National Officers Academy

Mock Exams CSS-2022

January 2022(Mock-7)

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS)** **PART-II**	**MAXIMUM MARKS = 20** **MAXIMUM MARKS = 80**

NOTE:

i. **Part-II** is to be attempted on the separate **Answer Book**.

ii. Attempt **ONLY FOUR** questions from **PART-II**, by selecting **TWO** questions from **EACH SECTION.ALL** questions carry **EQUAL** marks.

iii. All the parts (if any) of each Question must be attempted at one place instead of at different places.

iv. Write Q. No. in the Answer Book in accordance with Q. No. in the Q. Paper.

v. No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.

vi. **Use of calculator is allowed.**

PART – II

SECTIONA - I

Q. No. 2. Malcolm's trial balance as at 30th June, 2012 was as follows:- **(20)**

	£	£
Capital account as at 1st July, 2011		29,000
Creditors		21,000
Debtors	22,650	
Cost of goods sold	144,000	
Drawings	32,100	
Sales		243,000
Stock	36,000	
Vehicles	21,000	
Wages expenses	14,250	
Sundry expenses	3,000	
Rent expenses	13,500	
Insurance expenses	2,000	
Cash at bank	4,500	
	293,000	**293,000**

The following information is relevant:

1. Wages payable but unpaid at 30th June, 2012 amounted to £ 750.
2. Rent accrued and unpaid to 30th June, 2012 amounted to £ 3,000.
3. The figure of insurance expenses includes a prepayment at 30th June, 2012 of £ 1,000.
4. The vehicle to be are depreciated at the rate of 25 percent per annum. As the vehicle was purchased at the beginning of the year, no depreciation has yet been charged. A full year's depreciation is now to be charged.
5. Bad debts of £ 2,650 are to be written off and provision is to be made for doubtful debts to 10 percent of the remaining debtors.

Required: Prepare Malcom's profit and loss account for the year ended on 30th June, 2012 and his balance sheet as at that date.

Q. No. 3. Working capital of X Company at December 31-2005 exceeds the working capital at December 31-2004 by Rs. 50,000 as reported blow. **(20)**

Particulars	2005 Rs	2004 Rs
<u>Current Assets</u>		
Cash, Marketable securities & accounts receivable	150,000	250,000
Merchandise inventory	450,000	250,000
Total Current Assets	600,000	500,000
Current Liabilities	300,000	250,000
	300,000	**250,000**

Required:
Undertake liquidity analysis with particular reference to:

1. Current ratio
2. Quick ratio
3. Working capital

First calculate the ratios, later compare the same with reference to standard ratios and later present a lucid analysis.

Q. No. 4. Saeed and Rasheed carried on business in partnership. On 31st December 2007 Saeed retired. Their Balance Sheet at that date was as follows:

Liabilities and Capital	**Rs.**	**Assets**	**Rs.**
Accounts Payable	10,000	Land and Building	5,000
Notes Payable	8,000	Plant and Machinery	12,000
Saeed – Capital Account	21,000	Loose Tools	4,000
Rasheed – Capital Account	14,000	Patterns and Models	2,000
		Inventory	15,000
		Accounts Receivable	11,000
		Notes Receivable	2,500
		Cash	1,500
	53,000		**53,000**

Profits and Losses were shared in the proportions of Saeed two-thirds, and Rasheed one-third. Rasheed agreed to take over the business on the following terms:-

-- The Land and Building were to be taken over by Saeed at the amount stated in the Balance Sheet, and Rasheed was to rent the premises at Rs. 250 per annum.

-- Revaluations were to be made which resulted as follows:-

Plant and Machinery, Rs. 10,000; Loose Tools, Rs. 4,400; Patterns and Models, Rs. 1,800; and Inventory, Rs. 12,000.

-- Saeed agreed to allow the amount due to him (Less Rs. 300 which was to be paid to him in cash) to remain as a loan to Rasheed at 5 percent interest.

<u>Required:</u> Make necessary Journal entries to give effect to the above transactions and prepare Rasheed's Balance Sheet. (20)

Q. No.5. Peshawar Manufacturing Company was established in June, 1999 to manufacture a single product using a machine costing Rs. 1,000,000. The machine is expected to last for four years and then have a scrap value of Rs. 130,000. The machine will produce a similar number of goods each year and annual profit before depreciation is expected to be in the region of Rs. 500,000. The Finance Manager has suggested that the machine should be depreciated using either the "Straight – Line Method" or the "Reducing Balance Method". If the latter method is used, it is estimated that depreciation rate of 40% would be appropriate.

Required: (20)

1. Calculate annual depreciation charge and net book value of the machine at the end of 2000, 2001 and 2002 using:
   a) Straight – Line Method
   b) Reducing Balance Method
2. Offer your comments on the use and implication of these two methods for the years 2000 to 2002. Advise management as to which method should be more appropriate.

SECTION - II

Q. No. 6. Following data was reported for Ibrahim Cottage Textile for the year ended December 31, 2014: **(20)**

Administrative Expenses Rs. 150,000
Depreciation, factory equipment 19,000
Direct labor 70,000
Finished goods inventory, beginning 20,000
Finished goods inventory, ending 35,000
Indirect labor 30,000
Insurance, factory equipment 800
Maintenance, factory equipment 6,000
Purchases of raw materials 118,000
Raw materials inventory, beginning 7,000
Raw materials inventory, ending 15,000
Rent, factory facilities 20,000
Sales 800,000
Supplies 4,200
Work in process, beginning 10,000
Work in process, ending 5,000

Required: Prepare a cost of goods sold statement.

Q. No. 7. Rahmat Manufacturing Company uses process costing. The cost incurred in department No. 2 during the month of January were: **(20)**

Direct Material Cost … Rs. 1,98,000
Direct Labour Cost … Rs, 1,18,000
Factory Overheads Rs. 79,200
The quantity schedule shows that 50,000 units were received from department 1 at a unit cost of Rs. 9. During the month 30,000 units were completed and transferred to next department. 5000 units were competed but in hand. 5000 units were lost during processing. The remaining units were in process at the end of the month. The degree of completion of the in process units was as follows:
40% of the units were 50% complete
20% of the units were 60% complete
20% of the units were 40% complete
Balance of the units were 30% complete

Required: Cost of production report for department No. 2 for the month of January.

Q. No.8. ABC Company made the following data available from its accounting records and reports: **(20)**

(i) Rs. 60,000 estimated Factory overhead.
(ii) 20,000 estimated direct Labour hours
(iii) Rs. 3 pre-determined Factory overhead rate.
(iv) One third of the rate is variable cost oriented.
(v) During the year, the company worked on 21,000 direct Labour hours.
(vi) Actual Factory overhead expenses for the year were Rs. 63,100.

You are required to calculate spending and idle capacity variances.

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Best Wishes for CSS-2022