

2A21

FEDERAL PUBLIC SERVICE COMMISSION  
COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN BPS-17 UNDER THE FEDERAL GOVERNMENT, 2001.

ACCOUNTANCY AND AUDITING  
PAPER-I

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE: Attempt **FOUR** questions in all, including **QUESTION # 1 and 6** which are compulsory. Question # 1 carries 40 Marks and all others carry 20 marks each."

1. The following trial balance is extracted from the books of a merchant on December 31, 2000:

Particulars	Debit Rs.	Credit Rs.
Furniture fittings	6,400	
Motor Vehicles	62,500	
Buildings	75,000	
Capital account		125,000
Bad debts	1,250	
Provision for bad debts		2,000
Sundry debtors and creditors	38,000	25,000
Stock on January 1, 2000	34,600	
Purchases and sales	54,750	154,500
Bank overdraft		28,500
Sales and purchases returns	2,000	1,250
Advertising	4,500	
Mark up (on overdraft)	1,180	
Commission		3,750
Cash	6,500	
Taxes and insurance	12,500	
General expenses	7,820	
Salaries	33,000	
	<u>340,000</u>	<u>340,000</u>

The following adjustments are to be made:

- Stock in hand on December 31, 2000 was Rs. 32,000
- Depreciate building at the rate of 5% Furniture & fittings @ 10% and motor Vehicles @ 20%
- Rs. 850 is due for mark-up on bank overdraft
- Salaries Rs. 3,000 and taxes Rs. 1,200 are outstanding
- Insurance amounting to Rs. 1,000 is prepaid
- One third commission received in respect of the work to be done next year
- Write off a further sum of Rs. 1,000 as bad debt and provision for bad debts to be made equal to 10% on Sundry debtors

**Required:**

Prepare a Trading and Profit & loss account for the year ended December 31, 2000 and balance sheet as on that date.

- 2.
- What is the journal entry for treatment of surplus arising out of revaluation of fixed assets?
  - At where in the balance sheet of a company surplus arising out of revaluation of fixed assets is to be disclosed?
  - What are the legal restrictions on disposal of surplus arising out of revaluation of fixed assets?
  - What is the purpose to which the surplus arising out of revaluation of fixed assets can be applied?

124  
ACCOUNTANCY AND AUDITING, PAPER-I

- (e) What disclosures are required in the financial statements consequent upon revaluation of assets?  
 i. In the first balance sheet after the revaluation?  
 ii. In the balance sheets subsequent to the first balance sheet after revaluation  
 (f) What is the value of revalued fixed assets for depreciation purposes?

3. Comparative data for Mehdi Coporation Ltd. for the two-years period 1999-2000 are presented below:

	1999 Rs.	2000 Rs.
Net Sales	1,000,000	1,200,000
Cost of Goods sold	<u>630,000</u>	<u>760,000</u>
Gross Profit on Sales	340,000	440,000
Selling, General, and other expenses	<u>300,000</u>	<u>340,000</u>
Net operating Income	10,000	90,000
Income Taxes	<u>15,000</u>	<u>35,000</u>
Net Income	25,000	55,000
Dividends paid	<u>30,000</u>	<u>40,000</u>
Net increase (decrease) in retained earning	(5,000)	15,000

BALANCE SHEET DATA

	1999 Rs.	2000 Rs.
<b>Assets:</b>		
Cash	35,000	55,000
Trade notes and accounts receivable	320,000	400,000
Inventory (at cost)	380,000	420,000
Prepaid expenses	10,000	30,000
Plant and Equipment (net)	600,000	680,000
Intangibilities	100,000	100,000
Other assets	5,000	15,000
	<u>1,450,000</u>	<u>1,700,000</u>
<b>Liabilities and shareholders Equity</b>		
	Rs.	Rs.
Trade notes and accounts Payable	165,000	205,000
Wages, interest, dividends Payable	25,000	45,000
Income taxes Payable	15,000	35,000
Miscellaneous Current liabilities	15,000	10,000
5% bonds payable	300,000	300,000
Deferred revenues	10,000	10,000
6% Preferred shares, Rs. 100 par	200,000	200,000
Ordinary Share Capital (Rs. 10 each)	400,000	500,000
Premium on Share Capital	200,000	260,000
Appropriated Profits	60,000	80,000
Inappropriate Profits	<u>60,000</u>	<u>55,000</u>
	<u>1,450,000</u>	<u>1,700,000</u>

