

PUNJAB PUBLIC SERVICE COMMISSION
COMBINED COMPETITIVE EXAMINATION FOR
RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE-2019

SUBJECT: COMMERCE (PAPER-I)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

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

PART - A

Q No. 1: Define the Accounting Cycle, How the accounting cycle provides a pathway to prepare Financial Statement. Elaborate the Steps involved in Accounting Cycle.
(20 Marks)

Q No. 2: Selected year-end financial statements of ABC Corporation follow. (All sales were on credit; selected balance sheet amounts at December 31, 2012, were inventory, Rs48,900; total assets, Rs189,400; common stock, Rs90,000; and retained earnings, Rs22,748.)

ABC Income Statement For Year Ended December 31, 2013	
Sales	Rs448,600
Cost of goods sold	Rs297,250
Gross profit	Rs151,350
Operating expenses	Rs98,600
Interest expense	Rs4,100
Income before taxes	Rs48,650
Income taxes	Rs19,598
Net income	Rs29,052

ABC Balance Sheet December 31, 2013			
Assets		Liabilities and Equity	
Cash	Rs10,000		
Short-term investments	8,400	Accounts payable	Rs17,500
Accounts receivable net	29,200	Accrued wages payable	3,200
Notes receivable trade*	4,500	Income taxes payable	3,300
Merchandise inventory	32,150	Long-term note payable secured by mortgage on plant assets	63,400
Prepaid expenses	2,650	Common stock	90,000
Plant assets net	153,300	Retained earnings	62,800
Total assets	Rs240,200	Total liabilities and equity	Rs240,200

(*) These are short-term notes receivable arising from customer (trade) sales.

Requirement

Compute the following:

- | | | |
|-----------------------------|---|-----------------------------|
| (1) current ratio | (2) acid-test ratio | (3) days' sales uncollected |
| (4) inventory turnover | (5) days' sales in inventory | (6) debt-to-equity ratio |
| (7) times interest earned | (8) profit margin ratio | (9) total asset turnover |
| (10) return on total assets | (11) return on common stockholders' equity. | |

(20 Marks)

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- Q No. 3:** Mr. Atif runs a small business. He is unable to reconcile the balance on the business bank statement with that shown in his bank column of the cash book. Copies of these two records are shown below. **(20 Marks)**

Cash Book (Bank Column)

20X8		Rs.	20X8		Rs.
May 01	Balance b/f	5240	May 05	R. Rashid (cheque no. 56874)	250
May 07	A. Zaman	320	May 06	T. Ilyas (cheque no 56875)	420
May 10	W. Raza	580	May 21	D. Hassan (cheque no 56877)	80
May 21	F. Kiani	75	May 27	Z. Aslam (cheque no 56878)	510
May 27	F. Anwar	360	May 30	G. Fraz (cheque no 56879)	130
May 30	A. Sarwar	125	May 31	Balance c/d	5310
		<u>6700</u>			<u>6700</u>
June 1	Balance b/d	5310			

Bank Statement (for May 20X8)

Date 20X8	Details	Debit Rs.	Credit Rs.	Balance Rs.
May 01	Balance b/f			5240
May 02	Dishonoured Cheque returned to drawer	200		5040
May 07	Deposit		320	5360
May 09	56875	420		4940
May 10	56874	250		4690
May 13	Deposit		580	5270
May 21	Direct Debit (Insurance)	50		5220
May 25	Credit Transfer (N. Salman)		120	5340
May 27	Deposit		75	5415
May 29	56877	80		5335
May 30	56878	510		4825
May 31	Bank Charges	10		4815

Requirement:

- Following the steps of preparing bank reconciliation statement update and correct the bank column of the cashbook.
- Prepare a statement reconciling the balance on the bank statement with the cash book balance from (1).

