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**KPSC**

**Previous Year Paper  
Commercial Tax Officer  
2015**



172/2015

Maximum : 100 marks

Time : 1 hour and 15 minutes

1. Which of the following errors will be disclosed in the trial balance?
  - (A) Recording transactions in the wrong account
  - (B) Duplication of a transaction in the accounting records
  - (C) Posting only the debit portion of a particular journal entry
  - (D) Recording the wrong amount for a transaction to both the account debited and the account credited
2. Which of the following account usually shows a credit balance?
  - (A) Capital account
  - (B) Bank overdraft
  - (C) Both (A) and (B)
  - (D) Purchase account
3. Identify the correct statement :
  - (A) Carriage inwards and carriage outwards are both credit balances
  - (B) Returns inwards and returns outwards are both debit balances
  - (C) Both carriage inwards and carriage outwards appear in the trading account.
  - (D) None of these
4. A debit balance on a partner's current account must indicate that :
  - (A) Drawings are higher than the profit share for that year
  - (B) They are insolvent
  - (C) They have a credit balance on their capital account
  - (D) They have withdrawn more than they have earned in the partnership
5. Locate the item that would not be found in the Profit and Loss Appropriation account of partners :
  - (A) interest on loan by partner to partnership
  - (B) interest on drawings
  - (C) salaries
  - (D) interest on capital
6. If a partner cannot clear his debts on dissolution, the other partners must clear these debts in the following manner :
  - (A) sharing ratio of the partnership
  - (B) in the ratio of their capital balance
  - (C) shared equally
  - (D) debts should not be cleared by other partners
7. Conversion cost = \_\_\_\_\_
  - (A) Direct Material + Direct Labor + Direct Expense
  - (B) Direct Labor + Direct Expense + Factory Overheads
  - (C) Works cost – Direct Material
  - (D) Both (B) and (C)

8. In which of the following wage plan, time wage is not guaranteed?  
(A) Halsey (B) Rowan  
(C) Taylor (D) Gantt
9. Absorption of overheads means :  
(A) distribution of overheads to all departments  
(B) charging of overheads to individual products  
(C) identification of cost  
(D) grouping overheads between direct and indirect
10. Which among the following are not appearing in the cost sheet?  
(A) Bad debts (B) Income tax  
(C) Both (A) and (B) (D) Counting house salary
11. What may be the cause of negative cash flow from operating activities?  
(A) The repayment of a loan  
(B) High levels of dividend payments  
(C) A substantial investment in new fixed assets  
(D) A sudden increase in credit sales
12. Which one of the following is false?  
(A) A profitable company will never run out of cash  
(B) If cash outflows exceed inflows on an ongoing basis, the business will eventually run out of cash  
(C) Rapidly expanding companies can sometimes face a cash shortage  
(D) Cash is the lifeblood of a business and without it the business will die
13. Which of the following involves a movement of cash?  
(A) Bonus issue (B) Rights issue  
(C) Creation of a provision for pensions (D) Depreciation of fixed assets
14. The difference between fixed cost and variable cost assumes significance in the preparation of the following budget :  
(A) Master Budget (B) Flexible Budget  
(C) Cash Budget (D) Capital Budget
15. When a manufacturing business prepares budgets for a period, which is normally the first budget to be prepared?  
(A) Cash budget (B) Sales budget  
(C) Production budget (D) Capital expenditure budget
16. What is 'management by exception'?  
(A) A form of management accountability  
(B) A means of management control  
(C) A means of assessing managerial performance  
(D) A form of planning

17. A budget is all of the following, except :
- (A) a plan which will ensure the generation of future profits
  - (B) a system to integrate the operations for future activity
  - (C) a financial plan for the future
  - (D) a system which helps to co-ordinate internal activities
18. Which of the following would be consistent with a more aggressive approach to financing working capital?
- (A) Financing short-term needs with short-term funds
  - (B) Financing permanent inventory buildup with long-term debt
  - (C) Financing seasonal needs with short-term funds
  - (D) Financing some long-term needs with short-term funds
19. Spontaneous financing includes :
- (A) cash at bank
  - (B) short-term loans
  - (C) accounts payable
  - (D) provision for dividend
20. Permanent working capital :
- (A) varies with seasonal needs
  - (B) includes fixed assets
  - (C) is the amount of current assets required to meet a firm's long-term minimum needs
  - (D) includes accounts payable
21. Identify the fictitious asset :
- (A) Preliminary expense
  - (B) P/L (debit balance)
  - (C) Both (A) and (B)
  - (D) Goodwill
22. Identify the transaction(s) where flow of fund occurs :
- (A) transactions involving current liabilities and non-current liabilities
  - (B) transactions involving current assets and non-current assets
  - (C) transactions involving current assets and non-current liabilities
  - (D) all the above
23. Which of the following types of assets should be financed with long-term source?
- (A) Fixed assets only
  - (B) Fixed assets and temporary current assets
  - (C) Fixed assets and permanent current assets
  - (D) Temporary and permanent current assets
24. How will you treat the share forfeited account while preparing Balance Sheet of a company?
- (A) Add with the paid up capital
  - (B) Deduct from the paid up capital
  - (C) Shown under Reserves and Surplus
  - (D) Shown under current liabilities and provisions

