION DEPARTMENT

Time Allowed: 03 Hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (MCQS):

1. Government grants related to assets, including non-monetary grants at fair value, shall be presented in _____.

A	statement of cash flows
B	statement of profit or loss
C	statement of financial position
D	statement of changes in equity

2. As per IFRS 16 'Leases', which of the following information a lessee shall disclose for the reporting period?

A	Interest expense on lease liabilities
B	Depreciation charge for right-of-use assets by class of underlying assets
C	Income from sub-leasing right-of-use assets
D	All of the above

3. Raana Limited acquired office equipment worth Rs. 780,000 on January 01, 2018. The useful life of equipment is estimated to be 6 years and the residual value is expected to be Rs. 150,000. The company uses diminishing balance method of depreciation at the rate of 15% per annum. The amount of depreciation of the office equipment for the year ended December 31, 2019 is _____.

A	Rs. 117,000
B	Rs. 99,450
C	Rs. 94,500
D	Rs. 80,325

4. Leena Limited imported raw materials from Africa worth Rs.2,000,000. The company paid Rs.80,000 as import duties, Rs.500,000 for transportation of the materials from Africa and Rs.60,000 as port handling charges for loading the materials at Africa. Marketing expenses were Rs.75,000 and the general administrative overheads amounted to Rs.80,000. The value of inventories as per IAS 2 – 'Inventories' is _____.

A	Rs.2,795,000
B	Rs.2,640,000
C	Rs. 2,000,000
D	Rs. 2,715,000

5. A company enters into a contract to build a factory for one of its customers. The agreed price of the project is Rs. 2 million with a specified completion date of December 31, 2019. However, the contract also provided that the company will receive an additional incentive of Rs. 300,000, if the factory is completed by November 30, 2019. The company estimated that there is a 30% probability of building the factory by November 30, 2019 and 70% in December 2019. The expected value of transaction price for the contract is _____.

A	Rs. 2,030,000
B	Rs. 2,090,000
C	Rs. 2,600,000
D	Rs. 1,400,000

DESCRIPTIVE QUESTIONS:

6. Kashan Limited bought an equipment amounted to Rs. 3,750,000 on January 1, 2017. It had a useful life of five years. On January 1, 2019 the asset was revalued to Rs. 4,500,000. The expected useful life of the asset remained unchanged. In such scenario calculate the amount of revaluation surplus for the equipment.

Solve/ Type Your Answer Here

7. Classify the following items as financial assets, financial liabilities or none of them:

- 1 Cash and Bank
- 2 Patent and trade mark
- 3 Trade payables
- 4 Warranty payables
- 5 Government notes receivables
- 6 Dividend payables
- 7 Deferred tax
- 8 Prepaid expenses

Solve/ Type Your Answer Here

8. Conceptual framework defines the interrelated elements that most directly relate to measuring the performance and financial status of a business enterprise. Enlist and explain those elements.

Solve/ Type Your Answer Here

MULTIPLE CHOICE QUESTIONS (MCQs):

1. Which of the following are the components of time series?

A	Trend, systematic variations, cyclical variations, relative variations
B	Trend, seasonal variations, cyclical variations, random variations
C	Trend, seasonal variations, systematic variations
D	Systematic variations, cyclical variations, relative variations

2. Capital budgeting method to analyze information of financials includes:

A	internal rate of return
B	net present value
C	accrual accounting rate of return
D	All of these

3. The standard price for Material 'N' is Rs. 54.75 per kg. During the month of May, 3,000 kg were purchased at Rs.54 per kg. The quantity of Material 'N' issued during the month was 2,775 kg and the quantity allowed for the month of June production was 2,825 kg.
The Material Price Variance at the time of issue was _____.

A	Rs. 2,081.25 Adverse
B	Rs. 2,081.25 Favorable
C	Rs. 2,250 Adverse
D	Rs. 2,250 Favorable

DESCRIPTIVE QUESTIONS:

4. Determine the nominal and effective cost of trade credit under the credit terms of 4/16, net 32. Assume 360-day year.

Solve/ Type Your Answer Here

5. A team of management consultants and company executives concluded that a standard cost installation was a desirable vehicle for accomplishing the objectives of a progressive management. State some uses of standard costs that can be associated with the above decision.

