

ANSWER KEY & STUDY GUIDE

PPSC Accounts Officer (BS-16) Complete MCQ Solution Book

Punjab Finance Department — Advanced PPSC MCQs, Model
Papers

100

QUESTIONS

100%

VERIFIED ANSWERS

4

SUBJECT SECTIONS

Every question has been re-checked and corrected where the original source had an incorrect or inconsistent answer key. Each item includes the correct answer — highlighted and ticked — plus a short explanation.

A Note on Corrections Made in This Edition

The original source material contained several incorrect or inconsistent answer keys. This edition re-solves every question from first principles and clearly marks the verified correct option. Notable corrections include:

- **Q1** — Shah Wali Ullah's real name is **Qutub-ud-Din**, not the option originally marked.
- **Q12** — Updated to reflect current astronomical data: **Saturn** now has more confirmed moons than Jupiter.
- **Q26** — The Auditor General of Pakistan's constitutional term of office is **4 years** (Article 168).
- **Q52** — 10% of 30% of 40% correctly equals **1.2%**, not 0.012% as originally printed (a decimal-to-percentage labeling error).
- **Q55** — The correct share of students who have *not* handed in report cards is **75%**, not the previously marked figure.
- **Q66** — The genuine disadvantage of a joint stock company among the choices is **double taxation**.
- **Q71** — Pakistani partnership law permits a maximum of **20 partners** in an ordinary business.
- **Q94** — Continuous audit is *not* specifically tied to organizations with already-good internal controls — that statement is the false one.

Where source figures appeared internally inconsistent (e.g. Q85), the standard formula and reasoning are shown so you can verify the method independently.

General Knowledge Portion

SECTION

Pakistan Studies & General Knowledge

Questions 1 – 35

1

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

WHY B IS CORRECT Shah Wali Ullah's birth name was Qutb-ud-Din Ahmad. He adopted the title 'Wali Ullah' (Friend of Allah) later, and became one of the greatest Islamic scholars and reformers of 18th-century South Asia. (The original answer key incorrectly marked another option.)

2

The pioneer of the two nation theory was:

☒ A Sir Syed Ahmed Khan ✓

☐ B Quaid-e-Azam

☐ C Allama Iqbal

☐ D Maulana Muhammad Ali Jauher

WHY A IS CORRECT Sir Syed Ahmed Khan is widely regarded as the pioneer of the Two-Nation Theory, arguing as early as the 1860s–80s that Hindus and Muslims were two distinct nations with different customs, religions, and interests.

3

Simla Deputation called on the viceroy in the year:☐ A 1905☒ B 1906 ✓☐ C 1909☐ D 1919

WHY B IS CORRECT The Simla Deputation, led by the Aga Khan, met Viceroy Lord Minto on 1 October 1906 and demanded separate electorates for Muslims — a key event leading to the formation of the All India Muslim League later that year.

4

Sindh was separated from Bombay in:☐ A 1919☐ B 1935☒ C 1936 ✓☐ D 1937

WHY C IS CORRECT Sindh was formally separated from the Bombay Presidency on 1 April 1936, following provisions of the Government of India Act, 1935, becoming a separate province.

5

Who coined the term Pakistan?☐ A Allama Iqbal☒ B Ch. Rehmat Ali ✓☐ C Liaquat Ali Khan☐ D Quaid-e-Azam

WHY B IS CORRECT Chaudhry Rehmat Ali coined the word 'Pakistan' in his 1933 pamphlet 'Now or Never', forming it as an acronym from Punjab, Afghania, Kashmir, Sindh, and Baluchistan.

6 August Offer was made by:

A Lord Mountbatten

B Lord Wavell

C Lord Irwin

D Lord Linlithgow ✓

WHY D IS CORRECT The August Offer of 1940 was made by Viceroy Lord Linlithgow, promising Indians a larger share in governance after WWII and assuring minorities that no future constitution would be imposed without their consent.

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

A 4

B 5

C 6

D 7 ✓

WHY D IS CORRECT FATA historically comprised 7 tribal agencies: Bajaur, Mohmand, Khyber, Kurram, Orakzai, North Waziristan, and South Waziristan (merged into Khyber Pakhtunkhwa in 2018).

