



# Civil Service India

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## Commerce Preliminary Examination 2006

### Questions

- 1). "Each individual in an organization must know in advance what one is expected to achieve." It is related to which of the following steps of MBO?
- (a) Setting of organizational purpose and objectives
  - (b) Key result areas.
  - (c) Setting subordinates' objectives
  - (d) Appraisal

2). Which one of the following statements about MBO (Management by Objectives) is not correct?  
 (a) The greater the participation of the manager and his Employees in setting goals, the more likely the goals would be achieved  
 (b) Autonomy in implementation of the plans is a pre Requisite for the success of MBO  
 (c) Individual goal setting is not necessary for the success Of MBO  
 (d) Top level goal setting is a pre-requisite for the success Of MBO.

3). Match List- I with List-II and select the correct answer using the code given below the lists:

**List-I** (Description)    **List-II** (Functional Feature)

- |                                     |  |
|-------------------------------------|--|
| A. Decentralization in Organization | 1. Machine-oriented and not man-oriented |
| B. Chain of communication           | 2. Line authority                        |
| C. Task of top management           | 3. Setting goals of Organization         |
| D. Movement of task Management      | 4. Empowerment of sub ordinates          |

A B C D    A B C D

(a) 3 1 4 2    (b) 4 2 3 1

(c) 3 2 4 1    (d) 4 1 3 2

4). What is the job evaluation method in which a number of compensable factors are identified and then the degree to which each of these factors is present on the job is determined, called?

- (a) Job classification (b) Point rating  
 (c) Factor comparison (d) Job ranking

5). Consider the following steps with regard to job 'ranking' method:

1. Obtain job information
2. Rank jobs
3. Select jobs
4. Select compensable factors
5. Combine ratings what is the correct sequence of the steps given above?

a) 1 - 3 - 2 - 5 - 4 (b) 2 - 1 - 3 - 5 - 4

(c) 2 - 3 - 1 - 4 - 5 (d) 1 - 3 - 4 - 2 - 5

6). Match List- I with List-II and select the correct answer using the code given below the lists:

**List - I (Concept)**    **List - II (Explanation)**

- |                            |  |
|----------------------------|--|
| A.Theory of Specialisation | 1. Number of subordinates to be supervised |
| B.Departmentation          | 2. Plan of reporting in an Organization    |
| C.Span of Management       | 3. Pattern of grouping Activities          |
| D.Chain of command         | 4. Breakdown of a complex task             |

A B C D    A B C D

(a) 2 1 3 4    (b) 4 3 1 2

(c) 2 3 1 4    (d) 4 1 3 2

7). What is the method used in a standard costing system which analyses the factors that resulted in the deviation between standard costs and actual costs, called?

- a) Bill of Materials (b) Progress Report  
 (c) Variance Analysis (d) Cost Statement

8). Consider the following statements regarding coordination

1. Coordination cannot be voluntarily produced by a number of cooperating persons
2. Most part of it is the result of voluntary attitudes on the part of people in an organization.
3. Coordination is a far more inclusive term embracing the idea of cooperation.
4. Charismatic leaders do not give weightage to coordination

Which of the statements given above are correct?

- (a) 1 and 2 only (b) 1 and 3 only  
 (c) 2 and 4 only (d) 1 and 4 only

9). Which one of the following describes best the organization's values, aspirations and reasons for being

- (a) Vision  
 (b) Mission  
 (c) Objectives  
 (d) Goals

10). In the Blake and Mouton's Managerial Grid Theory, what is the point (1.9) known as?

- (a) Improper management
- (b) Country club management
- (c) Middle of the road management
- (d) Team management

11. An effective direction tries to get work accomplished by subordinates without affecting their satisfaction adversely. What is this principle of directing known as?

- (a) Principle of maximum individual contribution
- (b) Principle of harmony of objectives
- (c) Principle of efficiency of direction
- (d) Principle of authoritative direction

12). In Vroom's theory of motivation, what is valence related to?

List I (Types of Cloud)

- (a) The strength of an individual's preference to a total outcome.
- (b) The strength of a group's preference to a total outcome.
- (c) The strength of a group's preference to a particular outcome
- (d) The strength of an individual's preference to a particular outcome

13. Match List-I (Basic Components of Expectancy Theory) with List-II (Definition) and select the correct answer using the code given below the Lists :

List-I List-II

- |                    |  |
|--------------------|--|
| A. Expectancy      | 1. Force directing specific behavioural alternatives                     |
| B. Instrumentality | 2. Preference of an individual for a particular outcome                  |
| C. Motivation      | 3. Probability that effort will lead to good performance                 |
| D. Valence         | 4. Probability that successful performance will lead to certain outcomes |

A B C D A B C D

- (a) 1 4 2 3 (b) 2 3 1 4
- (c) 1 3 2 4 (d) 2 4 1 3

14). The following information is given:

Sales 70,000

Purchases 40,000

Expenses 8,000

Creditors at the end 15,000

Creditors at the beginning 12,000

What is the value of cash from operations?

