

Defence Accounts Department
S.A.S. Examination – Part I (New Syllabus)

November, 2007

Paper I - Organization and Fundamentals of Audit and Accounts
(Theory - Without Books)

Time Allowed: 3 Hours

Total Marks : 100

Notes:-

- (1) Candidates should not attempt more than TWELVE questions.
 - (2) Each question carries EIGHT marks. FOUR marks are for general excellence.
 - (3) Answers to all parts of a question should be written at one place.
 - (4) Only question number shall be indicated in the Answer Books. Reproduction of complete question in the Answer Books should be avoided.
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Q.1. What are the guidelines to be followed by a PCDA/CDA for:
(a) Giving an audit decision. **(4 Marks)**

(b) Over-ruling a decision by a predecessor in office. **(4 Marks)**

Ans. (a) PCsDA/CsDA will not give any audit decision on a hypothetical case. They will take care to ensure that the full particulars of the specific case, which gave rise to the question referred to the Audit Office, have been obtained.

(b) A PCDA/CDA may not overrule a decision given by a predecessor in office without reference to the CGDA.

(Auth:Para 48 & 50 of OM Part-I)

Q.2. (i) Give any two functions of the Controller General of Accounts **(4 Marks)**

(ii) What is the term of office for the Comptroller and Auditor General of India? **(4 Marks)**

Ans. (i) (a) CGA provides necessary direction in accounting matters to the Ministries/ Departments and issues general instructions about the system and form of accounts and procedures for accounting of receipts and payments.

(b) He has a coordinating and innovating role in the introduction of Management Accounting System in the various Ministries/Departments.

(c) He is responsible for consolidation of monthly Civil Accounts of the Union Government from the monthly accounts submitted to him by various Ministries and Departments.

(d) He is responsible for preparation of annual accounts of the Govt. of India including Civil Appropriation Accounts showing annual receipts and

disbursements.

(Auth:Para 1.2 Civil Accounts Manual)

- (ii) The Comptroller and Auditor-General of India holds office for a term of six years provided that where he attains the age of sixty-five years before the expiry of the term of six years, he shall vacate the office on the date on which he attains the said age.

(Auth:Section 4 of the C&AG's (Duties, powers and conditions of service) Act)

Q.3. Distinguish between:
Deemed suspension and Continued suspension

(8 Marks)

Ans. A Government servant is deemed to have been placed under suspension by an order of the appointing authority if he is detained in custody for a period exceeding 48 hours or if he is sentenced to a term of imprisonment exceeding 48 hours.

Where a Government servant is suspended or deemed to have been suspended and any other disciplinary proceeding is commenced against him during the continuance of that suspension, the competent authority may, for reasons to be recorded by him in writing, direct that the Government servant shall continue to be under suspension until the termination of all or any of such proceedings.

(Auth: Paras 7 & 8 of Suspension Digest in CCS(CCA) Rules)

Q.4. (i) What is the composition of the Central Information Commission set up under the Right to Information Act, 2005?

(4 Marks)

- (ii) What is the procedure to be followed by a public authority in receipt of an application under the RTI Act, 2005 in case the applicant requests for information which is held by another office?

(4 Marks)

Ans. (i) As per the RTI Act, 2005 the Central Information Commission shall consist of:

- (a) The Chief Information Commissioner
- (b) Such number of Central Information Commissioners, not exceeding 10, as may be deemed necessary by the Central Government.

- (ii) In such a case, the public authority to which the application is made should transfer the application to the concerned public authority and also inform the applicant immediately about the transfer.

(Auth. Sections 6(3) and Sections 12 of the RTI Act, 2005)

Q.5. (a) List the five-tier classification of Government Accounts.

(4 Marks)

- (b) Explain the purpose of any two-tiers of the classification.

(4 Marks)

- Ans.** (a) The Sectors, Major Heads, Minor Heads, Sub-heads and Detailed Heads together constitute the five-tier arrangement of the classification structure of Government Accounts.
- (b) Within each Division and Section of the Consolidated Fund of India the transactions are grouped into sectors such as "General Services", "Social and Community Services", "Economic Services". The Sectors are sub-divided into Major Heads of Accounts, which are divided into Minor Heads each of which have a number of subordinate heads known as Sub-Heads. The Sub-Heads are further divided into detailed heads. The Major Heads correspond to functions of the Government, such as the different services "Agriculture", "Defence", etc. provided by the Government while the Minor Heads subordinate to them identify the programmes such as "Special Projects", "Works", etc. undertaken to achieve the objective of the function represented by the Major Head. The schedules or activities within the programme correspond to the Sub-Heads example, activities under Minor Head Works are "Major Works", "Minor Works", "Special Repairs", etc. A Detailed Head which constitutes the fifth and last tier of classification in Government Accounts is termed as an object classification and is also the primary unit of appropriation. The Detailed Heads are primarily meant for itemized control over expenditure and indicate the nature of expenditure on a scheme or activity such as, "Salaries", "Office Expenses", "Loans" etc.

(Auth: Para 30, Defence Account Code)

Q.6. Write short notes on any TWO:

(2x4=8 Marks)

- (i) Provisional Payments
- (ii) Short Term Agreements
- (iii) Cash Basis of Accounts

Ans. (i) Payments made in exceptional circumstances in anticipation of the receipt of the sanction of the appropriate authority or of additional allotment of funds to cover the expenditure are known as provisional payments. The finalization of all provisional payments will be watched through a register and cases where such payments remain unadjusted or not finalized for long periods should be brought to the notice of higher administrative authorities for immediate action. Provisional payments will be made only under the personal orders and discretion of the CDA. CDA may delegate the power to Additional/Joint Controller and/or IDAS officers functioning as Group Officers with the understanding that the ultimate responsibility for the provisional payment will remain with the Controller.

(Auth: Paras 53,54 & 55 of Defence Audit Code)

- (ii) Short term agreements for supplies and services required by Government can be approved by the competent financial authority in the following circumstances:
 - (a) in an emergency when conclusion of a regular contract is not feasible;
 - (b) when uneconomical rates are tendered for regular contracts and there are prima facie reasons to believe that this due to formation of a 'ring' by contracts; and

(c) as an interim arrangement when for some reason, sufficient time is not available to conclude a regular contract.

(Auth: Para 305 of Defence Audit Code)

(iii) Government accounts are maintained on cash basis. With the exception of book adjustments as may be authorized by rules or orders issued by the Government, the transactions in Government accounts represent the actual cash receipts and disbursements during a financial year as distinguished from amounts due to or by the Government during the same period.

(Auth: Para 26 of Defence Audit Code)

Q.7. (a) What is Vote on Account?

(4 Marks)

(b) If the budget for financial year 2008-09 is approved by the Parliament in March, 2008, should the Government obtain a Vote on Account? Give reasons for your answer.

(4 Marks)

Ans. (a) The Budget is normally presented to Parliament on the last day in the month of February but the corresponding Appropriation Bill seeking authorization of Parliament to make the expenditure in consonance with the Budget proposal is passed after the commencement of the new financial year. Pending the due deliberation and passing of the Demands for Grants and the connected Appropriation Bill, Government may obtain from the Parliament, a 'Vote on Account' to cover expenditure for one month or such longer period as may be necessary. Funds made available under Vote on Account are not to be utilized for expenditure on a 'New Service'.

(b) If the Budget for the ensuing financial year is passed in March, Government already has the authorization to incur expenditure on the commencement of the financial year from 1st April and hence, there is no need to obtain the Vote on Account.

(Auth: Para 180 of Defence Audit Code)

Q.8. (i) Briefly explain the primary function of audit.

(4 Marks)

(ii) In the discharge of audit duties, the personnel of Defence Accounts Department are required to adhere to certain guidelines. Mention two such guidelines.

(4 Marks)

Ans. (i) The primary function of audit is to verify the accuracy and completeness of accounts to secure that all receipts are brought to account under the proper head, that all expenditures and disbursements are authorized, vouched and correctly classified and that the final account represents a complete and true statement of the financial transactions it purports to exhibit.

(Auth: Para 15 of Defence Audit Code)

(ii) (a) In the discharge of audit duties, the clear distinction between Auditorial and Administrative functions should always be borne in mind. It is the function of audit to verify that rules and orders framed by the Government are properly applied. It is not the function of audit to prescribe what such rules and orders shall be or to interfere with their administrative application.

(b) All queries and observations by audit should be couched in language which is courteous and impersonal.

(c) Audit should not make independent enquiries from the personnel of the Defence Services as such action would amount to an encroachment on the functions of the administrative authorities. Audit should call for the information required from the administrative authorities and in case of difficulty should confer with these authorities to the best means of obtaining the evidence which it requires.

(Auth: Para 16,18 and 19 of Defence Audit Code)

Q.9 (i) Name the agency or authority that is responsible for: **(4x1=4 Marks)**

- (a) Maintenance of pay accounts of a civilian gazetted officer serving with an Army Unit located in a field area.
- (b) Audit of sanctions issued by the Ministry of Defence(Fin).
- (c) Maintenance of pay accounts of a Naval Officer serving on the staff of the High Commission for India in U.K.
- (d) Sanction of Pension Payment Order for an AF Officer.
- (ii) What is meant by 'Audit against Regularity'? How does it differ from Propriety Audit?

(4 Marks)

- Ans.** (i) (a) CDA(O) Pune - Para 141, Defence Audit Code
- (b) Director General of Audit, Defence Services -Para 6 Defence Audit Code
- (c) High Commissioner - Para 113 of Defence Audit Code
- (d) Controller of Defence Accounts (AF), New Delhi
- (ii) Audit against regularity is confined to verifying that the expenditure is in accordance with the financial rules, regulations and orders issued by the competent authority. Propriety audit goes beyond mere compliance with rules and orders and brings to light cases of improper expenditure or waste of public money or stores even though no obvious irregularity may have occurred.

(Auth: Para 16.1 and 16.17, Introduction to Indian Government Accounts and Audit)

Q.10. What procedure is required to be followed to guard against double payment of a Contractor's bill for local purchase of stores?

(8 Marks)

Ans. Full particulars of all payments made to contractors such as the number and date of supply orders, local purchase vouchers, etc. and the name and station of the unit/formation to which articles have been supplied, etc. should be noted in the 'register of payments to local purchase contractors' (i.e. income tax register). Before a contractor's bill is passed for payment, all supply orders, local purchase vouchers, etc. supporting the bill, even though they may be marked as 'original' should be verified with entries in the above register to ensure that a

previous payment therefore has not been made. All vouchers for which payment is authorized will be prominently enfacéd 'cancelled'.

(Auth. Paras 310 & 311 of Defence Audit Code)

Q.11. (i) Give four examples of items in addition to cash proper which are treated as Loss of Public Money in the Financial Regulations.

(4 Marks)

(ii) What is the procedure to be followed in dealing with losses of public money?

(4 Marks)

Ans. (i) (a) Demurrage charges due to negligence
(b) Expenditure on freight due to erroneous dispatch of stores
(c) Fraudulent use of Railway Warrants
(d) Value of irrecoverable stores issued to contractor

(Auth: Para 164 FR Pt.I Vol.I)

(ii) All losses will be investigated by a Board/Court of Inquiry although the convening of a Court of Inquiry may be dispensed with by the CFA in cases of losses less than Rs.10,000/-. If the investigation shown that the loss is not due to theft, fraud or gross neglect, it shall be written off by the CFA after obtaining audit report from the financial advisor concerned. If it is decided that the loss is due to theft, fraud or gross neglect, the CFA in consultation with the financial advisor, will taken action for recovery of the loss to the extent possible, will also take disciplinary action against the individual(s) concerned and thereafter write off the loss in whole or in part as the case may be for reasons to be recorded in writing.

(Auth: Rule 160 & 165 FR Pt.I Vol.I)

Q.12. (i) What is the broad purpose of the delegation of Special Financial Powers to the Army Commanders?

(4 Marks)

(ii) Give one example of the type of items not to be procured under the Special Financial Powers of the Army Commanders.

(4 Marks)

Ans. (i) The broad purpose of the delegation of Special Financial Powers to the Army Commanders is to facilitate procurement of equipment/spares/items to supplement their availability through central sources so that non-availability does not become a constraint particularly in counter insurgency operations/internal security duties/defence of Siachin Glacier and other immediate requirements.

(ii) (a) Computers, peripherals, ancillaries, etc. procurable under the IT Head

(b) Medical stores and equipment except those that are urgently required for troops and are not available in Medical Stores Depot/Military Hospitals, and

(c) Items classified to be of capital nature will not be procured under the Special Financial Powers.

- Q.13.** (i) Differentiate between Competent Authority and Competent Financial Authority. (4 Marks)
- (ii) Can the Competent Financial Authority (CFA) choose not to accept the opinion of the financial advisor while accepting a tender? What is the procedure to be followed by the CFA ins such cases? What is the remedy available to IFA in such cases? (4 Marks)

- Ans** (i) Competent Authority means the Government or any other authority to which relevant powers are delegated by the Government. Competent Financial Authority is the authority within whose financial powers, the amount at issue falls.
- (ii) Yes, the CFA can choose not to accept the IFA's advice. However, he must record on the file his reasons for doing so. A copy of the order overruling the financial advice will be endorsed to the next higher CFA and the IFA. In such case, it will be open to the IFA to report the matter to the next higher IFA for pursuing the matter with the next higher CFA or dropping it as deemed fit.
- (Auth: Rule 240 FR Pt.I Vol.I)**

- Q.14.** (i) What is an Imprest? (4 Marks)
- (ii) Briefly mention the responsibilities of imprest holders. (4 Marks)

- Ans.** (i) Imprest means cash assignment in the nature of a permanent advance placed at the disposal of incurring expenditure such as local purchase of petty stores, local repairs, contingent or postal charges and payments for casual labour which is accounted for in contingent bills and reimbursed once a month or more frequently is desired.
- (ii) An imprest holder will personally operate the imprest account except in the case of Navy where the imprest holder may authorize his supply officer to operate the account. He will ensure that the imprest account duly supported by the prescribed vouchers is promptly submitted to the Controller or Defence Accounts concerned or his representative and that no loss occurs through the non-submission or incorrect preparation of the imprest account, acquittance rolls or other vouchers.

He is liable to make good to Government any loss resulting from any lapse on his part.

Imprest holders will not keep large cash balances in excess of their actual and immediate requirements.

(Auth: Rule 2 and 27, FR Pt.I Vol.I)

- Q.15.** (i) When does a sanction for expenditure take effect? (4 Marks)
- (ii) When does a sanction lapse? (4 Marks)

- Ans.** (i) All sanctions for expenditure take effect from the date they bear unless otherwise specified.
- (ii) A sanction which has not been acted upon for a year lapses unless it is specifically renewed, except in the case of:
- a) An allowance sanctioned for an appointment or a class of officers, not drawn by a particular incumbent of the appointment or by a particular set of officers.
 - b) Additions made gradually from year to year to a permanent establishment under a general scheme.
 - c) An approved MES work subject to the work commencing within five years of the date of administrative approval.

