KHYBER-PAKHTUNKHWA PUBLIC SERVICE COMMISSION, PESHAWAR

COMPETITIVE EXAMINATION FOR THE POSTS OF PROVINCIAL MANAGEMENT SERVICES (BPS-17) 2018

Accountancy and Auditing Paper-I

Time Allowed: 03 Hours **Max. Marks: 100**

Note: Attempt any **FIVE** questions.

1. Below is given the Trial Balance of Ghosh and Guha Co. as on 31st March, 1998. The partners share profit as Ghosh 2/3; and Guha 1/3rd upto 50% of the distributable profit to the company and the balance equally:

Debit Balances	Rs	Credit Balances	Rs
Freehold premises	1,50,000	Capital Account	
Plant and Machinery	45,000	Ghosh	50,000
Wages	20,000	Guha	30,000
Opening stock:		Sundry creditors	25,000
Finished goods	40,000	Sales (net)	3,25,000
Raw materials	20,000	Discount	2,500
Work-in-progress	18,000	Bad debts provision	1,500
Sundry debtors	50,000	Commission	10,000
Carriage inwards	1,500	Guha Loan A/c	30,000
Carriage outwards	900		
Factory expenses	7,500		
Royalties	1,500		
Purchases of raw materials (net)	75,000		
Factory rent & taxes	6,500		
Discount	2,900		
Office rent	4,000		
Insurance	2,000		
Bad debts	1,500		
Office expenses	7,500		
Salaries of works manager	12,000		
Cash at bank	8,200		
	4,74,000		**4,74,000**

The following additional information is to be taken into consideration:

(a) Closing Stock: Finished goodsRs.50,000; Raw materials Rs.30,000; Work-in-process Rs.25,000.
(b) Outstanding liabilities to be provided for wages Rs.5,000; Office salaries Rs.6,000; and Office rent Rs.2,000.
(c) Bad debts provision to be adjusted to 2.5% on sundry debtors, Insurance premium paid in advance Rs.500.
(d) Depreciate freehold premised by 2.5% and plant and machinery by 5%
(e) Partnership salary to be allowed to Ghosh Rs.6,000 and Guha Rs.3,000. The Loan Account of Guha was raised in the books before the commencement of the year.

Required:
You are required to prepare the Trading and Profit and Loss Account for the year ended 31st march 1998 and the Balance Sheet at that date. (20 Marks)

2. Arun and Anand were friends and in need of funds. On 1.1.1993 Arun drew a bill for Rs 2,00,000 for 3 months on Anand. On 4.1.1993 Arun got the bill discounted at 10% p.a. and remitted half of the proceeds to Anand. On the due date, Anand could not meet the bill, instead, Arun accepted Anand's bill for Rs 1,20,000 on 4.4.1993 for two months. This bill was discounted by Anand at 12% p.a. Out of this, Rs 19,600 was paid to Arun after deducting Rs 400 discounting charges. Due to financial crisis, Arun became insolvent and the bill drawn on him was dishonoured and his estate paid 50%. Days of grace for discounting purposes may be ignored.

Required:
Give Journal Entries in the books of Arun and prepare Anand's Account in Arun's books and Arun's Account in the books of Anand. (20 Marks)

3. Gavaskar of Bombay sent 100 TV sets to Kapil of Chandigarh on consignment basis. The cost price of each set is Rs 5,000. Gavaskar paid Rs 100 for cartage, Rs 1,500 for railway freight and Rs 400 for insurance premium.

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He drew a bill, payable after two months for Rs 50,000, which was accepted by Kapil, by way of security against the consignment. He then discounted the bill for Rs 49,900.
Kapil paid Rs 600 as godown rent and Rs 400 as sundry expenses. He sold 90 sets @ Rs 5,400 per set. But he could not realize the sale proceeds of 5 sets from the customers. He was entitled to receive 4% ordinary commission and 1% del credere commission. The net amount due from Kapil was received in time.

Required:
Prepare the consignment Account, Kapil Account and Advance Against Consignment Account in the books of Gavaskar. (20 Marks)

4. The following is the Receipts and Payments Account of a club for the year ended 31.12.1997.

Receipts	Rs	Payments	Rs
To Balance b/d	800	By Salaries	300
To Subscriptions:		By Stationery	300
1996	50	By Rates	300
1997	1,000	By Telephone Charges	100
1998	200	By Investments on 4% Govt. securities	
To Admission Fees	400	(Purchased on 30th June, 1997)	1,000
To Dividends on Investments	200	By Sundry Expenses	150
		By Balance c/d	500
	2,650		2,650

The following additional information is given below:
(1) There are 600 members paying annual subscriptions of Rs 2 per head, Rs 90 being in arrear for 1996 at the beginning of 1997.
(2) Stock of stationery at 31st December, 1996 was Rs 200, at 31st December, 1997 Rs 100.
(3) The rates were paid for fifteen months upto 31st March, 1998.
(4) Sundry expenses outstanding at 31st December, 1996 was Rs 50.
(5) The telephone charges for three months is outstanding; the amount accrued being Rs 40.
(6) At 31st December, 1996 the building stood in the books at Rs 10,000 and it is required to write-off depreciation at 5% p.a.
(7) At 31st December, 1996 Investments were Rs 4,000.

Required:
You are required to prepare an Income and Expenditure Account for the year ended 31st December, 1997 and a Balance Sheet as at that date. (20 Marks)

5. A second-hand machine was purchased on 1.1.1991 for Rs 4,00,000. Overhauling and installation expenses for the same machine amounted to Rs 1,00,000. Another machine was purchased for Rs 2,00,000 on 1.7.1991. On 1.7.1993, the machine installed on 1.1.1991 was sold for Rs 2,50,000. Dismantling charges for the machine sold on 1.7.1993 were Rs 10,000. On the same date, another machine was purchased for Rs 8,00,000 and was commissioned on 30.9.1993. The company has adopted the calendar year as its financial year. Under the existing practice, the company provides depreciation at 10% p.a. on the original cost. In 1994, it has been decided that depreciation will be charged on the diminishing balance method @ 15% p.a. The change is not to be made with retrospective effect.

Required:
Show Plant Account from 1991 to 1995. Also show Plant Disposal Account. (20 Marks)

6. X, Y and Z are partners, managing the business at Madras, Bangalore and Ooty branches respectively. The terms of agreement are:
1. A sum of Rs 600 p.m. to be charged against the branch profits as salary to the managing partner.
2. The profits and losses, after charge of salary, are to be shared in the following manner:
   (a) The managing partner of each branch has to be paid 50% of the additional profits in excess of 20% return on average capital employed at the branch; and
   (b) The balance of the profits to be pooled for division in the ratio 4:3:3.
3. Interest on capital to be charged @ 8% p.a. and on Current Account (Including overdrawals) @ 6% p.a. – both on the opening balances.

The following information made available for the year 1997:
(a) Drawings in addition to salary from the respective branches: X – Rs 15,000: Y – Nil: Z – Rs 22,000.
(b) Balance on Capital and Current Accounts at the beginning of the year were:

Next Page →