

KHYBER PAKHTOON KHWA, PUBLIC SERVICE COMMISSION, PESHAWAR

**COMPETITIVE EXAMINATION FOR THE POSTS OF PROVINCIAL
MANAGEMENT SERVICES (BPS-17) 2010**

Accountancy and Auditing Paper-I

Time Allowed: 03 Hours

Max. Marks: 100

Note: Attempt any **FIVE** questions.

1. The accountant of M/s Kasturi Agencies extracted the following Trial Balance as on March 31, 2010.

| Particulars | Dr. (Rs.) | Cr. (Rs.) |
|-------------------------------|-----------------|-----------------|
| Capital | | 1,00,000 |
| Drawings | | 18,000 |
| Building | 15,000 | |
| Furniture and fittings | 7,500 | |
| Motor van | 25,000 | |
| Loan from Hari @ 12% interest | 15,000 | |
| Interest paid on above | 450 | |
| Sales | | 1,00,000 |
| Purchases | 75,000 | |
| Stock as at 1.4.2009 | 25,000 | |
| Stock as at 31.3.2010 | | 32,000 |
| Establishment expenses | 15,000 | |
| Freight inwards | 2,000 | |
| Freight outwards | | 1,000 |
| Commission received | | 7,500 |
| Sundry debtors | 28,100 | |
| Bank balance | 20,500 | |
| Sundry creditors | | 10,000 |
| TOTAL | 2,28,550 | 2,68,500 |

The accountant located the following errors but is unable to proceed any further.

- (a) Totalling errors in bank column of payment side of Cash Book whereby the column was under totaled by Rs.500.
(b) Interest on loan paid for the quarter ending December 31, 2009 Rs.450, was omitted to be posted in the ledger. There was no further payment of interest.

Required:

You are required to set right the Trial Balance and to prepare Trading Account and Profit & Loss Account for the year ended 31st March, 2010 and the Balance Sheet as on that date after carrying the following:

Depreciation to be provided on: Building @ 2.5% p.a.; Furniture and fittings @ 10% p.a.; Motor van @ 25% p.a.
(20 marks)

2. G and K enter into an accommodation arrangement whereunder the proceeds are to be shared as 2/3 and 1/3 respectively. G draws a bill for Rs.45,000 on 3rd April, 1996 at 3 months. G gets it discounted for Rs.44,600 and on 5th April, remits K's share to him. On due date, K pays the bill, though G fails to remit his share. On 18th July, G accepts a bill for Rs.63,000 drawn on him by K at 3 months, which K discounts on 19th July for Rs.61,650 and remits Rs.11,100 to G. Before the maturity of the second bill, G becomes insolvent and only 40% was realized from his estate on 20th October, 1996

Required:

Pass necessary Journal Entries in the books of G and K. (20 marks)

3. A informed you of the following particulars of his transactions relating to goods consigned to B for the year ended 31.12.1997. Goods sent (10,000 kgs) – Rs.1,00,000; A's expenses – Rs.10,000; B's expenses – freight and insurance – Rs.2,000; selling – Rs.5,000; Sold (8,000 kgs) – Rs.1,12,000; Loss due to natural wastage – 100 kgs; Commission @ 5% on gross sales.

Required:

You are required to prepare the Consignment Account only with the detailed calculation of unsold stock in the books of A. (20 marks)

4. The following shows the financial position of The Peshawar Library as at 1.1.1997

| Liabilities | Rs. | Assets | Rs. |
|----------------------|-----------------|---------------------------|-----------------|
| Capital fund | 1,50,000 | Building | 50,000 |
| Outstanding expenses | 5,000 | Furniture | 5,000 |
| | | Library | 25,000 |
| | | Investments | 50,000 |
| | | Outstanding subscriptions | 20,000 |
| | | Cash | 5,000 |
| | 1,55,000 | | 1,55,000 |

An analysis of the Cash Book during the year gives the following particulars:

| Receipts | Rs. | Payments | Rs. |
|-------------------------|--------|-------------------------|--------|
| Subscriptions | 75,000 | Salaries | 3,600 |
| Donations | 50,000 | Purchase of books | 40,000 |
| Interest on investments | 600 | Rent and taxes | 3,600 |
| Sales of old furniture | 500 | Outstanding expenses | 5,000 |
| Proceeds of lectures | 8,000 | Insurance premium | 1,500 |
| | | Printing and stationary | 450 |
| | | Purchase of furniture | 7,500 |
| | | Investments | 75,000 |
| | | Sundry expenses | 450 |
| | | Balance | 2,000 |

The following adjustments are required:

(a) Outstanding subscriptions Rs.15,000; (b) Outstanding liabilities for expenses Rs.7,500; (c) Insurance premium amounting to Rs.300 was paid in advance; (d) Depreciate: Building @ 5% p.a.; Library books @ 10 p.a.; Investments @ 5% p.a.

