



**FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION – 2017
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT**

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS	PART-I (MCQS)	MAXIMUM MARKS = 20
PART-I(MCQS): MAXIMUM 30 MINUTES	PART-II	MAXIMUM MARKS = 80
<p>NOTE: (i) Part-II is to be attempted on the separate Answer Book.</p> <p>(ii) Attempt ONLY FOUR questions from PART-II, selecting TWO questions from EACH SECTION. ALL questions carry EQUAL marks.</p> <p>(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.</p> <p>(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.</p> <p>(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.</p> <p>(vi) Extra attempt of any question or any part of the attempted question will not be considered.</p> <p>(vii) Use of Calculator is allowed.</p>		

**PART-II
SECTION-I**

Q. 2. Bella Beauty Salon's unadjusted trial balance for the current year follows: **(20)**

Bella Beauty Salon Trial Balance December 31		
Cash.....	\$ 4,200	
Prepaid insurance	1,480	
Shop supplies	990	
Shop equipment	3,860	
Accumulated depreciation shop equipment		\$ 770
Building.....	57,500	
Accumulated depreciation–building		3,840
Land	55,000	
Unearned rent.....		1,600
Long-term notes payable.....		50,000
Bella Hanson, Capital		49,860
Rent earned		2,400
Fees earned.....		23,400
Wages expense.....	3,200	
Utilities expense.....	690	
Property taxes expense.....	600	
Interest expense.....	<u>4,350</u>	
Totals.....	<u>\$131,870</u>	<u>\$131,870</u>

Additional information:

- a. An insurance policy examination showed \$1,240 of expired insurance.
- b. An inventory count showed \$210 of unused shop supplies still available.
- c. Depreciation expense on shop equipment, \$350.
- d. Depreciation expense on the building, \$2,220.
- e. A beautician is behind on space rental payments, and this \$200 of accrued revenues was unrecorded at the time the trial balance was prepared.
- f. \$800 of the Unearned Rent account balance was earned by year-end.
- g. The one employee, a receptionist, works a five-day workweek at \$50 per day. The employee was paid last week but has worked four days this week for which she has not been paid.
- h. Three months' property taxes, total \$450, have accrued. This additional amount of property taxes expense has not been recorded.
- i. One month's interest on the note payable, \$600, has accrued but is unrecorded.

Required: Based on the above information, prepare the adjusting journal entries for Bella's Beauty Salon and adjusted trial balance for Bella's Beauty Salon.

ACCOUNTANCY AND AUDITING, PAPER-I

- Q. 3. (A)** A corporation had stockholders' equity on January 1 as follows: **(20)**
 Common Stock, \$10 par value, 1,500,000 shares authorized, 600,000 shares issued;
 Paid-in Capital in Excess of Par Value, Common Stock, \$1,000,000;
 Retained Earnings, \$2,500,000.
Required: Prepare journal entries to record the following transactions:
 Feb. 15 The board of directors declared a 10% stock dividend to stock holders of record on
 March 1, to be issued on April 15. The stock was trading at \$8 per share prior to the dividend.
 March 30 Sold 100,000 shares of common stock for \$11 per share.
 March 31 Issued the stock dividend.
- (B)** Company installs a computerized manufacturing machine in its factory at the beginning of the year at a cost of \$42,300. The machine's useful life is estimated at 10 years, or 363,000 units of product, with a \$6,000 salvage value. During its second year, the machine produces 35,000 units of product.
Required: Determine the machine's second-year depreciation under the straight-line method.

- Q. 4.** The following financial data were taken from the annual financial statements of Smith Corporation: **(20)**

Details	2007	2008	2009
Current assets	\$ 450,000	\$ 400,000	\$ 500,000
Current liabilities	390,000	300,000	340,000
Sales	1,450,000	1,500,000	1,400,000
Cost of goods sold	1,180,000	1,020,000	1,120,000
Inventory	280,000	200,000	250,000
Accounts receivable	120,000	110,000	105,000

- Required: (A).** Based on these data, calculate the following for 2008 and 2009:
1. Working capital
 2. Current ratio
 3. Acid-test ratio
 4. Accounts receivable turnover
 5. Merchandise inventory turnover
 6. Inventory turnover in days
- (B).** Evaluate the results of your computations in regard to the short-term liquidity of the firm.

