

StudentBounty.com

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN
BPS-17 UNDER THE FEDERAL GOVERNMENT, 2004.

ACCOUNTANCY & AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE: (i) Attempt **FOUR** questions in all, including **QUESTION Nos. 5 AND 6** which are **COMPULSORY**. **QUESTION NO 5** carries 40 marks. All other questions carry **EQUAL** marks i.e. 20 marks each.

(ii) Give workings to solution of questions, wherever relevant.

1. What is a Trial Balance? Why is it prepared? What are the two methods of preparing it and which of them is a better one and why?
2. Answer the following short questions briefly. Each question carries two marks.
 - (a) Define ledger
 - (b) List three disadvantages of not preparing the Trial Balance.
 - (c) Give two examples of errors of principle.
 - (d) State two methods of charging depreciation on fixed assets.
 - (e) What is reserve for doubtful debts?
 - (f) Why is revaluation account prepared?
 - (g) Enumerate at least four reasons for which a cheque is dishonoured.
 - (h) What are capital receipts?
 - (i) Name two methods of preparing final accounts from incomplete records.
 - (j) What do you understand by closing entries?
3. Given below is the Receipts and Payments Account of the Eagle Club for the year ending 31st December 2003.

	Rs.		Rs.
Balance b/d	10,250	Salaries	6,000
Subscriptions		General expenses	750
2002	400	Drama expenses	4,500
2003	20,500	Newspapers etc.	1,500
2004	600	Municipal taxes	400
Donations	5,400	Charity	3,500
Proceeds of Drama tickets	9,500	Investments	20,000
Sales of waste paper	450	Electricity Charges	1,450
		Balance c/d	9,000
	47,100		47,100

Required: Prepare the Club's Income and Expenditure Account for the year ended 31st December 2003 and its Balance sheet as on that date, after taking the following information into account:

- (a) There are 500 members, each paying on annual subscription of Rs.50, Rs.600 being in arrears for 2002.
 - (b) Municipal taxes amounting to Rs.400 per annum have been paid up to 31st March 2004 and Rs.500 for salaries is outstanding.
 - (c) Building stood in the books at Rs.60,000 and it is required to write off depreciation at 5 per cent.
 - (d) Four per cent interest has accrued on investments for five months.
4. A and B were in partnership sharing profit and losses in the proportion of three fourth and one fourth respectively. Their Balance Sheet stood as follows on 31st December 2003.

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
Creditors	37,500	Cash at bank	22,500
Capital Account		Bill Receivable	3,000
A	40,000	Book Debts	16,000
B	10,000	Stock	20,000
		Furniture	1,000
		Building	25,000
	87,500		87,500

ACCOUNTANCY & AUDITING, PAPER-I:

- They admitted C into partnership 1st January 2004 on the following terms:
- That C pays Rs.10,000 as his capital for 1/5 share in the future profits.
 - That goodwill for Rs.20,000 is raised in the books of the new firm
 - That stock and furniture are reduced by 10% and that a 5% provision is made for likely bad debts.
 - That the value of the buildings is increased by 20% and
 - That the capital Accounts of A and B are readjusted on the basis of their profit sharing ratios.

Required: Pass the necessary journal entries and give the ledger Accounts and opening Balance Sheet of the new firm.

COMPULSORY QUESTIONS

5. The following balances appeared in the books of a merchant on 31st December, 2003.

	Rs.		Rs.
Building	70,000	Carriage on Purchases	1,291
Motor Trucks	12,000	Carriage on Sales	800
Furniture	1,640	Reserve for Bad Debts	1,320
Sundry Debtors	15,600	Establishment	2,135
Sundry Creditors	18,852	Taxes & Insurance	783
Stock	15,040	Interest(Cr.)	340
Cash in hand	988	Bad Debts	613
Cash at Bank	14,534	Audit Fee	400
Bills Receivable	5,844	General charges	3,950
Bills Payable	6,930	Travelling Expenses	325
Purchases	85,522	Discount(Dr.)	620
Sales	1,21,850	Investments	8,922
Capital	92,000	Sales Returns	285

Required:

Prepare Trading and Profit and Loss Account for the year ended 31st December 2003 and Balance Sheet as on that date. In doing so take the following matters into consideration.

- Stock on 31st December, 2003 amounted to Rs.15,500.
 - Depreciate Motor Trucks at 20 per cent and Furniture at 10 per cent.
 - Increase Bad Debts Reserve by Rs. 1,000.
 - Salaries Rs.500 and Taxes Rs. 150 are outstanding,
 - Un-expired Insurance Rs.50.
 - Interest accrued on Investments Rs. 210.
 - Rent due for a portion of the Building let Rs. 150.
 - A bill receivable for Rs.500 was discounted in December 2003 but was not due till January next.
6. Deliver the correct answer in the Answer Book. Over writing is not allowed.
Over-written answer will carry no grade.
- The need for keeping a record of income and expenditures in a clear and systematic manner has given rise to the subject of:
 - Book Keeping
 - Accounting cycle
 - Manufacturing
 - None of these
 - If proper books of accounts are not kept in a business the amount of profit:
 - Can be ascertained
 - Cannot be ascertained
 - Easily ascertained
 - None of these
 - The stage under which transaction are recorded chronologically in the books of accounts is called:
 - Summarizing
 - Classifying
 - Recording
 - None of these
 - Book-keeping is mainly concerned with:
 - Recording of a financial data relating to business transactions
 - Designing the systems in recording, classifying, summarizing the recorded data
 - Interpreting the data for internal and external users
 - None of these

