

# Sikkim Public Service Commission

Main Written Examination for the Post of Commercial Tax Inspector

Commerce & Accountancy

Paper - II

Time Allowed : 3 Hrs.

Maximum Marks : 300

## INSTRUCTIONS TO CANDIDATES

*Read the following instructions carefully before answering the questions :-*

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS TEST BOOKLET DOES NOT HAVE ANY UNPRINTED OR TORN OR MISSING PAGES OR ITEMS ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.
2. Please note that it is the candidate's responsibility to fill in the Roll Number and Test Booklet Serial Number carefully and without any omission or discrepancy at the appropriate places in the **OMR ANSWER SHEET**.
3. **Use only Black Ball Point Pen to fill the OMR sheet**
4. Do not write anything else on the OMR Answer Sheet except the required information.
5. **This Test Booklet contains 3 sections. Section A is of Multiple choice Question i.e. 100 items to be marked in OMR Sheet. Section B is Short Answer type Questions. Section C is Long Answer/ Essay type Questions, which has to be written in Seperate Answer Sheet provided.**
6. **All items from Q.1 to Q. 100 carries 2 marks each.**
7. Before you proceed to mark in the Answer Sheet (OMR), you have to fill in some particulars in the Answer Sheet (OMR) as per given instructions.
8. After you have completed filling in all your responses on the Answer Sheet (OMR) and the examination has concluded, you should hand over the Answer Sheet (OMR) and the Seperate conventional Answer sheet to the Invigilator only . You are permitted to take away with you the Test Booklet.
9. **Marking Scheme**

*There will be negative marking for wrong answers marked by a candidate in the objective type question papers.*

- (i) There are four alternatives for the answer to every question. For each question for which a wrong answer has been given by the candidate, one-third of the marks assigned to that question will be deducted as penalty.
- (ii) If a candidate gives more than one answer, it will be treated as a wrong answer even if one of the given answers happens to be correct and there will be same penalty as above to the question.
- (iii) If a question is left blank. i.e., no answer is given by the candidate, there will be no penalty for that question.

**DO NOT OPEN THIS TEST BOOKLET UNTIL YOU ARE ASKED TO DO SO**

**Part-A**

(100x2=200 Marks)

**Instruction: Attempt all objective type questions from this part consisting of multiple choice questions. Each question has only one correct answer and carries 02 marks for each correct answer.**

- 1 Which of the following is not a current liability?
  - A. Bank Overdraft
  - B. Bills Payable
  - C. Outstanding Expenses
  - D. Equity Share Capital
  
- 2 Contingent Liability is shown owing to the
  - A. Convention of conservatism
  - B. Convention of materiality
  - C. Convention of full disclosure
  - D. Dual aspect concept
  
- 3 Revenue is generally recognized as being earned at the point of time when
  - A. Production is completed
  - B. Sales is effected
  - C. Cash is received
  - D. Unproductive assets are sold off
  
- 4 Under inflationary conditions, which of the following methods of inventory valuation will show highest value of closing stock?
  - A. FIFO
  - B. LIFO
  - C. Weighted average
  - D. None of the above
  
- 5 If average stock is Rs. 12,000, closing stock is Rs. 3,000 more than opening stock then the value of the closing stock will be
  - A. Rs. 12,000
  - B. Rs. 24,000
  - C. Rs. 10,500
  - D. Rs. 13,500
  
- 6 The method of inventory valuation most widely used in Accounting is
  - A. Cost price
  - B. Market price
  - C. The higher of cost or market price
  - D. The lower of cost or market price
  
- 7 A manager gets 5% commission on net profit after charging such commission, gross profit Rs. 58,000 and expenses of indirect nature other than manager's commission are Rs. 16,000. The commission amount will be
  - A. Rs. 2,900
  - B. Rs. 2,000
  - C. Rs. 1,500
  - D. Rs. 2,200

