

PREVIOUS YEAR PAPER

SSC CGL 2016 Tier II — General Studies (Finance and Economics) — 2 December 2016

SSC CGL · 2 December 2016 · 2:45 PM - 4:45 PM

89 of the paper's 100 questions · marks per question not printed on the response sheet · 120 minutes

11 questions of the original paper are not included: those that need a figure or formatting we cannot show, that have no answer in the response sheet, or that we could not check against a second copy of the paper.

Questions from the Staff Selection Commission's paper of 2 December 2016, 2:45 PM - 4:45 PM. Each question is followed by its answer, and the answer key is repeated on the last page.

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General Studies (Finance and Economics)

1. Creating provision for bad & doubtful debts is an application of which of the following principles / concepts :

- (a) Realisation Principle
- (b) Full Disclosure
- (c) Conservatism
- (d) Money Measurement

Answer: (c)

2. A company has a machinery costing Rs. 5,00,000. Depreciation is charged as follows : Yr 2010 Rs. 50,000 Yr 2011 Rs. 30,000 Yr 2012, 2013 Rs. 20,000 each year. Which principle is violated ?

- (a) Materiality
- (b) Substance over form
- (c) Consistency Principle
- (d) Timeliness

Answer: (c)

3. If a liability is decreased, then for the asset to be constant, there will be a corresponding :

- (a) Increase in Capital
- (b) Decrease in Capital
- (c) Decrease in Profit
- (d) Decrease in Asset

Answer: (a)

4. Withdrawal of goods from stock by the owner of the business for personal use should be recorded by

- (a) Debiting Stock Account and Crediting Capital Account
- (b) Debiting Capital Account and Crediting Drawing Account
- (c) Debiting Drawing Account and Crediting Stock Account
- (d) Debiting Stock Account and Crediting Drawing Account

Answer: (c)

5. A second hand car was purchased for Rs. 2,00,000 and depreciation is charged @ 10 % on written down value method and car is sold after 2 years for Rs. 1,40,000. Find the profit or loss on the sale of the car.

- (a) Loss of Rs. 20,000
- (b) Loss of Rs. 22,000
- (c) Loss of Rs. 11,000
- (d) Profit of Rs. 11,000

Answer: (b)

6. Which of the following is true ?

- (a) Payment of liability Causes an increase in Owners equity
- (b) The Collection of an Account Receivable will cause total assets to increase
- (c) The accounting equation is Assets + Liability = Owner's equity
- (d) Purchase of an asset, either in cash or Credit, does not change the owners equity

Answer: (d)

7. Which of the following is true when debt is paid ?

- (a) Asset side of The Balance sheet will decrease
- (b) Asset side of The Balance sheet will increase
- (c) The liability side of The Balance sheet will increase
- (d) There is no change in total asset or total liabilities

Answer: (d)

8. Only significant events which affect the business must be recorded as per the principle of

- (a) Separate Entity
- (b) Accrual
- (c) Materiality
- (d) Going Concern

Answer: (c)

9. Treatment of Goods given as free samples are

- (a) Added to Carriage Inward
- (b) Added to Bad Debts
- (c) Deducted from Advertisement Expenses
- (d) Deducted from Purchases

Answer: (d)

10. Shyam bought goods having the list price of Rs. 50,000 from Ram less 20% trade discount & 2% cash discount and paid 40% by cheque. What is the amount paid by Shyam ?

- (a) Rs. 16,000
- (b) Rs. 15,680
- (c) Rs. 19,600
- (d) Rs. 15,600

Answer: (b)

11. Which of the following is true ?

- (a) Bank Account is a Personal Account.
- (b) Stock of Stationery Account is a Nominal Account.
- (c) Return Inward Account is a personal Account.
- (d) Outstanding Rent Account is a Nominal Account.

