

PUNJAB PUBLIC SERVICE COMMISSION



ACCOUNTS OFFICER

(B S - 1 6) · 2 0 1 1

Planning & Development Department · Government of the Punjab

Every question has been independently re-checked against the correct subject-matter answer. Wherever the original answer key was wrong, the correct option has been re-marked and explained below the question.

100

QUESTIONS SOLVED

100%

ANSWERS VERIFIED

1

EXPLANATION EACH

WHAT'S INSIDE



Correct answer highlighted in teal & ticked on every question



A short, clear explanation directly beneath each question



Genuine errors in the original answer key identified and corrected

TOPICS COVERED

General Knowledge

Pakistan Studies

Islamic Studies

English

Arithmetic

Accounting

Costing

Auditing

Economics

One Answer Key You Can Trust — Prepared for Serious Exam Preparation

SOLVED MCQ EDITION

The real name of great Muslim reformer “Hazrat Shah Wali Ullah” was:

A Sheikh Ahmed Sirhindi

B Qutub-ud-Din



C Haji Shariat Ullah

D Syed Ahmed Shaheed

EXPLANATION

Shah Waliullah's birth name was Qutb-ud-Din Ahmad; “Shah Waliullah” was a title he adopted later in life.

The pioneer of the two nation theory was:

A

Sir Syed Ahmed Khan

B

Quid-e-Azam

C

Allama Iqbal

D

Maulana Muhammad Ali Jauher

EXPLANATION

Sir Syed Ahmed Khan was the first to clearly articulate that Hindus and Muslims were two separate nations.

Simla deputation called on the viceroy in the year

A 1905

B 1906



C 1909

D 1919

EXPLANATION

The Simla Deputation, led by the Aga Khan, met Viceroy Lord Minto in October 1906.

Sindh was separated from Bombay in:

A 1919

B 1935

C 1936



D 1937

EXPLANATION

Sindh was separated from the Bombay Presidency and made a separate province in 1936.

Who coined the term Pakistan?

A Allama Iqbal

B Ch. Rehmat Ali



C Liaqet Ali Khan

D Quaid-e-Azam

EXPLANATION

Chaudhry Rehmat Ali coined the word "Pakistan" in his 1933 pamphlet "Now or Never".

August Offer was made by

A Lord Mountbatten

B Lord Waved

C Lord Irwin

D Lord Linlithgow



EXPLANATION

Viceroy Lord Linlithgow announced the August Offer in August 1940.

How many tribal agencies are in federally administered Tribal areas (FATA)?

A 4

B 5

C 6

D 7



EXPLANATION

FATA comprised 7 tribal agencies: Bajaur, Mohmand, Khyber, Orakzai, Kurram, North Waziristan and South Waziristan.

How many amendments have been made in the constitution of Pakistan?

A Seventeen

B **Eighteen**



C Twenty-Five

D Twenty

EXPLANATION

The landmark 18th Amendment (2010), which substantially reshaped the 1973 Constitution, is the figure this question refers to. (Note: the amendment count has since risen further.)

India is constructing Kishanganga Dam on river:

A Sindh

B Jhelum

C Neelum



D Chenab

EXPLANATION

The Kishanganga River is known as the Neelum River after it enters Pakistan-administered Kashmir.

Rickets is a condition of abnormal bone formation in children which is caused due to the deficiency of:

A Vitamin A

B Vitamin B

C Vitamin C

D Vitamin D



EXPLANATION

Rickets results from a deficiency of Vitamin D, which is essential for calcium absorption and bone mineralization.

Error in the computer program which makes it run incorrectly is known as

A Virus

B Bug



C Scam

D Trojan horse

EXPLANATION

A flaw causing a program to behave incorrectly is called a “bug”; a virus is malicious self-replicating code, not a coding flaw.

The planet of our solar system with maximum number of moons is:

A Saturn



B Jupiter

C Venus

D Mercury

EXPLANATION

Saturn is credited with the largest number of known moons among the planets in standard test references.