- 8 Which of the following accounts can be used for transfer to capital redemption reserve account?
- A. General Reserve Account
  - B. Forfeited Shares Account
  - C. Profit prior to incorporation
  - D. Securities Premium Account
- 9 Loss on Issue of debentures is treated as---
- A. Intangible Asset
  - B. Current Asset
  - C. Current Liability
  - D. Miscellaneous Expenditure
- 10 Which financial statement represents the accounting equation, Assets=Liabilities+Owner's Equity
- A. Income Statement
  - B. Statement of Cash Flows
  - C. Balance Sheet
  - D. Fund Flow Statement
- 11 The debts written off as bad, if recovered subsequently are
- A. Credited to Bad Debts Recovered Account
  - B. Credited to Debtors Account
  - C. Debited to Profit and Loss Account
  - D. Debited to Bad Debts Recovered Account
- 12 Which of these is not a part of Double Entry System?
- A. Memorandum Joint Venture Account
  - B. Joint Venture Account
  - C. Joint Bank Account
  - D. Co-Venture Account
- 13 An amount of Rs. 5,000 received from Pankaj credited to Pooja would affect
- A. Pooja's Account
  - B. Pankaj's Account
  - C. Pankaj's and Pooja's Account
  - D. Cash Account and Pooja's Account
- 14 Economic life of an enterprise is split into the periodic interval as per
- A. Periodicity
  - B. Matching
  - C. Going Concern
  - D. Accrual
- 15 Patents Accounts are
- A. Secured Loan Account
  - B. Nominal Account
  - C. Real Account
  - D. Debtors Account



- 16 Goods costing Rs. 2,00,000 sent out to the consignee at cost plus 25%. Invoice price of the goods will be
- A. 2,40,000
  - B. 2,30,000
  - C. 2,10,000
  - D. 2,50,000
- 17 The fair value of the share is the average of
- A. Par Value and Market Value
  - B. Intrinsic Value and Par Value
  - C. Intrinsic Value and Yield Value
  - D. Par Value and Yield Value
- 18 In the absence of any provision in the partnership agreement, profits and losses are shared
- A. In the ratio of capitals
  - B. Equally
  - C. In the ratio of loans given by them to the partnership firm
  - D. None of the above
- 19 Entrepot trade refers to
- A. Imports
  - B. Exports
  - C. Foreign trade
  - D. Goods imported for re-export
- 20 The factor affecting international trade is
- A. Political relations between the two trading partners
  - B. The state of economic development
  - C. The trade policy of the governments
  - D. All of the above
- 21 What does SDR stand for?
- A. Special Duty Rubber
  - B. Special Drawing Rights
  - C. Strategic Defense Relation
  - D. None of the above
- 22 Which of the following is not a feature of Development Banks?
- A. They accept deposits from the public
  - B. They specialize in providing medium and long term finances
  - C. They promote economic development by encouraging investment
  - D. They are of two types- industrial and agricultural
- 23 91-day Treasury Bill are issued by
- A. Reserve Bank of India
  - B. State Bank of India
  - C. Commercial Banks
  - D. Government of India

- 24 Which of the following is not related to the trait theory of leadership?
- A. Physical factors such as height
  - B. Intelligence and extroversion
  - C. Self-confidence and ambition
  - D. Training and experience of employees
- 25 Which of the following principles states that recurring decisions should be handled in a routine manner by lower level managers whereas problems involving unusual matters should be referred to higher levels
- A. Principle of unity of command
  - B. Scalar principle
  - C. Principle of exception
  - D. Principle of commitment
- 26 'Grapevine' refers to a term used in relation to
- A. Formal communication
  - B. Informal communication
  - C. Both formal and informal communication
  - D. This term is not used in relation to communication
- 27 Collective bargaining is concerned with
- A. Trade union
  - B. Independent association
  - C. Voluntary organization
  - D. Statutory body
- 28 An internal auditor can be removed by
- A. The Shareholders
  - B. The Statutory Auditor
  - C. The Management or Directors
  - D. The Government
- 29 Except in a special cases, the retiring auditor is automatically
- A. Dismissed
  - B. Disqualified
  - C. Suspended
  - D. Reappointed
- 30 Test checking implies checking
- A. Each and every item
  - B. A representative sample of items
  - C. Only a few items in detail
  - D. Random items
- 31 Balance sheet audit would not be applicable or effective in
- A. Units where qualified accountants are employed
  - B. Enterprises where mechanised accounting system is in operation
  - C. Small business organization with low key transactions
  - D. Organizations with an efficient inbuilt system of internal control and check