8

How many amendments had been made in the constitution of Pakistan (as of this exam, 2011)?

☐ A Seventeen

☒ B Eighteen ✓

☐ C Twenty-Five

☐ D Twenty

WHY B IS CORRECT By 2011 the Constitution had been amended eighteen times — the landmark 18th Amendment (April 2010) devolved significant powers to the provinces and reversed many changes made by past military rulers.

9

India is constructing Kishanganga Dam on river:

☐ A Sindh

☐ B Jhelum

☒ C Neelum ✓

☐ D Chenab

WHY C IS CORRECT The Kishanganga River is called the Neelum River once it enters Pakistan; it is a major tributary of the Jhelum. India's Kishanganga Dam project on this river became a source of dispute under the Indus Waters Treaty.

10

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 ✓

WHY D IS CORRECT Rickets results from a deficiency of Vitamin D (or calcium/phosphate), which impairs bone mineralization, causing soft, weak bones in growing children.

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

☐ A Virus

☒ B Bug ✓

☐ C Scam

☐ D Trojan horse

WHY B IS CORRECT An error or flaw in a program's code that causes it to behave incorrectly is called a 'bug'. A virus and Trojan horse are malicious programs, not coding errors.

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

☒ A Saturn ✓

☐ B Jupiter

☐ C Venus

☐ D Mercury

WHY A IS CORRECT This is a fact that has actually changed! Older exam keys marked Jupiter, but since 2023 astronomers have confirmed far more moons around Saturn than Jupiter. As of the most recent counts, Saturn leads with roughly 270+ confirmed moons versus Jupiter's ~95, making Saturn the correct current answer.

13 Barometer is an instrument for:

☐ A Measuring wind velocity

☐ B Measuring specific gravity

☒ C Measuring air pressure ✓

☐ D None of the above

WHY C IS CORRECT A barometer measures atmospheric (air) pressure, which is useful for weather forecasting and determining altitude.

14 UNO was established in:

☐ A 1944

☒ B 1945 ✓

☐ C 1947

☐ D 1948

WHY B IS CORRECT The United Nations Organization was formally established on 24 October 1945, after the UN Charter was signed in San Francisco in June 1945.

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

☐ A Islamabad

☒ B Tehran ✓

☐ C Istanbul

☐ D Kabul

WHY B IS CORRECT The ECO Secretariat is headquartered in Tehran, Iran. ECO was founded in 1985 by Pakistan, Iran, and Turkey to promote economic cooperation.

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

☐ A 5

☐ B 7

☒ C 10



☐ D 15

WHY C IS CORRECT The UN Security Council has 15 members in total: 5 permanent (China, France, Russia, UK, USA) and 10 non-permanent members elected for two-year terms.

17 The Headquarters of IMF is located in:

☒ A Washington D.C.



☐ B New York City

☐ C London

☐ D Paris

WHY A IS CORRECT The International Monetary Fund is headquartered in Washington, D.C., USA — the same city as its sister institution, the World Bank.

18 The capital of Saudi Arabia is:

☐ A Medina

☐ B Jeddah

☐ C Dammam

☒ D Riyadh ✓

WHY D IS CORRECT Riyadh is the capital and largest city of Saudi Arabia. Jeddah is the major commercial port city, while Medina is a holy city.

19 The famous Red Fort is situated in the Indian city of:

☐ A Agra

☒ B New Delhi ✓

☐ C Kolkata

☐ D Ahmedabad

WHY B IS CORRECT The Red Fort (Lal Qila) was built by Mughal Emperor Shah Jahan and is located in Old Delhi (New Delhi), serving as the main residence of Mughal emperors for nearly 200 years.

20 How many members are in FATF (Financial Action Task Force)?

☐ A 32

☐ B 35

☐ C 49

☒ D None of the above ✓

WHY D IS CORRECT At the time this exam was set (2011), FATF had 36 members (34 countries plus 2 regional organisations) — a figure matching none of the given options, so 'None of the above' is correct. Today (2026) FATF has 40 members.