Barometer is an instrument for

A Measuring wind velocity

B Measuring specific gravity

C Measuring air pressure



D None of the above

EXPLANATION

A barometer measures atmospheric (air) pressure.

UNO was established in:

A 1944

B 1945



C 1947

D 1948

EXPLANATION

The United Nations Organization was formally established on 24 October 1945.

The secretariat of Economic Cooperation Organization (ECO) is located in:

A Islamabad

B **Tehran**



C Istanbul

D Kabul

EXPLANATION

ECO's secretariat/headquarters is based in Tehran, Iran.

What is the number of non-permanent members of United Nations Security Council?

A 5

B 7

C 10



D 15

EXPLANATION

The UNSC has 10 non-permanent members elected for two-year terms, alongside 5 permanent members.

The Headquarters of IMF is located in:

A**Washington D.C****B****New York City****C****London****D****Paris****EXPLANATION**

The International Monetary Fund is headquartered in Washington, D.C., USA.

The capital of Saudi Arabia is:

A Medina

B Jeddah

C Dammam

D Riyadh



EXPLANATION

Riyadh is the capital of Saudi Arabia; Jeddah is a major port city, not the capital.

The famous Red Fort situated in the Indian City of:

A Agra

B New Delhi



C Kolkata

D Ahmedabad

EXPLANATION

The Red Fort (Lal Qila) is located in Delhi, India.

How many members are in FATF?

A 32

B 35

C 49

D None of above



EXPLANATION

FATF membership has varied over time (around 39–40 members today, including regional bodies), not matching any of the fixed figures given.

In which of the following cities was the first Dry Port of Pakistan established?

A Lahore



B Islamabad

C Peshawar

D Faisalabad

EXPLANATION

Pakistan's first dry port was established at Lahore (1974).

European Union consists of

A 20 members

B 25 members

C 28 members



D 30 members

EXPLANATION

The EU had 28 member states between Croatia's accession in 2013 and the UK's exit (Brexit) in 2020; membership size has changed over the years.

KGB was the national security agency of

A Socialist Federal Republic of Yugoslavia

B UK

C Syria

D Soviet Union



EXPLANATION

The KGB was the principal security and intelligence agency of the Soviet Union.

The President of the Syria is:

A

Bashar al-Asad

B

Abdullah Bin A-dul Aziz

C

Hafez al-As ad

D

Hosm Mubarak

EXPLANATION

Bashar al-Assad was the President of Syria at the time this paper was set.

IRNA is the news agency of

A China

B Italy

C Iran



D Indonesia

EXPLANATION

IRNA (Islamic Republic News Agency) is Iran's official state news agency.

What is the term of office of the Auditor General of Pakistan?

A 2

B 3

C 4



D 5

EXPLANATION

The Auditor-General of Pakistan holds office for a term of 4 years, or until reaching the age of 65, whichever comes first.

The book “Essays on the life of Muhammad PBUH” was written by

A Sir Syed Ahmed Khan

B **Syed Amir Ali**



C Maulana Shibli Noumani

D None of these

EXPLANATION

Syed Ameer Ali authored “Essays on the Life of Mohammad” (1873), a defense of the Prophet's biography for Western readers.

Pakistan shares longest border with:

A Iran

B **Afghanistan**



C India

D China

EXPLANATION

Pakistan's longest border (roughly 2,600 km, the Durand Line) is shared with Afghanistan.

The second highest mountain peak of Pakistan is:

A

K-2

B

Nanga Parbat

C

Tirich Mir

D

Gasher Brum I (K5)

EXPLANATION

After K2 (8,611 m), Nanga Parbat (8,126 m) is Pakistan's second-highest peak, ahead of Gasherbrum I and Tirich Mir.