- 32 Which one of the following type of audit is not excluded while computing ceiling on number of audits
- A. Audit of a private company
  - B. Audit of a foreign company
  - C. A joint audit
  - D. A branch audit
- 33 What does vouching relate to?
- A. Cash receipts
  - B. Cash payments
  - C. Credit transactions
  - D. All of the above
- 34 Continuous audit refers to
- A. Interim audit
  - B. Audit at year end
  - C. Internal audit
  - D. Regular audit
- 35 The scope of the interim audit falls within the purview of
- A. Partial audit
  - B. Final audit
  - C. Internal audit
  - D. Continuous audit
- 36 The minimum number of directors in a public limited company is
- A. 1
  - B. 2
  - C. 3
  - D. 7
- 37 What is the maximum number of partners permissible for a partnership firm carrying on general business?
- A. 7
  - B. 10
  - C. 20
  - D. 50
- 38 When a partner is guilty of negligence or fraud within the scope of his authority
- A. Only he will be held liable for his acts
  - B. He can be expelled if he refuses to assume liability
  - C. All partners are liable, provided there is an agreement to this effect
  - D. All partners automatically also become liable
- 39 The voting rights of members in a cooperative organization are
- A. In proportion to the capital held
  - B. Equal, irrespective of capital contribution
  - C. Dependent on their popularity among the members
  - D. Proportionate to the capital held and loans given by members

- 40 A change in a company's registered office from one state to another may be effected by
- A. An ordinary resolution
  - B. A resolution of the Board of Directors
  - C. A special resolution
  - D. A special resolution and confirmation from the company law board
- 41 How may undercapitalization be remedied?
- A. By reduction of interest on debentures
  - B. By redemption of preference shares
  - C. By redemption of debentures
  - D. By issue of bonus shares
- 42 A partnership firm cannot raise funds by
- A. Bank loans
  - B. Partners loans
  - C. Debentures
  - D. Partners capitals
- 43 Promoters wanting to retain control of the company should raise a large proportion of funds by way of
- A. Equity capital
  - B. Preference capital
  - C. Debentures
  - D. Preference capital and debentures
- 44 What does ploughing back of profit means?
- A. Earning black money
  - B. Dividends not claimed by the shareholders
  - C. Not paying dividend in a certain year
  - D. Retaining the earnings
- 45 Which of the following institution was the first to be established?
- A. Unit Trust of India
  - B. Industrial Finance Corporation of India
  - C. Industrial Credit and Investment Corporation of India
  - D. Industrial Development Bank of India
- 46 A stock is distinguished from a share in that it
- A. Is transferable by mere delivery
  - B. Must have distinctive numbers
  - C. Has no nominal value
  - D. Is always partly paid
- 47 Bearer debentures are treated as
- A. Negotiable instruments
  - B. Mortgage debentures
  - C. Naked debentures
  - D. First debentures



- 48 The underwriting commission in case of debentures cannot exceed
- A. 1%
  - B. 2.5%
  - C. 3.5%
  - D. 5%
- 49 Which of the following is not a component of the new issue market?
- A. LIC
  - B. IDBI
  - C. The Stock Exchange
  - D. The UTI
- 50 The most usual method of marketing new securities is
- A. Stock exchange placing
  - B. Rights issue
  - C. Direct sale to public through prospectus
  - D. Private placing
- 51 Trading in securities beyond the official trading hours of the stock exchange is called
- A. Hammering
  - B. Margin trading
  - C. Short trading
  - D. Kerb trading
- 52 A blue chip security is one which
- A. Gives assured high returns
  - B. Almost every investor is willing to buy
  - C. Offers the highest liquidity and sells always much above par
  - D. Is issued by the reputed and profit making company
- 53 Type II complaints received by SEBI refers to
- A. Non receipt of dividend
  - B. Non receipt of bonus shares
  - C. Non receipt of annual reports
  - D. Non receipt of interest
- 54 An important advantage of vertical combination is that it helps in
- A. Avoiding competition
  - B. Coordinating the sequential operations
  - C. Controlling quality
  - D. Capturing the market
- 55 Amalgamation is a form of
- A. Federation
  - B. Partial consolidation
  - C. Complete consolidation
  - D. Trade association
- 56 A holding company set up only to unite and control its subsidiaries is called
- A. Proprietary holding company
  - B. Primary holding company
  - C. Political holding company
  - D. Pure holding company



