



PUNJAB PUBLIC SERVICE COMMISSION
COMBINED COMPETITIVE EXAMINATION
FOR RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE, ETC -2021
CASE NO. 3C2022

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: "Generally Accepted Accounting Principles (GAAP) are the foundation for a true accounting system" Do you agree with this statement? **(20 Marks)**

Q No. 2: From the following details prepare cash flow statement for ABC Limited for the year ended 31st December, 2015 under IAS 7 layout: **(20 Marks)**

Profit and Loss Account for the year ended on 31st December, 2015

| | | |
|-----------------------|--------|-------------------|
| Gross Profit | | Rs.44,700 |
| Discount received | Rs.410 | |
| Gain on Sale of Asset | Rs.620 | |
| | | <u>Rs. 1,030</u> |
| | | Rs. 45,730 |

Less Expenses

| | | |
|-------------------------|------------------|-------------------------|
| Vehicle / Expenses | Rs. 1,940 | |
| Wages | Rs.17,200 | |
| General Expenses | Rs. 830 | |
| Bad Debts | Rs. 520 | |
| Provision for Bad Debts | Rs. 200 | |
| Depreciation | <u>Rs. 1,800</u> | |
| Total Expenses | | <u>Rs.22,490</u> |
| Net Profit | | <u>Rs.23,240</u> |

Balance Sheet as on

| | <u>2014</u> | <u>2015</u> |
|------------------------------|-------------------------|-------------------------|
| <u>Fixed Assets</u> | | |
| at cost | Rs.15,400 | Rs.8,200 |
| Accumulated Depreciation | <u>Rs. 5,300</u> | <u>Rs.3,100</u> |
| | <u>Rs.10,100</u> | <u>Rs.5,100</u> |
| <u>Current Assets</u> | | |
| Inventories | Rs.18,600 | Rs.24,000 |
| Debtors | Rs. 8,800 | Rs. 7,700 |
| Less Provision | <u>Rs. 600</u> | <u>Rs. 800</u> |
| | Rs. 8,200 | Rs. 6,900 |
| Cash and Bank Balance | Rs. 410 | Rs. 720 |
| Total Current Assets | <u>Rs.27,210</u> | <u>Rs.31,620</u> |
| Total Assets | <u>Rs.37,310</u> | <u>Rs.36,720</u> |

| <u>Liabilities & Equity</u> | <u>2014</u> | <u>2015</u> |
|---------------------------------|------------------|------------------|
| <u>Current Liabilities</u> | | |
| Creditors | Rs. 5,900 | Rs.7,200 |
| <u>Long Term Liabilities</u> | | |
| Bank Loan | Rs.10,00 | Rs.7,500 |
| Total Liabilities | Rs.15,900 | Rs.14,700 |
| Net Worth | Rs.21,410 | Rs.22,020 |
| <u>Capital</u> | | |
| Opening Balance | Rs.17,210 | Rs.21,410 |
| Add Net Profit | <u>Rs.21,200</u> | <u>Rs.23,240</u> |
| | Rs.38,410 | Rs.44,650 |
| <u>Less Drawing</u> | <u>Rs.17,000</u> | <u>Rs.22,630</u> |
| | Rs.21,410 | Rs.22,020 |

Q No. 3: A company purchased a second-hand machine on 1st Jan., 2001 for Rs.37,000 and immediately spent Rs.2,000 on its overhauling and Rs.1,000 on its erection. On 1st July,2002, it purchased another machine for Rs.10,000 and on 1st July, 2003 it sold off the first machine purchased in 2001 for Rs.28,000. It purchased a machine for Rs.25,000 on 1st July, 2003. On 1st July, 2004 the second machine purchased for Rs.10,000 was sold for Rs.2000.

Depreciation was provided on the machine at 10% on the original cost annually. In 2002, however, the company changed the method of depreciation and adopted the written down value method, rate of depreciation being 15% p.a.

Required: Give the Machine Account for four years from 2001 to 2004 assuming accounting year ends on 31st December every year. **(20 Marks)**

Q No. 4: Given below is Income Statement of XYZ Limited for the year ended. **(20 Marks)**

| | |
|--|----------------------|
| | Rupees |
| Sale – net | 5,971,228,748 |
| Cost of Sales | 3,125,337,924 |
| | <u>2,845,890,824</u> |
| Distribution, selling and promotional expenses | 1,499,737,319 |
| Administrative and general expenses | 270,080,061 |
| Research and development expenses | 3,606,954 |
| Other operating expenses | 84,485,841 |
| | <u>1,957,910,175</u> |
| Other Income | 29,277,764 |
| Operating Profit | <u>917,258,413</u> |
| Finance Costs | 4,959,755 |
| Profit before taxation | 912,298,658 |
| Taxation | 285,834,489 |
| Profit for the Year | <u>626,464,169</u> |
| ASSETS | |
| Non-current assets | 934,825,946 |
| Property, plant and equipment | 5,073,017 |
| Long term investment | 200,000,000 |
| Long term deposits | 12,695,663 |
| Long term advances | 16,074,304 |
| | <u>1,168,668,930</u> |

