

**DEFENCE ACCOUNTS DEPARTMENT**

**S.A.S. EXAMINATION -PART-II**

**(FIRST SPECIAL CHANCE)**

**SEPTEMBER, 2007**

**SUBJECT 'C' - PAPER-V- PRECIS WRITING AND LETTER DRAFTING**

**TIME ALLOWED: 3 HOURS**

**TOTAL MARKS: 150**

**Note:-**

- (1) Question No. 1 is COMPULSORY. Answer any TWO of the other three questions.**
- (2) In Question No.1, 15 marks are assigned for the title and summary of points and 35 marks for the precis proper.**

**Ques.1.**

This is a case pertaining to the implementation of the Government orders on Special financial Powers to Formation Commanders to Undertake Civic Action in J&K Under Operation Sadbhavana. The provisions of the Government orders and the issues arising out of their implementation as reflected in the correspondence of PCDA ABC, Army HQrs and O/O CGDA are extracted at Annexure 'A' (in enclosures 1 to VII)

Please make a Summary of the Points and a Précis of the case. Also give a suitable title to the Precis.

(50 Marks)

**ANNEXURE 'A'**

**1**

No. 4(6) 97-/D(GS-V)

Government of India

Ministry of Defence

New Delhi, dated 16th December, 2002

To,

The Chief of Army Staff

Subject: Delegation of Special financial powers to Formation Commanders to undertake civic action in J&K under operation Sadbhavana.

Sir,

I am directed to refer to this Ministry's letter No. 93660/GS/ FP2/1039/ US/ D(GS-1) dated 15-1-99 as amended from time to time on the above subject and to convey the sanction of the President to the enhancement of the existing Special Powers of Formation Commanders of Northern Command as enumerated in the schedule to this letter for undertaking development works

under Operation SADBHAVANA.

2. The financial powers referred to in the schedule relate to expenditure met from Defence Service Estimates, and are to be exercised subject to availability of funds in the Budget of a financial year.
3. The exercise of the enhanced powers will continue to be governed by the procedural instructions as issued by the Government from time to time like general economy etc. and will be subject to specific budgetary allocations.
4. These financial powers will be exercised by the Formation Commanders in consultation with the respective IFAs, where applicable. The CDAs will nominate IFAs for each Formation Commander for this purpose. The IFAs so appointed will be located close to the formation HQrs. and within the formation area of responsibility so that financial advice can be obtained easily.
5. The special powers delegated will be exercised by the Formation Commander only and will not be delegated to any of their Staff Officer.
6. I am also directed to convey sanction of the President for holding and operating of Supply and Service imprest Accounts in order to incur expenditure on above works as given below:-

<b>Formation/Unit</b>	<b>Ceiling limit</b>
(a) HQ AA Corps	Rs. 75 Lakhs
(b) HQ BB Corps	Rs. 75 Lakhs
(c) HQ CC Corps	Rs. 75 Lakhs
(d) Respective Division and equivalent Formations Commanded by Maj. Gen. under HQrs. AA, BB & CC Corps or directly under HQ Northern Command.	Rs. 30 Lakhs each
(e) Brigade and equivalent Formations Commanded by Brigadier under Divisions of AA, BB & CC Corps or directly under HQ Northern Command.	Rs. 15 Lakhs each

7. The expenditure will be debatable to Major Head 2076, Minor Head 800 B, Other Miscellaneous Charges.
8. The relevant schedules in Financial Regulation will be deemed to have been amended pending issue of necessary corrections thereto.
9. The provisions of this letter will be effective for a period of two years from the date of issue. The provisions will be reviewed in consultation with Formation Commanders every two years.
10. This issues with the concurrence of Finance Division vide their UO No. 2397/GS/02 dated 28-11-02

Yours faithfully  
Sd/-

Under Secretary to Government of India

Copy to  
CGDA-40 Copies  
DADS -20 Copies  
PS to FA(DS)  
PA to Addl. FA  
DFAs in Min. of Def.(Fin)  
D(QS)  
CDA Jammu- Copy signed in ink

Schedule attached to Government of India Min. of Def. letter No. 4(6)

Subject: Delegation of Special Powers in respect of Formation Commanders to undertake Civic Action under Operation Sadbhavana in J&K.

Sl. No.	Subject	CFA	Financial Power without concurrence of IFA	Financial Power with concurrence of IFA
1.	Major Head 2076 Minor Head 800B(p) 17 Expenditure on J&K Civic Action Plan (Op Sadbhavana)	GOC-in-C Northern Command	Upto Rs. 4 lakhs per transaction	Rs. 100 lakhs per transaction
2.	Major Head 2076 Minor Head 800 B(p) 17 Expenditure on J&K Civic Action Plan (Op Sadbhavana)	GOC AA Corps GOC BB Corps GOC CC Corps	Upto Rs. 2 lakhs per transaction	Rs. 40 Lakhs per transaction
3.	-Do-	GOC Div. and Equivalent Formation Commanded by Maj. Gen.	Upto Rs. 1 lakh per transaction	Rs. 10 lakhs per transaction
4.	-Do-	Bde. Cdr. and Equivalent Commanded by Brigadier	Upto Rs. 30,000 per transaction	Rs. 5 lakhs per transaction

#### Notes

1. The financial powers listed above are subject to a limit of specific budgetary allocation made under the above Head of Account. Exercise of these powers will be for the purposes shown below:-
  - (a) Construction/Repair to existing community buildings such as Schools, Hospitals, Health Centres, Community Hall etc.
  - (b) Development activities such as track construction, small bridges across streams, water supply, minor electrification etc.
  - (c) Running of health camps, medical camps, dental camps, veterinary camps and training centres etc.
  - (d) Initiation of project for improvement and care of livestock, agriculture techniques, orchards, afforestation etc.
  - (e) Payments for artificial limbs for civilians maimed during shelling/IED blast.
  - (f) Contingency expenditure in respect of Op 'SADBHAVANA' for civic action programmes by respective CFAs limited to 2.5% of total expenditure incurred by him.

II

No. 4(6) 97-/D(GS-V)  
Government of India  
Ministry of Defence  
New Delhi, 14th January, 2003

To  
The Chief of the Army Staff  
Subject: Delegation of Special Financial Powers to Formation Commanders to undertake Civic Action in J&K under Operation Sadbhavana.

Sir,  
I am directed to refer to this Ministry's letter No. 4 (6) 97/D(GS-V) dated 16th December, 2002 amending this Ministry's letter No. 93660/GS/FP2/1039/US/D (GS-1) dated 15-1-99 on above subject and to convey the sanction of the president to the increase of the scope of work under OP SADBHAVANA as per the schedule attached to this letter.

2. This issues with concurrence of Finance Division vide their letter UO No. 52/GS/2003 dated 13-1-2003.

Yours faithfully,  
Sd/-  
Under Secretary to Government of India

Copy to:

CGDA-40 Copies

DADS-20 Copies

PS to FA(DS)

PA To Addl. FA

DFAs in Min. of Def.(Fin)

D(QS)

CDA Jammu- copy signed in ink

**Schedule attached to Government of India, Min. of Def. letter No. 4(6) 97/D(GS-V) Dated 14th January, 2003**

Subject: Delegation of special Powers in respect of Formation Commanders to undertake Civic Action under Operation Sadbhavana in J&K.

In the Note 1(a) to (f) of the Ministry of Defence letter No.4(6)97/D(GS-V) dated 16th December, 2002 the following will be added to the list:-

- (g) Running and maintenance of all assets like Schools, Health Centres, Vocational Training Centres, etc. created till the time these assets are taken over by the State Government/Civil Administration.
- (h) Funding of educational and motivational tours and visits for the local youth and weaker section of the society to other parts of the country.
- (i) All aspects of Human Resource Development, including maintenance and upkeep of equipment procured, running costs, salary payment to the staff employed for OP SADBHAVANA institutions and acquisition of spares.

The enhanced scope of work will be subject to the condition that AHQ will formulate specific schemes with the approval of Ministry of Defence , indicating parameters for their implementation.

### III

No. 4(6)97-/D(GS-V)  
Government of India  
Ministry of Defence  
New Delhi, 23rd April, 2004

To,

The Chief of the Army Staff

Subject: Delegation of Special Financial Powers to Formation Commanders to undertake Civic Action in J&K under Operation Sadbhavana.

Sir,

I am directed to refer to this Ministry's letter No. 4 (6)97/D(GS-V) dated 16th December, 2002 and to say that the following shall be added as sub-para (g) of Note 1 given below schedule attached to above cited letter:

(g) Provision of sholarship for needy students to pursue their studies. The assistance in this regard would cover tuition, boarding and lodging of the students.

- 2 This issue with concurrence of Finance Division vide their letter UO No. 671/GS/04 dated 16.04.2004

Yours faithfully  
Sd/-

Under Secretary to Government of India

Copy to :  
CGDA-40 Copies  
DADS- 20 Copies  
PS to FA(DS)  
PA to Addl. FA  
DFAs in Min. of Def.(Fin)  
D(QS)  
CDA Jammu- copy signed in ink

### IV

No. 4(6)97-/D(GS-V)  
Government of India  
Ministry of Defence  
New Delhi, 12th January, 2005

To

The Chief of the Army Staff

Subject: Delegation of Special Financial Powers to Formation Commanders to undertake Civic Action in J&K under Operation Sadbhavana.

Sir,

I am directed to refer to this Ministry's letter No.93660/GS/FP2/1039/US/D(GS-1) dated 15-1-99 on the above subject as amended from time to time and last amended vide No.4(6)97/D(GS-V) dated 16-12-2002, wherein the provisions were made effective for a period of two years from the date of issue.

2. The delegation of special financial powers to the formation Commanders of Northern Command to undertake Civic Action in J&K under Op Sadbhavana is further extended for a period of two years with effect from 16-12-2004 i.e. upto 16-12-2006.

3. The exercise of special financial powers by the Northern Command will continue to be governed by the conditions stipulated in this Ministry's letter of even No. dated the 16th December, 2002.
4. This issues with concurrence of Ministry of Defence(Fin./GS) vide their UO No. 75/GS-II/05 dated 12th January, 2005.

Yours faithfully,  
Sd/-

Under Secretary to Government of India

**Copy to:-**

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PS to FA(DS)  
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DFAs in Min. of Def.(Fin)  
D(QS)  
CDA Jammu - copy signed in ink  
HQ Northern Command - 5 Copies

**V**

**Principal Controller**

Principal Controller of Defence Accounts ABC  
Dated 15th December, 2006

DO No. M/II/1570/OP Sad

Dear,

This is regarding a proposal under 'Operation 'SADBHAVANA' received in this office for concurrence. The proposal relates to maintenance of Boys Hostel under Project 'Shiksha Sahayog' in J&K

2. The detailed Statement of Case on the proposal is enclosed for perusal please. Our views on the proposal are given at para 6 and 7 of the Statement of Case.
3. I may further point out that the extant orders regarding delegation of financial powers under 'Op SADBHAVANA' are valid only upto 16th December, 2006. Therefore, this office will not be in a position to entertain any such case for financial concurrence after 16-12-2006, unless the validity of MoD orders is further extended.
4. HQrs. office may also like to request MoD to issue consolidated and comprehensive orders regarding delegation of financial powers under 'Op SADBHAVANA', in case validity of such powers is being further extended.

With regards

Yours Sincerely,  
Sd/-

Addl. CGDA  
Office of CGDA  
West Block-V  
R.K. Puram  
New Delhi-110066

**STATEMENT OF CASE**

A case regarding Maintenance of Boys' Hostel under project 'Shiksha Sahayog in J&K under 'operation Sadbhavana' was received from XX Field Regiment/XY

Artillery Brigade of HQYY INF DIV. Seeking concurrence of PCDA(ABC) for financial implications of Rs. 20 lakhs only as per summary given below:

<b>Sl.No.</b>	<b>Item</b>	<b>Amount (Rs.)</b>
(a)	Civil Staff Salary	3,44,640
(b)	Students' Expenditure	7,39,830
(c)	Office Stationery	3,600
(d)	Maintenance of Existing Facilities	1,41,000
(e)	Additional Facilities	7,70,930.
	<b>Total</b>	<b>20,00,000</b>

2. The proposal for maintenance of boys' hostel to accommodate 28 students, which is meant for providing free education , boarding and lodging. The students will be studying in Army School, Satwari Cantt., Jammu. The hostel is meant for military affected and needy civilian children.
3. The financial powers for undertaking civic action under 'Operation Sadbhavana' in J&K have been delegated to CFAs in consultation with the designated IFAs for two years vide GOI, MoD letter No. 4 (6) 97/D(GS-V) dated 16-12-2002, subsequently further extended for two more years vide MoD letter dated 12-01-2005.
4. The hostel was established under 'Operation Sadbhavana' in the year 2004-05 under Project ' Shiksha Sahayog'. Presently, there are 21 students on roll, who are being provided free education, boarding and lodging. The hostel is being run in an MES building at XX Fd Regiment location.
5. The proposal was initially concurred in for the financial year 2005-06 by PCDA XYZ for Rs. 14 Lakhs. The concurrence was valid upto March 31, 2006 only. The expenditure/liability being incurred from April, 1, 2006 till date is without any concurrence, which is procedurally irregular.
6. The instant proposal was examined and we found that:
  - (a) The Boys' Hostel is stated to be covered under the provisions of schedule of MoD letter dt. 14.01.2003, wherein the following has been specified:

"All aspects of human Resource Development, including maintenance and upkeep of equipment procured, running costs, salary payment to the staff employed for Op SADBHAVANA institutions and acquisition of spares."

The aforesaid provision to MoD letter dt. 14.01.2003 is to be read in conjunction with para 2 of the schedule ibid, which states as under:  
" The enhanced scope of work will be subject to the condition that AHQ will formulate specific schemes with the approval of Ministry of Defence, indicating parameters for their implementation.
  - (b) It is not clear as to whether AHQ has formulated any specific scheme to cover his project, prescribing requisite parameters for their implementation, and whether specific approval of MoD therefor has since been obtained by AHQ. This is a pre-requisite for applicability of the enhanced scope of work under 'Op Sadbhavana' in terms of MoD letter dt 14.01.03 cited as the authority for the instant proposal, i.e. provision of education, boarding and lodging for militancy affected and needy civilian children. However, vide their letter date 30th November, 2006 addressed to HQrs NC with copy endorsed to this office (copy enclosed), Army HQrs have opined that the present scope of work as defined in items (g), (h) and (i) added vide GoI MoD letter No. 4(6) 97/D(GS-V) dated 14th January, 2003 are adequate and self explanatory.

Further , in this regard it may be mentioned that MoD have already made an explicit enabling provision vide their letter dt. 23.04.04 by adding a new sub-para in Schedule to their letter dt. 16.12.2002 on the subject, which states as under:-

"Provision of scholarship for needy students to pursue their studies. The assistance in this regard would cover tuition, boarding and lodging of the students." Thus, the intended objectives can be adequately covered through scholarship under the aforesaid provisions.

- (c) Substantial recurring expenditure is involved in the instant proposal on salary of civilian staff. It is still not clear under which Government orders, such civilian staff has been recruited and paid for particularly in view of possible audit/legal implications in future.

The proposal, inter alia, also envisages 10% hike in salary for the civilian staff. This may also invite adverse legal and audit implications, particularly when the basis of the existing emoluments of civilian staff, and that of the proposed hike is not clear. Moreover, such substantive issue i.e. hike in salary are not covered in the scope of MoD orders on the subject.

Thus, there is a lot of ambiguity regarding compliance with DoPT orders on recruitment/engagement, pay fixation, increment/hike and other service matters of the civilian staff engaged in the project.

Further, the payment of salary to the civilian staff cannot be admissible unless they have been engaged following due procedure, particularly when they are stated to have been employed on temporary basis for the period of 89 days for managing and maintenance of Hostel appropriately, and after completion of 89 days, their services are terminated. Such individuals or their replacements are stated to be again employed for a further period of 89 days and so on, in order to avoid any legal implications in future. Such technical break may not stand in the Court of Law in case these individuals seek regularization through Court.

- (d) It is further seen that the para(g) of Note 1 of Schedule to MoD letter envisages running and maintenance of all assets like Schools, Health Centres, Vocational Training Centres, etc. created, till the time these assets are taken over by the State government/Civilian Administration.

The intention of the aforesaid para is clearly to create and maintain assets, which are intended to provide education, skill, training etc. and that too till the time such assets are taken over by the State Government/Civilian Administration. However, the Boys Hostel created under the instant project has now apparently become a permanent liability, which was not the intention of MoD letters on OP SADBHAVANA.

- (e) Further, this office is of the view that any expenditure/liability on the project beyond the last approval/concurrence of competent authority, should have been incurred only with prior concurrence of IFA/PCDA and prior approval of CFA, and not in anticipation of concurrence/approval.

7. In view of the above, this office has not concurred in the instant proposal, and remitted the same back to the unit along with comments as at preceding para.

It has further been advised that in case the executive authority has different views, it may be appropriate for them to approach MoD for requisite clarification regarding the MoD letters on the subject through their channel. This office cannot concur in the instant proposal as in our view the proposal is not covered under the MoD letters on the subject.

## VI

Additional Directorate General of Public Information  
Directorate General Military Intelligence  
General Staff Branch, Army Headquarters  
New Delhi  
30th November, 2006

A/8200/SADBHAVANA/PO/PI  
HQ Northern Command GS(Jt.Ops)  
C/O 56 APO

Delegation of Special Financial Powers in respect of Formation Commanders to undertake Civic Action under Operation Sadbhavana in J&K.  
Refer your letter No. 13077/R/GS(IS) dated 22 October, 2006

2. Vide the GoI MoD letter No. 4(6) 97/D(GS-V) dated 14th January 2003, the scope of OP Sadbhavana Projects were enhanced by addition of three more items i.e.(g), (h) and (i) to the schedule as promulgated vide GoI letter No. 4(6)/97/D(GS-V) dated 16th December, 2002.
3. It is intimated that the present scope of work as defined in items(g), (h) and (i) are adequate and self explanatory and whenever any project is executed beyond the scope of OP Sadbhavana, clearance from MoD is sought prior to execution of the project. The formations have already executed projects under these new items.
4. It is opined that the present scope of items (g), (h) and (i) are adequate and same may continue as guidelines for concurrence/audit by PCDA ABC. In case of any deviation/ambiguity, case may be referred to MoD as in vogue.

