

**Sikkim Public Service Commission**  
**Main Written Examination for the Post of Sub Inspector**  
**PAPER - II COMMERCE & ACCOUNTANCY**

Time allowed: 3.00 Hrs

Maximum Marks: 250

**INSTRUCTION TO CANDIDATES**

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

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS 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. Use only Black Ball Point Pen to fill the OMR Sheet.
3. Do not write anything else on the OMR Answer Sheet except the required information.
4. This Test Booklet contains 50 questions in MCQ Mode in Part I to be marked in OMR Sheet. Part II and Part III are Subjective Questions which have to be written on separate answer sheet provided to you.
5. 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.
6. 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 separate answer sheet to the Invigilator only. You are permitted to take with you the Test Booklet.
7. **Marking Scheme**

**THERE WILL BE NEGATIVE MARKING FOR WRONG ANSWERS MARKED BY A CANDIDATE IN THE OBJECTIVE TYPE QUESTIONS**

- 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 the 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 - I**

**Choose the correct option for the following:**

**(3x50=150)**

1. **When shares issued at premium which of the following account is credited?**
  - A. Securities premium Reserve
  - B. Share first call account
  - C. Share allotment account
  - D. Share forfeited account
  
2. **The amount of capital mentioned in MOA is \_\_\_\_\_**
  - A. Authorized capital
  - B. Issued capital
  - C. Reserve capital
  - D. Subscribed capital
  
3. **Closing stock appearing in trial balance will be taken to \_\_\_\_\_**
  - A. Trading account only
  - B. Balance sheet only
  - C. Trading account and balance sheet.
  - D. Profit and loss account only
  
4. **Rights share are those shares which are \_\_\_\_\_ ?**
  - A. Issued by a newly formed company
  - B. offered to the existing shareholders
  - C. Issued to the directors of the company
  - D. Issued to holders of convertible debentures
  
5. **Owner's equity stands for-**
  - A. Fixed assets minus Fixed Liabilities
  - B. Fixed Assets minus Current Liabilities
  - C. Current Liabilities minus Fixed Liabilities
  - D. Total assets minus Fixed Liabilities

6. A business entity has an opening balance of `4,000 as provision for bad and doubtful debts. Total sales amounts to `6,00,000 and out of which Rs.1,00,000 worth of sales is for cash. A provision of 1% is to be made on outstanding debtors. The amount to be debited to profit and loss account for current year's provision on debtors will be
- 5,000
  - 6,000
  - 1,000
  - None of these
7. Advance payment of tax is in the nature of \_\_\_\_\_
- Capital expenses
  - Revenue Expense
  - Pre-paid expenses
  - General expenses
8. Profit on cancellation of own debentures are transferred to \_\_\_\_\_
- P&L a/c
  - Capital reserve
  - General reserve
  - Development Rebate Reserve
9. Which one of the following statement is false?
- The process of issue of bonus shares is also known as capitalization of reserves
  - Fully paid bonus shares are issued only out of capital reserves
  - Only revenue reserves should be used when bonus is declared in order to make partly paid shares into fully paid shares.
  - Bonus shares are shares issued without payment
10. In what order the following items are shown on the liability side of the balance sheet.
- Share capital
  - Debentures
  - Sundry creditors
  - Proposed dividends
- Codes:
- I, II, III, IV
  - I, III, II, IV
  - II, III, IV, I
  - I, IV, II, III



11. **Generally Auditor is an-**
- A. Employee of the company
  - B. Agent of the company
  - C. Agent of the shareholders
  - D. None of these
12. **Auditing is-**
- A. An examination of books and vouchers of a company with the objective of enabling the auditor to state whether or not the financial statements reflect a true and fair view.
  - B. Verification of accounting data with a view of reporting on the reliability of the accounting statements.
  - C. Independent examination of financial information of any entity when such an examination is conducted with a view to expressing an opinion thereon.
  - D. Systematic and independent examination of data, statements, records, operations and performances (financial or otherwise) of an enterprise with a view to expressing.
13. **Which of the following statement is correct?**
- A. In all auditing situation, the only evidence available is books and vouchers.
  - B. An auditor seeks conclusive evidence in support of the proposition under examinations.
  - C. An auditor should collect evidence which assures a reasonable and competent man that the data, statements etc. under report fairly represent the reality as far as it can be determined. Accordingly, he seeks evidence, which is persuasive rather than conclusive in nature.
  - D. All of these
14. **Capital profits imply profits earned-**
- A. Through business transactions
  - B. From capital
  - C. From sales of fixed assets
  - D. From sale of current assets
15. **Internal check involves-**
- A. Reduction of work of cashier
  - B. Division of responsibilities of members of staff
  - C. Verification of inventory
  - D. Collusion among the members of staff