Q.16. (i) Briefly describe the role of Tender Purchase Committee (TPC) in Defence Purchases.

(4 Marks)

(ii) Give an exception where the requirement of TPC does not apply.

(4 Marks)

Ans. (i) All purchases above Rs.5 lakhs in value are to be made on the advice of the Tender Purchase Committee to be constituted by the CFA. The TPC will determine the L-1 tender, the reasonableness of the quoted rates and will also carry out negotiations with the L-1 where considered necessary.

(ii) The requirement of TPC does not apply to procurement made against DGS&D rate contracts.

Defence Accounts Department
S.A.S. Examination – Part I (New Syllabus)

November, 2007

Paper II– Organization and Fundamentals of Audit and Accounts
(Practical - With Books)

Time Allowed: 3 Hours

Total Marks : 100

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 - (5) Reason must be given in support of the answers. Authority must be quoted in support of the answers.
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Q.1. A Group 'C' employee of the Defence Accounts Department was due for his normal annual increment on 1.5.2007. But it was not drawn till Aug 2007 due to his long absence. In July 2007 it was decided to impose a penalty of withholding one increment for one year without cumulative effect. How will the penalty be imposed? When will he be entitled to the next increment?

(8 Marks)

Ans. An order imposing the penalty of withholding an increment is operative only in respect of an increment to which the officer has not become entitled on the date of such order. Such an order cannot, therefore, have the effect of withholding an increment to which the officer had already become entitled on the date of the said order although, for some reason, it was not actually drawn or cashed.

In the case as the individual was due for his normal increment on 1.5.2007 (but it was not drawn due to some reason), the penalty can have effect only on the increment due in future. As such, he will be entitled to the increment due on 1.5.07. Increment due on 1.5.2008 will however be withheld as a penalty and hence his next annual increment will fall due on 1.5.2009 only.

(Auth: Note below Para 162, Office Manual Part I Vol.I)

Q.2. (a) Which section in a Regional Controller Office deals with the following:
(i) Adjustment of audit fees recoverable from Cantonment Boards

(2 Marks)

(ii) Consolidation and rendition of Annual Audit Certificate to CGDA

(2 Marks)

(b) Indicate action to be taken in a CDA's office in the following cases:

(i) Original of an MRO is available but duplicate copy is missing

(2 Marks)

(ii) Duplicate copy has been received from the bank/treasury but original MRO

is not forthcoming.

(2 Marks)

Ans. (a) (i) Miscellaneous Section

(Auth: Para 431(ix) of OM Part II Vol.I)

(ii) Financial Advice Section

(Auth: Para 652 A (xi) of OM Part II Vol.I)

(b) (i) Accounts Section will take up the matter with Banks/Treasuries and pursue the matter to finality. In the event of Bank/Treasury denying the deposit of the amount, the case will be referred to Audit Section concerned who will be responsible for further investigation and its final clearance, on communication with the parties concerned.

(Auth: Para 183 of OM Part II Vol.I)

(ii) In such cases a list of items remaining unlinked at the end of each quarter will be entrusted to the Audit Section concerned duly supported by duplicate MROs for further action. With reference to the same, the Audit Section will intimate to the Accounts Section the month's account in which the original MROs received by that section is adjusted. In case the original MROs are stated to have been lost, necessary adjustment will be carried out by the Audit Section with reference to the duplicate copies thereof received by Accounts Section from the Bank/Treasury.

(Auth: Para 183 of OM Part II Vol.I)

Q.3. In the context of RTI Act, 2005:

(a) What does Right to Information mean?

(3 Marks)

(b) Can the following information be provided as per the provisions of RTI Act 2005?

(2 Marks)

(i) Cabinet papers including records of deliberations of the Council of Ministers, Secretaries and other officers.

(ii) Information received in confidence from foreign Government.

(c) What penalties can be imposed by Information Commission on Public Information Officers for not furnishing the requisite information within the time specified?

(3 Marks)

Ans. (a) Right to Information means the right to information accessible under this Act which is held by or under the control of any public authority and includes the right to-

(i) Inspection of work, documents, records;

(ii) Taking notes, extracts or certified copies of documents or records;

(iii) Taking certified samples of material;

(iv) Obtaining information in the form of diskettes, floppies, tapes, video cassettes or in any other electronic mode or through printouts where such information is stored in a computer or any other device.

(Auth: Right to Information Act, 2005, Section 2(j))

(b) (i) No.
(Auth: Section 8(1)(i) Right to Information Act, 2005)

(ii) No.
(Auth: Section 8(1)(f) Right to Information Act, 2005)

(c) The Information Commission can impose a penalty of two hundred and fifty rupees each day till application is received or information is furnished, however the total amount of such penalty cannot exceed twenty-five thousand rupees.
(Auth: Section 20(1) Right to Information Act, 2005)

Q.4. (i) Disciplinary proceedings have been initiated under Rule 14 of CCS(CCA) Rules, 1965 against group 'C' employee of the Defence Accounts Department. What is the procedure to be followed if he gets transferred to another CDA's organization?
(4 Marks)

(ii) Can an authority competent to impose any of the Minor Penalties prescribed under CCS(CCA) Rules, 1965 institute disciplinary proceedings for Major Penalty?
(4 Marks)

Ans. (i) In such cases it is not necessary for the other disciplinary authority to start de novo proceedings by framing and delivering fresh charges to the concerned official. He can carry on with the inquiry proceedings at the point where the transfer of the charged official was effected.
(Auth: GI MHA OM No.F.39/1/69-Ests.9A) dt.16.4.1969 below Rule 12 CCS(CCA) Rules, 1965)

(ii) Yes. Notwithstanding that such disciplinary authority is not competent to impose Major Penalties. Disciplinary proceedings for Major Penalty can be instituted by him.
(Auth: Rule 13(2) CCS(CCA) Rules, 1965)

Q.5. (a) Which authority is empowered to audit the sanctions issued by the Government of India in so far as they relate to Defence Services Estimates?
(3 Marks)

(b) A Controller of Defence Accounts addresses Ministry of Defence (Finance) directly on a question of interpretation of certain rules. Is it in order? If not, whom shall the Controller address in such matters?
(2Marks)

(c) Can a Controller of Defence Accounts act on a sanction issued by Army HQ releasing an instalment of Dearness Allowance to civilians in Defence Services?
(3 Marks)

Ans. (a) Director General of Audit, Defence Services.
(Auth: Para 24 Defence Audit Code Vol.I)

(b) Not in order. It should be addressed to the CGDA.
(Auth: Para 9 Defence Audit Code Vol.I)

(c) No. Such sanctions should issue in the form of Government letters or Army/Air

Force/Navy instructions.

(Auth: Para 26 Defence Audit Code Vol.I)

- Q.6.** (a) What is the basic document in which codified information required for the compilation of accounts are entered?
(2 Marks)
- (b) Which are the classes of vouchers being operated through a Punching Medium?
(4 Marks)
- (c) What is the Book Compilation of RD&R Heads?
(2 Marks)

Ans. (a) Punching Medium is the document in which codified information required for the compilation of accounts are entered.
(Auth: Para 134, Defence Accounts Code)

- (b) The following classes of vouchers being operated through a Punching Medium:-
- | | |
|-------------------------------------|---------|
| (i) Cash voucher | Class 1 |
| (ii) Transfer entries | Class 2 |
| (iii) ID Schedules | Class 3 |
| (iv) Abstract of Receipts & Charges | Class 4 |
| (v) Cash Accounts | Class 5 |
| (vi) Railway bills | Class 6 |
| (vii) ID Schedule | Class 8 |
| (viii) MES Bills | Class 9 |

(Auth: Para 135, Defence Accounts Code)

- (c) Book Compilation is printed for each Controller's office and shows the current and progressive figures under each RD&R Heads.
(Auth: Para 137(b), Defence Accounts Code)

- Q.7.** (a) A contractor requests for transfer of the amount of security deposit, not claimed by him for two years after it became due for refund, from one audit area to another. Can his request be acceded to? If yes, how will the amount be transferred? Will it require the approval of the CDA from whose audit jurisdiction the amount is to be transferred out?
(4 Marks)
- (b) A unit submits a claim duly supported by a sanction issued by the Govt. of India. CDA's office refuses to admit the claims stating that the specimen signature of the authority who has issued the sanction is not on record in their office. Comment.
(4 Marks)

Ans. (a) Yes, this can be done. The transaction will be adjusted by debit (deduction from credit) to the head 'Security Deposit' and credit through the Defence Exchange Account to the CDA concerned. CDA's approval is not required because the deposit lapses only if it remains unclaimed for three years and it is only in the case of such lapsed deposits that the approval of the CDA or any other officer authorized by him is required before refunding the deposit.
(Auth: Para 206 & 214 of Defence Audit Code)

- (b) Though as per Para 66 of Defence Audit Code, it is necessary for the CDA to

verify the specimen signature of the sanctioning authority, as in this case the sanctioning authority is Govt. of India whose sanctions are not auditable by the CDA, the claims should be accepted and admitted in audit if an ink signed copy of the sanction is available.

(Auth: Para 66 read with Para 24 of Defence Audit Code Vol.I)

Q.8. (a) Under what conditions supplies and services required by the Government can be obtained through short term agreements? **(4 Marks)**

(b) Is sanction of Government of India required in the following cases?
(i) For movement of stores by air within Indian limits for operational reasons. **(2 Marks)**

(ii) For movement of imported stores from abroad to India by air. **(2 Marks)**

Ans. (a) Under the following circumstances supplies and services required by the Govt. can be obtained on short term agreement:

- (i) In an emergency when conclusion of a regular contract is not feasible;
- (ii) When uneconomical rates are tendered for regular contracts and there are prima facie reasons to believe that this is due to formation of a 'ring' by contractors; and
- (iii) As an interim arrangement when for some reason, sufficient time is not available to conclude a regular contract.

(Auth: Para 305 of Defence Audit Code Vol.I)

(b) (i) No. **(Auth: Para 246 of Defence Audit Code Vol.I)**

(ii) Yes **(Auth: Para 249 of Defence Audit Code Vol.I)**

Q.9. (a) Whether in the following cases Defence Exchange account would be operated by raising a DID schedule:

(i) A person is transferred from CDA(A) Meerut to PCDA(WC) Chandigarh. His outstanding balance on account of HBA drawn is to be transferred? **(2 Marks)**

(ii) What is the transfer entry to be made when a cheque issued by a Controller on a Bank is cancelled and a fresh cheque in lieu is not issued? **(2 Marks)**

(b) Whether the following will be treated as charged expenditure:

(i) Payments made in satisfaction of the orders given by the competent authority under the Payment of Wages Act, 1936. **(2 Marks)**

(ii) Expenditure incurred by the Government prior to the announcement of award (either on legal expenses or on stamp papers). **(2 Marks)**

Ans. (a) (i) Yes, DEA will be operated. **(Auth: Para 109(i) Defence Accounts Code)**

(ii) No, DEA will not be operated.

(Auth: Note 1 below Para 109(i) Defence Accounts Code)

(b) (i) Yes.

(Auth: Para 250 Defence Accounts Code)

(ii) No.

(Auth: Para 254(b) Defence Accounts Code)

Q.10 How are the following classified in the Appropriation Account - as Cash loss or Stores loss?

(a) Irregular issue of Ordnance Stores by an Army Unit

(2 Marks)

(b) Overdrawal of ration in an Army Unit.

(2 Marks)

(c) Provision of Govt. transport to non-entitled persons

(2 Marks)

(d) Losses of cash due to enemy action.

(2 Marks)

Ans. (a) Store loss

(Auth: Note 3 under Para 558, Defence Account Code)

(b) Cash loss.

(Auth: Note 5 under Para 558, Defence Account Code)

(c) Cash loss.

(Auth: Note 4 under Para 555, Defence Account Code)

(d) Cash loss.

(Auth: 3 under Para 555, Defence Account Code)

Q.11. (a) What is fee? How does it differ from honorarium?

(2 Marks)

(b) Whether it is correct to call for security deposit from a Govt. concern?

(2 Marks)

(c) What is the date of effect of a sanction issued by Govt. of India?

(2 Marks)

(d) What is recurring and non-recurring expenditure?

(2 Marks)

Ans. (a) Fee is a recurring or non-recurring payment to a Govt. servant from a source other than the Consolidated Fund of India or Consolidated Fund of a State/UT, whether made directly to the Govt. servant or indirectly through the intermediary of Govt.

Honorarium is a recurring or non-recurring payment made to a Govt. servant from the revenue of the Govt. under whom he is employed, as remuneration for special

work of an occasional (or intermittent) character.

(Auth. Rule 271 FR Part I Vol.I & Definition Para 2 of FR Part I Vol.I)

- (b) Security deposits will not be taken from jails, municipalities or other Govt. concerns.

(Auth: Note under Rule 203 FR Part I Vol.I)

- (c) Date of issue of sanction unless otherwise specified.

(Auth: Rule 69 FR Part I Vol.I)

- (d) Recurring expenditure means which is incurred at periodic intervals. Non-recurring means which does not recur periodically.

(Auth: Rule 2 FR Part I Vol.I)

- Q.12.** (a) Explain the following terms:
(i) Centrally Controlled Heads
(ii) Locally Controlled Heads

(4 Marks)

- (b) How the Defence Accounts Department helps the executive authorities in control of expenditure under locally controlled heads?

(2 Marks)

- (c) Who is responsible to watch expenditure against allotment?

(2 Marks)

- Ans.** (a) Pay and allowances of the personnel of the Armed Forces etc. are obligatory and unavoidable commitments dependent on the strength and composition of Armed Forces and are governed by the policy decisions of the Govt. and are therefore controlled centrally by the Armed Forces HQrs. The accounting heads under which the expenditure of this nature is compilable are called 'Centrally Controlled Heads'.

Payments to industrial establishment employed in store depots, factories, transportation and miscellaneous expenditure, stores purchases, works expenditure, capital works are susceptible to control against budget provisions by authorities concerned. The accounting heads under which the expenditure of this nature is compilable are called 'locally controlled heads'.

(Auth: Rule 82 FR Part I Vol.I)

- (b) The Controllers of Defence Accounts are entrusted with the duty of keeping a watch on the progress of expenditure against sanctioned allotments and to bring to the notice of the allottees and the immediate higher authorities, cases in which the progress of expenditure is abnormally heavy or unusually low.

(Auth: Rule 114 FR Part I Vol.I)

- (c) It is the responsibility of the authorities to whom allotments are made to watch the progress of expenditure and to see that expenditure does not exceed the allotment.

(Auth: Rule 112 FR Part I Vol.I)

- Q.13.** (a) What do you understand by the term 'Public Money'?

(4 Marks)

(b) What action is to be taken in cases where loss of stores is not due to theft, fraud or neglect?

