



**PUNJAB PUBLIC SERVICE COMMISSION**  
**COMBINED COMPETITIVE EXAMINATION**  
**FOR RECRUITMENT TO THE POSTS OF**  
**PROVINCIAL MANAGEMENT SERVICE, ETC -2022**  
**CASE NO. 2C2023**

**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** What is the nature of accounting principles and which organizations have played active role in developing Generally Accepted Accounting Principles (GAAPs)? **(20 Marks)**

**Q No.2** The following information was taken from the financial records of the XYZ Company. **(20 Marks)**

- (A) Net income was \$189,500 for the period.
- (B) Purchased 10,000 shares of common stock at \$15 per share for the treasury.
- (C) Sold equipment with a carrying value of \$32,500 at a gain of \$6,000.
- (D) Purchased land and a building worth \$450,000 by signing a ten-year note payable.
- (E) Issued \$1,000,000 in bonds at par.
- (F) The beginning and ending retained earnings account balances were \$418,000 and \$534,000, respectively. There were no prior period adjustments during the period.
- (G) Wrote a check for \$648,000 for the purchase of machinery.
- (H) Sold long-term investments in marketable securities with a \$50,000 carrying value, at a loss of \$17,500.
- (I) Cash dividends were declared and paid during the period.

**Required:** Prepare the net cash flows from financing activities section of the Statement of Cash Flows.

**Q No.3** On July 1 a machine, which cost \$75,000, was sold for \$4,000. The following information was obtained from the accounting records: accumulated depreciation on December 31, \$61,250; annual depreciation, \$8,750. **(10+10=20 Marks)**

**Required:**

- a) Journalize depreciation expense to the date of sale
- b) Journalize the sale of the equipment

**Q No.4** From the following particulars, draw up the Balance Sheet of the Company: **(20 Marks)**

Current Ratio	2.5
Quick Ratio	1.5
Net Working Capital	Rs.30,000
Stock Turnover Ratio (Cost of Sales/Closing Stock)	6 time
Gross Profit Ratio	20%
Fixed Assets ----- Turnover Ratio (on cost of sales)	2 Times
Debtors Turnover Ratio	2 months
Fixed Assets to Shareholders' Net worth	0.80
Reserves and surplus to capital	0.50

**P.T.O**

**PART- B**

**Q No.5** Define standard costing. Explain type of variances that are computed for Direct Material, Direct labor and Factory Overhead with examples? **(20 Marks)**

**Q No.6** During April 20,000 units were transferred in from Department A at a cost of \$39,000. Materials cost of \$6,500 and conversion cost of \$9,000 were added in Department B. On April 30, Department B had 5,000 units of work in process 60% complete as to conversion cost. Materials are added in the beginning of the process in Department B.

**Required:**

- (1) Compute equivalent production for materials and conversion cost.
- (2) Calculate the cost per equivalent unit for conversion cost.

**(10+10=20 Marks)**

**Q No.7** The Three Stars Manufacturing Company estimated its manufacturing overhead at normal capacity of 300,000 direct labor hours to be Rs.270,000 of which Rs.90,000 are fixed and Rs.180,000 variable. The company applies factory overhead to its production by means of a predetermined rates based on normal capacity production. Actual direct labor hours for the year are 279,000 and the total actual factory overhead amounts to Rs.245,000. You are required to determine under or over-applied factory overhead for the year and prepare Budget Variance and Volume Variance. **(20 Marks)**

**Q No.8** The following data are available for Mandmeyer Company for the year ended November 30, 19B:

**Sales..... \$56,000**

**Finished goods inventory:**

November 30, 19B..... 51,100

December 1, 19A ..... 3,500

**Work in process Inventory:**

November 30, 19B..... 7,500

December 1, 19A ..... 4,000

**Materials Inventory:**

November 30, 19B..... 4,250

December 1, 19A ..... 4,000

**Materials purchased ..... 18,000**

**Direct Labor ..... 7,500**

Factory overhead charged to production, \$5,000.

Marketing expenses, 5% of sales.

Administrative expenses, 2% of sales.

Other expenses, 1% of sales.

**Required:**

- (1) Prepare a cost of goods sold statement.
- (2) Prepare an income statement.

**(10+10=20 Marks)**