Sd/-  
Lt. Col.  
GSO 1(Psy Ops)

**Copy to**  
PCDA ABC

## VII

### **Office of the CGDA, West Block-V, RK Puram, New Delhi-66**

While dealing with financial concurrence proposals pertaining to 'Op Sadbhavana' PCDA ABC has raised the following issues:

- (i) Revalidation of sanction:  
The extant orders regarding delegation of financial powers under 'Op Sadbhavana' issued vide MoD letter No.4(6)/97-D(GS-V) dated 12-01-2005 are valid upto 16-12-2006 only. For continued exercise of powers under 'Op Sadbhavana', the provisions of above Government letter are required to be extended.
- (ii) Irregularities noticed:  
The details of various irregularities noticed by PCDA ABC are enclosed. The important points which warrant immediate attention of MoD are summarised below:-

The details of various irregularities noticed by PCDA ABC are enclosed. The important points which warrant immediate attention of MoD are summarized below:-

(a) The scope of work under Op Sadbhavana was enhanced vide Schedule to GoI MoD No. 4(6) 97/D(GS-V) dated 14th January, 2003 which provides "Running and maintenance of all assets like schools, health centre, vocational training centres created till the time these assets are taken over by State/civil administration." Further, in terms of Schedule of ibid Government letter the enhanced scope of work was subject to the condition that AHQ will formulate specific schemes with the approval of MoD indicating parameters for implementation. It has been indicated by AHQ vide No. A/8200/SADBHAVANA/PO/PI dated 30th November, 2006 that scope of items (g) to (i) of the Schedule to letter dated 14-1-2003 are adequate and self explanatory and whenever any project is executed beyond the scope of Op Sadbhavana, clearance from MoD is sought prior to execution of project and same may continue as guidelines for audit/concurrence by PCDA. In case of any deviation/ambiguity, case be referred to MoD as in vogue.

(b) The main objective of Op Sadbhavana is to create and maintain assets to provide education, skill and training till such time the assets are taken over by the State Government. But the period by which State Government/civil administration would take over the assets is not prescribed Consequently, maintenance charges are being continued to be paid out of Defence.

(c) PCDA ABC has brought out a case regarding maintenance of boy's hostel under Project Shiksha Sahayog in J&K received from XX Fd Reg/XY Arty Bde of HQYY Inf Div costing Rs. 20 Lakh, which includes civil staff salary, students' expenditure, maintenance of existing facilities and additional facilities(detailed statement of the case is enclosed).

(d) Substantial recurring expenditure is involved in the proposal received on account of salary of civilian staff also includes 10% hike in salary.

(e) Also, there is ambiguity regarding compliance of DoPT orders on recruitment/engagement, pay fixation, increment, increase in pay and other Service matters of civilian staff engaged in the project.

2. In view of the foregoing , MoD (Finance) is requested for the following:

(i) Extension of validity of Government Sections beyond 16-12-2006 under Op Sadbhavana.

(ii) Formulation of a policy so that assets created under Op Sadbhavana are taken over by the Government in a fixed time frame.

(iii) Formulation of guidelines regarding engagement of civilian staff required for projects under Op Sadbhavana.

(iv) Issue of instructions to formulate specific schemes as per Government letter dated 14-1-2003 and to cover proposals like maintenance of Boys' Hostel under Project Sahayog in J&K under Op Sadbhavana.

(v) Broad definition of 'human resource' may be spelt out and detailed guidelines regarding scholarship etc. may be explicitly brought out for the smooth implementation of the Op Sadbhavana Schemes.

Sd/-  
Pr.IFA

Addl FA & JS  
Ministry of Defence(Fin)  
South Block, New Delhi

UO No. PIFA/1381/Army/Volume-II dated 5th February, 2007

Ans.

**Title: J&K civic Action Programme- 'Op Sadbhavana'**

**Summary of Points:**

1. Special Powers have been delegated to Formation Commanders in J&K for undertaking development works under Operation SADBHAVANA.
2. The Special Powers are to be exercised for the purposes as shown in the Government orders. The Special Powers were enhanced vide Government letter No. 4(6)97-/D(GS-V) dated 16th December, 2002 and were valid till 16.12.2006.
3. There was an increase in the scope of work to be undertaken under OP SADBHAVANA vide Government letter No. 4(6)97-/D(GS-V) dated 14th January, 2003.
4. In December, 2006 PCDA ABC wrote to Additional CGDA raising the issue of extension of validity of the delegation of Special Powers beyond 16th December, 2006 to enable that office to accord financial concurrence and the need for issue of consolidated and comprehensive orders by Ministry of Defence regarding the exercise of the delegated powers.
5. In the above reference, PCDA ABC also enclosed a Statement of Case relating to proposal for financial concurrence for maintenance of a 'Boys' Hostel under Project 'Shiksha Sahayog' under OP SADBHAVANA in J&K received from XX Field Regiment/XY Artillery Brigade of HQ YY INF DIV.
6. In the Statement of Case, PCDA ABC raised the issue of need for approval of Ministry of Defence for the specific formulated under the enhanced scope of work, ambiguity regarding compliance with DOPT orders on recruitment/engagement, pay fixation, increment/hike and other service matters of the civilian staff engaged in the project and the concern that the Boys' Hostel created under the instant project had become a permanent liability, which is not the intention of MoD letters on OP SADBHAVANA, Army Headquarters has not agreed to the need for Government approval for the schemes formulated under the enhanced scope of work.
7. Office of CGDA referred the issues to the Ministry of Defence(Finance) for issue of necessary instructions/guidelines.

**Precis**

Government of India, Ministry of Defence has delegated Special Financial Powers to Formation Commanders in J&K to undertake development works under Operation Sadbhavana. The Special Powers were initially delegated vide Ministry of Defence letter No. 93660/GS/FP2/1039/US/D(GS-1) dated 15.01.99 & subsequently enhanced vide MoD letter No.-4(6) 97-D(GS-V) dated 16th December, 2002. The Special Powers are valid upto 16.12.2006.

The scope of the delegation was enhanced vide MoD letter No. 4(6) 97/D(GS-V) Dated 14th January, 2003 to cover also, running and maintenance of all assets like schools, Health Centres, Vocational Training

Centres, etc. created till the time these assets are taken over by the State Government/civil administration. The Government orders stipulate that the enhanced scope of work is subject to the condition that AHQ will formulate specific schemes with the approval of Ministry of Defence, indicating parameters for their implementation.

PCDA ABC has written DO No. M/II/1570/OP Sad dated 15th December, 2006 addressed to the Additional CGDA regarding extension of the validity of the delegation of Special Financial Powers beyond 16th December, 2006 mentioning that they will not be in a position to entertain any case for financial concurrence after this date unless the validity of MoD orders is further extended. The letter also highlights the need for issue of comprehensive orders by the Ministry of Defence regarding exercise of the Special Financial Powers because of irregularities observed. A Statement of Case regarding a specific proposal received from XX Field Regiment/XY Artillery Brigade of HQ YY INF DIV has been enclosed. The proposal relates to maintenance of a Boys' Hostel under Project 'Shiksha Sahayog' in J&K with financial implication of Rs. 20 lakh. The Boys Hostel is stated to be covered under the provisions of MoD letter dt. 14.01.2003 but it is not clear as to whether AHQ has formulated any specific scheme to cover this project and whether specific approval of MoD has been obtained by AHQ. PCDA ABC has mentioned that Army HQrs vide their letter dated 30.11.2006 addressed to Northern Command have opined that the scope of work as added vide GoI MoD letter No. 4(6)97/D(GS-V) dated 14th January, 2003 is adequate and self explanatory and that whenever any project is executed beyond the scope of Op Sadbhavana, prior clearance from MoD is sought, Army HQ are of the view that this procedure may continue and the case may be referred to the Ministry only in case of any deviation/ambiguity.

The proposal relating to the Boys' Hostel involves substantial recurring expenditure on account of salary of civilian staff including a 10% hike in salary. However, there is ambiguity regarding compliance with DoPT orders on recruitment/engagement, pay fixation, increment, increase in pay and other Service matters of civilian staff engaged in the project. The main objective of OP Sadbhavana is to create and maintain assets to provide education, skill and training till such time the assets are taken over by the State Government. But the period by which State Government/civil administration would take over the assets is not prescribed. Consequently, maintenance charges are being continued to be paid out of Defence.

Based on the letter from PCDA ABC, office of CGDA has referred the matter to Additional FA, MoD(Finance) for revaluation of the Government sanction beyond 16.12.2006, formulation of a policy so that assets created under OP Sadbhavana are taken over by the Government in a fixed time frame, formulation of guidelines regarding engagement of civilian staff and issue of instructions to formulate specific schemes as per Government letter dated 14.01.2003.

Ques.2

An amount of Rs. 2,95,000 is outstanding against Cantonment Board 'Y' on account of arrears of water charges. On the issue being taken up by CDA 'Z' with the CEO, Cantonment Board 'Y' the CEO vide his DO letter No. A/Water charges/06 dated 5th December, 2006 has denied that any responsibility rests with the Cantonment Board for collection of the water charges. The CEO has pointed out in his DO letter that: (i) The outstanding

demand is in regard to accumulated arrears payable by civilian consumers of MES and that these arrears have arisen mainly due to revision of rate of water charges from Rs. 1 to Rs. 5 per thousand liter over a period of time. The Cantonment Board was only acting as a facilitator to collect the water charges and remit the amount to MES without claiming collection charges (ii) There is no agreement between MES and the Cantonment Board for the bulk supply of water. (iii) Consequently, it may not be justified legally to show the outstanding demand against the Cantonment Board. Such demand is also not within the spirit of rules and regulations.

(50 Marks)

The reply given by the CEO Cantonment Board is not tenable as in accordance with Para 711 & 712 of Regulations for MES, the responsibility for collection of water charges clearly lies with the Cantonment Board, notwithstanding whether an agreement exists or not. Para 712 of MES Regulations inter alia, provides that in a Cantonment station where distributed supplies are made and controlled entirely by the MES, the Cantonment Board is responsible for effecting recovery from all consumers.

As Section Officer in the E section of CDA'Z' draft a DO letter from the CDA to the GOC-in-C bringing the matter to his notice and requesting that the CEO be directed to start the recovery forthwith. The draft DO letter may also advise the GOC-in-C that an institutionalized system be established for recovery of the dues through an agreement between the MES and the Cantonment Board, regular raising of bills by the MES and Disconnection of water supply to the consumers/parties who do not pay the charges billed against them.

Ans.

DO No. E/1/CBY/Water Charges/2006  
Controller of Defence Accounts Z  
Dated ..... 2007

CDA

Dear,

This is regarding recovery of outstanding water charges against Cantonment Board 'Y'.

2. An amount of Rs. 2.95 crore is outstanding against Cantonment Board 'Y' on account of arrears of water charges. It has been confirmed by the Chief Engineer, HQ 'A' Command that bills for recovery of water charges have been raised on a regular basis by the MES on the basis of rates of water charges stipulated by the Government from time to time. However, the Cantonment Board 'Y' has not recovered the full amount and deposited the same with the MES authorities.

3. When the issue was taken up by my office with the CEO, Cantonment Board 'Y' (copy of this office DO of even No. dated..... 2006 enclosed), the CEO vide his DO letter No. A/Water Charges/06 dated 5th December, 2006(copy enclosed) has denied that any responsibility rests with the Cantonment Board for collection of this amount. The CEO has pointed out that the outstanding demand is in regard to accumulated arrears payable by civilian consumers from Rs. 1 to Rs. 5 per thousand litre over a period of time and that the dues do not pertain to connections given by the Cantonment Board. The CEO has further pointed out that the Cantonment Board was only

acting as a facilitator to collect the water charges and remit the amount to MES without claiming collection charges. It has also been mentioned that since there is no agreement between MES and the Cantonment Board for the bulk supply of water, consequently, it may not be legally justified to show the outstanding demand against the Cantonment Board.

4. The reply given by the CEO Cantonment Board is not tenable as in accordance with Para 711 & 712 of Regulations for MES, the responsibility for collection of water charges clearly lies with the Cantonment Board, notwithstanding whether an agreement exists or not. Para 712 of MES Regulations inter alia, provides that in a Cantonment station where distributed supplies are made and controlled entirely by the MES, the Cantonment Board is responsible for effecting recovery from all consumers.

5. Thus, the stand taken by the CEO Cantonment Board has resulted in non-recovery of the Government dues amounting to Rs. 2.95 crore. In view of the seriousness of the matter, I have thought it appropriate to bring it to your notice. I would request you to kindly intervene in the matter and issue suitable directions so that these dues are recovered immediately. Further, to avoid recurrence of such a situation, I would suggest that an institutionalized system be established for recovery of the water charges through an agreement between the MES and the Cantonment Board along with directions to the MES authorities for raising regular bills with action for disconnection of water supply to the consumers/parties who do not pay the charges billed against them.

With

Yours sincerely,  
Sd/-  
CDA(Z)

Lt. Gen.....,  
General Officer Commanding in Chief  
HQ 'A' Command

Ques.3

A proposal has been received by CGDA from the Integrated HQrs. Ministry of Defence (Navy) for enhancement of imprest held by a Naval Detachment X, from Rs. 5000 (Rupees Five thousand only) to Rs. 75,000 (Rupees Seventy five thousand only.) The proposal has been moved under Serial No. 41 of Naval Instruction (NI). 1/S/2006. The proposal has been initially considered by IFA (Navy) who has not concerned to it as it is not covered under the NI 1/S/2006. Naval Headquarters have sought a clarification on the stand taken by IFA (Navy). As Section Officer in the concerned section of CGDA's office, you have examined the proposal and noted that the stand taken by the IFA (Navy) is correct. Under Serial No. 41 of NI 1/S/2006 powers have been delegated to Vice Chief of Naval Staff for sanction of imprest upto Rs. 1 lakh where frequent requirement exist for procurement of petty stores, repairs, contingent and postal charges. However, the present proposal for enhancement of the imprest has been made to enable the unit to also make payment of advance of pay on leave and TA/DA and miscellaneous payments like CILQ, MLR, RTF, CEA, CLR and Temporary Advance from AFPP Fund. As per rules, such payments are to be made from the cash assignment of the nearest naval establishment.

Based on your examination of the proposal, prepare a draft UO Note from Dy CGDA to Principal Director Pay & Allowances (PDPA), Naval Headquarters. In the UO Note you should bring out the provision of NI 1/S/2006, comment upon the stand taken by the IFA(Navy) and give recommendations on the proposal.

(50 Marks)

Ans.

**Controller General of Defence Accounts**  
**Ulan Batar Road, Palam, Delhi Cantt.-110010**

Subject: Enhancement of Imprest in respect of Naval Detachment X

Reference: Integrated Headquarters Ministry of Defence (Navy) No. AB/011 dated ..... 2007

The proposal of Naval Headquarters for enhancement of the imprest from Rs. 5000/- to Rs. 75,000/- in respect of Naval Detachment X has been examined by this office.

2. Under Serial No. 41 of NI 1/S/2006, powers have been delegated to Vice Chief of Naval Staff for sanction of imprest subject to the condition that frequent requirement exists for expenditure on procurement of petty stores, repairs, contingent and postal charges. However, Naval Headquarters have proposed enhancement of the imprest in respect of Naval Detachment X to enable the unit to also pay from the imprest, advances of pay on leave and TA/DA as also miscellaneous payments like CILQ, MLR, RTF, CEA, CLR and Temporary Advance from AFPP Fund. Such payments are to be made from the cash assignment of the nearest naval establishment. Therefore, as correctly observed by IFA(Navy), the proposal cannot be concurred under SL No. of NI 1/S/2006.

3. In case the unit is facing difficulty and desire to make the above nature of payments, it would be appropriate to provide the unit with a cash assignment. Accordingly, if considered necessary, a statement of case of sanction of cash assignment may be initiated through Pr. CDA(Navy) Mumbai for obtaining sanction of the competent authority.

Dy. CGDA

PDPA, Integrated Headquarters Ministry of Defence(Navy)

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UO No. 123/Navy 2007-08 dated....2007

Ques.4

In a CDA's office, the weekly report in respect of the TA Section shows a large number of bills pending for audit and payment with many bills outstanding for more than a month. Further, during test check of some of the audited bills, the GO in charge of TA Section has observed that the stipulated audit checks as per the TA Regulations including the basic checks in regard to entitlement of mode and class of travel, have not been carried out.

Please draft a circular from GO(TA) to all officials of the TA Section directing that the bills pending for more than 7 working days be cleared immediately and that due care should be taken while auditing the bills to ensure that the payment is made strictly in accordance with the prescribed rules and regulations

(50 Marks)

Ans.4.

**CIRCULAR**

O/O CDA 'Z'  
TA/01/GO  
Dated..... 2007

To,  
SAO- in - charge and SOs/AAOs(By name)  
TA Section

Subject: Clearance of TA Bills

During a review of the Weekly Report of the TA Section, it has been observed that a large number of bills with oldest date of more than a month ago are pending for audit and payment. The delay in clearance of the bills is unacceptable.

2. It has also been noticed from a test check of the audited bills that payment has been admitted in breach of the provisions of the TA Regulations. Even the basic audit checks such as those relating to entitlement of class and mode of travel have not been carried out. In the absence of proper audit of the bills, substantial overpayments cannot be ruled out.

3. In view of the above, it is hereby directed that a special drive be undertaken by all officials in the TA Section for clearance of the bills pending with them so that no bill is outstanding for more than 7 working days. Further, due care should be taken during the audit of the bills to ensure that all claims are admitted strictly in accordance with the provisions of the TA regulations and there is no overpayment.

4. Any negligence either in timely clearance or in proper audit of the bills shall be viewed seriously and action shall be taken against the concerned officials.

5. Senior AO in charge TA Section may ensure submission of a daily progress report on the status of pending bills to the undersigned with immediate effect.