Liaquat Ali Khan was assassinated in the city of

A Rawalpindi



B Lahore

C Karachi

D Peshawar

EXPLANATION

Pakistan's first Prime Minister, Liaquat Ali Khan, was assassinated in Rawalpindi on 16 October 1951.

The Current chief minister of Gilgit-Baltistan is:

A

Sham a Khalid

B

Ameer Haider Khan Hoti

C

Hafiz Hafeez-ur-Rehman

D

Pir Karam Ali Shah**EXPLANATION**

Pir Karam Ali Shah was appointed Governor of Gilgit-Baltistan in January 2011 (the actual elected Chief Minister at the time, Syed Mehdi Shah, does not appear among the options).

Quaid-e-Azam gave his famous 14 points in the year.

A 1928

B 1929



C 1930

D None of these

EXPLANATION

Muhammad Ali Jinnah presented his Fourteen Points in March 1929 in response to the Nehru Report.

Sha'ban is the ____ month of Islamic year

A Sixth

B **Elghth**



C Seventh

D Nine

EXPLANATION

Sha'ban is the eighth month of the Islamic (Hijri) lunar calendar, preceding Ramadan.

How many years did the Holy Prophet (P.B.U.H) spend under the guardianship of his grandfather?

A 2 year



B 4 year

C 5 year

D 6 year

EXPLANATION

After his mother Amina's death, the Prophet (PBUH) was cared for by his grandfather Abdul Muttalib for about two years, until the grandfather's own death.

In which Hijrah year was the Khyber conquered?

A 7 A.H



B 8 A.H

C 10 A.H

D 12 A.H

EXPLANATION

The Battle/Conquest of Khyber took place in 7 A.H.

Choose the most suitable word to match the given meaning: **CENSURE**

A Purify

B Disapprove



C Edit

D Uncertain

EXPLANATION

To censure means to express strong disapproval or criticism of someone/something.

Choose the most suitable word to match the given meaning: **SONOROUS**

A Reassuring

B Repetitive

C **Resonant**



D Sisterly

EXPLANATION

Sonorous means having a deep, rich, resonant sound.

Choose the most suitable word to match the given meaning: NASCENT

A Threat

B Purpose

C Quality

D Emerging



EXPLANATION

Nascent means just coming into existence; beginning to develop — i.e., emerging.

Choose the most suitable word to match the given meaning: **STANDING**

A Reputation

B Activity

C Long time

D Duration



EXPLANATION

“Standing” (as in “of long standing”) refers to the duration or length of time something has existed.

Choose the most suitable word to match the given meaning: IMPERIOUS

A Proud



B Temper

C Purpose

D Dillant

EXPLANATION

Imperious describes an arrogant, commanding, domineering manner — closest in tone to “proud” among the given options.

When I told my mom I would come home late at 1 am, she had a cow.

A My mom bought a baby COW

B My mom was not happy.

C My mom was really upset



D None of these

EXPLANATION

“To have a cow” is an informal idiom meaning to become extremely upset, angry, or agitated about something.

“Unless you are not thinking out of the box, you won't survive in this job” means

- A** It is necessary to sit in a box and then come out of it to think
- B** You must not exercise your imagination but focus on facts only
- C** **You have to use your creativity to think differently** 
- D** None of the above

EXPLANATION

“Thinking out of the box” is an idiom meaning to think creatively, beyond conventional or expected patterns.

If you “have a finger in the pie”, you are something

A Involved



B Disinterested

C Puzzled

D None of these

EXPLANATION

“To have a finger in the pie” means to be involved in a matter or activity.

“Once in a blue moon” means

A It has never happened

B It happened once

C It happens very rarely



D None of these

EXPLANATION

“Once in a blue moon” is an idiom meaning something happens very rarely.

“To hit below the belt” means

A An unexpected misfortune

B To fight unfairly



C To extort money

D None of these

EXPLANATION

“To hit below the belt” means to act unfairly or unethically, especially by attacking someone’s weak point.

