



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR
RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT, 2015

Roll Number

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ACCOUNTANCY & AUDITING, PAPER-I

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| TIME ALLOWED: THREE HOURS PART-I(MCQS): MAXIMUM 30 MINUTES | PART-I (MCQS) PART-II | MAXIMUM MARKS = 20 MAXIMUM MARKS = 80 |
| NOTE: (i) Part-II is to be attempted on the separate Answer Book. (ii) Attempt ONLY FOUR questions from PART-II, selecting TWO questions from EACH SECTION. ALL questions carry EQUAL marks. (iii) All the parts (if any) of each Question must be attempted at one place instead of at different places. (iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper. (v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed. (vi) Extra attempt of any question or any part of the attempted question will not be considered. (vii) Use of Calculator is allowed. | | |

PART-II
SECTION-A

Q. No. 2. Malcolm's trial balance as at 30th June, 2012 was as follows:- (20)

| | £ | £ |
|--|----------------|----------------|
| Capital account as at 1 st July, 2011 | | 29,000 |
| Creditors | | 21,000 |
| Debtors | 22,650 | |
| Cost of goods sold | 144,000 | |
| Drawings | 32,100 | |
| Sales | | 243,000 |
| Stock | 36,000 | |
| Vehicles | 21,000 | |
| Wages expenses | 14,250 | |
| Sundry expenses | 3,000 | |
| Rent expenses | 13,500 | |
| Insurance expenses | 2,000 | |
| Cash at bank | 4,500 | |
| | 293,000 | 293,000 |

The following information is relevant:

1. Wages payable but unpaid at 30th June, 2012 amounted to £ 750.
2. Rent accrued and unpaid to 30th June, 2012 amounted to £ 3,000.
3. The figure of insurance expenses includes a prepayment at 30th June, 2012 of £ 1,000.
4. The vehicle to be are depreciated at the rate of 25 percent per annum. As the vehicle was purchased at the beginning of the year, no depreciation has yet been charged. A full year's depreciation is now to be charged.
5. Bad debts of £ 2,650 are to be written off and provision is to be made for doubtful debts to 10 percent of the remaining debtors.

Required: Prepare Malcom's profit and loss account for the year ended on 30th June, 2012 and his balance sheet as at that date.

Q. No. 3. Listed below are nine technical terms: (20)

| | | |
|--------------------------|--------------------|-----------------------------|
| Trend percentage | Leverage | Inventory turnover |
| Vertical analysis | Yield | Operating cycle |
| Return on assets | Quick ratio | Book value per share |

Each of the following statements may (or may not) describe one of these technical terms. For each statement, indicate the accounting term described, or answer "None" if the statement does not correctly describe any of the term.

- a. Buying assets with money raised by borrowing or by issuing preferred stock.
- b. The proportion of total assets financed by stockholders, as distinguished from creditors.
- c. Net asset represented by each share of stock.
- d. Changes in financial statement items from a base year to following years expressed as a percentage of the base year amount and designed to show the extent and direction of change.
- e. Dividends per share divided by market price per share.
- f. Average time period between the purchase of merchandise and the conversion of this merchandise back into cash.
- g. Comparison of a particular financial statement item to a total including that item.
- h. Net sales divided by average inventory.
- i. Comparison of highly liquid current assets (cash, marketable, securities and receivable) with current liabilities.

- Q. No. 4.** (a) Discuss the limitations of ratio analysis and why they arise. Do you think that they are so serious as to undermine the validity of this approach to the analysis of financial statements? (10) (20)
- (b) Financial statements are prepared to seek the financial position of an organization. How much the above statement is helpful to overcome the financial issues facing by an organization? Justify the above statement with solid reasons. (10)