Solve/ Type Your Answer Here

Time Allowed: 03 Hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (MCQs):

1. As restricted under the provision of section 87 of the Companies Act, 2017, no company shall, either by itself or through its nominees, hold any shares in its _____ except under conditions as specified in the Act.

A	holding company
B	holding company, having 75% shareholding of subsidiary
C	holding company, having 90% shareholding of subsidiary
D	holding company, having 100% shareholding of subsidiary

2. As per the Rule Book of Pakistan Stock Exchange Limited (PSX) "Small and Medium Sized Enterprise (SME)" means a public company, registered under the Companies Ordinance, 1984, having a post issue paid up capital not less than Rs. 25 million and not more than _____.

A	Rs. 100 million
B	Rs. 150 million
C	Rs. 175 million
D	Rs. 200 million

3. According to Anti-Money Laundering Act, 2010, which of the following activities are performed by a "financial institution"?

A	Acceptance of deposits and other repayable funds from the public.
B	Lending in whatsoever form.
C	Financial leasing.
D	All of these

DESCRIPTIVE QUESTIONS:

4. In accordance with Public Offering Regulations, 2017:
- What is the meaning of an “Investment Agent”?
 - What are the responsibilities of an “Investment Agent”?

Solve/ Type Your Answer Here

5. Fakhar Industries Limited was incorporated on May 2, 2020. The company has not appointed its first auditor in pursuance of section 246 of the Companies Act, 2017 until June 7, 2020. Mr. Jamil Ahmed being the Company Secretary, has been asked to provide guidance to the Board as to:
- What is the deadline for the appointment of first auditor/auditors?
 - What will be his/ her tenure?

Solve/ Type Your Answer Here

Time Allowed: 03 Hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (MCQs):

1. As per IAS 19, *Employee Benefits*, which one of the following is not a category of employee benefits?

A	Short-term benefits
B	Medium-term benefits
C	Post-employment benefits
D	Other long-term benefits

- 2.

		No. of Shares
January 1, 2019	Opening balance	500,000
July 31, 2019	New shares issued for cash	120,000
December 31, 2019	Closing balance	620,000

From the information as given in the above table, the weighted average number of shares outstanding for 2019 will be _____.

A	375,000
B	415,000
C	310,000
D	550,000

3. Paramount Limited purchased 80% of the issued ordinary share capital of Star Limited four years ago, when the retained earnings of Star Limited were Rs.20 million:
- a. At acquisition, the fair value of the plant of Star Limited was Rs. 10 million in excess of its book value. Depreciation is to be charged at 20% using the straight-line method.
 - b. Paramount Limited sells goods to Star Limited at a markup of 25%. At December 31, 2019, the inventories of Star Limited included Rs.50 million of goods purchased from Paramount Limited.
 - c. Retained earnings of parent and subsidiary at reporting date were Rs. 215 million and Rs. 48 million respectively.

The amount of consolidated retained earnings at reporting date will be _____.

A	Rs.221 million
B	Rs.231 million
C	Rs.241 million
D	Rs.251 million

4. Given below are the extracts from consolidated statements of financial position of Shaheen Limited for the year ended June 30,:

	Rs. in million	
	2019	2018
Share capital (Rs.10 each)	8,000	5,000
Reserves	3,650	1,865
Non-controlling interest (NCI)	1,170	850
Long-term loans	1,850	1,750
Following information is relevant:		
Net profit attributable to:		Rs. in 'million'
Owner of the parent		2,678
NCI		683

Required:

As per IAS 7, *Statement of Cash Flows*, net cash flows from financing activities of Shaheen Limited for the year ended June 30, 2019, should be:

A	Rs. 1,896 million
B	Rs. 1,844 million
C	Rs. 1,949 million
D	Rs. 1,955 million

DESCRIPTIVE QUESTIONS:

5. What is International Harmonization in accounting? Describe in brief different technical and political barriers to International Harmonization.