6. The above instructions may be got noted by all concerned in the TA Section for strict compliance.

Sd./-

DCDA

**DEFENCE ACCOUNTS DEPARTMENT**

**S.A.S. EXAMINATION-PART-II**

**(FIRST SPECIAL CHANCE)**

**SEPTEMBER, 2007**

**SUBJECT: 'D' PAPER VI-BOOK KEEPING WITH ELEMENTS OF COST ACCOUNTING**

**Time Allowed: 3 Hours**

**Total Marks: 150**

**ONLY FIVE questions should be attempted- One from Section 'A' and not more than TWO each from Section 'B' and Section 'C'. Question in Section 'A' is COMPULSORY and carries 50 marks. Other questions carry 25 marks each.**

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Ques.1 : From the following Trial extracted from the books of M/s. Jay Shree, Mumbai prepare Trading and Profit and Loss Account for the year ended 31st March, 2005 and a Balance Sheet as on that date:

The Stock on 31st March, 2005 was valued at Rs. 5,000.

(50 Marks)

<b>Name of Account</b>	<b>(Debit)Rs.</b>	<b>(Credit)/Rs.</b>
Stock on 01-04-2004	80,000	-
Purchases and Sales	2,75,200	3,80,000
Wages	8,000	-
Carriage inward	2,500	-
Import duty on purchases	2,000	-
Returns	3,750	2,000
Discount Allowed	200	300
Received		
Salaries	15,000	-
Advertisement	2,500	-
Rent and Taxes	2,000	-
Interest	-	300
Provisions for Bad and	-	1,500

Doubtful Debts		
General Expenses	1,450	-
Printing and Stationery and Postage	900	-
Proprietor's Capital and Drawing Account	12,500	61,300
Cash in hand	100	-
Bills receivable and payable	2,000	1,400
Sundry debtors and creditors	20,000	8,000
Balance with Bank of Baroda	4,700	-
Furnitures and Fixtures	4,000	-
Building	18,000	-
<b>Total</b>	<b>4,54,800</b>	<b>4,54,800</b>

**You are given the following information:**

- (1) Interest of Rs. 150 was due from bank but it was not received.
- (2) It was decided to increase reserve for bad and doubtful debts to Rs. 2,800 after writing off Rs. 500 as bad debts during the year.
- (3) Provide depreciation at 5% per annum on building and 10% per annum on Furniture and Fixture.
- (4) A bill of Rs. 250 for printing of advertisement in newspaper remained unpaid at the end of the year.

Ans.

**SECTION 'A'**

**TRADING ACCOUNT FOR THE YEAR ENDED 31st March, 2005**

Dr.		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock	80,000	By Sales	380,000
To Purchases	2,75,200	Less Returns	3,750
Less returns	2,000	By closing stock	5,000
To Wages	8,000		
To Carriage inward	2,500		
To import duty on purchases	2,000		
To Gross Profit transferred to Profit & Loss Account	15,550		
	<b>3,81,250</b>		<b>3,81,250</b>

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005**

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Discount	200	By Gross Profit Transferred from Trading Account	15,550
To Salaries	15,000	By Discount	300
To Advertisement	2,500	By interest	300
Add: outstanding	250	Add: Accrued Interest	150
	2,750	By Net Loss Transferred to Capital Account	9,100
To Rent & Taxes	2,000		
To General Expenses	1,450		
To Printing, Postage and Stationery	900		
To Bad Debts	500		
Add: Provision required	2,800		
	3,300		
Less: Existing Provision	1,500		
	1,800		
To Depreciation:			
Furniture	400		
Building	900		
	1,300		
	<b>25,400</b>		<b>25,400</b>

**BALANCE SHEET as at 31st March, 2005**

Dr.		Cr.	
Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
<b><u>Current Liabilities</u></b>		<b><u>Current Assets</u></b>	
Sundry Creditors	8000	Cash in hand	100
Bills payable	1400	Cash in Bank	4700
Outstanding expenses for advertisement	250	Bills receivable	2000
<b><u>Proprietorship</u></b>		Sundry Debtors	20,000
Capital	61300	Less Bad debts	<u>500</u>
Less: drawings	<u>12500</u>		19500
	48800	Less provision required	2800
Less: Net Loss	9100		16700
	39700	Closing stock	5001
		Accrued Interest	150
		<b><u>Fixed Assets</u></b>	
		Furniture & Fixture	4000
		Less: Depreciation	400
			3600
		Building	18000
		Less: Depreciation	900
			17100
	<b>49350</b>		<b>49350</b>

**SECTION-'B'**

Ques.1. Correct the following errors found in the books of Mr. Dutt. The Trial was out by Rs. 493 excess credit. The difference thus has been posted to a Suspense Account.

(25 Marks)

- (a) An amount of Rs. 100 was received from D. Das on 31-12-2003 but has been entered in cash book on 3-1-2004.
- (b) The total of Returns Inward Book for December has been cast Rs. 100 short.
- (c) The purchase of an office table costing Rs. 300 has been passed through the Purchase Day Book.
- (d) Rs. 375 paid for wages for workmen for making showcases has been charged to "Wages Account".
- (e) A purchase of Rs. 67 had been posted to creditors' account as Rs. 60.
- (f) A cheque of Rs. 200 received from P.C. Joshi had been dishonoured and passed to the debit of "Allowance Account"
- (g) Rs. 1000 paid for the purchase of a Motor Cycle for Mr. Dutt had been charged to "Miscellaneous Expenses Account"
- (h) Goods amounting to Rs. 100 had been returned by customer and were taken into Stock, but no entry in respect thereof was made into the books.
- (i) A sale of Rs. 200 to Singh & Co. was wrongly credited to their amount.

Ans. The following entry should be passed on 31.12.2003

	<b>Particulars</b>	<b>L.F.</b>	<b>Rs.</b>	<b>Rs.</b>
(a)	Bank Account <span style="float: right;">Dr.</span>		100	
	To D. Das			100

The entry already made in Cash Book on 03.01.2004 will be reversed by entering on the credit side of the cash book: " By D.Das Rs. 100 (to reverse entry wrongly passed on January, 3 )

	<b>Particulars</b>	<b>L.F.</b>	<b>Rs.</b>	<b>Rs.</b>
(b)	Returns Inward Account <span style="float: right;">Dr.</span> To suspense Account (Being the mistake in totalling the Returns Inward book corrected)		100	100
(c)	Furniture Account <span style="float: right;">Dr.</span> To Purchase Account (Being rectification of mistake by which purchase of furniture was entered in purchases book and hence debited to purchase Account)		300	300
(d)	Furniture Account <span style="float: right;">Dr.</span> To wages Account (Being the wages paid to workmen for making furniture are not to be charged to wages Account)		375	375
(e)	Suspense Account <span style="float: right;">Dr.</span> To creditor's personal Account (Being the mistake in crediting the creditor's Account less by Rs. 7 now corrected)		7	7
(f)	P.C.Joshi <span style="float: right;">Dr.</span> To Allowances Account (Being the cheque of PC Joshi dishonored previously debited to Allowances Account)		200	200
(g)	Drawing Account <span style="float: right;">Dr.</span> To Miscellaneous Account (Being the moter cycle purchased for Mr. Dutt debited to his Drawing Account instead of Miscellaneous Expenses Account as previously don by mistake)		1000	1000
(h)	Return Inward Account <span style="float: right;">Dr.</span> To customer's personal Account (correction of the omission to record return of goods by customers)		100	100
(i)	Singh & Company <span style="float: right;">Dr.</span> To Suspense Account (Being the correction of mistake by which the account of singh &co. was credited by Rs. 200 listed of being debited)		400	400

**SUSPENSE ACCOUNT**

Dr.				Cr.			
Date 2003	Particulars	LF	Amount Rs.	Date	LF	Particulars	Amount
Dec. 31	To difference in Trial balance		493	Dec, 31		By Return Inward Account	100
"	To creditors Account		7	"		By Singh & Company	400
			500				500

Ques.2. Jain Bros. acquired a machine on 01-07-1998 at a cost of Rs. 14,000 and spent Rs. 1000 on its installation. The firm writes off Depreciation at 10% of the original cost every year. The books are closed on 31st December every year. On March 31, 2001 the machine is sold for Rs. 9,500. Show the Machinery Account and Depreciation Account. Work out on the basis of Straight-Line Method.

(25 Marks)

Ans. (Straight Line Method)

**MACHINERY ACCOUNT**

Dr.			Cr.		
		Rs.			Rs.
1998, July 1	To Bank	14,000	1998 Dec, 31	By Depreciation 10% on 15000 for six months	750
"	To Bank (installation)	1,000		By Balance c/d	14,250
		<b><u>15000</u></b>			<b><u>15000</u></b>
1999 Jan 1	To balance b/d	14,250	1999 Dec. 31	By Depreciation A/c (10% on 15000)	1500 12750
		<b>14,250</b>		By Balance c/d	<b>14,250</b>
2000 Jan 1	To balance b/d	12,750	2000 Dec,31	By Depreciation A/c (10% On 15000)	1500
				By Balance c/d	11250
		<b>12,750</b>			<b>12750</b>
2001 Jan, 1	To Balance b/d	11,250	2001 March, 31	By Bank A/c Sale proceeds	9500

				By Depreciation A/c (3 Months Depreciation)	375
				By Profit & Loss Account	1375
		<b>11250</b>			<b>11250</b>

**DEPRECIATION ACCOUNT.**

		Rs.			
1998 Dec 31	To Machinery Account	750	1998, Dec, 31	By Profit & Loss Account	750
1999 Dec 31	To Machinery Account	1500	1999 Dec, 31	By Profit & Loss Account	1500
2000 Dec 31	To Machinery Account	1500	2000 Dec, 31	By Profit & Loss Account	1500
2001 Dec 31	To Machinery Account	375	2001 Dec, 31	By Profit & Loss Account	375

Ques.3. Describe the following terms:

- (i) Absorption Costing
- (ii) Accrual basis of Accounting
- (iii) Cash basis of Accounting
- (iv) Amortisation
- (v) Deferred Expenditure

(25 Marks)

Ans,

- (i) Absorption Costing: A method where by the cost is determined so as to include the appropriate share of both variable and fixed cost.
- (ii) Accrual basis of Accounting: The method of recording transactions by which revenue, costs, assets and liabilities are reflected in the accounts in the period in which they accrue.
- (iii) Cash basis of Accounting: The method of recording transactions by which revenues and costs and assests and liabilities are reflected in the accounts in the period in which actual receipts or actual payments are made.
- (iv) Amortisation: The gradual and systematic writing off as Asset or an account over an appropriate period.

- (v) Deferred Expenditure: Expenditure for which payment has been made or a liability incurred but which is carried forward on the presumption that it will be benefit over subsequent periods.

Ques.4. What do you understand by 'Reserves? Distinguish between 'Revenue Reserves' and Capital Reserves'

(25 Marks)

**Ans.** Reserves are the amounts set aside out of profits. It is an appropriation of profit or accumulated profits to strengthen the financial position of business. Reserves are not meant to cover any liability or depreciation in the value of Assets. Examples: General Reserve for Expansion.

Revenue Reserves are created out of Revenue profits which are available for distribution of dividend. Examples are General Reserves, Dividend Equalisation Reserve Capital Reserves are created out of capital profits and normally are not available for distribution as cast dividend. Examples of capital reserves are profit prior to incorporation, Profit on sale of fixed assets. It is created for meeting capital losses or to be used for purposes specified by companies Act.

### SECTION 'C'

Ques.1. From the following figures ascertain the

- (a) Cost of Materials used
- (b) Value of output of manufactured good and
- (c) Percentage of gross profits on sale.

(25 Marks)

<b><u>TRADING ACCOUNT</u></b>						
		Rs.	Rs.		Rs.	Rs.
<b>To Stock:</b>				By Sale		8,40,000
	Finished goods	80,000		Closing stock:		
	Raw Materials	24,000	1,04,000	Finished goods	70,000	
To	Purchases		2,40,000	Raw Materials	28,000	98,000
To	Wages		4,00,000			
To	Carriage		20,000			
To	Gross Profit		1,74,000			
			<b>9,38,000</b>			<b>9,38,000</b>

Ans.

<b>(a)</b>	<b>Cost of Material</b>	Rs.
	Opening Stock	24,000
	Purchases	240,000
	Carriage	<u>20,000</u>
		<b>284000</b>

Less Closing Stock	28000
	<b>256000</b>

(b) <b>Value of output of manufactured goods:</b>	Rs.
Material consumed as per(a)	256000
Wages	400000
	<b>656000</b>

(c) **Percentage of Gross Profit ( Rs 1,74000) on sales(840,000)**      20.71%

Ques.2. (a) Different methods of costing are adopted, depending on the nature of industry/activity concerned. In this context, explain with suitable examples the scope of application of following costing methods:

- (i) Job Cost
- (ii) Contract or Terminal Cost
- (iii) Process Cost
- (iv) Operating Cost

(20 Marks)

Ans. (i) The system of job costing is followed in respect of work performed against individual orders from customers VIZ motor workshop.

(ii) Contract or Terminal costs is the system followed by firms which devote all their efforts to one or two big contracts in a year.

(iii) Process costs is process in industries where final product emerges after two or three distinct stages viz oil industry or paper industry . When the cost of each stage is found separately, the system is called Process Costing.

(iv) Operating cost implies ascertaining the cost of a service rendered. The system is followed by transport companies, electricity undertakings etc.

(b) Why profit disclosed by financial accounts and cost accounts differ ?

(5 Marks)

Ans. The profit disclosed by Financial accounts & cost accounts differ because of following reasons -

- (i) In financial accounts actual figures of expenses are used, whereas in costing, estimates of these expenses are taken into account.
- (ii) There are some items of expenses which are not treated as part of cost of production but are considered in financial accounts. There are few items viz rent and proprietors' salary which may figure in costing an not in financial accounts.
- (iii) 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.

Ques.3. (a) Describe the 'Time Rate' and 'Piece Rate' System of Wage Payment.

(10 Marks)

(b) Explain the method of apportioning indirect/works expenses over cost

units as a percentage of direct wages. What are its advantages and disadvantages ?

(15 Marks)

Ans.(a) 'Time Rate System': Wages are calculated on the basis of no. of hours or days spent in the factory.

Piece Rate System: Payment is made on the basis of no. of units produced without taking into account the time spent.

In the Piece Rate System the worker is interested in maximizing his earnings and is therefore expected to raise Output. Higher output means lower fixed expenses per unit.

(b) Percentage of factory/work expenses to direct wages can be calculated either on the basis of past actuals or on the basis of current estimates. This percentage is added to costs of jobs as work expenses.

Since wages do not fluctuate much there is not much danger of over or under absorption of expenses.

But disadvantages of the system are (i) it ignores the skill of workers (ii) It does not make any distinction between jobs done by manual labour and those done by machine.

Ques.4. (a) Enumerate the various elements of Cost into which direct and indirect expenditure can be classified. Explain the terms Prime Cost, Works Cost and Cost of Production.

(15 Marks)

(b) What is meant by Marginal Costing ? In what ways the technique can help management ?

(10 Marks)

Ans. Direct Expenditure consist of

- (i) Direct material
- (ii) Direct Labour
- (iii) Direct expenses

Indirect Expenditure consists of

- (i) Works or Factory Expenses i.e., expenses (indirect) incurred for production of goods & services
- (ii) Office & administrative expenses
- (iii) Selling and Distributive Expenses

Prime Cost: Direct Material + Direct Labour + Direct Expenses

Works ( or Factory) cost : Prime cost + Work Expenses

Cost of Production: Work cost + office Expenses

(b) Marginal cost measures variable cost per unit of output. The difference between selling price of a product and its variable cost(marginal cost) is

contribution towards meeting fixed expenses and after these have been fully recovered towards profit. It helps management in following ways.

- (i) Calculation of break even point,
- (ii) Profit Planning
- (iii) 'Make' or 'Buy' decision
- (iv) Pricing in special circumstances VIZ strategic Pricing.

**DEFENCE ACCOUNTS DEPARTMENT**

**S.A.S. EXAMINATION -PART-II**

**(FIRST SPECIAL CHANCE)**

**SEPTEMBER, 2007**

**SUBJECT - E- REGULATIONS- PAPER VII- PRACTICAL**

(WITH BOOKS)

**TIME ALLOWED: 3 HOURS**

**TOTAL MARKS: 100**

**Note:-**

- (3) **Only TWELVE questions should be attempted- EIGHT from Section I and FOUR from Sections II, III, IV or V as the case may be as specified in Note(2)**
- (4) **Candidates permitted to answer questions from Factories, Air force and Navy portions should answer any FOUR alternative questions from Sections III, IV or V respectively. The remaining candidates should answer any FOUR alternative questions from Section II**
- (5) **Each question in Section I carries 8 marks. Questions in Sections II, III, IV and V carry 9 marks each.**
- (6) **Reasons must be given in support of the answers and wherever applicable, authority must be quoted in support of the answers.**

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**SECTION-I**

**(Common for ALL Candidates)**

**Ques.1.** Write short notes on:

- (a) Provisional Pension (3 Marks)
- (b) Post retirement commercial employment by Gp "B" Officers (2 Marks)
- (c) Compensation Pension (3 Marks)

**Ans.** (a) **PROVISIONAL PENSION-** Provisional Pension is sanctioned when it is not possible, despite best efforts, the pension papers to the Accounts Officer within the prescribed period or where the papers have been forwarded but they have been returned by the Accounts Officer for further information before issue of PPO and order for payment of gratuity. Provisional Pension shall not continue beyond a period of six months. Within this six months' period the detailed scrutiny of documents would be completed & PPO issued & final gratuity amount fixed. Any excess amount paid during the provisional pension period would be adjusted in the final gratuity payment or in installments by making short payments of pension

payable in future. If the final amounts of pension and gratuity are not decided within 6 months' period the Accounts Officer will treat the provisional pension and gratuity as final and issue PPO immediately on completion of 6 months.

**(Authority: Rule 64 of CCS(Pension) Rules, 1972)**

- (b) **POST RETIREMENT COMMERCIAL EMPLOYMENT BY GP "B" OFFICERS** - Group "B" officers are not required to take prior permission of the Government for accepting post retirement commercial employment. If they intend to take such an employment within two years of their retirement they should give an intimation to the Ministry/Department in /or under which they last served. While sending the intimation they should specify whether or not they have had any official dealing, while they were in Government service, with the private employer with whom they intend to take/are taking up commercial employment.

