



**PUNJAB PUBLIC SERVICE COMMISSION**  
**COMBINED COMPETITIVE EXAMINATION**  
**FOR RECRUITMENT TO THE POSTS OF**  
**PROVINCIAL MANAGEMENT SERVICE, ETC -2021**  
**CASE NO. 3C2022**

**SUBJECT: COMMERCE (PAPER-I)**

**TIME ALLOWED: THREE HOURS**

**MAXIMUM MARKS: 100**

**NOTE:**

- i. All the parts (if any) of each Question must be attempted at one place instead of at different places.
- ii. Write Q. No. in the Answer Book in accordance with Q. No. in the Q. Paper.
- iii. No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
- iv. Extra attempt of any question or any part of the question will not be considered.

**Attempt Five Questions in All. Selecting minimum Two Questions from each Part. Calculator is allowed (Not programmable).**

**PART - A**

**Q No. 1:** "Generally Accepted Accounting Principles (GAAP) are the foundation for a true accounting system" Do you agree with this statement? **(20 Marks)**

**Q No. 2:** From the following details prepare cash flow statement for ABC Limited for the year ended 31<sup>st</sup> December, 2015 under IAS 7 layout: **(20 Marks)**  
**Profit and Loss Account for the year ended on 31<sup>st</sup> December, 2015**

Gross Profit		Rs.44,700
Discount received	Rs.410	
Gain on Sale of Asset	Rs.620	
		<u>Rs. 1,030</u>
		<b>Rs. 45,730</b>
<b><u>Less Expenses</u></b>		
Vehicle / Expenses	Rs. 1,940	
Wages	Rs.17,200	
General Expenses	Rs. 830	
Bad Debts	Rs. 520	
Provision for Bad Debts	Rs. 200	
Depreciation	Rs. 1,800	
Total Expenses		<u>Rs.22,490</u>
<b>Net Profit</b>		<b><u>Rs.23,240</u></b>

**Balance Sheet as on**

	<b><u>2014</u></b>	<b><u>2015</u></b>
<b><u>Fixed Assets</u></b>		
at cost	Rs.15,400	Rs.8,200
Accumulated Depreciation	<u>Rs. 5,300</u>	<u>Rs.3,100</u>
	<u>Rs.10,100</u>	<u>Rs.5,100</u>
<b><u>Current Assets</u></b>		
Inventories	Rs.18,600	Rs.24,000
Debtors	Rs. 8,800	Rs. 7,700
Less Provision	<u>Rs. 600</u>	<u>Rs. 800</u>
	Rs. 8,200	Rs. 6,900
Cash and Bank Balance	Rs. 410	Rs. 720
Total Current Assets	Rs.27,210	Rs.31,620
<b>Total Assets</b>	<b>Rs.37,310</b>	<b>Rs.36,720</b>

<u>Liabilities &amp; Equity</u>	<u>2014</u>	<u>2015</u>
<b><u>Current Liabilities</u></b>		
Creditors	Rs. 5,900	Rs.7,200
<b><u>Long Term Liabilities</u></b>		
Bank Loan	Rs.10,00	Rs.7,500
Total Liabilities	Rs.15,900	Rs.14,700
Net Worth	Rs.21,410	Rs.22,020
<b><u>Capital</u></b>		
Opening Balance	Rs.17,210	Rs.21,410
Add Net Profit	<u>Rs.21,200</u>	<u>Rs.23,240</u>
	<b>Rs.38,410</b>	<b>Rs.44,650</b>
<b>Less Drawing</b>	<u>Rs.17,000</u>	<u>Rs.22,630</u>
	<b>Rs.21,410</b>	<b>Rs.22,020</b>

**Q No. 3:** A company purchased a second-hand machine on 1<sup>st</sup> Jan., 2001 for Rs.37,000 and immediately spent Rs.2,000 on its overhauling and Rs.1,000 on its erection. On 1<sup>st</sup> July, 2002, it purchased another machine for Rs.10,000 and on 1<sup>st</sup> July, 2003 it sold off the first machine purchased in 2001 for Rs.28,000. It purchased a machine for Rs.25,000 on 1<sup>st</sup> July, 2003. On 1<sup>st</sup> July, 2004 the second machine purchased for Rs.10,000 was sold for Rs.2000.

