

**(MODEL ANSWERS WITH AUTHORITIES)**

<b>PAPER – V</b>		
<b>WORKS, STORES AND INTERNAL AUDIT (PRACTICAL – WITH BOOKS)</b>		
<b>Section-I (Works Accounts)</b>		
<b>(Common for All Candidates)</b>		
1.	(a)	Two buildings are to be hired in a station for use by the Army for a period of 15 years. Whose approval is required in the case?  <p style="text-align: right;"><b>(1 Mark)</b></p>
	Ans.	Government of India  <p style="text-align: center;"><b>(Auth: Para 615, MESR)</b></p>
	(b)	The GoC-in-C of a Command has classified a road as 'military' in a Cantonment under his command. Is the same in order? Why?  <p style="text-align: right;"><b>(1 Mark)</b></p>
	Ans.	No. Classification of a road as 'military' requires approval of Government of India.  <p style="text-align: center;"><b>(Auth: Para 238, MESR)</b></p>
	(c)	Name the agency responsible for :  (i) Erecting and maintaining boundary pillars for demarcating military land/ class A land.  (ii) Erecting and maintaining boundary pillars for demarcating boundaries of a Cantonment.  <p style="text-align: right;"><b>(1 Mark)</b></p>
	Ans.	(i) MES  (ii) Cantonment Board  <p style="text-align: center;"><b>(Auth: Para 252, MESR)</b></p>
	(d)	Cost plus tenders require prior sanction of -----  <p style="text-align: right;"><b>(1 Mark)</b></p>
	Ans.	Engineer-in-Chief  <p style="text-align: center;"><b>(Auth: Para 432, MESR)</b></p>
	(e)	Due to unstable hilly terrain and frequent landslides, a military road in the hills requires additional protective works. The rough indication cost for the work is Rs 8 lakhs. Under which category of works would this work be covered and why?  <p style="text-align: right;"><b>(2 Marks)</b></p>
	Ans.	<b>Special repairs:</b>  When additional protective work becomes necessary on a hill road, the repairs, irrespective of cost, will be treated as Special Repairs.  <p style="text-align: center;"><b>(Auth: Para 242, MESR)</b></p>

	(f)	For a contract all work orders were numbered as consecutive odd numbers starting from 1 and all deviation orders were given consecutive even numbers. Comment on the correctness of the procedure. <b>(2 Marks)</b>
	Ans.	For a contract, all orders will be numbered consecutively, irrespective of whether they are work orders or deviation orders.  In this case, the procedure of giving odd and even numbers to Work orders and Deviation orders was not correct.  <b>(Auth: Para 263, MESR)</b> <span style="color: red; border: 1px solid red; border-radius: 50%; padding: 2px;">363</span>
	(g)	The lowest tender was withdrawn by L1 contractor due to personal issues. Consequently, the Accepting Officer placed the order on L2 as work had to be completed at the earliest. Comment on the correctness of the procedure. <b>(2 Marks)</b>
	Ans.	If the lowest tender is withdrawn due to any reason, there shall be retendering in a transparent and fair manner.  In the above situation retendering should have been done and if required limited or short notice tendering should have been done.  <b>(Auth: Para 425, MESR)</b>
2.	(a)	What are the departmental charges levied by MES for checking of estimates for Grant-in-Aid works and works financed completely from Cantonment Board Funds? <b>(1 Mark)</b>
	Ans.	No departmental charges are levied by MES in such cases.  <b>(Auth: Para 4, MESR)</b>
	(b)	A military building in station 'X' was re-appropriated for rent free use a place of worship. After 2 years a new unit moved into station 'X' and the building was required to set up the office of its CO. The Area Commander ordered that the building be relinquished for use by the unit. Was the action of the Area Commander justified? <b>(2 Marks)</b>
	Ans.	The action was justified. Re-appropriation of available military buildings for rent free use as a place of worship may be sanctioned provided the building will be relinquished when required for any other purpose and no religious body will ever acquire any permanent rights over the building.  <b>(Auth: Para 156 MESR)</b>

	(c)	Can transfer of buildings and installations take place between Army and Navy? If yes, which authority can grant sanction for it, and what will be the transaction charges?  <b>(2 Marks)</b>
	Ans.	Transfer of buildings and installations can take place between Army and Navy (departments and Services under Ministry of Defence) with the sanction of Government of India. The transaction will be free of charge.  <b>(Auth: Para 175, MESR)</b>
	(d)	What are the departmental charges levied on work carried out by MES for Army? Are there any exceptions under Army?  <b>(2 Marks)</b>
	Ans.	Departmental charges are not levied on any work carried out for Army, except in case of Farms, where such charges are reflected in their production account.  <b>(Auth: Para 214, MESR)</b>
	(e)	A unit commander wishes to carry out tarring of walls in unit lines under own arrangement. Is this permitted? If yes, whose approval is required for it?  <b>(1 Mark)</b>
	Ans.	Unit commanders may, with the approval of CWE, be allowed to carry out tarring of walls in unit lines under their own arrangement.  <b>(Auth: Para 231, MESR)</b>
	(f)	The aforementioned unit commander has collected materials for tarring from the GE concerned and employed a contractor for carrying out the tarring. Comment on the correctness of the action.  <b>(2 Marks)</b>
	Ans.	The work of tarring has to be carried out by the soldiers of the unit as employment of contractors for this purpose is not permitted. So the action of the unit commander is not correct.  <b>(Auth: Para 231, MESR)</b>
3.	(a)	What is the period of retention for (i) rejected tenders, (ii) late tenders  <b>(1 Mark)</b>
	Ans.	One year  <b>(Auth: Para 431, MESR)</b>
	(b)	Who maintains the register of Measurement Books in the office of every GE?  <b>(1/2 Mark)</b>
	Ans.	AO (GE)  <b>(Auth: Para 374, MESR)</b>

(c)	After completion of a work, a note that completion report has been rendered will be made in the -----  <b>(1/2 Mark)</b>
Ans.	Construction Account  <b>(Auth: Para 379, MESR)</b>
(d)	A building has been hired for Military use. MES has been tasked with the responsibility of maintaining its garden. Is this permissible? If yes, under what conditions?  <b>(2 Marks)</b>
Ans.	It is permissible for MES to maintain the garden of a building hired for military use, if it is incumbent on the MES to do so under the terms of the lease.  <b>(Auth: Para 253, MESR)</b>
(e)	GoC-in-C (Command) accorded consent to MES for taking up a Deposit work costing Rs. 18 lakh. Comment on the correctness of action.  <b>(2 Marks)</b>
Ans.	For Deposit works costing more than Rs.10 lakh, prior consent of Chief of Army Staff is required. In this case, the consent has been granted by GoC-in-C, who has powers upto only Rs. 10 lakh. So the action is not correct.  <b>(Auth: Para 306, MESR)</b>
(f)	The building of a CDA office in the Cantt area was under the charge of local GE. MES was approached for construction of a new conference hall within the building. Observing no progress after three months, the office checked with the GE the reasons for delay. It was found that building plan of the office was not available with the GE. CDA complained to the Chief Engineer about the poor record keeping by MES. Was the complaint valid?  <b>(2 Marks)</b>
Ans.	The record plan of every building on his charge will be maintained in the office of the GE who will be responsible that such plans are corrected up to date.  In this case the GE office is at fault and the complaint of the CDA is correct.  <b>(Auth: Para 385, MESR)</b>
(g)	The last date for receipt of tenders was 24.6.2019 (1100 hrs). What will be the fate of the tender received on 24.6.2019 at 11.05 AM? For what reasons can this tender be opened?  <b>(2 Marks)</b>
Ans.	No tender received after the expiry of appointed time will be considered for acceptance. Such tenders may be opened to ascertain desirability of re-inviting tenders.  <b>(Auth: Para 222 (e), MESR)</b>

4.	(a)	For MES offices, the initial supply and subsequent repairs of all scientific, drawing and delicate measuring instruments is the responsibility of ----- <b>(1 Mark)</b>
	Ans.	National Instruments Limited. <b>(Auth: Para 111, MESR)</b>
	(b)	A Chief Engineer sanctioned 5 bicycles for use by his staff and 2 for use at CWE office. Is his action in order? <b>(1 Mark)</b>
	Ans.	The action is in order. A CE may sanction any number of bicycles required for his own office and also any additional number required by a CWE office etc. <b>(Auth: Para 118, MESR)</b>
	(c)	Under which category of non gazetted civilian personnel of MES do the following fall: i) Draftsmen ii) Masons iii) Blacksmiths iv) Meter readers <b>(2 Marks)</b>
	Ans.	(i) Non Industrial (NI) ii) Industrial (I) iii) I iv) NI <b>(Auth: Para 86, MESR)</b>
	(d)	A civilian officer of MES moved on permanent duty from Lucknow in Central Command to Avadi in Southern Command. The move was authorized by Chief Engineer, Central Command. Comment on the correctness of procedure. <b>(2 Marks)</b>
	Ans.	The procedure is not correct as movement of a civilian officer on permanent duty from one command to another is to be authorized by the E-in-C, and not the authorities below E-in-C. <b>(Auth: Para 93, Table 'L' MESR)</b>
	(e)	Acceptance of Necessity for an original work was accorded for an amount of Rs 18 lakhs. When approximate estimates were prepared, they amounted to Rs 20 lakhs. What is the course of action required in this case? <b>(2 Marks)</b>
	Ans.	When Approximate Estimates exceed by more than 10% of the amount for which necessity was accepted, revised acceptance of necessity by CFA will be necessary. In this case, the AEs exceed the amount of AoN by more than 10 %, so revised AoN is required from the CFA. <b>(Auth: Para 129, MESR)</b>

	(f)	Due to shortage of residential accommodation in station 'X', necessity for construction of 4 new buildings having 4 flats each was accepted. Administrative Approval for 2 buildings was accorded in April 2017 and for remaining 2 in September 2017. Is the action in order?	<b>(2 Marks)</b>
	Ans.	The action is in order. Any item of a project which does not commit Government to the completion of the whole project may be given separate Admin Approval. <b>(Auth: Para 131, MESR)</b>	
5.	(a)	In which statement of Annual Review of MES Expenditure is the rush of expenditure in March reflected?	<b>(1 Mark)</b>
	Ans.	Statement 'E' <b>(Auth: Para 127, OM-VIII)</b>	
	(b)	Which specific point is seen by Director General of Audit (Defence Services) when auditing the Admin Approvals accorded by the GoI?	<b>(1 Mark)</b>
	Ans.	The only point seen is that the Admin approval has been issued with the concurrence of Ministry of Defence (Finance). <b>(Auth: Para 9, OM-VIII)</b>	
	(c)	An admin approval is dated 25.5.2008. Work commenced on 25.1.2010. Is this in order?	<b>(1 Mark)</b>
	Ans.	Not in order. The work should commence within 1 year from the date of issue of Admin Approval. <b>(Auth: Para 2, DWP)</b>	
	(d)	Give the minor head pertaining to works under Major heads 2076 and 2077.	<b>(1 Mark)</b>
	Ans.	Minor head 111 <b>(Auth: Para 1 A, MES LAM)</b>	
	(e)	During the scrutiny of a suspense register a deposit over 5 years old was found. What is the action required?	<b>(2 Marks)</b>
	Ans.	The deposit is to be credited to revenue during the year then closing, as deposits over 3 years old (excluding the year of deposit) are credited to revenue during the year then closing and not taken to subsequent years' register. <b>(Auth: Para 155 (iii), MES LAM)</b>	

	(f)	A unit is organizing an event in which 200 guests are expected. Furniture available in the unit is not sufficient. The CO decides to temporarily obtain 20 chairs and 4 tables from 2 other units in the station. Is the action permitted? If yes, whose approval is required for it?  <b>(2 Marks)</b>
	Ans.	The action is permitted. The involved units require prior approval of GE/ CWE for temporary transfer among them of furniture issued to them.  <b>(Auth: Para 6, Furniture accounting, MES LAM)</b>
	(g)	Can a private counsel be engaged to defend Govt cases in the Court of Law? If yes, whose approval is required for the same?  <b>(2 Marks)</b>
	Ans.	A private counsel can be engaged to defend Govt cases in Court of Law, only with the prior approval of Ministry of Defence and Law.  <b>(Auth: Para 30.7.2.2 Addenda I, OM-VIII)</b>
6.	(a)	----- is the competent authority for grouping of buildings for the purpose of Special Repairs.  <b>(1 Mark)</b>
	Ans.	Garrison Engineer  <b>(Auth: Para 10 (b), DWP)</b>
	(b)	A newly purchased building for one of the Army units required some works amounting to Rs 1.5 lakhs, before it could be brought into use. Admin Approval for the work was accorded by CFA treating the work as 'Original work'.
	(i)	<b>Was the action of CFA correct?</b>  <b>(2 Marks)</b>
	Ans.	Action of the CFA is correct. Works necessary to bring into use buildings newly purchased fall in the category of original works.  <b>(Auth: Para 4, DWP)</b>
	(ii)	If the cost of the aforementioned work was Rs 4.5 lakhs, under which category of works would it fall?  <b>(1 Mark)</b>
	Ans.	Low Budgeted Capital works, ie, original works costing more than Rs 2 lakhs but less than Rs 15 lakhs.  <b>(Auth: Para 5, DWP)</b>
	(c)	Periodic lime washing and distempering of the aforementioned building used by Army was shown under 'Original Works'. Is the action correct?  <b>(2 Marks)</b>
	Ans.	Action was not correct. Periodical Services (including the said two) are covered under Repairs (Ordinary Repairs).  <b>(Auth: Para 9, DWP)</b>

	(d)	Who will be the CFA for according Admin Approval for the aforementioned lime washing and distempering?  <b>(2 Marks)</b>
	Ans.	No Admin Approval is required for this job as Admin Approval is not necessary for ordinary repairs.  <b>(Auth: Para 9 (c), DWP)</b>
	(e)	The cost of special repairs carried out in a building is Rs 10 lakhs. Under which budget head will it be booked and why?  <b>(2 Marks)</b>
	Ans.	The booking will be under Revenue head of the budget as all special repairs are budgeted under revenue head.  <b>(Auth: Para 10 (c), DWP)</b>
7.	(a)	Pens and A 4 size sheet reams amounting to Rs 5000/- was found procured under operational works procedure. Comment.  <b>(1 Mark)</b>
	Ans.	The said procurement is incorrect as there is no provision under operational works procedure for purchase of stationery.  <b>(Auth: Section 3, Para 28, Addenda III, Management of Operational works, DWP)</b>
	(b)	Unsettled objections relating to appropriation are to be included in which statement of Annual Review of MES expenditure?  <b>(1 Mark)</b>
	Ans.	Statement 'C' <i>Page - 127</i> <b>(Auth: Para 312, UA manual)</b>
	(c)	Which officer has the responsibility of hiring of accommodation required for Service officers and payment of rentals?  <b>(1 Mark)</b>
	Ans.	Defence Estate Officer  <b>(Auth: Para 353, UA manual)</b>

	(d)	The loss of a building and furniture therein on charge of a Navy unit is being included in the statement of losses of Appropriation account by the Regional CDA in whose area the Navy unit is located. Is the action correct? What action is required in case of special works which are brought to account finally by PCDA (Navy)?  <b>(3 Marks)</b>
	Ans.	The action by Regional CDA is correct as Regional CDA is responsible for inclusion of such items in its statement of losses.  In case of special works in respect of Indian Navy for which transactions are brought to account finally by PCDA (Navy), the responsibility for exhibition of losses in the Appropriation Accounts rests with PCDA (Navy).  <b>(Auth: Para 322, UA manual)</b>
	(e)	How many loss statements will be prepared if during stock taking in one section of an Engineer Park, loss of 6 dissimilar items is noticed?  <b>(2 Marks)</b>
	Ans.	A single loss statement should be prepared in this case, as losses of individual items and even of dissimilar items noticed in a particular stock taking in any one section of a Park will be treated as one item of loss and require a single loss statement.  <b>(Auth: Para 325, UA manual)</b>
	(f)	Which agency under Defence Accounts Department carries out the arithmetic check of Periodical Services Measurement Books (PSMBs)? If any entry is left unchecked by this agency, which agency does the checking later?  <b>(2 Marks)</b>
	Ans.	Arithmetic check is carried out by local audit staff. If any entry is found unchecked on receipt of bill based on measurements in PSMB, the same will be checked by AAO GE.  <b>(Auth: Para 329, UA manual)</b>
8.	(a)	How are departmental charges on MES works adjusted?  <b>(1 Mark)</b>
	Ans.	Departmental charges, if leviable, on works carried out by MES, are adjusted by Sub Divisional Officers (SDOs) by means of transfer vouchers.  <b>(Auth: Para 109, UA manual)</b>
	(b)	Scope of work has been reduced due to administrative reasons. Does Admin Approval require revision?  <b>(1 Mark)</b>
	Ans.	No.  <b>(Auth: Para 49, UA manual)</b>

	<p>(c) A contract was accepted by GE within his power of acceptance and original and duplicate copies of the contract deed along with supporting documents were forwarded to the Regional CDA. Is there any discrepancy in the procedure?</p> <p style="text-align: right;"><b>(2 Marks)</b></p>
Ans.	<p>Contracts accepted by GE should be forwarded to the AO/ AAO attached to him for submission to the CDA/ PCDA.</p> <p style="text-align: center;"><b>(Auth: Para 72, UA manual)</b></p>
	<p>(d) A AAOGE observed that a tender containing freak rates was accepted by the executive authorities. There was no record of consultation with CDA. The AAO objected. Is his objection valid?</p> <p style="text-align: right;"><b>(1 Mark)</b></p>
Ans.	<p>The objection of AAO is valid. PCDA/ CDA has to be consulted when accepting a tender with freak rates.</p> <p style="text-align: center;"><b>(Auth: Para 77, UA manual)</b></p>
	<p>(e) A 'B' class contractor registered with GE (Army) Chennai has deposited Standard Security Deposit and executed Standard Security Bond. He wants to execute work for GE (Navy) Chennai also. GE (Navy) asks the contractor to deposit Standard Security Deposit and execute Standing Security Bond. Comment.</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
Ans.	<p>A contractor registered with GE providing Services to Army/Navy/AF/OF/R&amp;D and who has deposited SSD and executed SS bond, will be allowed to execute work in r/o GE working for other Services without depositing separate SSD, provided work pertaining to the other Service is located in the same station and the works come under the jurisdiction of same PCDA/ CDA to which the enlisting authority has furnished SSD and SSB for safe custody.</p> <p>In this case both the GEs are in the same station and under the audit jurisdiction of the same Regional CDA. So fresh SSD and SSB may not be asked for by GE (Navy).</p> <p style="text-align: center;"><b>(Auth: Para 82, UA manual)</b></p>
	<p>(f) In a register for measurement books, the date of issue of a MB was given as 15.1.2012, date of completion of work was written as 25.6.2012 and due date for its destruction was given as 20.10.2019. Comment on the correctness.</p> <p style="text-align: right;"><b>(2 Marks)</b></p>
Ans.	<p>Completed MBs have to be preserved for 10 years after the date of completion of work. So the due date given in the MB register for its destruction is incorrect.</p> <p style="text-align: center;"><b>(Auth: Para 131, UA manual)</b></p>

## भाग-II (भंडार लेखा और आंतरिक लेखापरीक्षा)

(क) थलसेना

## SECTION-II (Store Accounts and Internal Audit)

(A) ARMY

1.	(a)	What is the periodicity of audit of Map accounts maintained by units/ various Directorates at IHQ MoD (Army)? What is the criterion for this? <b>(2 Marks)</b>
	Ans.	The Map accounts at units/ Directorates at IHQ, MoD (Army) will not be subject to audit due to security reasons. <b>(Auth: Para 402, ALAM-I)</b>
	(b)	It was seen that stores were issued on payment at the AOC Officer's shop to 15 JCOs and 5 MNS officers. Could the same be objected to in audit? <b>(2 Marks)</b>
	Ans.	No, this cannot be objected to in audit, as MNS officers and JCOs fall in the list of entitled persons for obtaining AOC stores from AOC Officers' shops on payment basis. <b>(Auth: Para 241 (B), ALAM-I)</b>
	(c)	What is the scope of audit for ration returns? <b>(1 Mark)</b>
	Ans.	33 1/3 % for detailed audit, i.e. 2 months in every 6 months. <b>(Auth: Para 281, ALAM-I)</b>
	(d)	Credit sale of fodder is permissible only to ----- <b>(1 Mark)</b>
	Ans.	The President, the Chiefs of Staff of the three Services and their personal staff. <b>(Auth: Para 106, SAI)</b>
	(e)	Provisional pension and gratuity was found sanctioned to an eligible cantonment employee on retirement by ADEO of the Cantonment Board. The LAO objected to the same. What could be the justification for LAO's objection? <b>(1 Mark)</b>
	Ans.	The sanction should have been from the President, Cantonment board. <b>(Auth: Para 394 (b), ALAM-I)</b>

	(f)	A patient transferred from Base Hospital, Delhi to Army Research and Referral Hospital Delhi, travelled in hospital clothes provided by the Base Hospital. Is this permitted? If yes, under what conditions? How will this hospital clothing be accounted for if the patient travelled to RR hospital escorted?  <b>(3 Marks)</b>
	Ans.	Travelling from one hospital to the other in hospital clothing is permitted only for lying patients. If the patient transferred from Base Hospital to RR hospital is in lying condition, he can go in the hospital clothing provided by the Base hospital. The individual escorting the patient will be responsible to bring back the hospital clothing. In this case, the escort of the patient will return the clothing to Base hospital and the clothing will not be struck off the ledger charge at the Base hospital.  <b>(Auth: Para 315, ALAM-I)</b>
2.	(a)	A Military Farm lost 4 buffaloes. The Court of Inquiry found Shri 'X' responsible for the loss and directed recovery from him. The animals were farm bred and had calved since purchase. The book value of each animal is Rs 15,000/-. What will be the amount to be recovered from Shri 'X'?  <b>(3 Marks)</b>
	Ans.	$4 * 15000 * 2 = \text{Rs } 1,20,000/-$ (ie twice the book value into number of animals)  <b>(Auth: Para 208, SAI)</b> <i>347 S Alam part I</i>
	(b)	A unit invited tenders to procure an item. 3 bids were received. The unit felt the response unsatisfactory and decided to retender. 2 of the bidders wanted to submit fresh bids without paying tender fee again. The unit refused fresh bids without payment of tender fee again. Comment on the correctness of action by the unit.  <b>(2 Marks)</b>
	Ans.	In cases where tenders received are unsatisfactory and retendering has to be resorted to, no fee will be charged from the contractors who submitted tenders in the first instance. In this case, no tender fee should be taken from the 2 earlier bidders.  <b>(Auth: Para 172, SAI)</b>
	(c)	The car diary of a staff car used by Major General 'X' of unit 'Y' was signed by his staff officer, instead of the officer himself. For 2 days, when the staff officer was on leave, the car diary was signed by the driver. Comment on the correctness of the action.  <b>(2 Marks)</b>
	Ans.	Where a senior officer not below the rank of a Brigadier is the user of a staff car, the staff officer accompanying him may sign the car diary. The car diary cannot be signed by the car driver. So, first action is correct and second incorrect.  <b>(Auth: Para 142, SAI)</b>

	(d)	A unit is moving from Station 'X' to station 'Y'. Explain the procedure for closing of its ration returns. <b>(3 Marks)</b>
	Ans.	When a unit moves from one station to another, OC of the unit will close its ration return showing transactions up to the date of entraining and bring the balances of various items in the ration return to nil by handing over the stock balance, if any, under the orders of the supply depot, to another unit or formation in the station on regular issue vouchers. <b>(Auth: Para 158, SAI)</b>
3.	(a)	How many copies of loss statements are prepared and what is the purpose of each one of them? Which one is signed in ink by the CFA? <b>(3 Marks)</b>
	Ans.	Loss statements are prepared in sextuplicate for use as under: i) Original copy- to be sent to CFA for sanction ii) Duplicate copy – To be retained as office copy iii) Triplicate copy- to be retained in Central Ledger section to support write off iv) Quadruplicate copy-for LAO v) Quintuplicate copy-to be retained by pricing authorities vi) Sextuplicate copy-for the group holder in charge The original copy is signed in ink by the CFA. <b>( Auth: Para 245, SAI)</b>
	(b)	Please comment whether loss statement is required in each of the following cases:
	(i)	loss or damage in transit where Railways admit the claim in part. <b>(2 Marks)</b>
	Ans.	Loss statement is required for residual loss, ie, amount of claim preferred minus the amount admitted by Railways. <b>(Auth: Para 249 (b), SAI)</b>
	(ii)	loss of ammunition declared as unserviceable on reaching the prescribed age limit. <b>(1 Marks)</b>
	Ans.	No loss statement is required. <b>(Auth: Para 254 (g), SAI)</b>
	(c)	Is Court of Inquiry mandatory in all cases of loss of stores due to theft, fraud and neglect? <b>(2 Marks)</b>
	Ans.	In cases of loss of stores due to theft, fraud and neglect, the holding of Court of Inquiry may be dispensed with, at the discretion of the prescribed authority, if the reported loss is less than Rs 10,000/-. <b>(Auth: Para 241 (d), SAI)</b>

	(d)	While stock taking in a unit was in progress, a loss was observed amounting to Rs 1 lakh, due to inaccurate stock taking in the previous year. The LAO suggested a Col, which was opposed by the CO of the unit. Comment. <b>(2 Marks)</b>
	Ans.	A Col is invariably required to investigate losses due to inaccuracies in previous stock taking. The action suggested by the LAO is correct. <b>(Auth: Para 241 (b), SAI)</b>
4.	(a)	During audit of issues at a consignor unit, one of the auditors was linking the 'D' copies of issue vouchers with the ledger entries. The LAO on observing this asked the auditor to revise his method. What would be the correct method? <b>(1 Mark)</b>
	Ans.	Issue linking is to be from issue entries in the consignor's ledgers into the 'D' copies of vouchers and not vice versa as the auditor was found doing by the LAO. <b>(Auth: Para 75, ALAM-I)</b>
	(b)	Inspection of cash accounts of a NCC unit revealed that separate cash books are being maintained for funds obtained from Government of India and the state Government. Is the procedure followed by NCC unit correct? <b>(2 Marks)</b>
	Ans.	Action of NCC unit is correct. NCC units are required to maintain separate cash books for funds received from Government of India and those received from the state government. <b>(Auth: Para 118, ALAM-II)</b>
	(c)	While pricing payment issue vouchers relating to medical stores, LAO observed that a particular item is not traceable in the priced vocabulary. What course of action is required from the LAO? <b>(2 Marks)</b>
	Ans.	In the aforementioned scenario, the LAO should insist upon the concerned depot authorities to obtain payment issue rates of that item from IHQ, MoD (Army). <b>(Auth: Para 109, ALAM-I)</b>
	(d)	In case of loss of ASC stores due to deterioration, net value of the loss was shown on the loss statement and was also taken to determine the CFA competent to deal with the loss. Comment on the correctness of the procedure. <b>(2 Marks)</b>
	Ans.	Net value of loss being taken in the loss statement is correct, but the CFA is to be determined on the gross amount. <b>(Auth: Para 142, ALAM-I)</b>

