

LIMITED DEPARTMENTAL EXAMINATION, 2017

Inspector of Taxes

(Book Keeping and General Commercial Knowledge)

(With Books)

PAPER-III

Time Allowed: Two Hour

Maximum Marks: 100

I N S T R U C T I O N S

DO NOT OPEN THIS QUESTION BOOKLET SEAL UNTIL YOU ARE TOLD TO DO SO

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. Write your Roll Number on the Test Booklet in the Box provided alongside.
3. This Test Booklet contains 100 items (questions). Each item comprises four responses (answers) written as **(a), (b), (c) and (d)**. You will select the response which you feel is correct and want to mark on the answer sheet.
4. You have to mark all your responses ONLY on the separate Answer Sheet provided. Also read the directions in the Answer Sheet. Fill in all the entries in the Answer Sheet correctly, failing which your Answer Sheet shall not be evaluated.
5. Count the number of questions attempted carefully and write it down in the space provided in the OMR Sheet. This has to be verified by the Invigilator before leaving.
6. After you have completed filling in all your responses on the Answer Sheet and the examination has concluded you should hand over to the Invigilator the Answer Sheet (in original). **You are permitted to take away 2nd Copy of OMR Answer Sheet and the Test Booklet.**
7. All items carry equal marks.
8. Candidature would be cancelled in case of non-compliance with any of these instructions.
9. There will be NO PENALTY for wrong answers.

Question starts:

1. Who are not interested in the accounting information of a business
 - a) Money Lenders
 - b) Officers
 - c) Employees
 - d) Management
2. In accounting, recording is made of
 - a) Personal transactions of the proprietor
 - b) Financial and non-financial transactions
 - c) Financial transactions
 - d) Non-financial transactions.
3. Which of the following is Capital expenditure?
 - a) Wages and Salaries paid
 - b) Wages paid for building construction
 - c) Repairing expenses of Machine
 - d) Publicity expenses of business
4. Discount is the amount which is received:
 - a) At the time of payment
 - b) At the time of Selling Goods
 - c) At the time of purchase of Goods on credit
 - d) Both at the time of payment and receipt.
5. Tangible assets do not include:
 - a) Furniture
 - b) Cash
 - c) Good will
 - d) Stock
6. Convention of Prudence takes into account:
 - a) All future profit and losses
 - b) All amount receivables
 - c) All future losses and uncertainties
 - d) Neither profits nor losses of the future
7. Fixed liability is:
 - a) Bank over-draft
 - b) Creditors
 - c) Long term loan
 - d) Short term loan.
8. Goods include purchase of all
 - a) Commodities
 - b) Assets
 - c) Commodities for resale
 - d) Liquid commodities only.
9. Dead stock includes:
 - a) Land and Building
 - b) Debtors
 - c) Creditors
 - d) Investments.
10. Which concept separates a proprietor from the business?
 - a) Going concern concept
 - b) Cost concept
 - c) Business entity concept
 - d) Account period concept
11. Contingent liabilities are shown in the Balance Sheet under:
 - a) Convention of Consistency
 - b) Convention of Full Disclosure
 - c) Convention of Materiality
 - d) Going Concern Concept
12. Revenue is considered as being earned when:
 - a) Cash is received
 - b) Production is made
 - c) Sale is effected
 - d) Agreement of Sale is entered.
13. Accounting standards are necessary due to:
 - a) Regional business purposes
 - b) National Budget accounting
 - c) Globalisation of business
 - d) National Income Accounting.
14. Accrual System is based on:
 - a) Dual aspect concept
 - b) Cost concept
 - c) Materiality concept
 - d) Matching concept
15. Credit balance of nominal account shows:
 - a) A liability
 - b) An asset
 - c) An income
 - d) An expense
16. Out of the following, choose the Representative Personal account:
 - a) Shyam's Capital
 - b) Bank Account
 - c) Prepaid Insurance Account
 - d) Cash Account.
17. Which of the following equation is not correct?
 - a) $Assets = Capital + Liabilities$
 - b) $Liabilities = Assets - Capital$
 - c) $Assets = Liabilities - Capital$
 - d) $Capital = Assets - Liabilities$