**(Authority: GoI, MHA, Department of Personnel and Administrative Reforms, OM No. 27012/16/80-Estt.(A) dated 26/3/1980)**

- (c) **COMPENSATION PENSION**- It is the pension that a Government servant opts for if he is selected for discharge owing to the abolition of his permanent post. under these circumstances he may also be offered another post the conditions of which are deemed, by the authority competent to discharge him, to be at least equal to those which he held. The Government servant may in such a case opt for compensation pension or accept the other appointment on such pay as he may be offered and continue to count his previous service for pension.

**(Authority: Rule 39 of CCS(Pension) Rules, 1972)**

Ques2. (a) What are the guiding principles for grant of Compassionate Allowance ? (4 Marks)

- (b) How is the suspension period accounted for when calculating the qualifying service ?

(4 Marks)

Ans. (a) It is practically impossible, in view of the wide variations that naturally exist in the circumstances attending each case, to lay down categorically precise principles that can uniformly be applied to individual cases. Each case has therefore, to be considered on its merits and conclusion has to be reached on the question whether there were any such extenuating features in the case as would make the punishment awarded, though it may have been necessary in the interests of the Government, unduly hard on the individual. In considering this question it has been the practice to take into account not only the actual misconduct or course of misconduct which occasioned the dismissal removal of the officer but also the kind of service that he has rendered. Where the course of misconduct carries with it the legitimate inference that the officers's service has been dishonest, there can seldom be any good case for a compassionate allowance. Poverty is not a n essential condition precedent to the grant of compassionate allowance. Poverty is not an essential condition precedent to the grant of compassionate allowance, but special regard is also occasionally paid to the fact that the officer has a wife and dependent children, but this factor by itself is not, except perhaps in the most exceptional circumstances, sufficient for the grant of a compassionate allowance.

**(Authority: GoI, F.D., Office Memo. No. 3(2)-R-II/40, dated 22/4/1940)**

- (b) Time passed by a Government servant under suspension pending inquiry into conduct shall count as qualifying service where, on conclusion of such inquiry, he has been fully exonerated or the suspension has been held to be wholly unjustified. In other cases the period of suspension shall not count unless the authority competent to pass orders under the rule governing such cases expressly declares at the time that it shall count to such extent as the competent authority may declare. In such cases specific entries should be made in the Service Book/Record. In absence of such entries the period of suspension will be taken as counting towards the qualifying service.

Where departmental proceeding against a suspended employee for major penalty finally ends with imposition of minor penalty, the suspension is classified as wholly unjustified and the period of suspension is counted towards the qualifying service.

**(Authority: Rule 64 of CCS (Pension) Rules, 1972 and GoI, MoF, OM No. F.11(3)-E.V(A)/76 dated 28/2/1976 and GoI, DoPT OM No. 11012/15/85-Estt.(A) dated 3/12/1985.**

Ques.3. (a) If a Government servant dies while in service, the death gratuity is to be paid to his family. According to this rule what is meant by the word "Family" ?  
(4 Marks)

(b) A Government servant dies in service after putting in more than 20 years of service but his entire service is not capable of being verified and accepted except for the last five years' service. How would gratuity be regulated in this case ?  
(4 Marks)

Ans. (a) Family of a Government servant is entitled to death gratuity as per Rule 50(1)(b) of CCS (Pension) Rules, 1972. It is paid to his family in the manner indicated in sub-rule(1) of Rule 51 and at rates given in Rule 50 (1) (b). For the purpose of this rule 'Family' in relation to a Government servant means:

- (i) Wife or wives including judicially separated wife or wives in case of a male Government servant,
- (ii) Husband, including judicially separated husband in case of a female Government servant,
- (iii) Sons including stepsons and adopted sons,
- (iv) Unmarried daughters including stepdaughters and adopted daughters,
- (v) Father including adoptive parents in case of individuals whose personal law permits adoption,
- (vi) Mother including adoptive parents in case of individuals whose personal law permits adoption,
- (vii) Brothers below age of eighteen years including stepbrothers,
- (viii) Unmarried sisters and widowed sisters including stepsisters,
- (ix) Unmarried daughters, and
- (x) Children of a pre-deceased son

**(Authority: Rule 50(6) of CCS(Pension) Rules, 1972)**

(b) If the deceased Government servant had rendered more than 20 years of service and the entire service is not capable of being verified and accepted, but the last five years have been verified and accepted, the family of the deceased Government servant shall be allowed on provisional basis the death gratuity equal to 12 times of the emoluments. Final amount of the gratuity shall be determined by the Head of the Office within a period of six months from the date on which the authority of payment of provisional gratuity was issued. The balance, if any, becoming payable as a result of determination of the final amount of gratuity shall then be authorized to the beneficiary or beneficiaries.

**(Authority: GoI , MoF, OM No. F.11(9)-E.V.(A)/77 dated 15/2/1979)**

Ques.4. (a) A disciplinary proceeding was pending against Shri 'X' on the date of his retirement on 30 August, 2006 and his gratuity withheld was till the conclusion of the proceedings. However, before the proceedings could be completed Shri 'X' died of natural causes on 25th March, 2007. The proceedings were decided to be dropped on account of his death. Payment of gratuity was released on 18 August, 2007. Would any interest have to be paid on gratuity, and if yes, how would it be calculated and what would be the applicable interest rate ?

(4 Marks)

(b) Is there any case for admissibility of interest if the amount of gratuity paid to a Government Servant is enhanced due to revision of emoluments from a date prior to

the date of retirement of the Government servant ?

(4 Marks)

- Ans. (a) In cases where the disciplinary proceedings are dropped on account of the death of the Government servant during the pendency of disciplinary proceedings, the payment of gratuity will be deemed to have fallen due on the date following the death and if the payment of gratuity has been delayed, interest may be allowed for the period of delay beyond 3 months from the date of death. The rate of interest applicable would be the rate of interest applicable to GPF deposits. Thus in the present case since payment has been delayed for more than 3 months after the death of Shri 'X' hence interest at the rate of 8% (interest rate on GPF deposits in 2007-08) would be paid on the gratuity for the period beyond 25 July, 2007 till 18 August, 2007.

**(Authority: GoI, Deptt. Of P.& P.W., OM No. 7/20/89/P&PW(F), dated 22/1991 and GoI, Deptt. Of P.&P.W. OM No. F.7/1/93-P&PW(F), dated 25/8/1994)**

- (b) If the payment on account of arrears of gratuity is delayed beyond a period of 3 months from the date of issue of orders revising the emoluments, interest may be allowed for the delay beyond a period of 3 months of the date of issue of the said orders. The rate of interest applicable would be the rate of interest applicable to GPF deposits.

**(Authority: GoI, MoF, OM No. F.11(9)-E.V.(A)/77 dated 15/2/1979 and GoI, Deptt. Of P. & P.W., OM No. F.7/1/93-P&PW(F), dated 25/8/1994)**

- Ques.5. (a) An overpayment of Rs. 25, 000 to Shri 'X' was written off on the ground that he was no longer in Government service. Post retirement Shri 'X' is re-employed under Government. Can the overpayment of Rs. 25,000 made to him be recovered from his pay and allowances during the re-employment ?

(4 Marks)

- (b) It is found that Shri 'X' a pensioner, owes Government certain dues. He is asked to refund these dues which he refuses to do. The competent authority decides this as misconduct on part of Shri 'X' and withdraws his pension. Is the action of withdrawing pension correct ?

(4 Marks)

- Ans. (a) In cases where the amount of overpayment is written off merely because the person concerned is no longer in Government services and not on any other ground, as for example, that its recovery would cause hardship to the individual concerned, the dues which may accrue to him during the period of his re-employment under the Government may be adjusted against the amount written off. Thus, in this case as the overpayment to Shri 'X' was written off merely on the ground that he was no longer in service, the overpayment can be recovered from his pay and allowances during the re-employment.

**(Authority: GoI, MoF, OM No. 18(9)-E.II(A)/59, dated 21/11/1960)**

- (b) The action of withdrawing the pension of Shri 'X' is not in order. The failure or refusal of a pensioner to pay any amount owed by him to Government cannot be said to be 'misconduct' within the meaning Article 351 of the CSR [Rule 8, CCS(Pension) Rules, 1972]. The possible way of recovering/demanding Government dues from a retiring officer who refuses to agree in writing, to such dues being recovered from his pension is either to delay the final sanction of his pension for some time which will have the desired effect for persuading him to agree to recovery being made therefrom or take recourse to Court of Law.

**[Authority: MoF, OM No. F.7(28)-E.V/53, dated 25/8/1959]**

- Ques.6. Is a G.E. authorized to make following payments out of his cash assignment, without getting the claim pre-audited by CDA ?

- (a) Arrears of pay and allowances to a certain category of non-industrial staff in terms of a CAT judgment required to be implemented within specified time frame.

(3 Marks)

- (b) TA/DA advance to non-industrial staff on ground of urgency. (3 Marks)
- (c) Legal fee to Government Advocate (2 Marks)
- Ans. (a) The claim for payment of arrears of pay and allowances, payable to a certain category of non-industrial staff in terms of CAT judgment, although required to be implemented within specified time-frame, is required to be sent to CDA or Area Accounts Office concerned for pre-audit and payment. The arrears can not be paid out of GE's cash assignment.
- (b) TA/DA advances are required to be paid from public fund account, after getting the claim from non-industrial staff pre-audited and passed for payment by the CDA or Area Accounts office concerned.
- (c) The miscellaneous claims of MES formations, such as legal fees of a Government Advocate, are required to be sent direct by the GE to the CDA/Area Accounts Office concerned for audit and issue of cheque into public fund account.  
**(Authority: MES Regulations, Para 542 and 569)**
- Ques.7. (a) Under what circumstances can a GE refund a portion of contractor's security? (3 Marks)
- (b) Under what circumstances can an available military building be re-appropriated for rent free use as a place of worship? (3 Marks)
- (c) Will preparation of a fresh/supplementary AE be necessary when changes or additions become necessary because of revision of scales or establishments? (2 Marks)
- Ans. (a) A GE in consultation with the CDA is empowered to refund a portion of a contractor's security when any delay occurs in the audit of his accounts provided that the security has become due for refund and he is satisfied that the objects on account of which the deposit was taken have been served and that any claim outstanding against the contractor will be recovered by the amount of security deposit retained.  
**(Authority: MES Regulation, Para 515)**
- (b) Re-appropriation of an available military building for rent free use as a place of worship can be sanctioned under para 155 of the MESR provided:
- i. The GoI will not be faced with a demand for new construction at a future date as a result of such re-appropriation.
  - ii. No structural alternations are involved.
  - iii. The building will be relinquished when required for any other purpose.
  - iv. No religious body will ever acquire and permanent rights whatsoever over the accommodation, and
  - v. No building is at any time dedicated.
- (Authority: MES Regulation, Para 156)**
- (c) Yes, If changes or additions or additions become necessary through revision of scales or establishments, or for other administrative reasons, a supplementary estimate will be prepared and administrative approval accorded by the CFA competent to accord administrative approval to the entire work, including both original and supplementary estimates.  
**(Authority: MES Regulation, Para 140)**
- Ques.8. (a) In a MT accident, Court of Inquiry decides that it is due to gross neglect on the part of the driver that the accident took place and the loss statement is finalized accordingly. Later the Civil Court which heard the case decided that it was not due to negligence on part of the driver. The LAO insists that the loss statement already finalized should be reopened for regularizing the loss. Comment on the stand of LAO. (5 Marks)
- (b) Please state the circumstances under which despite errors in tender, it can still be

accepted.

(3 Marks)

- Ans. (a) The LAO's action is not correct. In case of losses of stores where civil court's decision is contrary to the findings of departmental court of inquiry based on which regularization action was taken the loss statement already finalised will not be reopened for regularisation of loss.

**(Authority: Sub-para(b) under Exceptions to Rule 160 of FR Part I , Vol.I)**

- (b) Any tender which does not fulfil the conditions stated in the tender form of notice to the contractor may be rejected, but trivial errors errors such as:

- (i) omission to enter the rates in words;
- (ii) omission to initial alteration in rates
- (iii) omission to sign both tender and schedule(s)

may be corrected, initialled and dated by the officers opening the tenders and will be signed and dated subsequently by the tenderer.

**(Authority: Rule 241, FR Part I Vol.I)**

- Ques.9. What do you understand by re-appropriation of funds ? Can savings under "Charged" head be re-appropriated for "voted expenditure with the permission of Government of India ?

(8 Marks)

- Ans. Re-appropriation means the transfer of funds from one primary unit of appropriation to another such unit within a Grant. In permissible cases it can be sanctioned only by the competent authority under a formal order when it is known or anticipated that the appropriation for the unit from which funds are to be diverted will not be utilised in full or that savings can be affected in the appropriation for that unit. As the demands for grants and appropriations are approved by the Parliament under the basic category of charged, voted, revenue and capital, no re-appropriation is possible between these types of expenditure even with the permission of GoI.

**(Authority: Rule 116 to 118 FR Part I Vol.I)**

- Ques.10. (a) Husband and wife are both Central Government employees. Can parents of both of them avail LTC as family members of their respective children ?

(5 Marks)

- (b) Husband and wife are both Central Government employees. Husband retires from service. Can his parents be treated as family members of his wife for purposes of LTC whose parents are no longer alive ?

(3 Marks)

- Ans. (a) The husband and wife both being employees of the Central Government, can claim LTC for their respective parents who would be included in the definition of their family.

**(Authority: DoPT OM No. 31011/8/89-Est(A) dated 8/5/90)**

- (b) It is not permissible to include parents in law as family members in lieu of deceased parents. Parents-in-law are not included in the definition of family for LTC purposes.

**(Authority: II(I) Definitions, LTC Rules and SR 2(8))**

- Ques.11. An officer was transferred from station "A" to station "B" and was relieved on 5-3-2007 (AN). While in transit and station "X" en route, he received an order on 14-3-2007(AN) transferring him to station "C" and canceling his previous transfer order for station "B". Calculate when the officer should join at station "C" at the latest from the following distance details:

(8 Marks)

- (a) Station "A" to station "X" 950 Km  
 (b) Station "X" to station "Y" by rail 525 Km  
 towards station "C"  
 (c) Station "Y" to station "C" by road as no 200 Km  
 rail connection present

Ans. As per Rule 6(3) of CCS(JT) Rules, if an official in transit or transfer is directed to proceed to a place different from the initial orders, he will be entitled to joining time afresh from the date following the date of receipt of the revised orders. The fresh joining time will be calculated from the place where he received the revised orders.

In this case, the officer will be entitled to a fresh spell of 15 days' joining time from 15-3-07 in addition to the nine days that he has already availed before getting the revised orders. He would get 15 days' joining time as the distance from station "A" to station "C" is more than 1000 km and involves more than 200 km road journey. Thus he would have to join at station "C" at the latest by 30-3-07(FN).

(Auth: Rule 6(3) of CCS (JT) Rule )

Ques.12. **Fix the pay in the case of Shri "X", Accounts Officer, given the following details:**

- (a) Date of promotion 1 February, 2007  
 (b) Pay drawn on date of promotion Rs. 9500  
 (c) Pay scale of AOs 7500-250-12000  
 (d) Date of next increment in AO's grade 1 March, 2007  
 (e) New pay scale on promotion 8000-275-13500  
 (f) Shri "X" has opted for fixation of pay on promotion on earning an increment in the lower scale w.e.f. 1 March, 2007

(8 Marks)

- Ans. (a) Pay scale of AOs 7500-250-12000  
 (b) New pay scale on promotion 8000-275-13500  
 (c) Date of promotion 1 Feb, 2007  
 (d) Date of next increment in AO's grade 1 March, 2007  
 (e) Pay drawn on date of promotion Rs. 9500  
 (f) As Shri "X" has opted to have his Pay fixed in the Higher pay scale w.e.f. 1 March 2007, his pay will be fixed at Rs. 9650/- i.e. the stage next above in the higher pay scale.  
 (g) Notional Pay as on 1 March, 2007 in the lower scale Rs. 9750  
 (h) Pay after one increment in the lower scale Rs. 10000  
 (i) Stage next above in the higher scale Rs. 10200

Thus the pay of Shri "X" will be fixed at Rs. 9750/- 1 Feb, 2007 and refixed at Rs. 10200/- from 1 March, 2007 with date of next increment as 1 March, 2008.

(Authority: Rule 22(Da)(1) and a(2) Fundamental Rules)

## SECTION-II

**[For candidates other than those from PC of A (Fys), PCDA(Navy) and PCDA(Air Force) Organizations ]**

- Ques.1. (a) How is pay of officers taken as prisoners of war regulated ? (3 Marks)  
 (b) A Brigadier(non-MNS) in receipt of basic pay of Rs. 17,600 is promoted to the rank of Major General . Fix his pay on promotion. (3 Marks)  
 (c) How is the pay of an officer erroneously promoted regulated ? (3 Marks)

- Ans. (a) An officer who is reported prisoner of war will be entitled to receive full pay and allowances appropriate to his rank(including paid acting rank), subject to adjustment in respect of the pay he received from the enemy while in captivity. Separation allowance, if any issue prior to capture, will continue.

The pay and allowances admissible as above will remain credited to the IRLA of the officer maintained by CDA(O). From the amounts at credit, monthly allotment will be remitted to his family at the expense of the State.

Allotment made by the officer will continue to be payable for the period for which pay is admissible. If no family allotment was in issue, fresh allotment may be made under the orders of the authorities prescribed under the Army Act and Rules.

**(Authority: Rule 55 P&A Regulation for the officers of the Army)**

- (b) A Brigadier ( non- MNS) in receipt of basic pay of Rs. 17, 600/- is promoted to the rank of Major General. Fix his pay on promotion.

Pay scale of Brigadier (Non-MNS)	= 16700-450-18050
Rank Pay of Brigadier(Non-MNS)	= Rs. 2400
Pay scale of Maj. Gen. (Non-MNS)	= 18400-500-22400
Basic Pay of the officer before promotion	= Rs. 17,600
Rank Pay of the officer before promotion	= Rs. 2,400
Pay + Rank Pay of the officer before promotion	= Rs. 20,000
Notional increment in old scale	= Rs. 450
Pay+ Rank Pay + Notional increment	= Rs. 20,450
Stage next above in newly promoted scale	= Rs. 20,900

**(Authority: Rule 50 P&A Regulations for the Officers of the Army)**

- (c) The pay higher rank to which an officer is erroneously promoted will be discontinued from the date on which the orders rescinding the promotion reach the date of order. This applies only to substantive promotions. In case of erroneous acting promotions, the rescindment will take effect from the date of original erroneous promotion.