ACCOUNTANCY & AUDITING, PAPER-I:

- (5) The term expense and expenditure are:
(a) Same in nature (b) Different in nature
(c) Opposite in nature (d) None of these
- (6) When goods are given away as charity or free samples, the purchases account should be:
(a) Debited (b) Credited
(c) Recorded in balance sheet (d) None of these
- (7) The sale of a business asset on credit is recorded in:
(a) Sales journal (b) General journal
(c) Cash receipt journal (d) None of these
- (8) The discount account is a:
(a) Personal account (b) Real account
(c) Nominal account (d) Asset account
(e) None of these
- (9) The payments side of the cash book is under cost by Rs.200 when overdraft as per bank statement is the starting point:
(a) Rs.200 will be deducted (b) Rs.200 will be added
(c) Rs.400 will be added (d) Rs.400 will be deducted
- (10) All the direct expenses are charged to:
(a) Balance sheet (b) Profit and Loss Account
(c) Trading account (d) None of these
- (11) Those liabilities which arise only on the happening of some event, are called:
(a) Current liabilities (b) Contingent liabilities
(c) Outstanding liabilities (d) Fixed liabilities
- (12) Marshalling of balance sheet means:
(a) The ordering of its assets and liabilities
(b) The totaling of its assets and liabilities
(c) Excess of assets over liabilities
(d) None of these
- (13) Commission received in advance is to be considered as:
(a) Outstanding expense (b) Accrued income
(c) Prepaid expense (d) Unearned income
- (14) The provision for discount on creditors is often not provided in keeping with the principle of:
(a) Materiality (b) Consistency
(c) Conservatism (d) Realization
- (15) Which one of the following is not considered the permanent part of the accounting record:
(a) Journal (b) Trial Balance
(c) Balance Sheet (d) Final Account
- (16) A working paper which is prepared by the accountant for his own convenience is called:
(a) Work sheet (b) Cash flows statement
(c) Balance sheet (d) Final accounts
- (17) Any expenditure incurred to increase the profit earning capacity of the concern is a:
(a) Revenue expenditure (b) Current expenditure
(c) Capital receipt (d) Capital expenditure
- (18) Depreciation on fixed assets is an example of:
(a) Revenue expenditure (b) Capital expenditure
(c) Deferred revenue expenditure (d) None of these
- (19) The capital receipts are shown in the balance sheet on the:
(a) Liability side (b) Asset side
(c) Debit side (d) None of these
- (20) Error due to wrong allocation as expenditure between capital and revenue is regarded as:
(a) Error of omission (b) Error of principle
(c) Compensating errors (d) Error of commission

FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17 UNDER THE FEDERAL GOVERNMENT, 2004.

ACCOUNTANCY & AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

- NOTE: (i) Attempt FIVE questions in all, including QUESTION NO. 9 which is COMPULSORY.
- (ii) Select at least ONE QUESTION from each of the PARTS A, B, C and D. All questions carry EQUAL marks.

PART- A: (COST ACCOUNTING)

- Define Cost Accounting. Discuss its objectives and distinguish it from financial accounting.
- The following data relate to the Shirley Company:

	<u>Inventories</u>		
	<u>Ending</u>		<u>Beginning</u>
Finished goods	Rs. 95,000	Rs.	10,000
Work in process	80,000		70,000
Direct materials	95,000		90,000
Costs incurred during the period:			
Costs of goods available for sale		Rs.	684,000
Total manufacturing costs			584,000
Factory overhead			167,000
Direct materials used			193,000

Required: Statement of cost of goods sold, including all beginning and ending inventories.

PART- B: (AUDITING)

- Define Final Audit and explain its merits and demerits.
- What is an Audit Program? Explain its advantages and limitations.

PART- C: (INCOME TAX)

- Discuss the residential status of the Following Taxpayer:
 - Individual
 - Company
 - Association of Person
 - List down the CONSTITUENTS of Income Tax Law in Pakistan.
- From the following data, calculate income tax payable by Mr. Fahad for the tax year ending 30th June, 2003.