25. While determining managerial remuneration, which among the following is not considered?  
(A) Commission received (B) Profit on sale of forfeited shares  
(C) Premium on shares (D) Both (B) and (C)
26. Cost of Capital refers to :  
(A) Required Rate of Return (B) Dividend  
(C) Floatation Cost (D) None of the above
27. Identify the correct statement :  
(A) Retained Earnings are cost free  
(B) External Equity is cheaper than Internal Equity  
(C) Retained Earnings are cheaper than External Equity  
(D) Retained Earnings are costlier than External Equity
28. The Internal Rate of Return (IRR) is :  
(A) the same thing as the discount rate  
(B) the same thing as the cost of capital  
(C) the ratio of average annual profits to average investments  
(D) the discount rate that equates the present values of inflows and outflows
29. The optimal capital structure of a firm :  
(A) minimizes the firm's cost of debt capital  
(B) is that combination of debt, preferred and common stock that maximizes the firm's share values  
(C) is one in which the weighted cost of capital is less than the IRR  
(D) none of the above are correct
30. The dividend-payout ratio is equal to :  
(A) the dividend yield plus the capital gains yield  
(B) dividends per share divided by earnings per share  
(C) dividends per share divided by par value per share  
(D) dividends per share divided by current price per share
31. 'Shareholder's wealth' in a firm is represented by :  
(A) the market price per share of the firm's common stock  
(B) the number of people employed in the firm  
(C) the book value of the firm's assets less the book value of its liabilities  
(D) the amount of salary paid to its employees
32. Firm having  $r < k$  may be referred as :  
(A) growth firm (B) normal firm  
(C) declining firm (D) none of these
33. The type of lease that includes a third party, a lender, is called :  
(A) leveraged lease (B) sale and leaseback  
(C) direct leasing arrangement (D) operating lease

34. \_\_\_\_\_ act as an intermediary to link up the sources of ideas and the sources of fund.
- (A) Merchant banking (B) Leasing  
(C) Venture capital (D) Receivables management
35. Method that provides correct rankings of mutually exclusive projects, when the firm is not subject to capital rationing :
- (A) net present value (B) internal rate of return  
(C) payback period (D) profitability index
36. A critical assumption of the Net Operating Income (NOI) approach to capital structure is :
- (A) that debt and equity levels remain unchanged  
(B) that dividends increase at a constant rate  
(C) that  $k_e$  remains constant regardless of changes in leverage  
(D) that interest expense and taxes are included in the calculation
37. Mr. Gomez purchased a bond at a price far below its face value, that makes no interest payments and will be redeemed at its face value at maturity. In all likelihood, he purchased a \_\_\_\_\_ bond.
- (A) debenture (B) convertible  
(C) indenture (D) zero-coupon
38. If interest rates in the overall economy decrease, the market value of a corporate bond with a fixed interest rate will :
- (A) either increase or decrease (B) the value of the bond will increase  
(C) the value of the bond will decrease (D) the value of the bond will not change
39. Which of the following would be found in cash budget?
- (A) Provision for doubtful debts (B) Depreciation  
(C) Accrued expenditure (D) Capital expenditure
40. Identify the statement which is false in connection with capital budgeting decision :
- (A) sunk costs are ignored (B) opportunity costs are excluded  
(C) incremental cash flows are considered (D) irreversible decision making
41. Return on Investment may be improved by :
- (A) increasing turnover (B) reducing expenses  
(C) increasing capital utilization (D) all of the above
42. Suppliers and Creditors of a firm are interested in :
- (A) Profitability Position (B) Liquidity Position  
(C) Market Share Position (D) Debt Position