- Q No. 4:** The following balances are taken from the books of Javed & Sons who runs a small business. **(20 Marks)**

	Dr (Rs.)	Cr (Rs.)
Purchases and sales	135,500	280,000
Inventory at 1 January 2018	35,200	
Returns	1400	
Carriage inward	1500	
Wages and salaries	29,800	
Repairs and maintenance	7,500	
Heating and lighting	4,200	
General expenses	15,600	
Cash in hand	5,600	
Petty cash	400	
Trade receivable and trade payables	48,200	21,140
	100,000	

Premises		
Furniture and fixtures	28,000	
Provision for depreciation on furniture at 1 January 2018		5600
Motor vehicle at cost	22,000	
Provision for depreciation on motor vehicle at 1 January 2018		6160
Capital/Equity at 1 January 2018		150,000
Drawings	28000	
	<u>462900</u>	<u>462900</u>

Additional information:

- 1 Inventory at 31 December 2018 was valued at Rs. 40,700
- 2 A bill of Rs. 1500 was owing for repairs and maintenance
- 3 A debt of Rs. 1200 is to be written off as bad. A provision is to be made for doubtful debts of 5% on trade receivables at 31 December 2018.
- 4 General expenses of Rs. 1400 have been paid for the year 2019
- 5 Deprecation is to be provided @ 10% of cost on furniture and @ 20% on vehicles by using the reducing balance method.

Requirement:

Prepare profit and loss statement and balance sheet for the year ended 31 December 2018

PART-B

Q No. 5: Discuss the difference between Job order costing system and Process costing system on the basis of following characteristics:

1. Application
2. Accumulation of Cost
3. Cost per unit
4. Work in process a/c
5. Cost of operating the system

(20 Marks)

Q No. 6: Zaman Corporation estimates factory overhead of Rs. 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of Rs. 575,000. Conversion will require 34,500 direct labor hours at a cost of Rs. 10 per hour, with 25,875 machine hours.

Requirement:

Calculate factory overhead rate on each of the following basis:

1. Units of production
2. Labor Cost
3. Labor Hours
4. Machine Hours

(20 Marks)

Q No. 7: WXY Pvt Ltd. is carrying on manufacturing business and producing different consumer products. Currently company is updating the costing procedure due to change in Government policies. Currently product "DP" is under costing process. Following is the relevant cost of Product YP for making 60,000 units:

Variable cost of production	Rs. 175,000
Separable Cost	Rs. 70,000
Fixed costs (apportioned)	Rs. 120,000
Total Cost	Rs. 365,000

Another manufacturer offers the company to sell the same part for Rs. 3.56 per unit.

Requirement:

With the help of above provided information, you are required to calculate the cost in both make and buy cases and also suggest that either WXY should make or buy the product-DP?

(20 Marks)

Q No. 8: XYZ Limited is operating at 80% of its normal capacity. Currently, it is producing 20,000 units. Data regarding company's sales and cost is as follows;

Production fixed costs	Rs. 10,000
Other fixed costs	Rs. 25,000
Variable cost per unit:	
Direct material	Rs. 4
Direct labor	Rs. 3
Variable overhead	Rs. 1
	Rs. 8
Selling price per unit	Rs. 15

A customer offers to buy additional 10,000 units at Rs. 12 per unit. To complete the order direct labor cost will increase by 5% on additional production; however fixed cost will remain unchanged.

Requirement: Calculate Rs. Per unit variable cost for additional business and Profit/loss on normal and addition business.

(20 Marks)

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NOTE: **Attempt Five Questions in All. Attempt at least ONE question each from Section A to D. Calculator is allowed (Not programmable).**

SECTION - A

- Q No. 1:** Write a detailed note on the benefits of CPEC to Pakistan's Economy. (20 Marks)
- Q No. 2:** "Pakistan is facing acute shortage of Foreign Exchange". What measures should be adopted to increase the Foreign Exchange Resources? (20 Marks)

SECTION - B

- Q No. 3:** Define Business Finance. What are the main sources of Business Finance? Also explain role of Capital Markets in capital formation. (20 Marks)
- Q No. 4:** Discuss the Important Documents of a Joint Stock Company. (20 Marks)