- (a) Rs 22,000 (b) Rs 19,000
- (c) Rs 30,000 (d) Rs 25,000

15. Which one of the following statements is correct?

- (a) If the value of current assets (in the current year) increases (compared with last year), the working capital decreases
- (b) If the value of current liabilities (in the current year) decreases (compared with last year), the working capital increases
- (c) If the value of current liabilities (in the current year) increases (compared with last year), the working capital increases
- (d) If the value of current assets (in the current year) decreases (compared with last year), the working capital increases

16). A machinery whose book value was Rs 1,20,000 was sold for Rs 1,68,000. The gain on sale of machinery was taken to Profit and Loss Account which ultimately showed net profit for the year as Rs 1,50,000. What is the value of funds from operations?

- (a) Rs 1,02,000 (b) Rs 1,98,000
- (c) Rs 48,000 (d) Rs 1,68,000

17. Which one of the following is the correct statement? Business draws benefit from the society; it has an obligation to communicate its contribution to society. For this purpose accounting must

- (a) deal with measurement and reporting of the performance to its stakeholders
- (b) confine to going concern stipulation
- (c) show its concern for revenue recognition and distribution
- (d) be secluded from commercial consideration

18. Which one of the following is the correct statement? The most important factor influencing evolution and growth of auditing is

(a) Industrial Revolution  
 (b) divorce of ownership from management  
 (c) establishment of the Institute of Chartered Accountants of India  
 (d) adoption of mechanised accounting

19. Match List-I with List-II and select the correct answer using the code given below the Lists :

List-I List-II

**(Basis of Classification) (Types of Audit)**

A. Time 1. Complete Audit  
 B. Subject matter 2. Public Audit  
 C. Extent or coverage 3. Periodical Audit  
 D. Organization structure 4. Government Audit  
 5. Cost Audit

A B C D A B C D

(a) 3 4 1 5 (b) 1 5 2 3

(c) 3 5 1 4 (d) 1 4 2 5

20) What does the total auditing situation comprise?

(a) Inherent risk, process risk and control risk  
 (b) Appropriate evidence and oral evidence  
 (c) Detailed evidence and appropriate evidence  
 (d) Sufficient evidence and appropriate evidence

21. Which of the following should be obtained as a basis of conclusions by the auditor?

(a) Sufficient evidence and detailed evidence  
 (b) Terrigenous deposits  
 (c) Pelagic deposits  
 (d) Coral reefs

22. Which one of the following is the correct statement? An independent financial audit is conducted because

(a) the top management may have indulged in fraud and the auditor would detect the same and report the shareholders  
 (b) the audit may result in suggesting improvement in the internal control system  
 (c) the audit enhances credibility to financial statement  
 (d) the audit guarantees that no material misstatement intentional or unintentional remains in the financial statements

23. What is an in-depth examination to detect a suspected fraud in an enterprise termed as ?

(a) Internal audit (b) Independent financial audit  
 (c) Operations audit (d) Investigation

24. Match List-I (Audit Test) with List-II (Situation) and select the correct answer using the code given below:

**list-I list-II**

(A) Depth testing 1. Examination in depth by the auditor of the accounting function or department at interval planned by auditor  
 (B) Vouching audit 2. Used in situations where evidence of a single error gives hint to the auditor of serious lapse which may require  
 (C) Discover Sampling 3. Applied in situations where auditor has absent or unreliable data as a result, would be necessary to check all the documentary evidences.  
 (d) Rotational test 4. Involves tracing through the entire system all the aspects of a transaction which the auditor wishes to check.

A B C D A B C D

(a) 1 3 4 2 (b) 4 2 3 1

(c) 1 4 3 2 (d) 4 3 2 1

25. Which one of the following is the best way for an auditor to satisfy himself that the amount cash-in-hand shown in the balance sheet is correct ?

(a) To obtain a certificate from the cashier to this effect  
 (b) To visit the location where cash is kept at the close of business hours on the last working day of the

financial year and count the cash-in-hand

(c) To visit the location where cash is kept at the close of business hours on the first working day of the financial year and count the cash-in-hand

(d) To compare the amount of cash-in-hand at the balance sheet date with the corresponding amount of the previous year's balance sheet

26. Match List- I (Method of Auditing) with List-II (Pr. ocedure) and select the correct answer using the code given below the Lists :

**list-I list-II**

A. Vouching 1. To select and examine a representative sample from large number of similar items.

B. Audit programme 2. Testion and checking done by quality control department of an organization .

C. Internal Audit 3. Audit conducted by regular employees of a business concern.

D. Test Checking 4. The inspection of documentary evidence supporting and substantiating a transactio

5. A detailed plan of the auditing work to be performed.

A B C D A B C D

(a)3 1 2 5 (b)4 5 3 1

(c)3 5 2 1 (d)4 1 3 5

27. Match list- I with List-II and select the correct answer using the code given below the Lists :

**list-I list-II**

A. Minutes Book 1. Recording entires of creditors payment

B. Log Book 2. Recording entries of raw matrial receipts

C. Subsidiary Ledger 3. Recording entries of resolution passed

D. Stores Ledger 4. Recording entries of production

5. Recording entries of cash withdrawn from bank

A B C D A B C D

(a)2 4 1 3 (b)3 1 5 2

(c)2 1 5 3 (d)3 4 1 2

28) Which of the following are examined to verify the legal charges?

1. Examine the payment made to the lawyer by reference to the bill and money receipt from the lawyer well as any amount paid in advice.

