

Sikkim Public Service Commission

Written (Main) Examination for the post of Sub-Jailer

Time Allowed: 3 hours

PAPER - II
COMMERCE

Maximum Marks: 250

INSTRUCTIONS TO CANDIDATES

Read the instructions carefully before answering the questions: -

1. This Test Booklet consists of 12 (twelve) pages and has 63 (sixty-three) printed questions.
2. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS BOOKLET DOES NOT HAVE ANY UNPRINTED, TORN OR MISSING PAGES OR ITEMS. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.
3. Use only Black Ball Point Pen to fill the OMR Sheet.
4. Please note that it is the candidate's responsibility to fill in the Roll Number carefully without any omission or discrepancy at the appropriate places in the OMR ANSWER SHEET as well as on SEPARATE ANSWER BOOKLET for Conventional Type Questions. Any omission/discrepancy will render the Answer Sheet liable for rejection.
5. Do not write anything else on the OMR Answer Sheet except the required information. Before you proceed to mark in the OMR Answer Sheet, please ensure that you have filled in the required particulars as per given instructions.
6. This Test Booklet is divided into 3 (three) parts - Part-I, Part-II and Part-III.
7. All three parts are Compulsory.
8. Part-I consists of Multiple-Choice Questions. The answers for these questions have to be marked in the OMR Answer Sheet provided to you.
9. Parts II and III consist of Conventional Type Questions. The answers for these questions have to be written in the Separate Answer Booklet provided to you.
10. After you have completed filling in all your responses on the OMR Answer Sheet and the Answer Booklet(s) and the examination has concluded, you should hand over the OMR Answer Sheet and the Answer Booklet(s) to the Invigilator only. You are permitted to take the Test Booklet with you.
11. **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
(Multiple Choice Questions)

Choose the correct answer for Questions 1 to 50 from the given options. Each question carries 3 marks.
[50 x 3 = 150]

1. Goods in hand at the end of a year are called:
- Stock
 - Cost
 - Purchases
 - Profit

2. Book-keeping is -
- An Art
 - A Science
 - Physical Science
 - A Science & Art Both

3. Match the items in List-I with those in List-II:

List-I	List-II
1. Loose tools	A. Debit
2. Wages	B. Credit
3. Left side	C. Asset
4. Right side	D. Expense

Codes:

1	2	3	4
(a) B	C	D	A
(b) C	D	A	B
(c) C	B	A	D
(d) D	A	B	C

4. In India, the accounting standard board was set up in the year-
- 1956
 - 1975
 - 1977
 - 1932
5. Which of the following methods of depreciation is not recognized by Income Tax Law?
- Straight Line Method
 - Diminishing Balance Method

- Both, Straight Line and Diminishing Balance Methods
- None of the above

6. Which of the following is the example of Capital Reserve?
- Workmen's Compensation Fund
 - Premium Received on Issue of Shares or Debentures
 - General Reserve
 - None of the above

7. According to Balance Sheet equation concept, the capital will be-
- $Capital = Liabilities - Assets$
 - $Assets = Liabilities + Capital$
 - $Capital = Fixed Assets - Current Assets$
 - $Capital = Assets + Liabilities$

8. A machine was purchased on April 1, 2018 for Rs. 1,00,000 and its useful life is 10 years. After completing its useful life, the machine will be scrapped and Rs. 4,000 will be realized from it. It is decided to charge depreciation on this machine @ 10% p. a. on Diminishing Balance Method. What is the amount charged for depreciation for the year ending March 31, 2022?

