

KHYBER PAKHTUNKHWA PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR THE POST OF
PROVINCIAL MANAGEMENT SERVICES OFFICERS (BPS-17), 2022

Time Allowed: 03 Hours

ACCOUNTING AND AUDITING PAPER-I

Max Marks: 100

Note: Attempt any five questions. All questions carry equal marks.

Q1: Elucidate any five of the following accounting concepts, principles and conventions with the help of logical examples:

- | | |
|----------------------------|--------------------------------|
| a. Going concern | e. Fair value |
| b. Separate entity | f. Consistency of presentation |
| c. Periodicity | g. Materiality |
| d. Faithful representation | h. Net realizable value |

Q2: On 1st January 2013, the written-down value of some machinery was Rs. 320,000 after charging depreciation at the rate 20% p.a. for two years using reducing balance method. At the time of acquisition, the machinery had expected salvage value of Rs. 50,000 and useful life of 8 years. But at the time of disposal, the machinery was actually sold for Rs. 80,000.

Required:

- Cost of machinery at the time of acquisition?
- Depreciable amount in the first year of operation?
- Depreciable amount as on 1st January 2011 and on 1st January 2014?
- Depreciation expense as on (i) 31st December 2013 and (ii) 31st December 2020?
- Prepare accumulated depreciation account from 1st January 2013 to 31st December 2020?
- Prepare machinery disposal account as at 31st December 2020, and determine gain or loss at the time of disposal?

Q3: Maritha Enterprises presents before you some estimated data pertaining to its upcoming months:

| Months (2020-21) | Sales (Rupees) | Material Purchases (Rupees) | Labour Cost (Rupees) | FOH Cost (Rupees) |
|---------------------|-------------------|-----------------------------------|-------------------------|----------------------|
| October | 2,500,000 | 500,000 | 150,000 | 120,000 |
| November | 3,500,000 | 350,000 | 250,000 | 160,000 |
| December | 3,500,000 | 400,000 | 150,000 | 180,000 |
| January | 4,200,000 | 600,000 | 200,000 | 100,000 |
| February | 4,800,000 | 300,000 | 250,000 | 150,000 |
| March | 4,000,000 | 450,000 | 200,000 | 100,000 |

Other Information:

- Credit Terms for Purchases: 40% payment is made in the same month, 30% in the next month, and the rest in the 3rd month;
- Credit Terms for Sales: 70% receipt is made in the same month, and the rest in the next month;
- Labour is paid 80% in the same month, and the rest in the following month;
- FOH is paid 3/5th in the same month, and the rest in the succeeding month; and
- Opening Balance of Cash for the month of December is assumed to be Rs. 800,000.

Required: Prepare the Cash Budget for the quarter starting from December 2020?

Q4: Messer Alpha and Beta Enterprises, a sole Trader, presents before you the following Trial Balance (Unadjusted) for the year ending 30 November 2020:

| Debit Balances | | Credit Balances | |
|--------------------------|----------------|-----------------|----------------|
| | Rupees | | Rupees |
| Land | 8,000 | Sales | 85,000 |
| Building | 25,000 | Creditors | 3,000 |
| Plant and Machinery | 15,000 | Loan | 5,000 |
| Furniture and Fittings | 5,000 | Capital | 30,000 |
| Debtors | 3,000 | | |
| Opening Inventory | 500 | | |
| Cash at Hand | 5,000 | | |
| Cash at Bank | 12,000 | | |
| Salaries (50:50) | 10,000 | | |
| Trade Expenses | 1,000 | | |
| Bad Debts | 500 | | |
| Stationery Items (50:50) | 1,000 | | |
| Other Expenses (50:50) | 1,000 | | |
| Purchases | 32,000 | | |
| Carriage Outward | 2,000 | | |
| Carriage Inward | 2,000 | | |
| Total | 123,000 | Total | 123,000 |

Adjustments:

- Depreciate Building, Plant and Machinery, and Furniture and Fittings @10%, 20% and 25% respectively on straight-line basis;
- Salaries amounting to Rs. 600,000 were payable;
- Closing inventory is of worth Rs. 1,500,000;

- Trade expenses worth Rs. 100,000 were unpaid;
- Sales worth Rs. 2 million were accrued;
- Provision for taxation is to be made @ 30% p.a.;
- Interest is to be charged @ 5% p.a.;
- Loan is repayable in five equal annual installments; and
- The ratio of distribution between administrative expenses and marketing expenses is given within table for certain expenses only.

Required:

- Pass journal entries for the given adjustments?
- Prepare the Adjusted Trial Balance as on 30th November 2020?
- Prepare the Profit and Loss Account for the year ended 30th November 2020?
- Prepare the Balance Sheet as on 30th November 2020?