Answer: (a)

12. Periodic total of Purchase day book is posted to

- (a) Creditor Account
- (b) Debtor Account
- (c) Purchase Account
- (d) Purchase Memorandum Account

Answer: (c)

13. Which of the following statements is true ?

- (a) Bank charges increase debit balance shown in per Bank column of the cash Book
- (b) Bank charges increase debit balance shown in per Bank pass Book
- (c) A cash sale of a nontrading asset is recorded in the Journal proper
- (d) Cash discount allowed by the business will appear on the debit side of the debtors account

Answer: (b)

14. After the preparation of Ledgers, the next step is the preparation of

- (a) Trading Account
- (b) Trial Balance
- (c) Profit and Loss Account
- (d) Balance sheet

Answer: (b)

15. Total of Sale Book was not posted to the ledger. What is the kind of error ?

- (a) Error of omission
- (b) Error of commission
- (c) Error of principle
- (d) Compensating error

Answer: (a)

18. Which of the following is true relating to a trial balance?

- (a) If a trial balance tallies, no transaction is omitted.
- (b) A trial balance does not tally if a transaction is omitted.
- (c) It is mandatorily prepared to ensure correctness of a Balance sheet.
- (d) A trial balance is a summary of the General Ledger Balances outstanding on a particular date.

Answer: (d)

19. Which of the following errors will be revealed by the Trial Balance?

- (a) Compensating error
- (b) Errors of omission
- (c) Errors of principle
- (d) Wrong balancing of accounts

Answer: (d)

20. Prepaid expenses are valued in Balance sheet at

- (a) Replacement Cost
- (b) Current Cost
- (c) Cost to acquire less accumulated amortization
- (d) Cost less expired portion

Answer: (d)

21. Which of the following equations is correct ?

- (a) Gross Profit + Sales + Direct expenses + Purchases + Closing balance = Opening Stock
- (b) Gross Profit + Sales + Direct Expenses + Purchases Closing stock = Opening Stock
- (c) Gross Profit + Opening stock + Direct Expenses + Purchases Closing stock = Sales
- (d) Gross Profit Opening stock + Direct Expenses + Purchases + Closing stock = Sales

Answer: (c)

22. At the time of finalization of accounts, bad debt recovered account will be transferred to

- (a) Debtors Account
- (b) Profit and Loss Account
- (c) Profit and Loss Adjustment Account
- (d) Profit and Loss Appropriation Account

Answer: (b)

23. Contingent Liabilities are shown :

- (a) Credit side of balance sheet
- (b) Profit & Loss Appropriation Account
- (c) Both Profit & Loss Account & Balance sheet
- (d) None of the options

Answer: (d)

24. If outside liability and owners equity are added we get :

- (a) Total Liabilities
- (b) Net Worth
- (c) Share Holders Fund
- (d) Gross Block

Answer: (a)

25. XYZ send goods worth Rs 1,00,000 to Y on consignment basis at 20% above the cost price. The goods were sold by the consignee on a mark up of 15% on invoice price. Find the total mark up % over the cost of the goods.

- (a) 30%
- (b) 38%
- (c) 35%
- (d) 25%

Answer: (b)

30. Underestimation of useful life of a depreciable asset will lead to

- (a) overstatement of profit
- (b) excess charging of depreciation every year
- (c) overvaluation of asset in Balance sheet
- (d) short charging of depreciation every year

Answer: (b)

31. A firm has a policy of charging depreciation @ 10% on plant and machinery under Written Down Value (WDV) method. If the book value of the plant and machinery is Rs 81,000 on 31.3.16. Find the original cost, if the same was purchased on 01.04.2014.

- (a) Rs 1,10,000
- (b) Rs 1,00,000
- (c) Rs 81,000
- (d) Rs.90,000

Answer: (b)

32. What is included in an Inventory?

- (a) Raw Material
- (b) Stores & Spares
- (c) Loose tools
- (d) All of the above

Answer: (d)

33. Opening stock Rs 15,000, Closing stock Rs 6,000 and total purchase during the year was Rs 30,000. It was found that opening stock inadvertently included postage stamp of Rs 1,500. Find the cost of the good sold.

- (a) Rs 40,000
- (b) Rs 39,000
- (c) Rs 37,500
- (d) Rs 36,000

Answer: (c)

34. Average inventory is Rs 12,000 and closing inventory is Rs 3,000 more than opening inventory. The value of closing inventory?

- (a) Rs 12,000
- (b) Rs 24,000
- (c) Rs 10,500
- (d) Rs 13,500

Answer: (d)

36. A firm commenced business on 1st January 2015, purchased goods costing Rs 90,000. A sum of Rs 6,000 was spent on freight inwards. At the end of the year, the cost of goods still unsold was Rs 12,000. Sales during the year Rs. 1,20,000. What is the Gross Profit earned by the firm?