18. If goods are returned to the suppliers, then we write:
 a) Credit Note
 b) Receipt Note
 c) Debit Note
 d) Invoice Note.
19. Rent paid to Land Lord is debited to:
 a) Land Lord's Account
 b) Rent Account
 c) Cash Account
 d) Drawings Account.
20. The Journal of a trader is:
 a) Subsidiary Book
 b) Cash Book
 c) Principal Book
 d) Ledger Book
21. Amount paid for Life Policy of a proprietor, will be debited to :
 a) Life Insurance Policy Account
 b) Capital Account of the Proprietor
 c) Cash Account.
22. A trader drew a Bill on Y for ₹ 2,000/-. The record of this transaction will be made by the trader in:
 a) Cash book
 b) Purchase Book
 c) Bills Receivable Book
 d) Bills Payable Book
23. Debit balance of Cash Book was ₹ 5,000/-, received ₹ 1,000/- from Raju, wages paid for ₹ 400/-, Rent paid ₹ 900/-. The balance of cash will be:
 a) ₹ 5,500/-
 b) ₹ 3,700/-
 c) ₹ 4,700/-
 d) ₹ 5,100/-
24. Name the column of cash book which is totalled but not balanced:
 a) Cash Column
 b) Discount Column
 c) Bank Column
 d) Receipt Column
25. Which of the following will be recorded as contra entry?
 a) Cash directly deposited by a customer into the Bank.
 b) Payment made to a creditor by Cheque.
 c) Cash and coins deposited into the bank.
 d) Cash Sales.
26. If the debit as well as credit aspects of a transaction, are recorded in the cash book, it is called:
 a) Compound Entry
 b) Contra Entry
 c) Transfer Entry
 d) Adjustment Entry
27. The debit balance of Nominal accounts shows the balance of:
 a) Assets
 b) Liability
 c) Income
 d) Expenses
28. The Trial balance of a business is normally prepared from the information obtained from:
 a) Journal Entries
 b) Ledger Accounts
 c) Cash Book
 d) Bank Account
29. The credit balance of the Capital account shows:
 a) Assets of the business
 b) Liability of the business
 c) Profit of the business
 d) Loss of the business
30. The balance of Drawing Account is transferred to:
 a) Capital account of the trader
 b) Trading account
 c) Profit and loss account
 d) Cash account
31. Goods sold to Rahim ₹ 4,000/- at 10% Trade Discount, Rahim's account will be:
 a) Debited by ₹ 4,000/-
 b) Credited by ₹ 4,400/-
 c) Credited by ₹ 3,600/-
 d) Debited by ₹ 3,600/-
32. Given:
 i. Cash book balance (Du)- ₹ 26,000/-
 ii. Cheque deposited but not yet collected by bank – ₹ 11,800/-
 iii. Cheque issued but not presented for payment- ₹ 11,600/-
 Now, the Balance of Pass Book will be:
 a) ₹ 25,800
 b) ₹ 26,000
 c) ₹ 49,400
 d) ₹ 2,600