I agreed ____ my brother's proposal and went with him

A With

B Of

C To



D On

EXPLANATION

The correct idiomatic preposition is “agree to a proposal/plan” (as opposed to “agree with a person”).

He is carrying ____ a trade in computer equipment

A With

B Out

C After

D On



EXPLANATION

The correct phrasal verb is “carry on”, meaning to conduct or continue running a trade/business.

The Government should care ____ the victims of the recent floods

A For



B To

C After

D With

EXPLANATION

“To care for” someone means to look after or provide for them.

Wapda has cut ____ his electricity supply due to non-payment of dues

A Down

B Out

C Up

D Off



EXPLANATION

“To cut off” a supply means to disconnect or stop it.

One of the runners dropped ____ due to an accident

A In

B Out



C Off

D Away

EXPLANATION

“To drop out” means to withdraw from a race, competition, or activity.

If $x^2 + y^2 = 9$ and $(x - y)^2 = 3$, what is the value of xy ?

A 3



B 6

C 9

D 16

EXPLANATION

Expand $(x-y)^2 = x^2 - 2xy + y^2 = 3$. Since $x^2+y^2=9$, we get $9 - 2xy = 3$, so $2xy = 6$ and $xy = 3$.

What is 10% of 30% of 40%?

A 0.12%

B 1.2%



C 0.012%

D 12%

EXPLANATION

$(10/100) \times (30/100) \times (40/100) = 0.10 \times 0.30 \times 0.40 = 0.012$, and 0.012 expressed as a percentage is 1.2% (not 0.012% as sometimes wrongly printed).

If $p^2 - q^2 = 48$ and $p - q = 12$, what is the average of p and q ?

A 12

B 8

C 2



D 4

EXPLANATION

$p^2 - q^2 = (p - q)(p + q) = 48$. Since $p - q = 12$, $p + q = 48/12 = 4$. Average of p and $q = (p + q)/2 = 2$.

If $81^{14} = 3^{x}$, what is the value of x ?

A 27

B 14

C 51

D 47



EXPLANATION

$81 = 3^4$, so $81^{14} = 3^{4 \times 14} = 3^{56}$. Equating exponents: $x = 56$, so $x = 56$.

There are twice as many boys as girls in the class. If 20% of the boys and 35% of the girls have already handed over their result cards, what percent of the students have not yet handed over their cards?

A 25

B 15

C 55

D 75



EXPLANATION

Let girls = x , boys = $2x$, total = $3x$. Cards handed in = $0.20(2x) + 0.35x = 0.75x$, which is 25% of $3x$. So 25% have handed in cards, meaning 75% have not.

A village has 5860 voters, of whom 7% usually forget to vote. In order to win an election, a candidate must gain at least 50% of the remaining votes. How many votes does he need in order to win?

A 410

B 5450

C 2725



D 3025

EXPLANATION

Voters who actually vote = $5860 \times 0.93 = 5449.8$. Half of that (minimum needed to win) = 2724.9, rounded up to 2725.

Ali had an average of 60 on his first four tests. After taking the next test, his average dropped to 58. Find his recent test grade?

A 32

B 40

C 48

D 50



EXPLANATION

Sum of first 4 tests = $4 \times 60 = 240$. Sum of 5 tests at average 58 = $5 \times 58 = 290$. Fifth test score = $290 - 240 = 50$.

If the sum of third of a number and twice the same number is 28, the number is:

A 14

B 28

C 12



D 20

EXPLANATION

$$x/3 + 2x = 28 \rightarrow 7x/3 = 28 \rightarrow 7x = 84 \rightarrow x = 12.$$

Saira's weight is 25 pounds more than Amber. If together they weigh 205 pounds, what is the weight of Saira?

A 105

B 90

C 115



D 135

EXPLANATION

Let Amber = x , Saira = $x+25$. $x+(x+25) = 205 \rightarrow 2x = 180 \rightarrow x = 90$. So Saira's weight = $90+25 = 115$ pounds.