Depreciation was provided on the machine at 10% on the original cost annually. In 2002, however, the company changed the method of depreciation and adopted the written down value method, rate of depreciation being 15% p.a.

**Required:** Give the Machine Account for four years from 2001 to 2004 assuming accounting year ends on 31<sup>st</sup> December every year. **(20 Marks)**

**Q No. 4:** Given below is Income Statement of XYZ Limited for the year ended. **(20 Marks)**

	<b>Rupees</b>
Sale – net	5,971,228,748
Cost of Sales	<u>3,125,337,924</u>
	2,845,890,824
Distribution, selling and promotional expenses	1,499,737,319
Administrative and general expenses	270,080,061
Research and development expenses	3,606,954
Other operating expenses	84,485,841
	<u>1,957,910,175</u>
Other Income	29,277,764
Operating Profit	<u>917,258,413</u>
Finance Costs	4,959,755
Profit before taxation	912,298,658
Taxation	285,834,489
Profit for the Year	<u>626,464,169</u>
<b>ASSETS</b>	
Non-current assets	934,825,946
Property, plant and equipment	5,073,017
Long term investment	200,000,000
Long term deposits	12,695,663
Long term advances	16,074,304
	<b>1,168,668,930</b>

**Current Assets**

Stock in Trade	1,50,00,000
Trade Debts	25,00,000
Advances	2,00,000
Trade deposits and short term prepayments	20,00,000
Profit accrued	5,00,000
Other receivables	10,00,000
Loan to subsidiary	20,00,000
Tax refunds due from the Government	5,00,000
Short term investments	100,00,000
Cash and Bank Balance	61,25,000

**2,19,25,000**

**Total Assets**

**3,36,21,597**

**Liabilities & Equity**

**Current Liabilities**

Bank Borrowing	800,000,000
Trade Creditors	500,000,000
	<b>1,300,000,000</b>

**Long Term Liabilities**

Deposits	500,000,000
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**Equity**

Paid up Capital	500,000,000
General Reserves	1,06,21,597
	<b>1,36,21,597</b>
<b>Total Liabilities &amp; Equity</b>	<b>3,36,21,597</b>

**Additional Information:**

- Company declared dividend @30% during the year.
- Market value of the share is Rs.600 while face value is Rs.10/-
- Company has no long term borrowings.
- Prepayments are 10% of the respective item.

**Required**

Compute following ratios:

- Gross Profit Margin
- After Tax Profit Margin
- Return on Equity
- Dividend Yield
- Dividend Payout
- Times Interest Earned
- Current Ratio
- Quick Ratio
- Breakup value of shares
- Earnings Per share

**PART - B**

**Q No. 5:** Explain the following terms with examples and imaginary data if required. (20 Marks)

- Applied Factory Overhead
- Cost of Product Report
- Economic Order Quantity
- Internal Rate of Return
- Opportunity Cost

**Q. No. 6:** Use LIFO on the following information to calculate the value of ending inventory. (20 Marks)

Mar 1	Beginning Inventory	60 units @ \$15.00
Mar 5	Purchase	140 units @ \$15.50
Mar 14	Sale	190 units @ \$19.00
Mar 27	Purchase	70 units @ \$16.00
Mar 29	Sale	30 units @ \$19.50

**Q No. 7:** In June, the idle capacity variance of Cool Corporation was zero, and spending variance was Rs.6,000 unfavorable. In July, the idle capacity variance was Rs.8,000 unfavorable, but the spending variance was zero. In June, actual overhead expense was Rs.70,000 for an output of 8,000 tons. July's expense was Rs.56,000 and output was 6,000 tons. In August, output was 9,000 tons, and actual overhead expense was Rs.71,000.

**Required:** (1) Factory overhead budgeted (estimated) for 9,000 tons.  
(2) Factory overhead applied in August.  
(3) Variances for August.