33. Over-draft facilities are available in :
- Saving Bank Account
 - Current Account
 - Fixed deposit Account
 - Home Saving Account
34. A Trial Balance is :
- An Account
 - A Statement
 - A list of Revenue items
 - An expenditure Statement
35. Which item will not be shown in a trial balance?
- Opening Stock
 - Drawing Account
 - Closing Stock
 - Capital Balance.
36. Final Accounts are prepared from:
- Journal entries
 - Ledger balances
 - Cash books
 - Trial balance.
37. Wages paid to Mohan for erecting a machine, should be debited to:
- Wages account
 - Machine account
 - Mohan's account
 - Cash account.
38. Arithmetical accuracy of accounts may be ascertained from preparation of:
- Ledger accounts
 - Trial Balance
 - Profit and Loss account
 - Balance sheet
39. The main object of charging depreciation on fixed assets is:
- To save tax
 - To know the correct financial position of the business
 - To reduce the balance of profit of the business
 - To increase the expenses of business.
40. A machine was purchased for ₹ 12,000/- on 1st of April, 2016. Depreciation charged at 10% p.a on Straight Line Method. The balance of machine carried down on 31st of March, 2017, will be:
- ₹ 10,800
 - ₹ 10,000
 - ₹ 9,000
 - ₹ 8,000
41. In case of purchase of a computer, it is debited to:
- Purchase account
 - Goods account
 - Computer account
 - Cash account.
42. Given:
- Cost of an asset: ₹ 45,000/-
 - Scrap value at the end of life: ₹.5,000
 - Effective life of the asset: 20 Years.
- Depreciation under straight line method will be:
- ₹ 2,500
 - ₹ 2,000
 - ₹ 1,800
 - ₹ 1,500
43. Provision means:
- Arrangement of known liabilities
 - Arrangement of Purchases
 - Arrangement of unknown liabilities
 - Arrangement of payment of expenses
44. A reserve is made:
- To face future uncertainties
 - To reduce business profits
 - To show the actual financial position
 - To show the accumulated profits.
45. In accordance with going concern concept a business is considered as having:
- A limited life
 - A very long life
 - An indefinite life
 - 20 years life.
46. Which of the following books should be used to record purchase of furniture on credit?
- Furniture Book
 - Journal Proper
 - Purchase book
 - Cash Book.
47. Secret reserve is created:
- In the profit and loss account
 - In the Balance sheet
 - Only to increase financial soundness
 - By Making investment outside the business.
48. When a reserve is invested outside the business, the reserve is known as:
- Contingency reserve
 - Reserve fund
 - Investment fund
 - Capital reserve

49. Current assets minus Prepaid expenses minus closing stock, equal to:
- Fixed assets
 - Liquid assets
 - Intangible assets
 - Fictitious assets.
50. If Gross profit is subtracted from sales, the balance equals to :
- Cost of Goods sold
 - Closing Stock
 - Opening Stock
 - Indirect expenses.
51. Double Entry System of book-keeping owes its origin to:
- R.N Carter
 - Lucas Pacioli
 - E.N. Kohler
 - R.N. Anthony
52. Which one of the following transactions will not be recorded in the book of a Furniture dealer?
- Purchase of timber for ₹ 10,000
 - Sofa set of ₹ 5,000 taken by the proprietor
 - Sale of household furniture ₹ 6000
 - Dinner-table given to his friend for ₹ 4000, as a gift.
53. A person who owes money to a firm is known as:
- Creditor
 - Supplier
 - Debtor
 - Investor
54. Which of the following is not the limitation of accounting?
- Based on accounting convention
 - Evidence in legal matters
 - Incomplete information
 - Omission of qualitative information.
55. Given:
- Purchases- ₹ 50,000
 - Sales - ₹ 80,000
 - Opening Stock- ₹ 60,000
 - Closing Stock- ₹ 55,000
 - Freight ₹ 1,000
- Now the Gross profit equals to:
- ₹ 15,000
 - ₹ 24,000
 - ₹ 18,500
 - ₹ 16,000
56. A firm gives you the following information:
Net Sales= ₹ 100000
G.P. is 25% on cost.
Now, the cost of goods sold is:
- ₹ 80,000
 - ₹ 75,000
 - ₹ 20,000
 - ₹ 60,000
57. Net profit - ₹ 1,00,000
Gain on sale of old machine - ₹ 15,000
Interest on loan - ₹ 8,000
The amount of opening profit will be:
- ₹ 85,000
 - ₹ 78,000
 - ₹ 93,000
 - ₹ 98,000
58. Items given:
Sales: ₹ 3,00,000; Opening stock: ₹ 20,000; Purchases: ₹ 2,00,000; Carriage inward: ₹ 10,000; Gross profit: ₹ 95,000.
Closing stock comes to :
- ₹ 70,000
 - ₹ 65,000
 - ₹ 48,000
 - ₹ 25,000
59. Which one should not be written to the credit side of profit and loss account?
- Discount(Cr)
 - Gross Loss
 - Provision for doubtful debts
 - Apprentice premium
60. Closing stock is valued at:
- Cost price
 - Market price
 - Cost or market price whichever is less
 - Market price or cost whichever is higher
61. In which account the debit balance of profit and loss account be transferred?
- Capital account (Cr) side
 - Outstanding liabilities
 - Capital account (dr) side
 - Bills payable account
62. Income tax paid by a trader should be:
- Debited to profit and loss account
 - Debited to trading account
 - Shown to the liability side of Balance sheet
 - Deducted from Capital Account