**(Authority: Rule 52 P&A Regulations for the Officers of the Army)**

- Ques.2 (a) Is an AMC officer in receipt of Specialist Pay also entitled to qualification pay in addition to the Specialist Pay?

(3 Marks)

- (b) Is qualification pay treated as pay for calculation of Dearness Allowance in respect of Army Officers ?

(3 Marks)

- (c) Is Non- Practicing Allowance payable to AMC officers treated as pay for calculation of their Dearness Allowance ?

(3 Marks)

- Ans. (a) No, an AMC officer is not entitled to qualification pay in addition to the Specialist Pay.

**(Authority: Rule 78 P&A Regulations for the Officers of the Army)**

- (b) Yes, Qualification Pay is treated as pay for all purposes including that for calculation of Dearness Allowance.

**(Authority: Rule 79 P&A Regulations for the Officers of the Army)**

- (c) Yes, Non-Practicing Allowance payable to AMC officers is treated as pay for all purposes including that for calculation of Dearness Allowance.

**(Authority: Rule 171 P&A Regulations for the Officers of the Army)**

- Ques.3. A JCO is drawing children education allowance for his two children aged 12 years and 19 years. How will CEA be regulated in his case in the following circumstances :

- (a) The younger child fails twice in the same class.

- (3 Marks)
- (b) The elder child earns a scholarship due to his outstanding performance in the school.
- (3 Marks)
- (c) The JCO is declared missing and subsequently dead.
- (3 Marks)
- Ans. (a) He will not be entitled to draw CEA for the younger child for the third academic year in the same class.  
(Authority: Rule 137(6) P&A Regulations- ORs)
- (b) The allowance will be admissible in respect of this child regardless of the fact that he is receiving scholarship.  
(Authority: Rule 137(9) P&A Regulations-ORs)
- (c) JCO initially declared as missing subsequently declared to be dead will be eligible for CEA for the academic year in which he is reported missing.  
(Authority: Explanation II under Rule 137 P&A Regulations-ORs)
- Ques.4 (a) Can allowance for more than one decoration be drawn at the same time ?  
(3 Marks)
- (b) Is outfit allowance admissible to a JCO granted honorary commission while on leave pending retirement ?  
(3 Marks)
- (c) Under what circumstances acting allowance is admissible to a JCO ?  
(3 Marks)
- Ans. (a) Allowances for one decoration( and a Bar or Bars thereto) only can be drawn at a time.The less favourable allowance will be relinquished from the date of grant of more favourable one.  
(Authority: Rule 239 P&A Regulations- ORs)
- (b) Yes, the JCO is entitled to get this allowance in this case.  
(Authority: Note under Rule 170 P&A Regulations- ORs)
- (c) Acting allowance is admissible to JCOs(other than those holding honorary ranks as commissioned officers) when appointed with prior approval of the immediate senior formation Commander not below the rank of a Brigade Commander in officers' vacancies arising as a result of shortage of officers but not caused by leave, temporary duty or course of instruction. It is admissible only so long as the JCO performs the duty of an officer. The allowance is treated as pay for purpose of dearness allowance and compensatory(city/local/hill) allowance.  
(Authority: Rule 106 P&A Regulations- ORs)
- Ques.5 (a) Can a PBOR be granted ration allowance at higher rate on the grounds that his duty hours conflict with the ration drawing hours?  
(4 Marks)
- (b) A JCO is drawing parachute pay. During a parachute duty he is injured on 17th May, 2007. He is treated for the injury, recovers and is posted and joins another unit on 3rd August 2007 for which parachute pay has not been approved. How will his parachute pay be regulated ?  
(5 Marks)
- Ans. (a) The reason that PBOR's duty hours conflict with the ration drawing hours are not sufficient ground for higher rate of ration allowance unless(a) the unit ration stand/retail shop is outside the unit lines or (b) the ration stand exists in the unit lines but the individual does not either reside in the unit lines or his place of duty is outside the unit lines.  
(Authority: Note below Rule 172(c)(i) P&A Regulations- ORs)
- (b) He will get parachute pay during his full absence due to this injury. He will cease from 3rd August, 2007 on his joining the new unit for which parachute pay has not been approved.  
(Authority: Rule 92(i) P&A Regulations- ORs)

- Ques.6. (a) How is period of overstay of leave by JCOs/ORs on account of natural calamities regularized? (3 Marks)
- (b) Major "X" of A.D. Corps was sanctioned study leave for 5 months combining it with one month of annual leave. Is it in order? (3 Marks)
- (c) Can service personnel be granted 20 days special casual leave participating in US Open Tennis Championship ? (3 Marks)

Ans. (a) Overstay of leave by JCO/ORs upto 30 days may be regularized by the Commanding Officer at his discretion. The first 15 days of the limit may be treated as special leave with full pay and allowances and the remaining period upto 15 days may be adjusted against the future leave entitlement of the individual. In cases where annual leave for the following year does not accrue to the individual due to his death, retirement, discharge or dismissal, the period to be adjusted against that leave will be treated as extraordinary leave without pay and allowances. Periods beyond 60 days will be regularized at the discretion of Government for by grant of leave without pay and allowances.

**(Authority: Rule 6d(ii) and Note 1 and 2 below Rule 6d(iii) of Leave Rules for the Services Vol-I)**

- (b) The minimum period of study leave allowed for officers of A.D. Corps can not be less than 6 months. Further study leave can not be combined with any other than form of leave. Hence, grant of study leave of 5 months and combining it with 1 month of AL to Major "X" is not in order.

**(Authority: Rule 28(d) and (e) of Leave Rules for the Services Vol-I)**

- (c) US Open Tennis Championship is a recognized international sporting event but the participants in the championship are in their individual capacity and not as a member of a national team. Thus service personnel can not be sanctioned special casual leave for participating in this championship.

**(Authority: Rule 72(B)(2)(i) and 72(c) of Leave Rules for the Services Vol-I)**

### SECOND III (Factories Portion)

- Ques.1 (a) What are the audit checks exercised on Store's-Holder Inability Sheet ? (5 Marks)
- (b) How is the quantity of a store item in "Work-in-Progress" ascertained? (4 Marks)

Ans. (a) Audit checks are as follows.

(i) Verify the correctness of requirements of material that has been worked with reference to production programme of the factory and standard estimates in case of direct material: in case of indirect material check the correctness of average monthly consumption as noted in S.H.I.S from the demand notes entries in priced store ledger.

(ii) Verify the correctness of stock existing in the factory w.r.t. priced store ledger balance as on date of S.H.I.S. in case of discrepancy get this reconciled with Bin Card.

(iii) Check the figure for dues in and liabilities w.r.t. outstanding supply orders and indents.

(iv) Check to ensure that quantity of the item of S.H.I.S. in work-in-progress on shop floor has also been taken into account.

- (b) By taking into account all the quantities of a store item, that have been drawn on Demand Note Since the opening of the Manufacturing Warrant, the quantity of store item in Work in Progress is ascertained.

**(Authority: Para 350 & 351 OM Part VI Vol-I)**

Ques.2 A tender for purchase of Magazine Plastic with spring for 1 lakh numbers was invited by a small Arms factory on limited tender basis. Tender submission date and time was fixed as 30th June, 2006 between 10 A.M. to 2 P.M.

(9 Marks)

Following 5 tenders were received as follows:

(i) **Firm A**

Tender submitted on 30-06-2006 at 10-30 A.M. along with necessary Earnest Money Deposit with following terms and conditions:

Rate per unit number Rs. 10+ ED@ 16%+ Education Cess @ 2% of ED + VAT @ 4%

F.O.R-Ordnance Factory

Payment terms as per Tender Enquiry

Delivery date as per delivery schedule notified in T.E.

(ii) **Firm B**

Tender submitted by FAX on 30-06-2006 received in Ordnance Factory at 1345 hrs. Tendered rate was Rs. 9.70 per number + E.D. @ 16%+Education Cess @ 2% of ED+ C.S.T@ 3% + Packing and Forwarding(Freight) Re@ 0.10 per no. All other terms and condition of factory tender enquiry was acceptable.

(iii) **Firm C**

Tender received at 1425 hrs. on 30.06.2006 as follows:

EMD as required submitted on Bank Draft.

Rate per unit = Rs. 9.90 + ED & Education Cess @ 16.32 of Basic rate + Vat @ 4%

F.O.R. - Ordnance Factory

All other terms and conditions of factory tender enquiry acceptable.

(iv) **Firm D**

Tender received at 11 A.M. on 30-06-2006 along with Bank Draft for requisite amount as E.M.D. Basic rate per unit- Rs. 10.10 +Excise Duty @ 16% +Education Cess @ 2% of Excise Duty + VAT @ 4%

F.O.R.- Ordnance Factory

A discount of Re. 0.10 per number offered if full order quantity of 1 lakh number is ordered on the firm.

**Firm E**

Tender received at 11.30 A.M. on 30-06-2006. No Earnest Money Deposit was found submitted.

Rate offered was Rs. 10 for one number + Excise Duty and Education Cess @ 16.32% + VAT@ 4%

F.O.R.- Ordnance factory

Offered Quantity 50,000 numbers only with delivery period. Payment terms of factory acceptable as well as other conditions notified in Tender Enquiry.

The last purchase rates (L.P.R.) for three years are as follows:

L.P.R. of 5/2005 - Rs. 9.90 per number + Taxes as applicable.

L.P.R. of 3/2004 - Rs. 9.75 per number + Taxes as applicable.

L.P.R. of 10/2003 - Rs. 9.70 per number and Taxes as admissible.

Put up an analytical note with your recommendation to Controller of Finance and Accounts.

Ans. Of the 5 tenders received from firms only two tenders pertaining to firm A and Firm D are valid and acceptable as they confirm to tender requirement. The tender offer of other 3 firms B,C & E are liable to be rejected for following reasons:-

**Firm B** Tender submitted by fax and not on tender form as required and also no authentication of rates by firm owner or his representative. Also EMD not furnished.

**Firm C** Late tender submitted at 14.25 hrs when tender submission was between 10 hrs to 1400 hrs on 30.06.2007

**Firm E** Tender not accompanied with Earnest Money Deposit which is mandatory requirement of the valid tenders.

Firm 'A' offer meets the tender requirements condition and is lower than that of Firm D as the basic rate offered is Rs. 10/- per number with applicable taxes extra against the offer of Firm 'D' which is Rs. 10.10 per number and statutory taxes same as that has been quoted by firm A. The discount offered by firm D cannot be taken into consideration as the discount is conditional.

In view of above and firms 'A' offer reasonably priced w.r.t. LPRS, the Co F&A may consider according financial concurrence placing S.O. on Firm A.

Ques.3. How is unit rate i.e. rate per kilogram of castings produced in electric furnances arrived at in costing section of Accounts Office ?

(9 Marks)

Ans. Rate per unit kilogram of castings produced in electric furnace is arrived at by casting section from. Foundary Cost, Statement Form I, that is prepared by Labour Section from the details of foundary form III consisting of metal and process statement showing value of material consumed and form II (foundary work record) which gives labour charges. Variable and fixed charges are calculated on the bases of labour charges Moulding rates vary according to the grades of casting produced. Labour charge are allocated direct from Form I to the relevant castings after adding variable and fixed over head expense Electricity charges are separately accounted in Form 1: The total expenditure is divided by the total weight of castings produced to give the rate per kilogram of costing.

(Authority: Para 63 OM Pt VI Vol.I)

Ques.4 (a) What is guarantee pay and when is it admissible in audit ?

(4 Marks)

(b) What elements are taken into account while computing guarantee pay ?

(3 Marks)

(c) To what cost accounting head expenditure on guarantee pay is allocated ?

(2 Marks)

Ans. (a) Guarantee Pay is the pay admissible to a Piece Worker when his piece work earnings during the period of duty falls below the actual basic time wages applicable to him for that period. It is also to be investigated and satisfied that a piece works does not consistently stand in need for guarantee pay due to his inefficiency. Also OT bonus paid to a piece worker is taken into account for determining whether or not he stands in need of any guarantee fee.

(b) Time wages, Incremental difference between minimum of basic pay of piece worker and actual basic pay, overtime pay, overtime bonus and piece work earnings are the elements which are taken into account while computing Guarantee Pay in following

manner. Guarantee Pay = (Time wages + Incremental difference + Overtime Pay  
Less ( Earning + OT bonus)

(Auth: Para 154 OM VI Vol-I)

- (c) Since a piece worker is directly engaged on piece work production, Guarantee Pay is allocated as direct labour cost in Cost Cards.

Ques.5. A supply order was placed in May 2004 by an ordnance factory on a foreign firm for one C.N.C. Lathe Machine for Rupees one crore twenty lakhs (Rs. 1.20 crore) on following terms and conditions.

80% (eighty percent) of supply order payment on Irrevocable letter of credit against Bill of Lading and supporting shipping documents and against Pre-despatch Inspection Certificate of the Ordnance Factory engineer.

10% (ten percent) payment towards civil works for erection of machine.

10% (10 percent) payment on successful commissioning of machine to be released against Bank Guarantee Bond for like amount to be held as security during the warranty period.

### **Delivery Schedule**

Pre despatch inspection cleared.

Machine to be delivered in semi knocked down condition to factory by 30th November, 2004

Civil Works to be completed. Machine erected and installed in factory by 15th December, 2004.

Machine to be successfully commissioned after producing outturn cycle times by 31st December, 2004

### **Liquidated Damages (L.D.)**

Delay in delivery and commissioning will invite L.D. @ 0.5% of total supply order value for every week subject to maximum of 5% of Supply Order Value.

The C.N.C. machine in semi knocked down condition was received in factory by 20th November, 2004. The machine was erected and installed by 10th November, 2004. However protracted trials of machine could not prove outturn cycle times and it was only by 31st May 2007 that the machine could be successfully commissioned.

Workout the incidence of liquidated damages, if any, that is to be leveled on supplying firm.

The machine was taken on Block Register only in May 2007. No depreciation was charged for 2005-06 and for 2006-07 even while the CNC lathe machine was continuously undergoing performance trials.

Please comment on the correctness of non-levy of depreciation.

Ans. Liquidated damage @ 0.5% per week subject to maximum 5% of supply order value in this case will have the incidence of maximum limit of 5% of SO value as the machine was commissioned after more than 2 years. Therefore 5% of Rs. 1.20 crore works out to Rs. 6 Lakhs. As per the practice for fixing the life of Plant and Machinery is the number of years, the Plant & Machine is expected to be in use in factory and not its usage i.e. m/c life capacity to produce total number of components/out turn product without becoming

"beyond economical repair and hence condemnable the life has been prescribed as 20 years for a plant and machinery by Ordnance Factory Board.

Since in the present case since the machine was erected and installed in December, 2004 and was continuously undergoing trial production to prove the out-turn cycle time, depreciation, correctly, should be charged w.e.f. 01.01.2005 (1st January, 2005). This is not withstanding the fact the Machine was taken of on Block register only in May, 2007. This is because had the machine not been taken to prove the performance parameters i.e. cycle times, the P&M could have been rejected by factory and firm asked to refund the entire money paid to it. But since the machine proved the cycle time by May, 2007 the machine should have brought on charge w.e.f 1st January, 2005 as the machine incurred wear and tear due to continuous trial runs hence depreciation should have been levied w.e.f. 01.01.2005 to comply with OFB norm for the Machine based on numbers of years. it would be expected to be in use.

- Ques.6. (a) What is the correct method of ascertaining lead time of production ? Should not the lead time of production be taken as life of a warrant.?  
(5 Marks)
- (b) What are the main reasons for outstanding warrants pertaining to last year and earlier periods?  
(4 Marks)

- Ans. (a) The standard estimate of labour gives the standard time required for manufacture of an article. This is also known as Standard Man hours required for producing an article. If production is organised on modern scientific line which uses techniques of PERT & Critical Path Method there is every reason to take SMH as outer time limit for producing an article in an ordnance factory working on piece work basis where PWP percentage on an average not less than 30-40%. Therefore it is prudent to take SMH as the life of warrant instead of taking 6 months as is case in Ordnance Factory which appears a very adhoc assesment much more so when one relates it to minimum acceptable inventory balance of 6 months requirement authorised for ordnance factories even in case of where lead time of supplies is only one or two months.
- (b) The main reason o for warrants remaining outstanding for long period are as under
- (a) Short closure of Indent
  - (b) Changes in designs and drawing after indent is placed by indentors.
  - (c) In case of IFD factories due to delay in production and not meeting of consignee factory, delivery schedule the consignee resorting to trade outsourcing.
  - (d) Huge rejections during production
  - (e) Opening of warrant in anticipation of Indent/Order which did not materials at any time in future.

**(Authority: Para 626 OM PT VI VOL. II)**

#### **SECTION-IV**

#### **(Air Force Portion)**

- Ques.1. (a) What will be the effect on the pay and allowances of a Sgt. who is under arrest but not in confinement?  
(4 Marks)
- (b) Can a Warrant Officer officiate in the vacancy of a Sqn. Ldr. who goes on a course of instruction for 90 days? What would be the Warrant Officer's entitlement for acting allowance?  
(5 Marks)

- Ans. (a) There will be no forfeiture of pay and allowances since he is under arrest but not in confinement.

**(Authority: Rule 257 P&A Regs.)**

- (b) Firstly, a Warrant Officer cannot officiate in the vacancy of a Sqn Ldr. Secondly no

one can officiate in the vacancy created due to absence of an officer who has gone on a course of instruction. Hence, the WO cannot officiate and will not be entitled to any acting allowance.

**(Authority: 274 P&A Regulations)**

Ques.2. (a) Can Annual Leave be granted to IAF personnel sent abroad on course of instruction? If so, when and who would be the sanctioning authority?  
(5 Marks)

(b) Can a flight cadet be granted leave? If so, what would be his entitlement?  
(4 Marks)

Ans. (a) Yes, IAF personnel sent abroad on courses of instructions can avail Annual leave, which may be given to coincide with the recognized break in the course of instruction and sanctioned by Head of the Mission.

