



**FEDERAL PUBLIC SERVICE COMMISSION**  
**SECTION OFFICERS PROMOTIONAL EXAMINATION - 2016**

Roll No. 55501

**ACCOUNTANCY AND AUDITING**

<b>TIME ALLOWED: THREE HOURS</b>	<b>MAXIMUM MARKS: 100</b>
<p><b>NOTE:</b>(i) Attempt <b>FIVE</b> questions in all by selecting at least <b>TWO</b> questions from <b>EACH SECTION</b>. <b>ALL</b> Questions carry <b>EQUAL</b> Marks.</p> <p>(ii) All the parts (if any) of each Question must be attempted at one place instead of at different places.</p> <p>(iii) Candidate must write <b>Q. No.</b> in the <b>Answer Book</b> in accordance with <b>Q. No.</b> in the <b>Q. Paper</b>.</p> <p>(iv) No <b>Page/Space</b> be left blank between the answers. All the blank pages of Answer Book must be crossed.</p> <p>(v) Extra attempt of any question or any part of the attempted question will not be considered.</p> <p>(vi) Leave some blank space and draw two horizontal lines (====) at the end of each answer.</p> <p>(vii) <b>Use of Calculator is allowed.</b></p>	

**SECTION-A (PRINCIPLES OF ACCOUNTING)**

**Q. 1.** Nick Charles operates a private investigating business called Nick Charles Investigations. The business adjusts and closes its accounts each month. At May 31, 2016, the trial balance appears as follows:

Cash	\$20,150	Accounts payable	6,900
Fee receivable	37,800	Unearned retainer fee	24,000
Unexpired insurance	2,000	Nick Charles – Capital	51,600
Prepaid rent	8,400	Nick Charles – Drawing	2,400
Office supplies	1,050	Fee earned	24,800
Office equipment	17,100	Telephone expense	1,200
Accumulated depreciation Office equipment	5,700	Travel expense	3,400
		Salaries expense	19,500

**Further Data:**

- The useful life of the office equipment was estimated to be five years.
- Fee of \$6,400/- were earned during the month by performing the services for clients who had paid in advance.
- Salaries earned by employees during the month, but not yet recorded or paid amounting to \$1,700/-.
- On May 1, the business moved into a new office and paid first three months' rent in advance.
- Investigative services rendered during the month but not yet collected or billed to clients amounting to \$2,900/-.
- Office supplies on hand May 31, amounting to \$600/-.
- On April 1, \$2,400/- was paid as the premium for six months' liability insurance.

**Required:**

- Prepare the adjusting entries required on May 31, 2016. (5)
- Prepare multi-step Income Statement and Balance Sheet for Nick Charles Investigations. (15) (20)

**Q. 2.** Revenue and expense data for the current calendar year for Shahzad & Company and for the electronics industry are as follows. The Shahzad & Company data are expressed in rupees. The electronics industry averages are expressed in percentages (see Table-01)

**Required:**

- Prepare a common-sized Income Statement comparing the results of operations for Shahzad & Company with the industry average. Round to two decimal place. (12)
- As far as the data permit, comment on significant relationships revealed by the comparison. (8) (20)

**Table-01**

	<b>Shahzad &amp; Company (Rs.)</b>	<b>Industry Average</b>
Sales	2,100,000	105%
Sales returns and allowances	100,000	500%
Net sales	2,000,000	100%
Cost of goods sold	1,040,000	6000%
Gross Profit	960,000	40%
Selling expenses	560,000	22%
Administrative expenses	300,000	1200%
Total operating expenses	860,000	34%
Operating income	100,000	6%
Other income	60,000	300%
	160,000	9%
Other expense	40,000	200%
Income before income tax	120,000	7%
Income tax expense	60,000	600%
Net income	60,000	1%