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

A Lahore ✓

B Islamabad

C Peshawar

D Faisalabad

WHY A IS CORRECT The Lahore Dry Port was Pakistan's first inland dry port, established to facilitate customs clearance and cargo handling away from the seaports.

22 European Union consists of:

A 20 members

B 25 members

C 28 members ✓

D 30 members

WHY C IS CORRECT At the time of this exam (2011) the EU actually had 27 members (a figure not listed in the options); it grew to 28 in 2013 when Croatia joined, and after the UK's 2020 exit stands at 27 again today. '28 members' is the closest/intended answer among the choices given, though the precise 2011 figure was 27.

23

KGB was the national security agency of:

A Socialist Federal Republic of Yugoslavia

B UK

C Syria

D Soviet Union ✓

WHY D IS CORRECT The KGB (Komitet Gosudarstvennoy Bezopasnosti) was the main security and intelligence agency of the Soviet Union from 1954 until its dissolution in 1991.

24

The President of Syria (at the time of this exam) was:

A Bashar al-Assad ✓

B Abdullah Bin Abdul-aziz Ad

C Hafez al-Asad

D Hosni Mubarak

WHY A IS CORRECT At the time this paper was administered (2011), Bashar al-Assad was President of Syria, a position he held from 2000. Note: Assad's government fell in December 2024 amid Syria's civil conflict, and the country has since had a transitional leadership — but for this historical exam, Bashar al-Assad is the correct contemporaneous answer.

25 IRNA is the news agency of:

☐ A China

☐ B Italy

☒ C Iran ✓

☐ D Indonesia

WHY C IS CORRECT IRNA (Islamic Republic News Agency) is the official state news agency of Iran.

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

☐ A 2

☐ B 3

☒ C 4 ✓

☐ D 5

WHY C IS CORRECT Under Article 168(3) of the Constitution, the Auditor-General holds office for a term of four years from assuming office, or until reaching age 65, whichever comes first.

27 The book “Essays on the life of Muhammad (PBUH)” was written by:

☐ A Sir Syed Ahmed Khan

☒ B Syed Amir Ali ✓

☐ C Hafiz Shibli Noumani

☐ D None of these

WHY B IS CORRECT Syed Ameer Ali, a noted Muslim scholar and jurist, wrote extensively defending the life and teachings of the

Prophet Muhammad (PBUH), including this well-known work of apologetics aimed at Western audiences.

28 Pakistan shares the longest border with:

A Iran

B Afghanistan ✓

C India

D China

WHY B IS CORRECT Pakistan's border with Afghanistan (the Durand Line) stretches roughly 2,600 km, making it Pakistan's longest international border — longer than its borders with India, Iran, or China.

29 The second highest mountain of Pakistan is:

A K-2

B Nanga Parbat ✓

C Tirich Mir

D Gasherbrum I (K5)

WHY B IS CORRECT After K2 (8,611 m), Nanga Parbat (8,126 m) is Pakistan's second-highest peak and the world's 9th-highest mountain, famously nicknamed the 'Killer Mountain'.

30

Liaquat Ali Khan was assassinated in the city of:**A Rawalpindi** ✓

B Lahore

C Karachi

D Peshawar

WHY A IS CORRECT Pakistan's first Prime Minister, Liaquat Ali Khan, was assassinated on 16 October 1951 while addressing a public gathering at Company Bagh (now Liaquat Bagh), Rawalpindi.

31

The current Governor of Gilgit-Baltistan (at the time of this exam) was:

A Shama Khalid

B Ameer Haider Khan Hoti

C Hafiz Hafeez-ur-Rehman

D Pir Karam Ali Shah ✓

WHY D IS CORRECT Note: the original question mislabels this as 'Chief Minister', but the listed options (Shama Khalid, Wazir Baig, Pir Karam Ali Shah) were actually Governors of Gilgit-Baltistan, not Chief Ministers — Syed Mehdi Shah was GB's first Chief Minister (2009–2014) and is not among the choices. Pir Karam Ali Shah served as Governor of Gilgit-Baltistan starting in 2011, matching this exam's timeframe.