2. Examine the basis of allocation of expenditure under capital and revenue head

C. Subsidiary Ledger 3. Recording entries of resolution passed

Inspect the register of law suits, if maintained by the company.

(a) 1 and 3 only (b)1,2 and only

(c)2 and 4 only (d)1,2,3 and 4

29) Which one of the following is the correct statement? Book Debts should be verified with the help of

(a) book debts from the balance sheet

(b) amount received from debtors

(c) debtors' schedule

(d) certificate of book debts from the management

30. Which one of the following is the correct statement? Negative confirmation procedure in relation to debtors is applied where

(a) the number of debtors is small & each owes a large sum

(b) the number of debtors is large & each owes a small sum

(c) the number of debtors is small & each owes a small sum

(d) the number of debtors is large & each owes a large sum

31. Under which of the following circumstances an auditor may refuse to accept the vouchers?

1. The amount written in words does not match with the amount written in figures

2. The date of voucher does not match with the date of entry in the books of accounts

3. The amount mentioned in the voucher does not correspond to the entry in the cash book

4. The voucher has not been endorsed by a competent authority

Select the correct answer using the code given below:

(a) 1 and 2 only (b) 2 and 3 only

(c) 1, 3 and 4 only (d) 1, 2, 3 and 4

32. Which one of the following statements is correct ? The auditor in a cooperative society conducts the audit on behalf of the

(a) Members of Cooperative Society

- (b) Central Government  
 (c) Registrar of Cooperative Societies  
 (d) Managing Committee of Cooperative Society

33). Which one of the following statements is correct ? Management audit is an extension of

- (a) cost audit  
 (b) efficiency audit  
 (c) special audit  
 (d) internal audit

34. In case of insolvency of a partner, how is the loss due to insolvency borne by other solvent partners ?

- (a) Equally  
 (b) In the profit sharing ratio  
 (c) In the ratio of their capitals  
 (d) In the ratio of their assets

35. Which one of the following statements regarding appointment of auditor is correct ?

- ((a) A company where sixty percent shares are owned by private investors and forty percent shares are owned by the Central Government; private investors shall appoint the auditor  
 (b) A company where thirty percent shares are owned by the Centre and twenty-five percent by a State Government; auditor is appointed by the Comptroller and Auditor-General of India  
 (c) A company where thirty percent shares are owned by the State Government and forty-five percent shares are owned by private investors; auditor is appointed by the State Government  
 (d) A company where controlling shares are held neither by Central Government nor by State Government; auditor is appointed by the Comptroller and Auditor-General of India

36. What is the trading activity that seeks a profit from price variations of securities in the different markets termed as?

- (a) Margin trading (b) Market rigging  
 (c) Option dealings (d) Arbitrage

37. Consider the following procedures adopted for settlement of accounts at the time of dissolution of partnership firm:

1. The loans of partners are returned
2. All outside creditors are paid
3. Capital of each partner is returned

What is the correct sequence of using the proceeds of assets of the firm?

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

38) Consider the following in respect of the procedure adopted for buying and selling at stock exchange

1. Making the contract
2. Contract note
3. Selection of broker
4. Placing order
5. Settlement

What is the correct sequence of the procedure for dealing at stock exchange

- (a) 1-3-2-5-4 (b) 3-1-5-2-4  
 (c) 1-4-2-3-5 (d) 3-4-1-2-5

39. Consider the following statements :

1. Shares payable in cash must have been allotted up to the amount of the minimum subscription
2. Directors must have paid in cash the application and allotment money in respect of the shares contracted to be taken by them for cash.
3. No money is liable to be repaid to the applicants by reason of failure to apply for or to obtain permission for shares or debentures to be dealt on in any recognised stock exchange.

As per Section 149 (1) of the Companies Act, 1956, the above conditions are imposed on companies which one of the following?

- (a) For listing of shares at the stock exchange  
 (b) To obtain Certificate of Commencement of Business  
 (c) To obtain Certificate of Incorporation  
 (d) To hold Statutory Meeting of the company

40) Consider the following statements :

The Bill of Lading issued by the Master of ship serves as at an .

1. receipt for the goods shipped
2. open general license
3. evidence of the contract
4. dock challan

Which of the statements given above are correct ?

- (a) 1 and 3 only (b) 1 and 2 only  
(c) 2 and 4 only (d) 3 and 4 only

41). Consider the following statements

The Life Insurance Contracts are contracts of utmost good faith because

1. only insured knows about his health
2. only insured knows about his family
3. insured cannot attempt to make profit out of his health condition
4. insurer's risk is related to the disclosures made by insured

Which of the statements given above is/are correct ?

- (a) 1, 2 and 3 only (b) 1, 2, 3 and 4  
(c) 4 only (d) 2, 3 and 4 only

42. In a contract of insurance, under which of the following principles the insurer, after having paid the loss to the insured, acquires all rights and remedies as the insured would have enjoyed regarding the same loss?

- (a) Principle of Subrogation
- (b) Principle of Contribution
- (c) Principle of Causa Proxima
- (d) Principle of Insurable Interest

43. Which of the following theories offers ways to profile or ~ analyse individuals to identify the needs that motivate their behaviour?