	(e)	Who is responsible for stock verification of a unit? What is the role of LAO in this process?  <b>(2 Marks)</b>
	Ans.	The responsibility for stock verification of a unit lies on the executive authorities. LAO during his periodic visits to the unit has to verify that stock taking has been carried out as it falls due and to see that staff employed in stock verification is independent of the staff responsible for physical custody of the stock or for keeping account thereof.  <b>(Auth: Para 103, ALAM-I)</b>
5.	(a)	Name the documents required for accounting of patients' diet in a Military Hospital.  <b>(3 Marks)</b>
	Ans.	(i) Ward diet sheets (ii) Daily requisition for diets and extra (iii) Store keeper's diet record (iv) Monthly summary of diets and extras  <b>(Auth: Para 166, SAI)</b>
	(b)	Can a civilian patient be admitted to a MH for treatment?  <b>(2 Marks)</b>
	Ans.	Civilian patients can be admitted into MH under the specific sanction of the Officer Commanding of the MH.  <b>(Auth: Para 164, SAI)</b>
	(c)	What is the mode of recovery of hospital stoppage in respect of a civilian patient?  <b>(2 Marks)</b>
	Ans.	The hospital stoppage will be recovered from civilian patients in cash at the rates prescribed by OC, MH, and the amount realized will be remitted into treasury for credit to the Defence Services Estimates.  <b>(Auth: Para 164, SAI)</b>
	(d)	The OC of a military dental centre refused to provide for LAO audit the register for treatment of non-entitled persons. Comment on his action.  <b>(2 Marks)</b>
	Ans.	MDC has to maintain a register for treatment of non entitled persons. This register will be subject to local audit by LAOs. Hence the refusal of OC, MDC to provide the register for LAO audit is not correct.  <b>(Auth: Para 165, SAI)</b>

	(e)	While auditing the military dental centre, the LAO objected on accounting of dental equipment and instruments in the expense sheet book. Comment on his action.  <b>(1 Mark)</b>
	Ans.	Records/ Accounts of dental medical equipment and instruments are required to be maintained in a separate ledger called 'Surgical and X-ray equipment ledger'. The objection of the LAO is correct.  <b>(Auth: Para 162, SAI)</b>
6.	(a)	A lance naik lost a service rifle. What action could be taken against him?  <b>(2 Marks)</b>
	Ans.	The lance naik will be tried by District Court Martial, unless sanction to dispense with the trial is obtained from the division/ station commander.  <b>(Auth: Para 431, DSR-I)</b>
	(b)	What will be the classification of desertion report by a unit in: i) Operational area, ii) Other than operational area.  <b>(1 Mark)</b>
	Ans.	(i) Secret, (ii) Confidential  <b>(Auth: Para 377, DSR-I)</b>
	(c)	A deserter was apprehended by civil police and detained in civil jail till arrangements were finalized for his dispatch to his unit. Comment on the correctness of the action of civil police.  <b>(2 Marks)</b>
	Ans.	Deserters apprehended by civil police should be dispatched to the nearest regimental centre or unit specified for the purpose, and not detained in a civil jail. The action of civil police in this case was not correct.  <b>(Auth: Para 378, DSR-I)</b>
	(d)	Unit 'X' was selling its old furniture through auction. What quantum of commission will be admissible to the JCO who is acting as auctioneer?  <b>(2 Marks)</b>
	Ans.	No commission is admissible to a government servant acting as auctioneer in auction sales by units/ departments.  <b>(Auth: Para 901, DSR-II)</b>

	(e)	What is the pattern of distribution of vacancies among entitled boys and non entitled boys at Rashtriya Military School? What is meant by entitled and non entitled boys?  <b>(2 Marks)</b>
	Ans.	The entitled boys are sons of serving and ex-service JCOs/ Ors of Army and their equivalent ranks in Navy and Air Force. 67 % of the vacancies are reserved for them. Non entitled boys are sons of Service officers and Civilians. 33 % of vacancies are reserved for them.  <b>(Auth: Para 264, DSR-I)</b>
	(f)	Which corps of the Army provides: i) training in music, ii) advice to Director of Military Training on matters relating to physical training of personnel?  <b>(1 Mark)</b>
	Ans.	(i) Army Educational Corps  <b>(Auth: Para 274, DSR-I)</b>  (ii) Army Physical Training Corps  <b>(Auth: Para 272, DSR-I)</b>
7.	(a)	GoC (Uttar Bharat Area), under Central Command wishes to study methods of instructions employed at High Altitude Warfare School, Gulmarg located in Northern Command. Does he require any approval? If so, from which authority and why?  <b>(3 Marks)</b>
	Ans.	To visit a training and educational establishment situated outside the command in which the visiting officer is stationed, the approval of Dy Chief of Army Staff is required. In this case, the GoC (UB Area), which comes under Central Command is planning to visit HAWS, Gulmarg, which lies in Northern Command. So, approval of DCoAS is required.  <b>(Auth: Para 268, DSR-I)</b>
	(b)	Lt Colonel 'X' while proceeding on 20 days leave to home station carried along his personal arms. Is this act permitted under rules? If so, what measures are required to be observed by the officer during travel by train, and in a civil aircraft?  <b>(3 Marks)</b>
	Ans.	An officer can be allowed to remain in possession of personal arms while going on leave. While travelling armed, the officer will carry his pistol on his person in regulation pattern web pistol cases. If travelling in a civil aircraft, the officer has to hand over his arms to the captain of aircraft for safe custody during flight, and collect the same from the Captain immediately on arrival at destination.  <b>(Auth: Para 915, DSR-II)</b>

	(c)	An Army captain aged 24 years requested for allocation of a married accommodation for bringing his wife to his station of duty. Will his request be accepted by the quartering authority?  <b>(2 Marks)</b>
	Ans.	No. Officers who marry before the age of 25 years will not be entitled to married accommodation until they attain that age. <b>(Auth: Para 1023, DSR-II)</b>
	(d)	Is free ration admissible to unit religious teachers?  <b>(2 Marks)</b>
	Ans.	Free ration is admissible to unit religious leaders while on duty. <b>(Auth: Para 885, DSR-II)</b>
8.	(a)	During audit of AFMC, Pune it was observed that blood was being supplied to patients of a private practitioner in exchange for a donor. The same was objected to by the LAO. AFMC refuted the objection saying it is permitted to provide blood in exchange for a donor. Is the objection correct?  <b>(2 Marks)</b>
	Ans.	The objection was correct. Though blood can be provided for patients receiving treatment by private practitioners, in such cases, in addition to provision of a donor, a sum of Rs 50/- is to be charged for each bottle of blood. <b>(Auth: Para 312, SAI)</b>
	(b)	Name the account maintained at AFMC to account for milk, grain and fodder received for issue to lab animals.  <b>(1 Mark)</b>
	Ans.	Forage returns <b>(Auth: Para 314, SAI)</b>
	(c)	A list of all railway warrants and credit notes for movement of troops and stores in aid of civil authorities at Nagpur was sent by the issuing authority at Mhow to CDA Jabalpur. Comment on the correctness of action.  <b>(2 Marks)</b>
	Ans.	The issuing authority should have sent the aforementioned list to PCA (Factories) Kolkata to enable compilation of the same, irrespective of the location of the unit. <b>(Auth: Para 302 (e), SAI)</b>
	(d)	At station 'X' the daily requirement of bread for free as well as payment issue demands is 90-95 kg. Is a bakery authorized in this station?  <b>(2 Marks)</b>
	Ans.	No, bakery is authorized in stations where daily demand of bread is 113.398 kg or more. <b>(Auth: Para 209, SAI)</b>

	<p>(e) Audit of a unit showed that it had paid amounts ranging from Rs 50/- to Rs 500/- to the EME workshop for carrying out repairs to refrigerating equipment provided in its PET. This was objected to by the LAO. Comment on the correctness of the objection.</p> <p style="text-align: right;"><b>(2 Marks)</b></p>
<p>Ans.</p>	<p>EME is responsible for carrying out repairs, free of cost, to the refrigerating equipment issued to entitled units against their PET. LAO's objection is justified.</p> <p style="text-align: center;"><b>(Auth: Para 95, SAI)</b></p>
	<p>(f) The wife of a JCO was found running a tailor shop in the married accommodation allotted to him. The JCO was not able to show any permission accorded by the commanding officer for this purpose. What will be the action due on the JCO?</p> <p style="text-align: right;"><b>(1 Mark)</b></p>
<p>Ans.</p>	<p>The aforementioned action of the JCO will be regarded as misbehavior and render him liable to vacate the married quarter.</p> <p style="text-align: center;"><b>(Auth: Para 1024, DSR-II)</b></p>

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## SAS-II EXAMINATION, NOVEMBER 2019

### MODEL ANSWERS

#### PAPER-V(Practical (With Books)

#### SECTION-II (Store Accounts and Internal Audit)

#### (B) AIR FORCE

Q.1	(a)	Please define the categories of classification of the Air Force Units for the purpose of Equipment Accounting. <span style="float: right;"><b>(3 Marks)</b></span>
	Ans.	<p>For the purpose of Equipment Accounting, the Air Force units and formations may be classified into the following two categories:</p> <ul style="list-style-type: none"> <li>(i) Maintenance units for I.A.F. i.e. various Equipment Depots(EDS), Air Storage Parks(ASPs)</li> <li>(ii) Consuming units, which comprise all other units and formations of Air Force (including the units sections of the Maintenance units). Some of the consuming units falling under category (ii) are either non self-accounting for equipment or are semi self-containing. When a unit is not self-accounting, the appropriate self-accounting unit to which it is affiliated for equipment accounting is notified by the Air HQRS, New Delhi.</li> </ul> <p style="text-align: center;"><b>[Authority: Chapter 1, Para 2 of AFLAM (Revised Edition 2013)]</b></p>
	(b)	Who carries out the internal checks on the accounts on behalf of the Executive Authorities of the Air Force? What are his main duties? <span style="float: right;"><b>(1+6 Marks)</b></span>
	Ans.	<p>The Accountant Officers who are established at all important Air Force Units and formations carry out, an internal check on the accounts on behalf of the executive authorities to ensure that the orders relating to the accounting of Indian Air Force Equipment, etc, are implemented and that the accounts are accurately maintained.</p> <p>The main duties carried out by the Accountant Officers are:</p> <ul style="list-style-type: none"> <li>(i) Ensuring the completion of the voucher series.</li> <li>(ii) The speedy clearance and completion of the vouchers.</li> <li>(iii) Maintenance of Article-in-Use Ledgers.</li> <li>(iv) The dispatch of blue copies of Form IAFF (Q) 429 to the consignor LAO/Group superintendent.</li> <li>(v) Watching prompt receipt of red copy/CRV and Blue copies of external receipt vouchers [IAFF(Q) 429] for equipment section through the medium of a register of in-coming blues, vide A.F.O 788/71. In the case of consignor units, watching the receipt of receipted Blues from the consignee Accountant Officers.</li> <li>(vi) Exercising a cent percent check of postings in the Stock Record Cards/tally cards maintained by the Equipment Officer.</li> <li>(vii) Ensuring that M.T. accounting records are correctly maintained.</li> <li>(viii) Ensuring that all objections are promptly investigated and action taken for their settlement.</li> </ul> <p style="text-align: center;"><b>[Authority: Chapter 1, Para 4 of AFLAM (Revised Edition 2013)]</b></p>

Q.2	(a)	<p>In what circumstances the scope of local Audit in respect of a Unit can be extended? Who should be kept informed of the same?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	Ans.	<p>If, during recent previous visits to a formation (or during the current visit), difficulty have been (or is) experienced in obtaining full and free access to any essential accounts or record, or in obtaining any important explanation or if during the course of test check, the LAO(AF)(or Group Superintendent Local Audit, Air Force in his absence ) feels that he is seriously "put upon enquiry" he should extend the scope of audit, using his discretion and judgement as to how this should be done and to what extent.</p> <p>In all such cases the L.A.O. (AF) should report the facts specifically to the PCDA/CDA(AF) and record his reasons for enhancing the extent of audit.</p> <p style="text-align: center;"><b>[Authority: Chapter 1, Para 10 of AFLAM (Revised Edition 2013)]</b></p>
	(b)	<p>What are the main principles, in general, will be applied while conducting local audit of store Accounts?</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
	Ans.	<p>The main Principles to be applied in general, while conducting local audit of store Accounts are:</p> <ul style="list-style-type: none"> <li>(i) The accounting procedure followed by units and formations does not differ from that prescribed by rules</li> <li>(ii) All receipts and issues have been duly accounted for in the Stock Record Cards/Tally Cards etc.</li> <li>(iii) The prescribed checks are exercised by the Equipment Accounts Section on postings in the Stock Record Cards/Tall Cards and on other subsidiary accounting documents maintained by the units.</li> <li>(iv) The stores issued for consumption of use do not exceed the scale authorized in Government orders.</li> <li>(v) The stock taking has been carried out to the prescribed extent and action taken to adjust discrepancies revealed therein.</li> <li>(vi) The balance of stores do not exceed the authorized limits and that suitable action is taken for the disposal of surplus and obsolete stores.</li> <li>(vii) All losses and damages are dealt with under the orders of the competent financial authority in accordance with Financial Regulations and other orders issued by competent authorities.</li> </ul> <p style="text-align: center;"><b>[Authority: Chapter 1, Para 8a of AFLAM (Revised Edition 2013)]</b></p>

Q.3	(a)	Elucidate Dead Stock Cards. <span style="float: right;">(3 Marks)</span>
Ans.	<p>Single Stock Cards which have been completed, and those on which the balance has been reduced to "nil", when there is not probability of further transaction of the item, are to be regarded as "<b>Dead</b>" and transferred to separate binders or boxes as soon as the accounts for the period in which the cards were closed have been audited. When the balance has been reduced to "nil", but there is a probability of further transaction, the stock card is to be reined in the current binder of box for one year in the case of consumer units and two years in the case of stock-holding Depots from the date of the last transaction. Thereafter, to it to be removed as "Dead". "Dead" stock cards are not to be reopened, but are to be arranged in sequence of vocabulary reference numbers and retained for a period of three years after audit.</p> <p style="text-align: center;"><b>[Authority: Para 65, Chapter 2 of IAP 1501]</b></p>	
	(b)	<p>What actions should be taken by the local audit staff in case of movement Air Force Squadrons from one station to other station under the jurisdiction of different LAO? <span style="float: right;">(7 Marks)</span></p>
Ans.	<p>At stations, where local audit staff is based and move of such a unit comes to their knowledge, the following action will be taken by them to ensure that:</p> <ul style="list-style-type: none"> <li>(i) The audit of documents, e.g. Flight Authorisation Book, etc. kept by them is in current state.</li> <li>(ii) The vouchers raised in respect of equipment which is to accompany a unit of Sqn. On transfer are properly auctioned in the Article-in-Use Ledger separately maintained for such equipment vide para 100-101 Chapter 12 IAF 1501; where this is not done, it is to be ensured that action as laid down in paras 99k 102 et seq thereof is completed by the parent unit to which the Sqn/Flight was attached prior to its move.</li> <li>(iii) The outstanding audit objections connected with the accounts which are independently maintained by the unit are extracted to the L.A.O in whose audit area the units moves.</li> <li>(iv) The list of independent records kept by the unit is forwarded to the L.A.O/Group superintendent in which audit area it moves.</li> </ul> <p>At stations, where stationary local audit staff is not based, similar action as indicated in the case of self-accounting unit is to be taken by the LAO form whose audit area the Squadron moves. The LAO/ Group Superintendent should also ensure at the time of audit of AF station to which the Squadron was attached that all vouchers pertaining to unit equipment inventory are properly annotated and auctioned in Article-in Use Ledger separately maintained for such equipment. Details of attractive and valuable items issued are also to be extracted to the LAO in whose audit area the Squadron moves for verification at their end.</p> <p><b>[Authority: Chapter 1, Para 21(a) &amp; 21 (b) of AFLAM (Revised Edition 2013)]</b></p>	

Q.4	(a)	Stores are dispatched to other AF Unit as "Freight to Pay". Please comment on appropriateness. <b>(3 Marks)</b>
	Ans.	<p>Equipment is normally to be dispatched by the cheapest route and mode of carriage. Stores must not be dispatched "Freight to pay" as such consignments are charged for at public tariff instead of military concession rates, even though delivery may be taken by the consignee by tendering a military credit note. Dispatching Officers are responsible for ensuring that military credit notes are tendered with consignments to Railway Authorities at the dispatching station. When dispatch at Govt. expense, of orders placed with civilian firms is authorised, military credit notes completed as far as possible should be issued to the firms with instructions that the military credit notes are to be presented to the Railway authorities at the dispatching station. Dispatching officers are liable to be called upon to refund any extra expenditure incurred by the dispatch of stores "Freight to pay".</p> <p style="text-align: center;"><b>[Authority: Para 63, Chapter 3 of IAP 1501]</b></p>
	(b)	What is F.403 and for what purposes it is raised? <b>(1+6 Marks)</b>
	Ans.	<p>F.403 is conversion voucher. It is generally raised for :-</p> <ul style="list-style-type: none"> <li>(i) To set off surpluses against deficiencies or vice versa of articles corresponding in condition and quantity under the same generic heading falling within the same section of the vocabulary of stores: also when the items deficient are of a lower category than the corresponding surpluses.</li> <li>(ii) To convert the unserviceable stores into salvage</li> <li>(iii) To support transfer of stores from the charge of on one inventory holder to that of another in a different section of the unit</li> <li>(iv) To strike off charge the quantities of articles ordered for disposal from the main stock record cards to the disposal stock record cards and vice versa.</li> <li>(v) To effect change in denomination of stores held in stock</li> <li>(vi) To convert the balances of not in GIG item when GIG numbers are allotted</li> <li>(vii) To adjust accounts when the stores are received in a condition other than in which vouchered</li> <li>(viii) To adjust losses arising from deterioration of equipment held on the charge of a stock Holding Establishment as serviceable but found by a competent inspecting officer to be unfit for issue owing to deterioration while in stock and the deterioration is not due to lack of suitable storage accommodation or failure to look after the articles properly while in store.</li> <li>(ix) To adjust stock record card balances when stores of a similar type size or category have been wrongly identified or conditioned and incorrectly recorded</li> <li>(x) To adjust accounts in the case of discrepancies in condition in consignments when the same is admitted by consignor.</li> </ul> <p style="text-align: center;"><b>[Authority: Para 111 of AFLAM (Revised Edition 2013)]</b></p>

<b>Q.5</b>	<b>(a)</b>	How the payment of warfare and demurrages due to railways is to be done? <b>(3 Marks)</b>
	<b>Ans.</b>	<p>Warfare and Demurrage: Payment of warfare and demurrage due to railway etc., in respect of stores and detention of railway stock is to be entered separately on Indian Army Forms T-1711, Military Credit Note, immediately the charges have been incurred. Separate Military Credit Notes are to be issued for warfare or demurrage charges as per instruction No. 5 on the reverse of the forms. Full particulars how these charges have been arrived at must also be shown on MC notes. The financial powers of Air Force Offices in respect of this expenditure are contained in Rule No. 20, Financial Regulations, Part I and the sanction of the competent financial authority is required in respect of each separate case of detention etc. The expenditure is not to be regarded as part of the "Monthly Contingent Expenditure". When the amount involved is within the powers of the officer commanding the accounting unit concerned, the signature on the Military Credit Note will be taken as implying that the expenditure has been sanctioned by him. When the amount exceeds the financial powers of the Commanding Officer, Army Form A-497 (Application for sanction of a competent financial authority) is to be prepared in duplicate immediately after the issue of Military Credit Note and forwarded to Command Headquarters, together with a statement giving the reason for the expenditure for the sanction of competent financial authority. If the expenditure beyond the financial powers of the A-OC-In-C Command, the Command Headquarters is to forward the Form A-497 to Air Headquarters for sanction together with any comments relevant to the case.</p> <p style="text-align: center;"><b>[Authority: Para 94, Chapter 3 of IAP 1501]</b></p>
	<b>(b)</b>	State the important points which shall be seen while auditing loss statements. <b>(7 Marks)</b>
	<b>Ans.</b>	<p>In auditing loss statements the following points will be seen:-</p> <ul style="list-style-type: none"> <li>(i) That loss statement has been raised to account for loss of stores in all cases, where necessary, and have been correctly prepared.</li> <li>(ii) That no breach of accounting rules had contributed to the loss</li> <li>(iii) That the loss had been properly investigated according to rules</li> <li>(iv) The remedial measures and/ or the disciplinary action suggested by the administrative authorities are adequate and satisfactory</li> <li>(v) That all the loss statements have been recorded by the unit in the Register of losses</li> <li>(vi) That they have been sanctioned by the CFA</li> <li>(vii) That in reckoning the gross amount, the amount involved has not been sub-divided with a view to bringing the amount of loss within the financial powers of the authority lower than the one who is competent to sanction the gross amount of the loss</li> <li>(viii) That all losses particularly those attributable to theft, fraud or culpable neglect have been fully investigated without any avoidable delay.</li> <li>(ix) That a regular court of inquiry has been held to investigate into all important losses and those due to theft, fraud, culpable neglect.</li> </ul> <p style="text-align: center;"><b>[Authority: Para 120 of AFLAM (Revised Edition 2013)]</b></p>

Q.6	(a)	<p>What action is to be taken by the unit on incorrect receipt of equipment which was meant for other AF unit?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	Ans.	<p>When a Depot/Unit receives equipment for which the stockholding responsibility is that of another depot the equipment so received is to be redirected to the correct depot on form UAFF (Q) 429 Issue Order raised in 6 copies and their distribution will be as under:</p> <ul style="list-style-type: none"> <li>(i) EAS- Two copies (original and duplicate). Duplicate will be forwarded to A.O.</li> <li>(ii) Original consignor - Two copies (3rd &amp; 5th copy).</li> <li>(iii) Ultimate consignee Unit- One copies (red copy) alongwith the consignment.</li> <li>(iv) Intermediate consignee Unit- One copy (pad copy for record). This voucher will be boldly enfacd "Nominal Issue Voucher" and not for "SSRC action". Nominal Issue Voucher will be allotted ex\IV number from a separate series maintained for this purpose. The extra expenditure incurred on re-dispatch of consignment is also been advised to the original consignor for regularisation of extra-expenditure in terms of F.R. (I) Pt. I. Rule 167. On receipt of Nominal Issue Voucher, the original consignor is to BOC the items and forward a fresh issue order to the ultimate consignee for BOC action. The intermediate consignee will clear the red and blue copies of vouchers received from original consignor unit by making an endorsement on them the details of the nominal issue order.</li> </ul> <p style="text-align: center;"><b>[Authority: Para 140A, Chapter 4 of IAP 1501]</b></p>
	(b)	<p>Define the various categorisation of the equipment based on its condition.</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
	Ans.	<p>Categorisation of equipment on return from flight or section to stores either for exchange or as surplus to requirement :</p> <p>The condition of the equipment will be of the following categories: -</p> <ul style="list-style-type: none"> <li>(i) Category 'A'- New and unused equipment.</li> <li>(ii) Category 'B' - Serviceable- for immediate reissue (i.e. Equipment which the inspecting Officer would himself be prepared to accept from the equipment section without further repair or reconditioning and which where suitable test equipment is available, has been subjected to test and found to be fit for use). Equipment the serviceability of which cannot readily be ascertained or which has been found not fully satisfactory under test, is not to be assessed in this category. Assemblies deficient of major components are replaced will render the assemblies serviceable, are to be assessed in this category and the assemblies are to be labelled showing the missing components.</li> </ul>

		<p>(iii) Category 'C' - "Serviceable" Subject to functional test i.e. Equipment which on inspection shows to be apparently serviceable and the general condition of which is such that provided it was tested and found fit for use, the inspecting officer would himself be prepared to accept from the equipment section without further repair, or conditioning but of which the condition cannot be conclusively determined except by the use of test apparatus not available at the station.</p> <p>(iv) Category 'D' - Repairable- (e.g. equipment which on inspection shows to be in need of the repair beyond the capacity or authority of the flight or section returning the equipment or which is deficient of a major component).</p> <p>(v) Category 'E' - Beyond Economical Repair .(i.e. Equipment which is useful as salvage . Assemblies are not to be assessed in this category until serviceable or repairable components, if any, have been removed).</p> <p style="text-align: center;"><b>[Authority: Para 60, Chapter 12 of IAP 1501]</b></p>
<b>Q.7</b>	<b>(a)</b>	<p>a) Please indicate the full form of following:- <span style="float: right;"><b>(3 Marks)</b></span></p> <p>(i) MOG Demand</p> <p>(ii) URR Demand</p> <p>(iii) USR Demand</p>
	<b>Ans.</b>	<p>(i) Missiles on Ground</p> <p>(ii) Urgent Repair Requirement</p> <p>(iii) Urgent Stock Requirement</p>
	<b>(b)</b>	<p>Who is normally responsible to obtain the sanction of write off in case of discrepancy report? State the cases in which it will be necessary for consignor unit to initiate write off action. <span style="float: right;"><b>(2+5 Marks)</b></span></p>
	<b>Ans.</b>	<p>When a discrepancy report is raised on a unit/formation, it is normally the responsibility of the <u>consignee unit</u> to obtain write-off authority, in those cases where the discrepancy is not admitted by the consignor or where the carrying agency does not accept the liability for the same. In all cases of issue from Equipment Depots where consignee units certify that cases where intact and damage and/or deficiencies could not have occurred in transit, the consignor is to make all possible investigation at his unit in respect of equipment lost, damaged, or deteriorated and furnish the consignee with all the relevant information available.</p> <p>In the following cases, however necessary write-off action will be initiated by the consignor unit:-</p> <p>(i) Losses of petrol, benzyl, oil and lubricants occurring between A.S.C. supply depots and Air Force Units and landing grounds.</p>

		<p>(ii) Deficiencies reported by Foreign Governments.</p> <p>(iii) Losses or damage to equipment in transit to civilian contractors from Air Force Units.</p> <p>(iv) Loss or damage attributable to faulty packing at consignor's end or for other reasons admitted by the consignor.</p> <p style="text-align: center;"><b>[Authority: Para 2, Chapter 10 of IAP 1501]</b></p>
<b>Q.8.</b>	<b>(a)</b>	Draft Indents of which items are submitted to the DD(Deputy Director) for the scrutiny: <b>(3 Marks)</b>
	<b>Ans.</b>	<p>Scrutiny by DD: Draft indents are to be submitted to the concerned DD for scrutiny of the following items, where applicable:</p> <p>(i) Scaled rotables.</p> <p>(ii) Hi-Value items, i.e. items for which the unit price is Rs.1000 and above.</p> <p>(iii) Low value items procured from abroad, if the value of the requirement for each item exceeds Rs.1000 and above.</p> <p>(iv) Individual items total cost of which is Rs. 1 lakhs and above in any indent.</p> <p style="text-align: center;"><b>(Auth. Leaflet No 12, Para 10, IAP 1541)</b></p>
	<b>(b)</b>	What is <b>Provisioning Review</b> ? What are the different types of Reviews in Air Force? List out any five circumstances leading to <b>Special Review</b> between two Periodical Reviews? <b>(7 Marks)</b>
	<b>Ans.</b>	<p><b>Review</b> is the process of comparing the assets of an item of equipment with the anticipated requirements during the forward provisioning period with a view to determining whether a deficiency or surplus exists.</p> <p>The different types of review are:</p> <p>(i) Periodical review</p> <p>(ii) Special Review</p> <p>(iii) 'Life of Type' Review</p> <p>(iv) Disposal Review</p> <p><b>Special Review:</b> Special review is an intermediate review which is carried out between two successive periodical reviews under the following circumstances:-</p> <p>(i) Whenever the stock at E.D. of an item falls to the Review Action Figure.</p> <p>(ii) On receipt of AOG inability.</p>

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| <ul style="list-style-type: none"><li>(iii) Monthly supplementary reviews in respect of all net inabilities (other than AOG) received during the month.</li><li>(iv) Whenever a major policy decision affecting provisioning of equipment is taken, For example, change in the rate of flying effort, increase or decrease in UE, replacement of existing equipment by modified or better types, etc.</li><li>(v) Whenever an existing scale of equipment is revised or amended. In such cases, all the items appearing in the revised and superseded scales are to be reviewed.</li><li>(vi) On receipt of S.Is., S.T.Is. and T.S.Is which have a bearing on consumption of spares .</li></ul> |
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**(Auth. Chapter 2, Para 30 & Leaflet No 6, Para 1, 4, IAP 1541)**

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### Answer with book alongwith authorities

Q1.	(a)	What are the categories of personnel whom payment issue of rations are permitted? (4 Marks)
Ans.		<p>Payment issue of rations, from service source is permitted to the following categories of personnel as per Nis 125/65 and 52/75.</p> <ol style="list-style-type: none"><li><b>Officers:</b> Officers not in receipt of free RIK and families of all officers.</li><li><b>Sailors.</b> Sailors not in receipt of free RIK and their families.</li><li><b>Widows.</b> Widows of officers and sailors and their children.</li><li><b>MNS.</b> Members of the Military Nursing Service not in receipt of RIK.</li><li><b>Servants.</b> Servants of officers, MCPO &amp; CPOs.</li><li><b>Service Pensioners.</b> Military pensioners and reservists are permitted on the authority of the officer in Charge, retail issue shop to purchase rations for themselves and house hold, including servants. Such issues will be subject to the restrictions imposed for civilians in rationed area.</li><li><b>Civilian employed in the Navy and Paid from the Defence Service Estimates.</b> All civilian including gazette officers paid from Defence Estimates are permitted to draw rations and fuel on payment for themselves and their household at the IN Ration scale subject to the provisions that monetary value of articles drawn in a month will not exceed the laid down limits. Such issues will also be subject to restrictions imposed for civilians in rationed/non-rations areas. <b>Note:-</b>The term family/household includes only wife and children and not dependents or servants of the individual.</li><li><b>Official Visitors.</b> All officers who are obliged to entertain bonafide official visitors on duty from out stations may, on a certificate to be issued by the Senior Naval Officer, purchase rations/ substitutes and fuel at single rates for their official guests during the period of their stay. Officers eligible to make other additional purchases will be approved by the AA/NOIC concerned and in the case of NHQ by the Chief of the Personnel (COP).</li><li><b>Relatives of Officers and Sailors.</b> Commanding Officer may allow rations to be drawn on payment for relatives of officers and sailors when visiting them as occasional guest, not exceeding two periods of 15 days in a year, provided:-<ol style="list-style-type: none"><li>The stocks permit.</li><li>No civilian rations card is held by or for the guest.</li></ol></li></ol>

**Note:-** The monetary limit in respect of such officers/sailors will be proportionally increased to meet the actual cost of rations drawn. Payment in all cases will be made for the items of the ration drawn. Restrictions imposed for payment issues to civilians in rationed/non-rationed areas will apply in this case also.

