

# Sikkim Public Service Commission

Main Written Examination for the Post of Sikkim State Civil Service

OPTIONAL PAPER - COMMERCE & ACCOUNTANCY

Time Allowed : 3.00 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 carefully and without any omission or discrepancy at the appropriate places in the **OMR ANSWER SHEET** as well as on **SEPERATE ANSWER SHEET** for MCQ / SUBJECTIVE PAPER. Any omission/discrepancy will render the Answer Sheet liable for rejection.
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 75 items (questions) in MCQ Mode in Part I to be marked in OMR Sheet and Part II Subjective Questions, which has to be written on seperate answer sheet provided to you.**
6. **All items from 1 to 75 carries 2 mark 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 Seperate 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 CANDI DATE 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**

# Paper – Commerce & Accountancy

## PART – I : OBJECTIVE / MCQ

Each question carries 2 marks:

(75X2= 150 Marks)

### PAPER - I

- In accounting, profit prior to incorporation is treated as :  
a) Revenue Reserve    b) Secret Reserve    c) Capital Reserve    d) General Reserve
- Receipts and Payments Account is prepared by :  
a) Manufacturing concerns    b) Non-Trading Concerns    c) Trading Concerns  
d) Companies registered under Companies Act 1956
- Owners equity stands for :  
a) Fixed Assets minus Fixed Liabilities  
b) Fixed Assets minus Current Liabilities  
c) Current Assets minus Fixed Liabilities  
d) Total Assets minus Total outside Liabilities
- The main objective of Accounting Standards is :  
a) To prepare the accounting reports which is easily understood by common man.  
b) To comply with the legal formalities.  
c) To harmonize the diversified accounting practices.  
d) To comply with the requirements of the International Accounting Standards (IAS).
- If the current ratio is 2:1 and working capital is Rs. 60000, what is the value of the Current Assets?  
a) Rs 60000    b) Rs 100000    c) Rs 120000    d) Rs 180000
- Who is considered Father of Scientific Management?  
a) Peter Drucker    b) F.W Taylor    c) Victor Vroom    d) Henry Fayol
- The Securities and Exchange Board of India is not entrusted with the function of–  
a) Investor Protection  
b) Ensuring Fair practices by companies.  
c) Promotion of efficient services by brokers.  
d) Improving the earnings of equity shareholders.
- If Opening Stock is Rs.10000, Net Purchases Rs.70000, Wages Rs. 2500, Carriage Inward Rs 500 and Closing Stock Rs 15000. What is the Manufacturing Cost?  
a) Rs 65000    b) Rs 83000    c) Rs 68000    d) Rs 73000
- X and Y are partners in a firm sharing profits in the ratios of 2:1. Z is admitted with a 1/3 profit sharing. What will be the new profit sharing ratio of X,Y and Z?  
a) 3:3:3    b) 4:3:2    c) 4:2:3    d) 2:3:4

10. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R)--

Assertion ( A ) : Sinking Fund is a charge against profit and loss account.

Reason ( R ) : Sinking fund is created for repayment of a long term liability.

In the context of the above two statements, which one of the following is correct?

- a) (A) is correct, but (R) is wrong
  - b) Both (A) and (R) are correct
  - c) (A) is wrong, but (R) is correct
  - d) Both (A) and (R) are wrong
11. Match List – I with List – II and select the correct answer using the codes given below the lists:

List – I

- A. Goodwill of a company
- B. Overdraft
- C. Preliminary Expenses
- D. Premium on Issue of Shares

List - II

- 1. Current Liability
- 2. Fixed Assets
- 3. Reserves and Surplus
- 4. Fictitious Assets

Codes:

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

12. In India, which of the following is prepared on the guidelines of AS-3 ( Accounting Standard 3 )?

- a) Balance Sheet of a company
- b) Funds Flow Statement
- c) Cash Flow Statement
- d) Consolidated Financial Statement

13. Who has given 'Fourteen Principles of Management'-

- a) Henry Fayol
- b) Barnard
- c) F.W Taylor
- d) Flemming

14. Equity Share Capital have-

- a) Voting right
- b) Fixed Dividend
- c) Fixed Rate
- d) Interest

15. Section 78 is related to-

- a) Security Premium Account
- b) Company
- c) Board of Directors
- d) Voting Right