(2 Marks)

(c) Comment whether preparation of loss statement is required in case a building is damaged entirely by enemy action?

(2 Marks)

Ans. (a) The term public money includes, in addition to cash proper:

- (i) irrecoverable personal advances made to individuals no longer in Govt. service.
- (ii) Overpayments of pay and allowances made to individuals no longer in Govt. service.
- (iii) All other irrecoverable cash claims including the value of stores on payment to units and individuals the recovery of which would entail considerable hardships or present special difficulty.
- (iv) Value of stores issued to contractors which for any cause there has been a failure to recover and the recovery of which would present special difficulty.
- (v) Losses due to expenditure on freight in respect of stores dispatched in error.
- (vi) Losses resulting from the dispatch of stores by other than the authorized procedure.
- (vii) Irrecoverable debts of units disbanded in accordance with demobilization orders.
- (viii) Irrecoverable losses due to theft and fraudulent use of railway warrants, credit or railway concession vouchers.
- (ix) Demurrage charges incurred due to negligence on the part of consignor/consignee.

(Auth: Para 164 FR Part I Vol.I)

(b) The authorities to whom the occurrence of loss is to be reported has to arrange for an enquiry of Court/Board of Inquiry. If the Court/Board finds that the loss is not due to theft, fraud or neglect, it may be written off by the competent financial authority in consultation with his financial advisor.

(Auth: Rule 165 FR Part I Vol.I)

No. In this case a certificate from the OC, Formation stating the circumstances of the loss would be sufficient.

(Auth: Rule 162 FR Part I Vol.I)

Q.14. (a) What do you mean by modified appropriation?

(3 Marks)

(b) What is required to be done if sanctioned budget is found to be insufficient or when a special need for additional expenditure has arisen during the year, which cannot be met by re-appropriation from savings?

(3 Marks)

(c) Can re-appropriation be done with excess receipts and recoveries?

(2 Marks)

Ans (a) This is a final estimate for the year and will be based on the latest known actuals

and the likely expenditure during the remaining period of the year. It is on the basis of this estimate that necessary re-appropriation and/or surrenders are formally sanctioned by the Ministry of Defence (Fin).

(Auth: Rule 91 FR Part I Vol.I)

- (b) In such a situation, a Demand for supplementary grants has to be presented to the Parliament for specific sanction.

(Auth: Rule 121 FR Part I Vol.I)

- (c) No. Re-appropriations are permissible only between the expenditure heads. Thus excess receipts and recoveries which are required to be accounted for as such can not be utilized to meet the expenditure in excess of sanctioned grant.

(Auth: Rule 118, Sub Para(vii) FR Part I Vol.I)

- Q.15.** (a) A claim submitted by a unit is deemed to have been lost. What is the certificate required to be submitted by the claimant while submitting a second claim on the same account?

(4 Marks)

- (b) Can the original vouchers submitted by the unit authorities be returned to them after they are audited and admitted in audit?

(4 Marks)

- Ans.** (a) The certificate required is as under:
'Certified that (here enter the missing document) has been lost and to avoid the possibility of a double charge being made, a note has been made in (here enter in which document) on record in my office'.

(Auth: Rule 43, FR Part II)

- (b) No vouchers shall ordinarily be returned by an audit office to a disbursing or other officer who is therefore responsible that the necessary copies of vouchers are kept to complete the records of his office.

(Auth: Rule 42, FR Part II)

- Q.16.** (a) What is Annual Training Grant?

(2 Marks)

- (b) How should an Army unit account for the empty shells they recover from a field firing range?

(2 Marks)

- (c) Can officers in financial difficulties be appointed as Imprest Holders?

(2 Marks)

- (d) Can Imprest Holder be allowed to operate any other public fund account or regimental fund account?

(2 Marks)

- Ans.** (a) The Annual Training Grant is a grant made to the Deputy Chief of the Army Staff in the Defence Service Estimates to enable the General Staff to have control over training and its expenditure. Against this grant are debited expenses connected with forms of training of the regular army held under the direction of the Deputy Chief of Army Staff or any Army Commander.

(Auth: Appendix I , FR Pt II)

- (b) Metals collected by formations, establishments and units from field firing ranges will be returned to Ordnance. Claims for refund of money at the rates laid down by Ordnance will be preferred on contingent bills with the numbers and dates of the depots receipt vouchers endorsed thereon and sent to the Controller of Defence Accounts for payment through LAO of the consignee depot. The money obtained by units as refunds for sale of empty cases will be credited to their Annual Training Grant allotment.

(Auth: Appendix I, FR Pt II)

- (c) No.

(Auth: Note 1 under Para 4 of Appendix 26, FR Pt II)

- (d) No. As placing of more than one account in the charge of one person may result in the mixing up of various accounts and will also facilitate fraud by giving opportunities of playing one account against the other.

(Auth: Note 2 of Appendix I, FR Pt II)

Defence Accounts Department
S.A.S. Examination – Part I (New Syllabus)

November, 2007

Subject: Paper III – ACCOUNTANCY

Time Allowed: 3 Hours

Total Marks : 150

Note:-

- (1) Only 6 questions should be attempted by the candidates. 1 from Section I and 2 from Sections II out of 4 and 3 from Section-III out of 5. Question No.1 of Section-I and Question No.6 of Section-III are COMPULSORY.
 - (2) Question 1 in Section-I carries 40 marks. Each question in Section-II carries 25 marks. Each question in Section-III carries 20 marks.
 - (3) Answer to all parts of a question should be written in one place only.
 - (4) Indication of Section should appropriately be made.
-

SECTION I (Compulsory)

- Q.1.** From the following Trial Balance extracted from the books of Mr. Banker, prepare the Manufacturing Account, the Trading and Profit and Loss Account and a Balance Sheet as on 31.3.2006 after making necessary adjustments.

Trial Balance

Particulars	Dr.Rs.	Particulars	Cr. Rs.
Shri Banker's Drawing Account	61,000	Shri Banker's Capital Account	4,10,000
Cash in Hand	2,500	Mrs. Banker's Loan Account	40,000
Cash at Bank	40,000	Sundry Creditors	4,50,000
Sundry Debtors	4,05,000	Provision for Bad Debts	10,000
Patents	20,000	Sales (Less Returns)	12,34,000
Plant & Machinery	2,00,000	Discounts	11,000
Land&Buildings	2,60,000		
Purchase of Raw Materials	3,50,000		
Work in Progress 1.4.05	35,000		
Finished Stock 1.4.05	1,80,000		
Carriage Inwards	11,000		
Wages	2,70,000		
Salaries of Works Managers	56,000		
Factory expenses	34,000		
Factory Rent & Taxes	25,000		
Royalties (paid on sales)	12,000		
Advertising	30,000		

Office Rent and Insurance	48,000		
Printing and Stationery	10,000		
Office expenses	58,000		
Carriage Outwards	6,000		
Discounts	14,000		
Bad Debts	7,500		
Total	21,55,000	Total	21,55,000

- 1) The Stock on 31.3.06 was as follows:
- (i) Rs.40,000: Raw materials
 - (ii) Rs.45,000 Work-in-progress and
 - (iii) Rs.2,80,000 Finished goods.
- 2) The Outstanding expenses were:
- (i) Rs.2,500: Factory rent
 - (ii)Rs.6,000: Wages and
 - (iii)Rs.30,000: Office Salaries
- 3) Provide 5% for Doubtful Debts and 5% for Discounts on Debtors.
- 4) Depreciate: Building by 2%, Plant & Machinery by 7.5% and Patents by 10%.
- 5) Allow 5% Interest on Capital and a Salary of Rs.60,000 to Mr.Banker
- 6) The Salary of Mr.Banker is to be allocated 1/3 to Office and 2/3 to Factory.
- (40 Marks)**

Ans.

Manufacturing Account for the year ended 31.3.2006

	(Rs.)	(Rs.)	(Rs.)	(Rs.)
To work in progress as on 1.4.2005		20000	By Transfer to Trading Account, Cost of finished goods	786700
To Raw Materials used			By Work in Progress (closing stock)	45000
Opening Stock	35000			
Add: Purchases	350000			
	3850000			
Less: Closing stock	40000	345000		
To Carriage Inwards		11000		
To wages	270000			
Add: Outstanding	6000	276000		
To Salary Works' Managers		56000		
To Factory Expenses		34000		
To Factory Rent and Taxes	25000			
Add: Outstanding	2500	27500		
To Depreciation				
Land & Buildings	5200			
Plant & Machinery	15000			
Patents	2000	22200		
To 2/3 Salary of Mr.Banker		40000		
		831700		831700

Trading and Profit and Loss Account for the year ended 31.3.2006

	(Rs.)	(Rs.)		(Rs.)	(Rs.)
To Opening Stock of finished goods		180000	By Sales		1234000
To Manufacturing a/c cost of finished goods		786700	By Closing Stock of finished goods		280000
To Gross Profit		547300			
		1514000			1514000
To Royalties		12000	By Gross profit		547300
To Advertising		30000	By Discount received		11000
To Office Rent & Insurance		48000			
To Printing & Stationery		10000			
To Office expenses		58000			
To Carriage outwards		6000			
To Provision for Bad debts, Required	2025				
	0				
Add: Bad debts	7500				
	2775				
	0				
Less Existing provision	1000	17750			
	0				
To Discounts Allowed		14000			
To Provision for Discounts (Required)		19238			
To Office salaries outstanding		30000			
To Interest on capital		20500			
To 1/3 salary of Mr.Banker		20000			
To Net Profit carried to Capital A/c		272812			
		558300			558300

BALANCE SHEET OF Mr. Banker AS AT 31.3.2006

LIABILITIES	(Rs.)	(Rs.)	ASSETS	(Rs.)	(Rs.)
Sundry Creditors		450000	Current Assets		
			Cash in hand		2500
Outstanding expenses		38500	Cash at Bank		40000
Mrs. Banker's Loan		40000	Sundry Debtors	405000	
Capital A/c Balance as on 1.4.05	410000		Less: Provision for Bad Debts (5%)	20250	
Add: Interest	20500			384750	
	60000		Less: Provision for Discount (5%)	19238	365512
Add: salary	272812		Closing Stock		

			Raw materials	40000	
Add: Profit	763312		Work in progress	45000	
	60000	702312	Finished goods	280000	365000
Less: Drawing			Fixed Assets		
			Patents	20000	
			Less:Depreciation	2000	18000
			Plant&Machinery	200000	
			Less:Depreciation	15000	185000
			Land&Buildings	260000	
			Less:Depreciation	5200	254800
		1230812			1230812

Note: (i) Provision for Discount (5%) on Rs.3,84,750/- worked out Rs.19,237.50 and rounded to Rs.19,238/-.

(ii) In the absence of information, interest was not provided on Mrs. Banker's Loan.

SECTION II - COSTING

Q.2. (a) What is the main object of Cost Accounts? **(5 Marks)**

(b) What are the principles of Costing? **(10 Marks)**

(c) In regard to each of the following methods of costing, explain in detail the essential characteristics of the method and indicate the type of industry of production for which its is most applicable:-

(10 Marks)

- (i) Job costing
- (ii) Single or Output Costing
- (iii) Process Costing
- (iv) Multiple Costing and
- (v) Marginal Costing

Ans. (a) The main object of Cost Accounts, irrespective of the branch of industry to which they are applied, should always be to express faithfully and accurately the actual cost. The most important characteristics of any efficient costing system should be that the burden of material, labour and direct as well as indirect expenses fall where it should fall and, that no one department, process or product is made to bear charges and expenses which should have been more equitably charged to another.

(b) The principles of costing are as follows:

- i) Every concern must design its own costing system keeping in view its peculiar problems.
- ii) If final books can afford the necessary information, separate costing system is unnecessary.
- iii) Reasonable accuracy is enough. What is reasonable depends upon the nature of industry.

- iv) As a rule, costing information should be collected as and when the work proceeds. This system of ascertaining costs is known as continuous costing and will involve the task of preparing an estimate of expenses even before a period begins. The other system, "post costing", is of finding out the cost after full and accurate information is available. This system is not useful because, it is like a post mortem and can reveal the exact cause of loss without the chance to take corrective action. Post costing is useful only in 'cost plus contracts' which are usually awarded by the Government in an emergency on the basis that the ultimate price will depend upon actual cost of production plus a reasonable margin of profit.
 - v) A proper unit of cost should be determined. Unit of cost is the quantity on which cost will be ascertained. In case of steel it is a tonne whereas, in case of cotton textiles it is a kilogram, etc.
- (c) (i) **Job Costing:** If the work is performed against individual orders from customers, cost of complying with each order will have to be found out separately. Such a system is known as job costing. This method of recording costs is used in a press or a motor workshop.
- (ii) **Single or output costing:** This method requires the allocation of overheads between products. A costing per unit produced is ascertained for any particular period by dividing the total expenditure of the business by the total quantity produced. This method of recording costs is used in those industries which produce only one product e.g. coal, brick-making, etc.
- (iii) **Process costing:** This is designed to show the cost of each process through which raw materials pass in their conversion to the saleable product. The cost of every unit resulting from a particular batch processed is deemed to be uniform. This system of costing is suitable for industries like chemical manufacture, oil, etc.
- (iv) **Multiple costing:** This is a system adopted in business producing a variety of articles, each of which differs from the others in respect of price materials used, and manufacturing processes. The principle characteristic of multiple costing is that a separate method of costing may be employed in respect of each article. This system is suitable for industries manufacturing toys, cycles, etc.
- (v) **Marginal costing:** It is a method of costing in which the allocation of expenditure to production is restricted to those expenses which arise as a result of production, fixed overheads are not allocated on the ground that frequently the apportionment to cost centres on jobs cannot be made on any scientific basis. Marginal costing is useful in manufacturing industries with varying levels of output.