16. Which of the following statement best describes the nature of the relationship between statutory auditors and the internal auditors?
- A. Statutory auditors should consider the work of the internal auditors in determining the nature, timing and extent of their audit procedures.
  - B. Statutory auditors may rely on the internal auditor's judgment regarding the materiality of transaction
  - C. Internal auditors any assist the statutory auditors in performing compliance report
  - D. Internal auditors may assist the statutory auditors in performing substantive procedures.
17. The difference between internal audit and statutory audit is that-
- A. Internal auditor should be a qualified chartered accountant whereas statutory auditor need not hold such a qualification
  - B. Internal auditor has to submit his report to the shareholders while a statutory auditor has to submit his report to the management
  - C. Appointment of internal auditor is optional while the appointment of statutory auditor is obligatory
  - D. None of these
18. The essence of audit is-
- A. Billing
  - B. Purchasing
  - C. Vouching
  - D. Trading
19. The board of directors shall appoint first auditor of a company\_\_
- A. Within one month of completion of capital subscription state of the company
  - B. Within one month of the promotion of the company
  - C. Within one month of the commencement of the business of the company
  - D. Within one month of incorporation of the company
20. Financial management is not required to-
- A. Determine the financial needs
  - B. Effect arrange the funds
  - C. Manage the efficiency of the employees
  - D. St the financial arrangement

21. Net worth is -
- A.  $CA + FA - CL$
  - B. Capital-Fictitious Assets
  - C.  $CA - CL$  Debenture Fund
  - D. Capital - CL
22. A second hand machinery purchased for Rs. 1,00,000 five years ago was overhauled by carrying out same current repairs at a cost of Rs.10,000. It has also an accumulated depreciation of Rs 50,000. It has been disposed of in the beginning of the sixth year for Rs. 60,000. Profit/loss on such disposal shall be-
- A. Profit of Rs.10,000
  - B. Loss of Rs. 50,000
  - C. Loss of Rs. 40,000
  - D. No Profit, no loss
23. Depreciation is provided on-
- A. Current assets
  - B. Liquid assets
  - C. Fictitious assets
  - D. Fixed assets
24. Factor which determine the capital gearing is-
- A. Trading on equity
  - B. Elasticity of capital structure
  - C. Cost of financing
  - D. Divided policy
25. Difference of current assets and current liabilities is equal to-
- A. Net profit
  - B. Borrowed capital
  - C. Accrued income
  - D. Working capital
26. Overhead refers to:
- A. Direct Prime Cost
  - B. All Indirect costs
  - C. Only Factory Indirect Costs
  - D. Only indirect expenses



**27. Match the following**

**(Types of accounts)**

- (a) Job costing
- (b) Nominal Accounts
- (c) Personal Accounts
- (d) Departmental costing

**(Principles)**

- 1. Utility service
- 2. Automobile industry
- 3. Ship Building
- 4. Paper Making

- A. a-2, b-3, c-1, d-4
- B. a-3, b-4, c-2, d-1
- C. a-4, b-2, c-1, d-3
- D. a-3, b-2, c-1, d-4

**28. Prime cost =**

- A. Cost of direct labour + cost of direct material + direct expense
- B. Cost of indirect labour + cost of indirect material + direct Exp.
- C. Cost of direct labour + cost of direct material + indirect Exp.
- D. Cost of indirect labour + cost of direct material + indirect Exp.