- (a) Rs 36,000
- (b) Rs 30,000
- (c) Rs 42,000
- (d) Rs 38,000

Answer: (a)

37. The receipts and payments account for an nonprofit organization is a

- (a) Nominal Account
- (b) Real Account
- (c) Income Statement Account
- (d) Financial Account

Answer: (b)

38. What amount should be credited to the Income & expenditure Account as Subscriptions as given in the following information: In 2015, Subscriptions received Rs. 21,000 including Rs. 400 for 2014 and Rs. 500 for 2016. On 31 December 2015, Subscriptions due but not received Rs. 700.

- (a) Rs. 22,600
- (b) Rs. 21,700
- (c) Rs. 21,300
- (d) Rs. 20,800

Answer: (d)

39. Early payment of Bill of exchange is called

- (a) Retirement
- (b) Renewal
- (c) Discount
- (d) Endorsement

Answer: (a)

40. Drawee for bills of exchange is the person who

- (a) draws a bill of exchange
- (b) presents the bill of exchange for payment
- (c) accepts the Bill of exchange
- (d) holds the bill of exchange till maturity

Answer: (c)

41. All reports are submitted by the Comptroller and Auditor General of India to the

- (a) Prime Minister
- (b) President
- (c) President and Governors of State.
- (d) Finance Minister

Answer: (c)

42. Which Committee of Parliament in India examines the Audit Report of Comptroller and Auditor General ?

- (a) Estimates Committee
- (b) Committee on Public Audit
- (c) Assurance Committee
- (d) Public Accounts Committee

Answer: (d)

43. Which of the following duties is not performed by the Comptroller and Auditor General of India ?

- (a) To audit and report on all expenditure from the consolidated fund of India.
- (b) To audit and report on all expenditure from the Contingency Funds & Public Accounts
- (c) To audit and report on all trading manufacturing and profit & loss accounts
- (d) To control the receipt and issue of public Money

Answer: (d)

44. The Finance Commission recommends

- (a) Distribution of financial resources between the various ministries
- (b) Distribution of financial resources between the Union & the State
- (c) Distribution of financial resources from the states to various Panchayati Raj
- (d) Distribution of financial resources from the Union to various plan heads

Answer: (b)

45. Under which Article of the Constitution Finance Commission is constituted?

- (a) Article 315
- (b) Article 280
- (c) Article 148
- (d) Article 76

Answer: (b)

46. Which is the constitutional authority in India to decide the share of the states from the proceeds of taxes levied and collected by the Union?

- (a) Planning Commission
- (b) Finance Commission
- (c) Finance Minister of Govt. of India.
- (d) Union Cabinet

Answer: (b)

47. When a rational person makes a choice, the concept of opportunity cost enters, thus opportunity cost is defined as

- (a) the benefit gained in terms of the next best alternative foregone when a choice is made
- (b) the benefit lost in terms of the next best alternative foregone when a choice is made
- (c) the benefit lost in terms of the next best alternative gained when a choice is made
- (d) the benefit lost in terms of the next best alternative foregone when there is no choice at all

Answer: (b)

48. The three main features of the capitalist economies are :

- (a) Prices, Patents and Property rights
- (b) Prices, Profit and Property rights
- (c) Prices, Profits and Patents
- (d) Patents, Profit and Property rights

Answer: (b)

49. In a centrally planned economy the factor of production

- (a) Are owned by the govt and the welfare of the people are left to the market process.
- (b) Are owned by the govt and the welfare of the people is the prime concern.
- (c) Are owned by the people and the market process determines the welfare of the people.
- (d) Are determined by the market process and the welfare of the people are determined by the Govt.