- Q.3.** (a) What do you mean by Marginal Costing and the terms: **(2+6 Marks)**
- (i) Marginal Cost
 - (ii) Total Cost and
 - (iii) Contribution/Gross Margin used in Marginal Costing?
 - (iv)
- (b) Define Break-even Point. How is it calculated? **(5 Marks)**

- (c) What is Profit/Volume(P/V) Ratio and why is it important in a business?
(4 Marks)
- (d) (i) The marginal cost of a product is Rs.60 and the sale price is Rs.100. What is the P/V ratio?
(ii) If the Sale price is reduced to Rs.80, what would be the P/V ratio?
(4+4 Marks)

- Ans.** (a) (i) **Marginal cost**: This is prime cost plus variable overheads. It is also known as variable cost.
- (ii) **Marginal costing**: Marginal costing is the method of ascertaining the cost of making and distributing a product in terms of variable expenses only i.e. materials, labour and variable overhead expenses, Fixed overheads which are incurred irrespective of the volume of production are not dealt with in the cost accounts, as it is considered that no useful purpose is served by allocating them to production.
- (iii) **Total cost**: This is prime cost plus variable overheads.
- (iv) **Contribution**: This is the difference between sales and marginal cost. It is also called variable profit or marginal profit. When contribution is higher than fixed cost, profit is earned. When contribution is less than fixed cost, profit is earned. When contribution is less than fixed cost, loss is incurred. If the sale price is reduced, the contribution will also be reduced provided that the variable cost remains unchanged. The contribution is also known as gross margin.
- (b) **Break-even Point**: The term 'break-even point' means the level of output or sales at which no profit or loss is made. It represents the position at which the marginal profit is just sufficient to cover fixed overheads. When output is above this level, profit is earned, and when output falls below this level, a loss is incurred. The 'break-even output' is calculated by dividing the fixed overheads by the marginal profit.
- (c) **Profit/Volume (P/V) Ratio**: The profit/volume ratio is the ratio of marginal profit to the sale price. If the sale price is reduced, the marginal/ profit will also be reduced provided that the variable cost remains unchanged and therefore, the P/V ratio will be reduced. This is an important ratio to watch in business because, it expresses the relation between contribution and sales.
- (d) (i) When the sale price is Rs.100 and the marginal cost Rs.60, the marginal profit is $(Rs.100-60)=Rs.40$. Therefore, the P/V ratio will be
Marginal contribution: Rs.40 = $2/5$ or 40%
Sale Price: Rs.100
- (ii) If the sale price is reduced to Rs.80, the marginal contribution will be reduced to Rs.20 and the P/V ratio will become
Marginal contribution: Rs.20 = $1/4$ or 25%
Sale Price: Rs.80

- Q.4.** (a) Why the profit disclosed by Financial Accounts and cost accounts will differ?
(6 Marks)

- (b) Why is it important that cost and financial accounts should be capable of reconciliation with one another? Give three examples of items which would not normally appear in the cost accounts, though they would be appropriately included in financial revenue accounts.

(7 Marks)

- (c) Find out the profits as per costing records and financial accounts from the following information and reconcile the results:

(12 Marks)

	Article 'A'	Article 'B'
Number of units produced and sold	600	400
Total Direct Materials	3,600	2,800
Total Direct Wages	3,000	2,400
Selling Price per unit	Rs.25	Rs.30

Works on cost is charged at 80% of direct wages and office expenses on cost at 25% of works cost. Actual works expenses amounted to Rs.4,500 and office expenses to Rs.3,900. There were no opening or closing stocks.

- Ans.** (a) Profit disclosed by financial accounts and cost accounts will of course differ. The reasons are:

- 1) In financial accounts actual figures of expenses are used whereas, in costing estimates of these expenses are taken into account.
- 2) There are some items of expenses or losses which are treated as part of cost of production. These expenses are, of course considered in financial accounts. There may be a few items-rent and proprietor's salary-which may figure in costing but in financial accounts.
- 3) In costing, closing stock of finished goods is always valued at cost of production. In financial accounts, the valuation is on the basis of cost or market price whichever is lower. Again, in financial accounts, "cost" may mean works cost or prime cost and only rarely, full cost of production.

Considering the above reasons, it should be possible to reconcile the profits disclosed by costing and by financial accounts. If such a reconciliation is not possible, one can be sure of a big mistake or a big fraud.

- (b) Cost accounts represent a detailed analysis and allocation of the actual expenditure charged in the financial accounts, and it is obvious, therefore that the two sets of records must be capable of reconciliation one with the others. If such a reconciliation cannot be done, no reliance can be placed upon the cost accounts.

The following are the three examples of items which would not normally appear in the cost accounts, revenue accounts:

- 1) Interest and Dividends receivable;
- 2) Charitable donations, where no direct benefit is derived therefrom by the firm's employees; and
- 3) Damages payable at law.

(c)

Cost Sheet for -----

	Article 'A'		Article 'B'	
	Total Rs.	Per Unit Rs.	Total Rs.	Per Unit Rs.
Direct Materials	3600	6.00	2800	7.00
Direct Wages	3000	5.00	2400	6.00
Prime Cost	6600	11.00	5200	13.00
Works on cost (80% of wages)	2400	4.00	1920	4.80
Works cost	9000	15.00	7120	17.80
Office on cost (25% of works cost)	2250	3.75	1780	4.45
Cost of Production	11250	18.75	8900	22.25
Profit	3750	6.25	3100	7.75
Sales	15000	25.00	12000	30.00

Trading and Profit and Loss Account for -----(Financial Books)

	Rs.		Rs.
To Material (Total for 'A' & 'B')	6400	By Sales	27000
To Wages (Total for 'A' & 'B')	5400		
To Works expenses	4500		
To Gross profit c/d	10700		
	27000		27000
To Office expenses	3900	By gross profit b/d	10700
To Net profit	6800		
	10700		10700

Reconciliation Statement

	Rs.	Rs.
Profit as per Cost Accounts		6850
Less: Works on cost under charged:		
Actual	4500	
Charged	4320	180
		6670
Add: Office on cost overcharged:		
Charged	4030	
Actual	3900	130
Profit as per Financial Accounts		6800

Q.5.

The Accounts of Zenith Manufacturing Company for the year ended 31.12.2006, show the following:

(25 Marks)

Particulars	Rs.
Drawing Office Salaries	6500

Counting house salaries	12600
Cash discounts allowed	2900
Carriage outwards	4300
Carriage inwards	7150
Bad debts written off	6500
Repairs of plant, machinery and tools	4450
Rents, Rates, Taxes and Insurance: Factory	8500
Rents, Rates, Taxes and Insurance: Office	2000
Sales	461100
Stock of materials: 31.12.2006	62800
Stock of materials: 1.1.2006	48000
Materials purchased	185000
Travelling Expenses	2100
Travellers' Salaries and Commission	7700
Productive wages	126000
Depreciation written off plant, machinery and tools	6500
Depreciation written off office furniture	300
Director's Fees	6000
Gas and water: Factory	1200
Gas and water: Office	400
Manager's Salary ($\frac{3}{4}$ th factory, $\frac{1}{4}$ th Office)	10000
General expenses:	3400

Prepare a cost statement giving the following information:

- i) Materials consumed;
- ii) Prime cost;
- iii) Factory on cost and the percentage on wages;
- iv) Factory cost;
- v) General on cost, and the percentage on Factory cost;
- vi) Total cost; and
- vii) Net profit

Ans.

Statement showing Cost

	Rs.	Rs.	
Stock of Materials 1.1.2006	48000		
Purchases	185000		
	233000		
Less Stock ..31.12.2006	62800	170200	-(i) Materials consumed
Productive Wages		126000	
Carriage Inwards		7150	
		303350	--(ii) Prime Cost
Drawing office salaries	6500		
Repairs to Plant & Machinery	4450		
Factory Rent, Rates etc.	8500		
Depreciation on P&M and Tools	6500		
Factory, gas & water	1200		
Manager's salary $\frac{3}{4}$ th share	7500	34650	--(iii) Factory on Cost
		338000	--(iv) Factory Cost
Discount	2900		
Carriage outwards	4300		
Bad Debts	6500		

Office Rent, Rates & Taxes	2000		
Travelling Expenses	2100		
Traveller's salaries & commission	7700		
Depreciation on office furniture	300		
Counting House salaries	12600		
Director's fees	6000		
Gas and Water -Office	400		
Manager's salary 1/4th share	2500		
General expenses	3400	50700	--(v) General Cost
		388700	--(vi) Total Cost

Sales - Rs.461100
(Less) Total cost - Rs.388700
Rs. 72400 -- (vii) **Net Profit**

Percentage of Factory on cost to Wages = $\frac{34650}{126000} \times 100 = 27.5$

Percentage of Factory on cost to Factory cost = $\frac{50700}{338000} \times 100 = 15$

SECTION III (Q.No.6 Theoretical-Compulsory)

- Q.6.** (a) (i) What do you mean by Joint Stock Companies? **(2 Marks)**
(ii) What are the types of Joint Stock Companies? **(3 Marks)**
(iii)What do you mean by share? **(2 Marks)**
- (b) (i) What are calls in Arrears and calls in Advance? **(4 Marks)**
(ii) What is forfeiture of shares? **(3 Marks)**
- (c) (i) What is issue of shares at premium? **(3 Marks)**
(ii) What do you mean by issue of shares at discount? **(3 Marks)**

- Ans.** (a) (i) A **Joint Stock Company** consists of a collection individuals who have combined to carry out a venture jointly.
(ii) A **Joint Stock Company** can be of two types, namely Public Company and Private Company.

A **Public Company** may be defined as one which offers its shares or debentures to the public for subscription and is one which is not a Private Company.

A **Private Company** means a company which by its Articles of Association:
(i) restricts the right to transfer the shares;
(ii)limits the number of its members to fifty; and
(iii)prohibits any invitation to the public to subscribe for any shares in or

debentures of the company.

(iii) The individual portion of a Joint Stock Company's capital owned by a shareholder is called a share. A company generally issues several distinct classes of shares in order to satisfy the requirements of the various classes of investors.

(b) (i) **Calls in Arrear** are the amounts called up but not paid by the shareholders. Thus, the called-up capital less calls in arrears, would represent the paid up capital. Whereas, **calls in Advance** would represent the difference between the subscribed capital and the called-up amount which is also known as Uncalled Capital.

(ii) **Forfeiture of Shares**: Directors are usually authorized by the Articles to forfeit the shares of those shareholders who fail to pay the calls, after due notice has been given to them of such forfeiture. The defaulting shareholder ceases to be a member after such forfeiture and loses all his rights on the shares held by him, whereas, the moneys paid by him on the shares prior to the forfeiture belong absolutely to the company. Forfeited shares are those shares which are declared by the Directors to have been forfeited by any shareholder on account of non-payment of calls due by the latter.

(c) (i) **Issue of shares at premium**: A company can issue its shares at a premium i.e. at a higher price than the face value, provided there is a public demand for such shares at a higher value. The premium received on issue of shares must not be mixed with the share capital money, but must be credited to a separate account styled "Premium on Issue of Shares Account", and shown as a separate item on the liabilities side of the Balance Sheet.

The amount earned by a company on issue of its shares at a premium cannot be said to be profits earned in the usual course of its business, and as such, must be treated as Capital Profits and not transferred to Profit and Loss Account.

(ii) **Issue of shares at discount** : It shall be lawful for a company to issue at a discount, share in the company of a class already issued, provided that:

i) the issue of the shares at a discount must be authorized by a resolution passed in the General Meeting of the company and must be sanctioned by the Court;

ii) the resolution must specify the maximum rate of discount (as permitted by the Central Government) at which shares are to be issued;

iii) not less than one year must, on the date of issue, have elapsed since the date on which the company was entitled to commence business;

iv) the shares to be issued at a discount must be issued within two months after the date on which the issue is sanctioned by the Court or within such extended time as the Court may allow.

Q.7. On 30.9.2006, my Cash Book showed a Bank Overdraft of Rs.59,350. On going through the Bank Pass Book for reconciling the balance. I find the following.
(20 Marks)

(i) Out of cheques drawn on 26.9.2006, those for Rs.5,000 were cashed by the bankers on 2.10.2006 and a crossed cheque for Rs.1,000 given to Mr. Das was

returned by him and a bearer one was issued to him in lieu on 1.10.2006.

(ii) According to my standing orders, the bankers have on 30.9.2006 paid Rs.500 as interest to my creditors, paid quarterly premium on my policy amounting to Rs.250, and have paid a second call of Rs.1,000 on shares held by me and lodged with the bankers for safe custody.

(iii) They have also received Rs.500 as dividend on my shares and recovered an insurance claim of Rs.1,800, their charges and commission on the above being Rs.150. On receipt of information of the above transactions, I have passed necessary entries in my Cash Book on 1.10.2006.

(iv) My bankers seem to have given me a wrong credit for Rs.2,500 paid in by me in No.2 Account, and a wrong debit in respect of a cheque for Rs.2,300 drawn against my No.2 Account.

Prepare a Reconciliation Statement as on 30.9.2006.

Ans.

Bank Reconciliation Statement as on 30.9.2006 (For Account No.1)

	Rs.	Rs.	Rs.
Overdraft as per Cash Book			59350
Less: Cheques issued but not presented		6000	
Less: Amount received by the Bank but not entered in Cash Book...			
Dividend on shares	500		
Insurance claim	1800	2300	
Less: Amount wrongly credited by the Bank to this Account instead of to No.2 Account		2500	10800
			48550
Add: Cheques deposited but not cleared		3250	
Add: Payments made by the Bank not entered in the Cash Book	500		
Interest to Creditors			
Premium on policy	250		
Call on shares	1000	1750	
Add: Bank Commission Charges		150	
Add: Amount wrongly debited by the Bank to this account instead of to No.2 Account		2300	7450
Overdraft as per Bank Passbook			56000

Q.8.

Given below is the receipt and payments account of the Indian Gymkhana for the period ended 31.12.2006:-

(20 Marks)

Receipts	Rs.	Payments	Rs.
To Donation Account being donations received	2,00,000	By Buildings	1,60,000
To Reserve Fund being Life Members' Fees and Entrance Fees received	16,000	By Expenses on Quadrangular Matches	3,600

To Quadrangular Match Fund being amounts received for meeting expenses of the specific matches	40,000	By Furniture	8,400
To Revenue Receipts:		By Revenue Payments:	
Subscription Fees (including Rs.400 for 2007)	12,800	Salaries	7,200
Lockers Rent	400	Cricket	2,400
Interest on Securities	400	Tennis	2,160
Cricket	1,600	Insurance (paid upto the year ending 30.9.2007)	1,440
Sundries 200		Gardening	680
Tennis 1,400		Printing	120
Billiards 800		Telephones	1,000
	17,600	Sundries 600	15,600
		By Investments (at cost)	72,000
		By Balance	14,000
	2,73,600		2,73,600

- (i) Subscription Fees outstanding for the year 2006: Rs.1,200
(ii) Salaries unpaid for December, 2006: Rs.680.

Prepare from the details given above, an Income and Expenditure Account of the Gymkhana for the period ended 31.12.2006, and the Balance Sheet as on that date.

Ans.