- j) **Naval Officers Paid from Civil Estimates.** Naval Officers attached to civil departments or when serving with civil organization are permitted to purchase rations on the same scale and condition as laid down from time to time for Naval Officers serving in the Navy. This concession will be admissible only so long as the officers remain on the active Navy list and on retirement if they are Naval pensioners.
- k) **Civilian Mess Servants.** Rations may be drawn on payment for civilian mess servants employed by authorized Wardroom Messes as per details given below upto the monetary limits:-
- i. Two servants for messes of 5 to 10 members.
  - ii. Four servants for messes of 11 to 20
  - iii. Six servants for messes of 21 to 40
  - iv. One extra servant for every 20 additional members.
- l) **Reservists.** All the reservists entitled to draw ration and fuel on payment for themselves and their household and permitted to purchase items of sailors rations subject to the monetary limits indicated below:-

Period	Monetary limits
i. While on periodical training.	As applicable to MCPO/CPOs and below on active service.
ii. When they are not on periodical training.	As applicable to Military Pensioners.
Auth: Para 0901 of Naval Victualling Manual (NVM).	

(b) What is the procedure of 'Issue of Rations on Payment'? (3 Marks)

Ans.

**Issue Procedure.** Ration will be issued on the production of ration card at time of issue. Cash memo (IAFZ- 2282) will be prepared in quadruplicate. Cash memo will be priced as detailed below:-

- a) Central purchased articles at payment issue rates published in ASC SBRL effective on the date.
- b) Local purchase articles including those obtained through regular contractors will be charged at the latest payment issue rates effective on that date.
- c) Items for which rates are not shown in the SBRL are to be charged at purchase rates as obtained from the sources of supply.

d) Fresh Provisions including bread:-

- i. Ships. At prevalent rates irrespective of source of supply.
- ii. Establishments. Local contract rates promulgated in local orders.

Auth: Para 0912 of Naval Victualling Manual (NVM).

(c) Differentiate between 'Fresh Rations' & 'Dry Rations'. (3 Marks)

Ans.

Inspection of Provision. Acceptance of supplies at the time of drawing from BVVs/ASC SDs or in the case of ships. When the provision are delivered on board by the representative of the BVO, is final. Supplies must therefore, be examined for quantity and quality at the time of acceptance. In case, there is any difference of opinion, as to fitness and quality of victualling stores, between the receiving ships/ establishment and the source of supply at the time of acceptance of provision, following actions will be taken:-

a) Fresh Provisions:-

- i. The matter should be reported by the LOGO of the ship/establishment to the Head of the Source of Supply/contract operating authority. If he upholds the complaint of the LOGO, he will order the supplies to be replaced or offer substitutes.
- ii. If the time does not permit for replacement or, the Head of source of supply /contract operating authority does not uphold the complaint of the LOGO of the ship/ establishment, the matter should immediately be reported to the Commanding Officer/Cd LOGO/Sr. LOGO of the station. He would then order a Board of Officers including a medical Officer, if available, to inspect the victuals. If in the opinion of the board the provisions are fit for human consumption, they are to be accepted and no further action is necessary. If the board is of the opinion that the items are not fit for human consumption, the provisions are to be disposed of as per the recommendation of board and loss is to be regularized by the source of supply. A copy of survey report of such provision is also to be forwarded to the AA/Senior Naval Officer of station for information and further action.

b) Dry Provisions:-

- i. In the case of dry provisions if the receiving officer suspects the fitness of quality of any item at the time of acceptance, the matter is to be reported to the BVO/Officer Commanding. ASC SD, who, if he agrees with the receiving officer will place the

		<p>stores under suspense account and make the issues from different stock, if the BVO/Officer commanding. ASC SD does not agree, the matter is to be reported by the commanding Officer of the ship/establishment to the local AA/Senior naval Officer. The AA/Senior naval Officer is to depute a medical officer and one more officer to inspect the stores. If these officers are of the definite opinion that the stores are fit for human consumption, these are to be accepted by the ship/establishment.</p> <p>ii. If the supplies cannot be eategorically declared fit for human consumption these are to be transferred to the suspense ledger of the BVY. The BVO is to send representative with samples of the store to the nearest CFL for reports. In case of the supplies from ASC SD, the matter will be reported to the Station commander for decision on the subject.</p> <p style="text-align: right;">Auth: Para 0301 of Naval Victualling Manual (NVM).</p>
Q2.	(a)	<p><b>What are the different types of Depots (Classification)? (5 Marks)</b></p>
Ans.		<p>The following art h Store Depots in the Navy dealing with the Provisioning and supply of stores of the types mentioned against each:</p> <p><b>Naval Store Depot:</b></p> <ol style="list-style-type: none"> <li>1. All naval Stores required by the Navy including all spares/engines in naval Ships, Motor Boats, Spare Engines, Engine with generators and pump gear boxes, spares for cranes, Tractors, time recording machine, salvage stores etc.</li> </ol> <p>The merged naval Stores and SPDC stores will be reclassified as:</p> <ol style="list-style-type: none"> <li>i. General stores.</li> <li>ii. Engineering Stores and</li> <li>iii. Electrical and Electronic Stores.</li> </ol> <p>Controller of Warehousing, Ghatkopar will be the authority for receipt, accounting, custody and issue of Stores/Spares to Ships and establishments.</p> <ol style="list-style-type: none"> <li>2. <b>Naval Armament Stores Depot:</b> All Naval Armament Stores for the navy. In addition, the Depot at Mumbai is responsible for the handling of commercial and Defence explosives.</li> <li>3. <b>Weapon Equipment Depot:-</b> Gun Mountings, gun Mounting Gear, torpedoes, Paravane equipment, Gyroscope etc. For the navy.</li> <li>4. <b>Victualling Store Depot:-</b> All victualling stores required for the navy, BV yards at Mumbai, Karwar, Portblair and the victualling Stores Depots and Cochin Kochi, and Visakhapatnam function as Supply depots, audit of which is dealt with in Chapter-IV.</li> </ol> <p style="text-align: right;">Auth: Para 80 of NLAOs Manual.</p>
	(b)	<p><b>Please explain 'Scheduling of Vouchers'? What are the different types of vouchers? (2½ Marks)</b></p>
Ans.		<p>Scheduling of vouchers is one of the important items of work entrusted to the NLAOs staff in the audit of stores accounts of Depots and the instructions laid down in chapter- II of this manual should be strictly adhered to.</p> <p>Issue vouchers (S. 134 Demand Notes etc.) are received in original and duplicate except for item (3) below for which they are received in triplicate. These vouchers will be paired and duplicate (duplicate and triplicate) in respect of item (3) sorted out as follows:</p>

1. Vouchers for issues to Ships/Estts. including Sub-Depots and store houses of N.S.O.
2. Vouchers for payment issues, including Civil departments.
3. Vouchers for issue to other wings of the Defence Services require adjustment.
4. Vouchers for issues to other wings of Defence Services or Departments which do not require adjustments (e.g. National Defence Academy, etc.)
5. Vouchers (e.g. Yard issue Notes for issues made to Naval Dockyard departments against work orders.)

Vouchers at item (1) and (4) above are scheduled to the Local Audit Officers of the consignee Ship/Esttt. for audit. Vouchers at item (2) are forwarded to PCDA (N), Stores section for necessary action. Vouchers at item (3) are dealt with in accordance with Para 95 of this chapter, i.e. the duplicate copy of the voucher is scheduled to the Local Audit Officers of the consignee of linking, while the triplicate duly priced and indicating the particular code head to which the cost is creditable is sent to the concerned C.D.A and (his acknowledgment along with) a copy of the adjusted punching media is obtained. Vouchers at item (5) are sent to costing section of PCDA (N) for audit and Costing purpose. In all cases, the original are retained for audit of the Consignors ledgers. The various types of receipt and issue vouchers received by the NLAO of the Naval Store Depot and their disposal are contained in Manual of Naval Stores.

**Note:** In the case of Naval Store Depot Mumbai, the stores are issued through Provider system under which stores demanded by Ships and Estt. are collected from the various store houses and sent to the 'Provider' in the Naval Dockyard for delivery to the parties concerned. Under this system the issue vouchers are posted in the ledger on the same day (or immediately thereafter) the stores are issued from the store houses trail is held in ILMS.

In cases where the stores are not collected by the demanding ship/Estt., the same are returned by the 'Provider' to the Store house concerned and are taken on charge on certified receipt vouchers citing reference to the original demand numbers and dates. Two copies of the C.R.Vs are received by the NLAO out of which one copy duly paired is sent to the NLAO of the Ship/Estt. for action.

Auth: Para 84 of NLAOs Manual.

	(c)	While doing audit of issues, what are the main silent features to be seen in scrutiny? <span style="float: right;">(2½ Marks)</span>
<b>Ans.</b>		General Scrutiny of Vouchers: it will be seen that

1. The vouchers are endorsed as 'Issue authorized' and signed by an Officer of the Naval Store Department
2. The vouchers are signed by the Store Houseman of the Store Houses concerned
3. All vouchers as per lists of closing numbers of vouchers are received.
4. All columns of survey reports raised in the depot have been completed and reasons for the change in condition, deterioration viz. due to fair wear and tear, accident etc. are given under the signature of the surveyor of stores or the authorized inspectors.
5. Payment of issues and issues to her wings of the Defence Services and Departments etc. where adjustment is necessary are checked in full in respect of entitlement rates, etc. it will be seen that issues are invariably supported by proper authority  
Note The pricing of payment issue vouchers is done by the Depot authorities in accordance with the vocabulary rates, Stock book rates and other relevant Government orders etc. an is test checked by the Local Audit Staff.
6. (a) In the case of issue of permanent stores, the authority for demand is always quoted on the vouchers.  
(b) In the case of demands for articles in lieu of those condemned whenever practicable, the demand is accompanied by form S- 33, Survey report or the number and date of the survey report on which the original item was surveyed is quoted.(c) In the case of articles demanded in lieu of those supplied to other services an indication to that effect has been given.  
(d) In respect of articles demanded in replacement of those lost, the number and date of the loss statement has been quoted.  
(e) Application for permanent stores required in excess of authorized allowances has been made on form S- 130 and approval of Naval headquarters obtained for such issues
7. Loan issues are made only on the orders of the authority competent to sanction such issues and the vouchers are marked prominently to show that the issues are on loan.
8. All C.I.V.s (Provisional loss statements) are placed under objection and competent financial authority's sanction is obtained where necessary. /this will be done through the Register of CIVs maintained by the Depot authorities.
9. It should be seen that the return of the receipted quadruplicate copies of the demands from Ships/Estt. is properly watched by N.S.O. and recorded in the relevant column of the Register of

		<p>demands maintained for that purpose.</p> <p>10. Where cloth is issued for washing stains, the full quantity taken on charge is less due to shrinkage, the loss should be regularized on a loss should be regularized on a loss statements.</p> <p>11. Where basic materials have been issued to ordnance factories direct for fabrication of uniforms, the balance quantity returned by the factories has been taken on ledger charged.</p> <p>12. Proper record of cloth sent for fabrication of clothing items is maintained and their return watched.</p> <p>13. All losses in P.O.L items including loss due to evaporation are regularized on a loss statement under the orders of C.F.A.</p> <p style="text-align: right;">Auth: Para 86 of NLAOs Manual.</p>
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<b>Q3.</b>	<b>Explain:</b>	<b>(2x5 Marks)</b>
	(a) Loan Register	(c) Similar items
	(b) Stock Verification	(d) Dissimilar items
	(e) Disposal of Stores	
<b>Ans.</b>	<p>(a) <b>Loan Register:</b> The procedure laid down in manual of Naval Stores and other departmental regulations is followed in accounting stores issued on loan by the Naval Store Department. The register will be audited locally every <u>half year entries</u> will be verified with reference to the vouchers for loan issues. It should be seen:</p> <ol style="list-style-type: none"> <li>1. That the loan issues have been made under proper authority as laid down in N.I. I/S/81I/S/206.</li> <li>2. That extension of the period of loan is granted only by the authority competent to sanction the loan (the entire period of loan including extension to determine to competent authority.)</li> <li>3. That the stores issued on loan are returnable within the period of loan.</li> <li>4. That necessary action is being taken to get the stores returned or in the case o stores not returned within the period of loan, action is taken with the Ship/Estt. to obtain the sanction of the competent authority for extension.</li> <li>5. In the case of stores lost or returned in unserviceable condition not due to fair wear and tear, sanction of the competent financial authority to regularize the loss is obtained by raising a loss statement. No additional sanction extending the loan period if it has exceeded, is necessary in such cases.</li> <li>6. That in cases where stores are returned as unserviceable or repairable by other than I.N. ships/Estt., necessary action this taken</li> </ol>	

		<p>to recover the appropriate value from the parties concerned.</p> <ol style="list-style-type: none"> <li>7. That relevant entries are made in all cases where the stores have been returned and the loan closed.</li> <li>8. That the loan issue vouchers have been scheduled to the respective consignee NLAO enable him to verify the credit in the ship's ledgers as the loan issues are to be treated in the same manner as regular issues and</li> <li>9. That in the case of issues, which are treated as outright, the matter is reported to the NLAO of the consignee and his acknowledgment obtained.</li> </ol> <p style="text-align: right;"><b>Auth: Para 89 of NLAOs Manual.</b></p>
Ans.	(b)	<p><b>Stock Verification:</b> The responsibility for carrying out physical verification of stores rests primarily with the depot authorities concerned. The verification should be carried out promptly as it is due. The verification should never be entrusted to low paid subordinates and must always be made in the presence of the Office responsible for the custody of the stores or of a responsible person deputed by him. A complete and continuous stock verification of all the stores held in the naval Store Depot is to be carried out every financial year by the stock verification team appointed for the purpose. The result of verification is recorded in a register maintained for each class/group/part. The register should be scrutinized to see that all the items wherein there are discrepancies have been extracted in the stock report sheet form NSO 156-A (Outer) and NSO-B (inner).</p> <p><b>Note:</b> in the case of coal, the stock should be verified every Quarter. On receipt of the stock report sheet from the NSO, it should be seen:</p> <ol style="list-style-type: none"> <li>1. That separate stock report sheet has been prepared for each part of the Rate Book of Naval Stores (B.R.810).</li> <li>2. That all discrepancies recorded in the register for each part of the Rate Book of naval Stores (B.R. 810) have been included in the stock report sheet raised for the class or group of stores.</li> <li>3. That all columns in the stock report sheet (Form NSO 156) are properly completed.</li> <li>4. That statements showing separately the values of similar and dissimilar items are attached to the stock report sheet for determining the competent financial authority.</li> <li>5. That the discrepancies revealed during stock verification have been carefully scrutinized and a proper explanation recorded on the sheet.</li> <li>6. That the remedial measures proposed to avoid discrepancies are recorded on the stock report sheet.</li> </ol>

		<p>7. That all articles which had become unserviceable in stock are priced at full value.</p> <p>8. That a certificate regarding the No. of items verified during the stock verification and the No. of discrepancies disclosed is given on all stock report sheets and</p> <p>9. That separate less loss statements as shown below for surpluses and deficiencies belonging to</p> <p style="padding-left: 40px;">a) Similar items and</p> <p style="padding-left: 40px;">b) Dissimilar items are attached</p> <p>However, where only surpluses are disclosed, one copy of the stock report sheet is retained and the other returned to the party, as no regularization is necessary in such cases, the items being taken on charge in the ledgers.</p> <p style="text-align: right;"><b>Auth: Para 90 of NLAOs Manual.</b></p>
Ans.	(c)	<p><b>Similar items:</b> 1. When deficiencies are covered by equal surpluses of like value in similar items which can be issued in lieu, the approval of the competent financial authority under Annexure II of N.I. I/S/81 I/S/2006 to set off the surplus against the deficiency is obtained. No loss statement is prepared.</p> <p><b>Note:</b> It should be seen that both the value and the utility of the stores are taken into account while adjusting surpluses against deficiencies in respect of similar items.</p> <p>1. When deficiencies are partly covered by surpluses, in similar items which can be issued in lieu, the approval of the competent financial authority to write off the net deficiency (i.e. value of deficiencies minus the value of surpluses) is obtained. Loss Statement for the net deficiency is prepared. In both the cases, the competent financial authority is determined with reference to the gross value of deficiencies.</p> <p style="text-align: right;"><b>Auth: Para 90 (a) of NLAOs Manual.</b></p>
Ans.	(d)	<p><b>Dissimilar items:</b> 1. The value of each deficient item will determine the competent Financial authority for the write off of the deficiencies for which a loss statement will be prepared.</p> <p>1. Surpluses: No regularization. The item will be taken on charge in the ledgers.</p> <p>The following points also need consideration by the local Audit Staff.</p> <p style="padding-left: 40px;">i. That the monthly progress of stock verification is rendered by the depot authorities.</p> <p style="padding-left: 40px;">ii. That the progress report of stock verification as indicated in the monthly progress report is satisfactory.</p> <p style="padding-left: 40px;">iii. That there is no abnormal delay in the submission of the stock</p>

		<p>report sheets to the audit officer.</p> <ul style="list-style-type: none"> <li>iv. That a register to watch the receipt and regularization of the stock report sheets is maintained.</li> <li>v. That a separate register is maintained on the lines prescribed by the PCDA (N) to facilitate the preparation of explanatory note on stock verification to be appended to the Annual Audit Certificate.</li> <li>vi. That it is ensured in audit of ledgers that stock verification has been conducted in respect of all items and that after the stock has been verified, provisional adjustment has been made in the ledger by drawing a line in red ink across both the receipt and issue columns of the particular ledger folio and posting the actual stock after verification. Where the actual stock agrees with the ledger balance, the posting should be made along the line immediately below the previous line. Where the actual stock does not agree with the ledger balance, the posting should be made after leaving one line an when drawing the line in red ink across the line next below on the folio. The final adjustments of the ledger are to be made after the stock report sheets have been approved by the competent financial authority.</li> <li>vii. That regular machinery for verification of stock exists and that is properly organized and controlled and that the element of independence from the staff responsible for the custody of stores is maintained.</li> <li>viii. That the periodicity of stock verification prescribed by standing or other orders and he due dates of their completion is adhered to and stock of valuable important and portable articles such as Binoculars, Telescopes, Clocks and Watches have been verified by any Officer of the Depot every month.</li> <li>ix. That the discrepancies noticed are properly investigated and adjusted promptly.</li> </ul> <p style="text-align: right;"><b>Auth: Para 90 (b) of NLAOs Manual.</b></p>
<b>Ans .</b>	<b>(e)</b>	<p><b>Disposal of Stores:</b> Disposal of all, scrap irrespective of value and surpluses valued up to 10,000/- in each category is carried out by the NSO and in respect of other surpluses by the D.G.S. &amp; D. is to be disposed of through MSTC (Metal Scrap Trading Corporation) with whom the unit/units would sign a MOU (Memorandum of understanding). However scrap items/surpluses valued up to 2 Lakh can be disposed of through the mode of disposal determined by the CFA. Surpluses reports are first prepared for transfer of surplus store to disposal ledgers and after disposal, sale accounts, sale release orders and disposal issue vouchers are prepared for</p>

	<p>charge off from the disposal ledgers. It should be seen that:</p> <ol style="list-style-type: none"> <li>1. (a) Stores have been declared surplus under proper authority. (b) A copy of the sanction declaring the stores as Surplus has been received from the sanctioning authority through the CDA PCDA(N) and (c) the No. and date of the sanctions accorded by the C.N.S C.F.A for the disposal are also given in the surplus report</li> <li>2. The items and quantities transferred to the disposal section through disposal series of supply notes correspond on the sanction received through the PCDA (N).</li> <li>3. The unadjusted copies of sale accounts (and sale release orders) are paired with the adjusted copies when received from the regional controllers or Pay Accounts Officer, Ministry of Works, Housing and Supply from the units.</li> <li>4. All disposal issue vouchers are received duly priced.</li> <li>5. Stores are correctly charged off from the ledgers and that the items sold are removed within the period stipulated period of 27 working days from the date of auction. In case of non removal or recovery of ground rent should be watched.</li> <li>6. Regular stock verification of surplus stores and scrap is carried out and</li> <li>7. There is no inordinate delay in the disposal of stores.</li> </ol> <p style="text-align: right;">Auth: Para 91 of NLAOs Manual.</p>
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**Q4.** While auditing Mechanical Transport (MT) & P.O.L Accounts, kindly indicate the principles and form number of following Accounts/Register/Ledger. (2x5 Marks)

(a)	P.O.L Stock Account.	(b)	Vehicle Register
(c)	Car Diaries	(d)	Transport indents and order form
(e)	Daily work sheets		

**Ans.** (a) **P.O.L Stock Account:** The general principles governing the maintenance of store ledgers will be followed. It should be seen during audit that:

- i. The stock held is not in excess of normal requirement.
- ii. All receipts are accounted for promptly under correct nomenclature.
- iii. Issues of P.O.L to Vehicles are recorded daily and reconciled with the entries in the V.D.R.A and daily work sheet.
- iv. Issues are made direct to the vehicles and not in cans.
- v. Loss due to evaporation or other causes is regularized under orders of the competent financial authority as per the orders on the subject.
- vi. Monthly Stock Verification has been carried out. In addition mustering of stock has been carried out at frequent intervals to detect possible leakage and surpluses and remedial measures taken
- vii. P.O.L is not issued to hired vehicles unless specifically mentioned in the hire contract.
- viii. P.O.L is issued on payment to entitled persons at the rates laid

		<p>down by government and the amount realized credited to Government promptly.</p> <p style="text-align: right;"><b>Auth: Para 176 of NLAOs Manual.</b></p>
Ans.	(b)	<p><b>Vehicle Register:</b> This is a record of all mechanically propelled vehicles held on charge of the Establishment showing dates of receipt and the authority of holding the vehicle.</p> <p>It will be seen that:</p> <ol style="list-style-type: none"> <li>a) Vehicle held on charge are not in excess of those authorized by the govt.</li> <li>b) A separate page is used for each type of vehicle</li> <li>c) Vehicles attached or loaned to the Establishment have been accounted for separately.</li> </ol> <p style="text-align: right;"><b>Auth: Para 177 of NLAOs Manual.</b></p>
Ans.	(c)	<p><b>Car Diaries :</b>Car diaries are required to be maintained for staff cars including station wagons and jeeps, ambulance and motor cycles. It should be seen that:</p> <ol style="list-style-type: none"> <li>a) The specific duty performed is shown under the column No. 2 heading 'specific nature of duty' ex., Inspection, conveyance of stores etc.,</li> <li>b) All the columns are properly completed and signed by the officer using the transport in the case of senior officer of the rank of commodore and above, the staff officer accompanying the senior officer may sign the car diary (entries in the diary should not be completed by the drivers).</li> <li>c) Entries are made in English.</li> <li>d) Kilometer readings and MT. gasoline/diesel drawn are recorded in the relevant columns. Motor Sprit in the tank is checked on the last day of the month by filling tank to the maximum capacity and result recorded in the 'Car Diary' in red ink.</li> <li>e) All the pages of the car diary have been numbered consecutively to prevent risk of additional un-authorized journeys being recorded by unscrupulous by unscrupulous elements and blank pages and lines have not been left and cancelled under the signature of a commissioned officer while making the entries.</li> <li>f) Journeys on duty and for private purpose are shown separately.</li> <li>g) Journeys performed on amenity (payment of free) and other payment duties are recorded in the 'Car Diary' in red ink.</li> <li>h) The total annual kilometers limit sanctioned from time to time in respect of class 'B' vehicles has not been exceeded without the sanction of HQ ENC/SNC/WNC who may sanction extra Kilometers up</li> </ol>

		<p>to and increase of 50 percent of sanctioned kilometers. Commandants of category 'A' establishments may authorize additional kilometers up to 100 percent of sanctioned kilometers in respect of vehicles used for training as opposed to administration.</p> <p>in the case of administrative vehicles commandants may sanction only up to 50 percent extra kilometers.</p> <p style="text-align: right;"><b>Auth: Para 180 of NLAOs Manual.</b></p>
<b>Ans.</b>	<b>(d)</b>	<p><b>Transport indents and order form :</b> It should be seen that:</p> <ol style="list-style-type: none"> <li>i. The requisition for transport is clearly signed by the officer applying for allotment of vehicle.</li> <li>ii. The user is entitled to the provision of conveyance free or on payment and that the competent authority has sanctioned the allotment.</li> <li>iii. The nature of duty for which the vehicle is required is clearly stated in the transport indent.</li> <li>iv. All the requisitions received are recorded serially in the register as also the allotment of vehicles made and the mileage run.</li> </ol> <p style="text-align: right;"><b>Auth: Para 182 of NLAOs Manual.</b></p>
<b>Ans.</b>	<b>(e)</b>	<p><b>Daily work sheets :</b> Daily work sheets are the authority for the journeys entered in the V.D.R.A. this is a vital part of the P.O.L. Account. The following points should be seen in audit:</p> <ol style="list-style-type: none"> <li>i. All the relevant columns properly completed for each trip and the exact nature of duty has been specifically mentioned.</li> <li>ii. The nature of duty shown is the same as mentioned in the transport indent and order form</li> <li>iii. The mileage recorded corresponds to the milometer/odometer reading as recorded in the V.D.R.A.</li> <li>iv. Correct distances are shown when approximate mileage is entered due to milometer/odometer not being in working condition, the mileage shown in daily working sheet should be correct according to local knowledge.</li> <li>v. The journey is duly authorized and daily work sheet is signed by the officer using the transport after completion of all the relevant columns.</li> <li>vi. The duty slip is signed by the C.O. or an officer authorized by him.</li> <li>vii. Government transport is not used for: <ol style="list-style-type: none"> <li>a) Long distance journeys between stations connected by rail except authorized by the competent authority. The register will contain the following particulars of the Moves. <ol style="list-style-type: none"> <li>1. Name and rank/ designation of the officer using the transport.</li> <li>2. Type and Broad Arrow (BA) number of vehicles.</li> </ol> </li> </ol> </li> </ol>

3. Date on which used.
4. Distance traveled and the stations connected by rail either wholly/partially.
5. Sanctioned of the competent authority permitting the use of the transport.