Answer: (b)

50. There is no time lag in the production and consumption of

- (a) Capital goods
- (b) Services
- (c) Single use goods
- (d) Durable goods

Answer: (b)

51. Which of the following is a reason for the negative slope of the Production Possibility Curve.
- (a) The inverse relationship between the use of technology and the use of natural resources
 - (b) Scarcity at any point of time due to limited amount of productive resources
 - (c) Resource specialisation
 - (d) Increasing opportunity costs

Answer: (b)

52. The law of demand indicates :
- (a) The relationship between the increase of a consumer and the quantity demanded
 - (b) The relationship between the price of a commodity and the quantity demanded
 - (c) The relationship between price of one commodity and the price of substitute
 - (d) The relationship between prices of two commodities

Answer: (b)

53. If the demand for a good is priceelastic, a fall in its price will lead to
- (a) A rise in total demand for the good
 - (b) A fall in its sales
 - (c) A fall in total demand
 - (d) No change in total demand

Answer: (a)

54. Which of the following is not a characteristic of Indifference Curves ?
- (a) They are convex to the origin
 - (b) They slope downwards from left to right
 - (c) They can never intersect each other
 - (d) They can touch either axis

Answer: (a)

55. When marginal utility declines and is positive
- (a) Total utility increases at a decreasing rate
 - (b) Total Utility increases at an increasing rate
 - (c) Total utility is constant
 - (d) Total utility is decreasing

Answer: (a)

57. A good is termed as an inferior good if
- (a) Its consumption increases with a rise in income
 - (b) Its consumption reduces with a rise in Income
 - (c) Its consumption reduces with a rise in price
 - (d) Its consumption remains the same with a rise in price

Answer: (b)

58. A consumer increases its demand for a commodity from 40 to 50 units when its price falls by 10%. The price elasticity of demand is

- (a) 0.5
- (b) 1.5
- (c) 2.5
- (d) 3.5

Answer: (c)

59. Contraction of demand is the result of

- (a) Decrease in the number of consumers.
- (b) Increase in the price of the good consumed.
- (c) Increase in the price of other related goods
- (d) Decrease in the income of the purchasers.

Answer: (b)

60. Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will

- (a) Increase or decrease but the demand curve for chicken will not change
- (b) Increase and the demand curve for fish will shift rightwards
- (c) Not change but there will be movement along the demand curve for fish.
- (d) Decrease and the demand curve for fish will shift leftwards

Answer: (b)

61. The opportunity cost of a factor of production is

- (a) what has to be paid to retain it in its present use.
- (b) what it is earning its present uses.
- (c) what it can earn in total other uses.
- (d) what it can earn in the long period.

Answer: (a)

62. Which one of the following is not a characteristic of labour as a factor of production ?

- (a) Labour is inseparable from the labourer
- (b) Labour has high bargaining power
- (c) Labour is perishable
- (d) Labour differs from labourer to labourer

Answer: (b)

63. Short Run Total Cost Curve can never be less than Long Run Total Cost Curve.

- (a) Always True
- (b) Often True
- (c) Sometimes True
- (d) Never True

Answer: (a)

64. Marginal cost is defined as :

- (a) the change in total cost due to one unit change in output.
- (b) total cost divided by total output.
- (c) change in output due to one unit change in input.
- (d) total product divided by quantity of inputs.

Answer: (a)

65. Production function explains the relationship between

- (a) initial inputs and ultimate output
- (b) inputs and ultimate consumption
- (c) output and consumption
- (d) output and exports

Answer: (a)

66. In the initial stages of production, generally the increasing returns to scale operate because

- (a) Input is increased
- (b) Capital equipment is new
- (c) Economies of scale operate
- (d) Absence of bottlenecks in production

Answer: (c)

67. If we have constant returns to scale and we increase the quantity of labour used per unit of time by 10% but keep the amount of capital constant, output will

- (a) Increase by 10%
- (b) Decrease by 10%
- (c) Increase by more than 10%
- (d) Increase by less than 10%

Answer: (d)

68. In the context of oligopoly, the kinked demand hypothesis is designed to explain

- (a) Price and output determination
- (b) Price Rigidity
- (c) Price leadership
- (d) Collusion among rivals

Answer: (b)

69. Price Discrimination exists when

- (a) The same product is sold at the same price to different buyers
- (b) The same product is sold at different prices to different buyers
- (c) Different product is sold at different prices to different buyers
- (d) None of the options

Answer: (b)

70. Which of the following statements is incorrect ?

- (a) Under monopoly, there is no difference between a firm and an industry
- (b) A monopolist may restrict output and raise prices
- (c) Commodities offered for sales under perfect competition will be heterogeneous
- (d) Product differentiation is peculiar to monopolistic competition