- (a) Process theories
- (b) Content theories
- (c) Reinforcement theories
- (d) Adams's theory

44. Which one of the following functions involves conceptualising ~ missions and objectives of the organization and also the actions for achieving them?

- (a) Planning
- (b) Organizing
- (c) Staffing
- (d) Directing

45. Which one of the following is the correct hierarchy of the strategies formulated in organizations?

- (a) Corporate strategies - business strategies-functional strategies
- (b) Functional strategies - corporate strategies - business strategies .
- (c) Business strategies - functional strategies-corporate strategies
- (d) Business strategies-corporate strategies-functional strategies

46. Which one of the following helps in determining long, out of his objectives of an organization, the optimal course of allocation of resources necessary to achieve the goals?

- (a) Rules
- (b) Policies
- (c) Procedures
- (d) Strategies

47. An organization which was earlier operating in highly stable conditions, is now facing stiff competition in the liberal era. For quick response to rapidly changing environment how should the organization change its organizational structure?

- (a) From flat structure to tall structure
- (b) From tall structure to flat structure
- (c) From flat structure to bureaucratic structure
- (d) From flexible structure to rigid structure

48. Which one of the following approaches to the organization gives managers a way of looking at the organization as a whole and as a part of the large external environment?

- (a). Behavioural science
- (b). Contingency
- (c). Human relations
- (d). Systems.

49. Consider the following steps with regard to a recruitment process.

1. Develop a job specification.
2. Perform job analysis
3. Design job description.
4. Attract a pool of applicants
5. Select the best recruits.

50. Which one of the following training methods compels trainees to assume different identities

- (a). Vestibule
- (b). Role playing
- (c). On-the-Job training
- (d). Job rotation

51. Match List-I (Staff Authority) with List-II (function) and select the correct answer using the code given below:

List-I      List-II

- |                   |  |
|-------------------|--|
| A. Service Staff  | 1. Provides specialised Authority counselling to line managers   |
| B. Control Staff  | 2. Provides service authority relationship to the line manager   |
| C. Advisory Staff | 3. Specific authority for Authority certain functions            |
| D. Functional     | 4. Not only advises but Staff Authority restrains line authority |

A B C D      A B C D

(a) 1 3 2 4 (b) 2 4 1 3

(c) 1 4 2 3 (d) 2 3 1 4

52. Consider the following statements :

1. According to Trait theory of leadership, leaders are born, not made.
  2. There is high concern for production but low concern for people. It is called as Middle of the road management.
  3. There is a high concern for both production as well as people. It is called as Impoverished management
- Which of the statements given above is/are correct ?

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

53. Consider the following statements : Managerial Grid is a leadership style that emphasizes on

1. Concern for production
2. concern for people
3. concern for personality traits
4. concern for credibility of leadership

Which of the statements given above are correct ?

- (a) 1 and 2 only (b) 2 and 3 only
- (c) 3 and 4 only (d) 2 and 4 only

54. Match List-I (Style. of Leadership) with List-II (Approach) and select the correct answer using the code given below

**List-I      List-II**

- |                             |  |
|-----------------------------|--|
| A. Impoverished Management  | 1. Highest concern for production and people                 |
| B. Country Club Management  | 2. Highest concern for production but low concern for people |
| C. Autocratic Task Managers | 3. Very low concern for production but concern for people    |
| D. Team Managers            | 4. Very low concern for production and people                |

A B C D      A B C D

(a) 4 3 2 1 (b) 2 1 4 3

(c) 4 1 2 3 (d) 2 3 4 1

55. Which one of the following types of leadership is based on organizational status?

- (a) Informal leadership
- (b) Diplomatic leadership



- (c) Charismatic leadership  
(d) Bureaucratic leadership

56. Which of the following is the most appropriate management control technique for timely completion a project ?

- (a) Organization Chart  
(b) Bar Chart  
(c) PERT  
(b) Load Chart

**Directions:** The next five (5) items consist of two statements : one labelled as the 'Assertion (A)' and the other as 'Reason (R)' You are to examine these two statements carefully and select the answers to the items using the code given below:

- (a) Both A and R are individually true but R is the correct explanation of A  
(b) Both A and R are individually true but R is not the correct explanation of A  
(c) A is true but R is false  
(d) A is false but R is true

57. Assertion (A) : The top management in an organization should be mainly concerned with very important and complex problems and not with routine day-to-day problems

Reason (R): This is stated by the scalar principle of organization.

58. Assertion (A): Only listed securities are dealt with in the stock exchanges.

Reason (R): Listing at stock exchanges indicates that a company is a blue chip.

59. Assertion: While vouching an auditor should check entries against related vouchers and ascertain their genuineness and validity of vouchers.

Reason (R): Vouching is a method of examination to substantiate an entry in the books of account.

60. Assertion (A): While vouching an auditor should check entries against related vouchers and ascertain the genuineness and validity of vouchers,

Reason (R): Vouching is a method of examination to substantiate an entry in the books of account.

61. Assertion (A): The total assets of a business are always equal to its liabilities.

Reason (R): All assets of the business are claimed either by the owners or by the outsiders.