43. Advantage of Debt financing is :
- (A) interest is tax-deductible
  - (B) it reduces weighted average cost of capital
  - (C) does not dilute owners control
  - (D) all of the above
44. Which of the following is studied with the help of financial leverage?
- (A) Financing risk
  - (B) Interest Rate Risk
  - (C) Foreign Exchange Risk
  - (D) Market Risk
45. Which of the following is not a fundamental assumption made by Modigliani and Miller?
- (A) No taxes
  - (B) There is imperfect information
  - (C) Firms can be classified into distinct risk class
  - (D) Possible to borrow and lend at the risk-free rate
46. What is Gordon's 'bird in the hand' fallacy?
- (A) Investors prefer early resolution of uncertainty and apply a lower discount rate to later dividends
  - (B) Investors prefer early resolution of uncertainty and apply a higher discount rate to later dividends
  - (C) Investors prefer later resolution of uncertainty and apply a higher discount rate to later dividends
  - (D) Investors prefer later resolution of uncertainty and apply a lower discount rate to later dividend
47. Which of the following is not a fundamental concept in Corporate Finance?
- (A) Net present value
  - (B) Relationship between risk and return
  - (C) Business cycle
  - (D) Double-entry book-keeping
48. A high risk, high yield bond rated below investment grade is :
- (A) junk bond
  - (B) unsecured bond
  - (C) non investable bond
  - (D) none of these
49. A short term lease where the leasing company will take the asset back at the end of the lease is :
- (A) operating lease
  - (B) finance lease
  - (C) sale and lease back
  - (D) leveraged lease
50. Short-term unsecured promissory note issued by corporations is called :
- (A) commercial paper
  - (B) certificates of deposit
  - (C) bonds
  - (D) swaps

51. Chairman of Central Sales Tax Authority shall be :
- (A) Retired judge of High Court (B) Retired judge of District court  
(C) Retired judge of Supreme Court (D) None of the above
52. Offences under the Central Sales Tax Act are :
- (A) Cognizable and bailable (B) Non cognizable and bailable  
(C) Non cognizable and non bailable (D) Cognizable and non bailable
53. Which is the lowest court in the hierarchy of criminal courts that can try the offences punishable under the Central Sales Tax Act or Rules?
- (A) First Class judicial Magistrate Court  
(B) Second Class judicial Magistrate Court  
(C) Sessions Court  
(D) High Court
54. Which of the following will come within the ambit of Taxable Turn Over under Kerala General Sales Tax Act?
- (A) Turn Over of goods in the course of interstate sale  
(B) Turn Over of goods in the course of intra state sale  
(C) Turn Over of goods in the course of export of goods outside the territory of India  
(D) Turn Over of goods in the course of import of goods into the territory of India
55. The permit issued to a registered dealer under the Kerala General Sales Tax Act is valid for a period of :
- (A) 6 months (B) 3 years  
(C) 1 year (D) 5 years
56. Which of the following Sales Tax Authority is appointed to exercise the powers akin to that of Collector under the Revenue recovery Act, for recovering arrear dues under Kerala General Sales Tax Act?
- (A) Chairman settlement commission (B) Sales tax officer  
(C) Deputy commissioner sales tax (D) Inspecting Assistant commissioner
57. Which of the following are not goods within the meaning of Kerala Value Added Tax Act, 2003?
- (A) Actionable claim (B) Electricity  
(C) Stocks and shares (D) All the above
58. Green card Under Kerala Value Added Tax Act and Rules, was introduced by the :
- (A) Kerala Finance Act, 2007 (B) Kerala Finance Act, 2005  
(C) Kerala Finance Act, 2008 (D) Kerala Finance Act, 2006
59. The appointing authority of the chairman of settlement commission under Kerala Value Added Tax Rules, 2005:
- (A) Chief Minister of Kerala (B) Governor of Kerala  
(C) Chief justice of Kerala High court (D) Board of Revenue

60. Which of the following cases the Deputy Commissioner under Kerala Value Added Tax Act, 2003 can exercise power of revision suo moto?
- If appeal time has not expired and the deputy commissioner feels that the order passed by his subordinate authority is prejudicial to the interests of the assessee
  - If appeal time has expired and the deputy commissioner feels that the order passed by his subordinate authority is prejudicial to the interests of the assessee
  - If appeal time has expired and the deputy commissioner feels that the order passed by his subordinate authority is prejudicial to the interests of the revenue
  - None of the above
61. The chairman of the Appellate Tribunal under the Kerala Agriculture Income Tax Act, 1991, must have same qualification as that of:
- High Court Judge
  - Supreme Court Judge
  - District Judge
  - Sub Judge
62. What is the effect of the death of a party between the conclusion of the final hearing and the passing of the order under the Kerala Agriculture Income Tax Rules, 1991?
- Proceedings will abate once and for all and no order can be made
  - Proceedings will not abate and order may be passed
  - The proceedings will abate if the legal representatives does not implead himself within 60 days of the date of the death of the party
  - The proceedings will abate if the legal representatives does not implead himself within 30 days of the date of the death of the party
63. The application for the settlement of cases under the Kerala Agriculture Income Tax Act, 1991 may be filed :
- at any stage of appeal pending before any authority under the Act
  - only before the return is filed
  - before total agricultural income is computed by the assessee, for the purpose of filing return
  - none of the above
64. Which of the following courts have jurisdiction to try offences punishable under the Kerala Money Lenders Act, 1958?
- Second Class judicial magistrate court
  - Sub court
  - Munsiff court
  - First class judicial magistrate court
65. Which of the following persons can apply for licence without a guardian to carry on the business under the Money Lenders Act?
- Unmarried woman aged 65 years
  - Woman aged 25 years, suffering from lunacy
  - Unmarried woman below 18 years
  - None of the above

