

SIKKIM PUBLIC SERVICE COMMISSION

Main Written Examination for the Post of Co-operative Inspector
and Co-operative Auditor

Subject : Commerce

Time : 3 hrs.

Maximum Marks : 200

Note : Questions are divided into four sections.

Section - I

1. Objective type questions
All questions are compulsory (1 mark x 10 = 10 marks)
 - (a) Revaluation account (or alternatively profit and loss adjustment account) is a
 - (i) Real account
 - (ii) Nominal Account
 - (iii) Personal Account
 - (iv) None of the above
 - (b) At the time of retirement of a partner, if goodwill appears in the balance sheet, it must be written off, the capital account of all partners are debited in :
 - (i) The old profit - sharing ratio
 - (ii) The new profit - sharing ratio
 - (iii) The capital ratio
 - (iv) None of the above
 - (c) A, B and C are partners sharing profit in the ratio of 2:2:1. C retired. The new profit sharing ratio between A and B will be :
 - (i) 2:1
 - (ii) 1:1
 - (iii) 3:1
 - (iv) 1:0
 - (v) None of the above
 - (d) At the time of dissolution of the firm, the assets and liabilities appearing in the balance sheet are transferred to :
 - (i) Revaluation account
 - (ii) Realisation account
 - (iii) Partners capital account
 - (iv) None of these

- (e) Debentures are shown in the balance sheet of a company under the head of :
- (i) Non-current Liabilities
 - (ii) Current Liabilities
 - (iii) Share capital
 - (iv) None of the above
- (f) Debenture holders are :
- (i) The owners of the company
 - (ii) The creditors of the company
 - (iii) The vendors of the company
 - (iv) The customer of the company
 - (v) None of the above
- (g) Double entry book keeping was fathered by :
- (i) F. W. Taylor
 - (ii) Henry Fayol
 - (iii) Lucas Pacioli
 - (iv) None of the above
- (h) Operating profit is :
- (i) Profit after deducting financial costs
 - (ii) Profit after deducting taxes
 - (iii) Profit after deducting normal operating expenses including depreciation
 - (iv) None of the above
- (i) Economic resources of a business that are expected to be of benefit in the future are referred to as :
- (i) Liabilities
 - (ii) Owner's equity
 - (iii) Withdrawals
 - (iv) Assets
 - (e) None of the above
- (j) Which principle suggests that insured should try to minimize the loss of his property even if it is insured :
- (i) Principle of indemnity
 - (ii) Principle of mitigation
 - (iii) Principle of proximate cause
 - (iv) Principle of Contribution
 - (v) None of the above

Section - II

2. Short answer type questions.

Answer any 20.

(5 marks x 20 = 100)

- i) Is separate Legal Entity a characteristic of Co-operative organisation? Give reason for your answer.
- ii) What is the role of Stag in Stock Exchanges?
- iii) Distinguish between Cash basis and Accrual basis of Accounting?
- iv) Write note on different kinds of Debentures?
- v) AB Ltd. forfeited 200 equity shares of Rs. 10 each fully called-up for non-payment of final call @ Rs. 2 per share. These shares were originally issued at a discount of 10%. Application allotment and first call money per share @ Rs. 2, Rs. 3 and Rs. 2 respectively were received in time. Give journal Entry for the Forfeiture.
- vi) What are the limitations of Financial Statement Analysis?
- vii) Discuss the advantages and limitations of Test Checking?
- viii) What is a Partnership Deed?
- ix) State the Export promotion measures in India?
- x) What are the different levels of management found in a company?
- xi) Mention four points of distinction between decentralization and delegation of authority.
- xii) How would you develop a Crisis Management Programme?
- xiii) What do you mean by Doctrine of Indoor Management?
- xiv) What are the different types of Co-operative Societies?
- xv) What is a 'Trial Balance'?
- xvi) What is a contingent liability?

- xvii) Explain the term 'Internal Control'?
- xviii) What is a fictitious asset? Quote three examples?
- xix) Explain composition and quality of Current Assets is more important than mere adequacy of current ratio, with an illustration.
- xx) What is meant by Bonus Shares? Whether their issue results in the outflow of cash? Justify your statement.
- xxi) Describe Limitations of Cash Flow Statement.
- xxii) Discuss the points of difference between investigation and audit.
- xxiii) Why vouching has been defined as the "essence of auditing"?
- xxiv) Name some of the tools available for analysis of financial statements.
- xxv) What do you understand by stock market indexes?
- xxvi) Explain, "Money measurement Concept" with suitable example.
- xxvii) What is the different between trade discount and cash discount?
- xxviii) Is it possible for a firm to have a high current ratio and still experience difficulties in paying its current debt? Explain with illustration?
- xxix) Differentiate between Funds Flow Statement and Cash Flow Statement?
- xxx) Write a short note on 'Audit Programme'.