- Rs. 8100
- Rs. 7290
- Rs. 6561
- Rs. 9000

9. Obsolescence term is due to:
- Tear and wear of the Assets
 - Decrease in the value of the assets which are engaged in production
 - Development of improved or superior quality of equipment.
 - Due to usage and age of assets

10. Which of the following is the cause of depreciation?
- Normal wear and tear
 - Cost of asset
 - Scrap value.
 - Decrease or increase in market price
11. Which of the following which is not a reserve?
- Reserve for Expansion.
 - Dividend Equalization Reserve
 - Secret Reserve
 - Provision for bad debts
12. How will you show the item Rent in the Income and Expenditure Account?
- Rent paid in the Current year - Rs. 6,000
 - Rent due in Current year - Rs. 800
 - Rent paid last year for this year - Rs. 600
 - Rent due of last year paid in this year - Rs. 2,000
 - Advance rent paid for next year in this year - Rs.1,600
- Rs. 7800
 - Rs. 6000
 - Rs. 3800
 - Rs. 5400
13. In case of a non-profit organisation, life membership fee is shown in -
- Income & Expenditure account only
 - Balance Sheet only
 - In Both (a) and (b)
 - None of the above
14. On first day of each month Muniya withdrew Rs 2,000 per month from the firm for her personal use during the year ending December 31, 2021. Interest is charged at the rate of 12% per annum. What is amount of Interest?
- Rs. 1,440
 - Rs. 2,880
 - Rs. 780
 - Rs. 1,560
15. A, B and C are partners in the firm sharing profits in the ratio of 3 : 2 : 1. B retired and his share was divided equally between A and C. Calculate the new profit-sharing ratio of A and C.
- 3 : 1
 - 1 : 1
 - 2 : 1
 - None of the above
16. The profit for the last five years of a firm were as follows:
- Year 2011 - Rs 1,20,000;
 Year 2012 - Rs 1,50,000;
 Year 2013 - Rs 1,70,000;
 Year 2014 - Rs 1,90,000;
 Year 2015 - Rs 2,00,000.
- Calculate goodwill of the firm on the basis of 3 years purchases of 5 years average profits.
- Rs. 1,66,000
 - Rs. 4,98,000
 - Rs. 8,30,000
 - Nil
17. The profit sharing ratio of A & B is 3 : 2. They want to share profits equally. What is the sacrifice of A?
- 1/20
 - 1/10
 - 1/15
 - 1/5
18. Final accounts prepared in narrative style are in-
- Vertical form
 - Horizontal form
 - Accounts form
 - None of the above
19. Arun, Tarun and Neha are partners sharing profits in the ratio of 3 : 2 : 1. Neha dies on 31st May 2014. Sales for the year 2019-2020 amounted to Rs. 4,00,000 and the profit on sales is Rs. 60,000. Accounts are closed on

- 31st March every year. Sales from 1st April 2014 to 31st May 2014 is Rs. 1,00,000. Calculate the deceased partner's share in the profit up to the date of death.
- Rs. 15,000
 - Rs. 2,500
 - Rs. 3,000
 - Rs. 7,500
20. Stock in trade is valued _____.
 (a) At Cost Price or Market Price whichever is less.
 (b) At Market Price.
 (c) At Cost Price.
 (d) At Cost Price Less Depreciation
21. The portion of share capital which can be called up only on the winding up of a company is known as-
 (a) Called up Capital
 (b) Reserve Capital
 (c) Authorised Capital
 (d) Paid up Capital
22. Premium received on issue of shares cannot be utilised for _____.
 (a) the issue of bonus shares
 (b) buy back of shares
 (c) providing premium payable on redemption
 (d) distribution of dividend
23. When shares are issued at a premium, which of the following account is credited?
 (a) Share Forfeited account
 (b) Share First call account
 (c) Securities Premium account
 (d) Share Allotment account
24. If a Company issued 10,000 shares @ Rs. 100 per share, then the minimum share Application money is:
 (a) Rs 50,000
 (b) Rs. 1,00,000
 (c) Rs.10,000
 (d) Rs. 15,000
25. If Vendors are issued fully paid 5% Debenture of Rs. 1,60,000 in consideration of Net Assets of Rs. 1,75,000, the balance of Rs. 15,000 will be credited to:
 (a) Goodwill Account
 (b) Capital Reserve Account
 (c) Profit and Loss Account
 (d) None of These
26. Share Application Account is in the nature of:
 (a) Real Account
 (b) Nominal Account
 (c) Personal Account
 (d) None of the above
27. Which of the following statements is false?
 (a) A Company can issue redeemable debentures.
 (b) A Company can issue debentures with voting rights.
 (c) A Company can issue convertible debentures.
 (d) A Company can buy its own debentures and shares.
28. Debentures of a Company can be issued:
 (a) for cash
 (b) for consideration other than cash
 (c) as a collateral security
 (d) All of the above
29. On issue of debentures as a collateral security, which of the following account is credited?
 (a) Debentures Account
 (b) Bank Loan Account
 (c) Debenture Suspense Account
 (d) Debenture Holdings Account
30. According to the guidelines issued by Securities and Exchange Board of India (SEBI), what percentage of the amount of debenture issue must be transferred to 'Debentures Redemption Reserve' before the commencement of redemption of