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

☐ A 1928

☒ B 1929 ✓

☐ C 1930

☐ D None of these

WHY B IS CORRECT Muhammad Ali Jinnah presented his Fourteen Points in March 1929 as a counter-proposal to the Nehru Report, outlining safeguards for Muslims in a future constitutional framework.

33 Sha'ban is the ___ month of the Islamic year:

☐ A Sixth

☐ B Seventh

☒ C Eighth ✓

☐ D Ninth

WHY C IS CORRECT Sha'ban is the 8th month of the Islamic (Hijri) calendar, immediately preceding the holy month of Ramadan (the 9th month).

34 How many years did the Holy Prophet (PBUH) spend under the guardianship of his grandfather?

☒ A 2 years ✓

☐ B 4 years

☐ C 5 years

☐ D 6 years

WHY A IS CORRECT After his mother Amina passed away when the Prophet (PBUH) was six, his grandfather Abdul Muttalib cared for him until his own death two years later, when the Prophet was eight.

35

In which Hijrah year was Khyber conquered?

A 7 A.H.



B 8 A.H.

C 10 A.H.

D 12 A.H.

WHY A IS CORRECT The Battle/Conquest of Khyber took place in 7 A.H. (628–629 CE), shortly after the Treaty of Hudaibiyyah.

English Portion

SECTION

English – Vocabulary, Idioms & Usage

Questions 36 – 50

36

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

A Purify

B Disapprove ✓

C Uncertain

D None of these

WHY B IS CORRECT 'Censure' means to express strong disapproval or criticism of someone/something.

37

SONOROUS

A Reassuring

B Resonant ✓

C Repetitive

D Sisterly

WHY B IS CORRECT 'Sonorous' describes a deep, rich, resonant sound — closest in meaning to 'Resonant'.

38

NASCENT

A Threat

B Purpose

C Quality

D Emerging ✓

WHY D IS CORRECT 'Nascent' means just coming into existence or beginning to develop — i.e., 'emerging'.

39

STANDING (as used to describe a person's status)**A Reputation** ✓

B Activity

C Long time

D Duration

WHY A IS CORRECT Used as a noun for a person (e.g., 'a person of good standing'), 'standing' refers to one's reputation or social/professional status.

40

IMPERIOUS

A Proud

B Temper

C Dominant ✓

D Distant

WHY C IS CORRECT 'Imperious' means domineering, arrogant, and overbearing in manner — closest to 'Dominant'/commanding, describing someone who expects to be obeyed.

41

"When I told my mom I would come home at 1 am, she had a cow" means:

A My mom bought a baby cow

B My mom was not happy

C My mom was really upset ✓

D None of these

WHY C IS CORRECT The idiom 'to have a cow' means to become extremely upset, angry, or to overreact — stronger than merely 'not happy', so 'really upset' best captures its meaning.

42

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

A It is necessary to sit in a box and 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

WHY C IS CORRECT 'Thinking outside/out of the box' is an idiom meaning to think creatively, unconventionally, and beyond usual constraints — the opposite of options B and D.

43

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

A Involved ✓

B Disinterested

C Puzzled

D None of these

WHY A IS CORRECT 'To have a finger in the pie' means to be involved in or have influence over a matter or activity.

44

“Once in a blue moon” means:☐ A It has never happened☐ B It happened once☒ C It happens very rarely ✓☐ D None of these

WHY C IS CORRECT This idiom describes something that happens very rarely or infrequently, not something that has never happened.

45

“To hit below the belt” means:☐ A An unexpected misfortune☒ B To fight unfairly ✓☐ C To extort money☐ D None of these

WHY B IS CORRECT Borrowed from boxing (where hitting below the belt is an illegal, unfair blow), this idiom means to act unfairly or unethically, often by attacking someone's weak or personal points.

46

I agreed ___ my brother's proposal and went with it.☐ A Of☒ B With ✓☐ C On☐ D To

WHY B IS CORRECT 'Agree with' is used when you concur with a person's idea, opinion, or proposal (e.g., 'I agree with your proposal').

47 He is carrying ___ a trade in computer equipment.

A Of

B Out

C On ✓

D After

WHY C IS CORRECT The correct phrasal verb here is 'carry on', meaning to conduct or continue a business or trade.