62. What is the limit of paid up capital for a company to mandatorily appoint a whole time company secretary ?

- (a) Not less than Rs 25 lakhs  
(b) Not less than Rs 50 lakhs  
(c) Not less than Rs 1 crore  
(d) Not less than Rs 2 crores

63. Which one of the following statements is correct ? A company's balance sheet and profit and loss account, other than a banking company, require the authenticity from

- (a) the Managing Director only  
(b) the Manager or the Secretary, if any, and by not less than two Directors of the company one of whom is Managing Director, if there is one  
(c) any two Directors of the company and one of whom is the Managing Director, if there is one  
(d) one of the Directors who is looking after the finance

64. Any dividend remaining unpaid/unclaimed for seven years is transferred to which one of the following accounts ?

- (a) Investor Education and Protection Fund (b) Central Government's General Revenue Fund  
(c) Capital Redemption Reserve Account (d) General Reserve Account

65. Consider the following statements : Share premium account may be used by the company

1. in paying up un-issued shares of the company to be issued to members of the company as fully paid bonus shares
2. in providing for premium payable on redemption of preference shares or debentures
3. in buying back of securities
4. in writing off the expenses or commission paid or discount allowed on issue of securities

Which of the statements given above is/are correct ?

- (a) 1, 2, 3 and 4 (b) 1, 2 and 4 only  
(c) 2 and 4 only (d) 3 only

66. Which doctrine emanated from the famous case of Royal British Bank v. Turquand (1856) 119 ER 8 ?

- (a) Doctrine of ultra vires (b) Doctrine of subjugation  
(c) Doctrine of indoor management (d) Doctrine of proportional representation

67. In the event of not accepting the recommendations of the Audit Committee, what is the responsibility of the Board of Directors ?

- (a) That it will simply pass a resolution by recording the reasons for not accepting the report.  
(b) That it will record the reasons and communicate such reasons to the shareholders  
(c) That it will record the reasons and communicate to the Central Government  
(d) That it will record the reasons and communicate to the Registrar of Companies

68. The public documents of a company should not only be read but to be understood as they are a therefore

deemed to have been read by those who deal with the company. What is this rule known as ?

- (a) The rule of equality (b) The rule of constructive notice  
(c) The rule of increasing liability (d) The rule of abrogation

69. What is the penalty for making any statement, promise or forecast which is false, deceptive misleading, or by any other dishonest concealment of material fact to enter into any agreement acquiring shares or debentures through the prospectus ?

- (a) With imprisonment extending to five years or with a fine of rupees one lakh or with both  
(b) With imprisonment extending to three years or with a fine of rupees one lakh or with both  
(c) With imprisonment extending to five years only  
(d) With a fine of rupees one lakh only

70. Which one of the following statements in the context of the famous case of Solomon v. Solomon & Co. Ltd. (1897), AC 22, is correct ?

- (a) A company is entirely distinct from and independent of its members even if a member owns virtually the whole of its shares  
(b) A company is distinct from and independent of its members; but in case a member owns virtually the whole of its shares, they are actually the same  
(c) A company and its members are not distinct and independent from each other  
(d) A person having issued at least 51% of company's share would only be treated distinctly

71. Match List-I (Office Equipment) with List-II (Function and Utility) and select the correct answer using the code given below the Lists :

- | List-I                   | List-II   |
|--------------------------|---|
| A. Pen Drive             | 1. Fixed data storage device                              |
| B. Hard Disc             | 2. Conversion of Hard copy of text/picture into soft copy |
| C. Administrative Manual | 3. Mobile data storage device                             |
| D. Handbook              | 4. Weather forecasting.                                   |
| A B C D                  | A B C D   |
| (a) 3 1 4 2              | (b) 2 4 1 3   |
| (c) 3 4 1 2              | (d) 2 1 4 3   |

72) Match List-I (Manual/Handbook) with List-II (Activity) and select the correct answer using the code given below:

- | List - I                 | List - II  |
|--------------------------|--|
| A. Policy Manual         | 1. Filing, correspondence and communication            |
| B. Organization Manual   | 2. Selected aspects in combined form                   |
| C. Administrative Manual | 3. Decisions and pronouncements of management          |
| D. Handbook              | 4. Responsibility and authority of different positions |
| A B C D                  | A B C D  |
| (a) 3 2 1 4              | (b) 1 4 3 2  |
| (c) 3 4 1 2              | (d) 1 2 3 4  |

73). Which one of the following is the correct statement? The most appropriate purpose of accounting standards is

- (a) to facilitate auditing task of diverse nature
- (b) reduction of alternatives and bringing uniformity
- (c) to make adequate volume of information available to its end-users
- (d) to ensure better tax compliance including VAT

74). Which one of the following is the correct statement? The first Accounting Standard (AS-1) relates to

- (a) information to be disclosed in financial statements
- (b) consolidated financial statements
- (c) disclosure of accounting policies
- (d) reporting of financial information by segments

75). Outstanding wages due for the month of March, 2005 and prepaid expenses and incomes are taken into account in determining profit or loss for the year ended on 31st March, 2005. Under which one of the following systems is the above practice carried out?

- (a) Cash system of accounting
- (b) Accrual system of accounting
- (c) Hybrid system of accounting
- (d) Stock and debtor system

76). Which one of the following is the correct statement? According to the convention of conservatism, the stock in trade is valued at

- (a) the market price
- (b) the cost price
- (c) the market price or cost price whichever is more
- (d) the market price or cost price whichever is less

77). On which one of the following concepts is determination of expenses for an accounting period based?