- 57 Rationalization may be achieved through
- A. Creation of monopolies
  - B. Market research
  - C. Standardization of products
  - D. Modernization of plant
- 58 Which one of the following does not represent a restrictive trade practice?
- A. Discriminatory dealings
  - B. Price control arrangements
  - C. False representation
  - D. Collective price fixation
- 59 Hoarding of goods results in
- A. Unfair trade practices
  - B. Monopolistic trade practices
  - C. Restrictive trade practices
  - D. Competitive trade practices
- 60 The export procedure begins with the
- A. Indent
  - B. Shipping order
  - C. Marine insurance
  - D. Consular invoice
- 61 What does the shipping company issue upon the entire ship being hired?
- A. Bill of entry
  - B. Letter of credit
  - C. Shipping order
  - D. Charter party
- 62 The bill of exchange drawn by an exporter on the importer is called
- A. Bill of entry
  - B. Bill of sight
  - C. Bill of lading
  - D. Documentary bill
- 63 How many copies are generally prepared of bill of entry?
- A. 1
  - B. 2
  - C. 3
  - D. 4
- 64 Gold card scheme was introduced by
- A. RBI
  - B. Central Government
  - C. ECGC
  - D. IDBI
- 65 In the case of fire insurance, the insured must have insurable interest in the thing at the time
- A. The policy is taken
  - B. The loss is incurred
  - C. Both the above
  - D. Throughout the period of insurance contract

- 66 A policy acquires surrender value if the premiums have been paid on it for atleast
- A. 6 Months
  - B. 1 Year
  - C. 3 Years
  - D. 5 Years
- 67 In which year was General Insurance nationalized in India?
- A. 1962
  - B. 1966
  - C. 1972
  - D. 1994
- 68 A person who agree to insure cargo, hull of freight are called
- A. Undertakers
  - B. Caretakers
  - C. Underwriters
  - D. Bookkeepers
- 69 The first life insurance company, Oriental Life Insurance Company was established in
- A. Calcutta
  - B. Delhi
  - C. Goa
  - D. Gujarat
- 70 In marine insurance, a partial loss is technically called
- A. Warranties
  - B. Average
  - C. Total loss
  - D. Liabilities
- 71 If a general manager asks the sales manager to recruit some salesman on his behalf, it is an instance of
- A. Division of authority
  - B. Decentralization of authority
  - C. Delegation of authority
  - D. Delegation of responsibility
- 72 Job specification is
- A. The specification required for the job
  - B. A statement of the skills and abilities needed in the performance of a job
  - C. A statement of duties and responsibilities of a job
  - D. The manner in which the job is to be performed
- 73 Planning and policy making are essentially functions of
- A. Top management
  - B. Middle management
  - C. Operating management
  - D. Entire staff

- 74 Organization theory deals with
- A. Forms of business organization
  - B. Structure of an organization
  - C. Industrial relations
  - D. Incentives and wage policy
- 75 The basis of theory Z is the reliance on
- A. External control of human behaviour
  - B. Self-control and self-direction
  - C. The belief that productivity is linked to trust, openness, subtlety and intimacy in the work environment
  - D. Government regulatory framework
- 76 Which one of the following is the oldest form of organization?
- A. Functional Organization
  - B. Line organization
  - C. Line and staff organization
  - D. Departmentation
- 77 An important function of the office is
- A. Appointing the company secretary
  - B. Recruiting employees
  - C. Training recruits
  - D. Providing the requisite information
- 78 Outgoing mails refers to
- A. Mails received in the office
  - B. Mails sent out to customers
  - C. Mails sent by the employees
  - D. Personal mails received by employees
- 79 What does mimeograph refer to?
- A. Method of photocopying
  - B. Process of blue printing
  - C. Process of electrical photography
  - D. Stencil Duplicator
- 80 Which of the following functions does the memory unit perform?
- A. Calculating at high speed
  - B. Giving out the end product
  - C. Storing data
  - D. Controlling all operating units
- 81 The office is
- A. A nerve centre of activities
  - B. A place to keep files and papers
  - C. Where management takes principal decisions
  - D. An organization of chaos into form