- b) Journey between residence and place of duty and vice versa, except when such journeys are authorized as in the case of duty on holidays, duty out of working hours, etc.
- viii. The most economical vehicle is detailed instead of a heavier one.
  - ix. Vehicles are not used individually by the establishment for collection of mail, supplies of stores, but pooled on a station basis.
  - x. Jeeps and motor cycles are not hired or used for amenity/recreational purposes as these are meant for official use only.
  - xi. Transport has been provided to night duty staff only once from place of residence to office and back for conveyance of bedding etc.
  - xii. Sailors have been provided with transport from establishment to railway Station when proceeding on leave at State expense or on posting/temporary duty under the conditions specified in Rule 211 T.R.
  - xiii. Transport has been provided only to officers of the rank of Captain and above to and from airport while proceeding on or returning from temporary duty. In the case of other office transport will be provided to and from Air pick up point only.
  - xiv. sport provided to senior officer to attend state functions where wearing of uniform is compulsory is charged at amenity rates.
  - xv. Transport used for purchase of sport gear books, or other amenity Stores is paid for from the relevant non-public fund.
  - xvi. Where ambulance is provided to civilian work-man who sustains injury in the course of duty for removal to hospital and hospital to residence the necessity for use of transport is certified by the medical Officer in Charge.
  - xvii. Where the nature of duty is not shown or is vague and does not contain details of the duty, duty slip will be placed under objection.
  - xviii. The discretion vested in the administrative authority under Rule 23 of MVR regarding the authorization of the use of Government transport has been exercised sparingly, and only in cases of absolute necessity.
  - xix. Vehicles without milometer/odometer have not been detailed on free/ payment recreational or amenity purposes.
  - xx. Vehicles for which hire charges have not been laid down and not

notified by Government are not normally hired out.

- xxi. Lady welfare works of the 'Naval wives' welfare organization are allowed the use of government transport on payment at amenity rates for welfare work while visiting:
- a) Family welfare centers;
  - b) Service hospitals
  - c) Sailors clubs and canteens.
- xxii. Government transport (not exceeding three in number free of charge) has not been used for other than the following purposes in connection with military funerals of service personnel.
- xxiii. When government transport is used by the Technical Officers for local purchase of stores the following conditions are fulfilled:
- a) Prior sanction of the competent authority is obtained if the places are connected by rail.
  - b) A light vehicle is only used. In case a heavy vehicle is used, detailed reasons for not using a light vehicle have been recorded.
  - c) Names of firms visited have been shown on the duty slips.
  - d) Where possible, the stores purchases have been brought in the same vehicle by the officer using the transport otherwise, relevant duty slip is countersigned by commanding Officer on completion of such infructuous run.
- xxiv. Officers on temporary duty at an outstation and allotted accommodation at a distance place of residence and from place of work subject to the following conditions:
- a) The transport has been provided once a day only.
  - b) The journey does not exceed one way distance of 20 miles 32 kilometers except in the cases of officers of the rank of commodore and above.
  - c) The Commanding officer is personally satisfied that provision of transport is essential.
- xxv. Controller General of Defence Accounts, other senior officers of the Indian Defence Accounts Service, Accounts Officer of Defence Accounts Department and all inspecting officers of Defence Audit department while on tour at outstation and other civilian class I officers paid from Defence service estimates and officers of the Ministry of Finance (Defence) have been provided with service transport under the following conditions:
- a) Transport has not been hired for these officers:
  - b) For non-duty journeys, recovery at normal rates has been made.

		<p>xxvi. Government Transport provided to civilian labor officer is for bonafide duty and the use of transport is authorized by the head of the Establishment concerned.</p> <p>xxvii. When transport is used solely on provost duties, the officer using transport has furnished a certificate that the nature of duty cannot be disclosed for security reasons and the certificate has been countersigned by the Commanding Officer.</p> <p>xxviii. Transport used by Prime Minister and other cabinet Ministers during their visits to naval Establishments is treated as bonafide government duty</p> <p>xxix. Transport provided for visit of foreign dignitaries to naval Establishments and ships is covered by government sanction.</p> <p>xxx. Government transport (ambulance) has been used by medical officers only for visiting quarters of entitled personnel. Service transport may also be provided to blood donors, who donate blood to entitled patients in an emergency for return from naval hospital in the medical authority certifies that they are suffering from temporary ill-effects due to donation of blood</p> <p>xxxi. Recovery in respect of use of Government transport for amenity purpose has been correctly made from officers and other non-entitled persons at the prescribed rates and that amount is promptly credited to government.</p> <p>xxxii. Free Government transport may be used by the C.O. of Senior Officer of the Defence Establishment for participating in local functions organized on national days (viz. Republic Day and Independence Day) by Defence personnel/workers under his jurisdiction in response to their invitation or request.</p> <p>xxxiii. The use of staff cars/car 4x2 light utility/station wagon 4x2 by the officers referred to in N.I. 58/70 for journey between places wholly or partially connected by rail when considered convenient from an administrative point of view is sanctioned by the C.F.A. mentioned therein.</p> <p>xxxiv. Free transport may be used for the conveyance of Canteen Stores of the Ships and Establishment.</p> <p style="text-align: right;">Auth: Para 179 of NLAOs Manual.</p>
Q5.	(a)	<p><b>What is Ship's Warrant? How this is different from 'Special Stores'?</b></p> <p style="text-align: right;"><b>(5 Marks)</b></p>
Ans.		<p><b>Ship Warrant:-</b> A detailed list of allowances of permanent stores, except groups of specialized stores is prepared from the Establishments and Lists of Particulars for each ship on first commissioning or re-storing after</p>

conversion/modernization long refit. This list is known as Ship's Warrant and issued by Naval head Quarters in consultation with the Deputy financial Adviser (Navy).

**Special Stores:-** Information regarding special stores is given in the Memorandum of Instructions to the Various Lists of Particulars.

Engineer's Special Stores are peculiar to a particular ship and only a small percentage of these stores is common stores held in stock in Naval Store Depots. The List of Special Stores, for engineering purposes, is prepared by the Engineer Overseer/Manager, Engineering Department, and it indicates:

- a) Stores which can be manufactured on board or obtained from dockyard stocks.
- b) Stores which are obtainable only from the manufacturer.
- c) Quantities to be supplied to the ships. These quantities constitute first outfit and are taken into stock.
- d) In the case of consumable articles, the estimated 12 months expenditure.
- e) In the case of permanent articles, the spares required to be carried on board, as indicated in Special Stores List.
- f) Method of replacement, e.g., manufacturer, dockyard stocks, are to be manufactured on board.

It is essential that the stock held on board should not fall below "the Minimum Stock Level" prescribed.

Auth: Art. 45 & 47 of INBR 12.

(b) How can you differentiate between 'Allowance Lists' and 'Establishment Lists'? 'List of Particulars' is an exception OR deviation from the scale of establishments of Sea Stores? Please explain with quoting proper/relevant articles from the provisions. (5 Marks)

**Ans .** **Allowance Lists:-** The description and quantities of stores allowed to ships are shown in relevant B.Rs. These are

- a) Prepared at/authorized/amended by Naval Headquarters.
- b) Promulgated as Books of Reference.

In case of establishments, printed allowance lists are not provided and the description and quantities of permanent stores authorized by Naval Headquarters constitute the established allowances.

**Establishment Lists:-**

- a) **General Naval Stores:** - Details of the Sea Stores, excluding special stores, allowed to ships, are shown in the standard lists of allowances, described as "Establishment of Sea Stores". In the case of large ships, allowances appropriate to each of the main departments are shown in separate Sea Store Establishments, e.g, establishment of

Sea Stores for Executive Purposes, BR 358 (i). In the case of smaller ships one Sea Store Establishment, e.g., BR 332 covers all departments.

The principal information included in Establishment of Sea Stores in as follows: -

- i. Classification of the various types of ships to which the Establishment relates.
  - ii. List of Allowances of permanent stores, both 'fixed Allowances', i.e, those articles in respect of which definite quantities are laid down according to classification of ships, and 'Scale Allowances', i.e, where the quantities allowed are assessed in relation to certain features of ship.
  - iii. List of "Minimum" and "Emergency" stocks of certain essential consumable stores which must be maintained on board.
  - iv. List of principal items and quantities of consumable stores, e.g, tools, ironmongery, signal flags, considered necessary for equipping the various compartments of a ship on first commissioning.
  - v. In the case of small ships, details of consumable stores required to complete the ship on first commissioning.
  - vi. Lists of spares for certain installations, e.g., fitted telephones or groups of stores required in specific circumstances such as 'Stores for Damage control'.
- b) Specialised Groups of Stores: - Allowances of certain specialized groups of stores, e.g., radio, asdic, echo sounding and minesweeping, are shown in separate Establishment Lists.

The Allowances in these publications are normally related to outfits and types of equipment and not to specific classes of ships.

- c) Establishments for Requisitioned Vessels:- Special Establishments applicable to various types of vessels requisitioned in emergency or to certain equipment placed on board such vessels, are distributed to authorities concerned by Naval Headquarters as and when necessary.

List of Particulars:- The List of Particulars is a form of questionnaire required to be completed to enable the Naval Store Officer to calculate the quantities to be supplied of certain naval Stores, allowed by Scale in the Establishments of Sea Stores, i.e., where the allowances or the patterns to be provided are dependent upon the equipment, fittings, etc., of the ship.

2. Full instructions as to completion and disposal of these lists are contained in the Memorandum at the front of each book.

It is the most essential that completed lists of particulars are forwarded to the Naval Store Officer at least three months in

		<p>advance of the storing</p> <p>3. The Supply Officer is not, however, responsible for their preparation or disposal.</p> <p style="text-align: right;">Auth: Art. 41, 42 &amp; 43 of INBR 12.</p>
Q6.	(a)	<p>What are the circumstances under which 'Local Purchase' to be made? (4 Marks)</p>
Ans.		<p>A ship or establishment shall not obtain Naval Stores by local Purchase unless-</p> <p>a) The Commanding Officer has been expressly authorized to do so by the Competent Financial Authority.</p> <p>b) Circumstances render immediate supply essential as distinct from being convenient or desirable and that the requirements cannot be met by the use of articles or materials of authorized descriptions.</p> <p>c) The Senior Officer present gives approval.</p> <p>d) Recourse to Service sources is not possible.</p> <p style="text-align: right;">Auth: Art. 511 of INBR 12.</p>
	(b)	<p>What is 'Destoring'? <sup>what are</sup> the condition<sup>s</sup> of 'Destoring'? Explain &amp; enumerate the step of 'Destoring Work'. (3 Marks)</p>
Ans.		<p><u>Personnel:-</u> As far as possible, the following personnel shall be retained on board until destoring is completed:-</p> <p>a) All the Naval Store keeping Staff.</p> <p>b) A working Party.</p> <p style="text-align: right;">Auth: Art. 582 of INBR 12.</p> <p><u>Destoring Work:-</u></p> <p>a) Landing of heavy gear- When practicable, such heavy articles as anchors, cables, hawsers and reels, boats and carley floats, firebricks, cement, sand, etc., shall be landed while the ships company is still on board.</p> <p>b) Conduct of Survey:- When necessary space is available, naval Stores shall be surveyed on board and sent direct to the respective store in the Naval Store Depot in accordance with the report of Survey.</p> <p>It is desirable to have as many compartments as possible to lay out stores for survey. Compartments used for this purpose should be clear from obstructions and fitted with locks.</p> <p>In small ships where lack of space prevents survey on board, stores shall be sent to the appropriate dockyard Return Store for survey and disposal.</p> <p>Separate requisitions for survey shall be prepared for-</p> <p>i. Permanent stores, other than those which are on 'Sea Stores Deposit.</p>

	<ul style="list-style-type: none"> <li>ii. Items for Sea Store Deposit. All copies of the form should be endorsed "Sea Stores Deposit".</li> <li>iii. Consumable stores held in the storerooms.</li> <li>iv. Consumable stores returned from department.</li> </ul> <p>The form I.N. 426/S. 31 shall be prepared in Class and Group order and indicate the actual quantities being returned and not the quantities remaining on charge in the ledgers.</p> <ul style="list-style-type: none"> <li>c) Discrepancies discovered- any differences found between the quantities returned and the ledger remains shall be dealt with in accordance with Chapter 13.</li> <li>d) Portable fittings- Radio, Asdic, Echo Sounding and Audio frequency Sets and outfits are being transferred to List of Portable fittings and the responsibility for removing and returning them to the Dockyard rests with the technical officers of the ship. The readyuse or essential spares returned by the technical officers to the Supply Office shall be returned by him to the Naval Store Officer.</li> <li>e) The instructions in article 584 (d) above regarding S. 1091 from and clearance of permanent loan ledgers and ship's store accounts also apply the actual destoring work has been taken in hand.</li> <li>f) Careful Handling- Great care shall be exercised during destoring to ensure that the naval Stores are <ul style="list-style-type: none"> <li>i. Segregated according to pattern numbers,</li> <li>ii. Handled carefully to avoid all transit hazards.</li> </ul> </li> <li>g) Classified Equipment - shall be dealt with in accordance with Article 95, B.R. Form U2D.</li> </ul> <p style="text-align: right;"><b>Auth: Art. 585 of INBR 12.</b></p>
	<p><b>(c) How is disposal of 'Naval Store Accounts' done during destoring?</b></p> <p style="text-align: right;"><b>(3 Marks)</b></p>
<p><b>Ans .</b></p>	<ol style="list-style-type: none"> <li>1. When a ship is sectored, the Supply Officer shall <ol style="list-style-type: none"> <li>a) Close and forward, after audit, the Naval Store Accounts to the Naval Store Officer or such other authority as may be designated by the naval Headquarters,</li> <li>b) Inform Naval headquarters, when this has been done.</li> </ol> </li> <li>2. In closing the accounts, the Supply Officer shall ensure that- <ol style="list-style-type: none"> <li>a) All transactions covering the destoring are entered in the ledgers before they are closed.</li> <li>b) All supporting vouchers accompany the Naval Store Ledgers.</li> </ol> </li> <li>3. The following shall also be forwarded with the ledges for custody an issue when the ship recommissions: - <ol style="list-style-type: none"> <li>a) Alphabetical List of naval Stores, B.R. 1979.</li> </ol> </li> </ol>

		<p>b) The stock description cards tied in separate bundles and clearly marked with the distinguishing number of the rack or bin from which they were removed.</p> <p style="text-align: right;">Auth: Art. 586 of NLAOs Manual.</p>
Q7.	(a)	<p>What is the Difference between 'Rate Contract' and 'Price Agreement?'</p> <p style="text-align: right;">(3 Marks)</p>
Ans.		<p><b>Rate Contract:-</b> A Rate Contract is an agreement between the Purchaser and the Supplier to supply stores at specified prices during the period covered by the contract. An RC is in the nature of a standing offer from the supplier and no minimum drawal need be guaranteed. A contract comes into being only when a formal order is placed by the CFA or the Direct Demanding Officers (DDOs) on the Supplier. The Rate contract is in the nature of a standing offer from the supplier firm, The firm and/ or the purchaser is/are entitled to withdraw/cancel the Rate Contract by serving an appropriate notice on each other, of not less than thirty days. However, once a supply order is placed on the supplier for supply of a definite quantity in terms of the rate contract during the validity period of the rate contract that supply order becomes a valid and binding contract and the supplier is bound to supply the ordered quantity.</p> <p><b>Price Agreement:</b> While procuring goods and services, it may be expedient to enter into a Price Agreement (PA)/Fixed Price Quotation (FPQ) with the Original Equipment Manufacturers (OEMs). The PA/FPQ may be finalized after due negotiation and market survey. Such PA/FPQ may be normally valid for a period upto three years and may be extended further suitably with next higher CFA'S sanction.</p> <p style="text-align: right;">Auth: Rule 8.1.2 &amp; 8.1.3 of 2009.</p>
	(b)	<p>What items can be purchased under Rate Contract?</p> <p style="text-align: right;">(3 Marks)</p>
Ans.		<p>The types of items which may be considered for RC are:</p> <ol style="list-style-type: none"> <li>a) Items required by several users on recurring basis and having clear specifications.</li> <li>b) Fast moving items with short shelf life or storage constraints.</li> <li>c) Items with minimum anticipated price fluctuation during the currency of the RC. Items with high probability of considerable price fluctuation should not be considered to be covered by RC except for short term contract.</li> <li>d) Items that take long gestation period to manufacture and for which there is only one source for manufacturing.</li> </ol> <p style="text-align: right;">Auth: Rule 8.1.4 of DPM 2009</p>
	(c)	<p>What/and under which condition PAC may be issued? Who is the CFA,</p>

	<p>who can issue such PAC in Indian Navy. <span style="float: right;">(4 Marks)</span></p>
<p>Ans.</p>	<p>Certain items, particularly equipments, are the propriety product of a manufacturing firm. Such items are only available with that firm or their dealers, stockists or distributors as the detailed specifications are not available for others to manufacture the item. Situations may also arise when, for standardization of machinery or ensuring compatibility of spare parts with the existing sets of equipment, as per the advice of the competent technical expert, goods and services have to be obtained from a particular source. In such situations, a Propriety Article Certificate (PAC) may be issued to the original equipment manufacturer (OEM) and items procured on PAC basis from the particular firm or its authorized dealers, stockists or distributors. While PAC is issued only in respect of the concerned OEM, the item may be bought from any dealer, stockiest or distributor specified in that particular PAC on the basis of the information provided by the OEM, provided the purchase is accompanied by a proper manufacturer certification. PAC once issued will be valid for two years from the date is issue unless cancelled earlier by the CFA.</p> <p><b><u>Repairs/servicing on the basis of PAC:</u></b> The provisions of paragraph 4.5.1 would also apply to repairs and servicing of equipment through the sole dealer/servicing agency, authorized by the OEM, if the main equipment was purchases on the basis of PAC.</p> <p><b><u>Caution to be exercised while granting PAC:</u></b> PAC bestows monopoly and obviates competition. Hence, PAC status must be granted after careful consideration of all factors like fitness, availability, standardization and value for money. Many OEMs do not manufacture assemblies, sub-assemblies and components but outsource these items may be available at cheaper prices with the actual manufactures. The procurement officer must, therefore, keep abreast of the proper sources knowledge and procure items from the right source to protect the interest of the State. However, the spares have to be sourced from OEM of OEM approved/ recommended manufacturers only in order to make the OEM responsible for the malfunctioning of the main equipment in which the spares have been fitted. The PAC is only issued by IHQ/NHQ, either by COL (Chief of Logistics)/ COM (Chief of Material) depending whether the items/stores/equipments belongs to logistics/ material respectively.</p>

Auth: Rule 4.5 of DPM 2009

Q8.	(a)	<p>What is the difference between 'Standard conditions of Contract (SCoC)' and 'Special conditions of Contract'? Can both the conditions be used as a standard in all the tender documents? (5 Marks)</p>
Ans.		<p><b><u>Standard Conditions of Contract (SCoC):</u></b> In order to facilitate clear understanding of the conditions of contract, a set of standard conditions, generally applicable to all contracts, is formulated and made available to all firms at the time of registration itself. It is desirable that the SCoC as given in part III of Appendix C are publicized on the Defence website also. The Request for Proposal format contains reference to the standard as well as special conditions in Part III &amp; Part IV respectively of Appendix C that the bidders would be required to abide by. The contract must also include the standard as well as special conditions specific to a particular case, as mentioned in the RFP. The standard and special conditions of contract are included in the format of the RFP as well as the supply order and contract given in Appendices 'D' and 'E' respectively.</p> <p><b><u>Applicability of SCoC to Supply Orders:</u></b> The Standard and Special conditions of Contract are applicable to Supply Orders also as given in Appendix D. Acceptance of Supply Order by the Firms/ PSUs is essential to make the same as legally valid document.</p> <p><b><u>Special Conditions of Contract:</u></b> Special conditions of contract are supplementary conditions applicable to a specific tender and contract. Such conditions become essential particularly in cases of contract for supply of services or even equipment. Special conditions of contract are given in Part-IV of Appendix C, D, &amp; E which can be included on case-to-case basis. In addition, there may be a need to stipulate conditions like stage inspection, acceptance trials, installation, setting to work, and commissioning or pre-defined stages or payment for services. Such conditions should be decided while processing the proposal for CFA's approval and mentioned in the Request for Proposal as well as the contract/supply order.</p> <p><b><u>Applicability of all terms and conditions:</u></b> The formats of the RFP and the contract agreement contain all the standard and special conditions of contract. While the special conditions may be mentioned in the RFP and subsequently in the contract, as applicable in a particular case, all the standard terms and conditions should invariably be mentioned in the RFP and the contract. Minor changes in the text would be permissible, as long as such changes do not materially alter the context or import of the relevant article. CFAs would be competent to take a decision in this regard in consultation with Integrated Finance, wherever such consultation is required</p>

	<p>for sanctioning the proposal. Legal opinion may be sought, if considered necessary, before making any such alteration. However, wherever standard text of clause given in Part III of Appendix C, D &amp; E are concerned, the text of such clauses should not be altered without seeking legal opinion.</p> <p><b><u>Amplification of the terms and conditions:</u></b> The terms and conditions included in the specimen format of the RFP and the contract are self-explanatory. However, some of the salient terms and conditions are also explained in the succeeding paragraphs for better understanding.</p> <p style="text-align: right;"><b>Auth: Rule 7.1.2 to 7.2.2 of DPM 2009</b></p>
(b)	<p>What is the difference between 'Repeat Order' clause and 'Option clause'? Can both the clauses be used as a standard clause in all the tender documents? (5 Marks)</p>
Ans.	<p><b><u>Repeat Order and Option Clauses:</u></b> Provision for repeat order and option clause should not be made as a matter of course in the RFPs as these clauses have an impact of price. Either or both these clauses may be provided in the RFP only in exceptional circumstances, where the consumption pattern is not predictable, with the stipulation that while exercising one or both these clauses the overall ceiling of fifty percent of the originally contracted quantity will not be exceed. Repeat Order and/or Option Clause may be exercised more that once, provided altogether these orders do not exceed 50 % of the original order quantity.</p> <p><b><u>Option Clause:</u></b> Under this clause, the Purchaser retains the right to place orders for additional quantity up to a maximum of 50% of the originally contracted quantity at the same rate and terms of the contract. Such an option is available during the original period of contract provided this clause had been incorporated in the original contact with the supplier. Option quantity during extended DP is to be limited to 50% of balance quantity after original Delivery Period. This clause may be exercised in case of procurement from single vendor/OEM also subject to there being no downward trend in prices. However, in multi vendor contracts, great care should be exercised before operating the option clause.</p> <p><b><u>Conditions governing Option Clause:</u></b> Against an outstanding indent for which acceptance of necessity has been approved b CFA, it may be advantageous to the Purchaser to exercise the option clause in accordance with the terms and conditions of contract. The option clause may be exercised on approval of the CFA, within whose powers total value of original supplies plus value of the option clause falls, in consultation with IFA, where applicable as per the delegation of financial powers, during currency of the contract. It should be ensured that there is no downward trend in the</p>

market prices. No fruitful result will accrue by floating fresh RFP when items are urgently required. If the contract also contains the repeat order clause, it may be kept in mind while placing order under the option clause that the total quantity under the option clause and the repeat order cannot exceed fifty percent of the originally ordered quantity.

**Repeat Order:** Wherever considered necessary, provision may be made in the RFP and the contract for Repeat Order. A Repeat order against a previous order may be placed at the same cost and terms and conditions as per the original order/ contract with the approval by the CFA and concurrence of integrated finance, wherever required as per the delegation of financial powers.

**Condition Governing Repeat Order:** A Repeat Order may be placed subject to the following:

- a) Items ordered against the previous order had been delivered successfully.
- b) Original order should not have been placed to cover urgent/emergent demand.
- c) Repeat Order is not placed to split the requirement to avoid obtaining the sanction of the next higher CFA.
- d) The original order should have been placed on the basis of lowest price negotiated and accepted by CNC, and not on the basis of delivery or any other preference.
- e) There is no downward trend in the price of the item, (A clear certificate should be recoded to that effect.)
- f) The requirement is for stores of identical nature/specifications, nomenclature etc. Minor improvements is spec(s) or phasing out of products due to obsolescence should not be precluded from the purview of repeat order but this aspect should be very carefully examined from the point of view of interchangeability of the product offered as an improved substitute.
- g) The repeat order is to be placed within six months from the date of completion of the supply against the original order deleted (Auth: SI-37 of Amendment to 2010).
- h) The repeat order quantity is to be restricted to a maximum of 50% of last order quantity in case of indigenous and foreign procurement, where the contract does not also include the option clause. In case of orders for small quantities, the Repeat Order quantity may be rounded off to the next whole number.
- i) This provision may be exercised in case of PAC/Single vendor OEM also. However, care should be taken before exercising this provision in

multi-vendor situation.