- (a) Accounting period concept
- (b) Matching concept
- (c) Cost concept
- (d) Money measurement concept

78). Match List-I (Accounting Concept) with List-II (Assumption Involved) and select the correct answer using the code given below the Lists :

List - I	List - II
A. Accrual concept	1. Entity shall remain in operation long enough to carry out its existing commitments
B. Entity concept	2. Existence of business separate from its owners, creditors, employees and customers, etc.
C. Going concern concept	3. Method of identifying revenue and expenses with specific period of time
D. Consistency concept	4. Accounting principles and procedures should be followed uniformly from one period to another
	5. All material information should be disclosed in the financial statements
A B C D	A B C D
(a) 4 2 1 5	(b) 3 1 2 4
(c) 4 1 2 5	(d) 3 2 1 4

79). Which one of the following is the correct statement? The revenue is generally considered as realized at the time of

- (a) receipt of order
- (b) Agreement to sell
- (c) receipt of cash
- (d) sale

80). In XY partnership firm, X is to get 10% commission on net profit before charging any commission, and Y is to get 10% commission after commissions of both X and Y are charged. Net profit is Rs 40,000. What is the value (approximate) of commission of Y?

- (a) Rs 3,272
- (b) Rs 4,508
- (c) Rs 4,896
- (d) Rs 5,255

81) What is the amount of sales, when

Opening stock Rs 50,000

Purchases Rs 1,50,000

Wages Rs 20,000

Closing stock Rs 40,000  
and the Gross profit IS 1/7th on sales?

- (a) Rs 1,37,142 (b) Rs 2,00,000  
(c) Rs 2,10,000 (d) Rs 1,86,669

82). If land and property are recorded in the books of accounts at market price and profit on disposal of item of the same is credited to Profit and Loss Account, which accounting principle is violated ?

- (a) Cost principle (b) Realization principle  
(c) Matching principle (d) Principle of Quality

83). Which one of the following is prescribed by the generally accepted accounting principles ?

- (a) Uniformity in accounting practices in all enterprises within a country  
(b) Uniform accounting practices in all enterprises all over the world  
(c) Different accounting practices in different industries  
(d) Different accounting practices in different regions

84). Given:

	Rs
Opening Capital	10,000
Closing Capital	12,000
New Capital introduced	1,000

What is the profit for the year?

- (a) Rs 4,000 (b) Rs 3,000  
(c) Rs 2,000 (d) Rs 1,000

85). Accounting as an information system in business is looked upon as the process of communication. consists of the following four steps:

1. Communication
2. Recording of data
3. Business activities and transactions
4. Processing of data

86). Match List-I (Accounting Concept) with List-II (Example) and select the correct answer using the code given below the Lists

List - I	List - II
A. Business entity	1. Capital in the liability side of Balance Sheet
B. Dual aspect	2. Balance Sheet as on 31st December, 2004
C. Accounting period	3. Wages paid Rs 5,000
D. Money measurement	4. Goodwill in Balance Sheet for Rs 10,000
A B C D	A B C D
(a) 1 4 2 3	(b) 2 3 1 4
(c) 1 3 2 4	(d) 2 4 1 3

87). Which one of the following contains two frequently discussed cross-sectional techniques of accounting information and their analysis? (a) Abridged profit and loss account and balance sheet

(b) Cash flow statement and statement of changes in financial position

(c) Common size statements and financial ratio analysis

88). Which one of the following is the correct statement? When an auditor finds significant unexplained fluctuations in various financial ratios while performing analytical review procedures, he should normally

(a) qualify the audit report

(b) issue a letter of weaknesses to the management

(c) extend his substantive procedures for detailed verification of transactions and balances

(d) make other quantitative checks

89). During analytical review, which one of the following is used by an auditor to calculate the Return Investment (ROI)?

(a) Net profit before tax and interest/Fixed assets plus current assets

(b) Net profit before tax and interest/Fixed assets

(c) Net profit before tax and interest/Working capital

(d) Net profit before tax and interest/Fixed assets plus working capital

90). Text checking is applied in which of the following audit functions?

1. Vouching
  2. Cash verification
  3. Physical stock verification
  4. Internal control evaluation
- Select the correct answer using the code given below:
- (a) 1 and 2 only (b) 2, 3 and 4 only  
(c) 1, 2 and 4 only (d) 1 and 3 only

91). Match List-I (Explanation) with List-II (Types of Audit) and select the correct answer using the code given below

List - I	List - II
A. Audit work is carried on almost simultaneously with recording transaction	1. Balance Sheet Audit
B. Auditor starts his work after the final accounts have been prepared	2. Continuous Audit
C. Audit conducted in between two annual audits	3. Interim Audit
D. Some of the books & records of the whole period or specific period are audited	4. Partial Audit
A B C D	A B C D
(a) 2 4 3 1	(b) 3 1 2 4
(c) 2 1 3 4	(d) 3 4 2 1

92). What is/are the purpose(s) of using working papers prepared by an auditor?