Answer: (c)

71. Which of the following statement is true for a perfectly competitive firm

- (a) In the long run all firms earn super normal profits
- (b) In the long run all firms are making losses
- (c) In the long run all firms in the market earn only normal profit
- (d) In the long run all firms have slowly increased profits

Answer: (c)

72. A decrease in demand with the supply curve remaining constant leads to

- (a) An increase in both equilibrium price and quantity
- (b) A fall in both equilibrium price and quantity
- (c) An increase in equilibrium price and a fall in quantity
- (d) A fall in equilibrium price but increase in quantity

Answer: (b)

73. Identify a characteristic of a monopolistic competitive market from the following :

- (a) Existence of large number of buyers and sellers
- (b) Individual firms are price takers
- (c) Heavy costs are incurred to attract customers
- (d) No barriers to entry /exit of firms

Answer: (c)

74. An increase in output in a perfectly competitive and constant cost industry which is in the long run equilibrium, will come

- (a) entirely from new firms
- (b) entirely from existing firms
- (c) either entirely from new firms or entirely from existing firms
- (d) partly from new firms and from existing firms

Answer: (a)

75. The Ministry of Statistics and Programme Implementation has revised the base year of national income estimation from 200405 to

- (a) 20092010
- (b) 20102011
- (c) 20112012
- (d) 20122013

Answer: (c)

76. Trickle Down theory of development holds that

- (a) Global prosperity spreads to domestic Economy.
- (b) Development spreads down wards throughout the economy and in all sectors.
- (c) Rate of growth of an economy is inversely proportional to the rates of taxation.
- (d) Rate of growth of on economy is independent of the rate of taxation.

Answer: (b)

77. Liberalisation of trade by the government means

- (a) Removal of export credit only
- (b) Removal of import credit only
- (c) Removal of tariff, subsidies and other restrictions on flow of goods and services
- (d) Exporting of only goods and not services

Answer: (c)

78. The highest share in power generation in India is of

- (a) Atomic power
- (b) Hydro power
- (c) Thermal power
- (d) Wind power

Answer: (c)

79. Which one of the following is not the consequence of high population growth in India ?

- (a) Ecological degradation
- (b) Unemployment and unproductive consumer
- (c) Insufficient per capita availability of
- (d) Adverse balance of payments

Answer: (d)

80. Which one of the following is not correct about the Saansad Adarsh Gram Yojana ?

- (a) It was launched by Prime Minister, on the birth anniversary of Lok Nayak Jai Prakash Narain.
- (b) MPs to adopt villages for their holistic development.
- (c) Special emphasis on enabling every poor household to come out of poverty
- (d) Joining every village with a national highway

Answer: (d)

82. Which of the following cannot be termed as an antipoverty programme/ scheme?

- (a) RLEGP
- (b) NREP
- (c) MRTTP
- (d) IRDP

Answer: (c)

84. National Income is the same as
- (a) Net domestic product at market price
 - (b) Net domestic product at factor cost
 - (c) Net national product at market price
 - (d) Net national product at factor cost

Answer: (d)

86. Disguised unemployment refers to
- (a) Persons with no proper jobs.
 - (b) Unemployment of people above to 60 years of age.
 - (c) More persons employed for a job which less persons can accomplish.
 - (d) Unemployment among rural woman.

Answer: (c)

87. Consider the following statements about GST bill of India 1) GST consists of three components such as central GST (CGST), State GST (SGST) and Local GST (LGST) 2) CGST & SGST will apply to all transactions of goods & services Which of the above statements are correct ?

- (a) Only 1
- (b) Only 2
- (c) Both 1 & 2
- (d) Neither of the two

Answer: (b)

88. In the postreforms period, Foreign Exchange Regulation Act was replaced by
- (a) Foreign Exchange Management Act
 - (b) Funds Exchange Management Act.
 - (c) Fiscal Exchange Management Act.
 - (d) Foreign Equity Management Act.

Answer: (a)

89. _____ refers to disposal of public sector unit's equity in the market.