Income and Expenditure Account for the period ended 31.12.2006

Expenditure	Rs.	Income	Rs.
To Salaries	7880	By Subscriptions	13600
To Insurance	360	By Locker's rent	400
To Telephone	1000	By Interest on Securities	400
To Printing	120	By Cricket	1600
To Sundries	600	By Tennis	1400
To Cricket	2400	By Billiards	800
To Tennis	2160	By Sundry Receipts	200
To Gardening	680		
To Balance being surplus of Income over Expenditure	3200		
	18400		18400

Balance Sheet as at 31.12.2006

Liabilities	Rs.	Assets	Rs.
Donations Account	2,00,000	Cash Balance	14,000

Reserve Fund		16,000	Investments (at cost		72,000
Quadrangular Match Fund	40,000		Subscription outstanding for 2006		1,200
Less: Expenses incurred	3600	36,400	Furniture		8,400
Outstanding Creditors for salaries		680	Buildings		1,60,000
Subscriptions of 2007 in advance		400	Prepaid Expenses Account - Insurance		1,080
Income & Expenditure Account surplus		3,200			
		2,56,680			2,56,680

Q.9. Show the necessary Journal entries to make the following adjustments as at 31.12.2006:

- (a) Depreciation at 5% on office furniture valued at Rs.20,000; at 10% on plant & machinery worth Rs.1,00,000; at 2.5% on buildings worth Rs.5,00,000. **(4 Marks)**
- (b) The Reserve for Doubtful Debts is to be brought upto Rs.60,000, the balance on the Reserve Account from previous year being Rs.48,000. The Bad Debts during the year were Rs.38,400. **(4 Marks)**
- (c) Unexpired Insurance as on the date of Balance Sheet amounted to Rs.3,800. **(2 Marks)**
- (d) Interest at 6% to be allowed on the Capital which was Rs.7,00,000. **(2 Marks)**
- (e) The following outstanding liabilities for expenses have to be provided for wages: Rs.6,000; Salaries: Rs.3,500 and Trade Expenses: Rs.1,500. **(4 Marks)**
- (f) Make Reserves for Discounts on Debtors and Creditors at the rate 2.5%. The Debtors and Creditors at the end were Rs.3,60,000 and Rs.2,40,000 respectively. **(4 Marks)**

Ans. (a)

Journal	L.F.	Rs.	Rs.
Depreciation Account Dr.		23500	
To Office Furniture Account			1000
To Plant & Machinery Account			10000
To Building Account			12500
(Being depreciation at 50% on office furniture, 10% on P&M and 2.5% on Buildings for the year)			

(b)

Journal	L.F.	Rs.	Rs.
Reserve for Doubtful Debts Account Dr.		38400	
To Bad Debts Account			38400
(Being transfer of total Bad Debts to the former Account)			

Journal	L.F.	Rs.	Rs.
Profit & Loss Account Dr.		50400	
To Reserve for Doubtful Debts Account			50400
(Being further provision made for Doubtful Debts with a view to bring the same to Rs.60000/-)			

(c)

Journal	L.F.	Rs.	Rs.
Prepaid Expenses Account Dr.		3800	
To Insurance Account			3800
(Being the amount of the unexpired Insurance as on date of Balance Sheet)			

(d)

Journal	L.F.	Rs.	Rs.
Interest on Capital Account Dr.		42000	
To Capital Account			42000
(Being the Interest at the sale of 6% per annum calculated for the year)			

(e)

Journal	L.F.	Rs.	Rs.
Wages Account Dr.		6000	
Salaries Account Dr.		3500	
Trade Expenses Account Dr.		1500	
To Outstanding Creditors Account			11000
(Being the above expenses incurred and not paid brought into account)			

(f)

Journal	L.F.	Rs.	Rs.
Discount Account Dr.		7500	
To Reserve for Discount on debtors A/c			7500
(Being the reserve made for discount on debtors at 2.5% after deducting Rs.60,000/- reserve for Doubtful Debts)			

(g)

Journal	L.F.	Rs.	Rs.
Reserve for Discount on Credit Account Dr.		6000	
To Discount A/c			6000
(Being provision made for discount to creditors at 2.5%)			

- Q.10.** How would you rectify the following errors discovered after the preparation of the Trial Balance?
- (i) An amount of Rs.250 representing Cash discount allowed by P.Abraham on payment of his account stands debited to his account in the Ledger, but is not shown in the Discount column against the payment entry in the Cash Book. **(4 Marks)**
- (ii) An item of Rs.7,500 paid for the purchase of a Gas Engine has been debited to Cash purchase Account from Cash Book. **(2 Marks)**
- (iii) An item of Rs.2,000 for purchase of office furniture has been wrongly passed through the Purchase Book. **(2 Marks)**
- (iv) An amount of Rs.1,050 for a credit sale to C.Gupta although correctly entered in the Sales Book has been wrongly posted as Rs.1,150. **(4 Marks)**
- (v) A credit purchase of goods amounting to Rs.1,250 from P.Benjamin & Co., has been omitted to be passed through the Invoice Book, but the payment made subsequently stands debited to an account opened in their name. **(2 Marks)**
- (vi) A credit sale of Rs.750 to C.Green duly entered in the Sales Book has been credited to C.Green's Account. **(4 Marks)**
- (vii) A credit purchase of goods for Rs.9,600 from A.Arthur correctly entered in the Invoice Book, has been wrongly posted as Rs.6,019 to the credit of A.Arthur's Account. **(2 Marks)**

Ans

The following Journal Entries would serve to rectify the errors.

Journal		
(i)	This error would be rectified by entering up the sum of Rs.250 in the discount column against its corresponding cash entry. The periodical total of the Discount column will also have to be increased by a like amount and so also will the same amount have to be added in the Trial Balance.	
	Rs.	Rs.
(ii)	Plant and Machinery Account Dr.	7500
	To Cash Purchase Account	7500
	(For amount representing cost of Gas Engine wrongly debited to the latter account now transferred)	
(iii)	Office Furniture Account Dr.	2000
	To Cash Purchase Account	2000
	(Being the debit for purchase of office furniture wrongly given to the latter account set right)	

(iv)			
	It is not necessary to adjust such an error through the Journal. The usual method is to adjust the excess debit of Rs.100 to C.Gupta by entering an equal amount on the credit side of his account. Another method to set right the error would be to rule through the incorrect posting and make a fresh posting of correct amount		
(v)			
	Purchase Account Dr.	1250	
	To P.Benjamin & Co.Account		1250
	(Being the entry for the credit purchases omitted to be entered through the Purchase Book)		
(vi)			
	The rectification of this error will not require a Journal Entry. The account of C.Green would first be debited with Rs.750 to cancel the erroneous credit and would then be again debited with further Rs.750 to represent the amount of sale.		
(vii)			
	No Journal Entry would be needed to rectify this error. A.Arthur's Account would have to be credited with a further amount of Rs.3581/- to make up the short posting.		

Defence Accounts Department
S.A.S. Examination – Part I (New Syllabus)

November, 2007

Subject: Paper IV – SERVICE REGULATIONS
(PRACTICAL - With Books)

Time Allowed: 3 Hours

Total Marks : 100

Note:-

- (1) Section I and Section II are compulsory for all candidates. In Section III, candidates may opt and attempt any one from Sub-Section -(A), (B), (C) OR (D) for which permission is granted.
- (2) Answers to questions under Sub-Sections of Section III should be written in separate answer book while answer to Section-I and Section-II shall be written in one answer book only.
- (3) In all, candidates are to attempt 11 questions. 4 questions out of 6 questions from Section-I, 3 questions out of 5 questions from Section-II and 4 questions out of 6 questions from Section-III.
- (4) Each question in Section-I carries 9 marks and that of each question of Section-II, it is 8 marks. In Section-III, each question carries 10 marks.
- (5) Reason must be given in support of the answers. Authority must be quoted in support of the answers.
- (6) Answer to all part questions should be written in one place only.
- (7) Indication of Section/Sub-section shall appropriately be made.

SECTION I

(Pay & Allowances (Civil))
(Common to ALL CANDIDATES)

- Q.1.** (a) Appointment of Mr.'X' has been made on his own request to a post the maximum pay in the time scale of pay of which is lower than his pay in the old post held by him on regular basis. What pay shall Mr.X draw as his initial pay?
(3 Marks)
- (b) Mr.'A' section officer with DNI 1.7.2007 was on joining time from 30.6.2007 to 9.7.2007 consequent upon his transfer from one organization to other. What joining time will Mr.'A' get from 1.7.2007 to 9.7.2007?
(3 Marks)
- (c) An employee serving in the pay scale of Rs.5000-150-8000 was granted Family Planning Allowance (formerly personal pay) at the rate of Rs.150 for undergoing sterilization operation. What will be the rate of Family Planning Allowance when he is subsequently reduced to a lower stage in the time scale of pay of Rs.4500-125-7000 by way of penalty under CCS(CCA) Rules, 1965?
(3 Marks)

Ans. (a) Mr.'X' will draw the maximum of the pay scale of the new post.

(Auth: FR 22(3))

- (b) He will get joining time pay equal to pay drawn before relinquishment of his charge and the benefit of the increment will be admissible on the date of joining and not during the period of joining time.

(Auth: Clarification No.12 under GOI Order 11 below Rule 26)

- (c) He will continue to draw the same amount of Family Planning Allowance.

(Auth: GOI Order 11(E)6(d) FR 27)

- Q.2.** (a) What is the amount of lump-sum incentive on passing final examination of Institute of Chartered Accountants of India?

(2 Marks)

- (b) What is the rate of Licence Fee to be charged from Govt. servants who are allotted out of turn govt. accommodation of a type higher than their entitlement on their own request?

(3 Marks)

- (c) What are the classes of Govt. servants exempted from producing a medical certificate of health?

(4 Marks)

- Ans.** (a) Rs.8,000/-

(Auth: Serial No.9(b) of Annexure to DoPT OM No.1/2/89-Estt.(Pay-I), dated 9-4-1999 reproduced at page 144 of FRSR Pt.I of 2006 Edition)

- (b) The License Fee in such cases is charged at 3 times the flat rate of license fee or full standard license fee whichever is higher.

(Auth: GOI Order No.5 below FR 45(a))

- (c) The following classes of Govt. servants are exempted from producing a medical certificate of health:-

- i) A Govt. servant recruited through a competitive examination who had undergone medical examination in accordance with the regulations prescribed for appointment to service under Govt.
- ii) A qualified student of Thompson College, Roorkee, permanently appointed to the PWD within 18 months from the date of the health certificate granted to him on the completion of the College course.
- iii) A Govt. servant appointed in a temporary vacancy for a period not exceeding three months.
- iv) A temporary Govt. servant who has already been medically examined in one office, if transferred to another office without a break in service.
- v) A retired Govt. servant re-employed immediately after retirement.

(Authority: SA-4A)

- Q.3.** (a) Mr.'X', a senior auditor availed himself of pre-sanctioned EL for 30 days from 10.4.2007 to 9.5.2007. He superannuated on 31.5.2007. At the time of retirement he had 200 days HPL at his credit. He applied for commutation of leave for 20 days on 5.6.2007 duly supported with a medical certificate. How will you regulate his request for commutation of leave from EL to HPL on medical ground?

(3 Marks)

- (b) Are there any situations where production of medical certificate is not required for commutation of leave?
(3 Marks)

- (c) What is the admissibility for drawal of HRA by husband and wife, when both of them happen to be Govt. servants and are living in owned accommodation?
(3 Marks)

Ans. (a) Commutation of leave of one kind into leave of another kind is not admissible after a govt. servant ceases to be in service. Hence, the request of Mr.'X' will stand rejected.

(Auth: GOI Order below FR-SR 12 Part III)

- (b) Production of medical certificate is not required for commutation of leave in the following situation:
(i) Commutation of HPL up to a maximum of 180 days for approved course of study in public interest.

(Auth.Rule 30(1-A) of CCS (leave) Rule, 1972)

- (ii) Commuted leave up to 60 days to female Govt. servants on adoption of a child.

- (iii) Commutation of leave in continuation of maternity leave.

(Auth.GOI decision No.(1) and (2) under Rule 30 of CCS(Leave) Rule, 1972)

- (c) Normal amount of HRA will be admissible to them as per their entitlement subject to fulfillment of other conditions for drawl of HRA.

(Auth: G.I.M.F.OM No.F.11015/2/87-E.II(B) dt.8.11.1988 reproduced at page 19020 of FRSR Part-V)

Q.4. (a) How will you determine the amount of HBA admissible to an official left with 10 years of service?
(3 Marks)

- (b) What is the rebate in interest on the amount of HBA for "small family norms"?
(2 Marks)

- (c) Mr.'A' a Sr. AO was admitted in hospital on 23.5.2006. He was discharged from the hospital on 15.6.2006 after attaining the age of superannuation on 31.5.2006. Who will reimburse his medical claim?
(4 Marks)

Ans. (a) The admissible amount of HBA will be determined with reference to the repaying capacity worked out as under:-

Upto 50% of Basic pay + DP + Stagnation increment + NPA
DPR Gratuity upto 75% may also be adjusted.

(Auth: GOI's order (1)(iii) under Rule 4 of HBA Rules)

- (b) The interest on HBA will be ½% less than the normal rate subject to certain conditions vide section III of HBA Rules.

(Auth: Sub Rule 8 of Rule 6 of HBA Rules)

- (c) The reimbursement claim will be paid by the official's own office.
(Auth: GOI 5 below CMSA Rule I)

Q.5. (a) What did "existing emoluments" include for the purpose of fixation of pay under CCS(Revised) Pay Rules 1997-5th Pay Commission?
(5 Marks)

- (b) Are benefits of revised pay scales are recommended by Vth CPC admissible to those Govt. servants who were on study leave with effect from 1.1.1996?
(4 Marks)

Ans. (a) The "existing emoluments" include
i) the basic pay in the existing scale
ii) dearness allowance as on 1.1.1996 (at index 1510)
iii) 1st installment of IR
iv) 2nd installment of IR@ 10% of basic pay subject to min. of Rs.100/-

In the case of employees who were in receipt of special pay/allowance in addition to pay in existing scale which had been recommended for replacement by a scale of pay without any special pay/allowance, the existing amount of special pay/allowance is also required to be included in the "existing emoluments".

(Auth: Explanation under rule 791)(A) of CCS (Revised) Pay Rules, 1997)

- (b) The benefits of revised pay-scales a recommended by Vth CPC w.e.f. 01.01.1996 are admissible to all those govt. servants who were on study leave on 01.01.1996.

(Auth: GOI Decision 4 below Rule 6 RPR 97)

Q.6. (a) Please indicate as to which of the following incomes are fully exempt from income tax:
(5 Marks)

- (i) Death/Retirement gratuity
(ii) Commuted value of pension
(iii) Cash equivalent of leave salary paid on quitting service
(iv) Final settlement amount of G.P.F.
(v) Compensation received by a workman under Industrial Disputes Act, 1947

- (b) What are the two components of CGEGIS, 1980 and how is the subscription to the scheme apportioned between these two components?
(4 Marks)

Ans. (a) All the incomes listed at (i) to (v) are fully exempt from income tax.
**(Auth: (i) Section 10(10) of Income Tax Act
(ii) Section 10(10A)
(iii) Section 10(10AA)
(iv) Section 10(11)
(v) Section 10(B))**

- (b) The scheme has got two funds - insurance fund and savings fund. The subscription to the scheme is apportioned between the Insurance Fund and Savings Fund at the rate of 31.25% and 68.75% respectively up to 31.12.1987 and 30% and 70% w.e.f. 01.01.1988.