SECTION - C

- Q No. 5:** State Bank is a regulatory body for the financial institutions in Pakistan, explain. Discuss various functions of State Bank of Pakistan. (20 Marks)
- Q No. 6:** What is Provident Fund? Discuss the treatment of various types of Provident Fund with their tax treatment in the calculation of Taxable Income. (20 Marks)

SECTION - D

- Q No. 7:** Define Internal Audit and its objectives also compare Internal Auditor with External Auditor. (20 Marks)
- Q No. 8:** From the following data, calculate income tax payable by Anis Ahmad for the tax year ending 30th June 2018:
- 1- Basic salary Rs.50,000 per month in the scale (Rs.40,000-44,000-64,000).
 - 2- Bonus Rs.125,000.
 - 3- Entertainment allowance Rs.45,000,
 - 4- House rent allowance at 50% of the minimum time scale.
 - 5- Conveyance allowance Rs.80,000.
 - 6- Tax paid by the employer Rs.35,000.
 - 7- Zakat was deducted Rs.250,000.
 - 8- Re-imbursement of internet bill (used for office) Rs.38,000.

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- 9- Encashment against unavailed leave Rs.27,000.
 10- Interest free loan obtained from employer Rs.12,00,000.
 11- Medical allowance Rs.66,000.
 12- Fixed educational allowance for children Rs.42,000.
 13- Telephone bills paid by employee himself Rs.36,000 (tax paid with telephone bills Rs.2,500).
 14- Tax paid on cash withdrawal from bank Rs.5,000.
 15- Hotel bills paid by the company relating to official duties Rs.55,000.
 16- Received Income Tax fund related to tax year 2016 Rs.20,000.
 17- TV and Refrigerator provided by the employer only for the use of employee costing Rs.200,000 on which the company charged depreciation @20% in its books of accounts.

Rates of tax for salaried persons are as follows:

Sr. No.	Slabs	Rate of Tax
1	Where the taxable income does not exceed Rs.4,00,000	%
2	Where the taxable income exceeds Rs.4,00,000 but does not exceed Rs.5,00,000	2% of the amount exceeding Rs.4,00,000
3	Where the taxable income exceeds Rs.5,00,000 but does not exceed Rs.7,50,000	Rs.2,000+5% of the amount exceeding Rs.5,00,000
4	Where the taxable income exceeds Rs.7,50,000 but does not exceed Rs.14,00,000	Rs.14,500+10% of the amount exceeding Rs.7,50,000
5	Where the taxable income exceeds Rs.14,00,000 but does not exceed Rs.15,00,000	Rs.79,500+12.5% of the amount exceeding Rs.14,00,000
6	Where the taxable income exceeds Rs.15,00,000 but does not exceed Rs.18,00,000	Rs.92,000+15% of the amount exceeding Rs.15,00,000
7	Where the taxable income exceeds Rs.18,00,000 but does not exceed Rs.25,00,000	Rs.1,37,000+17.5% of the amount exceeding Rs.18,00,000
8	Where the taxable income exceeds Rs.25,00,000 but does not exceed Rs.30,00,000	Rs.2,59,500+20% of the amount exceeding Rs.25,00,000
9	Where the taxable income exceeds Rs.30,00,000 but does not exceed Rs.35,00,000	Rs.3,59,500+22.5% of the amount exceeding Rs.30,00,000
10	Where the taxable income exceeds Rs.35,00,000 but does not exceed Rs.40,00,000	Rs.4,72,000+25% of the amount exceeding Rs.35,00,000
11	Where the taxable income exceeds Rs.40,00,000 but does not exceed Rs.70,00,000	Rs.5,97,000+27.5% of the amount exceeding Rs.40,00,000
12	Where the taxable income exceeds Rs.70,00,000	Rs.14,22,000+30% of the amount exceeding Rs.70,00,000

(20 Marks)