Q5: In September 2017, Hassan Medicos of Peshawar sent 350 cases of medicine costing Rs. 1,000 per case to Hamza Pharmacy of Lahore on consignment basis. Hassan Medicos incurred packing expenses at the rate of Rs. 20 per case paid in cash; insurance premium of Rs. 10,000 paid by cheque; freight of Rs. 20,000 paid in cash, and forwarding agent's charges of Rs. 5,000 due. In December 2017, Hamza Pharmacy forwarded an Account Sales showing that 200 cases were sold @ Rs. 2,500 per case while 130 cases were sold @ Rs. 1,500 per case but 20 cases remained unsold. Hamza Medicos incurred expenses including cartage of Rs. 10,000; unloading charges of Rs. 8,000; and godown rent of Rs. 7,000. Hamza Pharmacy received 5% commission on sales. The remaining amount was paid to Hassan Medical by cheque.

Required:

- Pass Journal Entries in the books of Hassan Medicos of Peshawar?
- Prepare Consignment Account?
- Pass Journal Entries in the books of Hamza Pharmacy of Lahore?

Q6: Mr. X (Creditor) sold some goods worth Rs. 580,000 on credit to Mr. Y (Debtor) on 1st January 2018. Mr. Y promised to pay the outstanding amount after two weeks but right after that he found himself to pay the outstanding amount. However, he requested Mr. X to draw a bill of exchange upon him for the outstanding amount on 20th January 2018, and Mr. X acceded to his request and drew a bill of exchange upon him for two months on the same date. 15 days before the due date, Mr. Y requested to receive Rs. 380,000 and drew another Bill upon him for the rest of the amount for another one month. Mr. X again acceded to the request and drew another bill of exchange for the rest of the amount. On maturity, Mr. Y met his obligation for the other Bill.

Required: Pass Journal Entries in the Books of Mr. X and Mr. Y respectively for all the transactions?

Q7: The following is the Receipts and Payments Account of a Club for the year ending 31st December 2020:

| Receipts | Rupees | Payments | Rupees |
|----------------------------|--------------|---|--------------|
| Balance b/d | 1,600,000 | Salaries | 600,000 |
| Subscriptions: | | Stationery | 600,000 |
| 2019 | 100,000 | Rates | 600,000 |
| 2020 | 2,000,000 | Communication charges | 200,000 |
| 2021 | 400,000 | Investments on 4% Govt. Securities (Acquired on 30 th June 2020) | 2,000,000 |
| Admission Fees | 800,000 | Miscellaneous expenses | 300,000 |
| Dividends from Investments | 400,000 | Balance c/d | 1,000,000 |
| Total | 5,300 | Total | 5,300 |

The additional information is given below:

- There were 300 members who pay Rs. 200 per head as annual subscription, and Rs. 180,000 as arrears from the previous year;
- Inventory of stationery was Rs. 200,000 at the start of 2020 and Rs. 100,000 at the end of 2020;
- The rates were paid for fifteen months starting from 1st January 2020;
- Outstanding Miscellaneous Expenses were Rs. 50,000 on 31st December 2019;
- Communication Charges Rs. 40,000 were due for three months;
- On 31st December 2019, the building stood at Rs. 5,000,000, which is to be appreciated @ 5% p.a.; and Investments were at Rs. 4,000,000.

Required: Prepare the Income and Expenditure Account for the year ending 31st December 2020, and the Balance Sheet as at that due?

Q8: Messer Petiwala, a sole trader, is quite anxious in rectifying the errors after identifying those errors in the books of accounts of his business:

- Rs. 5,000 paid to Mohit were debited to his A/c as Rs. 50,000;
- Sales Book was overcast by Rs. 20,000;
- Rs. 45,000 were paid for the repairs of a Van but were debited to Van Account;
- Salary paid Rs. 3,500 to Mr. Hamraat were posted to the Salary A/c as Rs. 2,500;
- The purchase of a machine was acquired during the year but was entered in the purchases account;
- A cheque received from a debtor worth Rs. 50,000 was dishonored but entry was not made in the book;
- The sale of a chair worth Rs. 4,000 has been passed through Sales Book. However, the customer's account has been correctly credited;
- A cash discount of Rs. 2,000 received was entered in the Cash Book but was not posted to Ledger;
- Purchases Book is undercast by Rs. 3,000;
- Goods worth Rs. 5,000 withdrawn by owner has not been recorded.

Required: Pass Journal Entries to rectify the errors, and prepare Suspense Account?

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