FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION - 2016
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS	**PART-I (MCQS) MAXIMUM MARKS = 20**
PART-I(MCQS): MAXIMUM 30 MINUTES	**PART-II MAXIMUM MARKS = 80**

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **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. 2. Global Service Company was organized on April 1, 2015. The company prepares quarterly financial statements. The adjusted trial balance at June 30, 2015 is given below.

	Debits		Credits
Cash	5,190	Accumulated depreciation	700
Accounts receivable	480	Notes payable	4,000
Prepaid rent	720	Accounts payable	790
Supplies	920	Salaries and wages payable	300
Equipment	12,000	Interest payable	10
Dividends	500	Unearned rent revenue	400
Salaries and wages expense	7,400	Share capital-ordinary	11,200
Rent expense	1,200	Service revenue	11,360
Depreciation expense	700	Rent revenue	900
Supplies expense	160		
Utilities expense	350		
Interest expense	40		
Total Debits	29,660		29,660

(a). Prepare an income statement for the Quarter April 1 to June 30. **(10)**
(b). Prepare statement of Retained Earnings. **(5)**
(c). Prepare a Balance Sheet with proper headings. **(5)**

Q. 3 (a). Pool and Burns, who share profits and losses equally, decide to dissolve their partnership at June 30, 2015. Their balance sheet on that date was as follows:

	(Rs.)	(Rs.)
Buildings		80,000
Tools and fixtures		2,900
		82,900
Debtors	8,400	
Cash	600	
	9,000	
Sundry creditors	(4,100)	
Net current assets		4,900
Total Assets		87,800
Capital account. Pool		52,680
Burns		35,120
		87,800

The debtors realized Rs. 8,200, the building Rs. 66,000 and tools and fixtures Rs. 1,800. The expenses of dissolution were Rs. 400 and discounts totaling Rs. 300 were received from creditors.

Required: Prepare the accounts necessary to show the results of the realization and of the disposal of the cash. **(10)**

(b). The trial balance before and after adjustment for Mushtaq company at the end of its fiscal year is presented below.

Mushataq Company Trial Balance December 31, 2015	Before adjustment		After adjustment	
	Debit	Credit	Debit	Credit
Cash	10,400		10,400	
Accounts receivable	8,800		10,000	
Supplies	2,300		700	
Prepaid insurance	4,000		2,500	
Equipment	14,000		14,000	
Accumulated Depreciation-equipment		3,600		4,900
Accounts payable		5,800		5,800
Salaries and wages payable				1,100
Unearned rent revenue		1,500		800
Share capital ordinary		12,000		12,000
Retained earnings		3,600		3,600
Service revenue		34,000		35,200
Rent revenue		11,000		11,700
Salaries and wages expense	17,000		18,100	
Supplies expense			1,600	
Rent expense	15,000		15,000	
Insurance expense			1,500	
Depreciation expense			1,300	
	71,500	71,500	75,100	75,100

Instructions : Prepare the adjusting journal entries that were made during the period. **(10)**

Q. 4 (a). On January 1, 2015, Hydri Construction acquired a small excavator for Rs.85,000. This device had a 4-year service life. It is expected that the equipment will be sold for Rs.10,000 salvage value at the end of 4 years. The company uses the double-declining balance depreciation method.

(a) Prepare a schedule showing annual depreciation expense, accumulated depreciation and related calculations for each subsequent year.

(b) Show how the asset and related accumulated depreciation would appear on a balance sheet at December 31, 2015.

(c) Prepare journal entries to record the asset's acquisition, annual depreciation for each year, and the asset's eventual sale for Rs.10,000. **(10)**

(b). Rabika Limited has the following balance sheet and income statement for 2015

(in thousands rupees)

Balance sheet

Cash	Rs. 400	Accounts payable	Rs. 320
Accounts receivable	1,300	Accruals	260
Inventories	2,100	Short-term loans	1,100
Current assets	3,800	Current liabilities	1,680
Net fixed assets	3,320	Long-term debt	2,000
		Shareholders' equity	3,440
Total assets	7,120	Total liabilities & Equity	7,120

Income Statement

Net sales (all credit)	Rs. 12,680
Cost of goods sold*	8,930*
Gross profit	Rs. 3,750
Selling, general, and admin expenses	2,230
Interest expense	460
Profit before taxes	Rs. 1,060
Taxes	390
Profit after taxes	Rs. 670

* Includes depreciation of Rs. 480

On the basis of this information, compute the following:

Current ratio
Acid test ratio
Average collection period
Inventory turnover ratio
Debt to net worth ratio
Gross profit margin
Net profit margin
Rate of return on common stock equity

SECTION-B

Q. 5 (a). The records of the Electronic Equipment Company show the following information for the year ended 31 December 2015:

	(Rs.)
Material purchased	1,946,700
Inventories, January 1, 2015:	
1) Finished goods (100 calculator)	43,000
2) Material	268,000
Direct labour	2,125,800
Factory overhead	764,000
Marketing expense	516,000
General and administrative expenses	461,000
Sales (14,200 calculators)	6,634,000

Inventories, December 31, 2015:
1. No unfinished work on hand.
2. Finished goods (200 calculators) costed at Rs.395 each.
3. Material 167,000

Required: **(10)**

An income statement for the period.
The number of units manufactured.
The unit cost of calculators manufactured.
The gross profit per unit sold.
The income per unit sold.
The ratio of gross profit to sales.
The income to sales percentage.