debentures, in case of convertible debentures?

- (a) 25%
- (b) 50%
- (c) 100%
- (d) Nil

31. The main objective of analysis of financial statement is:

- (a) to know the financial strength.
- (b) to make comparative study with other firms.
- (c) to know the efficiency of management.
- (d) All of the above.

32. Which of the following is not a limitation of analysis of Financial Statements?

- (a) Price level changes ignored
- (b) Intra Firm comparison possible
- (c) Window Dressing
- (d) Subjectivity

33. Match the items in List-I with those in List-II:

List-I	List-II
A. Proprietary Ratio	I. Profitability Ratio
B. Return on Investment	II. Liquidity Ratio
C. Acid Test Ratio	III. Solvency Ratio
D. Stock Turnover Ratio	IV. Activity Ratio

Codes:

- | | | | | |
|-----|-----|----|-----|-----|
| | A | B | C | D |
| (a) | IV | I | II | III |
| (b) | II | I | III | IV |
| (c) | III | I | II | IV |
| (d) | III | II | I | IV |

34. Current Assets do not include:

- (a) Cash in Hand
- (b) Goodwill
- (c) Prepaid Expenses
- (d) Accrued Income

35. Working capital is:

- (a) equal to Cash & Bank Balance
- (b) the amount borrowed from financial institution
- (c) the difference between Current Assets and Fixed Assets
- (d) the difference between Current Assets and Current Liabilities

36. Liquid Assets equal to:

- (a) $\text{Current Assets} - \text{Inventory} + \text{Prepaid Expenses}$
- (b) $\text{Current Assets} - \text{Prepaid Expenses}$
- (c) $\text{Current Assets} - \text{Inventory} - \text{Prepaid Expenses}$
- (d) $\text{Current Assets} + \text{Inventory} - \text{Prepaid Expenses}$

37. Which of the following is not Activity Ratio?

- (a) Inventory Turnover Ratio
- (b) Interest Coverage Ratio
- (c) Working Capital Turnover Ratio
- (d) Trade Receivable Turnover Ratio

38. Which of the following is not a source of cash?

- (a) Issue of Shares
- (b) Sale of Assets
- (c) Purchases of Furniture
- (d) Dividend Received

39. Which of the following is an example of cash flow from operating activities?

- (a) Purchases of Building
- (b) Purchases of Marketable Securities
- (c) Issue of Shares
- (d) Purchases of Inventory in Cash

40. Mention the net amount of source or use of cash when a fixed asset having Book Value of Rs 15,000 is sold at a loss of Rs 5,000.

- (a) Use Rs 5,000
- (b) Use Rs 15,000
- (c) Source Rs 10,000
- (d) Source Rs 15,000

41. The auditor is generally expected to carry out the following in a particular sequence-

1. Verification of Assets and Liabilities.
2. Vouching of transactions.
3. Checking of valuation of Assets and Liabilities.

Select the correct sequence of the above from the codes below:

- (a) 1, 3 and 2
- (b) 3, 2 and 1
- (c) 2, 1 and 3
- (d) 3, 1 and 2

42. "Auditor is a watchdog and not a blood hound" was a remark made in the case of-

- (a) The London Oil Storage Co. Ltd., 1904
- (b) Kingston Cotton Mills Ltd., 1896
- (c) London and General Bank, 1895
- (d) Delightful Cigarette Co. Ltd., 1943

43. Generally, the Auditor is an:

- (a) Agent of The Shareholders
- (b) Agent of The Company
- (c) Employee of The Company
- (d) None of the above

44. Audit Programme is prepared by:

- (a) The auditor.
- (b) The client.
- (c) The audit assistants.
- (d) The auditor and his audit assistants.