63. Sales are equal to:
a) Cost of Goods sold plus Gross Profit
b) Cost of goods sold minus Gross profit
c) Gross profit plus closing stock
d) Gross profit plus closing stock minus opening stock.
64. Interest on drawings is :
a) Expenses of the business
b) Gain of the business
c) Asset of the business
d) Liability of the business
65. Given:
Salary and wages- ₹ 4000
Discount allowed - ₹ 1500
Interest on investment- ₹ 19000
Gross loss-5% of sales i.e. ₹80000
What will be the net profit?
a) ₹ 6,500
b) ₹ 3,800
c) ₹ 9,500
d) ₹ 10,500
66. Which of the statements is the most important statement?
a) Income statement
b) Position statement
c) Appropriation statement
d) Expenditure statement
67. Items given:
Debtor- ₹ 40000, Bad Debts- ₹ 2800,
New Provisions to be created on Debtors-
5%, Provision for Doubtful Debts (Cr)- ₹
4000. How much should be adjusted in
Profit & Loss Account?
a) ₹ 2000
b) ₹ 4200
c) ₹ 4800
d) ₹ 800
68. If the amount of Sale Tax collected is more than sale tax paid, the difference is to be shown on the:
a) Liability side of Balance Sheet
b) Asset side of Balance sheet
c) Debit side of Profit and Loss Account
d) Debit side of Trading Account.
69. Extract of Trial balance on 31-3-2017:
Capital- ₹ 20000, Drawings- ₹ 2000,
Charge 9% interest for full year on
Drawings. Choose from the following the
correct entry:
a) Interest on Drawing A/C Dr ₹ 180
To Capital A/C ₹ 180
b) Interest on Drawing A/C Dr ₹ 180
To Drawing A/C ₹ 180
c) Drawings A/C Dr ₹ 180
To interest on Drawings A/C ₹ 180
d) Capital A/C Dr ₹ 180
To Drawing A/C ₹ 180
70. The adjustment of closing stock will be:
a) Only in the credit side of Trading A/C
b) Only in the Balance sheet
c) In trading A/C and in Balance sheet
d) In the trail Balance debit side.
71. Bill of exchange is:
a) An Order
b) A Request
c) A Promise
d) A Statement
72. The payment of Promissory Note is done by:
a) Drawer
b) Bank
c) Creditor
d) Government
73. The bill which was written on 23rd
December, 2016 for one month, the due
date of the Bill will be:
a) 23rd of January, 2017
b) 25th of January, 2017
c) 24th of January, 2017
d) 26th of January, 2017
74. A Bill discounted from the bank is
dishonoured, the account is credited to:
a) Acceptor
b) Bank
c) Bills Receivable
d) Bills Payable
75. Payment before the maturity of a Bill is
called:
a) Discounting of a bill
b) Renewal of a bill
c) Retiring of a bill
d) Dishonour of a bill