Required:

Prepare Income and Expenditure Account for the year ended 31.12.1997 and a Balance Sheet as at that date.

(20 marks)

5. A businessman bought four motor vehicles costing Rs.1,20,000 each on 1st May, 1993. He expected to fetch a scrap value of 25% of the cost price of the vehicles after 10 years. He depreciated the vehicles under the fixed installment method upto 31st December, 1995.

With effect from 1st January, 1996, he decided to introduce the diminishing balance method of depreciation @20% p.a. instead of fixed installment method after he had sold one of the vehicles at Rs.70,000 on 31st December, 1995.

Required:

Prepare Motor Vehicles Account for the years 1993, 1994, 1995 and 1996; the accounting year being January to December, without giving any retrospective effect.

(20 marks)

6. A and B were partners sharing profits and losses in the ratio of 5:3. On 1.7.1997, C, who was the manager of the firm on a monthly salary of Rs.500 is admitted as a partner with 1/4th share. After admission to the firm, C's salary was met by B personally. C is guaranteed an annual profit of Rs.6,000 by A. No stock was taken on 1.7.1997, but it was agreed that stock of 1.1.1997 would be adopted at Rs.4,000 above the book value. C paid Rs.4,000 as premium for goodwill and Rs.13,000 as capital.

| Particulars | Dr. (Rs.) | Cr. (Rs.) |
|--|-----------------|-----------------|
| Current and Capital Account | | |
| A | 6,000 | 32,000 |
| B | 4,800 | 20,000 |
| C's Suspense Account | | 17,000 |
| Stock on 31.12.1997 | 24,000 | |
| Furniture | 6,000 | |
| Machinery (Rs.10,000 purchased on 1.10.97) | 30,000 | |
| Rent, rates and taxes | 10,000 | |
| Salaries (inclusive of manager's Rs.6,000) | 14,000 | |
| Postage and telephone charges | 2,000 | |
| Printing and stationary | 1,500 | |
| Travelling and conveyance | 3,200 | |
| Debtors and creditors | 20,000 | 16,500 |
| Bank | 18,000 | |
| Gross profit | | 54,000 |
| Total | 1,39,500 | 1,39,500 |

Depreciation @ 10% p.a. on written down value basis is to be provided on furniture and machinery.

Required:

Prepare Profit and Loss Account, Profit and Loss Appropriation Account, and Partners' Capital Account and also prepare the Balance Sheet as on that date.

(20 marks)

7. The books of account of A Co. Ltd. for the year ending 31st December, 1996 were closed with a difference in books carried forward. The following errors were detected in 1997:

(a) Return Outward Book was undercast by Rs.150.

(b) Rs.1,500 being the total of the discount column on the credit side of the Cash Book was not posted in General Ledger.

(c) Rs.6,000 being the cost of purchase of office furniture was entered in the Purchase Account.

(d) A credit sale of Rs.760 was wrongly posted as Rs.670 to the Customer's Account in the Sales Ledger.

(e) Closing stock was overstated by Rs.9,000, being casting error in the schedule of inventory.

Required:

Pass rectification entries, prepare Suspense Account and find out the effect of correction on 1996 profit.

(20 marks)

8. The Statement of Affairs of Mr. Naveed as on 1st April, 1997 is given below:

| Liabilities | Rs. | Assets | Rs. |
|------------------|---------------|----------------|---------------|
| Sundry creditors | 16,500 | Cash | 7,450 |
| Accrued expenses | 3,500 | Sundry debtors | 25,350 |
| Capital | 50,000 | Stock | 30,300 |
| | | Furniture | 6,900 |
| | 70,000 | | 70,000 |

During the year ended 31st March, 1998 his drawings amounted to Rs.15,000. He also withdrew goods worth Rs.600 for his personal use. On 1st July, 1997 Mr. Naveed transferred some of his household furniture to the business at a value of Rs.2,100. His assets and liabilities as on 31st March, 1998 were:

| Liabilities | Rs. | Assets | Rs. |
|------------------|--------|----------------|--------|
| Sundry creditors | 18,600 | Cash | 6,850 |
| Accrued expenses | 4,300 | Sundry debtors | 36,900 |
| | | Stock | 40,320 |
| | | Furniture | 9,000 |
| | | Prepaid rent | 400 |

Furniture is to be depreciated @ 10% p.a. and a provision is to be created on debtors @ 5%, interest 5% to be allowed on capital as at the beginning of the year.

Required:

Ascertain the profit or loss for the year ended 31st March, 1998 and prepare the Statement of Affairs as on that date.

(20 marks)