	Rs.
(1) Basic Salary	15,000 P.M.
(2) Bonus	10,000
(3) Senior Post Allowance	2,000
(4) House Rent Allowance	1,25,000
(5) Medical allowance	4,000
(Actual Expenditures incurred Rs.3000)	
(6) Entertainment Allowance	6,000
(Actual Expenditures incurred Rs.7000)	
(7) Gas and Electricity Allowance	18,000
(8) Leave encashment	2,500
(9) Special pay	2,000
(10) Orderly allowance	5,000
(11) Income as non professional writer	4,500
(12) Special Allowance	8,000
(13) Donation to Bait-ul-Mal	2,000
(14) Zakat Paid	3,000

ACCOUNTANCY & AUDITING, PAPER-II:

PART-D : (BUSINESS ORGANIZATION AND FINANCE)

7. (a) Describe registration of partnership. What are the consequences of non-registration?
(b) Enumerate rights, duties and liabilities of partners?
8. (a) Define business finance and discuss the advantages and disadvantages of debt financing.
(b) What is a capital market? Explain in detail.

COMPULSORY QUESTION

9. Deliver the correct answer in the Answer Book. Do not reproduce the question. Over-writing is not allowed. Over-written answer will carry no grade.
- (1) The heat treatment department at Noori Pipe is the third department in a sequential process. The work in process account for the department would consist of:
(a) Cost transferred in from the prior department
(b) Materials costs added in the heat treatment department
(c) Conversion costs added in the heat treatment department
(d) All of the above
(e) None of the above
- (2) Jingo Products uses the weighted average method in its process costing system. Last month in the milling department the cost per equivalent unit for conversion cost was Rs. 105. A total of 540 equivalent units of conversion cost were used to compute this unit's cost. The total conversion cost added during the month was Rs. 54,500. What was the amount of conversion cost in the beginning work in process inventory?
(a) Rs. 0 (b) Rs. 2,200 (c) Rs. 4,200
(d) Rs. 3,000 (e) None of these
- (3) Shahzad Corp. uses the FIFO method in its process costing system. The company had Rs. 6,000 of materials cost in its beginning work in process inventory and the company added Rs. 75,000 in materials cost during the period. The equivalent units of production for materials were 20,000. The unit cost per equivalent unit for materials would be:
(a) Rs. 3.75 (b) Rs. 4.05 (c) Rs. 0.30
(d) Rs. 3.30 (e) None of these
- (4) Costs in the beginning work in process inventory are added to the cost of the current period when making units cost calculations by:
(a) The FIFO cost method (b) The weighted average cost method
(c) The quantity schedule method (d) LIFO method
(e) None of these
- (5) A chemical process has normal wastage of 10% of input. In a period, 2500 kgs of material were input and there was an abnormal loss of 75 kgs. What quantity of good production was achieved?
(a) 2175 kgs (b) 2250 (c) 2325 kgs
(d) 2425 kgs (e) None of these
- (6) Premium on issue of shares can be used for:
(a) Payment of dividends (b) Writing off preliminary expenses
(c) Paying fees to directors (d) Redemption of debentures
(e) None of these
- (7) Right shares mean the shares which are:

ACCOUNTANCY & AUDITING, PAPER-II:

- (8) Pre incorporation profit is to be credited to:
(a) Capital Reserve
(b) Profit and Loss account above the line
(c) Profit and loss account below the line
(d) General Premium
(e) None of these
- (9) The excess of purchase price over the net assets is:
(a) Goodwill (b) Capital Reserve (c) Preliminary expenses
(d) Share Premium (e) None of these
- (10) Statutory report is necessary in the case of:
(a) All Companies (b) Public Limited Companies
(c) Foreign Companies (d) Private Limited Companies
(e) None of these
- (11) Dividends are usually paid on:
(a) Called up capital (b) Paid up capital
(c) Paid up capital call in advance (d) Subscribed capital
(e) None of these
- (12) Provision for taxation of a previous year was Rs. 100,000 and tax assessed for that year Rs.80,000. The adjustment for this is:
(a) A debit of Rs.100,000 above the line
(b) A credit of Rs.80,000 below the line
(c) A credit of Rs.20,000 above the line
(d) A credit of Rs.20,000 below the line
(e) None of these
- (13) Amount set apart to meet losses due to bad debt is a:
(a) Provision (b) Reserve (c) Liability
(d) Contingent liability (e) None of these
- (14) Advance Payment of tax is in the nature of:
(a) Asset (b) Revenue expense (c) Liability
(d) Prepaid expense (e) None of these
- (15) Values that express preferred behavior and the means by which one achieves his/her goals are known as:
(a) Terminal values (b) Dominant values (c) Instrumental values
(d) Affective values (e) None of these
- (16) Evaluative-positive or negative-concerning people, objects, or events are called:
(a) Perceptions (b) Attitudes (c) Beliefs
(d) Values (e) None of these
- (17) The auditor is required to report that Financial Statements are:
(a) True & Correct (b) True & Fair (c) Complete & Correct
(d) Covering all required records (e) None of these
- (18) The auditors are appointed by the following authorities:
(a) Creditors (b) Debtors (c) Share holders
(d) Directors (e) None of these
- (19) Interim audit is conducted for examining the account for:
(a) Full one year (b) Next one year (c) Previous one year
(d) For a part of current year (e) None of these
- (20) Payment should be made preferably through:
(a) Cross cheque (b) Bank Draft (c) Pay order
(d) Cash basis (e) None of these