(Auth: Para 8.5 and OM dated 1.1.1988)

SECTION II

Provident Fund and Pension

(Common to All)

Q.1. (a) Please indicate the circumstances under which wife of a subscriber ceases to be a member of the family of the subscriber under GPF(CS) Rules, 1960.

(3 Marks)

(b) Can the GPF balance be paid to the widow or daughter of a deceased Govt. servant who is charged with the offence of murdering the Govt. servant or for abetting in the commission of such an offence?

(3 Marks)

(c) When is the subscription to fund compulsorily discontinued?

(2 Marks)

Ans. (a) If a subscriber proves that his wife has been judicially separated from him or has ceased under the customary law of the community to which she belongs to be entitled to maintenance, she shall be deemed to no longer a member of the subscriber family in matters to which GPF(CS) Rules, 1960 relate.

(Auth: Rule 291)(i) of GPF(CS) Rules, 1960)

(b) No. The widow or the daughter of the deceased subscriber who are facing a trial for the murder may not be paid the GPF balance till the decision of the court.

(Auth: GOI's decision (7) below Rule 33)

(c) Subscription to fund is required to be compulsorily discontinued during last three months of service of his service.

(Auth: GPF Rule 7 GID(1))

Q.2. (a) What are the categories of pensioners who can commute portion of their pension only after medical examination?

(3 Marks)

(b) A 58 years old Central Govt. employee with total qualifying service of 28 years has applied for voluntary retirement under Rule 48(A) of CCS(P) Rules, 1972. What is the weightage admissible to him towards qualifying service for pension?

(3 Marks)

(c) What are the reckonable emoluments for pension in respect of Defence Civilian and DAD employees?

(2 Marks)

Ans. (a) In the following case, the medical examination is required for commutation of pension:

i) who retires on invalid pension under Rule 38 of CCS(P) Rules, 1972, or

ii) who is compulsorily from service as a penalty and is granted pension under Rule 40 of CCS(P) Rules, 1972; or

iii) who is in receipt of compassionate allowance under Rule 41 of CCS(P) Rules of 1972; or

iv) who has retired from service on one of the pensions referred to in Para

188.1 but his application for commutation of pension has not been received by the H.O.O.

(Auth: Rule 18 of Appendix I to CCS(Pension) Rules)

- (b) He is entitled for weightage of two years only as the period is not to go beyond the date of normal superannuation.

(Auth: FR 56; Rule 48 B of CCS(Pension) Rules, 1972)

- (c) The reckonable emoluments for pension are:

- i) Basic Pay
- ii) Dearness Pay
- iii) Stagnation Increment, if any
- iv) NPA if any

(Auth: Rule 33 CCS(Pension Rules), 1972)

- Q.3.** (a) Is Dearness Relief on pension payable to re-employed commissioned officers?
(2 Marks)

- (b) How is the entitlement of Dearness Relief regulated to Central Govt. absorbees in PSUs etc. who have become entitled to restoration of 1/3rd commuted portion of pension?

(6 Marks)

- Ans.** (a) No.

- (b) Dearness Relief is payable on full pension i.e. the revised pension which the absorbed employee would have received on the date of restoration had he not drawn lump sum payment on absorption and dearness pension subject to fulfillment of the conditions laid down in Para 5 of the DP & PW OM dated 14.7.1998.

(Auth: GOI of Min. of Personnel Public Grievance & Pensions Deptt. of Pension Welfare OM No.4/29/99/P&PW(D) dated 12.7.2000)

- Q.4.** (a) What are the entitlement of a family pensioner whose family pension was sanctioned prior to 1.4.2004 but became payable on or after 1.4.2004?
(4 Marks)

- (b) What is the weightage in the qualifying service for calculation in pension in respect of Sepoy, Naik and Havaldar and equivalent ranks in the Navy and Air Force?

(4 Marks)

- Ans.** (a) (i) Basic Family Pension

(ii) Plus Dearness Family Pension (i.e. Dearness Relief equivalent to 50% of Basic Family Pension as on 1.4.2004).

(iii) Plus Dearness Relief on both (i) & (ii) above.

(Auth: GOI of Min. of Personnel Public Grievance & Pensions Deptt. of Pension Welfare OM No.41/13/2005-P&PW(G) dated 1.2.2006)

- (b) The weightage admissible is
i) Sepoy 10 years

- ii)Naik 8 years
- iii)Havaldar 6 years

Subject to a maximum qualifying service of 30 years.

(Auth: GOI MoD letter No.14(3)/2004/D(Pen/Sers) Vol.III dated 1.2.2006)

Q.5. (a) What is late entrant? **(3 Marks)**

(b) How will you deal with the payment of pension in respect of a pensioner who is convicted of a crime by a court of law and is sentenced to imprisonment for the criminal offence? **(5 Marks)**

Ans. (a) A late entrant is an officer who is retired on reaching the prescribed age for compulsory retirement with at least 15 years, commissioned service qualifying for pension but whose total qualifying service is than 20 years. **(Auth: Regulation 15 of PR Part I)**

(b) If the pensioner is sentenced to imprisonment for a criminal offence, his pension shall be suspended from the date of his imprisonment and the case reported by the PCDA(P) for the orders of the competent authority. **(Auth: Regulation 195 PR Para II)**

SECTION III - Optional

Sub-Section(A) - Army

Q.1. (a) What is the effect of the following on the pay and allowances of an OR subject to Army Act, 1950?
(i) Desertion
(ii) Absence without leave **(4 Marks)**

(b) Can a JCO officials in the vacancy of a Major? **(2 Marks)**

(c) When Govt. is in a position to supply free rations but the individual for his own convenience prefers to draw an allowance in lieu, what rate of ration allowance will be admissible to him? **(4 Marks)**

Ans (a) He will forfeit his pay and allowances for every day of desertion or absence without leave. **(Auth: Regulation 50 of P&A Regulation-ORs)**

(b) Yes. **(Auth: Regulation 106 of P&A Regulation-ORs)**

(c) Lower Rate of ration allowance. **(Auth: Regulation 172(a) of P&A Regulation-ORs)**

- Q.2.** (a) What is "Rank Pay"? To whom is this admissible? **(4 Marks)**
- (b) How is the pay of a Brigadier fixed on promotion to the rank of Major General? **(4 Marks)**
- (c) In what circumstances the separation allowance is not admissible? **(2 Marks)**

- Ans** (a) Rank Pay means the pay admissible to an officer appropriate to the rank actually held, either in acting or substantive capacity, in addition to the pay in the revised scale. Rank Pay is admissible to the ranks of Captains to Brigadiers. No Rank Pay is admissible to MNS officers. **(Auth: Rule 49 P&A Regs. (Officers))**
- (b) When a brigadier is promoted to the rank of Major General, his initial pay in the pay scale of Major General will be fixed at the stage next above the pay notionally arrived at by increasing his pay including Rank Pay as a brigadier by one increment in the scale at the relevant stage. **(Auth: Rule 50(a) P&A Regs. (Officers))**
- (c) Separation allowance will not be admissible in the following circumstance:-
- (i) When an officer is absent from a non family area on annual leave or sick leave or any other leave except casual leave.
- (ii) When an officer from a family area is specially appointed to officiate in the vacancy, of less than 3 months duration, if the permanent incumbent continues to draw the separation allowance under the exceptions mentioned in Rule 162-A above. **(Auth: Rule 162 P&A Regs. (Officers))**

- Q. 3.** (a) What are 'Airborne Forces'? **(3 Marks)**
- (b) What is the limitation of age for admissibility of Children Education Allowance (CEA)? **(3 Marks)**
- (c) Is reimbursement of Tuition Fee admissible in respect of children for whom CEA is claimed? **(4 Marks)**

- Ans** (a) Airborne Forces are parachute units in which a proportion as authorized in the establishments, may be non jumpers, the remaining must be parachutists and Airborne Units in which a proportion as authorized in establishments, may be parachutists. **(Auth: Rule 98 P&A Regs. (Officers))**
- (b) Children Education Allowance will be admissible only in respect of the children between the age limits of 5 and 20 years. **(Auth: Regulation 137.6 of P&A Regs.-(ORs)**

(c) No. It is not admissible.

(Auth: Note (i) below Regu. 214 of P&A Regs.-(ORs)

Q.4. (a) What is the effect of overstay of leave on pay and allowances?
(3 Marks)

(b) Is annual leave admissible if an individual has not performed duty in that year?
(4 Marks)

(c) Can an individual on annual leave rejoin his duty during the currency of leave?
(3 Marks)

Ans. (a) If an individual overstays his leave (except casual leave), no pay will be admissible for the period of overstay unless an extension of leave otherwise admissible to cover that period is granted by the competent authority.

(Auth: Rule 6(a) Leave Rules for the Services, Vol.I Army)

(b) Annual leave is not admissible in any year unless an individual has actually performed duty in that year.

(Auth: Rule 11(a) Leave Rules for the Services, Vol.I Army)

(c) An individual on annual leave cannot rejoin his duty during the currency of leave unless he has received permission to do so from the authority competent to sanction such leave.

(Auth: Rule 14(i) Leave Rules for the Services, Vol.I Army)

Q. 5. (a) What is the maximum amount of casual leave admissible during a year to a JCO?
(2 Marks)

(b) How are cases of overstay of annual/accumulated annual leave dealt with in the case of a JCO?
(4 Marks)

(c) What is the entitlement of the Casual Leave, Annual Leave and Furlough to Short Service Commissioned Officers?
(4 Marks)

Ans. (a) The maximum amount of casual leave that will be admissible to a JCO during a year is 30 days.

(Auth: Rule 32(a) Leave Rules for the Services, Vol.I Army)

(b) Cases of overstay of annual/accumulated annual leave beyond 30 days but upto 60 days due to reason beyond ones control other than own sickness and natural calamities will be regularized by headquarters command by adjusting the period of overstay against the balanced annual/accumulated annual leave of the year if any. The balance upto 30 days will be adjusted against next year's annual leave entitlement and the remaining balance if any as extra ordinary leave without pay and allowances. Cases of overstay of leave beyond 60 days will be regularized under the order of governor.

(Auth: Rule 33 Leave Rules for the Services, Vol.I Army)

(c) The entitlement of casual leave, annual leave, on the scale and under the conditions applicable to permanent commissioned officers. Furlough will be

admissible on the scale and under the conditions applicable to permanent commissioned officers provided they serve for a period of not less than 3 years.

(Auth: Rule 45, 46 & 47, Leave Rules for the Services, Vol.I Army)

Q. 6. (a) What are Master Missing ACRs? What are the primary reasons due to which ACR's master missing cases get generated?

(7 Marks)

(b) What is the objective of the Review Group in a PAO?

(3 Marks)

Ans. (a) The ACR master missing cases are those transactions which have been rejected by the computer since the army number mentioned in the transactions does not have a corresponding master record in the computer. The primary reasons for master missing ACRs may be due to the following:-

- i) Non creation of masters for recruits.
- ii) Non creation of masters for 'transfer in cases'.
- iii) Part-II orders notifying the allotment of JC numbers not actioned.
- iv) ACRs of transfer out cases not extracted and sent to other PAOs.
- v) Army Numbers not checked in the edit lists completely.
- vi) Feeding of ACRs in respect of IRLAs maintenance annually.

(Auth: Para 38 of OM Part X Vol.III)

(b) The objective of Review Group is to ensure that IRLAs are maintained properly by the Leisure Groups.

(Auth: Para 314 of OM Part X Vol.III)

SECTION III - OPTIONAL

Sub-section(B) - Air Force

- Q.1.** (i) A Group Captain is in possession of qualifications entitling him to qualification grant both at higher and lower rates. He wants both the rate to be given to him. Comment.
(2 Marks)
- (ii) A Squadron Leader is absent from a non-family area on casual leave. Will he get separation allowance?
(2 Marks)
- (iii) An Airman has left his wife. Under whose orders can a penal deduction be made from his pay towards maintenance of his wife?
(3 Marks)
- (iv) Mention the three categories of Areas defined for the purpose for field service concessions. What Allowances are given to officers serving in these areas?
(3 Marks)

- Ans.** (i) No, he can only draw the higher rate of Qualification grant, as officers can draw only one rate of Qualification grant.
(Auth: Rule 175(1), Pay & Allowances Regulations for IAF)
- (ii) Yes, he will get.
(Auth: Rule 184(1), Pay & Allowances Regulations for IAF)
- (iii) Central Govt. can order.
(Auth: Rule 582(i), Pay & Allowances Regulations for IAF)
- (iv) a) Highly Active Field Area - Highly Active Field Area Allowance
b) Field Area - Field Area Allowance
c) Modified Field Area - Modified Field Area Allowance
(Auth: MoD letters dated 13.1.94 and 24.5.2001)

- Q. 2.** (i) A civilian rescued an Air Force Personnel after he landed in injured condition. Name three authorities who can sanction cash rewards to the civilian.
(3 Marks)
- (ii) An Airman was under going training as Parachute Jump Instructor. Will he get Parachute Pay?
(2 Marks)
- (iii) Will the widow of an IAF officer continue to receive the Monetary allowance for gallantry awards?
(2 Marks)
- (iv) Which category of Air Force Officers are paid a special non-recurring Uniform Allowances and why?
(2 Marks)

- Ans.** (i) a) District Magistrate
b) Chief of Air Staff
c) AOC-in-C concerned

(Auth: Rule 390 & 391, Pay & Allowances Regulations for IAF)

- (ii) No.
(Auth: Rule 348, Pay & Allowances Regulations for IAF)
- (iii) Yes, till the time of her re-marriage or death.
(Auth: Rule 411, Pay & Allowances Regulations for IAF)
- (iv) (a) Staff Officer and ADC to Chief of Air Staff
(b) To assist them to obtain the special uniform which they are required to wear.
(Auth: Rule 155, Pay & Allowances Regulations for IAF)

Q. 3. (i) Comment whether the Advance of pay will be admissible in following conditions:- **(3 Marks)**

- (a) A Wing Commander went abroad on a temporary duty for 3 weeks.
- (b) An Air Force Apprentice went home on leave at the end of term of training.
- (c) A Squadron Leader proceeded on field service.
- (ii) A Non-Commissioned officer was in charge of a party, which was proceeding for MT salvage. OC of a Base Repair Depot sanctioned to meet cost of petty local purchase for this job. Comment.
(3 Marks)

- (iii) When a married officer cannot be provided with married accommodation due to military reasons or paucity of accommodation in the station, he is to be provided free accommodation and allied services. Mention four of these allied services.
(2 Marks)

- (iv) Which training Grants will cover following items of expenditure:
(2 Marks)

- (a) Construction of latrine boards in a training camp.
(b) Maintenance of Quiet Rooms.

Ans. (i) No, it will not be admissible. This is available only when the temporary duty is more than one month.