Solve/ Type Your Answer Here

Time Allowed: 03 Hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (MCQs):

1. _____ is an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

A	Audit risk
B	Professional judgement
C	Professional skepticism
D	Detection risk

2. As per ISA 240, identify which one of the following definitions best define 'Fraud'?

A	Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.
B	An intentional act by one or more individuals among management, those charged with governance, employees or third parties, involving the use of deception to obtain an unjust or illegal advantage.
C	A process comprising an ongoing consideration and evaluation of the firm's system of quality control.
D	The record of work performed, results obtained, and conclusions the practitioners reached.

3. As per ISA 220, the engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusion reached in formulating the auditor's report. This evaluation shall involve the following, except:

A	Discussion of significant matters with the engagement partner.
B	Review of the financial statements and the proposed auditor's report.
C	Review of selected audit documentation relating to the significant judgements the engagement team made and the conclusions it reached.
D	Professional behavior of the engagement team member.

DESCRIPTIVE QUESTIONS:

4. What particulars relating to 'Wages and Salaries' shall be included in Cost Auditor's Report to the Directors of the company?

Solve/ Type Your Answer Here

5. Mr. Zohaib is conducting the audit of Rumesa Limited. In accordance with ISA 540, what activities he should undertake in responding to the assessed risks of material misstatement, while taking into account the nature of the accounting estimate?

Solve/ Type Your Answer Here

6. In the light of ISA 706, explain the difference between an Emphasis of Matter Paragraph and Other Matter Paragraph.

Solve/ Type Your Answer Here

Time Allowed: 03 Hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (MCQs):

1. Which one of the following best describes 'capital asset' as per section 37 of the Income Tax Ordinance, 2001?

A	Any stock-in-trade, consumable stores or raw materials held for the purpose of business.
B	Any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortization deduction under section 24.
C	Any movable property excluding capital assets specified in sub-section (5) of section 38 held for personal use by the person or any member of the person's family dependent on the person.
D	Property of any kind held by a person, whether or not connected with a business.

2. Following shall be excluded from the calculation of Alternate Corporate Tax, except:

A	Income which is subject to tax other than under Division II of Part I of the First Schedule or minimum tax under any of the provisions of this Ordinance.
B	Accounting profit before tax.
C	Exempt income.
D	Income subject to tax credit under section 65D, 65E and 100C.

3. Mr. Shaoib is a Manager Finance of Ittehad Limited. In terms of employment he has been provided medical allowance amounting to Rs. 90,000 per annum and medical reimbursement amounting to Rs. 200,000. NTN of medical practitioner was available. In this scenario the amount taxable in terms of this facility provided to him is _____.

A	Rs. 290,000
B	Rs. 90,000
C	Rs. 110,000
D	Rs. 20,000

4. Mr. Shafiq derives his salary income from Manzil Steel Group. Besides he operates his online business of leather jackets. He incurred following incomes and losses during the tax year ended June 2020:

	Rupees
Incomes for the year:	
Income from salary	1,320,000
Income from property	1,000,000
Income from other sources	500,000
Loss for the year:	
Business loss	800,000

The amount of business loss to be adjusted against the incomes of Mr. Shafiq is _____.

A	Rs. 500,000
B	Rs. 800,000
C	Rs. 300,000
D	Loss cannot be adjusted against the incomes given

5. Farooq Limited (FL) is registered under the Sales Tax Act, 1990. Following are the details of sales and purchases made during the month of February 2020:

	Rupees
Local taxable sales to registered person	1,500,000
Local taxable sales to unregistered person	5,000,000
Zero-rated supplies	2,500,000
Exempt supplies	500,000
Purchases from registered supplier	6,500,000

Considering the above scenario sales tax liability of Farooq Limited (FL) for the month of February 2020 is _____.

A	Rs. 1,105,000
B	Rs. 756,053
C	Rs. 498,947
D	Rs. 150,000

DESCRIPTIVE QUESTIONS:

6. In the light of section 109 of the Income Tax Ordinance, 2001, define the term 'Tax avoidance scheme' and explain under what circumstances the Commissioner may exercise his power to recharacterisation or disregard a transaction.