(b). The Homes Garments Company has decided to distribute the costs of service departments by the algebraic method. The producing departments are Cutting department and Sewing department. The service departments are Maintenance and cafeteria, and monthly data are:

	Actual factory overhead Costs before distribution (Rs.)	Services provided by Maintenance	Services provided by Cafeteria
Cutting department	126,000	40%	50%
Sewing department	87,000	50%	30%
Maintenance department	30,000	---	20%
Cafeteria	26,400	10%	---

Required:: **(10)**

Total factory overhead of producing department Cutting after distribution of service department costs.

Q. 6 (a). Ten employees work as a group in Altech Manufacturing Company. When the group's weekly production exceeds the standard number of pieces per hour, each worker in the group is paid a bonus for the excess production in addition to wages at hourly rates. The amount of bonus is computed by first determining the percentage by which the group's production exceeds the standard; one-half of this percentage is then applied to a wage rate of $9 to determine hourly bonus rate. The standard rate of production before a bonus can be earned is 200 pieces per hour for total hours worked.

Production record for the week

	Hours worked	**Production**
Monday	80	17,824
Tuesday	74	16,206
Wednesday	80	18,048
Thursday	78	17,480
Friday	72	16,733

Required:
1) Calculate the group's bonus for each day and for the week
2) The week's earnings of each employee. **(10)**

(b). The Cambridge Company uses job order costing. At the beginning of December two jobs were in process:

	Job 369	Job 372
Material	Rs 20,000	Rs. 7,000
Direct labour	10,000	3,000
Applied factory overhead	15,000	4,500

There was no inventory of finished goods on December 1. During the month, Jobs 373, 374, 375, 376, 378 and 379 were started.

Material requisitions for December totaled Rs. 130,000, direct labour cost, Rs.100,000 and actual factory overhead , Rs. 160,000. Factory overhead is applied at a rate of 150% of direct labour cost.

The only job still in process at the end of December is No. 379, with cost of Rs. 14,000 for material and total Rs. 9,000 for direct labour and applied overhead.

Job No. 376, the only finished job on hand at the end of December, has a total cost of Rs. 20,000.

Required:

(1). T-accounts for Work in Process, Finished Goods, Cost of Goods sold, Factory overhead Control and Applied Factory Overhead. **(4)**

(2). General journal entries to record:

(a). Cost of goods manufactured **(2)**

(b). Cost of goods sold **(2)**

(c). Closing of over-or-under applied overhead to Cost of Goods Sold. **(2)**

Q. 7 (a). The budgeted results of Best Gases Limited are as under:

Product	Sale value (Rs.)	PV ratio %
Oxygen gas	1,250,000	50
Nitrogen gas	2,000,000	40
Acetylene gas	3,000,000	30

Fixed overheads for the period are Rs 2,511,000. The management is worried about the results. **(10)**

Required: Prepare a statement showing amount of loss, if any being incurred at present and recommend a change in the sale value of each product as well as the total sale value maintaining the same sale-mix which will eliminate the said loss.

(b). Fedder manufacturing company provides the following information concerning its 2015 operations:

Number of units produced	45,000
Selling price per unit (Rs.)	30
Variable costs per unit (Rs.):	
Direct labour	6
Direct material	7
Manufacturing overhead	3
Selling and administrative	2
Fixed costs(Rs.):	
Manufacturing overhead (Rs.)	180,000
Selling and administrative (Rs.)	116,000
Units sold	33,000

There was no beginning inventory for the firm.

Required:

Prepare an absorption costing income statement for Fedder manufacturing company. **(10)**

Prepare a variable costing income statement for Fedder manufacturing company.

Reconcile the difference in profits under the two income statements.

Q. 8. Seven Seas Ltd. has developed a process for the manufacture of after-shave. Material is added at the beginning of the process and conversion costs are incurred uniformly. Detail for the month ended December 31,2015 are as follows:

Work-in-process at 1st December, 2015: 4,000 Units 75 % complete.

Work-in-process at 31st December, 2015: 15,000 Units 60% complete

Units added in process during the month of December, 2015: 30,000 units.

	Materials	Conversion cost
Value of opening work-in-process (Rs.)	108,000	85,000
Cost added during December , 2015	300,000	475,000

Required: Using weighted average basis, prepare a cost of production report for the process for December, 2015. Showing:

(a). A quantity schedule; **(3)**

(b). Cost charged to process; **(4)**

(c). Cost of equivalent units; **(5)**

(d). Cost of finished goods; **(4)**

(e). Value of closing work-in-process **(4)**