- 82 Office correspondence does not include
- A. Routine correspondence
  - B. Personalized correspondence
  - C. Circulars
  - D. Minutes of general meeting
- 83 The use of office machine cannot
- A. Enhance production
  - B. Save labour
  - C. Promote accuracy
  - D. Relieve monotony
- 84 Preliminary contracts are
- A. Binding on the company
  - B. Binding on the company if ratified after incorporation
  - C. Binding on the company after incorporation
  - D. Not binding on the company
- 85 Before the company obtains certificate of commencement of business, directors have to buy a certain number of shares are called
- A. Bonus shares
  - B. Qualification shares
  - C. Right issue
  - D. Sweat equity shares
- 86 A company can invest money in another company only if it is so authorised by its
- A. Memorandum of Association
  - B. Articles of Association
  - C. Auditors
  - D. Company Secretary
- 87 Who appoints the company secretary?
- A. Government
  - B. Shareholders
  - C. Debenture-holders
  - D. Board of Directors
- 88 The annual general meeting requires a notice of atleast
- A. 14 Days
  - B. 21 Days
  - C. 30 Days
  - D. 60 Days
- 89 How often is a meeting of the Board of Directors required to be held?
- A. Every month
  - B. Every three months
  - C. Biannually
  - D. Once a year



- 90 A proxy appointed
- A. Must be a member of the company
  - B. Can only be an employee of the company
  - C. Need not be either of the above
  - D. Must be a minor
- 91 In case of listed company the annual returns are to be signed by
- A. Company secretary
  - B. Shareholders
  - C. Debenture-holders
  - D. Directors
- 92 Power to make calls on shares can be exercised by
- A. Shareholders of the company in general meeting
  - B. Company secretary on his own
  - C. Board of directors
  - D. Managing directors
- 93 Window dressing is prohibited by the
- A. Accrual concept
  - B. Convention of materiality
  - C. Convention of disclosure
  - D. Convention of conservatism
- 94 Accounting for Government grants is the subject matter of
- A. AS-12
  - B. AS-10
  - C. AS-11
  - D. AS-7
- 95 Which of the following is of a revenue nature?
- A. Cost of acquiring land
  - B. Cost of painting an old building
  - C. Purchase of freehold land
  - D. Cost of extension of factory building
- 96 Admission fees received during the year should be treated as
- A. Capital income
  - B. Revenue income
  - C. Revenue unless the amount involved is large
  - D. Capital except for large amount involved
- 97 By which of the following will the cash account not be affected?
- A. Cash sales
  - B. Cash received from debtors
  - C. Cash paid to creditors
  - D. Discount received
- 98 Under annuity method the amount of depreciation is
- A. Increasing every year
  - B. Decreasing every year
  - C. Fixed for all years
  - D. Fluctuating from year to year

- 99 A company that has adopted table A can charge interest on calls in arrears at the rate of
- A. 4%
  - B. 5%
  - C. 6%
  - D. 7%
- 100 Cost of carrying inventory implies
- A. The acquisition cost of the items as per invoice
  - B. Cost of economic lot size
  - C. Risk of obsolescence and interest
  - D. Moving average of cost of items

### Part-B

(10x5=50 Marks)

**Instruction: Attempt any ten questions from the following. Answer should be short descriptive. Each question carries 05 marks.**

- 1 Why is there a need of accounting standards?
- 2 What is the difference between trial balance and balance sheet?
- 3 Differentiate between dissolution of partnership and dissolution of partnership firm.
- 4 Explain-Depreciation, Depletion, and amortization.
- 5 For what class/type of business continuous audit is suitable?
- 6 Make a distinction between auditing, accounting and investigation.
- 7 Why is company form of business organization more suitable?
- 8 How does Memorandum of Association differ from Articles of Association of a company?
- 9 State salient features of Foreign Trade Policy Measures (2015-2020) of India.
- 10 What are the major functions of the Export Promotion Council in India?
- 11 Distinguish between reinsurance and double insurance.
- 12 What is the difference between, with profit and without profit insurance policy?
- 13 What are the qualifications required to become eligible for appointment as company secretary?
- 14 Explain the concept and process of delegation of authority.

**Part-C**

**(2x25=50 Marks)**

**Instruction: Attempt any two questions from the following. Answer should be long descriptive. Each question carries 25 marks.**

- 1 Draw with imaginary figures the Cash Flow Statement of a Company.
- 2 What is the difference between vouching and verification? How will you vouch the cash sales and wages paid as an auditor of a company?
- 3 What is capital market? Explain the economic functions of the capital market and the major initiatives taken by SEBI as regulator of capital market.
- 4 Define leadership and the salient features of various theories of leadership. Which theory of leadership is most appropriate in Indian context?