**29. In 'make or buy' decision, it is profitable to buy from outside only when the supplier's price is below the firm's own \_\_\_\_\_**

- A. Fixed Cost
- B. Variable Cost
- C. Total Cost
- D. Prime Cost

**30. Statutory cost audit are applicable only to:**

- A. Firm
- B. Company
- C. Individual
- D. Society

**31. Cost Unit is defined as:**

- A. Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed
- B. A location, person or an item of equipment or a group of these for which costs are ascertained and used for cost control.
- C. Centers concerned with earning an adequate return on investment
- D. Fixed cost is a cost

32. **Sunk cost are:**
- A. Relevant for decision making
  - B. Not relevant for decision making
  - C. Cost to be incurred in future
  - D. Future costs
33. **Calculate value of closing stock from the following: Opening stock of finished goods (500 units): Rs. 2,000 Cost of production (10000 units): Rs.50,000 Closing stock (1000 units):**
- A. Rs. 4,000
  - B. Rs. 4,500
  - C. Rs. 5,000
  - D. Rs. 6,000
34. **Which one out of the following is not an inventory valuation method?**
- A. FIFO
  - B. LIFO
  - C. Weighted Average
  - D. EOQ
35. **Incomes which accrue or arise outside India but are received directly into India are taxable in case of**
- A. Resident only
  - B. Both ordinarily resident and NOR
  - C. Non-resident
  - D. All the assesses
36. **In which method depreciation is charged in Income Tax Act**
- A. Straight Line Method
  - B. Written Down Method
  - C. Sinking Fund Method
  - D. Other Method



37. R Ltd., is an Indian company whose entire control and management of its affairs is situated outside India. R Ltd., Shall be:
- A. Resident in India
  - B. Non-resident in India
  - C. Not ordinarily resident in India
  - D. None of these
38. Unabsorbed depreciation which could not be set off in the same assessment year, can be carried forward for:
- A. 8 Years
  - B. Indefinitely
  - C. 4 Years
  - D. None of the above
39. A is entitled to children education allowance@ Rs. 80 p.m. per child for 3 Children. The amount exempted will be \_\_\_\_\_.
- A. Rs. 200 p.m.
  - B. Rs. 160 p.m.
  - C. Rs. 240 p.m.
  - D. None of these
40. Exemption u/s 54B available for:
- A. Gain on Transfer of agricultural land
  - B. Gain on sale of Securities
  - C. Gain on transfer of house property
  - D. None of the above
41. Deduction under section 40(b) shall be allowed on account of salary/remuneration paid to:
- A. Any partner
  - B. Major partner only
  - C. Working partner only
  - D. None of these

- 3
42. The maximum exemption of gratuity amount is notified by Central Government shall be:
- A. 10,00,000
  - B. 13,00,000
  - C. 12,00,000
  - D. 14,00,000
- 3
43. Deduction under section 80C shall be allowed for:
- A. Any education fee
  - B. Tuition fee exclusive of any payment towards any development
  - C. fee or donation or payment similar nature
  - D. Tuition fee and annual charge
44. Employer's contribution to unrecognized provident fund shall be:
- A. Fully taxable
  - B. Fully exempt
  - C. Exempt up to 12% of salary
  - D. Taxable at the time of retirement
45. Share of partner in the income of partnership firm shall be.
- A. Taxable
  - B. Fully exempted
  - C. Exempted
  - D. Partially exempted
46. The country with highest GST Rate in the world is-
- A. USA
  - B. India
  - C. China
  - D. Greece
47. What kind of Tax is GST?
- A. Direct Tax
  - B. Indirect Tax
  - C. Depends on the type of goods and services
  - D. None of the above

**48. Qualities of branch banking not is**

- A. Division of Risk
- B. Banking Facilities
- C. Equal Interest Rate
- D. Loss in Branches

**49. When was RBI Nationalized**

- A. In 1935
- B. In 1939
- C. In 1948
- D. In 1969

**50. Central Bank creates Credit by:**

- A. Paper Money
- B. Deposit
- C. Derivative deposit
- D. All of Above



**PART - II**

Attempt **ANY TWO** Questions out of the following:

(25x2=50)

1. Mr. Umesh submits the following particulars of his income for the assessment year 2019-20: Rs.

(i) Income from the let out house (Computed)	6,000
(ii) Loss from self-occupied house	7,000
(iii) Profit of business of publication of books	22,800
(iv) Speculation income	4,000
(v) Short term capital gains	13,000
(vi) Long term capital gains	2,000
(vii) Dividend (from domestic company)	16,000
(viii) Winning in card game	10,000

The following items have been brought forward from the preceding assessment year 2018-19 :

(i) Loss from sugar business of A.Y. 2012-13 (discontinued in 2014-15)	6,500
(ii) Loss from books publication business (2012-13)	4,500
(iii) Loss in card game	2,000
(iv) Speculation loss	12,000
(v) Short term capital loss (A. Y. 2013-14)	6,000
(vi) Long term capital loss (A. Y. 2011-12)	7,000

You are required to compute his Gross Total Income.