Current Assets

| | |
|---|----------------------|
| Stock in Trade | 1,115,539,075 |
| Trade Debts | 250,692,198 |
| Advances | 57,879,171 |
| Trade deposits and short term prepayments | 24,329,555 |
| Profit accrued | 2,015,658 |
| Other receivables | 4,819,473 |
| Loan to subsidiary | 20,000,000 |
| Tax refunds due from the Government | 5,611,106 |
| Short term investments | 100,000,000 |
| Cash and Bank Balance | 612,566,431 |
| | 2,193,452,667 |

Total Assets

3,362,121,597

Liabilities & Equity

Current Liabilities

| | |
|-----------------|--------------------|
| Bank Borrowing | 800,000,000 |
| Trade Creditors | <u>500,000,000</u> |
| | 1,300,000,000 |

Long Term Liabilities

| | |
|----------|-------------|
| Deposits | 500,000,000 |
|----------|-------------|

Equity

| | |
|---------------------------------------|----------------------|
| Paid up Credit | 500,000,000 |
| General Reserves | <u>1,062,121,597</u> |
| | 1,562,121,597 |
| Total Liabilities & Equity | 3,362,121,597 |

Additional Information

- Company declared dividend @30% during the year.
- Market value of the share is Rs.600 while face value is Rs.10/-
- Company has no long term borrowings.
- Prepayments are 10% of the respective item.

Required

Compute following ratios:

- Gross Profit Margin
- After Tax Profit Margin
- Return on Equity
- Dividend Yield
- Dividend Payout
- Times Interest Earned
- Current Ratio
- Quick Ratio
- Breakup value of shares
- Earnings Per share

PART- B

Q No. 5: Explain the following terms with examples and imaginary data if required. (20 Marks)

- Applied Factory Overhead
- Cost of Product Report
- Economic Order Quantity
- Internal Rate of Return
- Opportunity Cost

Q. No. 6: Use LIFO on the following information to calculate the value of ending inventory.

(20 Marks)

| | | |
|--------|---------------------|---------------------|
| Mar 1 | Beginning Inventory | 60 units @ \$15.00 |
| Mar 5 | Purchase | 140 units @ \$15.50 |
| Mar 14 | Sale | 190 units @ \$19.00 |
| Mar 27 | Purchase | 70 units @ \$16.00 |
| Mar 29 | Sale | 30 units @ \$19.50 |

Q No. 7: In June, the idle capacity variance of Cool Corporation was zero, and spending variance was Rs.6,000 unfavorable. In July, the idle capacity variance was Rs.8,000 unfavorable, but the spending variance was zero. In June, actual overhead expense was Rs.70,000 for an output of 8,000 tons. July's expense was Rs.56,000 and output was 6,000 tons. In August, output was 9,000 tons, and actual overhead expense was Rs.71,000.

Required: (1) Factory overhead budgeted (estimated) for 9,000 tons.
(2) Factory overhead applied in August.
(3) Variances for August.

(20 Marks)

Q. No. 8: Naveed Manufacturing Co. presents the following information for the year ended 31st December, 1999.

(20 Marks)

| | | | |
|-------------------------------------|--------|------------------------------|------|
| Sales | 252000 | Commission | 2500 |
| Sales Returns and Allowances | 2000 | Advertising | 4000 |
| Purchases of Raw Material | 96200 | Depreciation of Sales Office | 2200 |
| Carriage In | 300 | Traveling Expenses | 1800 |
| Direct Labour | 40000 | Bad Debts | 700 |
| Purchases Return | 1200 | Salaries | 2000 |
| Indirect Material | 4300 | Stationery Used | 1125 |
| Indirect Labour | 4700 | Rent of Office | 1500 |
| Rent of Factory | 3500 | Interest Received | 1110 |
| Factory Taxes | 1150 | Interest Paid | 275 |
| Insurance of Factory Building | 1500 | | |
| Depreciation of Plant and Machinery | 3425 | | |
| Heat, Light and Power | 2225 | | |

INVENTORIES

| | Jan. 1 | Dec. 31 |
|-----------------|--------|---------|
| Raw Material | 9000 | 12000 |
| Work In Process | 16100 | 13900 |
| Finished Goods | 17600 | 15300 |

Required:

- 1) Prepare Cost of Goods Manufactured and Sold Statement