66. Which of the following proceedings under the Money lenders act, the provisions of CrPC is applicable?
- (A) Summoning and enforcing attendance of witnesses  
 (B) Compelling production of any document  
 (C) Search and seizure  
 (D) All the above
67. Which of the following articles can be attached under the Kerala Revenue Recovery Act, 1968?
- (A) Ordinary wearing apparel  
 (B) Decree of a civil court for payment of money  
 (C) Wedding ring  
 (D) None of the above
68. Which of the following defaulted persons cannot be arrested and detained in prison under the Kerala Revenue Recovery Act?
- (A) Woman  
 (B) Unsound person  
 (C) Minor  
 (D) All the above
69. The period of limitation for claiming refund under the Kerala Tax on Luxuries Act, 1976 is :
- (A) 3 years from the date of order of the assessment  
 (B) 2 years from the date of order of the assessment  
 (C) 1 year from the date of order of the assessment  
 (D) 6 months from the date of order of the assessment
70. Which of the following will come within the ambit of Luxury Tax under Kerala Luxury Tax Act?
- (A) Service provided by Indian railways by way of retiring rooms for passengers  
 (B) Facilities provided in a rented kalyana mandapam located in the premises of palace of worship and is owned by a religious institution  
 (C) Service provided by DTH broadcasting service provider to a subscriber  
 (D) All the above
71. Which of the statements is not true with respect to "condition"?
- (A) It is a stipulation essential to the main purpose of the contract  
 (B) It is a stipulation collateral to the main purpose of the contract  
 (C) Breach of condition will give rise to treat the contract as repudiated  
 (D) Breach of condition give rise to the right to reject the goods
72. Right exercised by the seller to retain the possession of goods until the tender of the price or payment of price by the buyer is called :
- (A) Pledge  
 (B) Lien  
 (C) Mortgage  
 (D) Hypothecation
73. Which of the following statements are true?
- I. A minor cannot be a partner  
 II. A minor may be admitted to the benefits of a partnership  
 III. A minor admitted to the benefits of a partnership cannot inspect the accounts of the firm
- (A) Only I and II  
 (B) Only II and III  
 (C) Only I  
 (D) Only II

74. Which of the following statements is not true with respect to Limited Liability Partnership?
- (A) Limited Liability Partnership is a legal entity separate from that of its partners
  - (B) Limited Liability Partnership shall have perpetual succession
  - (C) Any change in the partners of a Limited Liability Partnership shall not affect the existence, rights or liabilities of a Limited Liability Partnership.
  - (D) The provisions of Indian partnership Act, 1932, shall generally apply to Limited Liability Partnership
75. A advertises that he has got stock of books to sell. It amounts to :
- (A) Offer
  - (B) Acceptance
  - (C) Sale
  - (D) Invitation to treat
76. The rule that a stranger to contract cannot sue refers to :
- (A) Privity of Contract
  - (B) Quasi contract
  - (C) Consideration
  - (D) Tender
77. The agreement, the consent of which is caused by undue influence is :
- (A) valid
  - (B) void
  - (C) voidable
  - (D) none of the above
78. A person employed by and acting under the control of the original agent in the business of agency is called :
- (A) factor
  - (B) subagent
  - (C) del credere agent
  - (D) substituted agent
79. A gratuitous bailment is terminated by :
- (A) the death of the Bailer only
  - (B) the death of the bailee only
  - (C) death of either of the bailer or bailee
  - (D) it is not terminated by the death of the parties
80. B is indebted to C and A is the surety for the debt. C demands payment from A and on his refusal sues him for the amount. Though a defended the suit, as he has reasonable grounds for doing so, he was compelled to pay the debt with costs. Whether A can recover from B the amount paid by him for costs together with principal debt?
- (A) No, A can only recover the principal debt as per the contract Act
  - (B) Yes, A is entitled to recover from B whatever sum he has rightfully paid under the guarantee
  - (C) No, A has no right to claim the sum he has paid wrongfully under the guarantee
  - (D) None of the above