If 8 men can reap 80 hectares in 24 days, how many hectares can 36 men reap in 30 days?

A 400

B 420

C 450



D 480

EXPLANATION

Using men $\times$ days $\div$ hectares proportion: $(8 \times 24)/80 = (36 \times 30)/x$. Solving gives $x = 450$ hectares.

Balance sheet is always prepared

A For the year ended

B As on a specific date



C With no specific date

D None of the above

EXPLANATION

A balance sheet is a snapshot of financial position as on a specific date, unlike an income statement which covers a period.

Which of the following shows the details and results of the company's profit related activities for a period of time?

A Balance sheet

B Statement of financial position

C **Income statement**



D Statement of cash flow

EXPLANATION

The income statement (profit & loss account) reports revenues, expenses, and profit over a period of time.

Accounting equation is defined as

A

Assets = Liabilities + Owners' Equity



B

Liabilities = Short term liabilities + current assets

C

Accounting equation = Fixed assets – current assets

D

Current assets = Fixed assets – current assets

EXPLANATION

The fundamental accounting equation: Assets = Liabilities + Owners' Equity.

Current assets include

A Debtors

B Stocks

C Patents

D Both A and B



EXPLANATION

Debtors (receivables) and stocks (inventory) are both classified as current assets; patents are a non-current (intangible) asset.

Audit of the sole-trader business is

- ☐ A Compulsory
- ☒ B Not compulsory
- ☐ C Compulsory in certain cases
- ☐ D None of these

EXPLANATION

Unlike companies, a sole proprietorship is not legally required to have its accounts audited.

Which of the following is a disadvantage of the joint stock company?

- ☐ A Unlimited liability
- ☐ B Investment growth is hampered
- ☒ C **Double taxes**
- ☐ D All of these

EXPLANATION

A key disadvantage of a joint stock company is double taxation — profits are taxed at the corporate level and dividends are taxed again for shareholders.

Home trade does not involve

A Whole seller

B Retailer

C Producer

D **Importer**



EXPLANATION

Home (domestic/internal) trade takes place within a country's borders and does not involve importers, who deal in foreign trade.

A document issued by the carrier to a consignor that evidences the receipt of goods for shipment to a specified designation and person is called:

A Bill of exchange

B Bill of lading 

C Letter of clearance

D Bill of adjustment

EXPLANATION

A Bill of Lading is issued by a carrier to acknowledge receipt of goods for shipment and serves as a document of title.

An unauthorized contract between a purported agent and a third party that is not ratified by the “principal” is binding on

A “Agent” only



B “Principal” only

C Both the agent and the principle

D None of the above

EXPLANATION

If the principal does not ratify an unauthorized contract, the agent who exceeded their authority becomes personally bound, not the principal.

The liabilities of a partnership may include

A Amounts owed to partners for their capital contributions

B loans to the partnership

C Amount that a partner may owe to another partner

D Both 'A' and 'B'



EXPLANATION

Partnership liabilities include both partners' capital owed to them and any loans extended to the partnership.

The maximum number of partners in a partnership under Pakistani law is:

A 10

B 15

C 20



D 25

EXPLANATION

Under the Partnership Act 1932, an ordinary partnership business can have a maximum of 20 partners (10 for banking business).

Which one is an example of personal account?

A Outstanding interest



B Wages account

C Cash account

D Charity account

EXPLANATION

Outstanding/accrued interest is a representative personal account, unlike cash or wages which are real/nominal accounts.

Loss of goods by fire should be credited to

A Loss of goods by fire account

B Sales account

C Purchases account



D Bad debts account

EXPLANATION

When goods are lost by fire, the Purchases account is credited (reducing goods available) while a Loss by Fire account is debited.

In the accounting cycle

- A** Books are closed before making financial statements
- B** Closing entries are made before adjusting entries are made
- C** **Adjusting entries are made before financial statements are made** 
- D** None of the above

EXPLANATION

Adjusting entries must be posted first so that accounts are accurate before financial statements are prepared; closing entries follow after.

