



PUNJAB PUBLIC SERVICE COMMISSION

COMBINED COMPETITIVE EXAMINATION FOR RECRUITMENT TO THE POSTS OF PROVINCIAL MANAGEMENT SERVICE -2020

SUBJECT: COMMERCE (PAPER-I)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE:

- i. All the parts (if any) of each Question must be attempted at one place instead of at different places.
- ii. Write Q. No. in the Answer Book in accordance with Q. No. in the Q. Paper.
- iii. No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
- iv. Extra attempt of any question or any part of the question will not be considered.

Attempt Five Questions in All, Selecting minimum Two Questions from each Part. Calculator is allowed (Not programmable).

PART – A

Q No. 1: Do adjusting entries affect income statement accounts and balance sheet accounts, or both? Explain. **(20 Marks)**

Q No. 2: From the following Trial Balance of a Trader, prepare trading and Profit & Loss account for the year ending 31st March, 2019 and a Balance Sheet at that date: **(20 Marks)**

Debit Balances	Rs.	Credit Balances	Rs.
Opening Stock	36,000	Discount Received	1,800
Furniture	24,000	Unearned Commission	6,000
Bills Receivables	36,000	Purchases Returns	24,000
Cash in hand	18,000	Allowance for Bad Debts	12,000
Purchases	144,000	Sales	180,000
Sales Returns	12,000	Bank Loan at 15%	24,000
Establishment charges	30,000	Accounts Payables	22,200
Taxes and Insurance	6,000	Bills Payables	30,000
Bad debts	6,000	Capital	120,000
Accounts Receivables	60,000		
Investment	48,000		
	420,000		420,000

Further information are as follows:

- a) Closing stock is valued at Rs. 54,000
- b) Interest accrued on investment Rs. 2,520
- c) Commission earned to Rs.1,200
- d) Bad allowance to be maintained at Rs. 12,000
- e) Depreciate Furniture at 10%
- f) Salaries Rs. 1,200 and Taxes Rs. 4,800 are payable
- g) Prepaid Insurance is Rs. 600

Q No. 3: The Balance sheets of the Ruler Company at the end of Year 1 and 2 follow: **(20 Marks)**

Assets	Year 1	Year 2	Liabs. & Equity	Year 1	Year 2
Cash	Rs. 20,000	Rs. 15,000	Acc. Payable	Rs. 40,000	Rs. 50,000
Acc. Receivables	45,000	50,000	Accrued Exp.	12,500	10,000
Inventory	40,000	65,000	Notes Payable	30,000	30,000
Prepaid Expenses	10,000	5,000	Common Stock	150,000	185,000
Building & Equip.	70,000	85,000	Retained Earnings	(10,000)	7,500
Acc. Depreciation	(7,500)	(17,500)			
Land	45,000	80,000			
Total	222,500	282,000	Total	222,500	282,000

Land was acquired for Rs 35,000 in exchange for capital stock, Rs35,000, during the year; equipment of Rs 15,000 was acquired for cash. Cash dividends of Rs 10,000 were charged to retained earnings during the year; the transfer of net income to retained earnings was the only other in this account.

Required: Prepare a cash flow statement at end of Year 2.

P.T.O

The contract ledger of a company showed the following expenditure on account of a contract at 31st December, 2019.

(20 Marks)

Materials	Rs. 60,000
Plant	10,000
Wages	82,200
Establishment charges	4,300

The contract was commenced on 1st January, 2019 and the contract price was Rs. 300,000. Cash received on account to date was Rs. 120,000 representing 80% of the work certified being retained 20% until completion. The value of materials on hand was Rs. 2,000 and cost of work finished but not certified at 31st December, 2019 was Rs. 3,000.

Required: Prepare an account in respect of the contract, showing the profit to date, assuming depreciation on plant at 10% per annum and state the proportion of profit the company would be adjusted in taking to the credit of Profit and Loss account.

PART – B

Q No. 5: Explain the following terms with examples. **(20 Marks)**

- a) Prime cost
- b) Spending variance
- c) Break-even point
- d) Job order costing
- e) Cost accounting cycle

Q No. 6: The Elite Company has a budgeted normal capacity of 10,000 labor hours, with a standard production of 8,000 units at this capacity. Standard costs are: **(20 Marks)**

Materials	2 Kilograms @ Rs.0.50
Labor	Rs. 9 per hour
Factory Overhead at normal Capacity:	
Fixed expenses	Rs. 5,000
Variable expenses	Rs. 1.50 per labor hour

During May, actual factory overhead totaled Rs. 17,550 and 9,000 labor hours cost Rs. 76,500. During the month, 7,000 units were produced using 14,400 kg of materials at a cost of Rs.0.51 per kg.

Required: Two variances for materials, two variances for labor, and variances for factory overhead, using the two, three, and four-variance methods.

Q No. 7: During April Assembling Department received 45,000 units from cutting department at a unit cost of Rs. 5. Cost added in Assembly Department were: materials Rs. 116,025, labor Rs. 127,125 and factory overhead Rs. 84,750. There was no beginning work in progress inventory. Of the 45,000 units received, 37,500 units were transferred out and 6,750 units were in process at the end of month (all materials and 2/3 converted). 750 lost units were, at the time of loss, 1/2 complete as to material and conversion costs. The entire loss is considered abnormal and is to be charged to factory overhead. **(20 marks)**

Required: Prepare the cost of production report.

Q No. 8: The records of the Modern Manufacturing Company show the following information for six months ended June 30, 2019. **(20 Marks)**

Materials purchased	Rs.2,500,000
Direct Labor	2,125,000
Factory Overhead	1,575,000
Selling Expenses	421,000
General and Administrative Expenses....	376,000
Sales (2,400 units).....	6,860,000
Inventory on January 1, 2019:	
Materials.....	280,000
Finished Goods (100 units).....	200,000
No unfinished work on hand at the beginning or at the end of the period.	
Inventory on June 30, 2019:	
Materials.....	40,000
Finished Goods (500 units)	

Required:

- i. Number of Units Manufactured
- ii. Value of ending Finished Goods Inventory
- iii. Cost of Goods Sold Statement
- iv. Income statement
- v. Per unit Gross Profit and Net Profit