Section - III

3. Paragraph answer type questions.

(Answer any six)

(10 marks x 6 = 60)

- i) From the following Trial Balance of Gangtok Club prepare an Income and Expenditure Account for the year ended on 31st March 2015 (all figures in Rupees)

Particulars	Dr.	Cr.	Particulars	Dr.	Cr.
General Fund		30,000	Subscription received in advance		1,500
Cash in hand	2,000		Steward's and servant's wages	5,800	
Cash at Bank	3,000		Extension of Club House	10,000	
Sundry Debtors	2,400		Printing and Stationery	1,000	
Sundry Creditors		1,500	Law Charges	500	
Loan @ 15% (01.07.2014)		20,000	Annual Subscriptions		30,000
Furniture & Fittings	10,000		Card and Billiard room receipts		4,000
Club House	40,000		Washing of Liveries and Sundries	1,600	
Stock of Cold drinks and snacks (01.04.2014)	500		Cold drinks and Snacks		5,000
Rent	6,000		Repairs to Club house and furniture	400	
Rates, Taxes & Insurance	600		Conversion expenses	1,000	
Secretary's Honorarium	1,200		Cold drinks and Snacks purchased	4,000	
Entrance Fees	1,000		Interest on Loan	1,000	
			TOTAL	92,000	92,000

Additional Information :

- a) Subscription for 2014-15 outstanding Rs. 2,000;
 - b) Write – off depreciation @ 10% p.a. on furniture and 2% on Club House including the extension;
 - c) Stock of Cold drinks Rs. 600 and Snacks Rs. 400 on 31.03.2015.
- ii) Outline a suitable programme for auditing the accounts of an educational institution.
- iii) The following particulars have been extracted from the books of R. Prasad for the year ended 31st December 2014 :

Sales	99,330
Sales returns	530
Purchases	44,390
Purchases returns	710
Stock (1st January, 2014 at cost price	7,540
Stock (31st December 2014) at cost price	8,920
Freight and Duty	15,700
Carriage inward	3,300
Wages	7,860

Prepare R. Prasad's trading account for the year ended 31st December, 2014 and then calculate the following :

- a) The turnover for the year.
 - b) The percentage of gross profit on turnover.
- iv) What do you mean by depository system? What are the benefits of a depository system?

- v) Define Memorandum of Association. Explain its purpose and importance.
- vi) Ram & Co. has been running crusher from the year 2011. Written down value of machinery is Rs. 1,20,000 as on 1st January 2012. The firm has purchased a second machine for Rs. 40,000 on 1st April 2013 and has sold the same for Rs. 65,000 on 1st January 2014. The firm has been following diminishing balance method from the beginning. Depreciation rate for the machine has been 10%. Accounts are closed at the end of calendar year. Show the machinery account for the years 2012 to 2014.
- vii) What are the steps taken by SEBI to regulate Mutual Fund?
- viii) Explain the 'Doctrine of Indoor Management,' Are there any exceptions to this doctrine?
- ix) From the following details available, prepare balance sheet of D & Co. as on 31st March 2014 and compute proprietary funds.
- a) Net worth turnover ratio (on cost of sales) = 2
 - b) Fixed assets turnover ratio (on cost of sales) = 4
 - c) Gross profits turnover ratio = 20%
 - d) Creditors velocity = 73 days
 - e) Debtors velocity = 2 months
 - f) Stock velocity = 6

Reserves and surplus amount to Rs. 10,000. Closing stock was Rs. 5,000 in excess of opening stock. Gross profit was Rs. 60,000.

You can make the necessary assumption, wherever required.

Section - IV

4. Long answer type questions : Answer any two

(15 marks x 2 = 30)

i) What is Management by Objective? "Principles of management are flexible and absolute but must be utilized in the changing and special conditions." Comment and summarize the principles of management as enunciated by Henry Fayol.

ii) From the following data relating to a firm, prepare Balance sheet of the firm as at 31st March 2015 :

	Rs.
Annual Sales	36,00,000
Sales to Net Worth	4 times
Current Liabilities to Net Worth	50%
Total Debt to Net worth	80%
Current Ratio	3:1
Sales to Inventory	6 times
Average Collection period	73 days
Fixed Asset to Net Worth	30%

iii) "A company is an artificial person created by law with a perpetual succession and a common seal." Explain this statement and discuss the basic features on a company.

iv) "An auditor is a watch dog and not a bloodhound". In the light of this statement, narrate the duties of a company auditor. Also give some case laws.