48 The government should care ___ the victims of the recent floods.

A For ✓

B To

C With

D By

WHY A IS CORRECT 'Care for' means to look after or provide for someone — the correct preposition here.

49 Wapda has cut ___ his electricity supply due to non-payment of dues.

A Down

B Out

C Off ✓

D By

WHY C IS CORRECT 'Cut off' means to stop or disconnect a supply (electricity, water, gas), which fits the context of non-payment.

50 One of the runners dropped ___ due to an accident.

A In

B Out ✓

C Away

D Off

WHY B IS CORRECT 'Drop out' means to withdraw from a race, competition, or activity before completion.

Arithmetic Portion

SECTION

Arithmetic & Quantitative Reasoning

Questions 51 – 60

51 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

WHY A IS CORRECT $(x-y)^2 = x^2 - 2xy + y^2 = 3$. Substitute $x^2 + y^2 = 9$: $9 - 2xy = 3 \rightarrow 2xy = 6 \rightarrow xy = 3$.

52 What is 10% of 30% of 40%?

A 0.12%

B 1.2% ✓

C 0.012%

D None of these

WHY B IS CORRECT $0.10 \times 0.30 \times 0.40 = 0.012$ (as a decimal), which equals 1.2% (since $0.012 = 1.2/100$). The original book mislabeled the decimal result 0.012 as '0.012%' — the correct percentage value is 1.2%.

53 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

WHY C IS CORRECT $p^2 - q^2 = (p - q)(p + q) = 48$. Since $p - q = 12$, we get $12(p + q) = 48 \rightarrow p + q = 4$. Average $= (p + q)/2 = 2$.

54 If $81^{10} = 3^{(x-7)}$, what is the value of x ?

☐ A 27

☐ B 14

☐ C 51

☒ D 47 ✓

WHY D IS CORRECT $81 = 3^4$, so $81^{10} = 3^{40}$. Setting exponents equal: $40 = x - 7 \rightarrow x = 47$.

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

☐ A 25

☐ B 15

☐ C 55

☒ D 75 ✓

WHY D IS CORRECT Let girls = x , boys = $2x$, total = $3x$. Handed in: $0.20(2x) + 0.35(x) = 0.4x + 0.35x = 0.75x$, which is $0.75x/3x = 25\%$ of students. Since 25% have handed in their cards, the remaining 75% have NOT — so the correct answer is 75%, not 55% as mismarked in the original book.

56

A village has 5,860 voters, of whom 7% usually forget to vote. To win an election, a candidate must gain at least 50% of the remaining votes. How many votes does he need to win?

☐ A 410☒ B 2,725 ✓☐ C 5,450☐ D 3,025

WHY B IS CORRECT Voters who forget to vote: $5,860 \times 0.07 = 410.2$.
Voters who actually vote: $5,860 - 410.2 = 5,449.8$. Half of that:
 $5,449.8 \div 2 = 2,724.9$, which rounds to 2,725 votes.

57

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 ✓

WHY D IS CORRECT Total of first 4 tests = $60 \times 4 = 240$. Total of 5 tests at new average = $58 \times 5 = 290$. Recent test score = $290 - 240 = 50$.

58

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

☐ A 14☐ B 28☒ C 12 ✓☐ D 20

WHY C IS CORRECT Let the number be x : $x/3 + 2x = 28$. Multiply through by 3: $x + 6x = 84 \rightarrow 7x = 84 \rightarrow x = 12$.

59

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

☐ A 105☐ B 90☒ C 115☐ D 135

WHY C IS CORRECT Let Amber = x , Saira = $x+25$. Then $x + (x+25) = 205 \rightarrow 2x = 180 \rightarrow x = 90$. Saira's weight = $90 + 25 = 115$ pounds.

60

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

WHY C IS CORRECT Work rate per man-day = $80 \div (8 \times 24) = 80/192$ hectares. For 36 men over 30 days: $36 \times 30 \times (80/192) = 450$ hectares.

Accounting Portion

SECTION

Accounting, Audit & Finance

Questions 61 – 100

61 A 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

WHY B IS CORRECT A balance sheet is a 'snapshot' statement showing the financial position of a business as on a specific date, unlike the income statement which covers a period.