- j) Where the contract also included an Option clause, Repeat Order may be placed only for such quantity, which, along with the quantity for which Option clauses may have already been exercised, does not result in the total quantity under the Option clause and the Repeat Order exceeding 50% of the originally ordered quantity.
- k) The CFA will be decided taking into consideration the value of the originally ordered quantity and the Option clause/Repeat Order quantity.

**Auth: Rule 7.13 of DPM 2009.**

**SAS-II EXAMINATION, NOVEMBER 2019**  
**MODEL ANSWERS**  
**PAPER-V(Practical (With Books))**  
**SECTION-II (Store Accounts and Internal Audit)**  
**(D) FACTORY**

1.	<b>(a)</b>	<p>Upto what amount can Limited Tender Enquiry be resorted to by an Ordnance Factory for other than MTO items (Made to order) and under what condition? What procedure is to be followed in such cases?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	<b>Ans</b>	<p>LTE may be adopted (for other than MTO items) when estimated value of stores to be procured is up to Rs.25 lakh (including the OC quantity). Copies of the bidding document should be sent free of cost, directly by speed post/ registered post/ courier/ e-mail, simultaneously to all the firms, which are borne on the list of registered suppliers for the stores after due consideration of their past performance/ response, if any. The number of supplier firms in LTE should invariably be three or more. LTE can be issued to foreign vendors also. Sufficient time should be allowed for submission of bids in Limited Tender Enquiry cases.</p> <p style="text-align: center;"><b>[Auth: Para 2.17 (a) ,pg 34, OFB Procurement Manual 2018 ]</b></p>
	<b>(b)</b>	<p>The General Manager of an Ordnance Factory decides to go beyond the limits specified for Limited Tender Enquiry (for other than MTO items). Please offer your comments on whether he is justified?</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
	<b>Ans</b>	<p>Purchase through LTE may be adopted (for other than MTO items) when the estimated value of the procurement is more than Rs.25 lakh (including the OC quantity), in the following circumstances, with the approval of the next higher CFA:</p> <ul style="list-style-type: none"> <li>(i) The competent authority certifies that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. The competent authority should also put on record the nature of the urgency and reasons why the procurement could not be anticipated earlier.</li> <li>(ii) There are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.</li> <li>(iii) The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped is remote.</li> <li>(iv) The item to be procured is such that pre-verification of competence of firm is essential, hence requires registration of firms.</li> </ul>

		<p>(v) To prevent stock out situations, to cater unforeseen requirements of the Armed Forces/ MHA and on the ground of national security as per directive of MoD. The CFA shall certify and record justification.</p> <p><b>[Auth: Para 2.17 (b) ,pg 35, OFB Procurement Manual 2018 ]</b></p>
2.	(a)	<p>What do you understand by the term 'Indigenized item specifications'.</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	Ans.	<p><b><u>Indigenized Item Specification</u></b> The manufacturing agency, QA agency, DRDO, OFB and Service Headquarters, involved in the indigenization efforts often successfully indigenize some items as import substitutes. In such cases, the specifications, including the drawing and other details, are formulated by these agencies in consultation with the Ordnance Factory Board, manufacturing firms, QA agency, Design agency, Service Head Quarters (as the case may be) to guide future production. Such specifications should be available with the purchase agency as well as the inspecting authority so as to ensure conformity with the required quality standards of the items being supplied.</p> <p style="text-align: center;"><b>[Auth: Para 2.4 (v), pg 25, OFB Procurement Manual 2018 ]</b></p>
	(b)	<p>In one case of Store procurement, vendors quoting against an OTE did not agree to the standard payment terms of ordnance factory and insisted on their own payment terms. How would the offers of the firms be evaluated?</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
	Ans.	<p>There may be situations when suppliers may not agree to the standard payment terms of Ordnance Factories and insist on their own payment terms. Since payment terms have financial implication, proper evaluation of the offers becomes difficult when the payment terms differ from bid to bid. In such situations, the Discounted Cash Flow technique can be effectively applied for determining the L1 status.</p> <p>The DCF is the method of evaluation by which cash outflow of the future are discounted to current levels by the application of a discount rate(as per Prime Lending Rate of RBI on the last day of submission of bid), with a view to reducing all cash flow to a common denomination to enable comparison.</p> <p>Evaluation of price bids is done by calculating the Net Present Value NPV) of the quoted cash outflows and evaluating the L1. DCF technique can also be utilised to evaluate offers when the deliveries/ payments are spread over multiple years and the quoted price varies year-to-year.</p> <p style="text-align: center;"><b>[Auth: Para 2.35 (a) &amp; (b) pg 53-54, OFB Procurement Manual 2018]</b></p>

3.	(a)	<p>What are the various SIH (Store in hand) Inventory Levels authorized in different Ordnance Factories? Can a higher inventory holding be authorized?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>										
	Ans.	<p>The present authorised SIH inventory levels are:</p> <table border="1" data-bbox="435 441 1409 907"> <thead> <tr> <th data-bbox="435 441 961 508">Group of Factories</th> <th data-bbox="961 441 1409 508">SIH inventory level</th> </tr> </thead> <tbody> <tr> <td data-bbox="435 508 961 598">Armoured Vehicles except HVF</td> <td data-bbox="961 508 1409 598">6 Months</td> </tr> <tr> <td data-bbox="435 598 961 688">HVF</td> <td data-bbox="961 598 1409 688">12 Months</td> </tr> <tr> <td data-bbox="435 688 961 823">Ordnance Equipment Factories</td> <td data-bbox="961 688 1409 823">3 Months</td> </tr> <tr> <td data-bbox="435 823 961 907">Other Factories</td> <td data-bbox="961 823 1409 907">4 Months</td> </tr> </tbody> </table> <p>A higher SIH inventory holding can be authorised under exceptional circumstances by the operating Member in consultation with the Member (Finance).</p> <p style="text-align: center;"><b>[Auth: Para 2.7 (b), pg 29, OFB Procurement Manual 2018 ]</b></p>	Group of Factories	SIH inventory level	Armoured Vehicles except HVF	6 Months	HVF	12 Months	Ordnance Equipment Factories	3 Months	Other Factories	4 Months
Group of Factories	SIH inventory level											
Armoured Vehicles except HVF	6 Months											
HVF	12 Months											
Ordnance Equipment Factories	3 Months											
Other Factories	4 Months											
	(b) (i)	<p>On what basis would you identify the origin of booking of expenditure in Ordnance Factories?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>										
	Ans.	<p>Code Numbers are allotted to the OFB, PCA(Fys), Sections of PCA(Fys), Branch Accounts Offices and individual Ordnance Factories for proper identification of the origin of booking.</p> <p><b>Section Code:</b> The section code identifies the section or the accounting unit which has operated the punching medium.</p> <p><b>Unit Code:</b> The unit code (UC) refers to the unit or formation for which the booking pertains.</p> <p style="text-align: center;"><b>[Auth: Definitions Para 33, pg 28-29 OM Part-VI Vol I]</b></p>										

	(ii)	In a Branch Accounts office, you are given a task of recording receipts and expenditure carried out in respect of Defence Services Estimates. How would you record the classification of receipts and expenditure?  <b>(4 Marks)</b>
	<b>Ans.</b>	<p>For the purpose of classification of receipts and expenditure in respect of Defence Service Estimates a codification system has been laid down in Classification Hand book (CHB). In the system of accounting a set of code heads has been allotted in the CHB for detailed identification of financial transactions. Each code head is linked to a particular Major, Sub-Major, Minor and Sub-Head. Therefore, in a punching medium the recording of “code head” identifies the services (function), sub- function, programme and scheme as well as the unit/formation. A code head consists of 7 digits:</p> <p style="padding-left: 40px;">First two digits: Category code</p> <p style="padding-left: 40px;">Next Three digit: Particular Service</p> <p style="padding-left: 40px;">Last Two digit: Particular subdivision of transaction</p> <p style="text-align: center;"><b>[Auth: Definitions Para 36, pg 29-30 OM Part-VI Vol I]</b></p>
4.	(a)	What is Incentive Bonus and to whom is it payable? Name any two category of employees who are entitled to payment of incentive bonus at 50% of the average piece work profit earned by the piece workers in the whole factory?  <b>(3 Marks)</b>
	<b>Ans.</b>	<p>Incentive Bonus is payable to the maintenance workers of the Ordnance and Ordnance Equipment Factories, as and when employed on essential maintenance work to the production sections or non productive/service sections.</p> <p>The following categories of workers who are partly employed on maintenance work will also be entitled to payment of incentive bonus at 50% of the average piece work profit earned by the piece workers in the whole factory:</p> <ul style="list-style-type: none"> <li>(a) Workers employed in gas plants, steam generating plants, compressed air supply plants and plants supplying industrial water.</li> <li>(b) Workers employed in maintenance of electrical power supply including power line maintenance.</li> <li>(c) If any of the above plants catering to industrial requirements are installed outside the factory premises for any technical reasons the workmen employed therein will be deemed to be employed within the factory premises for the purpose of payment of incentive bonus.</li> <li>(d) Battery/lister truck drivers and mobile crane drivers, tractor drivers, loco drivers and crane drivers (electric overhead) who are employed on internal transport system of factories.</li> <li>(e) Workers employed in Sewage Treatment Plant.</li> <li>(f) Points-men attached to Mechanical Transport handling, equipment sections on Internal Transport System of the Factories.</li> </ul> <p style="text-align: center;"><b>[Auth: Para 155&amp; 157 pg62 OM Part-VI Vol I]</b></p>

4.	<b>(b)</b>	<p>From the following data, calculate the Incentive Bonus payable to an Industrial Employee:</p> <p>No. of days in the month: 31                      No. of Sundays: 5</p> <p>No. of Saturdays: 5                                  No. of Holidays: 2</p> <p>No. of Leave taken in the month: 2</p> <p>OT Hrs : 20 hrs    PW Profit of Production Section: 62%</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
	<b>Ans.</b>	<p><b>Incentive Bonus =</b></p> <p><math>[(7100 \times \text{No. of days worked}) / N - (S+H) + (7100 \times \text{Total OT Hrs}) / 200]</math>  <math>\times 50\%</math> of the average PW profit% of the production section</p> <p>No. days worked: <math>31 - 5 - 2 - 2 = 22</math> days</p> <p><math>N - (S+H) = 31 - (5+2) = 24</math> days</p> <p><math>[(7100 \times 22) / 24 + (7100 \times 20) / 200] \times 31\%</math></p> <p><math>= (6508.33 + 710) \times 31\%</math></p> <p><math>= 2237.68</math></p> <p><math>= \text{Rs. } 2238/-</math> Ans</p> <p style="text-align: center;"><b>[Auth: Para 156, pg62, OM Part-VI Vol I]</b></p>
5.	<b>(a)</b>	<p>Under which conditions is Idle time granted to Industrial Employees?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	<b>Ans.</b>	<p><b><u>Conditions for grant of Idle Time :</u></b></p> <ol style="list-style-type: none"> <li>1. High atmospheric humidity hindering certain operations in explosive factories or Unfavorable weather conditions hindering specialized optical work depending on sun light.</li> <li>2. Plants, furnace and transport break downs, inspection &amp; repairs.</li> <li>3. Temporary shortage of material.</li> <li>4. Failure of power supply.</li> <li>5. Temporary shortage of work in highly specialized sections such as instrument repair and optical sections</li> </ol> <p style="text-align: center;"><b>[Auth: Para 160, pg63, OM Part-VI Vol I]</b></p>

5.	<b>(b)</b>	<p>How would you book the expenditure incurred on Contract Labour Deployed on Indirect/Non production jobs?</p> <p style="text-align: right;"><b>( 7 Marks)</b></p>
	<b>Ans.</b>	<p><b><u>Contract Labour Deployed on Indirect/Non production jobs:</u></b></p> <ol style="list-style-type: none"> <li>1. The expenditure will be met from (other expenditure Minor Head 800) Financial Code 810/08.</li> <li>2. The relevant supply order/contracts should provide the scope of work, details of jobs to be performed and date by which the work should be completed amongst other relevant details.</li> <li>3. Expenditure on Contract Labour engaged in indirect/Non-production jobs will be accounted under Fixed Overheads.</li> <li>4. Indirect Work Order No. 01/70037/00(Expenses on contract labour) under class of cost "43" (other charges) is required to be operated for booking and monitoring/control purpose. The Work Orders 01/10037/00 to 01/60037/00 have been allotted for booking of expenditure incurred towards 'TOT'(Transfer of Technology) out of I&amp;M Grant(810/11) therefore '7' in the 3<sup>rd</sup> digit of this Work Order will denote expenses on Contract Labour. Amount so booked should tally with the financial compilations (Code 810/08).</li> </ol> <p style="text-align: center;"><b>[Auth: Para 581 (xxii), pg296, OM Part-VI Vol I]</b></p>
6.	<b>(a)</b>	<p>What are the instances of Excess Manufacture?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	<b>Ans.</b>	<p>There are three categories of excess manufacture, each of which is described below separately:</p> <ol style="list-style-type: none"> <li>(i) Excess manufacture covered by original extract.</li> <li>(ii) Excess manufacture not covered by original extract but exempted from covering sanction.</li> <li>(iii) Excess manufacture not covered by original extract and requiring covering sanction.</li> </ol> <p style="text-align: center;"><b>[Auth: Para 618, pg 313, OM Part-VI Vol II]</b></p>

**(b)** Give the Punching Medium Entry/ Journal Entry for Expenditure on Ordnance Development Centre (ODC) at the close of a month? **(7 Marks)**

**Ans**

Particulars	Code	Charge		Journal Entry
		(+)	(-)	
<b>Labour Expenditure Booked in cost card</b>	<u>899XXX(use Fy. Code)</u> 805/03		x	(i) Dr. Wages A/C Cr. Notional cash A/C
	<u>000XXX(use ODCCode)</u> 812/05	x		(ii) Dr. Notional cash A/C Cr. Revenue Outlay A/C
<b>Material Expenditure Booked in cost card</b>	<u>000XXX(use Fy. Code)</u> 806/16		y	(i) Dr. Misc. Charges A/C Cr. Revenue Outlay A/C
	<u>000XXX(use ODC Code)</u> 812/11	y		(ii) Dr. Revenue Outlay A/C Cr. Misc. Credit A/C

[Auth: Para 581 (xxv), pg298, OM Part-VI Vol I]

7.	(a)	How are Capital Assets pertaining to Plant and Machinery Written of in the books of Accounts? <b>(3 Marks)</b>
	Ans.	<p><b><u>Write off of Capital Assets</u></b></p> <p>In the case of Capital Assets of Plant and Machinery is concerned, the value of the Capital Assets once formed cannot be reduced unless it is washed away by natural calamities, accidents or if the service of the machine is no longer required. In that event only the Assets can be discarded, sold out, transferred to other Ordnance Factories and may appear in the Credit Side of the Capital Account with its original value.</p> <p><b>[Auth: Para 785, pg 369, OM Part-VI Vol II]</b></p>
	(b)	An Ordnance Factory classified a store as “spare part”. Please comment whether the action is justified or not? <b>(7 Marks)</b>
	Ans.	<p>Yes, a store can be classified as a “spare part” if the following conditions are fulfilled:</p> <p>(a) It is a store, which can in practice conveniently be held in stock even though, if abnormally bulky, some special arrangements for storage may have to be made possibly involving some other individual having the immediate custody on the Store Holder’s behalf.</p> <p>(b) It is a store which immediately on its being drawn from stock can, in practice without delay be embodied in a machine or plant where in the ordinary sense it loses its identity, at any rate for the time being while so embodied is a machine or plant.</p> <p>(c) There is ordinarily no prospect of its being subsequently returned to stock as the same store if there is subsequently occasion to disassemble it from the machine or plant and return it to stock this would ordinarily be for the reason that it is work out and it would therefore return to stock as repairable or unserviceable i.e. as a store different in condition from that in which it was previously held in stock.</p> <p>(d) If the store is so disassembled from a machine or plant, the conditions are that it would be necessary to replace it in the machine or plant by a store of the same nature for the machine or plant to be completed and capable of functioning or at any rate functioning efficiently.</p> <p><b>[Auth: Para 753, pg 364, OM Part-VI Vol II]</b></p>

8.	(a)	How are the raw materials obtained by the Factory for production purposes?  <b>(3 Marks)</b>								
	<b>Ans.</b>	<p>Receipts of materials – Raw materials are obtained by the factories by one of the following means:-</p> <p>(a) Foreign Purchase of Stores.</p> <p>(b) Central Purchase in India through a central authority.</p> <p>(c) Local purchase by the SrGM/GM of Factories.</p> <p>(d) Supplies from other factories.</p> <p>(e) Supplies from other branches of Defence Departments.</p> <p>(f) Supplies from departments other than Defence.</p> <p style="text-align: center;"><b>[Auth: Para 340, pg145-146, OM Part-VI Vol I]</b></p>								
	(b)	Give the sources from which Journal entries of Stores Supplied by Other Factories Account are taken?  <b>(7 Marks)</b>								
	<b>Ans.</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%; text-align: center;">Heads in the Principal Ledger</th> <th style="width: 33%; text-align: center;">Journal Entries</th> <th style="width: 33%; text-align: center;">Source from which figures are to be taken</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <p>III. Stores supplied by other factories account</p> <p><b>Debit Items</b></p> <p>1. To Revenue Outlay Account: Stores in transit between factories on the 1st April, B/F. (iii) Stock (iv) Production</p> <p>2. To Notional Cash A/c: Stores dispatched from other factories during the year. (iii) Stock (iv) Production .</p> </td> <td style="vertical-align: top;"> <p>Dr. Stores supplied by other Factories Account Cr. Revenue Outlay Account.</p> <p>Dr. Stores supplied by other Factories Account Cr. Notional Cash Acc</p> </td> <td style="vertical-align: top;"> <p>Closing balance of previous year to be reflected here</p> <p>Total value of stores issued by sister factories vide their 'S' &amp; 'P' series Issue vouchers. The amount should agree with ID List.</p> </td> </tr> </tbody> </table>			Heads in the Principal Ledger	Journal Entries	Source from which figures are to be taken	<p>III. Stores supplied by other factories account</p> <p><b>Debit Items</b></p> <p>1. To Revenue Outlay Account: Stores in transit between factories on the 1st April, B/F. (iii) Stock (iv) Production</p> <p>2. To Notional Cash A/c: Stores dispatched from other factories during the year. (iii) Stock (iv) Production .</p>	<p>Dr. Stores supplied by other Factories Account Cr. Revenue Outlay Account.</p> <p>Dr. Stores supplied by other Factories Account Cr. Notional Cash Acc</p>	<p>Closing balance of previous year to be reflected here</p> <p>Total value of stores issued by sister factories vide their 'S' &amp; 'P' series Issue vouchers. The amount should agree with ID List.</p>
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<b>Credit Items</b>		
<p>1. By Stores Account: Stores received from other factories during the year.</p> <p>(i) Stock (ii) Production</p>	<p>Dr Stores Account Cr Stores supplied by other Factories</p>	<p>Amount booked under PSA Receipt codes of various Factories</p>
<p>2. By Revenue Outlay A/c Outstanding assets on account of SIT between Fys cleared</p> <p>(i) Stock (ii) Production</p>	<p>Dr Revenue Outlay Account Cr Stores supplied by other Factories</p>	<p>Figures available at LAO/Sanction letter</p>
<p>3. By Balance Account: Stores in transit from other factories on 31st March.</p> <p>(i) Stock (ii) Production</p>	<p>Dr. Balance Account Cr. Stores supplied by other factories Account</p>	<p>Balancing figure (figures should agree with the amount of details of statement of Assets and Liabilities as on 31st March</p>
<p><b>[Auth: Item III, Annexure 'AS', pg492, OM Part-VI Vol II]</b></p>		

**रक्षा लेखा विभाग**  
**DEFENCE ACCOUNTS DEPARTMENT**

**अधीनस्थ लेखा सेवा परीक्षा – भाग II**  
**S.A.S. EXAMINATION – PART II**

**NOVEMBER, 2019**

**प्रश्न पत्र VI – सैद्धांतिक (बिना पुस्तकों के)**  
**PAPER VI – THEORY (WITHOUT BOOKS)**

**विषय : निर्माण कार्य, भंडार तथा आंतरिक लेखापरीक्षा**  
**SUBJECT: WORKS, STORES AND INTERNAL AUDIT**

अनुमत्य समय/Time Allowed : 3 घंटे/Hours

अधिकतम अंक/Max. Marks. 100

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**टिप्पणियां/Notes :**

1. केवल दस प्रश्नों के उत्तर दिए जाने चाहिए – पांच भाग-I और पांच भाग-II से। प्रत्येक प्रश्न 10 अंकों का है।

Only TEN questions should be attempted – FIVE from Section-I and FIVE from Section-II. Each question carries 10 marks.

2. भाग-I सभी अभ्यर्थियों के लिए समान है। प्रत्येक प्रश्न के 10 अंक होंगे।

Section-I is common to all. Each question will carry 10 marks.

3. भाग-II के थलसेना अथवा वायुसेना अथवा नौसेना अथवा फैक्ट्री के भाग से संबंधित प्रश्नों के उत्तर देने के लिए अनुमत्य अभ्यर्थियों को उप-भाग **क** – थलसेना अथवा **ख** – वायुसेना अथवा **ग** – नौसेना अथवा **घ** – फैक्ट्री से किन्हीं **पांच** प्रश्नों का उत्तर देना है। भाग-II के प्रश्नों का उत्तर एक अलग उत्तर-पुस्तिका में लिखा जाना चाहिए।

Candidates permitted to answer questions relating to ARMY or AIRFORCE or NAVY or FACTORY portion of section-II should answer any FIVE questions from Sub-Section A–ARMY or B-AIRFORCE or C-NAVY or D-FACTORY. Answer to the questions to Section-II should be written in a separate answer book.

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**(MODEL ANSWERS WITH AUTHORITIES)**

<b><u>PAPER – VI</u></b>		
<b>WORKS, STORES AND INTERNAL AUDIT (THEORY – WITHOUT BOOKS)</b>		
<b>भाग-I (निर्माण-कार्य लेखा)</b>		
<b>Section-I (Works Accounts)</b>		
<b>(सभी अभ्यर्थियों के लिए समान)</b>		
<b>(Common for All Candidates)</b>		
<b>1.</b>	<b>(a)</b>	What are the types of Operational Works? <b>(3 Marks)</b>
	<b>Ans.</b>	Operational works restricted to the following types:  <ul style="list-style-type: none"> <li>(i) Field defences</li> <li>(ii) Construction and improvement of airfields, roads and bridges</li> <li>(iii) Field water supply</li> <li>(iv) Ancillary buildings to tented camps and hospitals</li> <li>(v) Shelters</li> <li>(vi) Construction of advance landing grounds, helipads, roads, bridges, ropeways.</li> <li>(vii) Electrification to the minimum extent</li> <li>(viii) Lightning protection</li> </ul> <b>(Auth: Para 3 of Precis No.1601 Management of operational works)</b>
	<b>(b)</b>	The Controller of Defence Accounts objects an order placed by a Formation Commander in Operational Work Area on Central Public Works Department for installation of new electricity generation plant on the plea that electricity is not available from existing resources. Is it in order?  <b>(2 Marks)</b>
	<b>Ans.</b>	The objection raised by the Controller of Defence Accounts is not in order as the installation of new electricity generation plant is authorized under operational work and order may be placed on Central Public Work Department to execute the same.  <b>(Auth: Para 3 &amp; 6 of Precis No.1601 Management of operational works)</b>
	<b>(c)</b>	The formation engineers purchased the stores locally under maintenance grant for maintenance of assets created under Operational Works under their own sanction. Please comment.  <b>(2 Marks)</b>
	<b>Ans.</b>	The purchase of stores by the formation engineers under maintenance grant may be made locally with the prior permission of Chief Engineer Corps only.

		<b>(Auth: Para 93 of Precis No.1601 Management of operational works)</b>
	<b>(d)</b>	On receipt of an application from formation engineers who are holding Supplies and Services Imprest, Controller of Defence Accounts allotted imprest account number to formation engineers and also specified the monetary limit while allotting the imprest account number. Please comment.  <b>(3 Marks)</b>
	<b>Ans.</b>	The allotment of imprest account number by the Controller of Defence Accounts to the formation engineers on receipt of application is in order. However, the Controller of Defence Accounts should ensure the sanction of Chief Engineer Corps for holding the Supplies and Services Imprest by the formation engineers. Further, specifying monetary limit by the CDA is not in order as the monetary limit should be specified by the Chief Engineer Corps in the sanction letter itself.  <b>(Auth: Para 9 of Precis No.1601 Management of operational works)</b>
<b>2.</b>	<b>(a)</b>	A contractor on award of a contract has brought the material to the site which was purchased by him in an auction carried out by the Military Engineering Services for sale of material collected from a demolished building on as is where is basis. Comment whether such material is permissible to incorporate in a work as per general conditions of work contract.  <b>(3 Marks)</b>
	<b>Ans.</b>	As per the general conditions of contract, all the material provided by the contractor shall be new and in conformity with the specifications laid down in the Contract and the Contractor shall, if requested by the Engineer-in-Charge, furnish proof, to the satisfaction of the Engineer-in-Charge that the material so comply. Hence, the action of the Contractor that the usage of material obtained from a demolished building in a new work is not in order.  <b>(Auth: Condition No.10 (A) of General Conditions of Contracts, IAFW-2249)</b>
	<b>(b)</b>	The Garrison Engineer has suspended a contract for white wash of government quarters for a period of one month due to unforeseen cyclone in that area. Accordingly, extension of time equal to the period of suspension also granted for completion of work. However, the Contractor is demanding for payment of compensation of Rs.2 lacks on account of wages to the labour for the suspension period. Please advise the GE as his financial adviser.  <b>(3 Marks)</b>
	<b>Ans.</b>	The demand of the Contract for compensation in addition to extension of time is not in order and he is not entitled for any compensation as the suspension period is not exceeded 60 days.  <b>(Auth: Condition No. 9 of General Conditions of Contracts, IAFW-2249)</b>

	<b>(c)</b>	<p>A contractor submitted his Final Bill within a period of three months of the physical completion of work in a measurement contract awarded to him. Subsequently he preferred two further claims one is on account of missing of some measurements and another on account of charges for preparation of final bill on the plea that forgotten these items while preparing final bill. Please advise the GE on these claims. <span style="float: right;"><b>(2 Marks)</b></span></p>
	<b>Ans.</b>	<p>No further claims shall be made by the Contractor after submission of a Final Bill and these shall be deemed to have been waived and extinguished. Further no charges shall be allowed to the contractor on account of the preparation of final bill.</p> <p style="text-align: center;"><b>(Auth: Condition No. 65 of General Conditions of Contracts, IAFW-2249)</b></p>
	<b>(d)</b>	<p>A contractor has preferred a bill for Rs.25lacs on account of rectification of defects pointed out by the MES authorities on account of imperfection in some work during inspection after handing over of a recently constructed building. However, the bill has been returned unactioned by the AO GE in terms of condition No. 63 of IAFW 2249 with the reason that the building has been constructed and handed over to the user only 7 months ago. Whether action by AO GE is in order? <span style="float: right;"><b>(2 Marks)</b></span></p>
	<b>Ans.</b>	<p>Yes. The action taken by the AO GE is in order as the Contractor is not entitled for any payment for rectification of defects during defects liability period i.e. twelve calendar months from the date of handing over building to the Government.</p> <p style="text-align: center;"><b>(Auth: Condition No. 46 of General Conditions of Contracts, IAFW-2249)</b></p>
<b>3.</b>	<b>(a)</b>	<p>What is the basic purpose of measurement of certain works? Why it is necessary to prevent delay in the measurement of works? <span style="float: right;"><b>(3 Marks)</b></span></p>
	<b>Ans.</b>	<p>The basic purpose of measurement of certain works is to determine the amount of payments to contractor for work done and also to account for materials received which have to be measured or counted. It is necessary to prevent delays in measurement of works to ensure prompt payment to contractors to avoid locking up contractor's capital and increases their expenditure which may reflect in the higher contract rates and also provides opportunity for false and exorbitant claims on the part of contractors.</p> <p style="text-align: center;"><b>(Auth: Para 100 and note below Para 100 MES Local Audit Manual)</b></p>
	<b>(b)</b>	<b>Fill in the blanks:</b>
	<b>(i)</b>	<p>The original receipt vouchers and the list of credit notes for stock should be linked with the different folios of the ..... and it should be verified that the estimated cost of stores and charges for freight have been correctly entered. <span style="float: right;"><b>(2</b></span></p>

		<b>Marks)</b>
	Ans.	Stock Purchase Register (Auth: Para 127 MES LAM)
	(ii)	In respect of hired buildings, the amount shown in register of sanctions tallies with those in the ..... (2 Marks)
	Ans.	Lease Agreements (Auth: Para 123 MES LAM)
	(iii)	In case of loss of stores, the pricing of loss statements will be done with reference to ..... (2 Marks)
	Ans.	Stock Book Rates (Auth: Para 162 MES LAM)
	(iv)	An accommodation has been occupied after the lapse of more than ten days. It should be ensured that Licence Fee has been charged from .....day of allotment. (1 Mark)
	Ans.	Eleventh (Auth: Para 170(i) MES LAM)
4.	(a)	Explain the meaning and purpose of Administrative Approval and Technical Sanction of works? (3 Marks)
	Ans.	Administrative Approval means sanction by the Competent Financial Authority to the execution of original work at a stated cost. The purpose is to have the necessity for work accepted by the CFA. Technical Sanction is the order of the Competent Engineering Authority, sanctioning the costed schedules of works, detailed designs and specifications of a work of construction or repair, proposed to be carried out by the MES. It ensures that the estimates are accurately prepared and based on adequate data. (Auth: Paras 45 & 51 UA's Manual)
	(b)	UA BSO imposed License Fee on Squash Racquet Courts constructed for use by the cadets at Training Regiment. Please comment. (2 Marks)
	Ans.	The action of the UA BSO is not in order. The squash racquet courts which have been constructed by the Government at establishments for cadets, however, be used free of licence fee by the cadets. (Auth: Note below Para 174 UA's Manual)
	(c)	The AAO BSO is not raising license fee bills on the plea that the occupation return has not been received from the BSO. Is it in order?