**(Authority: Leave Rules, Rule 51-A)**

(b) A Flight cadet will not be granted any leave except for the period of vacation falling between the periods of training. In exceptional circumstances, casual leave may however be granted by the Officer Commanding at his discretion, not exceeding 10 days at a time and 20 days in a year.

**(Authority: Leave Rules, Rule 33)**

Ques.3. (a) How much AL would be granted to a Gorkha Airman dominated in Nepal who is going on accumulated AL in the second year?  
(5 Marks)

(b) A MWO was on AL for 45 days and a JWO was granted acting promotion in his place. Comment.  
(4 Marks)

Ans. (a) The Gorkha airman would be granted 120 days accumulated AL in the second year reduced by the period of AL taken for adjustment of sick leave or for regularization of OSL/excess grant of leave in the preceding year provided it does not exceed 30 days. No benefit of accumulation would accrue if AL taken during the preceding year is in excess of 30 days.

**(Authority: Leave Rule 39(h))**

(b) Grant of acting promotion of the JWO during the MWO's AL is incorrect, as no acting promotion can be granted in place of a person on AL.

**(Authority: Leave Rule 39(d))**

Ques.4. (a) MES could not provide any furniture to a Wg. Cdr. So he purchased his own set and has claimed reimbursement. Comment.  
(4 Marks)

(b) How is ration allowance of an Airman regulated for journeys performed in hilly areas, where there is no mode of vehicular conveyance ?  
(5 Marks)

Ans. (a) The Wg. Cdr. Will not get any reimbursement as he has purchased his own set. Reimbursement is admissible only when hiring from an authorized dealer upto an authorized scale.

**(Authority: Note below 445(b) P&A Reg.)**

(b) For such journeys ration allowance for one day will be admissible for every 24 kms. Ration allowance for journeys involving fractions of 24 kms are admissible as under;

(i) for journeys of 12 km and above - one days ration allowance

(ii) for journeys less than 12 kms-NIL

**(Authority: Para 351 II - e (Note) P&A Reg.)**

Ques.5 (a) What are the conditions for non-admissibility of Separation Allowance?  
(4 Marks)

(b) Can an AMC Officer commissioned in the Army and seconded to the Air Force after 5 years draw initial outfit allowance appropriate to the AF again ?  
(5 Marks)

- Ans. (a) The condition for non-admissibility of Separation Allowance are :-  
 (i) When the officer is absent from a non-family area on annual leave or any other leaver other than casual leave.  
 (ii) When an officer from a family area is specifically appointed to officiate in a vacancy of less than 3 months duration and the permanent incumbent continues to draw the separation allowance.  
**(Authority: Rule 184 P&A Regs.)**
- (b) Yes, he is entitled to draw initial outfit allowance.  
**(Authority: Rule 156 (ii) Pay & Allowance Regulations)**
- Ques.6. (a) What are the mandatory penal deductions that can be made from the pay and allowance of an officer?  
 (5 Marks)
- (b) Who can order the recovery of any advance of pay from the estate of a deceased officer and how is it to be adjusted ?  
 (4 Marks)
- Ans. (a) The mandatory penal deduction that can be made from Pay & Allowances of an officer are:-  
 (i) All pay and allowances due to an officer for every day he absents himself without leave.  
 (ii) Any sum required to make good for any expense, loss, damage, or destruction occasioned by the commission of an offence.  
 (iii) All pay and allowances ordered by a Court Martial or an officer exercising authority under section 86 of the Air Force Act 1950.  
 (iv) Any sum required to pay a fine awarded by a criminal court or a court martial under section 712 of Air Force Act of 1950  
**(Authority: Rule 577 P&A Regs.)**
- (b) Government of India can issue special orders for recovery of any advance of pay, provided that the whole or any portion of pay(or gratuity) payable to an officer due to him at the time of his death may be withheld towards liquidation of any unadjusted advance of pay.  
**(Authority: Rule 465 P&A Regs.)**

## **SECTION-V**

### **(Navy Portion)**

- Ques.1. Write short notes on:
- (a) Active List Officers  
 (b) General List Officers  
 (c) Special Duties List Officers  
 (3+3+3 Marks)
- Ans. (a) **Active List Officers** - It means the list of officers of the Indian Navy other than those who are placed on the Retired List or Emergency List.
- (b) **General List Officers** - It means the list of officers of the Indian Navy who are holding the rank of Acting sub-Lieutenant or above excluding officers on the Special Duties List.
- (c) **Special Duties List Officers**  
 It means the list of officers in the Indian Navy who are promoted to the

commissioned rank from sailors for special duties only.

**(Para 3(a) (b) and (e) of the Pay & Allowances Regulations for the Navy)**

Ques.2. What are the circumstances under which the following rates of ration allowance are admissible to a sailor:

- (a) Lower rate
- (b) Higher rate
- (c) Special rate

(3+3+3 Marks)

Ans. (a) **Lower Rate of Ration Allowance :-**

- (i) Where the Government is in a position to supply free rations, but the sailor, for his own convenience, prefers to draw an allowance in lieu thereof, lower rate of ration allowance will be admissible to him.
- (ii) Where owing to sickness or other disability the sailor is unable to consume normal ration and no ration articles are drawn for him, lower rate of ration allowance will be admissible.

(b) **Higher rate of Ration Allowance**

Where is it not possible or economical or convenient for Govt. to supply free rations or where rations can be supplied but the distance of his residence from the ship or establishment from which the sailor is entitled to draw his free rations is more than 2 miles and the sailor prefers to draw ration allowance, higher rate of ration allowance will be admissible.

(c) **Special Rate**

Special Rate of ration allowance is admissible under the following circumstances:-

- (i) When traveling by rail or road on leave or duty
- (ii) When employed on movement control duties at a station where they are obliged to take their meals in a refreshment room.
- (iii) When detailed on temporary duty at an outstation or attending camps where rations cannot be supplied by the Government.
- (iv) When employed on courier duty
- (v) When employed on secret equipment duty
- (vi) When they travel as patients by ambulance convoy or ordinary train provided free rations have not been issued.
- (vii) When, being T.B. patients they travel on transfer from one service hospital to another for further treatment on recommendation of the Medical Board after they have been invalidated from service, provided free rations are not issued.
- (viii) When on leave.

**(Authority: Para 162 P&A Regs. Navy Part-I Chapter-VII)**

Ques.3. (a) For officers of which branch of the Indian Navy Flying bounty is admissible?

(4½ Marks)

(b) Will an officer rendered unfit for flying duties due to a flying accident, continue to draw the flying bounty?

(4½ Marks)

Ans. (a) Officers of the Aviation Branch who have specialised as Pilots(P) and observers (O) and fall within the authorised cadres of Pilots and observers are entitled for grant of Flying bounty.

- (b) An officer rendered unfit for flying duties due to a flying accident, would continue to draw the bounty at normal rate appropriate to his rank provided the chief of the Naval Staff certifies that the officer would have, in the normal course of events, completed the requisite number of flying hours.

**(Para 98 and 102(3)- Pay & allowances- Navy Regulations Part-I Chapter-IV)**

Ques.4. (a) What is compensation -in-lieu of Quarters ? (4½ Marks)

- (b) What are the circumstances under which it is not admissible to sailors ? (4½ Marks)

Ans. (a) It is a Monetary compensation admissible to the sailors when family quarters are not provided for sailors at their duty station but they are entitled thereto under the relevant rules in force or if accommodation inferior to that authorized is provided.

- (b) Compensation will not be admissible to a sailor to whom Govt. accommodation of the authorized class has been allotted but who, thereafter, prefers to take private accommodation. It is also not paid to a sailor in receipt of any special allowance in lieu of accommodation

**(Authority: Para 200 & 207 P&A Regulation- Navy Part-I Chapter-X)**

Ques.5. When is the Flying Pay admissible to the officers of the Indian Navy? Is Flying Pay treated as " Pay for all purposes" ?

(9 Marks)

Ans. Flying Pay is admissible to the Indian Naval officers, irrespective of rank, while undergoing initial flying training.

Flying Pay is treated as "Pay for all purposes".

**(Para 54 - P&A Regulation for the Navy Part-I Chapter-IV)**

Ques.6. If a sailor or an artificer apprentice overstays his leave, how will his pay and allowances be regulated under the following circumstances:

- (a) If found guilty how will the overstayal be dealt with ?  
(b) If found not guilty , how will it be regulated ?  
(c) In case of overstayal of casual leave how will it be regulated ?

(3+3+3 Marks)

Ans. (a) If found guilty, he will be dealt with under the Navy Act, 1957 and awarded mulets of pay.

- (b) If found not guilty an extension of leave to cover the period in question will be granted by the authority who sanctions the leave, and the period of such extension will be debited to his annual leave account for the current year; and if no annual leave is due for that year, such leave will be treated as an advance of the next year's leave.

(c) An overstayal of casual leave in excess of the maximum admissible will involve its Conversion into annual leave.

**(Para- 180 Pay & Allowances Regulations for the Navy Part-I Chapter-VIII)**

**DEFENCE ACCOUNTS DEPARTMENT**

**S.A.S. EXAMINATION -PART-II**

**(FIRST SPECIAL CHANCE)**

**SEPTEMBER, 2007**

**SUBJECT 'E'- PAPER-VIII- REGULATIONS**

(THEORETICAL - WITHOUT BOOKS)

**TIME ALLOWED: 3 HOURS**

**TOTAL MARKS: 100**

**Note:-**

- (7) **Only TWELVE questions should be attempted- EIGHT from Section I and FOUR from Sections II, III, IV or V as the case may be as specified in Note(2)**
- (8) **Candidates permitted to answer questions from Factories, Air force and Navy portions should answer any FOUR alternative questions from Sections III, IV or V respectively. The other candidates should answer any FOUR alternative questions from Section II**
- (9) **Each question in Section I carries 8 marks. Questions in Sections II, III, IV and V carry 9 marks each.**

**SECTION-I**

**(Common for ALL Candidates)**

- Ques1. (a) What do you understand about disability pension? What are the necessary conditions for its admissibility to service personnel ?  
(4 Marks)
- (b) How is it different from invalid pension ?  
(2 Marks)
- (c) Can the award of disability pension be sanctioned for life in the first instance ?  
(2 Marks)

- Ans. (a) When a service person is invalided out of service due to disability which is attributable to or aggravated by military service and accepted at 20% or more, the disability pension is granted to him. This consists of service element and the disability element.

The necessary conditions for grant of disability pension to service personnel are :

(1) Invalidment art of service on account of disability. However, disability may also manifest after retirement within a period of 7 years from the date of retirement/discharge.

(2) Disability should be attributable to or aggravated by service factors.

(3) Disability is assessed/accepted at 20% or more

(4) It is not admissible to service personnel who retire voluntarily or seek discharge on their request.

(b) Invalid pension is granted when individual is invalided out of service with 10 years or more of qualifying service on account of disability which is accepted neither attributable to or aggravated by military service.

(c) Yes the award of disability pension can be sanctioned for life in cases where invalid disability is loss of limb(s), loss of one eye, total loss of sight, amputation etc and when the question of improvement/worsening of its physical condition does not arise.

Ques.2. (a) What specific pension documents are prepared by PCDA(P), Allahabad for a new pensioner?

(3 Marks)

(b) To whom these are transmitted for further onward action ?

(2 Marks)

(c) What documents are necessary to be received by a DPDO to make the first payment of pension?

(2 Marks)

(d) What document a new pensioner has to show to the DPDO to receive the first payment ?

(1 Marks)

Ans. (a) PCDA(P) Allahabad being the Pension Sanctioning Authority prepares the computerised Pension Payment order (PPO) of PBOR alongwith a pension certificate meant for Pensioner.

(b) PCDA(P) forwards both these documents to the Record office of the PBOR concerned

(c) Record office complete the descriptive Roll of the PBOR with the number of PPO & forward it along with the photograph of pension to the DPDO by Registered Post. Pension certificate is handed over/sent to the pensioner by RO. Thereafter the DPDO needs to get the following documents in order to make the first payment of pension to PBOR (i) PPO original copy (ii) Descriptive Roll of the individual along with photograph

(d) The pensioner has to present the pension certificate to the DPDO concerned to receive the first payment of pension.

Ques.3 (a) Name the authorities entitled to sanction pension to service pensioners ?

(3 Marks)

(b) List the pension disbursing authorities to the service pensioners.

(3 Marks)

(c) What do you know about "Life Time Arrear" ? How these are paid after the death of a pensioner by the pension disbursing agencies ?

(2 Marks)

Ans. (a) Following are the Pension Sanctioning Authorities to the Defence Pensioners.

(1) PCDA(P), Allahabad in r/o commissioned officers of Army, PBORs of Army and all Defence Civilians

(2) DCDA(AF), Subroto Park, Delhi Cantt since 1985 in r/o commissioned officers of Air Force and PBORs of Air Force

(3) PCDA(Navy) Mumbai since 1985 in r/o commissioned officers of Navy and PBORs of Navy.

(b) Following are the Pension Disbursing Authorities:

(1) Defence Pension Disbursing Offices(DPDO)

(2) Public Sector Banks(PSRs) as authorised for this purpose

(3) Treasuries & Sub treasuries

- (4) Pay&Accounts Offices(PAOs)
- (5) Indian Embassy, Kathmandu

- (c) Pension for a period if it is not drawn during the life time of a pensioner, the arrears of that are not to be paid by the PDAs after receipt of information about the death of a pensioner.  
Life Time Arrears(LTA) as above are to be paid to the nominees as nominated by the pensioner during his life time in terms of Arrears of Pension(Nomination) Rules, 1983. In case of no nominee, LTA can be claimed by the legal heirs as per the procedure in this regard.

- Ques.4. (a) Can an overpayment of pension due to error in law be recovered by PCDA(P), Allahabad. (2 Marks)
- (b) What procedure would be followed by PCDA(P) in cases where the overpayment of pension has been made due to failure of audit ? (2 Marks)
- (c) Whether an outstanding rent bill can be recovered from pension without the consent of the individual ? (2 Marks)
- (d) How is the recovery of overpayment of pension effected from the pensioner? (2 Marks)

- Ans. (a) Overpayments of pension in India due to an error in law (including those due to misinterpretation of regulations and orders) shall not be recovered, but shall be reported to the President/Govt. of India through Controller General of Defence Accounts.
- (b) In any case overpayment has been made and the investigation reveal any serious irregularity or defect in procedure or serious failure of audit for which the staff of Defence Accounts Department is responsible, a full report of the case shall be made by the PCDA(P) to the CGDA who shall take further necessary action as may be necessary.
- (c) Outstanding rent bills can not be recovered from the pension without the consent of the individual.
- (d) Normally recovery should not exceed one-third of net ( pension plus relief) amount payable each month.

- Ques.5. (a) What do you understand about original works? What are the main stages in a project for an original work? (6 Marks)
- (b) Sanctioned estimates of an original work have been exceeded by more than 10% during execution. Will it require sanction of competent financial authority for its regularisation ? Explain briefly. (2 Marks)

- Ans. (a) Original Works comprise of constructions of Defence buildings and Defence works and their internal fixtures together with the necessary services such as roads, E/M service, water supply, furniture, drainage, ranges etc.

Reconstruction of buildings and roads, widening of roads, alterations re necessitated by administrative reasons, works necessary to bring into use building and services newly purchased or previously abandoned or rendered unusable by extraordinary causes such as storms, fire or earthquake, also fall in the category of original works.

However, petty works costing upto Rs. 2500/- may at the discretion of CWE be treated as 'Repairs'.

There are four main stages in the project for an original work viz.

- (i) Acceptance of necessity: means the concurrence of CFA to the expenditure proposed.
  - (ii) Administrative approval: means sanction by the CFA to the execution of an original work at a stated cost.
  - (iii) Appropriation of Funds: means the allotment of a particular sum of money to meet expenditure on a specified work.
  - (iv) Technical Sanction: is issued by the competent engineer authority, amounts no more than a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data.
- (b) Yes, if the final cost of a work/service exceeds more than 10% of the sanctioned cost/estimates, the revised approval of CFA would be needed. Hence in this case, the revised administrative approval of CFA would be needed.

Ques.6. Write brief notes on:

- (a) Measurement Book
- (b) Construction Accounts
- (c) Cash Assignment
- (d) Revenue Ledger

(2x4 = 8 Marks)

Ans.

- (a) **Measurement Book**:- The measurement book provide a complete record of works performed under a contract and therefore includes all items having a financial bearing so that full support is given to the amount of the final sum due to the contractor. It is the basis of all the accounts of measured work and of materials received which have to be measured or counted.
- (b) **Construction Accounts**: The construction accounts serves the purpose of progressing and Controlling Expenditure in r/o a work. This exhibits in detail the expenditure and the liabilities incurred on specific items or services or group of services. AAO, GE checks the correctness of the postings in the construction accounts by means of original vouchers.
- (c) **Cash Assignment**: Cash Assignments are the credits placed on treasuries by PCsDA/CsDA in favour of disbursing officers holding specific appointments, normally heads of the offices, who are authorized to draw funds for their disbursement by cheque on such treasuries. The amount of CA is fixed in consultation with PCDA/CDA. Within the amount so fixed, the assignments are recouped periodically by PCDA/CDA in accordance with the estimates of requirements submitted by the GE through CWE/CE and the budgetary allocation's. It is basically a running account within the each financial year.
- (d) **Revenue Ledger**: Revenue Ledger contains a record of Revenue due and recovered in r/o of each building or quarter and also from other sources. It will also show separately water and electric charges recoverable by the MES direct and water charges to be collected by the Cantonment Authorities on behalf of the MES. This is maintained by the AAO MES.

Ques.7. (a) What do you understand by " Canons of Financial Propriety" ? Explain the general guiding principles to be observed in spending public money.

(5 Marks)

- (b) General 'X' has sanctioned a swimming pool adjacent to his residential accommodation for personal use out of public money. Is the action of

General 'X' in order ? if not, what principle of financial propriety has been violated? Please specify.

(3 Marks)

- Ans. (a) The Canons of financial propriety are the basic guiding principles which lay down high standards of financial propriety for every officer entrusted with the responsibility of incurring or authorizing the expenditure from public money. These principles thus serve as important guiding factors in incurring as well as sanctioning expenditure by the executives and also for those who concur with the expenditure proposals from Govt. funds.