16. What is calculated by dividing shareholders funds by the total assets –  
 a) Gross Profit      b) Liquid Ratio      c) Proprietary Ratio      d) Debt Ratio
17. The Turnover means –  
 a) The number of times      b) Profit      c) Cost      d) Dividend
18. Pooling of Interest method is followed when amalgamation is in the form of –  
 a) A merger      b) Unit      c) Transfer      d) Cost
19. Trademark A/c is a –  
 a) Real A/c      b) Nominal A/c      c) Personal A/c      d) All of these
20. List C is related to-  
 a) Preferential creditor      b) Liabilities      c) Assets      d) Surplus A/c
21. The main objective of auditing is -  
 a) Detection of Errors  
 b) To find out whether Profit & Loss accounts and Balance Sheet show true and fair state of the affairs of the company.  
 c) Detection of Frauds  
 d) Detection and prevention of frauds and errors
22. Propriety audit refers to-  
 a) Verification of Accounts  
 b) Examination of accounts of proprietary concerns  
 c) Enquiry against justification and necessity of expenses  
 d) Audit of Government companies
23. Government may order for Special Audit under Section..... Of the Companies Act, 1956-  
 a) Section 227      b) Section 233A      c) Section 233B      d) Section 224
24. Management Audit means-  
 a) Audit undertaken on behalf of the management  
 b) Evaluating performance of various management processes and functions  
 c) Audit undertaken on behalf of government to punish management  
 d) Compulsory Audit of company management
25. Internal check refers to–  
 a) Checking of record by the cashier  
 b) Checking of accounts by the internal auditor  
 c) Checking of work of one person by another automatically  
 d) Managerial control internally over the subordinates
26. Valuation of assets on a wrong basis is a –  
 a) Technical error  
 b) Clerical error

- c) Error of principle
  - d) Compensating error
27. Test checking refers to-
- a) Testing of accounting records
  - b) Testing of honesty of employees
  - c) Intensive checking of a selected number of transactions
  - d) Checking of all transactions recorded
28. Which of the following is not a kind of Audit ?
- a) Statutory and Private Audit
  - b) Government and Continuous Audit
  - c) Final and Interim Audit
  - d) Non of the Above
29. Audit done by the Employees of the business undertaking is called.....
- a) Final Audit
  - b) Management Audit
  - c) Government Audit
  - d) Company Audit
30. Test checking should not be applied to-
- a) Sales Book
  - b) Purchases Book
  - c) Bank Reconciliation Statement
  - d) Bills Book
31. Purchase Returns should be vouched with the help of -
- a) Bought Notes
  - b) Credit Notes
  - c) Goods Inwards Book
  - d) Cash Book
32. First auditor of a company is appointed by the -
- a) Shareholders
  - b) Central Government
  - c) Company Law Board
  - d) Board of Directors
33. Which of the following person is not qualified to be a company auditor?
- a) A Body Corporate
  - b) An employee of the company
  - c) A man of unsound mind
  - d) All of the above
34. A Special Auditor is appointed by the -
- a) Shareholders
  - b) Board of Directors
  - c) Central Government
  - d) Comptroller and Auditor General of India

35. Remuneration of a company auditor is fixed by the -
- Shareholders
  - Board of Directors
  - Central Government
  - Appointing Authority
36. Civil Liability of an Auditor implies liability for -
- Fraud
  - Misappropriation of cash
  - Incorrect Reporting
  - Misfeasance
37. Cost Audit Report is to be furnished to -
- The Central Government with a copy to the company
  - The Central Government only
  - The company only
  - The shareholders of the company
38. An audit engagement letter should preferably be sent-
- Before the commencement of audit
  - Immediately after the commencement of audit
  - Any time before the completion of audit
  - After the completion of audit
39. A Public company must have atleast ..... Directors as per Sec 252(1) of the Companies Act 1956
- Two
  - Three
  - Four
  - Five
40. In case of which business form managing committee is elected by the members on the basis of one member one vote irrespective of the number of shares held
- Sole proprietorship
  - Partnership
  - Joint stock Company
  - Cooperative society
41. .... is a document of title which gives the holder the right of possession of goods.
- Bill of Lading
  - Certificate of Origin
  - Bills of Exchange
  - Letter of Credit
42. Which one of the following is not a type of External Trade?
- Import Trade
  - Export Trade
  - Entrepot Trade
  - None of these
43. In which type of Insurance a part of premium payable by the insured is borne by Government
- Life Insurance
  - Social Insurance
  - Marine Insurance
  - General Insurance
44. A firm practicing price discrimination will be -
- Charging different prices for different qualities of a product
  - Buying in the cheapest and selling in the dearest markets
  - Charging different prices in different markets for a product
  - Buying only from firms selling in bulk at a distance