		<b>(2 Marks)</b>
	<b>Ans.</b>	The action of AAO BSO is not in order. If occupation returns are not received in time, the AAO will prepare licence fee bills on the basis of the entries in the Revenue Ledger for the previous month, subject to re-adjustment on receipt of the occupation returns. <b>(Auth: Para 198 UA's Manual)</b>
	<b>(d)</b>	Fill in the blanks in the following: <b>(2 Marks)</b>
	<b>(i)</b>	The muster rolls should be technically checked by _____ in the GE's office either before, if time permits or after payment.
	<b>Ans.</b>	Surveyor's Assistant <b>(Auth: Para 124 UA's Manual)</b>
	<b>(ii)</b>	When the Arbitration award is made rule of Court and the payment is being made in satisfaction of Court decree, prior allotment of funds as _____ is necessary before making payment.
	<b>Ans.</b>	Charged Expenditure <b>(Auth: Para 138 UA's Manual)</b>
	<b>(e)</b>	Miscellaneous cash receipts which accounted for in the cash book have been utilised for expenditure by a GE Office. Please state whether action of GE Office is True or False. <b>(1 Mark)</b>
	<b>Ans.</b>	False. Miscellaneous receipts accounted for in the cash book should not be utilized for expenditure but should be paid into the treasury immediately on a receivable order. <b>(Auth: Para 150 UA's Manual)</b>
<b>5.</b>	<b>(a)</b>	He moves his family from old duty station to a selected place after 4 months of posting and also avails concession of free conveyance. Comment. <b>(4 Marks)</b>
	<b>Ans.</b>	This is admissible as Field Service concession to Army personnel Operational Areas – option to retain family accommodation at old duty station or move the family to selected place. The option can be exercised within two months of the posting to Field Area. The concession for free conveyance to selected place can also be exercised within 6 months of the posting. <b>(Auth: Q&amp;RP Chap 6 VII MOD A/25761/AG/PS3(b)/146-/2/D(pay/Service) dated 2.3.68)</b>
	<b>(b)</b>	An accommodation has been hired other than for residential purpose for a period of 30 years with the approval of GOC of Area. Please give your audit comment. <b>(3 Marks)</b>

	Ans.	The approval by GOC Area is not in order. The hiring of accommodation other than for residential purpose beyond 10 years period requires the approval of Government of India. <b>(Auth: Q&amp;RP Para 4)</b>
	(c)	An Officiating incumbent is occupying the Reserved Accommodation during the leave/furlough period of the permanent incumbent. Full rent is recovered from the permanent incumbent. Comment. <b>(3 Marks)</b>
	Ans.	This is done correctly. In such circumstances, the permanent incumbent will be responsible to the GOI for the full rent of the quarters. But he will be credited with recoveries if any made from the temporary occupant. <b>(Auth: Q&amp;RP Para 10 (a) (iii))</b>
6.	(a)	An engineer has incurred expenditure in excess of Admin. Approval on the plea that the approximate estimate contained an arithmetical error due to error in the approved estimate. The statement of the engineer is factually correct. Comment. <b>(2 Marks)</b>
	Ans.	No Officer is authorized to incur expenditure in excess of the administratively approved amount beyond permissible limit whether such excess is due to error in approved estimate without obtaining prior sanction of CFA. <b>(Auth: Para 13(d) of MESR)</b>
	(b)	Who will accord sanction to a special item of work in the Army estimated to cost Rs.10000, which when executed is likely to introduce a new practice. <b>(2 Marks)</b>
	Ans.	Government of India <b>(Auth: Para 122(b) of MESR)</b>
	(c)	What is hand receipt and when was it used? <b>(1 Mark)</b>
	Ans.	Hand Receipt (IAFW-2260) may be used for making payment in pursuance of an arbitration award or a decree of the Court and for petty payments to a contractor other than those made on a final contract bill. <b>(Auth: Para 474 of MESR)</b>
	(d)	What is a stock book rate? <b>(2 Marks)</b>

	<b>Ans.</b>	The cost per unit fixed at a valuation in respect of an article borne on the stocks of the MES is known as 'Stock Book Rate'. A stock book rate applicable throughout each Division, or for separate outstation. These are subject to periodical revision.  <b>(Auth: Para 764 of MESR)</b>
	<b>(e)</b>	Define the term 'Surplus stores salvage and scrap'?  <b>(3 Marks)</b>
	<b>Ans.</b>	<b>Surplus stores:</b> Stores which cannot be utilized against present or anticipated requirements over a period to be determined on the merits of each case or which are liable to deteriorate by the time they could be issued in the normal course of events. It also includes surpluses of obsolete and obsolescent stores and of repairable stores which can be economically repaired.  <b>Salvage:</b> It connotes stores which cannot be economically made suitable for use for which they were originally designed.  <b>Scarp:</b> Stores which have become unserviceable due to use or otherwise and condemned under proper authority to be of no value except as scrap. It also covers process scrap from manufacture, conversion, building operations, etc, such as waste timber, steel off-cuts, etc, unserviceable material received from demolition having any residual-value, waste stones and stores which have been utilized and have served their purpose.  <b>(Auth: Para 808 of MESR)</b>
<b>7.</b>	<b>(a)</b>	Differentiate between authorized work and special work?  <b>(3 Marks)</b>
	<b>Ans.</b>	Works services for which scales are authorized in regulations or by separate orders of a general or specific nature issued by the Govt. of India are known as authorized works. Whereas, items of works services not authorized in regulations or by separate orders of Govt of India are categorized as Special works. Special works should not be approved if the effect would be to introduce a new practice or change of scales.  <b>(Auth: Para 6(a) &amp; (b) of DWP 2007)</b>
	<b>(b)</b>	A pipeline for external water supply is to be laid down in a newly constructed colony for Army Personnel. How do you classify this work for purpose of making budget provision?  <b>(2 Marks)</b>
	<b>Ans.</b>	Supplementary work to a main project sanctioned/released during previous years will be treated as New Major Work for the purpose of allotment of funds since the construction of building for Area Hqrs is a major work. This additional work will be treated as new major work for allotment of funds.  <b>(Auth: Para 2(c) of Appendix A of DWP 2007)</b>
	<b>(c)</b>	Can a Chief Engineer in MES dispense with advertising a tender and conclude contracts? Please comment.

		<b>(3 Marks)</b>
	Ans.	<p>Yes. Special powers have been given to CE for dispensing with advertisement for tender and to conclude the contract while carrying out urgent work within a `compressed time frame.</p> <p style="text-align: center;"><b>(Auth: Para 38 of DWP 2007)</b></p>
	(d)	<p>During construction of a building for Area Hqrs, a facilitation centre for Ex-service men/war widows was added later. How is this additional work treated for the purpose of budget allotment?</p> <p style="text-align: right;"><b>(2 Marks)</b></p>
	Ans.	
<b>8.</b>	<b>(a)</b>	<p>What Code head is used for Transfer between MES Offices (TBOs)? What is the role of 'E' section for closing this head with a NIL balance every financial year?</p> <p style="text-align: right;"><b>(2 Marks)</b></p>
	Ans.	<p>The head used for transfer between MES Officers is 0/022/10. This head must close with NIL balance every year. The role of E section in this regard is as under:</p> <ul style="list-style-type: none"> <li>(i) Link the originating and responding transactions which have been adjusted during the month by both the UAs with their statements.</li> <li>(ii) Link the previous months transactions with the progress register maintained for the purpose.</li> <li>(iii) Dispatch statement of unlinked items every month to concerned UA for necessary action.</li> <li>(iv) Pursue vigorously adjustment of unlinked items with the UAs to avoid accumulation of arrears at the close of the financial year.</li> </ul> <p style="text-align: center;"><b>(Auth: Paras 85 to 89 of OM Part VIII)</b></p>

	<b>(b)</b>	In which statement of Annual Review of MES Expenditure the cases of covering DOs are included?  <b>(1 Mark)</b>
	Ans.	Statement 'D' of the Annual Review of MES Expenditure.  <b>(Auth: Para 127 of OM Part VIII)</b>
	<b>(c)</b>	State how the Monthly Expenditure Return is examined in a Regional Controller's Office?  <b>(4 Marks)</b>
	Ans.	The Monthly Expenditure Return (IAF-2251) is received in the office of the CDA with reference to Para 532 MESR. The first scrutiny is to see the UA's certificate stating that the expenditure shown therein agrees with the punching media for the month. It is compared with the last month's MER to see if the carry forward is done correctly. It will also be seen that the figures in the Return agree with the printed compilation received from EDP Section, for that month. The expenditure shown against each major work will be checked with the Register of Approvals to ensure that the classification has been done under the proper head of account. It is also seen that the expenditure against each major work is progressing fairly and that the expenditure against each major work is progressing fairly and that cases of excess of expenditure over and above the amount of administrative approval and sanctioned allotment have been reflected in the O.I. Statements by the UA.  <b>(Auth: Para - 148 OM Part VIII)</b>
	<b>(d)</b>	What special checks are exercised by 'E' Section of Controller's Office to guard against spurious contract documents and fraudulent alterations to contracts accepted by MES authorities?  <b>(3 Marks)</b>
	Ans.	The special checks exercised by 'E' Section of CDA's Office to guard against spurious contract documents and fraudulent alterations to contract accepted by MES authorities are: (i) the contract agreement is in the same ink and handwriting, (ii) blank spaces are filled in/a line drawn, (iii) rates are given in words and figures.  <b>(Auth: Para 25 OM Part VIII)</b>

**भाग-II (भंडार लेखा और आंतरिक लेखापरीक्षा)**  
**(क) थलसेना**  
**SECTION-II (Store Accounts and Internal Audit)**  
**(A) ARMY**

1.	<b>(a)</b>	<p>What is the meaning of 'Skeleton List', 'Castings', 'linking' and 'Pairing' in local audit? <span style="float: right;"><b>(4 Marks)</b></span></p>
	Ans.	<p>'Skeleton List' means the list with which vouchers are forwarded by the issuing depots to their LAO, IAFA-1374 in the case of ordnance and store depots and a manuscript form in the case of supply depots is generally used for the purpose.</p> <p style="text-align: center;"><b>(Auth: Note under Para 62 ALAM Part I)</b></p> <p>'Castings' means vertical or horizontal totalling.</p> <p style="text-align: center;"><b>(Auth: Note under Para 52 ALAM Part I)</b></p> <p>'Linking' means bringing together an entry in a ledger, etc., and supporting voucher, to ensure that the entry in the ledger, etc., is strictly in accordance with the voucher or vice versa.</p> <p style="text-align: center;"><b>(Auth: Note under Para 52 (b) ALAM Part I)</b></p> <p>'Pairing' Means bringing together two documents which are supposed to be facsimile copies, one of the other, to ensure that they are in fact, identical.</p> <p style="text-align: center;"><b>(Auth: Note 1 under Para 72 ALAM Part I)</b></p>
	<b>(b)</b>	<p>What is the significance of pairing in the context of 'D' and 'E' Copies of issue voucher? <span style="float: right;"><b>(3 Marks)</b></span></p>
	Ans.	<p>The significance of pairing is to ensure that the item and quantity of stock charge off by the consignor as verified by LAO (as per D copy) has been taken on charge by the consignee unit (as per E copy).</p> <p style="text-align: center;"><b>(Auth: Para 77 ALAM Part I)</b></p>
	<b>(c)</b>	<p>Stores meant for Store Depot 'X' are wrongly received by Store Depot 'Y'. What procedure and formalities are required to be followed by the two depots and their LAOs in order to rectify the mistake? <span style="float: right;"><b>(3 Marks)</b></span></p>
	Ans.	<p>In this case, the store depot Y receiving the stores will first take the stores on charge by preparing a nominal voucher. It will then redirect the stores to the appropriate consignee and on receipt of received copies for the same release the office copy of the nominal voucher to the dependent LAO who, in turn, will schedule it to the LAO of the original consignor. The later will link it with the original voucher of the consignor and watch for the revised vouchers showing the</p>

		stores consigned to the ultimate consignee. <b>(Auth: Para 69 ALAM Part I)</b>
2.	(a)	During audit of car diary in unit, it is observed that the car diary has been signed by the Adjutant of the unit against the usage of car by the CO (of col. Rank) at a peace station. The LAO has asked the CO to countersign the duty. Please comment. <b>(3 Marks)</b>
	Ans.	The action of LAO is in order. Only when the senior officers, not below the rank of Brigadier, are users of the staff cars, the staff officers accompanying the senior officers may sign the car diary. <b>(Auth: Para 306 (vii) (c) ALAM Part I)</b>
	(b)	The LAO has observed in a unit that engine oils are being drawn for the vehicles on a weekly retail issue voucher. However, used and waste motor engine oil is not being accounted for. Please comment. <b>(2 Marks)</b>
	Ans.	It is to be seen in audit that used and waste motor and aero-engine oils have been properly accounted for and returned and deposited with the nearest Supply/POL Depot. <b>(Auth: Para 302 ALAM Part I)</b>
	(c)	In the course of audit of a unit, it has been observed that Jeeps have been hired for lady welfare workers at amenity rates to visit family welfare centre. Is it in order? <b>(3 Marks)</b>
	Ans.	This is not in order. All the vehicles with the exception of jeeps can be hired out to lady welfare workers at amenity rates for visit of family welfare centre. <b>(Auth: Para 306 (vii) (H) &amp; note there under ALAM Part I)</b>
	(d)	What is the procedure for measuring the quantity of POL in the vehicles held by a unit at the end of a month? <b>(2 Marks)</b>
	Ans.	Motor spirit is checked on the last day of the month by filling the tank to the maximum capacity and recording the result in the car diary in red ink. <b>(Auth: Para 306 (vii) (i) ALAM Part I)</b>
3.	(a)	What do you understand about hospital stoppage rolls? How the hospital stoppages are recovered in case of civilian patients? <b>(3 Marks)</b>
	Ans.	Hospital stoppage rolls are prepared on IAFA - 55 for admission into Military hospital of certain category of cases in respect of which the recoveries are effected by respective accounting authorities. These cases are (1) JCOs, Other ranks and enrolled persons when they are treated for sickness held to be due to

		<p>their own fault, (2) Officers, (3) Civilians who are not entitled to free hospital treatment and (4) Non- entitled persons. Hospital stoppages from the civilian patients are recovered as per the rates fixed by Government of India, Ministry of Defence from time to time. The recoveries may be affected either their respective accounting authorities or through deposits in the treasuries.</p> <p style="text-align: center;"><b>(Authority: Para 313 of ALAM Part -I)</b></p>
	<b>(b)</b>	<p>A patient was admitted to the hospital before 14:00 hours on a day and was discharged on the same day. Is the hospital stoppage recoverable from him? If so, how it will be levied on him?</p> <p><b>(2 Marks)</b></p>
	Ans.	<p>The hospital stoppage is recoverable from him. A fraction of the authorised rate of hospital stoppage will be levied and the fraction will be decided by the OC of the hospital concerned.</p> <p style="text-align: center;"><b>(Auth: Note 2 below Para 313 ALAM Part-I)</b></p>
	<b>(c)</b>	<p>Free issue of spectacles was made to a Colonel rank Officer of the Army on the ground that his sight is defective and interferes with his efficiency. Please comment.</p> <p><b>(2 Marks)</b></p>
	Ans.	<p>Free spectacle can be given to a JCO and other ranks including enrolled combatants on the ground that sight is defective and interferes with the efficiency and that with the spectacles their efficiency can be improved.</p> <p style="text-align: center;"><b>(Auth: Para 331 of ALAM Part -I)</b></p>
	<b>(d)</b>	<p>" Extras" in a military hospital have been provided to the patients on "Ordinary diet" by the medical officer in charge. Is this in order? Explain the powers of medical officer in charge to this regard.</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	Ans.	<p>This is in order. "Extras" are not permissible to patients on "ordinary diet" but will be issued when the medical officer in charge considers it essential for patients on other prescribed classes of diets, and also for those on "No diet".</p> <p style="text-align: center;"><b>(Auth: Note 4 below Para 314 ALAM Part-I)</b></p>
<b>4.</b>	<b>(a)</b>	<p>During cash inspection of Public Fund in a unit, the LAO also carried out actual counting of cash of the Imprest Account held by the unit. Please comment.</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	Ans.	<p>The LAO is ordinarily not required to verify the Cash Balances of those units and formations whose accounts are subjected to audit by regimental Audit Boards, but he will invariably see that the prescribed counting of ash has been done by the board and a certificate to that effect is also recorded by the Board. In cases, however, where he considers that the State of Accounts of a particular unit is unsatisfactory, or where cash balances are found to be have, he should invariably verify the cash balances of all Public Fund Accounts including imprest accounts by actual counting.</p>

		<b>(Auth: Para 34 ALAM Part-II)</b>
	<b>(b)</b>	Is the LAO required to carry out the inspection of regimental fund accounts of Army units?  <b>(2 Marks)</b>
	Ans.	The LAO is not required to carry out the inspection of regimental funds of Army units, except under definite instruction from PCDA/CDA.  <b>(Auth: Para 1 ALAM Part-II)</b>
	<b>(c)</b>	What are the registers and records required to be maintained by Defence Estate Officer and to be inspected by the LAO?  <b>(3 Marks)</b>
	Ans.	The DEO is required to maintain the following registers and returns, which are to be audited by the LAO:  i) General Land Register; ii) Standard Table of Rents; iii) DEO's Land Revenue Register; iv) DEO's Grants Register (building sites); v) DEO's Grants Register (agricultural lands); vi) DEO's Grants Register (miscellaneous sites); vii) DEO's Grants Register (temporary licences).  <b>(Auth: Para 92, ALAM Part II)</b>
	<b>(d)</b>	Whether a DEO can re-classify the land held under his charge?  <b>(2 Marks)</b>
	Ans.	Re-classification of land held by the DEO can be done only with the sanction of the Govt. of India or such other authority as it may empower.  <b>(Auth: Para 95, ALAM Part II)</b>
<b>5.</b>	<b>(a)</b>	What are the circumstances under which a Court of Enquiry shall invariably be held to investigate the loss of stores?  <b>(3 Marks)</b>
	Ans.	Court of Enquiry shall invariably be held to investigate the loss in the following cases:  i) All losses of store which require the sanction of the Government to write off ii) Losses due to inaccuracies in previous stock taking iii) Losses of Arms, ammunition and explosives iv) Losses due to theft, fraud, neglect, fire or due to any unusual occurrence. May be dispensed with if the loss is less than Rs.10,000/-.

		<b>(Auth: Para 241 of SAI)</b>
	<b>(b)</b>	In an MT accident the loss is assessed at Rs. 2,50,000/-, out of which an amount of Rs. 60,000/- has been recovered from the individuals concerned. For what amount the sanction of CFA would be necessary? Will there be any change in case of loss other than MT accident? <b>(3 Marks)</b>
	Ans.	CFA sanction is necessary for the gross amount of loss i.e. Rs. 2,50,000/- as it pertains to MT accident. In other than MT accidents, the CFA will be determined based on the net amount of loss. <b>(Auth: Para 247 SAI)</b>
	<b>(c)</b>	Losses of individual items of a dis-similar type detected during stock taking in a Supply Depot are treated as separate transaction and written off on separate loss statement by the competent financial authority empowered to write off losses. Is it is correct procedure? <b>(2 Marks)</b>
	Ans.	Yes, it is correct procedure. <b>(Auth: Para 247(f) SAI)</b>
	<b>(d)</b>	Please explain whether it is necessary to prepare loss statements to regularize the shortages noticed in the following stores? <b>(2 Marks)</b>
	(i)	Loss of coir fibre due to dryage upto 10 percent.
	Ans.	Losses of coir fibre due to dryage are permissible up to 7%. Therefore, loss statement is required to be prepared as the loss of coir fibre is up to 7% in this case. <b>(Auth: Para 254(ar) SAI)</b>
	(ii)	Losses in medical stores due to deterioration in stock, not due to faulty storage.
	Ans.	No loss statement is required to prepare in this case as the loss in medical stores is due to deterioration in stock that to be not due to faulty storage. <b>(Auth: Para 254(aa) SAI)</b>
<b>6.</b>	<b>(a)</b>	How the under mentioned stores are accounted for in the ledgers,cash books and returns; <b>(4 Marks)</b>
	<b>(i)</b>	Bran issued from controlled mills
	<b>(ii)</b>	Grain issued from grain depots
	Ans.	At payment issue rates in the stock Book Rate List. The farm department will not pay for cost of stores supplied to them, but only adjust the amounts in their accounts (cash books etc,) as a cost transaction. Freight charges as shown in railway receipts will also be debited to farm accounts but treated as cash for budget purposes. <b>(Auth: Para 194 (d) (e) of SAI)</b>

	<b>(iii)</b> <b>)</b>	Receipts from MES
	<b>Ans.</b>	<b><u>Receipts from MES:</u></b> Treated as cash except cost of water and electricity supplied by MES <b>(Auth: Para 194 (g) of SAI)</b>
	<b>(iv)</b> <b>)</b>	Receipts from Navy and Air Force
	<b>Ans.</b>	<b><u>Receipts from Navy and Air Force:</u></b> These are adjusted at the rates priced by the relevant services and treated as cash for budget purposes. <b>(Auth: Para 194 (d) (e) (g) &amp; (f) of SAI)</b>
	<b>(b)</b>	Briefly enumerate at least 5 Risk indicators generally observed from various activities carried out by various branches/Section in the Ordnance depot which are prone to high degree of risk. <b>(6 Marks)</b>
	<b>Ans.</b>	(i) Issue audit and credit verification of vouchers (95 % and 5 %) and non-submission of bills for remaining 5 % payment by various categories of suppliers leading to non-receipt of Credit Receipt Voucher (CRV) and consequential non verification of credit. (ii) Pendency of copy no 3 and 5 of Issue vouchers and delay in scheduling of copy no 5 of the consignee LAO for credit verification. (iii) Non receipt back of copy no 2 from the consignee units duly receipted. (iv) Reinforcing control/checking by board of officers at packing and receiving stages to minimize short receipt categorised under transit loss (v) Reducing delay between issue documentation and actual dispatch of stores. (vi) Hold ups at traffic branch in despatch of stores to consignee units. <b>(Auth: 217 of ALAM Part I &amp; II)</b>
<b>7.</b>	<b>(a)</b>	How the claims against railways for the value of medical stores lost in transit will be assessed? <b>(3 Marks)</b>

	Ans.	<p>Claims against railways for the valued of medical stores lost in transit will be assessed as follows:</p> <p>(i) <b><u>For Priced Vocabulary Medical Stores</u></b></p> <p>Cost at priced Vocabulary rates plus cost of special packing material and transit charges. Excise duty in the case of excisable articles will be recovered in addition.</p> <p>(ii) <b><u>For Non-PVMS Stores</u></b></p> <p>Purchase price together with all charges that are usually taken into account in fixing Priced Vocabulary rates of medical stores, plus cost of special packing and transit charges, excise duty in the case of excisable articles will be recoverable in addition.</p> <p><b>(Auth: Appx. 'B' referred to in Para 119 of ALAM PT-I)</b></p>
	<b>(b)</b>	<p>Which of the following items should be classified as 'objections' by an LAO.</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	<b>(i)</b>	Delay in submission of returns or accounts.
	Ans.	Observation
	<b>(ii)</b>	Demand for information not received.
	Ans.	Observation
	<b>(iii)</b> <b>)</b>	Unauthorized use of Govt. transport.
	Ans.	Objection
	<b>(iv)</b> <b>)</b>	Want of receipted copies of issue vouchers from the consignee units.
	Ans.	Objection
	<b>(v)</b>	Want of vouchers.
	Ans.	Observation
	<b>(vi)</b> <b>)</b>	Improper maintenance of auditable documents.
	Ans.	Objection
		<p><b>(Auth: Appx. 'B' referred to in Para 119 of ALAM PT-I)</b></p>

