StudentBounty.com

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17 UNDER THE FEDERAL GOVERNMENT, 2009

ACCOUNTANCY AND AUDITING, PAPER-I

S.No.	
R.No.	

TIME ALLOWED:	**(PART-I)**	**30 MINUTES**	**MAXIMUM MARKS:20**
	(PART-II)	**2 HOURS & 30 MINUTES**	**MAXIMUM MARKS:80**

NOTE: (i) **First** attempt **PART-I (MCQ)** on separate **Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.

PART – I (MCQ)
(COMPULSORY)

Q.1. Select the best option/answer and fill in the appropriate box on the Answer Sheet. (20)

(i) Which of the following transactions represent an expense?
- (a) The owner withdrew Rs. 1,600 from the business for personal use
- (b) Purchased a photocopying machine for Rs. 2,750 cash
- (c) Purchased medical supplies for cash from Healthcare Labs. Rs. 1,630
- (d) Received a telephone bill amounting to Rs. 550 to be paid within ten days.

(ii) Which of the following statements about accounting procedures is not correct?
- (a) The journal shows in one place all the information about specific transactions arranged in chronological order.
- (b) A ledger account shows in one place all the information about changes in a specific asset or liability or owner's equity.
- (c) Posting is the process of transferring information from ledger accounts to the journal.
- (d) The product of the accounting cycle is the formal financial statements such as balance sheet and income statement.

(iii) Which of the following financial statements reflects the overall financial position of the business?
- (a) Statement of cash flows (b) Income Statement
- (c) Balance Sheet (d) Statement of owner's equity

(iv) Trial Balance is prepared:
- (a) To ensure arithmetical accuracy of accounting records.
- (b) To establish complete accuracy of accounting records.
- (c) To determine the amounts payable to suppliers for purchase of goods on credit.
- (d) To ensure efficient use of resources of the business.

(v) The net sales of Fresh Foods were Rs. 200,000 for the current month. If the cost of goods available for sale was Rs. 180,000 and the gross profit rate was 35%, the ending inventory must have been:
- (a) Rs. 70,000 (b) Rs. 1,30,000 (c) Rs. 50,000 (d) Rs. 63,000

(vi) In the accounting cycle:
- (a) Closing entries are made before adjusting entries.
- (b) Closing entries are made after the adjusting entries.
- (c) Adjusting entries are made after financial statements are prepared.
- (d) Financial statements are prepared after closing trial balance.

(vii) Which of the following is an intangible asset?
- (a) An investment in marketable securities. (b) Leasehold land.
- (c) Loose tools. (d) Copy rights.

www.StudentBounty.com
Homework Help & Pastpapers

StudentBounty.com

(viii) Expense is recorded in the accounting records when:
(a) Cash is paid (b) The purchase order is placed with the
(c) Purchases are made (d) None of these

(ix) The cash basis of accounting:
(a) Is widely used by manufacturing firms.
(b) Is often used by merchandising firms.
(c) Usually results in a larger amount of tax than under accrual basis accounting.
(d) Can not be used in filing income tax returns.

(x) The straight-line method of depreciation:
(a) Generally gives best results because it is easy to apply
(b) Should be use din a period of inflation, because it accumulates the fund for the replacement of asset at a uniform rate.
(c) Is the best method used for wasting assets.
(d) Ignores fluctuations in the rate of asset usage.

(xi) Which of the following accounts are not closed at the end of an accounting period?
(a) Revenue accounts (b) Expense accounts (c) Drawing accounts (d)Asset accounts

(xii) Under periodic inventory system cost of good sold is determined and recognized in the books of accounts:
(a) At the time of purchase of goods (b) At the time of sale of goods
(c) At the end of the year (d) None of these

(xiii) Which of the following is not a use of working capital?
(a) Repayment of long term debt (b) Cash dividend declared but not paid
(c) Payment of an account payable (d) Acquisition of treasury stock.

(xiv) A transaction caused a Rs. 10,000 decrease in both assets and total liabilities. This transaction could have been:
(a) Purchase of furniture for Rs. 10,000 (b) An asset costing Rs.10,000 was destroyed by fire
(c) Repayment of bank loan Rs. 10,000 (d) Collection of a Rs.10,000 account receivable

(xv) Which ratio indicates a firm's ability to pay current liabilities in the shortest possible time?
(a) Current Ratio (b) Equity Ratio (c) Debt Ratio (d) Quick Ratio

(xvi) If we add the average number of days to turn the inventory over and the average age of receivables (in number of days), we arrive at:
(a) The company's fiscal period (b) The sales volume of the business
(c) The company's operating cycle (d) Nothing meaningful

(xvii) Which of the following is least important in determining the fair market value of a share?
(a) Earnings and dividends per share
(b) Book value per share
(c) The available supply of shares and the demand to purchase the shares.
(d) The par value of share.

(xviii) Financial statements prepared by a business firm are most likely to be:
(a) Fully reliable (b) Tentative in nature
(c) Relevant for all types of decisions (d) Always misleading

(xix) One of the following is not an officer of a company:
(a) Share registrar (b) Controller (c) Secretary (d) Treasurer

(xx) A deficit appears on the balance sheet:
(a) Among the assets (b) As a deduction from total paid-up capital
(c) Among the liabilities (d) None of these

www.StudentBounty.com
Homework Help & Pastpapers

StudentBounty.com

ACCOUNTANCY AND AUDITING, PAPER-I

PART – II

NOTE:	**(i)** **PART-II** is to be attempted on the separate **Answer Book.** **(ii)** Attempt **ONLY THREE** questions from **PART-II** including **QUESTION N** which is **COMPULSORY** having 30 marks. Rest of the questions carry **25 MARI EACH**. **(iii)** Extra attempt of any question or any part of the attempted question will not be considered.