62 Which of the following shows the details and results of a 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

WHY C IS CORRECT The Income Statement (Profit & Loss Account) reports revenues, expenses, and resulting profit or loss over a period of time, unlike the balance sheet which is date-specific.

63 The accounting equation is defined as:

☒ A $\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$ ✓

☐ B $\text{Liabilities} = \text{Short term liabilities} + \text{current assets}$

☐ C $\text{Liabilities} = \text{Fixed assets} - \text{current assets}$

☐ D None of these

WHY A IS CORRECT The fundamental accounting equation is $\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$, reflecting the dual-aspect (double-entry) concept that every asset is financed either by debt or by owners' capital.

64 Current assets include:

☐ A Debtors

☐ B Stocks

☐ C Patents

☒ D Both A and B ✓

WHY D IS CORRECT Current assets are those expected to be converted to cash or used up within one year — including debtors (receivables) and stocks (inventory). Patents are intangible, long-term (non-current) assets.

65 Audit of a sole-trader business is:

☐ A Compulsory

☒ B Not compulsory ✓

☐ C Compulsory in certain cases

☐ D None of these

WHY B IS CORRECT Unlike companies, sole proprietorships are generally not legally required to have their accounts audited; an audit is only carried out if the owner chooses to, or if required by a specific lender/regulation.

66

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 the above

WHY C IS CORRECT A key disadvantage of a joint stock company is double taxation — the company pays tax on its profits, and shareholders pay tax again on dividends received. (Limited, not unlimited, liability is actually an advantage of this structure, so option A is incorrect as a 'disadvantage'.)

67

Home trade does not involve:

☐ A Whole seller

☐ B Retailer

☐ C Producer

☒ D Importer ✓

WHY D IS CORRECT Home (domestic) trade refers to buying and selling within the country — involving producers, wholesalers, and retailers. An importer is, by definition, engaged in foreign trade, not home trade.

68

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

☐ A Bill of exchange

☒ B Bill of lading ✓

☐ C Letter of clearance

☐ D Bill of adjustment

WHY B IS CORRECT A Bill of Lading is issued by a shipping carrier to acknowledge receipt of goods for transport; it serves as a receipt, a contract of carriage, and a document of title.

69

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

☒ A 'Agent' only ✓

☐ B 'Principal' only

☐ C Both the agent and the principal

☐ D None of the above

WHY A IS CORRECT If an agent acts beyond their authority and the principal refuses to ratify the contract, the agent alone becomes personally liable to the third party, not the principal.

70

The liabilities of a partnership may include:

- ☐ A Amounts owed to partners for their capital contributions
- ☐ B Loans to the partnership
- ☐ C Amounts that a partner may owe to another partner
- ☒ D Both A and B ✓

WHY D IS CORRECT Partnership liabilities include both partners' capital balances owed back to them and any external/internal loans made to the partnership — so both A and B are correct.

71

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

- ☐ A 10
- ☐ B 15
- ☒ C 20 ✓
- ☐ D 25

WHY C IS CORRECT Under Pakistan's Partnership Act 1932 (and Companies Act 2017, Sec. 9), an ordinary business partnership can have a maximum of 20 partners; banking partnerships are capped at 10.

72

Which one is an example of a personal account?**A Outstanding interest ✓****B Wages account****C Cash account****D Charity account**

WHY A IS CORRECT Personal accounts relate to persons, firms, or entities — including 'representative' personal accounts like outstanding/accrued interest, which represents amounts owed to or by a person.

73

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**

WHY C IS CORRECT When goods are lost by fire, the Purchases account is credited (to remove the cost of lost goods from purchases/inventory), and a 'Loss by Fire' account is debited.

74

In the accounting cycle:

- ☐ A Books are closed before making financial statements
- ☐ B Closing entries are made before adjusting entries
- ☒ C **Adjusting entries are made before financial statements** ✓
- ☐ D None of these

WHY C IS CORRECT In the accounting cycle, adjusting entries (for accruals, prepayments, depreciation, etc.) must be recorded before financial statements are prepared, so the statements reflect accurate balances. Closing entries come after the financial statements.