	<b>(c)</b>	Please indicate whether loss statements are required in the following cases or instances? <b>(4 Marks)</b>
	<b>(i)</b>	Losses due to fair wear and tear
	<b>(ii)</b>	Losses due to change in the condition of ammunition boxes and cylinders by reasons of their being opened in ammunition depot to admit of part issues.
	<b>(iii)</b> )	Losses in the case of stores brought on charge as "D" (doubtful) in the first instance but subsequently conditioned as repairable or unserviceable.
	<b>(iv)</b> )	Losses due to difference between the book value and sale proceeds of stores dispensed of by or under orders of the Central Disposal Organization.
	Ans.	In all the above cases No loss statement will be required to be prepared. <b>(Auth: Para 254 (a) (j) (n) &amp;(b) of SAI)</b>
<b>8.</b>	<b>(a)</b>	Mr. 'X' a JCO is held responsible for damage to Govt. property by a fire due to his negligence. What action is liable against Mr. 'X' with regard to the loss? Is there any limitation in the punishment? <b>(2 Marks)</b>
	Ans.	Mr. 'X' is liable to make good damage done to Govt. property by fire which occurred to his negligence. If the sum recoverable from Mr. 'X' is too large, it may be limited to a sum not exceeding one weeks pay of Mr. 'X'. <b>(Auth: Para 435 DSR)</b>
	<b>(b)</b>	Is a Service Officer allowed to carry a Service firearm while proceeding on leave? What is the unit expected with regard to carrying or otherwise of service firearm by the Defence Personnel? <b>(2 Marks)</b>
	Ans.	No, a Service Officer is not allowed to carry a service firearm while proceeding on leave. The unit should periodically publish an order to the effect that an officer a soldier is forbidden to use & carry a service firearm except in connection with his duty as an officer or soldier or to have service ammunition in his possession unless authorised by regulations. <b>(Auth: Para 913 DSR)</b>
	<b>(c)</b>	What are the provisions regarding carrying of Ammunition on move of units from on station to another? <b>(3 Marks)</b>
	Ans.	A unit moving from one station to another will normally take only paid ammunition as required for guards, unless otherwise specially ordered by the area, divisional or equivalent commanders. Any additional ammunition or charge of the unit will be returned to the ammunition depot on which dependant. In case of urgency, when time does not permit the additional ammunition will be handed

	over or regular in-charge to another unit in the same station under the orders of OC station. The letter unit will return it to the ammunition depot. <b>(Auth: Para 921 DSR)</b>
<b>(d)</b>	Who are responsible for loss due to improper use of Railway Forms? What action is expected when there is loss to a railway administration due to misuse of railway forms and the loss cannot be recoverable from the individual who misused the form? <b>(3 Marks)</b>
<b>Ans.</b>	Officers Subordinates authorised to hold railway forms are responsible for any improper use of railway forms. Where loss to a railway administration results from the misuse of a railway forms and it cannot be recovered from the individual who misuse it, the matter will be referred to the Central Govt. with the recommendations to all forwarding authorities stating whether the amount should be recovered in whole or in part from the person concerned. <b>(Auth: Para 434 DSR)</b>

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## SAS-II EXAMINATION, NOVEMBER 2019

### MODEL ANSWERS PAPER-VI (Theory (Without Books)) SECTION-II (Store Accounts and Internal Audit) (B) AIR FORCE

Q.1	(a)	<p>On what frequency LAO is ordinarily expected to visit each unit/formation for review of local audit work? Whether LAO has been given any discretion in the matter of the extent to which his test check on the work of local audit staff is to be applied?</p> <p style="text-align: right;"><b>(1.5+1.5 Marks)</b></p>
	Ans.	<p>LAO is ordinarily expected to visit each unit/formation every half year for review of local audit work. LAO has been given discretion in the matter of the extent to which his test check on the work of local audit staff is to be applied but the check exercised should be substantial.</p> <p style="text-align: center;"><b>[Authority: Para 15 of AFLAM (Revised Edition 2013)]</b></p>
	(b)	<p>A LAO decides to stay for a longer period than the time originally allowed for the review of local audit of a particular unit or formation. Please comment on the appropriateness of this action of LAO.</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
	Ans.	<p>To enable LAOs to devote more time (i) to financial advice and (ii) to settling on the spot all local audit objections, they are allowed a certain amount of discretion in working to a half yearly programme. LAO can extend the program, if the same is needed to settle the objections on the spot. However, he should report the fact to CDA(AF) for confirmation of his action. However, special circumstances connected with a unit make a prolonged stay absolutely essential, the LAOs should report the circumstances to the CDA (AF) in detail by an express letter and obtain his concurrence.</p> <p style="text-align: center;"><b>[Authority: Para 15 of AFLAM (Revised Edition 2013)]</b></p>
Q.2	(a)	<p>(a) Which accounts in respect of a unit/ formation will be considered in Arrears?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
	Ans.	<p>Accounts audited half yearly but not audited within six months following the half year of audit will be regarded as in arrears. Similarly, Accounts audited annually but not audited within 9 months, following the period of annual audit will be regarded as in arrears.</p> <p style="text-align: center;"><b>[Authority: Para 16 of AFLAM (Revised Edition 2013)]</b></p>

(b)	<p>How the vouchers for linking in audit should be selected by LAO? LAO happens to be at outstation informs to his auditor over phone his selection of voucher. Please comment on the appropriateness of this action of LAO.</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
Ans.	<p>Before the Local Audit Officer proceeds to take up the audit of unit, selection of vouchers for linking in audit of various accounts is to be made by LAO (AF) personally keeping in view the various typical methods as laid down by the CGDA. The selection orders are to be recorded in so clear terms as to admit no ambiguity in their understanding by local audit staff. This action of LAO is not appropriate. In no case confidentiality of selection orders should be breached. Local audit staff should not come to know the method of selection before the start of the linking. The appropriate course of action would have been to inform the selection of vouchers to Group superintendent local audit party confidentially through post so as to reach him a day or two before the audit is to be taken up.</p> <p style="text-align: center;"><b>[Authority: Para 23 of AFLAM (Revised Edition 2013)]</b></p>
Q.3	<p>(a) Audit Staff links issue and receipt transactions from issue and receipt vouchers to stock record cards. Please comment on appropriateness.</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
Ans.	<p>The action of audit staff in respect of issue transactions is not correct. In case of issue transactions linking should be done from stock record cards to issue vouchers and not vice-versa. However, action taken in case of receipt transactions was correct.</p> <p style="text-align: center;"><b>[Authority: Para 61 of AFLAM (Revised Edition 2013)]</b></p>
(b)	<p>How issues to Navy from Air Force are adjusted? How issues to civil department from Air Force are priced?</p> <p style="text-align: right;"><b>(3+4 Marks)</b></p>
Ans.	<p>Issues to the Navy from Air Force will be adjusted by the CDA of receiving service (Navy in this case) by preparing a punching medium debiting the relevant service head of the Navy by contra credit to the head of account of the Air Force shown on the voucher scheduled to it by the consignor LAO (AF). A copy of Punching Medium will be send by CDA Navy to consignor LAO(AF) for his information.</p> <p>Issues to the civil department will be priced at rates shown in Priced Vocabularies (PV) duly levying the departmental charges. In case of PV rates are not available, the prices have to be obtained from Air HQrs (Dte of Accounts).</p> <p style="text-align: center;"><b>[Authority: Para 98 &amp; 102 of AFLAM (Revised Edition 2013)]</b></p>

Q.4	(a)	<p>Please indicate the form no for following purposes:-</p> <ul style="list-style-type: none"> <li>(i) For payment of issue of clothing to airmen</li> <li>(ii) For charging off loss/ damage to Air Force equipment etc.</li> <li>(iii) for payment issue of rations</li> </ul> <p style="text-align: right;"><b>(3 Marks)</b></p>
	Ans.	<ul style="list-style-type: none"> <li>(i) For payment of issue of clothing to airmen-IAFF(Q)440</li> <li>(ii) For charging off loss/ damage to Air Force equipment etc.- IAFF(Q)440-B</li> <li>(iii) for payment issue of rations- IAFF(Q)509</li> </ul> <p style="text-align: center;"><b>[Authority: Para 91 of AFLAM (Revised Edition 2013)]</b></p>
	(b)	<p>What are the main audit checks to be exercised on the payment issues vouchers pertaining to payment issues to officers and Flight Cadets?</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
	Ans.	<p>Following will be seen:-</p> <ul style="list-style-type: none"> <li>(i) that the quantity of any article issued is not in excess of his personal needs as covered by the scale of equipment to be maintained by officers.</li> <li>(ii) that the officer furnishes a certificate on IAFF (Q) 431 to the effect that the articles are required to meet his personal requirements.</li> <li>(iii) that the price charged for any article or length of material represents the price given in the Priced List of IAF Equipment plus departmental, additional and other charges at appropriate rates as laid down in the "Memorandum of Instructions" thereto.</li> <li>(iv) that no issue is made of any article for which price is not given the vocabulary.</li> <li>(v) that only those articles of clothing, footwear, necessaries, etc, as are specified in Chapter 14 IAP 1501 are issued.</li> <li>(vi) that the issue of controlled material does not exceed the limit specified in Chapter 14.</li> <li>(vii) that in the case of restricted issues to married officer, the officers purchasing the items have certified that at the time of purchase they were married.</li> <li>(viii) that where part worn serviceable items are issued, the recovery is made at a minimum rate of 2/3<sup>rd</sup> of price of new items.</li> </ul> <p style="text-align: center;"><b>[Authority: Para 93 of AFLAM (Revised Edition 2013)]</b></p>

Q.5	(a)	What are full forms of AUDOLS, IMMOLS and GIG?  <b>(1+1+1 Marks)</b>
Ans.		Audit On Line System, Integrated Material Management On Line System and Global Index Gallery
	(b)	Who is primarily and solely responsible for carrying out stock taking? In what circumstances/ scenario LAO can carry out actual stock verification? What procedure should be followed for this?  <b>(1+2+4 Marks)</b>
Ans.		<p>Executive Authority concerned is primarily and solely responsible for carrying out stock taking. In cases where from the state of Accounts produced for audit, or otherwise the LAO is 'put upon enquiry ' and has sufficient grounds to doubt may carry out an actual stock verification after obtaining prior concurrence of CDA (AF).</p> <p>Intimation to that effect will be sent by the CDA/LAO to the executive officer concerned. On receipt of such information the OC of unit will make suitable arrangements for the verification of the stock by the rep of DAD. He will provide the LAO with sufficient departmental assistance for carrying out his work and will arrange that the store-holder or his rep is present during the process of stock taking. The result of stock-taking will be entered by the LAO in the stock verification report IAF (CDA) 531 which will be prepared in duplicate and the initials of the stock holder or his rep obtained on both the copies as proof of his having accepted the figure. The completed stock verification worked out by him will be shown to OC and his signature obtained on both the copies of the report. One copy of the report will be handed over to the OC for his record.</p> <p style="text-align: center;"><b>[Authority: Para 169 of AFLAM (Revised Edition 2013)]</b></p>
Q.6	(a)	How the Serviceable and Shelf life equipment are to be arranged in the store room?  <b>(1.5+1.5 Marks)</b>
Ans.		<p><u>Serviceable equipment</u> is to be so arranged that part-worn articles will be issued first and then those that are oldest or have been longest in store. Unless specific instructions are given to the contrary this order is to be strictly observed; it is of utmost importance in the case of perishable items such as dry cells, India-rubber articles and photographic materials.</p> <p><u>Shelf life equipment</u> are to be so arranged that issues could be made in such a way that earlier manufactured ones are issued first. The shelf life of an item begins from date of manufacture and not from the date of which it is received in stock holding units.</p> <p style="text-align: center;"><b>[Authority: Para 16 and 16A, Chapter 3 of IAP 1501]</b></p>

Q.6	(b)	Define three classes of Issues under which issues out of Air Force roughly fall into. <b>(7 Marks)</b>
Ans.	<p>Issues (including services) rendered out of I.A.F. roughly fall under the following three classes :-</p> <p>(a) Class I to :-</p> <ul style="list-style-type: none"> <li>(i) Private firms, bodies or individuals.</li> <li>(ii) Civil Aviation Companies.</li> <li>(iii) Civil Aircraft owned by Flying Clubs.</li> <li>(iv) Aircraft owned by I.A.F. Officers.</li> </ul> <p>(b) Class II to :-</p> <ul style="list-style-type: none"> <li>(i) United Kingdom</li> <li>(ii) Foreign Governments.</li> </ul> <p>(c) Class III to :-</p> <ul style="list-style-type: none"> <li>(i) Army</li> <li>(ii) Navy</li> <li>(iii) M.E.S.</li> <li>(iv) Departments of Central Government.</li> <li>(v) State Governments.</li> <li>(vi) State Union Governments.</li> <li>(vii) Army Factories.</li> </ul> <p><b>[Authority: Para 2, Chapter 8 of IAP 1501]</b></p>	
Q.7	(a)	Define the terms: <b>(3 Marks)</b> <ul style="list-style-type: none"> <li>(i) Provisioning</li> <li>(ii) Provisioning officer</li> </ul>
Ans.	<p><b>Provisioning:</b> The process of calculating and obtaining the probable or actual requirements.</p> <p><b>Provisioning officer:</b> A commissioned officer or civilian gazetted officer who is entrusted with duties pertaining to any of the various processes involved in provisioning, e.g. stock recording, review of requirements, indenting etc.</p> <p><b>(Auth. Glossary of provisioning terms, IAP 1541)</b></p>	

(b) Into how many types are Provision control record cards (PCRCs) segregated? List out the conditions to be fulfilled for PCR Cards to be treated as "ACTIVE" and "DEAD" cards?

(7 Marks)

Ans. Segregation of PCRCs

For case of handling and to facilitate appropriate action, PCRCs are to be sorted out as "Active", "Inactive" and "Dead" cards.

**"Active Cards":**

PCRCs fulfilling the following conditions are to be treated as "Active":

- (i) All new equipment.
- (ii) Equipment in current use, namely items which have been issued to consumer unit during the last three years.
- (iv) Equipment which is not in current use, but which may be required in an emergency in accordance with special instructions issued from time to time.

**"Dead Cards":**

A provision control record card PCR card is to be treated as "Dead" if all the following conditions are fulfilled:

- (i) No stock balance is recorded.
- (ii) There are no dues-in or Dues-out.
- (iii) There have been no issues to consumer units during the last three years.

(Auth. Leaflet No 2, Para 13, 14, 16, IAP 1541)

Q.8. (a) What are the grounds on which an equipment or store will be declared Obsolete? (3 Marks)

Ans. Obsolete Stores. An equipment or store will be declared obsolete when approval has been given to its withdrawal from the services on any of the following grounds:

- (i) Technical inefficiency to carry out its required and intended role and non-justification for its retention in the service.
- (ii) Its required role has disappeared and it is of no use for any other role.
- (iii) It has been completely superseded by an improved equipment or store

(Auth. Leaflet No 41, Para 2b, IAP 1541)

(b) What are "Lifed" items? What precautions are to be exercised by Provisioning sections and stock holding depots in case of "Lifed" items? (7 Marks)

Ans. Lifed item: - An item susceptible to deterioration with a definite shelf life, on expiry of which it cannot be used unless its serviceability is confirmed by inspection and test.

In order to minimise the incidence of expiry of 'lifed' items at EDs., provisioning sections must, when placing indents for future requirements, ask for staggered deliveries, keeping in view the anticipated rate of consumption

Shelf-life of 'Lifed' items, as laid down in the relevant vocabulary or schedule of spare parts or notified by the concerned stock-holding depots for annotation on tally cards and bin stock and location cards. These are also to be annotated on the relevant PCR Cards.

On receipt of 'shelf life' from Air Headquarters, the stockholding depots will annotate the relevant tally cards and bin stock and location cards and ensure that when these items are received from the suppliers or repair agencies, requisite information regarding date of manufacture or date of re-lubrication etc. is duly entered in the C.R.Vs and also in the identification labels attached to each and every item. The date of manufacture/re-lubrication will also be entered on the tally cards and bin stock and location cards as well as receipt posting sheet forwarded to Air Headquarters.

On receipt of posting sheets from depots annotated, the date of manufacture or re-lubrication, reconditioning etc. are to be recorded on the PCR cards, where necessary, these data may be entered on a separate sheet and pasted on the PCR card.

**(Auth. Glossary of provisioning terms, IAP 1541)**

**(Auth. Leaflet No 32, Para 6,7,8 & 10, IAP 1541)**

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# SAS PART-II NOVEMBER 2019 PAPER-VI (NAVY PORTION)

## MODEL ANSWERS WITH QUESTIONS OF PAPER-VI (NAVY-THEORY WITHOUT BOOKS)

### Answer without book alongwith authorities

Q1. (a)	What is the method of accounting of Victuals? (2 Marks)
Answer	This account is to be maintained by all self-accounting ships and establishments on form IN 213 and rendered monthly with all relevant vouchers to the Principal Controller of Defence Accounts (Navy)/Naval Local Audit Officer within 15 days of closing the account. IN Hospital ships are permitted to render the account by the 22 <sup>nd</sup> of the month following the month to which it pertains. Non-self-accounting ships and establishments are to submit the rough victualling accounts on form IN-213 to the respective B LOGO by 10 <sup>th</sup> of following month. The B LOGO shall scrutinize the rough accounts and prepare fair accounts on IN213 for forwarding to the audit authorities alongwith supporting vouchers by 15 <sup>th</sup> of the following month. Auth: Para 0401 of Naval Victualling Manual (NVM)
(b)	Define the following: (i) GVB (3 Marks)
Answer	Gangway Victualling Book (GVB) is the record of daily victualing strength. It is to be maintained by the Regulating Staff in all Ships and Establishments. It should be sent victualing office daily so as to correct issue of ration to the galley to the entitled personnel. Auth: Para 0403 of Naval Victualling Manual (NVM)
	(ii) GCB
Answer	Gangway Check Book (GCB) is to be maintained by the Regulating Staff in all Ships and Establishment. Check sheets are to be sent Victualling office daily so as to issue of ration to the galley to the entitled person. It is used for preparation of Victualling Account. Auth: Para 0403 of Naval Victualling Manual (NVM)
	(iii) Bakery Account.
Answer	Shore establishments having bakeries, are to render monthly bakery account separately on form IAFS-1557 to PCDA(N)/NLAO concerned. At the end of a calendar year, shore establishments and BVYs, having bakeries, are to render a production account to the Principal Controller of Defence Accounts (Navy), for working out the production cast of bread baked. Auth: Para 0404 of Naval Victualling Manual (NVM)
(c) (i)	Please elaborate regularisations of Victualling Losses? 2.5 Marks)
Answer	All losses or damage of Victualling Stores in Ships/establishments are to be investigated by the officers responsible for the store and the results reported in writing to the Commanding officer. The occasion of the loss or damage is to be fully described and it is to be stated whether any preventive action was taken and if so what measures were taken for the recovery of stores lost. IAFA-498 is to be used in respect of losses in stores including

	<p>those on account of differences disclosed between the actual remains after muster the remains per accounts.</p> <p style="text-align: right;"><b>Auth: Para 0410 of Naval Victualling Manual (NVM)</b></p>
	<p><b>(ii) What is Underdrawal &amp; Overdrawal of Rations? (2½ Marks)</b></p>
	<p><b>Underdrawal of Rations:-</b>Underdrawal of rations including fresh ration in a month will lapse to the state and are not to be made good by overdrawal in subsequent month, nor any payment will be made for provisions saved.</p> <p><b>Overdrawal of Rations:-</b>Overdrawal of ration during the month however are to be adjusted in the following manner:-</p> <ol style="list-style-type: none"> <li>a) Those detected by the unit will be adjusted either by underdrawing within the same month itself, whenever possible, or in the subsequent month by equal quantities Overdrawals can also be adjusted by payment for the quantities overdrawn at payment issue rates current in the month of overdrawal.</li> <li>b) Those detected during the audit of victualling account will similarly be adjusted by underdrawal during the month of audit or in the subsequent month or by payment stated at (a) above.</li> <li>c) Over issue of any items in a month be written off under the powers of commanding Officer delegated vide NI 1/S/97 as amended from time to time.</li> </ol> <p style="text-align: right;"><b>Auth: Para 0411 of Naval Victualling Manual (NVM)</b></p>
<b>Q2. (a)</b>	<p><b>Define the functions of the following with respect of Victualling Yard Organisation: (1x5 = 5 Marks)</b></p>
<b>(i)</b>	<p><b>Stock Section:</b></p>
<b>Ans .</b>	<p>The stock section is responsible for the following:</p> <ol style="list-style-type: none"> <li>i. Raising demands for the centrally purchased articles.</li> <li>ii. Ensuring maintenance of reserve stock of provisions.</li> <li>iii. Maintenance of proper records showing stock of provisions, demands outstanding and items in transit.</li> <li>iv. Submission of various returns.</li> </ol> <p style="text-align: right;"><b>Auth: Para 1610 of Naval Victualling Manual (NVM)</b></p>
<b>(ii)</b>	<p><b>Central Ledger Section</b></p>
<b>Ans .</b>	<p>The central ledger section is responsible for the following: -</p> <ol style="list-style-type: none"> <li>i. Maintenance of central ledger on form IAFS 2109 for all items held in the BVY.</li> <li>ii. Scrutiny of demands received from dependents ships and establishments and units of the army and Air force and sanctions for such issues.</li> <li>iii. Checking of 'Daily balance Statement' received from various stock</li> </ol>

	holding groups and posting of ledgers. Auth: Para 1611 of Naval Victualling Manual (NVM)
(iii)	<b>Local Contract Section</b>
Ans.	The local contracts section is responsible for the following: - <ul style="list-style-type: none"> <li>i. Maintenance of account of form IAFS 1520 and IAFS 2135 (Supply Order) held by the BVY and their issue to such units who are authorized to get supplies direct from the contractors.</li> <li>ii. Scrutiny of completed IAFS 1520 and IAFS 2135 forms received from units and contractors.</li> <li>iii. Maintenance of record of local sources from where the various items can be obtained in an emergency together with their rates.</li> </ul> Auth: Para 1612 of Naval Victualling Manual (NVM)
(iv)	<b>Administration Section</b>
Ans.	The section will be responsible for the following: - <ul style="list-style-type: none"> <li>i. Receipts, dispatch and circulation of all signals and mail</li> <li>ii. Ensure speedy disposal of all communications received.</li> </ul> Auth: Para 1613 of Naval Victualling Manual (NVM)
(v)	<b>Dummerage/Wharfage</b>
Ans.	Various CFAs who are authorized to sanction expenditure on of dummerage/wharfage on victualling stores and the extent of expenditure which can be opened by each are laid down in NI 1/S/97 as amended from time to time. Auth: Para 1614 of Naval Victualling Manual (NVM)
Q2. (b)	Explain the following terms: <span style="float: right;">(1x5 = 5 Marks)</span>
(i)	<b>Risk and Expense Purchase</b>
Ans.	If a contractor fails to meet the demand placed on him or fails to maintain reserve stock or causes any other inconvenience, he will be served with a notice in writing to rectify the matter. A copy of such a notice should be endorsed to the contract sanctioning authority/AA. If the contractor fails to rectify the matter, local purchase at his risk and expense may be resorted to. Any entry to his effect with the remarks of the BVO/Contract Operating Officer should be made in the contractor's diary. An abstract of all such purchases should be forwarded to the CDA (Navy) fortnightly, for necessary action. Auth: Para 1634 of Naval Victualling Manual (NVM)
(ii)	<b>Butchery</b>
Ans.	In order to enable the contractor to arrange the supply of meat to he BVY as per the demands placed, a butchery with facilities for slaughtering the animals and providing grazing grounds for the animals with water facilities is provided to him with BVY itself where such facilities exist, at nominal rent. This is the

	<p>ensure that animals conform to ASC Specification prior to slaughtering them and also to ensure that they are slaughtered in hygienic surroundings.</p> <p style="text-align: right;">Auth: Para 1635 of Naval Victualling Manual (NVM)</p>
(iii)	<b>Earnest Money</b>
Ans.	<p>Tender forms will give particulars of the earnest money to be submitted by the contractors, date of such submission and opening of tenders. The details of earnest money lodged by tenders will be quoted on the to of the first page of form IAFS 2120. Earnest money is either to be submitted to Reserve Bank/State Bank/Govt. Treasury in favour of AA and the receipt is to be attached to the tender. Govt security (including postal cash certificates) may be accepted in lieu of earnest money.</p> <p style="text-align: right;">Auth: Para 1711 of Naval Victualling Manual (NVM)</p>
(iv)	<b>CST</b>
Ans.	<p>After the tenders have been opened and initialed by the board of officers and given a serial number, a comparative statement (CST) on IAFS 2125A including the following particulars is prepared: -</p> <ol style="list-style-type: none"> <li>i. Details of items(s) tendered for.</li> <li>ii. Approximate requirements stated in the schedule.</li> <li>iii. Average wholesale market rate for the last three years/seasons.</li> </ol> <p style="text-align: right;">Auth: Para 1732 of Naval Victualling Manual (NVM)</p>
(v)	<b>Security Deposit</b>
Ans.	<p>The amount of security deposit for short term agreements will be fixed follows: -</p> <ol style="list-style-type: none"> <li>i. <b>Registered Contractors:</b> - The amount will be the same as for regular contracts.</li> <li>ii. <b>Unregistered Contractors:</b> - The amount will be 10% of the total value of the agreement.</li> </ol> <p style="text-align: right;">Auth: Para 1759 of Naval Victualling Manual (NVM)</p>
<b>Q3. (a)</b>	<p><b>What is the difference between 'Performance Audit' &amp; 'Propriety Audit'? How this is different from Information System Audit? (4 Marks)</b></p>
	<p><b>Performance Audit:</b> - Performance Audit is a comprehensive review of the projects, programmes, schemes, organizations, etc., in terms of their goals and objectives aimed at ascertaining the extent to which the expected results have been achieved from the use of available resources of money, men and materials. It is a technique of audit adopted to assess and evaluate the economy, efficiency and effectiveness of development schemes, projects or organizations and hence this branch of audit is also known as Economy, Efficiency and Effectiveness Audit. Performance Audit has the following broad objects.</p>

	<p>i) Whether planning has been according to the basic objectives.  ii) Whether the Operations are efficient and economical.  iii) Whether the results expected are being achieved and commensurate with expenditure/investment.</p> <p><b>Propriety Audit:-</b> it is an essential and inherent function of Audit to bring to light not only clear and obvious irregularities but also every matter which in the judgment of auditors, appears to involve improper expenditure or waste of public moneys or stores even though the accounts themselves may be in order and no obvious irregularity has been committed. Such audit, often called Propriety Audit, "extends beyond the formality of the expenditure to its wisdom, faithfulness and economy".</p> <p><b>Information Systems Audit:-</b> Information Systems audit is the process of collection and evaluation of evidence to determine whether a computer system has been designed to maintain data integrity, safeguard assets, and allow the effective realization of organizational goals, and ensure efficient utilization of resources.</p> <p style="text-align: right;">Auth: Para 2D, 2C &amp; 2E of NLAOs Manual</p>
Q3. (b)	<p>What is the difference between 'Annual Audit Certificate (AAC)' &amp; 'Appropriation Account (AA)'.  (4 Marks)</p>
Ans .	<p><b>Annual Audit Certificate (AAC):-</b> Every NLAO will submit annually to the PCDA (Navy) 'FA' PCDA (Navy)'IA' Section so as to reach him by the date specified 25th July each year, the certificate as laid down in para as 540 535 and 546 541 Defence Audit Code. The instructions contained in para 540 535 et. Seq. Defence Audit code and any other orders that have been and/or may be issued by the CGDA/PCDA (Navy) PCDA (Navy) should be compiled with by the NLAOs in preparing and rendering the certificate.</p> <p><b>Appropriation Accounts:-</b> Each NLAO will maintain statistics in respect of loss of stores in a register of loss (IAF(CDA)341).all losses in ships/Estts. of 500 5000 and over and all losses in supply and store Depots irrespective of value (Which have actually been written off by the competent financial authority) appearing in the accounts covered by audit will be noted in this Register. For this purpose the Register of losses maintained by Ships/Estts. Will also be consulted by the local audit staff. Similar statistics will also be maintained by each NLAO for losses of cash in respect of cases coming within the purview of his audit in a register in IAF(CDA)182. All losses of cash exceeding Rs. 0500 in each case which have actually been written off by the Competent Financial Authority will be noted in this register at the time of audit.</p> <p style="text-align: right;">Auth: Para 20 &amp; 21 of NLAOs Manual</p>

