PUNJAB PUBLIC SERVICE COMMISSION

COMBINED COMPETITIVE EXAMINATION 2017
FOR RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE, ETC.

SUBJECT: COMMERCE (PAPER-I)

TIME ALLOWED: THREE HOURS **MAXIMUM MARKS: 100**

NOTE: **Attempt FIVE Questions in All. Selecting Minimum TWO Questions from Each Part. Calculator is Allowed. (not programmable)**

PART - A

Q. No. 1: Explain how the following five Generally Accepted Accounting Principles (GAAP) help to measure and standardize financial statements of any business:

i) Entity Principle.
ii) Cost Principle.
iii) Going-concern Assumption.
iv) Objectivity Principle.
v) Stable Currency Principle

(20 Marks)

Q. No. 2: From the given information calculate following ratios of ABC Inc.

i) Interest Coverage Ratio EBIT/Interest Expense = 1483/250 = 5.932
ii) Cash Coverage Ratio
iii) Inventory turnover Ratio CGS/Avg Inv = 2455/522 = 4.7 times
iv) Day's sales in Inventory Inv/CGS × 522/2455 ×365 ~~21 days~~ 78 days.
v) Receivables turnover Net Sales/Avg Rec = 4322/290 = 14.9 times
= 24 days

Purchases = CGS + End - Op.
Payable =

ABC Inc., Income Statement
For the Year 20X2
(Rs. in millions)

Net Sales	4322
Cost of Goods Sold	-2455
Depreciation	-384
Earnings before interest and taxes	1483
Interest	-250
Taxable Income	1233
Taxes	-287
Net Income	946
Dividends	375
Retained Earnings	571

Assuming no opening balances exist in the books of accounts as firm is newly established. Inventory of the firm is worth Rs.522; while, accounts receivable are of Rs.290.

Note:- Use proper formulas and show complete working; since each step carries marks. **(20 Marks)**

Q. No. 3: Following are the comparative Balance sheets of Rockford Company:

Assets	2008	2009	Liabilities & O/E	2008	2009
Cash	Rs. 10	Rs. 26	Accounts payable	Rs. 300	Rs.230
Accounts receivable	270	180	Accrued liabilities	60	70
Inventory	160	205	Income tax payable	8	15
Prepaid expenses	20	17	Bonds payable	50	85
Plant and equipment	309	430	Common stock	140	190
Less Acc. depreciation	(194)	(218)	Retained earnings	92	110
Long term investment	75	60			
Total	**Rs.650**	**Rs.700**	**Total**	**Rs.650**	**Rs.700**

Prepare a Statement of Cash Flows for the year 2009, by considering the following additional information:

a) Net income for the year 2009 is Rs 73

b) During 2009, some equipment costing Rs 12 and having book value of Rs 7 was sold for Rs 3

c) Long term investment cost Rs 15 was sold during the year for Rs 22

d) Common stock of Rs 50 was issued against retirement of bonds payable

(20 marks)

Q. No. 4: Rose Traders Ltd. was incorporated with a nominal capital of Rs 5000000 composed of equity share of Rs 10 each. The following is the trial balance as on 31st December 2015:

	Particulars	Amount	Particulars	Amount
	Particulars	**Amount**	**Particulars**	**Amount**
	Inventory	**Rs** 85000	Paid up Capital	**Rs** 600000
	Accounts Receivable	146700	Gross Profit	250000
D: 4500	Furniture at cost	45000	Accounts Payable	37000
7500	Equipment	75000	Allowances For Depreciation	59500
22500	Building	225000	Dividend on Investments	3500
	Salaries	35000	Retained Earnings	45000
	Printing and Stationery	12500	7% Debentures	500000
	Traveling Expenses	19200	Share Capital	5,000,000
	Investment in Shares	25000		
	Audit Fees	4200		
	Cash in Hand	2000		
	Cash at Bank	555600		
	Interim Dividend	14800		
25000	Plant and Machinery	250000		
	Total	**Rs** 1495000	Total	**Rs** 1495000

Adjustments:

a) Depreciation recorded up to 31.12.2014 on Furniture Rs 4500, Equipment Rs 7500, Building Rs 22500 and on Plant and Equipment Rs 25000. Provide depreciation for the current year on all tangible fixed assets @10% on straight line basis

b) Market value of Investment in shares on 31.12.2015 was Rs 23250, adjust investment to market value

c) The managing director is entitled to 5% of net profit subject to a minimum of Rs 10000 p.a.

d) Directors have proposed a final dividend at 10% and transfer to General Reserve Rs 11000

e) Create a provision for doubtful debts by Rs 4500

f) Provide Rs 15000 in respect of taxation liability for the current year

Prepare Income Statement, Retained Earnings Statement and Balance Sheet for 2015.

(20 Marks)

Contd.....P/

PART - B

Q. No. 5: The information relating to cost department of BETA Corporation is as follows:

Inventory	Jan 1	Dec 31
Material	34,000	49,000
Work In Process	82,000	42,000
Finish goods	48,000	? 35,365 57,777

Finish goods inventory	Jan 1	300 units
	Dec 31	420 units

Sold during the year 3,880 units at Rs. 220 per unit

Sold 220'
Add: Endi 420
less: Op. 300
340

	Rupees
Material Purchased	360,000
Conversion cost	214,400
Freight In	8,600
Purchase discount	8,000
Opening material inventory	34,000
Closing material inventory	49,000

FG1 = 4,000
551,400
TMC ÷ 4,000
337,000
84.25

Required:

Prepare Cost of Goods Sold Statement from the above information.

(20 Marks)

Q. No. 6:

a) "The variable cost per unit veries with the output unit, whereas output cost remains constant". Do you agree or disagree with the statement, explain your answer with suitable example.

b) **Define following with one example:**

I) Differential cost ii) Opportunity Cost iii) Sunk Cost

(5+15 Marks)

Q. No. 7: Prime Company has a contribution margin (CM) ratio of 36%. Breakeven sales are Rs.160000. The company earned a profit of Rs.28800 during the year. Calculate NP

a) Fixed expense 57,600
b) Sales for the year 2,40000
c) Variable expense for the year 153,600
d) Margin of Safety ratio MOS/Sales = 80,000/240,000 = 0.333 = 33.3%

(20 Marks)

Q. No. 8: Brooks, Inc., uses process costing. The costs for Department 2 for April were:

Cost from preceding department		$20,000	
Cost added by department:	27,392		
Materials	$21,816		
Labour	7,776		
Factory overhead	4,104	33,696	33800

0.5 × 0.4 = 0.2
0.2 × 0.3 = 0.06
0.3 × 0.2 = 0.06
0.32

EU
4000 + 1000 × 0.32
= 4320

PU: Material = 21816 ÷ 4320 = 5.05
DL = 7776 ÷ 4320 = 1.8
FOH = 4104 ÷ 4320 = 0.95
7.8

The following information was obtained from the department s quantity schedule:

Units received	5,000
Units transferred out	4,000
Units still in process	1,000

The degree of completion of the work in process as to costs originating in Department 2 was:
50% of the units were 40% complete: 20% were 30% complete; and the balance were 20% complete.

Required:

15.6

The cost of production report for Department 2 for April.

(20 Marks)

62,400 31,200
.4K