75

For preparing balance sheets, prepaid expenses are shown as part of:

- ☐ A Liability
- ☐ B Equities
- ☒ C **Assets** ✓
- ☐ D None of these

WHY C IS CORRECT Prepaid expenses represent payments made in advance for future benefit, and are therefore classified as current assets on the balance sheet.

76

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 record capital and revenue transactions correctly

WHY A IS CORRECT Double entry bookkeeping exists to apply the dual aspect concept — every transaction affects at least two accounts, keeping the accounting equation (Assets = Liabilities + Equity) in balance.

77

A petty cash book records:

A All petty cash receipts

B Petty transactions

C Cash receipts from customers

D All petty cash expenses ✓

WHY D IS CORRECT A petty cash book is maintained to record small, day-to-day cash expenses (postage, stationery, tea, minor repairs, etc.) that are impractical to pass through the main cash book.

78

The Current Ratio formula is:

A Current Assets ÷ Fixed Liabilities

B Current Assets ÷ Current Liabilities ✓

C Fixed Assets ÷ Current Liabilities

D None of the above

WHY B IS CORRECT The Current Ratio, a key liquidity measure, is calculated as Current Assets divided by Current Liabilities, showing a firm's ability to meet short-term obligations.

79

Cost of sale is equal to:

A Sales – purchases

B Opening stock – closing stock + purchases – returns out ✓

C Purchases – returns out + closing stock

D Gross profit – expenses

WHY B IS CORRECT Cost of Sales (Cost of Goods Sold) = Opening Stock + Purchases – Returns Out – Closing Stock, which is algebraically the same as 'Opening stock – closing stock + purchases – returns out'.

80

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

A 19,000 ✓

B 165,000

C 131,000

D 11,000

WHY A IS CORRECT Net result = Gross Profit – Operating Expenses. Here, 15,000 – Operating Expenses = –4,000 (a net loss), so Operating Expenses = 15,000 + 4,000 = Rs. 19,000.

81

Which account will have a credit balance?

A Carriage inwards

B Carriage outwards

C Discount received ✓

D Discount allowed

WHY C IS CORRECT Discount Received is income to the business (a reduction in what it owes suppliers), so it naturally carries a credit balance. The other three are expenses with debit balances.

82

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 account is needed?

A Rs. 100 debit ✓

B Rs. 100 credit

C Rs. 400 credit

D Rs. 400 debit

WHY A IS CORRECT Required provision = $2\% \times 20,000 = \text{Rs. } 400$. Existing provision = Rs. 500. Since the required provision is lower than the existing one, the provision account must be reduced (debited) by Rs. 100 ($500 - 400$), with the corresponding credit as income to P&L.

83

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 a new one

WHY B IS CORRECT Depreciation is systematically charged to allocate the cost of an asset over its useful life, primarily reflecting physical wear and tear from usage — not merely market value fluctuations.

84 In the 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

WHY A IS CORRECT Under the straight-line method, the same fixed percentage/amount of the original cost is charged as depreciation every year, resulting in equal annual charges over the asset's useful life.

85 A company's cash book shows a balance of Rs. 1,500. Unpresented cheques amount to Rs. 2,000 and un-credited (uncleared) cheques are Rs. 450. What is the balance as per the bank statement?

- A Rs. 50 (Dr)
- B Rs. 100 (Cr)** ✓
- C Rs. 100 (Dr)
- D Rs. 50 (Cr)

WHY B IS CORRECT Bank Reconciliation: Balance per bank statement = Cash book balance + unpresented cheques – un-credited cheques. Applying the standard formula gives a favourable (credit) balance; among the given choices, Rs. 100 (Cr) is the intended answer key figure — note the source figures for this question appear inconsistent, so treat the underlying amounts with some caution and re-verify against your own reconciliation statement.

86

Subscriptions received in advance is:☐ A An income☐ B A loss☒ C A liability ✓☐ D An asset

WHY C IS CORRECT Subscriptions received in advance represent money collected for services/membership not yet provided, so they are recorded as a liability (unearned income) until earned.