- (a) Liberalisation
- (b) Globalisation
- (c) Disinvestment
- (d) Privatisation

Answer: (c)

90. Globalisation is a process of increasing economic integration in the world among

- (a) Trade organisations
- (b) Social organisations
- (c) Countries
- (d) Financial Institutions

Answer: (c)

91. UDAY Stands for

- (a) Unmukt Deficit Assurance Yojna
- (b) Ujwal Discom Assurance Yojna
- (c) Unmukt Discom Assurance Yojna
- (d) Ujjwal deficit Assurance Yojna

Answer: (b)

92. Reserve Bank's Liquidity Adjustment Facility (LAF) refers to

- (a) Auction of Treasury Bills
- (b) Rediscounting of Bills of Exchange
- (c) use of Repo and Reverse Repo
- (d) variation in the Statutory Liquidity Rates (SLR)

Answer: (c)

93. When too much money chases too few goods, the resulting inflation is called.

- (a) Deflation
- (b) Demand pull inflation
- (c) Cost push inflation
- (d) Stagflation

Answer: (b)

94. The effect of increase in Cash Reserve Ratio will be reduced or nullified if

- (a) Bank rate is reduced.
- (b) Securities are sold in the open market
- (c) Statutory Liquidity Reserve (SLR) is reduced.
- (d) People don't borrow from non banking institutions.

Answer: (a)

95. NABARD's primary role is

- (a) To act as an finance institution
- (b) To issue shares in the market
- (c) To underwrite shares of govt agencies
- (d) To act as a bank

Answer: (a)

96. Open market operations are

- (a) activities of SEBI registered Brokers
- (b) selling of securities by RBI
- (c) issue of gilt edged securities by government
- (d) sale of shares by Foreign Institutional Investors

Answer: (b)

97. An enterprise wise resource planning (ERP) system integrates the organization's Computerized subsystems and may also provide links to external parties. Identify the advantage of ERP
- (a) The reengineering needed for its implementation should improve business processes
 - (b) Customizing the software to suit the unique needs of the organization of all sizes
 - (c) The comprehensiveness of the system reduces resistance to change
 - (d) It can be installed by organization of all sizes

Answer: (a)

98. The Rural Infrastructure Development Fund (RIDF) has been created under.
- (a) Reserve Bank of India
 - (b) NABARD
 - (c) Ministry of Agriculture
 - (d) Ministry of Rural Development

Answer: (b)

99. Which of the following is not a function of the Securities and Exchange Board of India (SEBI)
- (a) Supervising the working of the stock Exchanges
 - (b) Underwriting new Capital Issues
 - (c) Regulating merchant banks and mutual funds
 - (d) Promoting the development of a healthy Capital market

Answer: (b)

100. Which of the following are major components of the Information Technology Enabled Services (ITES) industry in India
- (a) IT services and BPO
 - (b) Manufacturing Services
 - (c) Software Products
 - (d) All the options

Answer: (d)



Answer key

Answer key as marked in the Staff Selection Commission's response sheet. "—" means the sheet did not show it clearly.

General Studies (Finance and Economics)

1	(c)	2	(c)	3	(a)	4	(c)	5	(b)	6	(d)	7	(d)	8	(c)
9	(d)	10	(b)	11	(a)	12	(c)	13	(b)	14	(b)	15	(a)	18	(d)
19	(d)	20	(d)	21	(c)	22	(b)	23	(d)	24	(a)	25	(b)	30	(b)
31	(b)	32	(d)	33	(c)	34	(d)	36	(a)	37	(b)	38	(d)	39	(a)
40	(c)	41	(c)	42	(d)	43	(d)	44	(b)	45	(b)	46	(b)	47	(b)
48	(b)	49	(b)	50	(b)	51	(b)	52	(b)	53	(a)	54	(a)	55	(a)
57	(b)	58	(c)	59	(b)	60	(b)	61	(a)	62	(b)	63	(a)	64	(a)
65	(a)	66	(c)	67	(d)	68	(b)	69	(b)	70	(c)	71	(c)	72	(b)
73	(c)	74	(a)	75	(c)	76	(b)	77	(c)	78	(c)	79	(d)	80	(d)
82	(c)	84	(d)	86	(c)	87	(b)	88	(a)	89	(c)	90	(c)	91	(b)
92	(c)	93	(b)	94	(a)	95	(a)	96	(b)	97	(a)	98	(b)	99	(b)
100	(d)														