(Auth: Note below Rule 468(vii), Pay & Allowances Regulations for IAF)

- (b) Yes, he is entitled for advance of pay upto one month.
(Auth: Rule 471, Pay & Allowances Regulations for IAF)

- (c) Yes, it will be admissible for him.
(Auth: Note below Rule 468(iii), Pay & Allowances Regulations for IAF)

- (ii) The action of OC, BRD is correct. It can be given for this purpose subject to limits prescribed.
(Auth: Rule 479, Pay & Allowances Regulations for IAF)

- (iii) Allied services are as under -
a) Lights and Fans
b) Furniture
c) Water
d) Conservancy

(Auth: Rule 567(a), Pay & Allowances Regulations for IAF)

(iv) Minor Training Grant

(a) (Auth: Rule 631(b)(v), Pay & Allowances Regulations for IAF)

(b) Education Training Grant

(Auth: Rule 618(i)(b), Pay & Allowances Regulations for IAF)

- Q. 4.** (i) What type of stores can be dispatched by using Credit Notes? (3 Marks)
- (ii) What type of Air Force equipments can be sent by air? (3 Marks)
- (iii) A unit claimed conveyance for Canteen stores held by its unit-run-canteen at the time of move. Is it in order? (2 Marks)
- (iv) Should Risk Notes be executed for carrying explosive consignment? why? (2 Marks)

Ans. (i) Credit Notes are only to be used for dispatch of stores which are the property of Ministry of Defence at the time of dispatch and on which freight charges are debitable to Defence Services Estimates.

(Auth: Rule 237(i) Travel Regulations)

(ii) Following Air Force equipments can be sent by air -

a) AOG equipment

b) When directed or arranged by Air Hqrs. with the prior approval of Govt.

c) In case of emergency where air transport is resorted to at the discretion of CO of consignor unit or at the require of consignee unit provided the extra expenditure involved is within financial powers of CO or the consignor or the consignee units as the case may be.

(Auth: Rule 240(c), Travel Regulations)

(iii) Yes, it is in order as Canteen stores held by a unit/formation run canteen is a bonafide regimental stores.

(Auth: Rule 241, Travel Regulations)

(iv) No. Explosives conveyed by Railways are carried at Govt. risk. Therefore, Risk Notes are not required to be executed.

(Auth: Rule 234, Travel Regulations)

Q.5. (i) A Group Captain was dismissed from service. He applied to A.O.A. at Air Hqrs. for free conveyance on warrant to his home station citing financial constraints. A.O.A. authorized for the same. Is it in order? Give reasons.

(2 Marks)

(ii) A Squadron Leader participated in final round of Inter-services Volleyball Championship. He claimed DA for this period. Comment.

(2 Marks)

(iii) A Group D serving in Indian Mission at London for 3 years claimed Children Holiday Passage. Comment.

(2 Marks)

(iv) What do you understand by the term " Warning Orders"?

(2 Marks)

Ans. (i) Yes, it is in order.

(Auth: Note(b) below Rule 209, Travel Regulations)

(ii) No, it is not in admissible.

(Auth: Rule 142, Travel Regulations)

(iii) It is incorrect. A Group D employee is not entitled to Children Holiday Passage.

(Auth: Rule 276, Travel Regulations)

(iv) A Warning Order issued by Air Hqs/IAF Commands to units constitutes posting order for the purpose of regulating free conveyance for the family of an officer proceeding to a non-static unit/formation/establishment whose personnel are in receipt of field service concessions.

(Auth: Rule 63, Travel Regulations)

Q. 6. (i) Who can sanction Furlough to a Wing Commander serving in Indian Embassy?

(2 Marks)

(ii) A Group Captain was sent abroad to attend a course of instruction. He wants to avail of his Annual leave. Comment.

(2 Marks)

(iii) Wing Commander Moonga has to participate in World Military Para-gliding Championship. How his absence from duty will be regularized for this period?

(2 Marks)

(iv) A MWO has to undergo sterilization operation under the Family Planning Scheme. How his absence from duty will be regularized for this period?

(2 Marks)

(v) An Air Commodore is a member of Indian Institute of Public Administration, New Delhi. He is required to attend authorized meeting of the Institute. He was sanctioned temporary duty by his AOC-in-C. Comment.

(2 Marks)

Ans. (i) Furlough to a Wing Commander serving in Indian Embassy can be sanctioned only by Govt. of India.

(Auth: Rule 51, Leave rules for the Services-III)

(ii) Annual leave can be sanctioned but they should coincide with recognized breaks in courses of instruction.

(Auth: Rule 51-A(2), Leave rules for the Services-III)

(iii) He will be sanctioned Special Casual leave for this purpose. It will be limited to 30 days in a calendar year. The period of absence in excess of 30 days would be to allow him to combine either casual leave or regular leave with Special casual leave.

(Auth: Rule 52 (A) & (B), Leave rules for the Services-III)

- (iv) MWO will be granted Special Casual leave not exceeding 6 working days to undergo such operations and have some rest.
(Auth: Rule 53, Leave rules for the Services)

- (v) It was not in order. He should have been sanctioned Special Casual Leave not exceeding 6 working days in that calendar year for this purpose.
(Auth: Rule 54, Leave rules for the Services)

SECTION III - OPTIONAL
Sub-section(C)-Navy

Q. 1. (a) Full rate of Special Uniform Allowance paid to officer 'A' has been noted for recovery as he failed to complete one year of service in such appointment. Confirm correctness or otherwise.

(5 Marks)

(b) An officer commissioned on 15.02.06 claimed qualification grant for qualification acquired by him on 31.12.06. Is it admissible as on date?

(5 Marks)

Ans. (a) Action for recovery of full rate of Special Uniform Allowance paid is incorrect. Half the amount is required to be recovered.

(Auth: Reg 83 Pay & Allowances Regn. (Navy))

(b) Qualification grant is not admissible as the officer has not completed two years of service as on date.

(Auth: Reg 85 Pay & Allowances Regn. (Navy))

Q. 2. (a) Lt.'A' claimed additional increment from the date of commission on the plea of getting antedate of seniority. Comment.

(5 Marks)

(b) Lt.'B's increment was postponed by 10 days as during that period he was on Annual leave. Confirm correctness or otherwise.

(5 Marks)

Ans. (a) Claim for additional increment by Lt. 'A' cannot be accepted as he got the antedate of seniority only and not antedate of seniority for pay.

(Auth: Reg 17(2) Pay & Allowances Regn. (Navy))

(b) Action on postponing the increment for the period of annual leave is incorrect. The increment of pay shall be given even if the officer is on leave.

(Auth: Reg 19(2) Pay & Allowances Regn. (Navy))

Q. 3. (a) A re-employed officer claimed special increment for special family norms on the plea that the same was paid to him during his regular service. Will it be admissible? If so, why?

(5 Marks)

(b) Sea Duty Allowance claim in respect of Capt 'A' was disallowed on the plea that he is a "Widower" and having step child. Comment on the correctness or otherwise of the disallowance.

(5 Marks)

Ans. (a) Special increment under small family norms as claimed by re-employed officer is not acceptable being inadmissible during re-employed service, though same has been drawn by him prior to re-employment.

(Auth: Condition 06 under Reg 21 B Pay & Allowances Regn. (Navy))

(b) Action to reject the claim is incorrect as the widower officer having step child is

treated as a married officer and hence Sea Duty Allowance is admissible.

(Auth: Explanation(1) under Reg 92A & Reg 47 Pay & Allowances Regn. (Navy) Part-I)

Q. 4. (a) Sailor 'A' was sanctioned Annual leave from 15/02 to 18/03 and was asked to report on 19/03. However the sailor did not report for the reason that 19/03 was a holiday on account of it being Sunday. Confirm correctness or otherwise.
(5 Marks)

(b) A Naval Officer 'A' domiciled in Nepal was granted Annual leave from 15/2 to 28/03 to visit home station, with the permission of two days prefix being Sunday and holiday. Confirm correctness or otherwise.
(5 Marks)

Ans. (a) Action by sailor 'A' not to join on 19/03 being Sunday is not correct, as he was asked to join in 19/03 with no express permission given by the Commanding Officer.

(Auth: Rule 6(1) Navy Order 1984)

(b) Permission of two days prefix is not in order as no prefix or suffix is admissible to Gorkha personnel.

(Auth: Explanation I under Rule 6(2) Navy Order 1984)

Q. 5. (a) Lt.'A' was sanctioned 10 days Casual leave from 2.1.07 to 11.1.07, who overstays his leave due to own sickness from 12.01.07 to 30.01.07. His leave has been regularized as Casual leave from 2.1.07 to 11.1.07 and Sick leave from 12.1.07 to 30.1.07. Confirm if regularization is in order?
(5 Marks)

(b) Sailor 'A' was sanctioned Special Casual leave from 3.12.06 to 24.12.06, has applied for Annual leave from 25.12.06 to 27.12.06 which has been sanctioned. Is this in order? Give reasons.
(5 Marks)

Ans. (a) Regularisation of leave as Casual leave followed by Sick leave is not in order. The entire period from 02/01 to 30/1/07 should be debited to Annual leave for the year 2007.

(Auth: Rule 8(1)(b) Navy Order 1984)

(b) This is in order, as he can be permitted to combine Special Casual leave with Annual leave as a special case.

(Auth: Rule 48(1) Navy Order 1984)

Q.6. (a) Lt.'A' preferred the claim for refund of cancellation charges of unused Railway ticket on the grounds that the journey was cancelled because of death of one of his colleagues. Comment?
(5 Marks)

(b) Officer 'A' proceeded on course to station 'X' from 2.1.07 to 31.3.07 and thereafter to station 'Y' from 1.4.07 to 31.7.07. Accordingly, he preferred permanent posting claim. Comment on its admissibility or otherwise?
(5 Marks)

Ans. (a) The claim for refund of cancellation charges of unused Railway ticket is not

admissible as the reason for which journey has been cancelled is not an official one.

(Auth: Note below Rule 44(a) Travel Regulation)

- (b) The claim for permanent posting as preferred by the officer is not in order as the course is held at two different stations and such moves will be classified separately according to period spent in each station and not with reference to the total period of the courses.

(Auth: Note below Rule 56 Travel Regulation)

SECTION III - OPTIONAL

Sub-section(D)-Factory

- Q. 1.** (a) Calculate OTB, OTP, DOT for the hours worked for a week @ 6,9 and 3¼ hours respectively for a day worker whose basic pay is Rs.3125, DA @ 35%, CCA @ 125, TA 100, SFA rS.75 residing in Govt. accommodation in a A1 class city.
(3 Marks)
- (b) What would be his entitlement of OTB&DOT, if he is a piece worker and not residing in Government accommodation?
(1 Mark)
- (c) What is Saturday bonus? What is the quantum of Saturday bonus admissible to a worker who is absent on all days of the week except Saturday?
(3 Marks)
- (d) What is the method of conveying authority for carrying out manufacture at the beginning of each financial year? How is a reconditioning work undertaken? How is it watchd?
(1+1+1=3 Marks)

- Ans.** (a) Residing in Govt. accommodation
OTB for a day worker in govt. accommodation will be entitled to all benefits except HRA. Hence OTB will be

$$[(\text{Basic Pay} + \text{DP} + 2(\text{DA} + \text{CCA} + \text{TA} + \text{SFA})) / 200] \times \text{No. of OTB hours}$$

$$[3125 + (3125/2) + 2(1641 + 125 + 100 + 75)] / 200 \times 6 = \text{Rs.}257.09 \text{ say Rs.}257/-.$$

(Auth: OM Part VI Vol.I Para 193(ii) & 197)

 OTP for 9 hours = Rs.141/- & DOT for 3¼ hours = Rs.29/-

(Auth: OM Part VI Vol.I Para 197)
- (b) Not residing in Govt. accommodation
OTB for a piece worker =

$$[(1.25(\text{Basic Pay} + \text{DP}) + 2(\text{DA} + \text{CCA} + \text{TA} + \text{SFA})) / 200] \times \text{No. of OTB hours}$$

$$[(1.25 \times (3125 + (3125/2)) + 2(1641 + 125 + 100 + 75)) / 200] \times 6 = \text{Rs.}376.60$$

(say Rs.377/-)

(Auth: OM Part VI Vol.I Para 193 & 197)

 DOT for 3¼ hours = $[\text{DA} + \text{CCA}] / 200 \times 3.25 = \text{Rs.}28.70/- \text{ Say Rs.}29/-.$

(Auth: OM Part VI Vol.I Para 197)
- (c) No adult worker is required to work in a factory for more than 48 hours in any week as per Factories Act. The total normal working hours in a week in the Ordnance and Clothing Factories have however been fixed at 44¾ hours excluding intervals for recess. The difference of 48-44¾ i.e., 3¼ hours is viewed as Saturday bonus. The worker will be entitled to Saturday bonus @ 3¼ hours even if he is absent on all working days except that Saturday during that week.

(Auth: OM Part VI Vol.I Paras 120 & 125)

- (d) The method of conveying authority for carrying out manufacture at the beginning of each financial year is done by General Managers through Open extracts.

(Auth:Para 613 OM Part VI Vol.II)

Reconditioning work of components is undertaken through Class IV extracts.

Reconditioning work is watched through a suitable register maintained in the Accounts Office to see that the monetary limits in this respect are not exceeded.

(Auth: Note 1 below Para 613 OM Part VI Vol.II)

- Q. 2.** (a) What is Night duty allowance? Who are entitled to it? **(2 Marks)**
- (b) The labour bureau of an ordnance factory has booked Night duty allowance on a daily basis to worker X during the close of that week with OT during night shift. Is it in order? **(2 Marks)**
- (c) How are incoming materials priced and the adjustment thereof carried out? **(2 Marks)**
- (d) How are the receipts from own production priced? **(2 Marks)**
- (e) How is the proposal for purchase of stores subjected to financial scrutiny? What is permissible stock level in case of difficult indigenous stores? **(2 Marks)**

- Ans.** (a) Industrial employees working on night shifts are eligible for Night duty allowance on the basis of weightage of 10 minutes for every hour of night duty performed between 22 hours and 6 hours at specified rates. For calculation of weightage, duty for less than half an hour shall be ignored and duty for half an hour and more but less than one hour shall be reckoned as one full hour. Such rounding off shall be made for the whole month. **(Auth: Para 201 OM Part VI Vol.I)**
- (b) The action of labour bureau is not in order as far as booking of NDA on a daily basis as the same has to be reckoned for the whole month. NDA will not be admissible during overtime hours if any falling within the night duty hours. **(Auth: Para 201 OM Part VI Vol.I)**
- (c) In coming material are accounted through receipt vouchers and priced on supply order rate/Priced copies of IFD, paid bills. Any receipts for which proper documents for pricing are not available, they are initially priced provisionally and recorded in a Register. The difference between the value provisionally taken and corrected value is adjusted by making an adjustment voucher in KOD 21 (+ receipt adjustment) and KOD 29 (- receipt adjustment). **(Auth: Para 409A OM Part VI Vol.I)**
- (d) Receipts from production of own factory should be priced on actual cost of production as shown in cost cards. Where complete costs are not available, the

vouchers will be priced provisionally at estimated rates noted in the cost cards and modified to the extent necessary with reference to any changes brought to light since the estimation of the abovesaid rate.