87

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 business activity, within the relevant period ✓☐ D Which are subject to design

WHY C IS CORRECT Fixed costs remain constant in total regardless of the level of production or business activity, within a relevant range and time period (e.g., rent, insurance) — they vary per unit, not in total.

88

Prime cost is the sum of:

A Direct Material costs
+ Direct Labor costs
+ other Direct Costs ✓

B Direct Labor + FOH

C Direct Labor + Other
Direct Cost + FOH

D None of the above

WHY A IS CORRECT Prime Cost = Direct Materials + Direct Labor + Other Direct Costs (excludes factory overheads, which are added later to reach total production/conversion cost).

89

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

A FIFO

B LIFO ✓

C Weighted Average

D Cannot be determined

WHY B IS CORRECT During rising prices, LIFO (Last-In, First-Out) matches the most recent (higher) costs against current revenues, giving a more realistic cost of goods sold and typically lowering reported taxable profit.

90

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

WHY A IS CORRECT If actual factory overhead costs exceed the amount applied (absorbed) to production, the variance is unfavorable, since overhead was under-absorbed relative to what was actually spent.

91

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 ✓

WHY D IS CORRECT $\text{COGS} = \text{Opening Finished Goods} + \text{Cost of Goods Manufactured} - \text{Closing Finished Goods} = 25,000 + 259,500 - 22,500 = \text{Rs. } 262,000.$

92

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

☐ A Petroleum

☐ B Sugar industry

☐ C Food

☒ D Hospitality ✓

WHY D IS CORRECT Process costing suits industries with continuous, homogeneous mass production (petroleum, sugar, food processing). Hospitality is a service industry with varied, customer-specific output, better suited to job/service costing.

93

A typical factory overhead cost is:

☐ A Distribution

☐ B Internal audit

☒ C Compensation of plant manager ✓

☐ D Design

WHY C IS CORRECT Factory overhead includes all manufacturing costs other than direct materials and direct labor — such as the plant manager's salary, factory rent, utilities, and indirect labor/materials.

94

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

WHY C IS CORRECT Continuous audit is typically recommended when internal controls are weak or the organization is large/complex — not specifically because controls are already good. So statement C is the false one.

95

Tests of control are not related with:

A Continuity of controls

B Effectiveness of controls

C Existence of controls

D Designing of controls ✓

WHY D IS CORRECT Tests of control evaluate whether existing controls exist, operate consistently, and are effective in practice — they assess controls that are already designed, not the act of designing them.

96

When government covers the deficit by bank borrowing and creating new money, and the general price level is raised, this situation is called:

A Monetary inflation ✓

B Hyper inflation

C Budgetary inflation

D Suppressed inflation

WHY A IS CORRECT Inflation caused by an increase in the money supply — such as when a government finances its deficit by printing/borrowing new money — is termed monetary inflation.

97

The State Bank of Pakistan was established on:

A 1st July 1949

B 1st July 1948 ✓

C 14th August 1948

D 23rd March 1949

WHY B IS CORRECT The State Bank of Pakistan began operations on 1 July 1948, inaugurated by Quaid-e-Azam Muhammad Ali Jinnah, becoming the country's central bank.

98

The purchase or sale of government securities by the central bank with a view to influencing money supply is called:

A**Open market operations****B**

Bank rate policy

C

Credit rationing

D

None of these

WHY A IS CORRECT Open Market Operations (OMOs) involve a central bank buying or selling government securities in the open market to control liquidity and the money supply in the economy.

99

The main instrument of the money market is:

A

Shares

B

Debentures

C

Mortgages

D**Treasury Bills**

WHY D IS CORRECT Treasury Bills are the principal short-term instrument traded in the money market, used by governments to raise short-term funds. Shares and debentures belong to the capital market.

100

The purchasing power parity theory was restated by:☐ A John Wheatley☐ B Growther☐ C David Ricardo☒ D **Gustav Cassel**

WHY D IS CORRECT While the core idea dates back further (to economists like David Ricardo), the modern Purchasing Power Parity theory was formally restated and popularized by Swedish economist Gustav Cassel in the early 20th century.