**Required:**

From the foregoing data calculate the following for 2000:

- (1) The ratio of net sales to average total assets
- (2) The ratio of net sales to average plant and Equipment.
- (3) The rate earned on net sales
- (4) The gross profit rate on net sales
- (5) The rate earned on average total sales
- (6) The rate earned on average shares holders equity
- (7) The number of times bond interest requirements were earned (before income taxes)
- (8) The number of times preferred dividend requirements were earned

4. The following is the balance sheet of the X Co. as on 31 December 2000:

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
12,000 shares of Rs.10 each fully paid		Land & Building	100,000
Sundry Creditors	120,000	Plant & Machinery	40,000
Bank Overdraft	30,000	Stock	15,000
	<u>28,000</u>	Sundry Debtors	22,000
		Profit & loss A/c	1,000
	<u>178,000</u>		<u>178,000</u>

The Company went into voluntary liquidation and the assets were sold to the Y Co. Ltd. For Rs. 150,000 payable as to Rs. 60,000 in cash (which sufficed to discharge the creditors and bank and pay the cost of winding up Rs. 2,000) and as to Rs. 90,000 by the allotment of 12,000 shares of Rs. 10 each of Y Co. Ltd. Rs. 7.50 per share paid up to the shareholders of X Co. Ltd.

**You are required to:**

- (a) Prepare ledger accounts to close the books of X Ltd.
    - (i) Realisation Account
    - (ii) Shareholders Account
    - (iii) Cash Account
    - (iv) Sundry Creditors Accounts
    - (v) Bank Account
  - (b) Give journal entries for recordings these transactions in the books of Y Co. Ltd.
5. A fire occurred on September 11, 2001 in the go-down of Electronic media Company Limited, Which destroyed the greatest part of their stock and the following information was collected on that date:

	Rs.
Stock at cost as at January 1, 2000	100,000
Stock at cost as at January 1, 2001	150,000
Purchases from January 1, 2001 to September 11, 2001	200,000
Sales from January 1, 2001 to September 11, 2001	440,000

During the current year cost of purchases has risen by 10% above last's year's level. Selling prices has gone by 5% Salvage value of stock after fire was Rs. 10,000.

**Required:**

From the above data calculate the amount of claim to be lodged with the Sunrise Insurance Company Limited for loss of stock

6. Twenty multiple choice questions are given below. You are required to present your answer book in the shape of following suggested format. No marks will be awarded for overwritten answer:

136  
ACCOUNTANCY AND AUDITING, PAPER-I

S No.	Choice	Rationale for answer
-------	--------	----------------------

- (1) Books of original entry are called:  
 (a) Ledger (b) Worksheets (c) Journal (d) None of these.
- (2) For preparing balance sheets prepaid expenses are showed as part of  
 (a) Liability (b) Equities (c) Assets (d) None of these.
- (3) Unpaid and unrecorded expenses are called:  
 (a) Prepaid expenses (b) Accrued expenses (c) Additional expenses  
 (d) None of these.
- (4) Amount, cash, or other assets removed from business by owner is:  
 (a) Capital (b) Drawings (c) Assets (d) None of these.
- (5) Under the diminishing balance method, depreciation amount is:  
 (a) Payment (b) Receipt (c) Expenditure (d) None of these.
- (6) Users of accounting information include:  
 (a) The Tax Authorities (b) Investors (c) Creditors (d) All of these.
- (7) The business form(s) in which the owner(s) is (are) personally liable is (are) the:  
 (a) Partnership only (b) Proprietorship only (c) Corporation only  
 (d) Partnership and proprietorship (e) None of these.
- (8) The investment of personal assets by the owner:  
 (a) Increases total assets and increases owner's equity.  
 (b) Increases total assets only.  
 (c) Has no effect on assets but increases owner's equity.  
 (d) Increases assets and liabilities.  
 (e) None of these.
- (9) All of the following are forms of business organisations except:  
 (a) Proprietorship (b) Corporation (c) Retailer (d) Partnership  
 (e) None of these.
- (10) Economic resources of a business that are expected to be of benefit in the future are referred to as:  
 (a) Liabilities (b) Owner's equity (c) Withdrawals (d) Assets  
 (e) None of these.
- (11) An owner investment of land into the business would:  
 (a) Decrease withdrawals (b) Increase liabilities (c) Increase owner's equity  
 (d) Decrease assets (e) None of these.
- (12) A cash purchase of supplies would:  
 (a) Decrease owner's equity (b) Increase liabilities  
 (c) Have no effect on total assets (d) None of these.
- (13) An owner investment of cash into the business would:  
 (a) Increase assets (b) Decrease liabilities (c) Increase withdrawals  
 (d) Decrease owner's equity (e) None of these.
- (14) The payment of rent each month for office space would:  
 (a) Decrease total assets (b) Increase liabilities (c) Increase owner's equity  
 (d) None of these.
- (15) Real accounts are related to:  
 (a) Assets (b) Expenses and Incomes  
 (c) Customers and Creditors etc. (d) None of these.