Following are the principles on which emphasis is generally laid for incurring expenditure and payment of money:

- (i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
  - (ii) The expenditure should not be prime facie more than occasions demands.
  - (iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
  - (iv) Expenditure from public moneys, should not be incurred for the benefit of a particular person or section of the people unless-
    - (a) a claim for the amount could be enforced in a court of law, or
    - (b) the expenditure is in pursuance of a recognised policy or custom.
  - (v) The amount of allowances granted to meet an expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.
- (b) Action of General 'X' is not in order and violates one of the basic principles of financial propriety that the expenditure from public money should not be incurred for the benefit of a particular person or section of the people. Thus the sanction of swimming pool is objectionable.

Ques.8. Write Short notes on:

- (a) Charged Expenditure
- (b) Revised Estimates
- (c) Supplementary Grants
- (d) Vote on Account

(2x4 Marks)

- Ans. (a) Charged Expenditure: Charged Expenditure denotes the expenditure which is charged on the consolidated fund of India and is not subject to vote by Parliament. The payments made in satisfaction of a judgement decree of court or awards by Arbitral Tribunal are one such payments treated as charged expenditure. Charged Expenditure, as above is to be paid on a specific sanction where under such expenditure is noted on a charged expenditure register by the budget section of a ministry.
- (b) Revised Estimates: Revised estimates are prepared based on the review of expenditure incurred upto a particular period say Dec. of a financial year and the likely liabilities/Commitments yet to be made. This is, in a way, an exercise to work out accurate estimates of expenditure for the financial year. Revised estimates are prepared by user Directorates/Establishments of Ministry of Defence and are submitted to

ministry with relevant details & justifications.

- (c) Supplementary Grants: In case savings are not available within the grant to which the payment is required to be detailed or if the expenditure is on 'New Service' or New Instrument of Service not provided in the budget, necessary supplementary Grant or Appropriation on accordance with Article 115(1) of the constitution should be obtained before payment is authorised.
- (d) Vote on Account: Pending the completion of procedure on passing of the budget by Parliament, the Finance Ministry arrange to obtain a "Vote on Account" to cover expenditure for one month or such longer period as may be necessary in accordance with the provisions of Article 116 of constitution. Funds under Vote on Account are not to be utilised for expenditure on a "New Service".

- Ques.9. (a) What are the basic responsibilities of an imprest holder ? Can his responsibility be delegated by him to an another on the pretext of him being busy with other duties?  
(4+1= 5 Marks)
- (b) What are the basic conditions under which Defence Expenditure may be sanctioned?  
(3 Marks)

- Ans. (a) An Imprest holder is personally responsible for amounts drawn by him untill they have been fully and correctly accounted for the satisfaction of the PCDA/CDA concerned.
- He will therefore ensure that the imprest accounts duly supported by the prescribed vouchers are promptly submitted to the PCDA/CDA or his representative on the prescribed date
  - That no loss occurs through the non-submission or incorrect submission/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 in this regard.
  - He will in no circumstances, keep large cash balances in excess of their actual & immediate requirements.

An imprest holder cannot delegate the responsibility for operation of funds to another person except in case of Indian Navy where the imprest holder may authorise his supply officer to operate the account Thus an imprest holder except in case of Indian Navy will personally operate the imprest account.

- (b) Expenditure from Defence Service Estimate may be sanctioned by the Ministry & the authorities subordinate to it on the following conditions.
  - (a) The expenditure must pertain to the Defence Service
  - (b) The exercise of delegated power is subject to the observance of any general or special directions which the authority delegating power may issue at any time, whether generally or with reference to a particular case.
  - (c) No expenditure which has not been provided for in the budget or if provided in the budget has not been duly sanctioned, shall be authorised without the concurrence of the Financial Advisor concerned.

- Ques.10. Explain the terms " Fee" and "Honorarium". How these are different from each other in regard to the conditions of their admissibility to Government Servants?  
(8 Marks)

Ans. Fee: Any remuneration for work or service rendered, received by a Govt. Servant from a source other than the Consolidated Fund of India/State/Union Territories is termed as 'Fee'. It does not include:

- Income from the property, dividends, interests on securities
- Income from literary, cultural, artistic, scientific or technological efforts
- Participation in sports activities as amateur.

Honorarium: Remuneration for special work of an occasional nature or intermittent character paid to an employee from consolidated fund of India/state/union territories.

In case of Fee, Government servant should obtain prior permission of the competent authority for undertaking the work or service and also for acceptance of Fee.

In case of Honorarium, Prior sanction of the competent authority is necessary before the work is undertaken. Amount of remuneration is settled in advance.

In case of Fee, one third of any Fees in excess of Rs. 1500 in a financial year is payable to the Government subject to a maximum of Rs. 1500 being retained by the Govt.servant. However, Govt. may exempt the Govt. servant from payment of such share by a specific permission.

Amount of Honorarium sanctioned can be retained in full by the employee and no portion need be credited to Government.

- Ques.11. (a) Explain four specific situations for which joining time is admissible?  
(4 Marks)
- (b) Comment on the admissibility of joining time in the following cases:  
(i) An IDAS officer on posting from 'A' office to 'B' office at Delhi has availed one day's joining time.  
(ii) Auditor 'X' has applied for joining time on his temporary transfer.  
(iii) An Assistant Account Officer has prefixed holidays to his eligible joining time.  
(iv) An Accounts Officer has combined joining time with Casual Leave.  
(1x4 = 4 Marks)

- Ans. (a) Joining time is admissible for followings:  
(1) To Join on transfer in public interest, a new post either at the same or a new station.  
(2) To surplus staff transferred from one post to another post under the scheme regulating redeployment of surplus staff  
(3) Once in a calender year, while proceeding on leave from a place in a remote locality or to a place in remote locality or vice versa.  
(4) Once in a calender year to officials domiciled in the unions territories of Andaman and Nicobar Islands, Lakshdeep.
- (b) (i) One day joining time is admissible.  
(ii) Joining time admissible but only actual transit, time as on tour, is admissible.  
(iii) Not in order. Holidays can not be prefixed to joining time.  
(iv) Not in order. Joining time can be combined with leave of any kind or duration except casual leave.

- Ques.12. (a) What do you understand about Permanent Duty moves in respect of service officer.  
(2 Marks)
- (b) Can a Lt. Col. of Army travel by air on his discretion on temporary duty move from Delhi to Mumbai ?  
(2 Marks)

- (c) Is a reemployed Colonel of army eligible for air travel on official duty?  
(2 Marks)
- (d) What is the the entitled class of air travel by a Lt. General during air travel within the country ?  
(2 Marks)

- Ans. (a) An officer transferred to a station for a period exceeding 180 days will be classified as permanent duty move. A transfer classified as temporary shall be reclassified as permanent if and when the period of duty at the said station exceeds 180 days and the classification of a transfer as "permanent" shall not be revised after the move of the individual has commenced from the station where he was officially located when he received the orders transferring him.
- (b) Lt. Col. may travel at their discretion if distance involved is more than 500 kms and the journey can not be performed overnight by a direct train or slip coach service.
- (c) Re- employed officers who are re-employed against vacancies tenable by a lower rank below colonel are not entitled to travel by air at their discretion at Government Expenses.
- (d) If an airline has more than one class of accommodation officers of the rank of full General may travel by executive class at their discretion.

## SECTION-II

**For candidates other than those from PC of A(Fys), PCDA(Navy) and PCDA(Air Force) Organisations)**

- Ques.1. (a) What specific documents are necessary to be received by CDA(O) for opening the ledger account of a newly Commissioned Officer ?  
(3 Marks)
- (b) Briefly describe the procedure for opening of an IRLA in respect of a new recruit in a PAO ?  
(3 Marks)
- (c) What specific masters are required to be prepared for opening of an IRLA on Computer in respect of a sailor transferred from one PAO to another ?  
(3 Marks)

- Ans. (a) Following documents will be seen before opening of ledger Account
- (a) Govt Sanction for grant of commission
  - (b) Commission order issued by the appropriating authority
  - (c) Part II order showing officers actual reporting for duty
  - (d) Form 'A' - a document giving full particulars of the officer, signed by the officer and countersigned by CO
  - (e) Last pay certificate from previous audit/paying authorities when officers came from their payment jurisdiction to CDA(O)'s jurisdiction of payment.
- (b) IRLA of a new recruit is opened based on enrollment part-II orders

Part-II orders notifying enrollment of new recruit are published by Regimental Centres concerned based on duplicate copies of nominal rolls received from recruiting officers.

On receipt of enrollment part-II orders, these will be examined to see that all relevant details required to be noted in IRLA such as Army No., date of enrollment Group and rank are given. The ledgers are then opened by entering relevant details in the space provided and audit cage

drawn. In the computerized system IRLA of recruit is automatically opened by computer on receipt of enrollment part-II orders and audit cage containing recruit pay is drawn and also other masters opened.

- (c) Master required to be prepared for opening an IRLA on computer of a soldier from Another PAOs are

- (1) PIRM- Pay & IRLA master
- (2) ATOM- Audit Cage Master (Part of PIRM)
- (3) AFPPFM - Armed Forces Personnel Provident Fund Master
- (4) PLIM - Postal Life Insurance Master
- (5) LAMS- Loans and Advance Master

These masters are transcribed on transcription sheets with the help of IRLA received from the PAO from which the soldier has been transferred.

- Ques.2. (a) What basic preliminary checks are carried out by a PAO on Part-II orders before their action in EDP section ?  
(3 Marks)
- (b) What is the importance of Army number and who allocates this number to a recruit ?  
(3 Marks)
- (c) What do you understand about ACR Master Missing ? How such cases can be minimized in a PAO ?  
(3 Marks)

- Ans. (a) Part II orders are received by the IO group of the PAO from the record offices and the following preliminary checks are exercised before despatch to EDP
- Segregation of Part-II orders into actionable and non- actionable categories
  - Watch the continuity of serial numbers and Call for missing part-II orders
  - See that part-II orders have been published as per Appex-'J'
  - That necessary certificate etc. have been endorsed on Part-II orders
  - Army No. is given with check digit
  - that rate/class of cities etc are given correctly
- (b) Army Number allotted to a recruit/ Jawan plays a pivotal roll in their enrollment and once allotted will be used through out their service including service on reserve and will not be altered on transfer to other regimental centre. Army number is allotted by O I/C records and entered on the nominal rolls and enrollment part-II orders are published. PAO concerned specifically watch for Army number since it plays an important role in opening of an IRLA of the new recruit.
- (c) The soldiers of Indian Army are paid advances of pay on ACRs(Aquittance Rolls) by the imprest holders. These ACRs are sent to the PAO concerned auditing the Cash account of the imprest holder. PAO segregates these ACRs according to the PAOs which maintain the IRLA of the concerned soldier. ACRs of out PAOs are sent to the PAO concerned and in PAO ACRs are sent to EDP centre after preliminary audit checks. ACRs which can not be posted to IRLSs and therefore rejected by the computer are known as ACR MASTER MISSING (ACR MM).

The ACR master missing Cases can be minimized by due care & scrutiny of EDP generated list of ACR MM Cases separately for NE items and for others. The PAO should verify the NE items wrt. the final

settlement IRLAs to see that ACRs in the question have been debited or not. If debited, ACR MM needs to be deleted on the computer. If not, action should be taken to effect the recovery in all such cases.

As regards effective Cases, action should be taken to check the correctness of Army Nos with respect of ACRs and correct the numbers if wrongly punched. If master missing is due to JC No. not yet allotted, action to call for JC No. Part-II orders from record officer. If IRLA has not been opened in r/o of a recruit action to call for an enrollment part-II should be taken and fed into the computer and IRLA opened. There may be ACRs relating to transfer in and dropped cases which need appropriate action after review of such cases.

- Ques.3. (a) What is the difference between acting promotion and substantive promotion in respect of Army Officers ?  
(5 Marks)
- (b) What is the manner of regulating pay and allowances in case of erroneous promotion ?  
(2 Marks)
- (c) What are the conditions for grant of stagnation increment to Army Officers?  
(2 Marks)
- Ans. (a) Army officers are granted acting promotions higher than their Substantive rank in peace areas as well as in field areas if the vacancy exists in that rank as per PE/WE of the unit/formation concerned if certain other conditions are fulfilled.

An officer selected for grant of acting promotion will be granted the appropriate rank from the date he actually assume and performs the duties of the appointment Acting rank will become paid after 21 consecutive days of duties in the appointment though the grant of pay will then be retrospective. Acting rank will not be converted into paid acting rank unless it is held by an officer on the 22nd day.

Whereas as substantive promotion is a promotion to a particular rank on completion of the requisite number of reckonable commissioned service and fulfillment of other required conditions. Substantive promotions upto the rank of Lt. Col. are now made time scale irrespective of vacancies promotions above Lt. Col. rank are made on the basis of selection.

- (b) In case of erroneous Substantive promotions- The pay and allowances of the rank to which the officer was erroneously granted the promotion will be stopped from the date on which the orders rescinding the promotion reach the HQrs of unit/formation of the officer concerned in case if he is present on the duty. If he is not present on duty, the pay & allowances will be stopped from the date of the order.

In case of acting promotions, effect will be from the date of original acting promotion.

- (c) Stagnation increment to Army Officers will be granted after two years from the date on which he reaches the maximum of the scale of his rank.

- Maximum three stagnation increment are allowed at the rate of one increment after every two years.

- Stagnation increment is allowed to the officers upto the rank of Major General viz. Maximum pay scale should not exceed Rs. 22400/-.

- Ques.4. (a) What do you understand about furlough leave as admissible to Army Officers? Can it be combined with Annual Leave? Explain briefly.  
(3+1= 4 Marks)
- (b) What is sick leave ? How is it different from sick list concession ?  
(3+2 = 5 Marks)

Ans. (a) It is one of the kinds of leave admissible to the officers. The period of leave admissible as furlough is two months for every three calendar years from the year of commission. This is a lump sum provision and can be availed of at any time after the commencement of the 3 years cycle. This is non- accumulative leave.

Furlough is not admissible to NCC whole time officer & re employed officers. It can be granted either in one spell of two months or installments at any time after commencement of the 3 year cycle. However, Furlough earned during a cycle of 3 years will not be combined with furlough of the following cycle of 3 years.

Furlough can be taken by itself or combined with the annual leave. When it is combined with the annual leave, the annual leave portion must be taken first.

- (b) Sick leave is granted where the sickness exceeds 30 days and will reckon from duty of first admission in the hospital till the date of reporting for duty.

Sick leave may be granted in the first instance

- upto a period of six months, which will include the annual leave due for the year
- thereafter extension of sick leave by 3 months at a time for a total period of 12 months which may be extended upto 24 months at the discretion of leave sanctioning authority.

There are other conditions which govern the sanction of sick leave relating treatment of various kind of ailments and where the officer is to be invalidated out due to no prospect of officer becoming fit for duty.

Sick List Concession is basically a concession and is not a kind of leave.

Sick List concession is applicable/admissible when an officer falls sick while on duty or on casual leave taken by itself, and is retained on the sick list for a period of 30 days or less.

This period shall be treated as on duty if it stood by itself provided the sickness is due to causes beyond the individual's control.

- Ques.5. (a) What are the general conditions for admissibility of High Altitude/Uncongenial Climate Allowance(HAUCA) to Service Officers ?  
(4 Marks)
- (b) Will HAUCA be admissible in following cases:
- (i) An Army Officer absent from HAUCA area on a sick list for a period of more than 15 days.
  - (ii) Absence from the area on Casual Leave for 10 days duration.

(1½ x2= 3 Marks)

- (c) Can an Officer of Army Educational Corps claim instructional allowance ? If so, what are the conditions for its admissibility ?

(2 Marks)

- Ans. (a) Army officers of all ranks serving in notified areas as per orders time to time are eligible for High Altitude/Uncongenial Climate Allowance(HAUCA) at the prescribed rates. The HAUCA is also admissible to MNS Officers.

HAUCA is admissible in the following circumstances

- (i) On being permanently posted to a unit or formation located in notified areas and places of 9000 feet and above sea level in Field Service Confessional Area.
  - (ii) The period of service/attachment with a unit/formation in that area for more than 14 days.
  - (iii) While in transit from one qualifying area to another.
- (b) (i) HAUCA shall not be admissible since absence is more than 14 days. (maximum period)
- (ii) HAUCA shall be admissible provided the officer returns to the area in which the allowance is admissible.
- (c) In respect of officers of Army Education Corps. The Instructional allowance is admissible only to those officers who are appointed as instructors in specialized service subjects in category 'A' establishments.

AEC officers posted as regular faculty in the various defence establishments are not entitled to the instructional Allowance.

Ques.6. Write short notes on the admissibility of following in respect of JCOs/ORs:

- (a) Parachute Pay
- (b) Ration Allowance
- (c) Conservancy Allowance

(3x3=9 Marks)

- Ans. (a) Parachute Pay:- Operational parachutists holding such appointments authorised in the war/peace establishment of their units will receive parachute pay at the rates fixed for this purpose in addition to the normal pay and allowances of the rank. For continuation of this pay, the JCO/ORs should attend in each training year 1st July to 30th June a parachute refresher course including a minimum of two jumps. However, this requirement in individual cases may be waived by the Competent authority in certain Conditions.

- (b) Ration Allowance: Ration allowance at the rates notified by the Govt. from time to time is admissible to JCO/ORs in the following circumstances:

- (i) Lower Rate: When govt. is in a position to supply free rations but the individual for his own convenience prefers to draw an allowance.
- (ii) Higher Rate: When owing to sickness or other disability, the individual is unable to consume his normal ration and no ration and no ration articles are drawn for him or when it is not possible or economical to govt. to supply free rations.
- (iii) Special Rates: Special rate of ration allowance is admissible when travelling by rail/road on leave or when travelling by rail/road on duty.

- (c) Conservancy Allowance: When JCOs/ORs are entitled to quarters under the rules in "Quarters and Licence Fee with rules for supply of water and electricity" they will be entitled to free conservancy which includes provision of services of sweeper and water-carrier. Where these services can not be provided in kind an allowance in lieu will be granted. This allowance will be fixed by the station commander after ascertaining the rates at which these services are available at the station subject to a maximum amount as fixed for this purpose. An element of water-carrier will not be available where pipe water supply exists in quarters.