45. The LIC was established in -  
 a) 1920                      b) 1926                      c) 1956                      d) 2001
46. The monetary policy is announced by the -  
 a) Governor of RBI  
 b) President of India  
 c) Prime Minister  
 d) SEBI
47. SEBI was established in -  
 a) 1988                      b) 1995                      c) 1982                      d) 2000
48. Mutual fund are traded by -  
 a) SEBI                      b) RBI                      c) SBI                      d) PNB
49. Which one of the following does not constitute the purpose of setting up SEBI?  
 a) To protect the interests of the investors in securities  
 b) To promote the development of the securities market  
 c) To regulate the global securities market  
 d) To deal with matters connected with fraudulent and unfair trade practices relating to securities markets
50. Both 'security' and 'Investment' elements are available -  
 a) Only in Life Insurance  
 b) in both Life and Fire Insurance  
 c) in both Marine and Fire Insurance  
 d) in Life, Marine and Fire Insurance
51. Of the following organizations, the easiest to wind up is the -  
 a) Public Limited Company  
 b) Multinational Corporation  
 c) Private Limited Company  
 d) Partnership firm
52. The maximum number of partners in a firm for a general business is -  
 a) 7                      b) 10                      c) 50                      d) 20
53. Participating preference shares are those which participate  
 a) In the voting  
 b) in the general meeting of the company  
 c) in the management of the company  
 d) in the profits over and above their fixed dividend
54. In which of the following, rate of interest/dividend is not fixed?  
 a) Equity capital              b) Debentures              c) Preference capital              d) Public deposits
55. To which of the following types of companies, debentures suit as a source of finance?

- a) Companies with fluctuating earnings
  - b) Companies with stable earnings
  - c) Companies which cannot earn a rate of profit higher than the rate of interest payable on debentures
  - d) All of the above
56. First debentures are those
- a) which are issued before share capital
  - b) which are repayable before other debentures
  - c) which are secured by a floating charges
  - d) which are secured by a fixed charge
57. The first stock exchange was set up in India in
- a) Calcutta
  - b) Bombay
  - c) Delhi
  - d) Madras
58. Under writes are persons who
- a) purchase the shares and debentures of a company
  - b) work as agents of the company for the sale of shares and debentures
  - c) manage the issues of shares and debentures
  - d) undertake to buy those shares and debentures not subscribed for by the public
59. Which of the following is not a component of the new issue market?
- a) Stock exchange
  - b) Unit Trust of India
  - c) Financial Institution- IFC, IDBI
  - d) LIC
60. Which of the speculators expects the price of securities to rise in the near future?
- a) Bull
  - b) Bear
  - c) Stag
  - d) Lane Duck
61. An existing company raising additional capital
- a) must offer the new shares to the existing share holders
  - b) need not offer the new shares to the existing share holders
  - c) issue shares to debenture-holders
  - d) issue shares to preference shareholders
62. Espirite De corps is a principle of-
- a) Management
  - b) Price
  - c) Economics
  - d) Auditing
63. Which is called 'Bottom up' communication?
- a) Written communication
  - b) Line
  - c) Upward communication
  - d) Message