45. A kind of audit conducted for a part of the accounting year is called:

- (a) Partial Audit.
- (b) Periodical Audit.
- (c) Cost Audit

(d) Interim Audit

46. Management audit is otherwise called as:

- (a) Final Audit.
- (b) Cost Audit.
- (c) Efficiency Audit
- (d) Cash Audit

47. Which of the following is a disadvantage of social responsibility?

- (a) Possession of resources
- (b) Ethical obligation
- (c) Violation of profit maximisation
- (d) Public image

48. Test Checking refers to_____.

- (a) Testing of accounts and records
- (b) Checking of selected number of transactions
- (c) Examination of adjusting and closing entries
- (d) Checking of all transactions recorded

49. The main purpose of internal audit is to:

- (a) Detection of errors and fraud
- (b) Checking accounts
- (c) To divide the functions of the organization into employees
- (d) Verification of assets

50. Special audit can be ordered by:

- (a) Preference shareholders
- (b) The Central Government
- (c) SEBI
- (d) Debenture holders

PART - II
(Conventional Type Questions)

Answer any 2 (two) from Questions 51 to 55. Each question carries 25 marks.

[2 x 25 = 50]

51. From the following trial balance of Pranaya as on 31st December, 2014, prepare Trading and Profit & Loss account for the year ended 31st December, 2014 and a Balance Sheet as on that date after making necessary adjustments. Also, give journal entries for these adjustments.

Trial Balance as on 31-12-2014		
Name of Account	Dr. Balances (Rs.)	Cr. Balances (Rs.)
Pranaya's Capital Account	-	1,00,000
Drawings	24,000	-
Plant and Machinery	45,000	-
Stock (1st Jan, 2020)	15,000	-
Purchases	85,000	-
Return inwards	5,000	-
Sundry Debtors	24,600	-
Freight and duty	2,000	-
Carriage outwards	1,600	-
Rent Rates & Taxes	3,800	-
Sundry Creditors	-	22,000
Postage & Courier Expenses	1,800	-
Sales	-	1,35,000
Provision for Bad Debts	-	600
Discount	-	800
Insurance Premium	900	-
Wages	23,000	-
Cash in Hand	6,200	-
Cash at Bank	20,500	-
	2,58,400	2,58,400

Adjustments:

- (i) Stock on 31st December, 2014 was valued at Rs. 24,000.
- (ii) Write off Rs. 600 as bad debts.
- (iii) Provision for doubtful debts is to be maintained at 5% on sundry debtors.
- (iv) Provide depreciation on plant and machinery at 20%. A machine costing Rs. 1,500 was purchased on 1st July, 2014.
- (v) Wages outstanding amounted to Rs. 1,500 and Insurance Prepaid was Rs. 250.

52.

(A) Explain in brief the following terms: [10]

- (I) Legacy
- (II) Entrance fees
- (III) Subscriptions
- (IV) Specific Donation

(B) Describe briefly the following: [15]

- (i) Secret Reserves
- (ii) Revenue Reserves
- (iii) Specific Reserves
- (iv) Sinking Fund

53. Mohan and Hemchand are partners sharing the profits and losses in the ratio of 7 : 3. On March 31, 2020, their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Capital		Bank	12,000
Hemchand 88,000		Sundry Debtors	45,000
Mohan 64,000	1,52,000	Bills receivables	30,000
Sundry creditors	32,000	Inventory	35,000
Bills payable	38,000	Investment	13,000
Reserve	18,000	Machinery	40,000
		Freehold Building	45,000
		Goodwill	20,000
	2,40,000		2,40,000

They admit Taruna into partnership on the following terms:

- (i) Inventory is revalued at Rs. 40,000.
- (ii) Freehold Building, Machinery and Investment are depreciated by 12%.
- (iii) Prepaid Insurance is Rs. 1,000.
- (ii) Taruna brings Rs. 40,000 as his capital and Rs. 12,000 for goodwill for 1/6 share of profit of the firm.
- (iii) Capital of the partners shall be proportionate to their profit-sharing ratio. Adjustment of Capitals to be made by Cash.