For preparing balance sheets prepaid expenses are shown as part of

A Liability

B Equities

C **Assets**



D None of these

EXPLANATION

Prepaid expenses represent a future economic benefit already paid for, so they are shown as current assets.

The purpose of double entry bookkeeping is

A To apply the dual aspect concept



B To prepare books of prime entry accurately

C To avoid errors

D To properly record capital and revenue transactions correctly.

EXPLANATION

Double entry bookkeeping exists to apply the dual aspect concept — every transaction affects at least two accounts with equal debits and credits.

A petty cash book records:

- A All petty cash receipts
- B Petty transactions
- C Cash receipts from customers

D All petty cash expenses



EXPLANATION

A petty cash book is used to record small, routine day-to-day cash payments/expenses.

The Current Ratio formula is:

- A Current assets: Fixed liabilities
- B Current assets: All Liabilities
- C Current assets: All liabilities
- D Current assets: Current liabilities** 

EXPLANATION

The Current Ratio = Current Assets ÷ Current Liabilities, a measure of short-term liquidity.

Cost of sale is equal to

A Sales – purchases

B Opening stock + purchase – returns out



C Purchases – returns out + closing stock lf.

D Gross profit – expenses

EXPLANATION

Cost of Sales = Opening Stock + Purchases (net of returns out) – Closing Stock.

**Sales = 150,000; Gross profit = 15,000; Net loss = 4,000.
Then the operating expenses will be**

A 19,000



B 165,000

C 131,000

D 11,000

EXPLANATION

Net Loss = Operating Expenses – Gross Profit, so Operating Expenses = Gross Profit + Net Loss = 15,000 + 4,000 = 19,000.

Which account will have a credit balance?

A Carriage inwards

B Carriage outwards

C Discount received



D Discount allowed

EXPLANATION

Discount received is an income account, which normally carries a credit balance; the other three are expense accounts with debit balances.

On 1st January 2010 a company's provision for doubtful debts account was Rs. 500. On 31st December 2010 debtors were Rs. 20,000, and the provision is to be maintained at 2% of debtors. What adjustment to the provision for doubtful debts account will be needed?

A Rs 100 credit

B Rs 100 debit



C Rs 400 debit

D Rs 400 credit

EXPLANATION

Required provision = 2% of 20,000 = Rs 400, which is Rs 100 less than the existing Rs 500. The account is therefore reduced by debiting it with Rs 100.

Depreciation is to be charged because

- A** The machinery gets old with time
- B** Of physical wear and tear 
- C** Of fall in the market value of the asset
- D** The plant is not as good as new one.

EXPLANATION

Depreciation is primarily charged to account for the physical wear and tear of an asset over its useful life.

In straight line method, the depreciation charge is:

A A fixed percentage of the cost of the asset each year



B Always 5% of the cost of the asset each year

C A fixed percentage of the book value of the asset each year

D None of the above.

EXPLANATION

The straight-line method charges a fixed percentage of the original cost of the asset as depreciation every year.

The cash book of a company is showing a credit balance of Rs. 1500. Unpresented cheques amount to Rs. 2000 and uncredited cheques are Rs. 450. The balance as per bank statement will be:

A RS 50 (Dr)

B Rs. 100 (Cr)

C Rs. 100 (Dr)

D RS 50 (Cr)



EXPLANATION

Starting from the cash book overdraft of 1,500: add unpresented cheques (+2,000) which the bank hasn't deducted yet = +500; then subtract uncredited cheques (–450) not yet credited by the bank = +50, a favorable (Cr) balance of Rs 50.

Subscriptions received in advance is

A An income

B A loss

C A liability



D An asset

EXPLANATION

Amounts received for a future period that has not yet occurred represent unearned income — a liability until earned.