www.onlineexamhelp.com

- (16) Which one of the following accounts would usually have a debit balance?  
(a) Cash (b) Creditors (c) Accounts Payable  
(d) Salaries Expense (e) None of these.
- (17) Quick Assets include, which of the following?  
(a) Cash (b) Accounts Receivable (c) Inventories  
(d) Only (a) and (b) (e) None of these.
- (18) Net income plus operating expenses is equal to:  
(a) Net Sales (b) Cost of goods available for sale (c) Cost of goods sold  
(d) Gross Profit (e) None of these.
- (19) The maximum number of partners in Pakistan can be fixed at the following:  
(a) 20 (b) 50 (c) 75 (d) None of these.
- (20) Balance sheet is always prepared:  
(a) For the year ended (b) As on a specific date (c) None of these

\*\*\*\*\*

www.onlineexamhelp.com

32  
StudentBounty.com

FEDERAL PUBLIC SERVICE COMMISSION  
COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN BPS-17 UNDER THE FEDERAL GOVERNMENT, 2001.

ACCOUNTANCY AND AUDITING  
PAPER-II

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE: Attempt FIVE questions in all, including QUESTION # 9 which is **COMPULSORY**.  
**ONE question must be attempted from each part.** All questions carry equal marks.

PART - A : COST-ACCOUNTING

1. (a) Briefly describe the functions of the financial accountant and management accountant highlighting the limitations of financial accountant in carrying out the management objectives.  
(b) Describe the roles in respect of authority, responsibility and accountability of financial accountant and management accountant clearly defining the inter-relation.
2. (a) Define characteristic difference between Fixed Cost and Variable Cost  
(b) Following information of the manufacturing unit is made available to you for the month of July 1996

**BUDGET DATA:**

Units	1000
Material used	3 kg per unit @Rs. 20 per kg
Labour per unit	2 hours
Labor rate per hour	Rs. 10.00

**FACTORY OVERHEADS:**

Fixed	Rs.10,000
Variable	Rs. 20,000

**ACTUAL PERFORMANCE**

Units completed	900
Materials used	2750 kg at Rs. 22 per kg
Labor hours worked	1850 hours at Rs. 11 per hour
FOH incurred	Rs. 26900

**Required:**

Compute Two Variance for each of the following items

- (a) Materials      (b) Labour      (c) Factory overheads

PART - B : AUDITING

3. (a) Explain the term "teeming and lading" How can this type of fraud be prevented?  
(b) What is the responsibility of an auditor in detection of frauds.
4. During the Audit of Meat Packers Ltd. you are assigned to cover the audit of the payrolls of 800 employees

**ACCOUNTANCY AND AUDITING, PAPER-II**

Enumerate the test, you would carry out to ensure that:

- (1) All employees are genuine
- (2) Payments are only made for work done
- (3) Statutory documents are properly effected in accordance with the law
- (4) Proper allocation of wages is made to various departments.

**PART - C: INCOME TAX**

5. Mr. Amjad has rented out a home at a monthly rent of Rs. 10000, He has incurred the following expenses in respect of the house?

Property tax	Rs2000
Rent collection charges	Rs 8000
Interest on loan from HBFC	Rs.6000

As per rent deed the tenant will bear repair charges.

**Required:**

Compute the income of Mr. Amjad chargeable under the head, Income from house property

6. An aggrieved assessee from an assessment order may make an application to the Income Tax settlement commission for the settlement of case, describe the procedure and manner in which the commission dispose off an application for settlement

**PART - D: BUSINESS ORGANISATION AND FINANCE**

7. You are the officer responsible for meetings in your organization, outline the procedure regarding the organization of a meeting of the board of Directors under the following heads:

- (1) The day before the meeting
- (2) During the meeting
- (3) After the meeting

8. Define Joint Stock Companies and Sole-proprietorship. Also state the differences between the two forms of business organisations.