1. Planning and conduct of the audit efficiently
  2. Supervision and review of audit work performed by the juniors .
  3. Producing the working papers as evidence of the audit work performed by him
- Select the correct answer using the code given below.:

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

93). Match List-I (Method of Collecting Audit Evidence) with List-II (Example) and select the correct answer using the code given below the Lists

List - I	List - II
A. Observation	1. Auditor finds that although there is no increase in salaries and wage contribution to Provident Fund has increased
B. Correlation with related information	2. On a thorough Scrutiny of payroll auditor comes across 13 entries instead of 12 entries, one extra entry being for the succeeding month of next year
C. Enquiry	3. Auditor, on a visit of company's godowns, finds that there is a huge pile of damaged and obsolete stock. On investigation he is told that the same are not shown as such in the inventory sheets
D. Scanning	4. On a prolonged interaction with various persons connected with cash transactions auditors find that there is system of internal check in regard to cash transactions
A B C D	A B C D
(a) 3 2 4 1	(b) 4 1 3 2
(c) 3 1 4 2	(d) 4 2 3 1

94). Match List-I (Specific Item) with List-II Relevant internal Control Query) and select the correct answer using the code given below the Lists :

List - I	List - II
A. Fixed assets	1. Are bank reconciliation statements prepared from time to time?
B. Purchase	2. Are invoices checked and verified in regard to description of materials, terms of payments, etc?
C. Sales	3. Are all invoices duly approved for payment?
D. Disbursement	4. Who authorises for the sale of scraps?

5. Who prepares payroll ?

A B C D

A B C D

(a) 2 3 4 1

(b) 4 1 2 5

(c) 2 1 4 5

(d) 4 3 2 1

95) What is an independent appraisal function established within an organisation to examine and evaluate its activities as a service to the organisation called?

(a) Internal auditing (b) Internal Check

(c) Internal Control (d) Administrative Control

96. Consider the following statements :

The techniques of auditing include

1. physical examination of tangible assets
2. confirmation from third parties
3. interview with the article clerk
4. study of the type of the organization

Which of the statements given above are correct ?

(a) 1 and 4 only (b) 2, 3 and 4 only

(c) 1, 2 and 3 only (d) 1 and 2 only

97. Match List-I (Accounting Standard) with List-II (Subject) and select the correct answer using the code given below,

List - I List - II

A. AS-13 1. Consolidated Financial Statements

B. AS-2 2. Accounting for Investments

C. AS-3 3. Cash Flow Statements

D. AS-12 4. Valuation of Inventories

5. Accounting for Government

A B C D A B C D

(a) 3 4 2 5 (b) 2 1 3 4

(c) 3 1 2 4 (d) 2 4 3 5

98). A company purchased a machine for Rs 30 lakhs on 1st April, 2002. The estimated life of the machine is 9 years and scrap value is Rs 3 lakhs. The company follows straight line method for charging depreciation. If the method of depreciation is changed from straight line method (SLM) to written down method, what is the depreciation provided on the machine in the financial year 2003-04 ?

(a) Rs 3,00,000 (b) Rs 2,70,000

(c) Rs 2,40,000 (d) Rs 2,43,000

99). Which one of the following reasons provides the best theoretical support for accelerated depreciation?

(a) Assets are more efficient in early years and initially generate more revenue

(b) Expenses should be allocated in a manner so as to smoothen earnings

(c) Repairs and maintenance costs will increase in later years so depreciation should decline

(d) Accelerated depreciation provides earlier replacement because of time value of money

100). Which one of the following is the correct statement? Drawings by proprietor in anticipation of future profit, made during the year would

(a) reduce owner's equity and increase assets

(b) reduce owner's equity and increase liabilities

(c) reduce both owner's equity and assets

(d) increase liabilities and assets and reduce owner's equity

101). In which account are the revenue as well as expenses shown on cash basis?

(a) Income and Expenditure account (b) Profit and Loss account

(c) Profit and Loss Appropriation account (d) Receipts and Payments account

102). X and Y are partners in a firm sharing profits and losses in the ratio 5:3. They admitted Z into the firm. The new profit and loss sharing ratio is 3 : 2 : 1. What are the values of sacrificing ratios of X and Y?

X            Y

(a)  $1/8$      $1/24$   
 (b)  $1/3$      $1/6$   
 (c)  $3/8$      $1/24$   
 (d)  $1/12$   $1/12$  (Le., equal)

103). Match List-I (Transaction) with List-II (Entry to be Made) and select the correct answer using the code given below the Lists :

List - I	List - II
A. Loss on realization	1. Debit partner's capital account
B. Profit on realization	2. Credit realization account
C. Assets sold	3. Credit partner's capital account
D. Creditors paid	4. Debit drawings account
	5. Debit realization account
A B C D	A B C D
(a) 1 3 2 5	(b) 2 5 4 3
(c) 1 5 2 3	(d) 2 3 4 5

104. Which one of the following is the correct statement? As per the provisions in the Companies Act & the relevant Accounting Standard AS-5, depreciation provision is :

- (a) a process of allocation of the depreciable amount of an asset over its estimated useful life  
 (b) a process of valuation of the depreciable amount of an asset over its remaining useful life  
 (c) a process of writing off the unrealized portion of an asset at the end of its useful life  
 (d) simply a statutory provision optional for a business entity

105. Which one of the following is the correct statement? By maintaining the provision for depreciation account, the asset account

- (a) is shown after deducting the annual provision made for depreciation  
 (b) is maintained at its original cost throughout its lifetime  
 (c) is reduced annually by the depreciation amount  
 (d) is reproduced at net realizable value

106. Subscriptions received by a non-profit organization during the year 2004 amounted to Rs 10,000. The subscriptions outstanding on 31-12-2003 and 31-12-2004 were Rs 2,000 and Rs 4,000 respectively, while the subscriptions received in advance on those dates were Rs 3,000 and Rs 2,000 respectively. What was the income from subscriptions of the organization for the year 2004 ?