Prepare Revaluation Account, Partners' Capital Account, Cash Account and Balance Sheet of the new firm.

54.

- (a) "Vouching is backbone of auditing". In the light of this statement discuss the importance of vouching. [10]
- (b) What do you mean by Test Check in Auditing? State what precautions should be taken in this connection. [15]

55. A limited company issued a prospectus inviting applications for 2,00,000 shares of Rs.100 each at a premium of Rs. 20 per share payable as follows - on Application Rs. 30, on Allotment Rs. 40 (including premium), on First Call Rs.30 and on Second Call Rs.20.

Applications were received for 3,00,000 shares and allotment was made on pro-rata basis. Money overpaid on applications was employed on account of sums due on allotment.

Ram, to whom 400 shares were allotted failed to pay the allotment money and on his subsequent failure to pay the First Call his shares were forfeited. Mohan, the holder of 600 shares failed to pay the two calls and his shares were forfeited after the Second Call. Of the shares forfeited, 800 shares

were sold to Kailash as fully paid, Kailash paying Rs.90 per share, the whole of Ram's share being included.

Give journal entries, prepare Bank Account and show how the Share Capital will be shown in the Company's Balance Sheet.

PART - III

(Conventional Type Questions)

Answer any 5 (five) from Questions 56 to 63. Each question carries 10 marks.

[5 x 10 = 50]

56.

- (i) Subscription received during the year 2020 - 15,000
- (ii) Subscription outstanding as on 31st December 2020 - 1,500
- (iii) Subscription received in the year 2019 on account of year 2020 - 800
- (iv) Subscription received in the year 2020 for outstanding amount of the year 2019 - 400
- (v) Subscription received in the year 2020 for the year 2021 - 600

Calculate the amount of subscription received to be shown in the Income and Expenditure Account and balance sheet for the year adding 31st Dec, 2020. Prepare Subscription account.

57. Differentiate between Receipt and Payment Account and Income and Expenditure Account on the basis of:

- (i) Nature
- (ii) Adjustment
- (iii) Side
- (iv) Transfer of closing balance.
- (v) Capital and Revenue Expenditure.

58.

(A) Abhay, Bhavya and Chinu are partners sharing profits and losses in the ratio of 3 : 2 : 1. Their respective fixed capitals were 1,00,000, 80,000 & 40,000. After the final accounts have been prepared, it was discovered that interest on drawings @ 5% p.a. had not been taken into consideration. The drawings of the partners were: Abhay - Rs. 75,000; Bhavya - Rs. 63,000; Chinu - Rs. 60,000. Give the necessary adjusting journal entry. [4]

(B) Mona and Krishna are partners with a capital of Rs. 80,000 and Rs. 1,00,000 respectively.

They agree on the followings:

- (a) To share profit equally.
- (b) Interest allowed on capital @ 9% p.a.
- (c) Interest charged on drawing @ 6% p.a.
- (d) Salary to be paid to Krishna @ Rs. 600 per month.
- (e) Mona withdrew Rs. 8,000 and Krishna Rs. 6,000 during the year.

Profit for the year ending March 31, 2021 was Rs. 56,000.

You are required to prepare Profit and Loss Appropriation account. [6]

59. (a) Mention the list of amounts to be given at the time of death of a partner. [5]
(b) Write the difference between Revaluation account and Realisation Account. [5]

60. Discuss the qualification and disqualification of a company Auditor.
61. What do you mean by Cash Flow Statement? State main objectives of cash flow statement.
62. What do you mean by Auditing? Explain the principle of Auditing.
63. "Accountancy is a necessity while auditing is a luxury for a business concern." Do you agree? Give 5 reasons to support your opinion.

~~~~~\*\*\*~~~~~