

NWFP PUBLIC SERVICE COMMISSION, PESHAWAR

COMPETITIVE EXAMINATION FOR PROVINCIAL MANAGEMENT SERVICES, 2008

Accountancy and Auditing Paper-I

Time Allowed: 03 Hours

Max. Marks:100

Note: Attempt any **FIVE** questions.

1. The following is the trial balance of ABC manufacturing limited as at 31st March 2008:

Particulars	Dr.	Cr.
Stock 1 st April, 2007	7,50,000	
Sales		35,00,000
Purchases	24,50,000	
Production Wages	5,00,000	
Discounts	70,000	50,000
Salaries	75,000	
Rent	49,500	
General Expenses	1,70,500	
Profit & Loss Account, 1 st April, 2007		1,50,300
Dividend Paid	90,000	
Capital – 1,00,000 shares of Rs.10 each		10,00,000
Sundry Debtors and Creditors	3,75,000	1,75,000
Plant and Machinery	2,90,000	
Cash in hand	1,62,000	
General Reserve		1,55,000
Bad Debts	48,300	

You are also to make provision in respect of following:

- Stock on 31st March 2008 was Rs.8,20,000
- Depreciate Machinery @ 15% per annum
- Provide 5% discount on debtors
- Allow 2.5% discount on creditors

Provide Managing Director's commission @ 5% on the net profit before deducting his commission.

Required:

You are required to prepare Trading Account and Profit & Loss Account for the year ended 31st March, 2008 and the Balance Sheet at that date. (20 marks)

2. A purchased goods from B for Rs.10,000 on 1st June, 1990, and accepted a bill of exchange for 2 months drawn on him by B on the same date for the amount. B got the bill discounted at his bank at 18%. At the maturity the bill was dishonored. The noting charges amounting to Rs.10. B agreed to receive from A the sum of Rs.2,370 in cash and a promissory note for Rs.8,000 (in full settlement) at 3 months. On the due date, A met the note.

Required:

Ledger accounts in the books of both A and B.

(20 marks)

3. On 1st September, 2007, Nawaz of Karachi dispatches on consignment to Khalid of Mardan 50 cases of woolen goods invoiced proforma at Rs.1,500 per case to be sold by the latter on the consignor's account. A commission of 3% is payable to Khalid upon sales and all charges are borne by Nawaz. Nawaz pays freight and insurance at Karachi amounting to Rs.5,100 and draws upon Khalid a bill for Rs.45,000 against dispatch. Khalid sells for cash 10 cases at Rs.1,800 a case on 1st October 2007; 25 cases at Rs.2,025 on 10th October, and the balance on 30th October, 2007 at Rs.1,950 a case. He forwards an Account Sales to Nawaz on 2nd November, 2007 deducting the commission due and charges incurred, such charges amounting to Rs.4,050 for unloading, cartage, storage etc. and remits a draft for the balance.

Required:

Prepare Account Sales and show how the transactions would appear in the consignor's books. (20 marks)

4. The following is the Receipts and Payments Account of the Peshawar Sports Club for the year ending 31st March, 2000:

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance, 1 st April 1999	300	By Rent	5,200
To Entrance Fees	550	By Stationary	3,068
To Subscription, 1998-99	200	By Wages	5,330
To Subscription, 1999-2000	16,900	By Billiards Table	3,900
To Subscription, 2000-01	300	By Repairs	806
To Locker Rents	500	By Interest	1,500
To Special Subscription for Governor's Party	3,450	By Balance, 31 st March, 2000	2,396
	22,200		22,200
To Balance B/d	2,396		

Locker rents, Rs. 60 referred to 1998-99 and Rs.90 is still owing; Rent, Rs.1,300, pertained to 1998-99 and Rs.1,300 is still due; Stationery expenses etc. Rs.312, related to 1998-99, still owing Rs.364; Subscription unpaid for 1999-2000, Rs.468; Special subscriptions for Governor's party outstanding Rs.550.

Required:

From the above information you are required to make out an Income and Expense Account of the club for the year ending 31st March 2000. (20 marks)

5. On 1st April, 2005, a firm purchases machinery worth Rs.1,50,000. On 1st October, 2007, it buys additional machinery worth Rs.30,000 and spends Rs.3,000 on its erection. The accounts are closed each year on 31st March. The firm uses an annual depreciation rate of 10%.

Required:

Show the machinery account for 5 years (starting from 1st April, 2005) under: (i) Straight Line Method, and (ii) Written Down Value Method. (20 marks)

6. The following Trial Balance was extracted from books of the Pakistan Life Insurance Co. Ltd. As on 31st March, 2008:

Particulars	Dr.	Cr.
Paid up Share Capital -- 10,000 shares of Rs.10 each		1,00,000
Life Assurance Fund as on 1 st April, 2007		29,72,300
Dividends paid	15,000	
Bonus to Policyholders	31,500	
Premium Received		1,61,500
Claims paid	1,97,000	
Commission paid	9,300	
Management expenses	32,300	
Mortgages	4,92,200	
Interest and Dividends received		1,12,700
Agents' Balances	9,300	
Freehold premises	40,000	
Investments	23,05,000	
Loan on Company's policies	1,73,600	
Cash on Deposit	27,000	
Cash in hand	7,300	
Surrenders	7,000	
	33,46,500	33,46,500

Adjustments:

- | | |
|---------------------------------|-----------|
| a. Claims admitted but not paid | Rs. 9,300 |
| b. Management expenses due | Rs.200 |
| c. Interest accrued | Rs.19,300 |
| d. Premium outstanding | Rs.12,000 |

Required:

Prepare Company's Revenue Account for the year ended 31st March, 2008 (20 marks)

7. Black and White are partners, and on 31st March, 2007, the capital of the partnership was Rs.2,10,000 of which Rs.1,40,000 stood to the credit of Black and Rs.70,000 to the credit of White. Profits and losses were to be divided as to 2/3 and 1/3 respectively, drawings on account of profits being made in the same proportion. On 31st March 2008, the following information was given to you as to the position of affairs:

- The total combined capital was Rs.2,91,000
- White had drawn Rs.3,000 in excess of the arranged proportion of drawings.
- White had to be credited with Rs.15,000 as special salary earned during 2007-08, as agreed by the partners.
- The partners were to be credited with 10% interest on capital.

Required:

Prepare a statement showing how the capital of Rs.2,91,000 is to be divided between Black and White. (20 marks)