76. Bills payable book is a part of :
- Posting
 - Journal
 - Cash Book
 - Trial Balance
77. A secret reserve is created by:
- Showing an asset as a contingent asset
 - Increasing the amount of sale
 - Showing closing stock at a higher value
 - Under valuation of liabilities
78. Receipts and payments account always shows:
- A debit balance
 - A credit balance
 - A surplus or deficit
 - Capital fund
79. Income and expenditure account reveals:
- Gross profits
 - Net profits
 - Surplus or Deficiency
 - Cash balance
80. Amount received from sale of old newspaper by a club is treated as :
- Revenue receipts
 - Capital receipts
 - Assets
 - Capital Fund
81. Payment made by cheque to a customer will be credited to:
- Customers account
 - Bank account
 - Cash account
 - Creditors account
82. Crossed cheque may be paid by the bank:
- To any party directly at the counter
 - To any bearer presenting the cheque
 - If the cheque is deposited in the bank account first.
 - Even the payee does not have a bank account.
83. The profit and loss account under Double Accounting System is termed as:
- Revenue account
 - Income and expenditure account
 - Receipt and Payment account
 - Income Appropriation account
84. The original cost of an asset is ₹1,00,000, the present cost of replacement is ₹1,30,000. The amount spent on the replacement is ₹ 1,52,000. The capitalised amount will be :
- ₹ 22000
 - ₹ 152000
 - ₹ 130000
 - ₹ 30000
85. The cost of Licence is appeared in:
- Revenue Account
 - Capital Account
 - General Balance Sheet
 - Capital Base.
86. In Double Account, Preliminary expenses account is shown on:
- Asset side in General Balance sheet
 - Debit side of Net Revenue Account
 - Debit side of Receipt and expenditure on capital account.
 - Credit side of Disposal Surplus account.
87. Donation received for a special purpose will be taken to:
- Income and expenditure account
 - Asset side of Balance sheet
 - Liability side of Balance sheet
 - Opening Balance sheet
88. Legacy is generally:
- Capitalised
 - Treated as income
 - Treated as expenditure
 - Adjusted to Capital Fund Account.
89. Given:
- Match fund: ₹ 40000
Match Expenses: ₹ 20000
Donation for Match Fund: ₹ 100000
Sale of Tickets: ₹ 50000
- How much is to be shown in the match fund in Balance Sheet?
- ₹ 130000
 - ₹ 170000
 - ₹ 150000
 - ₹ 120000
90. Provision for doubtful debts account is opened in the:
- Debtors ledger
 - Creditors ledger
 - General ledger
 - Sales ledger adjustment account.

91. Under Sectional Balancing System, the ledger which is generally made to balance is:
 a. Debtors ledger
 b. Creditors ledger
 c. General ledger
 d. Adjustment ledger.
92. The income arising from a particular Gift, is utilised for specific purposes. Such a fund is known as:
 a) Restricted fund
 b) Fixed assets fund
 c) Endowment und
 d) Loan fund.
93. Cost o Goods purchased for resales, is an example:
 a) Differed Revenue expenditure
 b) Revenue expenditure
 c) Drawing Account
 d) Bank Account.
94. The additional amount of Cash brought in by the Proprietor in the business should be credited to:
 a) Cash Account
 b) Capital Account
 c) Drawing Account
 d) Bank Account
95. In a business, outstanding salaries are
 a) Incomes
 b) Expenses
 c) Liability
 d) Assets
96. Repairing of a second hand machine to its serviceable condition will be taken in:
 a) Revenue account
 b) Capital expenses
 c) Differed revenue
 d) Expenses account
97. Received 60 % of a total debt of ₹ 8000 from Gopal. He was declared insolvent, so he could not pay the balance. How much will be the account of Bad Debt?
 a) ₹ 3200
 b) ₹ 4800
 c) ₹ 8000
 d) ₹ 6000
98. The credit balance of Bank Account of a Double Column Cash book is:
 a) An Assets
 b) An Expenses
 c) A Liability
 d) An Income.
99. Bank Reconciliation is prepared by:
 a) The Bank
 b) The businessman
 c) The customer having a bank account
 d) The Auditor
100. What shall be the amount of Capital if
 Cash is ₹ 15000
 Furniture ₹ 12000
 Stock ₹ 30000
 Creditors ₹ 6000 ?
 a) ₹ 69,000
 b) ₹ 57,000
 c) ₹ 51,000
 d) ₹ 42,000.

Question Ends.