64. Grapevine channels involves  
 a) Single standard chain      b) Gossip chain      c) Cluster chain      d) All of these
65. Marketing concept is based on-  
 a) Customer Orientation      b) Supply      c) Demand      d) Need
66. Pricing objectives includes-  
 a) Profit maximization      b) Market share      c) Price stabilization      d) All of these
67. Personal selling is a part of -  
 a) Price  
 b) Product  
 c) Promotion programme  
 d) Value
68. Sales promotion is based on -  
 a) Salesmen      b) Dealers      c) Consumers      d) All of these
69. The sources of the rules relating to internal management of a company is known from -  
 a) Memorandum of Association  
 b) Prospectus  
 c) Articles of Association  
 d) Fundamental Rules
70. Brainstorming is used by the management for  
 a) Work allocation on the shop floor  
 b) Generating alternatives for problem solving  
 c) The promotion of research and development  
 d) Training employees
71. Which is a part of Issued capital?  
 a) Subscribed capital  
 b) Unissued capital  
 c) Paid up capital  
 d) All of these
72. Which of the following is the non-random method of selecting samples from a population?  
 a) Stratified Sampling  
 b) Quota Sampling  
 c) Systematic Sampling  
 d) Cluster Sampling
73. Section 85(1) of Companies Act is related to-  
 a) Mutual Fund      b) Calls-in-advance      c) Preference Share Capital      d) Dividend

74. Which among the following is not a category of Non-Performing Assets?

- a) Substandard Assets
- b) Doubtful Debts
- c) Loss Assets
- d) Devaluated Assets

75. Interest on capital paid by a firm to its partners, under the Income Tax Act, 1961, is allowed -

- a) 6%
- b) 12%
- c) 15%
- d) 18%

## PART – II

Subjective / conventional Marks: 150

This paper consists of : A - 10 question of 5 marks each.....50 Marks

B - 5 question of 10 marks each.....50 Marks

C - 2 question of 25 marks each.....50 Marks

### A. Attempt only 10 questions, each question carries 5 marks.

1. Which transactions are recorded in Journal Proper?
2. Write a short note on GAAP?
3. What is the importance of Break-even point to the management?
4. Mention any five significance of capital gearing ratio?
5. Discuss the advantages and limitations of Test Checking?
6. Explain the difference between Reserves and Provisions?
7. Distinguish between Audit and Investigation?
8. Discuss the constituents of the Indian Capital Market?
9. Calculate the amount of subscriptions to be credited to Income and Expenditure Account of the year 2017.

i) Subscriptions received during 2017	12000
ii) Subscriptions received in advance for 2018	1600
iii) Subscriptions outstanding at the beginning of 2017	2000
iv) Subscriptions outstanding at the closing of 2017	700
10. The figure of Sundry Debtors in a Trial Balance is Rs. 90000. You are asked to write off Rs.5000 as bad debts and make a provision for doubtful debts @ 5% on Sundry debtors. Pass the the necessary Journal Entries.
11. What is the difference between Life Insurance and General Insurance business?
12. Calculate Current Ratio from the following:

Debentures	140000
Stock in trade	70000
Bank Balance	30000
Debtors	60000
General Reserve	40000
Creditors	66000
Share Capital	120000
Bills Payable	14000
13. What are the advantages and disadvantages of Decentralisation?
14. A and B are equal partners. They decide to admit C for equal share. For the purpose of admission of C, the goodwill of the firm to be valued at 4 years' purchase of super-profit. The Capital employed in the firm Rs. 100000. The normal rate of return may be taken as 10 % p.a. Average maintainable profit of the firm is Rs. 15000. Calculate the value of Goodwill.

