PUNJAB PUBLIC SERVICE COMMISSION

COMBINED COMPETITIVE EXAMINATION FOR RECRUITMENT TO THE POSTS OF PROVINCIAL MANAGEMENT SERVICE, ETC.

COMMERCE (OPTIONAL) PAPER-I

TIME ALLOWED: 3 HOURS **MAXIMUM MARKS: 100**

Note: Answer FIVE questions in all but selecting minimum TWO from each part.

Attempt in English Language.

PART-A

Q.1: The trial balance of All man, Inc., shows among other items the following balance on December 31, 2010, the end of a fiscal year: (20)

	Rs.
Accounts Receivable	80,000
4½ Panorama City Bonds	50,000
Buildings	90,000
Accumulated Depreciation -- Buildings	31,500
Land	100,000
6% First - Mortgage Bonds Payable	100,000
Rental Income	26,000
Office Expense	2,000

The following facts are ascertained on this date upon inspection of the records of the company:

(a) It is estimated that approximately 2% of accounts receivable may prove uncollectible.

(b) Interest is receivable semiannually on the Panorama City Bonds on March 1 and September 1.

(c) Buildings are depreciated at 2½ % a year; however, there were building additions of Rs. 30,000 during the year. The company computes depreciation on asset acquisitions during the year at one half the annual rates.

(d) Interest on the first-mortgage bonds is payable semiannually on February 1 and August 1.

(e) Rental income includes Rs. 1,500 that was received on October 1, representing rent on part of the buildings for the period October 1, 2010 to September 30, 2011.

(f) Office supplies of Rs.600 are on hand on December 31, Purchases of office supplies were charged to the office expense account.

Instructions: Prepare the journal entries to adjust the books on December 31, 2010.

Q.2: The following data are assembled in the course of reconciling the bank balance as on December 31, 2010 for Justin Lumber Co. What cash balance will be found on the company books, assuming no errors on the part of the bank and the depositor? (20)

Balance per bank statement	Rs. 1,51,260
Cheques outstanding	Rs. 1,80,500
December 31 receipts recorded but not deposited	Rs. 32,000
Bank charges for December not recognized on books	Rs. 750
Draft collected by bank but not recognized on books	Rs. 61,500

Q.3: Indicate the Rupees change, the percentage change, and also the ratio that would be reported for each case below, assuming horizontal analysis: (20)

Gain (loss) on sale of investments:

	2010	2009		2010	2009
(a)	Rs.45,000	Rs.20,000	(f)	Rs. (30,000)	0
(b)	20,000	40,000	(g)	5,000	(5,000)
(c)	30,000	0	(h)	(20,000)	5,000
(d)	0	40,000	(i)	(10,000)	(10,000)
(e)	(30,000)	10,000	(j)	20,000	20,000

Q.4: After reading an article on the allocation of costs, the controller for a client corporation asks you to explain the following excerpt: (20)

Depreciation may be either a fixed cost or a variable cost, depending on the method used to compute it.

PART-B

Q.5: The Davidson Corporation manufactures a kitchen appliance to sell for Rs.28000. Last year the company sold 2,000 of these appliances, realizing a gross profit of 25% of the cost of goods sold. Of this total cost of goods sold, materials accounted for 40% of the total and factory overhead for 15%. During the coming year, it is expected that materials and labor costs will each increase 25% per unit and that factory overhead will increase 12½ % per unit. To meet these rising costs, a new sales price must be set. (20)

Required: The number of units that must be sold to realize the same total gross profit in the coming year as realized last year if the new selling price is set at (1) Rs.30,000 (2) Rs. 32,500.

Q.6: For December, the Production Control Department of Carola Chemical, Inc., reported the following production data for Department 2: (20)

Transferred in from Department 1	55,000 liters
Transferred out to Department 3	39,500 liters
In process at end of December (with 1/3 labor and factory overhead)	10,500 litters

All materials were put into process in Department 1.

The Cost Department collected these figures for Department 2:

Unit cost for units transferred in from Department 1	Rs.1.80
Labor cost in Department 2	Rs. 27,520
Applied factory overhead 2	Rs. 15,480

Required: A cost of production report for Department 2 for December.

Q.7: The Car Croft Company estimates its factory overhead for the next period at Rs. 54,000. It is estimated that 36,000 units will be produced at a materials cost of Rs. 45,000. Production will require 24,000 direct labor hours at an estimated cost Rs. 120,000. The machines will run about 1,600 hours. (20)

Required: The predetermined factory overhead rate based on:

(1) Materials cost (2) Units of production
(3) Machine hours (4) Direct labor cost
(5) Direct labor hours

Q.8: What types of variances are computed for materials, labor, and factory overhead under standard costing. (20)