- (a) Rs 16,000 (b) Rs 15,000  
 (c) Rs 13,000 (d) Rs 9,000

107. Which one of the following is the correct statement? In the case of non-profit organization, if after adjustment of incomes and expenses related to specific fund the fund balance is negative, it is transferred to

- (a) the assets side of the Balance Sheet  
 (b) the liabilities side of the Balance Sheet  
 (c) the credit side of Income and Expenditure Account  
 (d) the debit side of Income and Expenditure Account

108. If proprietary ratio (Shareholders funds/Net assets) is 0.75; and the debentures, current liabilities and current assets are Rs 45,000, Rs 40,000 and Rs 85,000 respectively, what is the amount of Net Block (Fixed assets)?

- (a) Rs 1,35,000 (b) Rs 1,40,000  
 (c) Rs 1,80,000 (d) Rs 1,00,000

109. Match List-I (Computation of goodwill) with List-II (Method) and select the correct answer using the code given below

List - I

List - II

A. Goodwill is determined on the basis of the excess of actual profits over the normal profits expected in future	1. Super Method	Pro
B. Goodwill is determined on the basis of the total value of the firm	2. Average Method	Pro
C. Goodwill is determined on the basis of the time value of money	3. Capitalisation Method	
	4. Annuity Method	
A B C	A B C	
(a) 1 3 4	(b) 3 1 2	
(c) 3 1 4	(d) 1 3 2	

110). A company has 5000 shares of 10 each. Companies in the same business pay 12% dividend a averagee market price of share is Rs 12. If the company paid for the last three years dividends at 15' 20% and 16% respectively what is the value of shares of minority holdings yield method?

- (a) Rs 12.16 (b) Rs 13.75  
(c) Rs 14.17 (d) Rs 15.25

111. Given, Current ratio = 2.5 : 1, Quick ratio = 1.5 : 1, Net working capital = Rs 30,000; what is t amount of 'Quick Assets' ?

- (a) Rs 20,000 (b) Rs 30,000  
(c) Rs 45,000 (d) Rs 50,000

112).The capital structure of a company consists of Rs 1,00,000 equity shares; Rs 50,000, 10 redeemable preference. shares and Rs 30,000, 8% debentures. What is the capital gearing ratio?

- (a) 1.66 (b) 1.33  
(c) 1.25 (d) 5.00

113). Which one of the following statements is correct ? Sampling in auditing involves

- (a) application of auditing procedures to transactiQns of only a part of the period under audit selected the auditor  
(b) application of auditing procedures to a sample of transactions from an account or class of transactic and drawing inferences about the entire account balance or class of transactions on this basis  
(c) application of auditing procedures to only some of the items of financial statements selected by t auditor  
(d) application of auditing procedures to transactions of only a division or department of the organizati selected by the auditor

114. Which one of the following can fill a casual vacancy caused due to the death or incapability of t existing auditor?

- (a) Board of Directors  
(b) Shareholders of the Company  
(c) Company Law Board  
(d) SEBI

115). Which one of the following statements is correct ?

A special resolution is required for appointment of an auditor of a limited company in which

- (a) ten percent of the subscribed share capital is held by an insurance company  
(b) seventy-five percent of the subscribed share capital is held by individuals  
(c) not less than. twenty-five percent of the subscribed share capital is held by the Central Government State Government or other specified public financial institutions  
(d) not less than twenty percent of the subscribed share capital is held by a nationalised bank

116. What is the maximum number of companies for which a company auditor on being an individual c be an auditor at one time?

- (a) 2 (b) 5  
(c) 10 (d) 20

117. Which one of the following statements is correct ? When an auditor fails to obtain sufficie information to warrant an expression of opinion, he makes a/an

- (a) disclaimer of opinion (b) piecemeal opinion



(c) adverse opinion      (d) qualified opinion

118. Which one of the following statements is correct ?

An auditor of a limited company may be removed from his office before the expiry of his term

- (a) by passing a special resolution in general meeting
- (b) by passing an ordinary resolution in general meeting after obtaining prior approval of the Central Government
- (c) by passing unanimous resolution in the board meeting
- (d) without passing a resolution in the general meeting

119. What is a constructive and comprehensive appraisal and examination of organizational structure, plans, objectives of a concern termed as ?

- (a) Management audit      (b) System audit
- (c) Cost audit              (d) Procedural audit

120. Which one of the following has a critical review of an organizational structure and administration, a making recommendations for adjustment and improvement as its basic objective?

- (a) Management, audit      (b) Internal audit.
- (c) Cost audit              (d) Internal check