Solve/ Type Your Answer Here

7. Mr. Talib is engaged in manufacturing and selling watches. During the tax year 2020, the sale proceeds from the watches were worth Rs. 2,900,000. Explain with reason whether Mr. Talib is required to be registered under Sales Tax Act, 1990 or not.

Solve/ Type Your Answer Here

8. Explain the term 'Adjustment' in the light of Section 2 (2) of Federal Excise Act, 2005.

Solve/ Type Your Answer Here

Time Allowed: 03 Hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (MCQs):

1. Identify the stage in the product life cycle at which the variable production costs per unit fall further due to economies of scale and learning effects.

A	Decline stage
B	Market development stage
C	Product development stage
D	Maturity stage

2. The aim of _____ costing is to reduce current costs by using various tools such as value analysis and functional analysis.

A	Standard
B	Life cycle
C	Throughput
D	Kaizen

3. Uxbridge Limited is considering to develop a new product 'Alpha'. During its product life, 18,000 units of the product will be sold for Rs. 12,300 per unit. Production is expected to be in batches of 1,000 units throughout the life of the product.

The direct labour cost is expected to reduce due to the effects of learning for the first 8 batches produced. Thereafter, the direct labour cost will remain constant at the same cost per batch as the 8th batch. The direct labour cost of the 1st batch of 1,000 units is expected to be Rs. 5,250,000 and a 90% = -0.152 learning effect is expected to occur.

The direct material and variable costs (other than labour costs) will be Rs. 6,000 per unit throughout the life of the product. There are no fixed costs allocable to this product.

The expected direct labour cost of 8th batch is _____.

A	Rs. 3,827,275
B	Rs. 30,618,197
C	Rs. 3,277,950
D	Rs. 27,340,247

DESCRIPTIVE QUESTIONS:

4. Tree Resorts Limited (TRL) operates three resorts in northern areas of Pakistan with the name of 'Apple Resort' (AR), 'Oak Resort' (OR) and 'Walnut Resort' (WR). These resorts operate as separate investment centres. The following data is available for these resorts:

	<u>AR</u>	<u>OR</u>	<u>WR</u>
	--- Rupees in thousand ---		
Sales	600,000	700,000	1,250,000
Average operating assets	150,000	350,000	250,000
Net operating income	36,000	49,000	50,000
Minimum required rate of return	17.5%	12.5%	20.0%

Required:

Compute Return On Investment ROI and Residual income (RI) for each resort of Tree Resorts Limited (TRL)

Solve/ Type Your Answer Here

5. A mobile manufacturing company, Zeta Limited uses target costing in order to produce relatively low-cost, symmetrical mobiles in the country, paying one of the highest hourly labour wage across the globe. Suggest ways through which the unit cost per mobile could be reduced.

Solve/ Type Your Answer Here

Time Allowed: 03 Hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (MCQs):

1. The discount rate that makes net present value (NPV) of all cash flows from a particular project equal to zero is classified as:

A	positive rate of return
B	negative rate of return
C	external rate of return
D	internal rate of return

2. Abbas Limited requires an investment of Rs.360 million and needs to increase its working capital by Rs.40 million. Earnings before taxes is Rs.3,600 million and it sets off Rs.240 million of depreciation. Tax rate is 29%. The amount of free cash flow is:

A	Rs.2,554 million
B	Rs.2,360 million
C	Rs.2,396 million
D	Rs.2,634 million

3. Mehran Limited is considering to start five new projects next year. All projects entail equal amounts of risk. The company relies 100% on equity financing and the cost of equity financing is 20%.

The following table shows the relevant cash flows of these projects:

Project	Rs. in million		
	Time 0	Time 1	Time 2
A	(350)	220	620
B	(520)	110	775
C	(450)	410	715
D	(710)	180	1,050
E	(450)	350	545

Cash outflows shown in the above table are minimum amounts of investment required for each project. Lower levels of investment cannot be undertaken for any project. It is expected that availability of capital will be limited to Rs.1,500 million at commencement. Given the limited financial resources, Mehran Limited can undertake projects _____ to maximize its profits.