Q.2. Write short notes on the followings: **(3 each)**

(i) What is a compound journal entry?
(ii) Define subsidiary ledger.
(iii) Identify two major causes of depreciation on plant assets.
(iv) What is meant by statement of cash flows?
(v) Briefly explain the perpetual inventory system.
(vi) State the principle of realization.
(vii) What do you understand by realization account?
(viii) Describe the term accelerated depreciation.
(ix) What do you understand by limited partnership?
(x) Define closing entries and give two examples.

Q.3. Complete the 2007 balance sheet for Premier Industries using the information that follows it. **(25)**

Premier Industries
Balance Sheet at December 31, 2007

Cash	Rs. 30,000	Accounts Payable	Rs. 120,000
Marketable securities	25,000	Notes Payable	---
Accounts receivable	---	Accruals	20,000
Inventories	---	Long-term debt	---
Net fixed assets	---	Stockholders' equity	600,000

The following financial data for 2007 are also available:

1) Sales totaled Rs. 1,800,000
2) The gross profit margin was 25 percent
3) Inventory turnover was 6.0.
4) There are 360 days in the year.
5) The average collection period was 40 days.
6) The current ratio was 1.60.
7) The total asset turnover ratio was 1.20.
8) The debt ratio was 60 percent.

Q.4. The cash balance, November 30, 2007 is Rs. 30,000. Sales proceeds are collected as follows: 75% month of sale, 15% second month and 10% third month. **(25)**

Raleigh Company
Budgeted Income Statement for the Month Ended December 31, 2007 (in thousands)

Sales		Rs. 300
Inventory, November 30	Rs. 50	
Purchases	190	
Cost of goods available for sale	240	
Inventory, December 31	40	
Cost of goods sold		200
Gross margin		Rs. 100
Operating expenses		
Wages	Rs. 36	
Utilities	5	
Advertising	10	
Depreciation	1	
Office expenses	4	
Insurance and property taxes	1	
Operating Income		57
		Rs. 43

Accounts receivable are Rs. 43,000 on November 30, 2007, consisting of Rs. 16,000 from October sales and Rs. 27,000 from November sales.

www.StudentBounty.com
Homework Help & Pastpapers

StudentBounty.com

Accounts payable on November 30, 2007 are Rs. 150,000. Raleigh Company pays 3[illegible]ases during the month of purchase and the remainder during the following month. All opera[illegible]s requiring cash are paid during the month of recognition. Insurance and property taxe[illegible] annually in December, however.

Required: **Prepare a cash budget for December.**

Q.5. Saeed and Rasheed carried on business in partnership. On 31st December 2007 Saeed retired.Their Balance Sheet at that date was as follows: **(25)**

Liabilities and Capital	Rs.	Assets	Rs.
Accounts Payable	10,000	Land and Building	5,000
Notes Payable	8,000	Plant and Machinery	12,000
Saeed – Capital Account	21,000	Loose Tools	4,000
Rasheed – Capital Account	14,000	Patterns and Models	2,000
		Inventory	15,000
		Accounts Receivable	11,000
		Notes Receivable	2,500
		Cash	1,500
	53,000		53,000

Profits and Losses were shared in the proportions of Saeed two-thirds, and Rasheed one-third. Rasheed agreed to take over the business on the following terms:-

The Land and Building were to be taken over by Saeed at the amount stated in the Balance Sheet, and Rasheed was to rent the premises at Rs. 250 per annum.

Revaluations were to be made which resulted as follows:-

Plant and Machinery, Rs. 10,000; Loose Tools, Rs. 4,400; Patterns and Models, Rs. 1,800; and Inventory, Rs. 12,000.

Saeed agreed to allow the amount due to him (Less Rs. 300 which was to be paid to him in cash) to remain as a loan to Rasheed at 5 percent interest.

Required: **Make necessary Journal entries to give effect to the above transactions and prepare Rasheed's Balance Sheet.**

Q.6. The following is the Trial Balance at 30th June 2008 of the L.Y. Manufacturing Company, Limited:- (Rupees in thousands) **(25)**

	Rs.	Rs.
Inventory, 1st July, 2007	7,500	
Sales		35,000
Purchases	24,500	
Productive Wages	5,000	
Discounts	700	500
Salaries	750	
Rent	495	
General Expenses	1,705	
Profit and Loss Account, 1st July, 2007		1,503
Interim Dividend paid, February 2008	900	
Share Capital – 1,000 shares of Rs. 10 each fully paid		10,000
Accounts Receivable and Accounts Payable	3,750	1,750
Plant and Machinery	2,900	
Cash in hand and at Bank	1,620	
Reserve		1,550
Loan to Managing Director	325	
Bad Debts	158	
	50,303	50303

Adjustments:

(1) Depreciate Machinery at 10% per annum.
(2) Reserve 4% discount on Accounts Receivable.
(3) Allow 2% discount on Accounts Payable.
(4) One Month's Rent at Rs. 45 per month was due on 30th June, 2008.
(5) Reserve 5% for bad and doubtful debts.
(6) Inventory on 30th June 2008 was Rs. 8,200.

Required: **Trading and Profit and Loss Account for the year ended 30th June 2008, and the Balance Sheet as on that date.**

****

www.StudentBounty.com
Homework Help & Pastpapers