(20 Marks)

**Q. No. 8:** Naveed Manufacturing Co. presents the following information for the year ended 31<sup>st</sup> December, 1999.

(20 Marks)

Sales	252000	Commission	2500
Sales Returns and Allowances	2000	Advertising	4000
Purchases of Raw Material	96200	Depreciation of Sales Office	2200
Carriage In	300	Traveling Expenses	1800
Direct Labour	46000	Bad Debts	700
Purchases Return	1200	Salaries	2000
Indirect Material	4300	Stationery Used	1125
Indirect Labour	4700	Rent of Office	1500
Rent of Factory	3500	Interest Received	1110
Factory Taxes	1150	Interest Paid	275
Insurance of Factory Building	1500		
Depreciation of Plant and Machinery	3425		
Heat, Light and Power	2225		

**INVENTORIES**

	Jan. 1	Dec. 31
Raw Material	9000	12000
Work in Process	16100	13900
Finished Goods	17600	15300

**Required:**

1) Prepare Cost of Goods Manufactured and Sold Statement





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

**SECTION-A**

- Q No. 1:** Give an analysis of exports and imports of Pakistan in the context of current economic survey. **(20 Marks)**
- Q No. 2:** Define Fiscal policy and discuss its various tools in detail. **(20 Marks)**

**SECTION-B**

- Q No. 3:** What is Memorandum of Association? What are its contents? Explain the difference between Memorandum of Association and Articles of Association. **(20 Marks)**
- Q No. 4:** Define different levels of corporate social responsibility? Also explain in detail six steps of strategic management process? **(20 Marks)**

**SECTION-C**

- Q No. 5:** Explain in detail the procedure for formation of joint stock companies in Pakistan? **(20 Marks)**
- Q No. 6:** Define a letter of credit? Discuss the main types of letter of credit. **(20 Marks)**

**SECTION-D**

- Q No. 7:** Define capital budgeting process? Also explain in detail different capital budgeting techniques being used for project evaluation? **(20 Marks)**
- Q No. 8:** From the following data, calculate income tax payable by Mr. Ahmed for the tax year ending 30<sup>th</sup> June 2021: **(20 Marks)**
1. Basic salary Rs. 80,000 per month in the scale ( Rs. 60,000-5,000-95,000).
  2. Bonus Rs. 200,000.
  3. Entertainment allowance at 50% of the minimum time scale.
  5. Conveyance allowance Rs. 90,000.
  6. Tax paid by the employer Rs. 25,000.
  7. Zakat was deducted Rs. 260,000 .
  8. Re-imbursement of internet bill (used for office) Rs.35,000.
  9. Encashment against unavailed leave Rs. 25,000.
  10. Interest free loan obtained from employer Rs.12,00,000.

11. Medical allowance Rs. 100,000.
12. Fixed educational allowance for children Rs. 70,000.
13. Telephone bills paid by employee himself Rs.36,000( tax paid with telephone bills Rs.35,00).
14. Hotel bills paid by the company relating to official duties Rs. 65,000.
15. Utilities allowance Rs. 45,000.
16. TV and Refrigerator provided by the employer only for the use of employee costing Rs. 150,000 on which the company charged depreciation @ 20% in its books of accounts.
17. Tax deducted from salary during the period Rs. 40,000.
18. Health Insurance premium paid by the employer to insurance company under the terms of employment Rs. 80,000.

**Rates of tax for salaried persons are as follow**

<b>Taxable Income</b>	<b>Income Tax Rate in Pakistan</b>
Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
Where taxable income exceeds Rs.2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
Where taxable income exceeds Rs. 5,000,000 but does not exceeds Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
Where taxable income exceeds Rs. 8,000,000 but does not exceeds Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000
Where taxable income exceeds Rs. 12,000,000 but does not exceeds Rs. 30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000
Where taxable income exceeds Rs. 30,000,000 but does not exceeds Rs. 50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000
Where taxable income exceeds Rs. 50,000,000 but does not exceeds Rs. 75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000
Where taxable income exceeds Rs. 75,000,000	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000]