**B. Attempt only 5 questions, each question carries 10 marks.**

1. Discuss the rights and duties of an auditor of a company under the Companies Act 1956?
2. List the main clauses of the Memorandum of Association?
3. When can revenue be recognized in case of a transaction of sale of goods as in Accounting Standard- 9?
4. "Management by Objectives is not a technique of management but a total way of managing." Do you agree? Give reasons in support of your answer.
5. Pass Journal entries under the following circumstances:
  - i) A,B, and C are partners sharing profits and losses equally. A retires. B and C decided to share profits and losses in the ratio 4:1. The value of the goodwill is Rs.45000.
  - ii) A,B and C are partners sharing profits and losses in the ratio 4:3:2. B retires. The value of the goodwill is Rs 45000. A and C decide to share profits and losses in the ratio of 3:2.
6. A holds 200 shares of Rs. 10 each on which he has paid Rs 2 on application money. B holds 400 shares of Rs 10 each on which he has paid Rs 2 per share as application money and Rs 3 per share on allotment money. C holds 300 shares of Rs 10 each and has paid Rs. 2 on application, Rs 3 on allotment and Rs. 3 on first call. They all fail to pay their arrears on the second and final call of Rs. 2 per share. The directors, therefore forfeit their shares. The shares are issued subsequently for Rs. 12 per share fully paid up. Give the Journal Entries relating to the forfeiture and re-issue.
7. Show Journal entries to record the following and show their effects on respective Balance Sheets.
  - i) Parama Ltd. issued 12% Debentures of Rs. 300000 at par redeemable after 10 years at a premium of 10 %.
  - ii) Budima Ltd. issued 13% Debentures of Rs.500000 at a discount of 5% repayable after 10 years at a premium of 10%.
8. From the following particulars prepare a Fund Flow Statement for the year ended 31<sup>st</sup> December 2017.

a) Issue of Shares	50000
b) Net Profit during the year	17000
c) Purchase of Land	20000
d) Purchase of Investment	40000
e) Sale of Plant	10000
f) Depreciation Charged	3000
g) Dividend Receivable	1000
h) Decrease in Working Capital	9000
i) Redemption of Debentures	10000
J) Redemption of Preference shares	20000
k) Dividend Paid	5000
l) Payment of Tax	5000
m) Sale of Investment	7000
n) Transfer to Reserve	5000

**C. Attempt only 2 questions, each question carries 25 marks.**

1. "Controlling as a function of Management means the measurement and correction of performance of activities of subordinates." Discuss the concept of managerial control and give the steps of the control process.
2. Following are the Balance Sheets of X Ltd. for the year ended 31<sup>st</sup> March 2016 and 31<sup>st</sup> March 2017, respectively:

Balance Sheet					
Liabilities	31.03.16	31.03.17	Assets	31.03.16	31.03.17
Share Capital	100000	150000	Fixed Assets	100000	130000
Profit and Loss A/C	60000	80000	Less: Depreciation	<u>9000</u>	<u>12000</u>
				91000	118000
Creditors	30000	25000	Investments	4000	8000
Provision for Tax	20000	25000	Stock	80000	109000
Proposed Dividend	10000	15000	Debtors	30000	40000
			Cash	15000	20000
	<u>220000</u>	<u>295000</u>		<u>220000</u>	<u>295000</u>

Additional information:

Tax and Dividend were paid Rs.22000 and Rs.12000 respectively, during the years. Prepare a Cash Flow Statement.

3. From the following details available prepare a summarized Balance Sheet of ABC Ltd. as at 31<sup>st</sup> Dec 2017.

Fixed Assets to Net Worth	.75 : 1
Current Ratio	5 : 2
Acid Test Ratio	3 : 2
Reserve included in Proprietor's Fund	1 : 4
Current Liabilities	Rs. 2,00,000
Cash and Bank balance	Rs. 10,000
Fixed Assets	Rs. 6,00,000

4. You are given a Trial Balance for the year ended 31.12.2017. From it you are required to prepare a Trading Account and a Profit & Loss A/C for the year ended 31.12.2017 and a Balance Sheet as at that date:

Dr.	Rs.	Cr.	Rs.
Plant and Machinery	10000	Goods Returned	2000
Building	10000	Sales	64000
Furniture & Fittings	7000	Sundry Creditors	56000
Sundry Debtors	50000	Loan	25000
Cash in hand	1500	Capital	63450
Cash at Bank	26000		
Travelling Expenses	2500		
Bad Debts	450		
Goods Returned	4000		
Purchases	36000		
Wages	9000		
Salaries	9000		
Office Rent	1800		
Insurance	1000		
Interest on Loan	3000		
Office and General Expenses	1200		
Stock on 1.1.2017	28000		
Drawings	<u>10000</u>		
	210450		<u>210450</u>

**Additional Information**

- i) Closing Stock was valued at Rs 50000
- ii) Outstanding Wages Rs 3000
- iii) Provision for Bad Debts at 5% on Debtors to be created.
- iv) Depreciate Plant and Machinery at 5% p.a
- v) Furniture & Fittings at 15% p.a and Buildings