SECTION-II

- Q. 5.** The marketing department of Graber Corporation has submitted the following sales forecast for the upcoming fiscal year. **(20)**

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Budgeted unit sales .	16,000	15,000	14,000	15,000

The selling price of the company's product is \$22.00 per unit. Management expects to collect 75% of sales in the quarter in which the sales are made, 20% in the following quarter, and 5% of sales are expected to be uncollectible. The beginning balance of accounts receivable, all of which is expected to be collected in the first quarter, is \$66,000. The company expects to start the first quarter with 3,200 units in finished goods inventory. Management desires an ending finished goods inventory in each quarter equal to 20% of the next quarter's budgeted sales. The desired ending finished goods inventory for the fourth quarter is 3,400 units.

- Required:**
1. Prepare the company's sales budget and schedule of expected cash collections.
 2. Prepare the company's production budget for the upcoming fiscal year.

- Q. 6.** Valenko Company provided the following account balances for the year ended December 31 **(20)**
 (all raw materials are used in production as direct materials):

Selling expenses	\$215,000
Purchases of raw materials	\$260,000
Direct labor	?
Administrative expenses	\$160,000
Manufacturing overhead applied to work in process	\$340,000
Total actual manufacturing overhead costs	\$350,000

Inventory balances at the beginning and end of the year were as follows:

	Beginning of Year	End of Year
Raw materials	\$50,000	\$40,000
Work in process	?	\$33,000
Finished goods	\$30,000	?

The total manufacturing costs for the year were \$675,000; the cost of goods available for sale total \$720,000; the unadjusted cost of goods sold total \$665,000; and the net operating income was \$35,000. The company's over-applied or under-applied overhead is closed entirely to cost of goods sold.

- Required:** Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement. (Hint: Prepare the income statement and schedule of cost of goods sold first followed by the schedule of cost of goods manufactured.)

ACCOUNTANCY AND AUDITING, PAPER-I

Q. 7. Linden Company manufactures and sells a single product. Cost data for the product as follows: **(20)**

Variable costs per unit:	
Direct materials	\$ 6
Direct labor	12
Variable factory overhead	4
Variable selling and administrative	3
Total variable costs per unit	\$25
Fixed costs per month:	
Fixed manufacturing overhead	\$240,000
Fixed selling and administrative	180,000
Total fixed cost per month	\$420,000

The product sells for \$40 per unit. Production and sales data for May and June, the first two months of operations, are as follows:

	Units <u>Produced</u>	Units <u>Sold</u>
May	30,000	26,000
June	30,000	34,000

Income statements prepared by the accounting department, using absorption costing, are presented below:

	<u>May</u>	<u>June</u>
Sales	\$1,040,000	\$1,360,000
Cost of goods sold	780,000	1,020,000
Gross margin	260,000	340,000
Selling and administrative expenses	258,000	282,000
Net operating income	\$ 2,000	\$ 58,000

Required:

- Determine the unit product cost under:
 - Absorption costing.
 - Variable costing.
- Prepare contribution format variable costing income statements for May and June.
- Reconcile the variable costing and absorption costing net operating incomes.

Q. 8. The PVC Company manufactures a high-quality plastic pipe that goes through three processing stages prior to completion. Information on work in the first department, Cooking, is given below for May: Production data: **(20)**

Pounds in process, May 1: materials 100% complete; conversion 90% complete	70,000
Pounds started into production during May	350,000
Pounds completed and transferred to the next department.	?
Pounds in process, May 31: materials 75% complete; conversion 25% complete	40,000
Cost data:	
Work in process inventory, May 1:	
Materials cost	\$86,000
Conversion cost	\$36,000
Cost added during May:	
Materials cost	\$447,000
Conversion cost	\$198,000

The company uses the weighted-average method.

Required:

- Compute the equivalent units of production.
- Compute the costs per equivalent unit for the month.
- Determine the cost of ending work in process inventory and of the units transferred out to the next department.
- Prepare a cost reconciliation report for the month.