2. "Quality circles tend to show little or no effect on the productivity of an organization" Do you agree? Suggest a framework to make it more responsive and effective?
3. "One of the instruments of industrial democracy is workers participation in Management" Comment on this statement and offer suggestion to make workers participation more relevant and effective.
4. "The Critics of organizational theory are of the view that modern theory of organization is like 'an old wine in new bottle'" Examine the statement.

5. The Balance Sheet of Shah Ltd. as on 31st March, 2019 was as follows:

**Balance Sheet**

Particulars	Amount
<b>I EQUITY AND LIABILITIES</b>	
<b>(1) Shareholders' Fund :</b>	
(a) Share Capital :	
(i) Authorized, Issued & Subscribed and Fully Paid up Capital:	
23,000 8% Cumulative Preference Shares of 100 each fully paid up	25,00,000
5,00,000 Equity Shares of ₹10 each fully paid up	50,00,000
(b) Reserve and Surplus :	
Surplus i.e. Balance of Statement of Profit & Loss	17,00,00
<b>(2) Non-Current Liabilities :</b>	
(a) Long-Term Borrowings:	
(i) Secured Loan : Bank Loan	30,00,000
<b>(3) Current Liabilities :</b>	
(a) Trade Payables :	
Sundry Creditors	
<b>Total</b>	<u>16,00,000</u> <u>1,38,00,000</u>
<b>II ASSETS</b>	
<b>(1) Non-Current Assets :</b>	
(a) Fixed Assets	
<b>(2) Current Assets</b>	48,00,000
<b>Total</b>	<u>90,00,000</u> <u>1,38,00,000</u>

Arrears of cumulative preference share dividends were amounted to have been paid to equity shareholders for twelve years. With a view to continue dividend distribution the following scheme of reorganization was framed and it received the sanction of the Tribunal on 15th May 2019:

- (i) The equity share of the company is to be reduced to 5 each.
- (ii) The authorized capital was increased to Rs. 1,00,00,000 by the creation of new equity shares of ₹5 each
- (iii) 3,00,000 new equity shares were issued as fully paid to preference shareholders for Arrears of dividend and they agreed to waive all arrears of dividend due to them.

- (iv) The new equity shares allotted to the preference shareholders were to rank for dividend and in all other respects of equal right with the reduced equity shares including the right to dividends in all respect of the profits for the year 2018-19.
- (v) Fixed assets were revalued at Rs. 38,00,000,
- (vi) On 31st 2019 in the annual general meeting it was decided to pay 8% dividend on the preference shares and a dividend of Rs. 1.50 per share on all equity shares for the year 2018-19. Ignore tax on dividend.

You are required to give journal entries to implement the above scheme and declaration of dividend out of the profits in the books of the company and prepare the company's Balance Sheet thereafter.



### PART-III

Attempt **ANY FIVE** Questions out the following:

(10x5=50)

1. State the provisions of Indian Accounting Standards regarding Foreign Exchange Transactions.
2. Define 'Responsibility Centre'. Explain its various types.
3. Discuss the functions and fundamental principles of commercial bank?
4. "Profit maximization is the goal of Financial Management." Critically examine.
5. Distinguish between Money market and Capital market.
6. "Cost accounting system is neither unnecessary nor expensive, rather it is profitable investment." Comment.
7. One thing is now universally accepted that in the long run the cost of training and greater the training activities in an organization, the less the doubt about its utility. Comment.
8. The following information is related to 'Alpha Co. Ltd.' for the year ended 31.3.2018:

Equity share capital (Rs10 each)	50 lakhs
12% Bonds of Rs 1,000 each	37 lakhs
Sales	84 lakhs
Fixed cost (excluding interest)	6.96 lakhs
Financial leverage	1.49
Profit volume ratio	27.55%
Income tax applicable	40%

You are required to calculate

- (i) Operating leverage
- (ii) Combined leverage
- (iii) Earnings per share

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