(Auth: Para 409E OM Part VI Vol.I)

- (e) Provisioning should not be made on the basis of the entire demand of the services but in consultation with GM realistically. The production programme in respect of all end stores on a six monthly basis for a period of 3 years duly supported by (a) service indents (b) backlog carried forward from previous period and (c) other related information is forwarded to the Finance Division of OFB by each production Branch of OFB for scrutiny and concurrence.

The permissible stock level for difficult indigenous stores is eight months in any given time and interim period is 36 months in advance of the period of utilization which will be six months i.e. 36+6(42) months' requirement less stock and dues against firm demands.

(Auth: Para 343(b) and note below, OM Part VI Vol.I)

- Q. 3.** (a) Calculate Average Ledger Rate from the following data. When is this rate to be adopted?

(4 Marks)

1.9.07 Balance Stock 100 units @ Rs.10 per unit
2.9.07 Receipts of 50 units @ 12/- per unit
15.9.07 Receipts of 100 units @ 11/- per unit
17.9.07 Receipt of 25 units received as samples for test valuing Rs.1000/-
5.9.07 Issue to shop No.3 - 75 units
16.9.07 Issue to Shop No.5 - 100 units

- (b) How is ALR adopted for pricing of stock manufactured by more than one factory located in the same are? How is the issue priced?

(1 Mark)

- (c) How will the following items of expenditure in Annual Accounts be reflected in the format of Commercial Accounts? (treatment is sufficient. Authority need not be quoted)

(5 Marks)

1. Depreciation
2. DD deposited by State Govt. for issues to be made
3. Preliminary expenses not charged to production
4. Direct material and Direct Labour
5. Cost of production

- Ans.** (a) Calculation as per manual system

Average Ledger rate = $(V1+V2)/(Q1+Q2)$ where v1 = opening value, q1= opening quantity, v2= sum of value of receipts during the month, q2 = receipts quantity during the month

$$v1 = 100 \times 10 = 1000$$

$$v2 = (50 \times 12) + (100 \times 11) = 600 + 1100 = 1700 +$$

$$q1 = 100$$

$$q2 = 150$$

$$ALR = 1000 + 1700 / (100 + 150) = \text{Rs.}10.80 \text{ per unit}$$

Receipts as samples for test are accounted through nominal vouchers and hence not posted in the Priced Stores Ledger. Hence the transaction is not to be taken into account

(Auth: Para 489, OM Part VI Vol.I)

Calculation on computerized system of Material accounting

Ordnance factories where computerized PSLs are maintained. Average Ledger Rate is worked out after posting of every receipt voucher instead of a month.

Particulars

1.9.2007 Balance 100 x 10 = 1000
 2.9.07 Receipts 50 x 12 = 600 (1000+ 600)/100+50
 5.9.07 Issue to shop No.3 --75 units @ Rs.10.67 each (-) 800.25
 15.9.07 Receipts 100 x 11 = 1100 (800.25+1100)/75+100
 16.9.07 Issue to shop No.5 - 100 units @ 10.86 each (-)1086.00
 Balance available as on 16.09.2007 - 75 units @ 10.86 each valuing Rs.814.50

Balance

ALR	Qty	Value
10.00	100	1000.00
10.67	150	1600.50
10.67	75	800.25
10.86	175	1900.50
10.86	75	814.50

(Auth: Note under Para 421, OM Part VI Vol.I)

- (b) Average ledger rate is adopted for pricing issues during the next month. New rate is worked out whenever there are fresh receipts during a month. In the computerized system of PSL the issue rate calculated after every receipt.

(Auth: Note under Para 421(i) & (ii), OM Part VI Vol.I)

- (c) (i) Depreciation: Presently shown as an overhead in 01 series and deducted from Capital Account and in the Block register.

The same should be recorded in Profit and Loss A/c and shown as a deduction in Fixed assets in Balance sheet.

(ii) DD deposited by State Govt. for issues to be made: Shown as a Current Liability in the Assets & Liability Statement and accounted for as Outstanding in the statement of Issues on payment to Indentors.

(iii) Preliminary expenses not charged to production : Debited to Preliminary Expenses account and shown as outstanding asset in the Assets & Liabilities statement.

Preliminary expenses written off should be debited to Profit and loss account and the balance shown as outstanding current Assets in the Balance Sheet.

- (iv) Direct material and Direct labour: Debited to Work in Progress Account

(direct material and direct labour) and credited to Stores Account (direct material), Wages account (direct labour) and shown in Prime Cost in a Cost Sheet.

Direct material & direct labour will be debited in the Manufacturing Account.

(v) Cost of Production: Captured from credit side of Work in progress account as worked out from relevant work order series and credited in Production Account and taken in Statement 10A & 10B and reconciliation statement 10A & 10B. Further reflected in Statement of profit or loss to arrive at the Net Profit/Net loss based on Issue rate.

Taken to Profit & Loss account credit side from Debit side of Trading & Manufacturing account for arriving at Net profit/Net loss based on issue rate.

- Q. 4.** (a) Calculate the cost/unit from the following details for 200 units of a product: **(5 Marks)**

Direct labour @ Rs.1500 per worker for 10 workers (labour fully booked for the warrant)

Direct material @ Rs.3000 for every 100 units (material fully drawn for the warrant)

FOH @ 125% VOH @ 100% Total output passed by inspection 175 units

Normal rejection @ 10%

Preliminary expenses to be absorbed on the product @ Rs.20 per unit

What is the treatment on abnormal rejection?

- (b) Describe the procedure followed in calculation of foundry cost - unit rate per kilogram? **(2 Marks)**

- (c) What are the objectives of the process to study cost as and when it is compiled? **(3 Marks)**

- Ans.** (a) Statement of cost per unit in respect offor 200 units of a product - 33750
- | | | |
|----------------------------|-------|--|
| Direct Material (3000 x 2) | 6000 | |
| Direct labour (1500 x 10) | 15000 | |

Para 21 OM Part VI Vol. I Format of a cost sheet	58750	
Cost of Preliminary Expenses 200 x 20	<u>1632</u>	
Appendix A Point No.10 The rate of charging the prel. Exp. should be in terms of rupees per unit of products	<u>57118</u>	

Fixed overhead charges @ 125% (15000 x 125%)	18750	
Variable overhead charges @ 100% (15000 x 100%)	15000	

FOH & VOH to be levied on Direct labour

OM Part VO Vol.I Para 541

Total Cost of production		
Less Cost of abnormal rejection		(-)
Refer calculation of abnormal rejection below		
Cost of production of issue qty		

Calculation of Cost of abnormal rejection

Qty of material drawn 200 units

Qty of normal rejection @ 10% = 200 x 10% = 20 units

Qty to be passed after normal rejection = 200-20=180 units

Actual qty passed in inspection = 175 units

Qty of Abnormal rejection = 5 units to be **kept out of production**

(Auth: OM Part VI Vol.II Para 679)

Value of Abnormal rej = $\frac{\text{Cost of production completed articles}}{\text{Expected qty to be produced}} \times \text{abnormal rejection qty.}$

$$= (58750/180) \times 5 = \text{Rs.}58750-1632 = \text{Rs.}57118$$

Total COP of completed quantity awaiting issue = Rs.58750-1632 = Rs.57118

Cost per unit of the product = 57118/175 = Rs.326.39 say Rs.326/-

The cost of abnormal rejection from manufacture is a loss due to inefficiency of the labourers or fault in material utilized in production which should not be passed on to the indenter. Hence the same is kept out of production. The value thus kept out of production will be regularized through departmental proceedings whether due to theft, fraud or gross neglect or not due to theft, fraud or gross neglect and a loss statement should be prepared for value of loss sustained due to abnormal rejection.

(Auth: OM Part VI Vol.II Para 680)

- (b) Foundry cost statement Form I is made out by labour section posted from Foundry form III which gives details and value of material consumed and Form II which gives labour charges. Variable and fixed charges are calculated on the basis of labour charges. The total expenditure divided by the total weight of castings produced gives the rate per unit weight.

(Auth: OM Part VI Vol.I Para 63)

- (c) The objectives of concurrent review of production are:
- (i) Watch heavy rejections
 - (ii) Delay in documentation such as delay in preparation of demand notes in some cases, return note in many cases
 - (iii) Considerable delay in inspection leading to accumulation of items
 - (iv) Delay in either issue or preparation of 'P' issue vouchers.
 - (v) Non closure of warrants even when production is complete or almost completed.
 - (vi) Cases of substantial variation between actuals and estimates as revealed by the expenditure recorded even when a warrant is running.
 - (vii) Cases where expenditure on tools have not been properly recorded/allocated.

(Auth: OM Part VI Vol.II Para 637)

Q.5. (A) What are replacement warrants?

(1 Mark)

(B) Give journal entries for the following :

(5 Marks)

- i) Indirect material issued to shops less returns
- ii) Transfer of supervision charges to overheads
- iii) Charging of depreciation to buildings
- iv) Unclaimed wages lapsed to government

(C) Why do losses in transit of foreign supplies arise?

(2 Marks)

(D) How are such losses treated for unopened packages found deficient by the consignee at the time of actual issue to production?

(1 Mark)

(E) What is the duty of an Accounts Officer if the strength in a production shop is not commensurate with load of production activities? How is it watched?

(2 Marks)

Ans. (A) Replacement warrants are those warrants on the authority of which work to cover the manufacture of articles found defective in the course of manufacture is undertaken.

(Auth: Item No.35 Appendix 'B' Factory Accounting Rules)

(B) i) Overhead Expenses A/c Dr
 To Stores Account

(Being indirect stores issued less returns)

Annexure 'B' referred to in Para 840 XII item 2 Debit items

ii) Overhead Expenses A/c Dr
 To Supervision charges Account

(Being supervision charges transferred to overheads)

Annexure 'B' referred to in Para 840 XII item 5 Debit items

iii) Overhead Expenses A/c Dr
 To Capital Assets Account

(Being depreciation of buildings charged to production)

Annexure 'B' referred to in Para 840 XXI item 2 Credit items

iv) Wages A/c Dr
 To Miscellaneous credit Account

(Being unclaimed wages lapsed to Govt.)

Annexure 'B' referred to in Para 840 XIII item 1 Debit item

(C) Losses in foreign supplies arise due to

i) Losses occurring in transit upto the Port of Disembarkation in India

ii) Losses occurring in India during transit from Port of Disembarkation to the ultimate destination

iii) Articles taken on charge in unopened packages as per marking on the package and found deficient by the consignee at the time of actual issue.

(Auth: Para 476 OM Part VI Vol.I)

(D) Losses on unopened packages will be treated as Losses in stocks

(Auth: Para 477 OM Part VI Vol.I)

(E) As the labour strength is related to its production activities, monthly comparison

of actual strength of labour in a section with the load of the section provides the basis for examining as to whether any section of the factory is unnecessarily over manned.

This check is exercised by the Accounts Officer and when the labour strength is not commensurate with the load, the matter should be taken up with Management. This is watched by means of a register.

(Auth: Paras 298 & 299, OM Part VI Vol.I)

Q.6. (a) Describe the procedure for accounting receipt of stores in packed condition. (2 Marks)

(b) Calculate overheads from the following data: (2 Marks)

Direct labour Rs.1000 for every 100 units
 Total output 2500 units
 % of Fixed overheads fixed for the shop 125
 % of Variable overheads fixed for the shop 132

(c) Calculate Incentive bonus payable to the following maintenance workers with the following data where piece work profit earned by the shop is Rs.600: (2 Marks)

Name	Total Time Wages
Worker X	3350
Worker Y	4000
Worker Z	5125

(d) What are the conditions applicable for classification of a store as a spare? (2 Marks)

(e) What is the purpose of Night shift bonus (NSB)? What is the quantum of NSB and who are entitled to it? (2 Marks)

Ans. (a) In the case of big factories like Vehicle Factory Jabalpur, components parts, accessories are received in packed condition. It may become necessary to account for the stores in packed condition on the basis of marking on the packages without opening of the packages and inspection. Accounting of the store in terms of packages without prior inspection is called Package Accounting. The Inspection is carried out only at the time of assembly when the packages are drawn for utilization in production.

(Auth: Para 443, OM Part VI Vol.I)

(b) The variable & fixed charges are levied as a percentage of Direct labour.

Direct labour = $(2500/100) \times 1000 = 25000$
 FOH = $25000 \times 125\% = 31250$
 VOH = $25000 \times 132\% = 33000$
 TOTAL OH = $31250 + 33000 = 64250$

(Auth: Para 541, OM Part VI Vol.I)

(c) Total time wages of the 3 IEs = Rs.3350 + 4000 + 5125 = Rs.12475/-

The production shop has earned a piecework profit of Rs.600/-. The maintenance

workers working in production section are entitled for 50% of the piecework profit earned by production section i.e., Rs.300/- which has to be distributed on the basis of total time wages each have earned. The same will be worked out as (individual time wages/TTW of the 3) x 300

Worker X - $(3350/12475) \times 300 = \text{Rs.}81/-$

Worker Y - $(4000/12475) \times 300 = \text{Rs.}96/-$

Worker Z - $(3350/12475) \times 300 = \text{Rs.}123/-$

(Auth: Para 155, OM Part VI Vol.I)

(d) A store will be a 'spare part' if

i) It is a store which can in practice conveniently be held in stock even though if abnormally bulky, some special arrangements for storage may have to be possibly involving some other individual having the immediate custody on the storeholder behalf.

ii) A store which immediately on its being drawn from stock can, in practice without delay be embodied in a machine or plant where in the ordinary sense it loses its identity, at any rate for the time being while so embodied is a machine or plant.

iii) There is ordinarily no prospect of its being subsequently returned to stock as the same store if there is subsequently occasion to disassemble it from the machine or plant and return it to stock would ordinarily be for the reason that it is worn out and it would therefore return to stock as repairable or unserviceable i.e., as a store different in condition from that in which it was previously held in stock.

iv) If the store is so disassembled from a machine or plant, the conditions are that it would be necessary to replace it in the machine or plant by a store of the same nature for the machine or plant to be completed and capable of functioning or at any rate functioning efficiently.

(Auth: Para 752, OM Part VI Vol.II)

(e) The piece workers working on night shift between the termination of the day and the normal opening hours of the next day are paid an extra half hour pay termed as Night Shift bonus calculated at the rate of 1/200 of the monthly basic pay plus DA, Special pay, personal pay, pension and city compensatory allowance for every hour of systematic overtime under Departmental rules worked on the night shift in addition to their piece work earnings.

(Auth: Para 196, OM Part VI Vol.I)