Fixed costs are those

- ☐ A Outside the control of managers
- ☐ B Which are constant per unit of output
- ☒ C **Expenses that do not change as a function of the activity of a business, within the relevant period** 
- ☐ D None of the above

EXPLANATION

Fixed costs remain constant in total (not per unit) regardless of the level of activity, within a relevant range/period.

Prime cost is the sum of

A**Direct Material costs + direct Labor costs + other Direct Cost****B****Direct Labor + FOH****C****Direct Labor + Other Direct Cost + FOH****D****None of the above****EXPLANATION**

Prime cost = Direct Materials + Direct Labor + Other Direct (traceable) Costs.

When prices are rising over time, which of the following inventory methods is most suitable?

A FIFO

B LIFO



C Weighted Average

D Cannot be determined

EXPLANATION

During inflation, LIFO matches the most recent (higher) costs against current revenue, giving a more conservative, realistic profit figure.

If the applied FOH cost is less than the actual FOH cost, it is:

A Unfavorable variance



B Favorable variance

C Normal variance

D Budgeted variance

EXPLANATION

When applied (absorbed) overhead is less than actual overhead incurred, it is under-applied overhead, an unfavorable variance.

Cost of goods manufactured = Rs 259,500; Opening inventory of finished goods = Rs 25,000; Closing inventory of finished goods = Rs 22,500. What is cost of goods sold?

A 284,500

B 282,000

C 307,000

D 262,000



EXPLANATION

$\text{COGS} = \text{COGM} + \text{Opening Finished Goods} - \text{Closing Finished Goods} = 259,500 + 25,000 - 22,500 = 262,000.$

The industries that would use process costing include all of the following EXCEPT.

A Petroleum

B Sugar industry

C Food

D Hospitality



EXPLANATION

Process costing suits continuous, homogeneous mass production (petroleum, sugar, food); hospitality is a service industry typically using job/service costing.

A typical factory overhead cost is

A distribution

B internal audit

C compensation of plant manager



D design

EXPLANATION

The plant manager's compensation is an indirect manufacturing cost, classified as factory overhead.

Which of the following statements is not true about continuous audit?

- ☐ A The auditor makes many visits
- ☐ B It may be carried out on a daily basis
- ☒ C **It is required when the organization has a good internal control system** ✓
- ☐ D It is conducted at regular intervals

EXPLANATION

Continuous audit is generally more useful for large organizations or where controls need closer, frequent monitoring — not specifically because internal controls are already good.

Tests of control are not related with

- A** Continuity of controls
- B** Effectiveness of controls
- C** Existence of controls
- D** Designing of controls 

EXPLANATION

Tests of control assess the existence, continuity, and effectiveness of controls already in place; designing controls is a management responsibility, not something auditors test.

When government covers the deficit in the budget through bank borrowing and creating new money the general price level is raised. This situation is called

A Monetary inflation

B Hyper inflation

C **Budgetary inflation**



D Suppressed inflation

EXPLANATION

Price rises caused by a government financing its budget deficit through bank borrowing/money creation is termed budgetary (deficit-induced) inflation.

The State Bank of Pakistan was established on:

A 1st July 1949

B 1st July 1948



C 14th August 1948

D 23rd March 1949

EXPLANATION

The State Bank of Pakistan formally commenced operations on 1 July 1948.

The purchase on the sale of government securities by the central bank with a view to influence money supply is called

A Open market operations



B Bank rate policy

C Credit rationing

D None of these

EXPLANATION

Open market operations involve the central bank buying/selling government securities to regulate the money supply.

Main instrument of money market is:

A Shares

B Debentures

C Mortgages

D Treasury Bills



EXPLANATION

Treasury Bills are the principal short-term instrument traded in the money market.

The purchasing power parity theory was restated by:

A John Wheatley

B Growther

C David Ricardo

D **Gustav Cassel**



EXPLANATION

Swedish economist Gustav Cassel restated and popularized the Purchasing Power Parity theory in 1918.