### **SECTION-III (Factory Portion)**

Ques.1. **What is concurrent review of production cost and production activities in Ordnance factories and what are its objectives ?**

(9 Marks)

Ans. Concurrent review of Cost of Production and Production and Production activities is a cost accounting exercise carried out concurrently as and when costs are compiled in costs cards to bring out significant variation in costs properly and promptly to the notice of factory management so that remedial measures can be taken in time. The exercise involves selection of warrants by scrutinizing material abstracts where the expenditure has been the heaviest.

The object of the exercised is to spot out:

- (i) Heavy rejections.
- (ii) Delay in documentation such as delay in preparation of Demand Notes and Return Notes
- (iii) Abnormal delay in inspection leading to accumulation of finished stock.
- (iv) Delay in issues or delay in preparation of 'P' issue voucher.
- (v) Non -closure of warrants even when production is completed.
- (vi) Cases of substantial variation between actuals & estimates as revealed by the expenditure as recorded in cases of closed warrants & also in cases even when a warrant is running.
- (vii) Cases where expenditure on tools have not been properly recorded or allocated.

(Authority: Para 635, 636 & 637 OM Part VI Vol. II)

Ques.2. Write short notes on the following:

- (i) Idle time
- (ii) Incentive Bonus
- (iii) Guarantee Pay

(3x3 = 9 Marks)

Ans. (i) **Idle time**:- idle time refers to conditions that affect production process thereby rendering worker temporarily surplus, who cannot be provided suitable alternative employment in the natural manner. Such conditions are specified in factories manual and are enumerated as under:

- (i) High atmospheric humidity hindering operations in explosive factories or unfavorable sun-light and temperature hindering optical work.
- (ii) Breakdown, inspection and repairs of plants, furnace and breakdown of transport.
- (iii) Temporary shortage of material
- (iv) Failure of power supply.

- (v) Temporary shortage of work in highly specialized sections such as instruments repair and optical sections.

Workmen rendered surplus for above reasons are paid. " Idle time wags. Idle time payment for causes other than listed above requires Govt. Sanction.

**(Auth: Para 160 OM Part-VI Volume-I)**

- (ii) **Incentive Bonus** - This is an incentive payment made to broad categories of maintenance/Day workers of ordnance factories in addition to their monthly wages, except unskilled workers employed on maintenance work within factory premises. While day/maintenance workers attached to production sections are paid bonus at 50 percent of piece work profit earned by the peice workers of that production section. In case of production section where piece work does not exist. Maintenance workers are paid incentive bonus @ 50 percent of piece work profits of the factory as a whole workers not attached to production sections are also paid incentive bonus at 50 percent of average piece work profit earned by the piece workers in the whole factory.

**(Authority: Para 155 OM VI Vol-I)**

- (iii) **Guarantee Pay** - Guarantee pay is paid to industrial employees when their piece work earnings during the period of their duty falls below the actual basic time wages applicable for that period. OT bonus paid to piece workers is taken into account white satisfying whether the piece work is entitled for guarantee pay. Thus guarantee pay is worked out as under.  $\text{Guarantee Pay} = [\text{Time wags} + \text{Incremental difference between minimum of scale of pay and actual basic pay} + \text{Overtime Pay}] [\text{P.W. Earning} + \text{OT Bonus}]$

**(Authority: Para 154 OM VI Vol.-I)**

**& CC of A(Fys) Kolkata Case file No Pay/Tech/01050/PWR)**

Ques.3. Explain the difference between the following:

- (i) Extract and Indent
- (ii) Prime Cost and Marginal Cost
- (iii) Supplementary Work Order Draft and Non-recurring Rate Form

(3x3=9 Marks)

- Ans. (i) Extract is an authority issued by DGOF for undertaking production work in Ordnance factories. These are divided into five classes, class-I for issues. to Armed forces, Class-II Payment Service, Class-III Inter factory requirements, Class-IV Manufacture for stock and Class -V for Capital Work.

While Indent is an order which indicates firm quantity and exported delivery schedule received from Armed forces, Para Military force and Civil trade which when received by Ordnance Factory Board forms the basis is Financial Production Programme of Ordnance and Ordnance equipment factories and constitutes the authority for issue of Extract by DGOF

**(Auth: Para 45 & Govt. Order on the subject)**

- (ii) Prime Cost is the manufacturing expense that is directly chargeable to the production job. Therefore, direct labour that can be charged directly to the job, material that is required for direct production of a job and such manufacturing that can be directly charged to the job constitute Prime Cost. While Marginal Cost comprises Prime Cost plus variable overheads.

**(Auth: Para 21 OM Pt-VI Vol.-I)**

(iii) **Supplementary Work Order draft and Non-Recurring rate form**

While S.W.O.D. is a work order issued by a G.M. for petty Casual work. or minor internal factory services or repairs/maintenance or for departmental stores which are non-recurring in nature. The N.R.R. forms are maintained in the factory; copy(s) of which are supplied to Accounts office which show the rates (time now with revision P.W. co-relation with RPR-97) that is paid for or time taken for each operation of non-recurring job included in S.W.OD from start to finish.

**(Auth: Para 45 OM Part-VI Vol-I , Para 621 OM Pt-VI Vol-II)**

- Ques.4. (a) What are the main reasons for outstandings of Stores-in-Transit(IFD) for period ranging from 6 months- 3 years - 5 years? (3 Marks)
- (b) Do outstandings in liabilities arise in case of foreign purchases of stores in Ordnance factories? (3 Marks)
- (c) How is it ensure that outstanding assests in respect of foreign purchases are promptly linked and cleared by Accounts office of Ordnance factory? (3 Marks)

- Ans. (a) The main reason for outstanding in Stores in transit (IFD) is following :-  
(1) Receipt of 'P' issue Voucher along with debit voucher by consignee Accounts office but non- receipt of R.V. from his own factory. This is due to further following reasons.  
(2) Return of IFD stores by consignee factory with rejection/deficiency note with first taking the stores on regular charge of stock and returning the stores for rectification on nominal voucher. Despatch of 'P' issue Voucher and debit note/voucher by consignor AO but non-dispatch and very belated despatch of stores to consignee factory due to reasons for " Spill Over" production on its accounting.
- (b) As in Ordnance Factories foreign purchase of store are always against irrecoverable letter of credits where 100% payment is released by Ordnance Factory's banker's against supplier's bank document viz. Supply Order, Airway bill/Bill of Landing, Inspection note etc there is not possibility of a liability to arise in imports of stores by Ordnance Factories.
- (c) A detailed register for letter of credit cases is maintained by Accounts office by an Ordnance factory which records complete detail of L. of credit transaction including S.O. No.& date, Rate per unit total value of L.C. showing taxes if any separately, the L.C. No.& date and value of LC, the name of the banker's name on whom LC issued the date of delivery as per SO and a column for banker's debit memo number and date or Receipt Voucher. This register is reviewed every month by Account officer w.r.t Delivery schedule and copy of Bank's debit advice raised on CAS R.B.I. maintaining proforma balance of CDA wise. On receipt of copy debit advice in r/o L.C. and also within a month of expiry of Delivery schedule he call for wanting Receipt Voucher from management and on receipt of which outstanding asset against foreign purchase is linked and cleared. Since some of imported stores are also shipped by foreign supplier which because of inforced anchoring in the corridor to Port/harbour it some time takes more than a month for imported stores to be received by factory still it is eminently possible to clear all O/S assets under foreign purchases more than 3 months old by proper monitoring.

- Ques.5. (a) The use of numerical codes and system of codification adopted by Ordnance factories' organisation is a detailed one. It provides for six figures on the top and six figures at the bottom. What do the last 3 digits on top stand for ?  
(3 Marks)
- (b) What are the different units of quantity of a store item used in Priced Store Ledger Account?  
(3 Marks)
- (c) How is "Pairing and "Linking" exercised in Material Section of a Branch Accounts Office?  
(3 Marks)

- Ans. (a) The Last three digits on top indicate factory code.  
(Auth: Para 39 OM VI Part-1)
- (b) The different units of quantity of a store item used in Priced Store Ledger Store Account, are  
(a) numbers  
(b) weight  
(c) volume
- (c) The stores/material section of Factory sends two copies of receipt vouchers to Accounts office. One copy of 'R' Voucher is received in material section of Accounts office which links the quantities in receipt voucher in Supply Ordered quantities. Second Copy of receipt voucher which is receipt voucher number, quantity inspected and accepted by factory recorded in Material Inward ship under signature of Inspecting officer and Store holder is sent by factory along with contractors bill which the 'M' bill section of Accounts office schedules to material section for " Pairing the receipt vouchers and recording of the pairing certificate.

(Authority: Para 383 OM Part-VI Vol-I)

- Ques.6. (a) Why is Principal Ledger maintained in an Accounts Office ?  
(5 Marks)
- (b) What is a Capital Block Register ? How is depreciation in respect of Plant and Machinery calculated ?  
(4 Marks)

- Ans. (a) The Principal Ledger is maintained in Accounts office for facilitating the preparation of consolidated Manufacturing Accounts and arriving at the cost of Production under various elements/categories of cost.
- (i) Entries in Principal ledger are posted from "Journal Entries" made out with reference to opening transaction viz closing stock as on 31st March of Previous year.
- (ii) Value of Capital (Building, Plants, Machinery as on 31st March of previous year
- (iii) Outstanding Assets as on 31st March (Previous Year)
- (iv) Cash Compilation Statement (v) Price Store Account.  
(vi) Manufacturing State 'A' & 'B'

(vii) Depreciation figures closing value of Capital Assets  
(viii) Work-in-Progress (ix) Finished stock in hand as on close of production year

(ix) Outstanding assets and liabilities as per difference balances for Stores, Capital and other revenue transactions

**(Authority: Para 480 OM VI Vol.II)**

- (b) The accounts of Capital Assets in the factories are maintained in two Block Registers on IAF(FAC) 77 by Accounts office; one for Building items and the other for Machinery items. While the Block register for Machineries show the book value of Machinery, a complete record of accounts of building items of a factory is maintained in block register showing the depreciated value of buildings at the year end.

The depreciation on a Plant & Machinery is charged on straight line method after reducing the purchase/acquisition cost by residual/salvage value (normally 5% of purchase acquisition cost) and then applying depreciation on straight line method computed based on the period for which the plant & machinery is expected to be in use (life in years) and not on usage basis.

**(Authority: Para 762 OM Pt. VI Vol.II)**

#### **SECTION-IV**

##### **(AIR FORCE PORTION)**

- Ques.1. (a) What are the occasions, when the pay and allowances of rank get discontinued ?  
(4 Marks)
- (b) What benefit of encashment leave be available to a SSC officer at the end of his second tenure after a break ?  
(5 Marks)

- Ans. (a) The pay and allowances of rank will be discontinued
- (i) On the day after the death of the officer;
  - (ii) On the day from which an officer retires or resigns;
  - (iii) During any absence without leave
  - (iv) From the day following that on which the decision is communicated to an officer who is cashiered, dismissed, removed from service, suspended for absence without leave or whose commission is cancelled;
  - (v) From the date of transfer to the reserve.

**(Authority: Rule 14 Pay & Allowance Regulations)**

- (b) Benefit of encashment of leave will not be admissible at the end of second tenure of SSC which commences after a break of first tenure.

**(Authority: Note under Rule 25B(b) of Leave Rules)**

- Ques.2. A Sqn. Ldr. was on leave from 01-06-07 to 15-06-07 in his home town Chandigarh when he was detained for a course of Instruction at bangalore beginning on 5-7-07 for 15 days
- (a) What will happen to the balance of leave ?
  - (b) How would the journey period from Chandigarh to Bangalore be treated ?
  - (c) What details would the order, placing him on course of instruction, contain ?

- (3x3 = 9 Marks)
- Ans. (a) The balance of leave would be granted to him on completion of the course of instruction.
- (b) The time spent on journey from and to Chandigarh will be treated as duty.
- (c) The order placing him on course of instruction will state the period of course of instruction and the balance of leave to be granted at the end of the course of instruction.
- Ques.3. (a) Is Technical Allowance admissible to re-employed officers? If so, under what conditions?
- (b) How is the deputation Allowance in respect of Service Officers inducted under Central Staffing Scheme regulated ?
- (c) What purpose does stagnation increment count for ?
- (3x3 Marks)
- Ans. (a) Yes, Technical Allowance is admissible to re-employed officers only when they are actually deployed on technical and maintenance duties and also fulfill the prescribed eligible conditions.  
(Authority: GOI, MOD Letter No. 1(26)/97/XXII/D) Pay/Services Dated: 29/2/2000
- (b) Service Officers are not inducted under the Central Staffing Scheme. When service officers are deputed to civilian posts, the quantum of Deputation Allowance is restricted to 50% at the rate applicable to civilian officers.  
(Authority: GOI, MOD letter No. 1(26)/97/VIII/D) Pay/Services Dated: 29/2/2000
- (c) Stagnation increment counts for all purposes such as DA, HRA, CCA Pensionary benefits etc. including fixation of pay on promotion.  
(Authority: GOI, MOD letter No. B/26010/AG/PS-3(a) /1541/D(Pay/Services) Dated: 30/7/1999)
- Ques.4. (a) A Wg. Cdr. claims children education allowance for his third born on 15-7-87. Is it in order?
- (5 Marks)
- (b) Can a Wg. Cdr. serving in Tanzania be paid expatriation allowance in conjunction with foreign allowance ?
- (4 Marks)
- Ans. (a) It is in order as children education allowance is payable to the third child too, as he is born before 31/12/87.  
(Authority: Note to Para 282 of P&A Regs.)
- (b) Expatriation allowance is not admissible in conjunction with foreign allowance.  
(Authority: Rule 125 P&A Regs)
- Ques.5. (a) What are the circumstances governing officiating appointments ?
- (4 Marks)
- (b) Can an officiating appointment be made when an officer proceeds on a course of 6 weeks duration ?
- (5 Marks)
- Ans. (a) MWOs and WOs other than those holding honorary commissions will receive acting allowance when appointed with the prior approval of the unit commanders not below the rank of Group Captain or an officer of the rank of Group Captain controlling that unit, in officer's vacancies in Ground duty branches in units other than Command HQ and Air HQ arising as a result of shortage of officers but not due to leave, temporary duty or on courses of instruction.  
(Authority: Rule 274 P&A Regns)
- (b) Officiating appointment in the present case cannot be made in terms of

Rule position barring any such appointment on account of leave, temporary duty or courses of instruction.

**(Authority: Rule 274 P&A Regns)**

Ques.6. (a) How would the pay and allowance of a an officer who absent for 60 days without leave be admitted and under whose approval ?

(4 Marks)

(b) What is the effect of grant of ante-date in the case of an Air Force Officer?

(5 Marks)

Ans. (a) Over stoyal of leave beyond 30 days is regularized under the orders of the Govt. of India. In the present case the un athorized absence of 60 days will have to be regularized by the Govt. by grant of leave without pay.

**(Authority: Last Para Rule-6, Leave Rules)**

(b) The grant of ante-date of commission does not carry back pay prior to the date of commission. The period of ante-dating is treated as qualifying service for regulating the rates of pay of the officer.

**(Authority: Rule 51 P&A Regns.)**

## **SECTION-V**

### **(NAVY PORTION)**

Ques.1. (a) What is Pilotage fee?

(5 Marks)

(b) Who is the Competent Authority to accord approval before submission of the claims on account of Pilotage fee to PCDA(Navy)

(4 Marks)

Ans. (a) Pilotage fee is the fee admissible to the commanding officer and Navigating officer of the Indian Naval Ship when the ship is to be taken in six times and six time taken out of any port or channel and six times of picking up the same anchorage during the period for which the officer is borne continuously for service in the same ship.

(b) The chief of the Naval Staff is the competent authority to accord approval.

**(Authority: Para 184(3+2) of the Pay & Allowances Regulations for the Navy - Part-1)**

Ques.2. What do you understand by Hospital Stoppages ?

(9 Marks)

Ans. Hospital Stoppages are the recoveries to be made from the officers and sailors and their families and private servants admitted in service Hospitals.

**(Authority: Para 258 - Chapter XI of the Pay & Allowances Regulations for the Navy- Part-I)**

Ques.3. Write short notes on:

(a) Dip Money(Diving Pay)

(b) Diving Qualification Retaining Fee

(4½ x2 = 9 Marks)

Ans. (a) Dip Money(Diving Pay) is an allowance admissible to qualified sailors when diving in any approved apparatus either for diving operations carried out or when diving for practice with the authority of the Commanding officer.

**(Para 148 Chapter VII - P&A Regulations for the Navy Part-I)**

Ques.4. When is submarine allowance granted to the sailors? Is submarine allowance admissible for the period of absence from the submarine for more than three consecutive days?

(9 Marks)

Ans. Submarine allowance is admissible to the sailors when they are attached for training to or for exercises in a submarine.

This allowance will not be admissible for the period of absence from the submarine for more than three consecutive days.

**(Para 176(1&2)- Chapter VII- Pay & allowances Regulations for the Navy- Part-I)**

Ques.5. What is Hardlying Money? What are the eligibility conditions or nature of service for the ship and the Naval Officers to be eligible for admissibility of Hardlying Money ?

(9 Marks)

Ans. Hardlying Money is an allowance payable to officers including those belonging to record parties while actually living and sleeping on board-ships.

To be eligible for hardlying money, the ships i.e. some categories of minesweepers, salvage vessel, Ocean going tngs , landing craft, small craft etc. must be employed mainly on sea-service, that is continuous service involving lengthy periods in open area or voyages between distant ports irrespective of periods, incidental to such service spent in ports.

**(Authority: Para 58, 60 and 61 of the Pay & Allowances Regulations for the Navy- Chapter-IV Part-I)**

Ques.6. (a) Are the officers of the Indian Navy eligible for prize money for proficiency in Musketry, Rifle, Pistol and Light Machine -gun firing ?  
(b) What is Good Conduct Pay ?

(4½ x2 = 9 Marks)

Ans. (a) Officers of the Indian Navy are not eligible for this prize money.  
**(Para 8(2) - Chapter-I Part-II P&A Regulations- Navy)**

(b) Good Conduct Pay is admissible to those sailors who are granted Good Conduct Badges.

**(Para 153- Chapter VII Part-I P&A Regulations - Navy)**