SECTION-B

- Q. No. 5.** Piers, Quick, Right and Squires were in partnership, sharing profits and losses in the ratio 4:3:2:1. They decided to dissolve the partnership on 31st December, 2012 at which date the balance sheet of the partnership was as follow: (20)

| | £ | £ | | £ |
|------------------|--------|-----------------|-----------------|-----------------|
| Capital accounts | | | Goodwill | 20,000 |
| Piers | 60,000 | | Land and | |
| Quick | 30,000 | | Buildings | 110,000 |
| Right | 60,000 | | Stock | 20,000 |
| Squires | 20,000 | 170,000 | Debtors | 40,000 |
| Creditors | | 30,000 | Balance at bank | 10,000 |
| | | <u>£200,000</u> | | <u>£200,000</u> |

The assets were realized as follows:

| | | £ |
|----------------------|------------------------------|---------|
| 5 th Jan. | Stock | 18,000 |
| 8 th Jan. | Debtors (part) | 16,000 |
| 2 nd Feb. | Good will | 6,000 |
| 2 nd Feb. | Land and buildings (part) | 22,000 |
| 1 st Mar. | Debtors (balance) | 20,000 |
| 1 st Mar. | Land and buildings (balance) | 120,000 |

The partners decided that, as soon as the creditors were paid, any cash received should be immediately distributed to the partners.

All the creditors were paid on 11th January, after deducting cash discounts of £ 2,000.

On 1st March it was decided that the remaining debts were irrecoverable and that the dissolution should be considered as being completed.

Required: Prepare a schedule setting out the payments that could be made to the partners subject to the provision that there should be no possibility that any of the partners would be called upon to repay cash. Realisation expenses should be ignored.

- Q. No. 6.** (a) Why should the essential features of internal control be designed into all accounting systems? Justify your answer. (10)
- (b) What requirement is imposed by double entry system in the recording of any business transaction? (10) (20)

- Q. No. 7.** Acne Plumbing Company’s balance sheet of year 2011: (20)

| <u>Assets</u> | <u>Rs.</u> | <u>Liabilities</u> | <u>Rs.</u> |
|---------------------|-------------------------|---|-------------------------|
| Cash | 30,000 | Accounts payable | 230,000 |
| Accounts receivable | 200,000 | Accruals | 200,000 |
| Inventory | 400,000 | Bank loan | 100,000 |
| Net fixed assets | 800,000 | Long term debt | 300,000 |
| | | Common stock | 100,000 |
| | | Retained earning | 500,000 |
| Total assets | <u>1,430,000</u> | Liabilities and stock holders equity | <u>1,430,000</u> |

Further information: Sales were Rs. 4,000,000/-, Cost of Goods sold were Rs. 3,200,000/-
Net Profit was Rs. 300,000/-

Required:

Compute the following ratios:

Current ratio, Acid test ratio, Average collection period, Inventory turnover, Total debt/equity, Long term debt/Gross profit margin, Net profit margin, Total assets turnover, Return on assets.

ACCOUNTANCY & AUDITING, PAPER-I

- Q. No. 8.** Lane Insurance Agency began business on April 1, 2012. Assume that the accounts are closed and financial statements prepared each month. The company occupies rented office space but owns office equipment estimated to have a useful life of 10 years from date of acquisition, April 1. The trial balance for Lane Insurance Company at June 30, 2012, is shown below: **(20)**

| | \$ | \$ |
|--|---------------|---------------|
| Cash | 1,275 | |
| Accounts receivable | 605 | |
| Office equipment | 6,000 | |
| Accumulated depreciation: office equipment | | 100 |
| Accounts payable | | 1,260 |
| Richard Lane, Capital, May 31, 2012 | | 6,500 |
| Richard Lane, drawing | 1,000 | |
| Commissions earned | | 3,710 |
| Advertising expenses | 500 | |
| Rent expenses | 370 | |
| Telephone expenses | 120 | |
| Salaries expenses | 1,700 | |
| | <u>11,570</u> | <u>11,570</u> |

- a. Prepare the adjusting journal entry to record depreciation of the office equipment for the month of June.
- b. Prepare an adjusted trial balance at June 30, 2012.
- c. Prepare an income statement for the month ended June 30, 2012 and a balance sheet in report form at June 30, 2012. In the owner's equity section of the balance sheet, show the changes in the owner's capital account during the period.

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