81. Directive Principle of State Policy contained in Article \_\_\_\_\_ of The Constitution mentions that the State shall Endeavour to protect and improve the environment and to safeguard the forests and wildlife of the country.
- (A) 46 (B) 39-A  
(C) 48-A (D) 49
82. As per Article 100(3) of The Constitution of India, the quorum to constitute a meeting of either house of Parliament shall be \_\_\_\_\_ of the total members of The House.
- (A) one-third (B) half  
(C) one-tenth (D) two-third
83. As per Article 219 of The Constitution of India, every person appointed to be a Judge of a High Court shall before he enters upon his office, make and subscribe an oath or affirmation before :
- (A) The Chief Justice of The High Court (B) Full bench of the High Court  
(C) The President of India (D) The Governor of the State
84. The residuary power of making any law imposing a tax is conferred on Parliament as per Article \_\_\_\_\_ of The Constitution of India.
- (A) 248(2) (B) 264  
(C) 247 (D) 252
85. In T. Devadasan v Union of India AIR 1964 SC 179, The Supreme Court was required to adjudge the Validity of :
- (A) Carry forward rule (B) Equal pay for equal work  
(C) Seniority in service (D) Compulsory retirement
86. Request for providing access to information which would involve infringement of copyright subsisting in a person other than the State, shall be rejected as per \_\_\_\_\_ of The Right to Information Act 2005.
- (A) Section 13 (B) Section 11  
(C) Section 9 (D) Section 7
87. Under Section 35(2) of The Protection of Children against Sexual Offences Act 2012, The Special Court shall complete the trial as far as possible within a period of \_\_\_\_\_ from the date of taking cognizance of the offence.
- (A) six months (B) one year  
(C) eighteen months (D) two years
88. Under Section 4(b) of The National Food Security Act 2013, pregnant women and lactating mothers shall be entitled to maternity benefits of not less than rupees \_\_\_\_\_ in installments as may be prescribed by the Central Government.
- (A) four thousand (B) five thousand  
(C) six thousand (D) ten thousand
89. Under Section 4(3) of The Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act 2013, The Presiding officer and members of the internal complaints Committee shall hold office for a maximum of \_\_\_\_\_ years from the date of their nomination.
- (A) three (B) four  
(C) five (D) six

90. Under Section 5(4) of The Maintenance and Welfare of Parents and Senior Citizens Act, 2007, an application for monthly allowance for interim maintenance shall be disposed off within \_\_\_\_\_ days of the service of application to such person.
- (A) fifteen (B) thirty  
(C) sixty (D) ninety
91. Duravastha is written by :
- (A) Vallathole (B) Kumaranasan  
(C) Ulloor (D) Kunchan Nambiar
92. The Judeas reached first in :
- (A) Cochin (B) Calicut  
(C) Kodungallur (D) Kottayam
93. The First Election Commissioner in Independent India was :
- (A) T.N. Seshan (B) Sukumar Sen  
(C) V.V. Giri (D) V. Ramaswami
94. Indira is India, India is Indira slogan was given by :
- (A) Raj Narayan (B) Jagjeevan Ram  
(C) C.M. Stephen (D) D.K. Barooah
95. First Deputy Prime Minister in India was :
- (A) Lal Bahadur Shastri (B) Sardar Vallabai Patel  
(C) Dr. Rajendra Prasad (D) Dr. S. Radhakrishnan
96. Kerala Renaissance leader who participate in the Kakkinada congress was :
- (A) T.K. Madhavan (B) K. Kelappan  
(C) K.P. Kesavamenon (D) A.K. Gopalan
97. "Vyazhavatta Smaranakal" an autobiography is written by :
- (A) K.M. Panikkar (B) Ramakrishna Pillai  
(C) B. Kallyani Amma (D) Joseph Mundasseri
98. The famous temple entry proclamation is made on :
- (A) 21<sup>st</sup> September 1932 (B) 2<sup>nd</sup> October 1932  
(C) 12<sup>th</sup> November 1936 (D) 16<sup>th</sup> November 1936
99. The founder of Sadhujana Paripalana Yogam was :
- (A) Sree Narayana Guru (B) Dr. Palpu  
(C) K. Kelappan (D) Ayyankali
100. Swadesabhimani Press was under the ownership of :
- (A) K.P. Kesavamenon (B) K. Ramakrishna Pillai  
(C) Abdul Khader Moulavi (D) M.P. Veerendrakumar