**COMPULSORY QUESTION**

9. Twenty multiple choice questions are given below. You are required to present your answer book in the shape of following suggested format. No marks will be awarded for overwritten answer:

S No.	Choice	Rationale for answer
-------	--------	----------------------

- (1) The measurable value of an alternative use of resources is referred to as:
  - (a) An opportunity cost
  - (b) An imputed cost
  - (c) A differential cost
  - (d) A sunk cost
  - (e) None of these
- (2) A quantitative expression of management objectives is an:
  - (a) Organizational chart
  - (b) Management chart
  - (c) Budget
  - (d) Procedural chart
  - (e) None of these
- (3) A cost center is:
  - (a) A unit of production in relation to which costs are ascertained.
  - (b) A location which is responsible for controlling direct costs
  - (c) Part of the factory overhead system by which costs are gathered
  - (d) Any location or department which incurs cost
  - (e) None of these.

**CANCY AND AUDITING, PAPER-II**

- (4) At break-even point of 400 units sold the variable costs were Rs.400 and the fixed costs were Rs.200. What will be the 401 units sold contributing to profit before income tax?  
 (a) Rs.0.00 (b) Rs.0.50 (c) Rs.1.00 (d) Rs.1.50 (e) None of these.
- (5) In considering a special order situation that will enable a company to make use of currently idle capacity, which of the following cost will be irrelevant:  
 (a) Materials (b) Depreciation (c) Direct labour  
 (d) Variable factory overhead (e) None of these.
- (6) A fixed cost:  
 (a) May change in total when such change is not related to changes in production  
 (b) Will not change in total because it is not related to changes in production  
 (c) Is constant per unit for each unit of change in production  
 (d) May change in total, depending on production with the relevant range  
 (e) None of these.
- (7) Completion of a job is result in:  
 (a) DR Finished goods CRWIP  
 (b) DR Cost of goods CR Finished goods  
 (c) DR WIP CR FOH control  
 (d) DR FOH control CR FOH applied  
 (e) None of these.
- (8) Operating cost is often named as:  
 (a) Manufacturing cost plus commercial expenses  
 (b) Prime cost plus factory overheads.  
 (c) Direct material plus direct labour  
 (d) Selling plus administrative expenses  
 (e) None of these.
- (9) Expenses such as rent and depreciation of a building are shared by several departments these are:  
 (a) Indirect expenses (b) Direct expenses (c) Joint expenses  
 (d) All of the above (e) None of these.
- (10) If under-applied FOH is closed to cost of goods sold, the journal entry is:  
 (a) DR Cost of goods sold CR FOH control  
 (b) DR FOH control CR Cost of goods sold  
 (c) DR FOH control CR Profit & loss account  
 (d) None of these.
- (11) Re-order quantity --3600 units  
 Maximum consumption --900 units per week  
 Minimum consumption --300 units per week  
 Re-order period --5 weeks  
 Based on this data Re-order level is:  
 (a) 4500 units (b) 3900 units (c) 1200 units  
 (d) 400 units (e) None of these.
- (12) The time lag between indenting and receiving material is called:  
 (a) Lead time (b) Idle time (c) Stock out time (d) None of these

www.onlinetexamhelp.com



**ACCOUNTANCY AND AUDITING, PAPER-II**

- (13) A credit balance remaining in FOH Control account is called:  
(a) Over applied overhead (b) Under-applied overhead  
(c) Actual overhead (d) None of these
- (14) Direct material cost plus direct labour cost is called:  
(a) Prime cost (b) Conversion cost (c) Product cost  
(d) All of these (e) None of these.
- (15) Productivity means:  
(a) The ability to produce. (b) All units produce  
(c) Good units Produced (d) None of these
- (16) A segment of the business that generates both revenue and cost is called: (a)  
Profit Center (b) Cost Center  
(c) Cost driver (d) All of these (e) None of these
- (17) Verification includes:  
(a) Checking vouchers (b) Examining audit report (c) None of these
- (18) Audit of a bank is generally conducted through:  
(a) Routine checking (b) Vouching  
(c) Balance sheet audit (d) None of these.
- (19) Economic resources of a business that are expected to be of benefit in the future are referred to as:  
(a) Liabilities (b) Owner's equity (c) Withdrawals  
(d) Assets (e) None of these.
- (20) Short-Term Loan can be best described as:  
(a) If the period is three years (b) If the period is less than one year.  
(c) If the period is over one year. (d) None of these.

www.onlineexamhelp.com