A	A, B and E
B	B and D
C	C, A and E
D	A, B and C

DESCRIPTIVE QUESTIONS:

4. Capital budgeting is the process that a business uses to determine which proposed fixed asset purchases it should accept, and which should be declined. This process is used to create a quantitative view of each proposed fixed asset investment, thereby giving a rational basis for making a judgment. What are various methods of capital budgeting. Briefly describe merits and demerits of any two of them.

Solve/ Type Your Answer Here

5. Synergy is the concept that the combined value and performance of two companies will be greater than the sum of the separate individual parts. Synergy is a term that is most commonly used in the context of mergers and acquisitions. Briefly explain how can a merger create financial synergy?

Solve/ Type Your Answer Here

Time Allowed: 03 Hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (MCQs):

1. _____ is the method for analyzing the information for implications, while creating strategic intelligence.

A	Sensing
B	Using
C	Organizing
D	Processing

2. The adequacy and suitability of the resources and competences the organization has, and which are necessary for its future success, is called _____.

A	financial capacity
B	dynamic capability
C	strategic capability
D	core capability

3. According to Michael Porter, _____ offers a bird's eye view of an organization and what it does.

A	value chain
B	supply chain
C	critical success factor
D	product life cycle

4. At which stage of foresight project, the future is tend to be anticipate?

A	Monitoring
B	Transformation
C	Projection
D	Analysis

DESCRIPTIVE QUESTIONS:

5. One of the key objectives of Alpha Pvt. Limited is to increase its profitability by 7% as compared to the corresponding year. It uses the rational model for aligning its strategic management process. Alpha's management team has currently undertaken PEST and a Porter's Diamond Analysis.

The company operates a profit-related pay scheme for its staff, but the staff is only eligible for the profit related pay, contingent upon organization's increase of its targeted profits for the year.

Concerned about the criteria of bonus, staff's motivation remained low as they could not discern out the reason behind linking pay with targeted profits knowing the industrial downturn.

Keeping in view of the aforementioned scenario, you are required to discuss in relation to its targeted profit, aspect of "SMART" Objectives that the company has failed to meet.

Solve/ Type Your Answer Here

6. Dazzler Pvt. Limited was established as a private limited company, engaged in the business of manufacturing of ready-made garments 7 years ago. It was initially a small set up that grew well over the span of time. With the persistent growth in the local market, the company is now willing to tap in the foreign market via exports. The company wishes to devise a strategy that could help it to perform just as efficiently as it is doing in the local market. Being a strategist, identify the steps that Dazzler Pvt. Limited should adopt in managing strategy using its Critical Success Factors (CSFs).

Solve/ Type Your Answer Here

MULTIPLE CHOICE QUESTIONS (MCQs):

1. For becoming an Attorney General of Pakistan, the person must be qualified to be appointed as a _____.

A	Judge of supreme court.
B	Judge of high court.
C	Commissioner of Federal Board of Revenue
D	Session judge.

2. Under section 62 of the Income Tax Ordinance, 2001 _____ tax credit for investment in shares is available to a person other than a company.

A	Equal to cost of acquiring the shares or the premium paid, but to a maximum of Rs. 2,000,000
B	20% of a person's taxable income for the year
C	Higher of (a) and (b) above
D	Lower of (a) and (b) above

3. As per the Companies Act, 2017, "layer" in relation to a holding company mean its:

A	Subsidiary.
B	Joint venture.
C	Associate.
D	All of these

4. Following data relates to Shafaq Limited (SL):

	Rupees
Supplies made with tax deduction u/s 153	30,000,000
Imports of raw material	30,000,000
Exports made with tax deduction u/s 154	55,000,000
Local sales without tax deduction	60,000,000
Gross profit	5,000,000
Profit or loss expenses	1,000,000

The taxable income of SL under FTR is _____.

A	Rs.2,482,759
B	Rs. 1,517,241
C	Rs. 4,000,000
D	Rs. 1,666,667

DESCRIPTIVE QUESTIONS:

5. As per section 11 of the Companies Act, 2017, what is the procedure for making rectification in the name of a company which, through inadvertence or otherwise, is registered by a name in contravention of the provisions of section 10 of the Act or the name was obtained by furnishing false or incorrect information?

Solve/ Type Your Answer Here