<b>Q3. (c)</b>	<b>Define &amp; explain the following: (1x2 = 2 Marks)</b>
<b>(i)</b>	<b>MFAI</b>
<b>Ans.</b>	The NLAOs will prepare and submit to the PCDA (Navy) a Quarterly report on the Major Financial and Accounting irregularities for the Quarter ending June, September, December and March each year relating to Ships/Estts., located in their respective local audit areas in the manner laid down in para 523 et. Seq. Defence Audit Code and other instructions issued by the CGDA and /or the PCDA (Navy) from time to time. <b>Auth: Para 19 of NLAOs Manual</b>
<b>(ii)</b>	<b>IAR</b>
<b>Ans.</b>	Internal Audit Report (IAR) MFAI or any other objection which are not settled within the 3 months, from the date of raising the objection are to be incorporated into internal audit report of that particular financial year. These IAR are further consolidated and compiled by Headquarters office i.e CGDA. The compiled IAR of respective services are then sent to respective secretaries of the services.
<b>Q4.</b>	<b>Define &amp; Explain the following: (1x10 = 10 Marks)</b>
<b>(i)</b>	<b>Casting</b>
<b>Ans.</b>	In the case of ledgers an account of each article is maintained on a separate page, the balance being struck after each transaction whereas transaction in the case of returns prepared on a monthly basis, a number of articles are accounted for on one page, the balances being struck at the end of the month. <b>Auth: Para 35 of NLAOs Manual</b>
<b>(ii)</b>	<b>Closing Book Balances</b>
<b>Ans.</b>	To ensure that the final closing balance at the end of the month/quarter/half year under audit is correct, the total issues of each article will be struck and deducted from the aggregate total of receipts and the opening balance. If the balance is struck after each transaction, the accuracy of the intermediate balances will not be verified. A line will be drawn neatly against the closing balance of each article in ledgers. <b>Auth: Para 37 of NLAOs Manual</b>
<b>(iii)</b>	<b>Linking</b>
<b>Ans.</b>	The linking of receipt and local/central purchase vouchers into the store ledgers stock and due sheets returns etc. of the consignees is one of the most important functions of the local audit staff. The NLAO will watch that there has been no undue delay in the linking of such vouchers into the consignee's ledgers etc. <b>Auth: Para 39 of NLAOs Manual</b>
<b>(iv)</b>	<b>Pairing</b>
<b>Ans.</b>	Pairing means bringing together two documents which are supposed to be facsimile copies one of the other to ensure that they are in fact identical. <b>Auth: Para 39 (2) of NLAOs Manual</b>

(v)	<b>Skeleton List</b>
Ans.	Skeleton list means the list with which vouchers are forwarded by the issuing depots to their NLAO periodically. <b>Auth: Para 39 (3) of NLAOs Manual</b>
(vi)	<b>Consignee</b>
Ans.	A party (usually a buyer) named by the consignor (usually a seller) in transportation documents as the party to whose order a consignment will be delivered at the port of destination. The consignee is considered to be the owner of the consignment for the purpose of filing the customs declaration, and for paying duties and taxes. Formal ownership of the consignment, however, transfers to the consignee only upon payment of the seller's invoice in full.
(vii)	<b>Consignor</b>
	Person or firm (usually the seller) who delivers a consignment to a carrier for transporting it to a consignee (usually the buyer) named in the transportation documents. Ownership (title) of the goods remains with the consignor until the consignee pays for them in full. Also spelled as consigner.
(viii)	<b>Stock Verification</b>
Ans.	The responsibility for carrying out stock verification as prescribed in department regulations and standing orders rests primarily and solely with the executive authorities concerned. The NLAO during his periodical visit, will verify that stock taking has been carried out as it falls due and that wherever provided for, the staff actually employed in verifying stock is independent of the staff responsible for the physical custody of the stock or for keeping accounts thereof. He will further see that: <ul style="list-style-type: none"> <li>i. The system of stock taking adopted is adequate and proper.</li> <li>ii. The results of stock taking are recorded in the ledgers, account card or other prescribed documents by a responsible officer under his dated initials.</li> <li>iii. All the discrepancies detected during the stock taking are properly investigated, that all surpluses found on stock taking have been credited to govt. and the deficiencies have been dealt with under the orders of the competent financial authority.</li> <li>iv. The vouchers received prior to the date of stock taking have not been brought into the balance after stock taking.</li> </ul> <b>Auth: Para 75-A of NLAOs Manual</b>
(ix)	<b>Audit Enfacement</b>
	All accounts, registers, documents, vouchers etc. which are audited will be enfacend 'Audited', 'Linked', 'Test Checked', 'Objected to', 'Remarked on' as the case may be. The NLAO, the SO(A)/AAO and the auditors will affix their dated initials and designations to each of these documents etc. in token of their having conducted that part of the examination, audit scrutiny or test check for which they are personally responsible. Only red ink or red colored pencil will be used by the local audit staff for the above purpose. <b>Auth: Para 76 of NLAOs Manual</b>

(x)	<b>Audit Certificate</b>
	<p>On the completion of Audit, an Audit Certificate in the prescribed form IAF (CDA) 717 will be appended to the office copy of the objection statement issued on the accounts of each unit/formation. It should specifically cover "all issue vrs. Due to be audited as per the Vrs analysis". This certificate will be examined by the Section Officer (Accts) with the list of accounts to be audited and countersigned by him. Before countersigning the certificate, the Section Officer (Accts) will exercise such checks over the auditors' work as will satisfy him that the audit has been efficiently carried out and that he can take complete responsibility for the audit done and for the statement made in the certificate.</p> <p style="text-align: right;"><b>Auth: Para 78 of NLAOs Manual</b></p>
Q5. (a)	<b>What is Naval Storekeeping system? (5 Marks)</b>
Ans.	<p>It is a system of Naval Storekeeping which is designed to enable each ship and establishment to obtain the Naval Stores necessary for her upkeep and operation and to maintain a proper standard of smartness and efficiency.</p> <p style="text-align: right;"><b>Auth: Art. 28 of INBR 12</b></p>
(b)	<b>What is the difference between Self Accounting &amp; Non-Self-Accounting units? (5 Marks)</b>
Ans.	<p><b><u>Self-Accounting:-</u></b>Inself-accounting ships/establishments, the supply Officer of the ship establishment is responsible for the</p> <ol style="list-style-type: none"> <li>i. procurement of all Sea stores required on board</li> <li>ii. Receipt, custody and issue of Sea Stores.</li> <li>iii. Accounting of all Sea Stores on board in accordance with the current regulations.</li> </ol> <p><b><u>Non-self-Accounting:-</u></b> In non-self-accounting ships/establishments, all Sea stores received on board are turned over directly to the heads of the departments and consumable stores regarded as expended on issue.</p>
	<p>The Sea store Accounts of such ships/establishments are maintained by the base supply officer of the base to which the ship/establishment is attached.</p> <p>Non- self-accounting ships and establishments are those in which a Supply Officer is not borne or which are specially so designated by Naval Headquarters.</p> <p style="text-align: right;"><b>Auth: Art 28 of INBR 12.</b></p>

Q6. (a)	Please explain 'Survey', its 'purpose' and 'Types of Survey'. Also explain phases of survey procedure. (5 Marks)
Ans.	<p><b>Survey:</b> - A survey is the procedure which is carried out when naval Stores must be -</p> <ol style="list-style-type: none"> <li>i. condemned as a result of damage/deterioration,</li> <li>ii. appraised as to the suitability and/or loss of utility.</li> </ol> <p><b>Purpose of Survey:</b> - The purpose of a survey is to provide a record for-</p> <ol style="list-style-type: none"> <li>(a) an administrative review of <ol style="list-style-type: none"> <li>i. the condition of the article</li> <li>ii. the cause of the condition</li> <li>iii. recommendation for its disposal</li> </ol> </li> <li>(b) an authority to take the item off charge.</li> </ol> <p><b>Types of Survey:</b> -there are the two types of survey: -</p> <ol style="list-style-type: none"> <li>(a) General Survey- a general survey is a survey conducted by the Surveyor of stores/naval Store Officer.</li> <li>(b) Local Survey- A local survey is a survey which is conducted on board by ships/establishments officers.</li> </ol> <p><b>Phases of Survey Procedure:</b> - The survey procedure shall consist of the following phases: -</p> <ol style="list-style-type: none"> <li>(a) Request for Survey- This shall normally originate from the department having custody of the stores to be surveyed as prescribed in Article 187.</li> <li>(b) Action by the Commanding Officer- the commanding Officer shall decide the type of the survey to be held.</li> <li>(c) Action by the Surveying Officer(s)- The surveying Officer(s) shall make a thorough inspection of the item to be surveyed, and <ol style="list-style-type: none"> <li>i. determines its condition,</li> <li>ii. make recommendations for its disposal, replacement or continuance in service.</li> </ol> </li> </ol> <p style="text-align: right;">Auth: Art. 172, 73, 174 &amp; 175 of INBR 12.</p>
(b)	Define the following: (1x5 = 5 Marks)
(i)	<b>Serviceable</b>
Ans.	Store which are in all respects fit for service use are classified as "Serviceable" and are taken on charge.
	Auth: Art. 177 of INBR 12.
(ii)	<b>Repairable for ship</b>
Ans.	Any defective stores returned and found on survey, to be repairable, shall, if still required by the ship, be classified as "Repairable for Ship". Such items remain on charge in the Naval Stores Accounts of the Ship/Establishment. Auth: Art. 177 of INBR 12.

<b>(iii)</b>	<b>Unserviceable</b>
<b>Ans.</b>	Stores which are completely unserviceable and beyond economical repair are classified as such. <b>Auth: Art. 177 of INBR 12.</b>
<b>(iv)</b>	<b>Overboard</b>
<b>Ans.</b>	This term indicates that the stores should be jettisoned into the sea. This recommendation is made when the retention of stores is considered detrimental to the safety or health of the ship of when the stores have no scrap or salvage value after local survey. <b>Auth: Art. 177 of INBR 12.</b>
<b>(v)</b>	<b>Repairable</b>
<b>Ans.</b>	Stores which can be economically repaired but which are not required by the returning ship/establishment are classified as "Repairable". Such items are taken off ledger charge by the Ship/establishment. <b>Auth: Art. 177 of INBR 12.</b>
<b>Q7. (a)</b>	A Request for Proposal has been issued by your INHS Asvini for procurement of a Test Equipment with an estimated value of Rs. 10 Lakh, with 5 <sup>th</sup> Sept, 2019 as the last date for receipt of Bids. Vendor 'A' approaches the Unit on 1 <sup>st</sup> Sept, 2019 with information on certain errors in the Tender Document and with a request for extension of the date for submission of bids. What would be your action as a procurement officer? <b>(5 Marks)</b>
<b>Ans.</b>	Yes, it can be done by the unit by extension of date by informing all the vendors being a LTE.
<b>(b)</b>	What is a two-bid system? Is it possible to seek revised commercial bids from vendors after receipt and evaluation of technical bids? Comment. <b>(5 Marks)</b>
<b>Ans.</b>	For purchasing high value plant, machinery etc. of complex and technical nature, bids may be obtained in two parts as under:- 1. Technical bid consisting of all technical details along with commercial terms and conditions; and 2. Financial bid indicating item - wise price for the items mentioned in the technical bid. Yes, it is possible to seek revised commercial bids from vendors after receipt and evaluation of technical bids, as commercial bids are open only after acceptance of technical bids in two bids system. <b>Auth: Rule 163 of GFR, 2017</b>

**SAS-II EXAMINATION, NOVEMBER 2019**  
**MODEL ANSWERS**  
**PAPER VI (Theory (Without Books))**  
**SECTION-II (Store Accounts and Internal Audit)**  
**(D) FACTORY**

<b>Q.1</b>	<b>1.</b>	<b>(a)</b>	What is the role of Empowered Committee at Factory Level for store procurement?  <b>(3 Marks)</b>
<b>Ans.</b>			<b>EMPOWERED COMMITTEE</b> may be set up at factory level to identify items/ material with adequate vendor base for 'A' category items. "Empowered Committee" may be constituted in each factory, consisting of GM/Sr.GM as Chairman of the Committee and DDG/Concerned Operating Division, Controller of Account (Fys), AGM/MM, AGM/Similar type of factory as member. For 'B' category items, Fy/TPC-I is empowered to identify items/material with adequate vendor base. For 'C' category items, next higher CFA is empowered to decide items/material on adequacy of vendor base on case to case basis. A, B & C category items should be as per standard norms for ABC Analysis of Inventory.  <b>[Auth: Para 2.26 (viii) (a) pg 43, OFB Procurement Manual 2018]</b>
	<b>(b)</b>	<b>(i)</b>	Ordnance Factory X does not go for e-procurement in a case valuing Rs.50 lakhs? Please offer your comments on the same?  <b>(3½ Marks)</b>
<b>Ans.</b>			There may be instances where considering the type of product (or services)/procurement, e-procurement may not be the appropriate procurement process, in such cases manual tendering process may be followed with the prior approval of the Operating Member of OFB, in consultation with finance and duly recording the reasons for the same.  <b>[Auth: Para 1.8(i), pg 16, OFB Procurement Manual 2018 ]</b>
		<b>(ii)</b>	During the processing of a procurement case in an Ordnance Factory, in the opinion of TPC, some provision of OFB PM seem to be at variance with the GFR 2017. What action is to be taken by the TPC in the case.  <b>(3½ Marks)</b>
<b>Ans.</b>			If any instance of variance with GFR 2017 (or amended from time to time) is noticed, the matter should be referred to MoD for clarification. However, the ongoing procurements may not be stopped pending receipt of the clarification, if there is operational urgency in going ahead with the production or delay is likely to have adverse implications to meet production targets.  <b>[Auth: Para 1.3(b), pg 13, OFB Procurement Manual 2018 ]</b>

<b>Q.2</b>		<b>(a)</b>	In the TPC, Finance is an integral part of the TPC/TEC structure. Would financial concurrence be required on the recommendations of the TPC prior to CFA's approval in the same TPC?  <b>(3 Marks)</b>
<b>Ans.</b>			Procurement above the prescribed threshold limit in the DFP shall be done only with the concurrence of the Integrated Finance at all the prescribed stages. Though Finance is an integral part of the TPC/TEC structure, a financial concurrence will also be required on the recommendations of the TPC prior to CFA's approval in the same TPC.  <b>[Auth: Para 1.12 (a), pg 18, OFB Procurement Manual 2018 ]</b>
<b>Ques.</b>	<b>(b)</b>	<b>(i)</b>	An Ordnance Factory invited bids for procurement of stores in which 7 firms participated. The Tender Opening Date was fixed on 25.04.2019 at 14.00 hrs. However, at 16.00 hrs on 25.04.2019, e-mail request of two firms was received by the Factory to modify their bids due to a change in the GST. As a Finance Member in the TPC, what course of action would you recommend?  <b>(3 Marks)</b>
<b>Ans.</b>			Bidders must not be permitted to alter or modify their tender responses after the expiry of their deadlines for submission; such modified bids will be summarily rejected.  <b>[Auth: Para 1.7 (viii), pg 15, OFB Procurement Manual 2018 ]</b>
		<b>(ii)</b>	A store indigenized by an Ordnance Factory is proposed to be imported. Pl offer your comments, whether this can be done or not?  <b>(4 Marks)</b>
<b>Ans.</b>			Procurement of Items Ex-Import An item already established by any of the Ordnance Factory or indigenized, should normally not be imported. However, decision to import can be taken considering the in-house production capacity, delivery timelines, the product mix, availability of manpower, condition of plant & machinery etc. and after duly recording specific reasons with the approval of General Manager.  <b>[Auth: Para 2.1(b), pg 23, OFB Procurement Manual 2018 ]</b>

<b>Q.3</b>		<b>(a)</b>	<p>Expand the following terms and specify the date of delivery as applicable for each:</p> <p>(i) CIP (ii) FAS (iii) FOB</p> <p style="text-align: right;"><b>(3 Marks)</b></p>									
<b>Ans.</b>			<table border="1" data-bbox="488 562 1507 1045"> <tr> <td data-bbox="488 562 621 674">CIP</td> <td data-bbox="621 562 967 674">Carriage and Insurance paid</td> <td data-bbox="967 562 1507 674">The date on which the delivery is made at the destination mentioned in the contract</td> </tr> <tr> <td data-bbox="488 674 621 856">FAS</td> <td data-bbox="621 674 967 856">Free Alongside Ship</td> <td data-bbox="967 674 1507 856">The date on which the supplier deliver the goods alongside the vessel at the specified port of shipment. This date is reflected in the Bill of Lading</td> </tr> <tr> <td data-bbox="488 856 621 1045">FOB</td> <td data-bbox="621 856 967 1045">Free on Board</td> <td data-bbox="967 856 1507 1045">The date on which the supplier delivers the goods on vessel's board at the specified port of shipment. This date is reflected in the Bill of Lading.</td> </tr> </table> <p style="text-align: center;"><b>[Auth: Para 4.14 (a) , pg 78, OFB Procurement Manual 2018]</b></p>	CIP	Carriage and Insurance paid	The date on which the delivery is made at the destination mentioned in the contract	FAS	Free Alongside Ship	The date on which the supplier deliver the goods alongside the vessel at the specified port of shipment. This date is reflected in the Bill of Lading	FOB	Free on Board	The date on which the supplier delivers the goods on vessel's board at the specified port of shipment. This date is reflected in the Bill of Lading.
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	<b>(b)</b>	<b>(i)</b>	<p>In a Supply Order on firm A, the scheduled delivery date was 31.03.2019. The firm offered the Goods for Inspection on 31.03.2019 itself. How much delivery extension period is to be granted to the firm?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>									
<b>Ans.</b>			<p>In cases where the supplier offers stores for inspection during the last few days of the contract delivery period or on the last day of the contract delivery period at firm's premises, the stores shall be deemed to have been supplied within the delivery period as per supply order i.e no DP extension shall be required. In such cases, the inspection should be completed and I-Note may be issued at the earliest and vendor may be allowed to deliver the materials maximum within 30 days beyond the issue of I-Note. Delivery period extension will be required for the supplies beyond 30 days of issue of I-Note and/or full/partial rejection of stores.</p> <p style="text-align: center;"><b>[Auth: Para 4.7, pg 75, OFB Procurement Manual 2018 ]</b></p>									

<b>Q.3.</b>	<b>(b)</b>	<b>(ii)</b>	<p>During the discussions in TPC, Finance Member refuses to concur decision of the Chairman TPC. What further course of action is available to the Chairman TPC in such cases. What procedure is required to be followed in such cases?</p> <p style="text-align: right;"><b>(4 Marks)</b></p>
<b>Ans.</b>			<p>In case of disagreement / non concurrence by the Integrated Financial Advisor, the CFA can overrule the IFA after recording reasons for overruling the views of the IFA.</p> <p>In all cases where the CFA has overruled the advice of IFA, the Secretary of the TPC shall send a copy of the TPC minutes to the Member/Finance of OFB. The CFA is accountable and responsible for her/his decision and accordingly, the decision of the CFA (although by overruling) shall stand.</p> <p style="text-align: center;"><b>[Auth: Para 1.12 (b) &amp; (c) pg 18, OFB Procurement Manual 2018 ]</b></p>
<b>Q.4</b>		<b>(a)</b>	<p>Explain the term TReDS? Name the participants coming under TReDS and the beneficiary of TReDS?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
<b>Ans.</b>			<p>Trade Receivable Discounting System (TReDS) is a digital platform to help MSMEs to get their trade receivables financed at a competitive rate through an auction mechanism where multiple financiers can bid on invoices accepted by Buyers. Under the TReDS initiative, at present, RBI has given licenses to three participants (A.TREDS Ltd, RXIL, M1Xchange). MSMEs are beneficiaries through TReDS.</p> <p style="text-align: center;"><b>[Auth: Para 5.8(f), pg 96, OFB Procurement Manual 2018]</b></p>
		<b>(b)</b>	<p>What do you understand by the terms Earnest Money Deposit (EMD) and Performance Security Deposit (PSD)? What is the amount of EMD and PSD applicable for a contract valuing Rs.4.85 lakhs?</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
<b>Ans.</b>			<p><b><u>EMD</u></b></p> <p>To safeguard against a bidder's withdrawing or altering its bids during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money Deposit) is to be obtained from the bidders except Micro and Small Enterprises (MSEs) having UAM number as defined in MSE Procurement Policy issued by Department of Micro, Small and Medium Enterprises (MSME) or are registered with the Central Purchase Organisation or the concerned Ministry or Department (including OFs) or Startups as recognised by Department of Industrial Policy and Promotion (DIPP), irrespective of the store for which they are registered. EMD is also not required from Central PSUs.</p> <p>EMD need not be taken for tenders with an estimated value (including all taxes) of less than Rs. 5 lakhs.</p>

		<p><b><u>PSD</u></b></p> <p>To ensure due performance of the contract, Performance Security Deposit shall be obtained from the successful bidder (s) awarded the contract. The Performance Security Deposit should be for an amount equal to 5% of the contract value. Performance Security Deposit is, however, not necessary for contracts valuing up to Rs. 10 lakh. Above Rs.10 lakhs PSD is mandatory.</p> <p>Since EMD and PSD not necessary upto Rs.5 lakhs and Rs.10 lakhs respectively, in the contract for the amount of Rs.4.85 lakhs, both would not be necessary.</p> <p><b>[Auth: Para 5.3(a), 5.3(d) &amp; 5.4(a) pg 88-89, OFB Procurement Manual 2018]</b></p>
<b>Q.5</b>	<b>(a)</b>	<p>What is the basic document for calculation of payable wages for a piece worker in an Ordnance Factory? What information does the document contain?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
<b>Ans.</b>		<p>Piece Workers are paid based on their performance or output generation. The jobs actually performed by a piece worker remain recorded in the piece work cards and hence, piece work card is the basic document for calculation of payable wages for a piece worker. The cards show the ticket number of the individual or gang number, the shop to which he or the gang belongs, the details of the work completed such as work order, warrant etc. number completed, the operations and the hours authorized correct to four decimals.</p> <p style="text-align: center;"><b>[Auth: Para 148, pg 60, OM Part-VI Vol I]</b></p>
	<b>(b)</b>	<p>Calculate the Piece Work Profit percentage to be paid to an Industrial Employee based on the following information:</p> <p>No. of days present: 18  No. of Saturdays: 3  OT Hours: 27.75 Hrs  Output Hours/Card Hours: 200 Hrs</p> <p style="text-align: right;"><b>(7 Marks)</b></p>
<b>Ans.</b>		<p>Input Hours is calculated as: Weekdays 15 X 8 = 120 Hrs  Saturday 3 X 4.75 = 14.25 Hrs  OT Hrs: 27.75 Hrs</p> <p>Input Hrs = 120+14.25+27.75 = 162 Hrs</p> <p>Profit percentage = <math>[(1.25 \times \text{Output Hours} / \text{Input Hours}) - 1] \times 100</math></p> <p>= <math>[(1.25 \times 200) / 162 - 1] \times 100</math></p> <p>= <math>(250 - 162) / 162 \times 100</math></p> <p>= <math>88 / 162 \times 100</math></p> <p>= 54.32%</p> <p style="text-align: center;"><b>[Auth: Para 149, pg 60-61, OM Part-VI Vol I]</b></p>

<b>Q.6</b>		<p><b>(a)</b> What is Moving Average Ledger Rate. Name any three categories of issues for which it used for pricing without including Departmental and other charges?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>														
<b>Ans.</b>		<p>Moving Average Ledger Rate is based on the values of receipts as per receipt vouchers and the opening value divided by the total quantity of fresh receipt voucher and opening quantity.</p> <p>The following categories of issues are priced at moving average ledger rates:</p> <ul style="list-style-type: none"> <li>(i) All issues to shops on Demand Notes.</li> <li>(ii) Issues to other factories on 'S' series Issue Vouchers.</li> <li>(iii) Issues on payment to Air Force, Navy, Research and Development Organization.</li> <li>(iv) Issues on payment to MES, subject to the cost of the stores not being debitible to work / projects.</li> <li>(v) Issues to other Branches of Defence Department.</li> <li>(vi) Issues to Capital</li> <li>(vii) Losses – D.D.Vouchers.</li> </ul> <p style="text-align: center;"><b>[Auth: Para 421(i) &amp; 422, pg 174 OM Part-VI Vol I]</b></p>														
	<b>(b)</b>	<p>From the following data, calculate the Closing quantity of stores and Moving Average Ledger Rate of a store:</p> <table border="1" data-bbox="431 1289 1523 1612" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Opening Qty of Stores (Nos.)</th> <th>Rate at which priced (each) (Rs.)</th> <th>Qty of Stores issued (Nos.)</th> <th>Rate at which Issue priced (each)</th> <th>Fresh Qty Received in the Factory</th> <th>Rate at which Receipt priced (each)</th> <th>Closing Qty of Stores</th> </tr> </thead> <tbody> <tr> <td>125</td> <td>Rs.20.50</td> <td>60</td> <td>Rs.20.50</td> <td>2 Quintal</td> <td>Rs. 22.00</td> <td>?</td> </tr> </tbody> </table> <p style="text-align: right;"><b>(7 Marks)</b></p>	Opening Qty of Stores (Nos.)	Rate at which priced (each) (Rs.)	Qty of Stores issued (Nos.)	Rate at which Issue priced (each)	Fresh Qty Received in the Factory	Rate at which Receipt priced (each)	Closing Qty of Stores	125	Rs.20.50	60	Rs.20.50	2 Quintal	Rs. 22.00	?
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125	Rs.20.50	60	Rs.20.50	2 Quintal	Rs. 22.00	?										

<b>Ans.6</b>		<p>Closing Qty of Stores = Opening Qty + Receipt Qty – Issued Qty</p> <p>MALR = <math>(V1 + V2)/(Q1 + Q2)</math></p> <p>Where: V1 and V2 be the Opening Value and Value of receipts and Q1 and Q2 be the Opening Quantity and Quantity of fresh receipt</p> <p>V1 = 125 X 20.50 = Rs. 2562.50</p> <p>V2 = 200 X 22.00 = Rs. Rs. 4400.00</p> <p>Q1 = 125 Nos,      Q2 = 200 Nos,      Quantity Received = 2 Quintal = 200 Nos.</p> <p><b>Closing quantity of Stores = 125 + 200 – 60 = 265 Nos.</b></p> <p><b>MALR = <math>\frac{2562.50 + 4400}{125 + 200} = \frac{6962.50}{325} = \text{Rs.21.42}</math></b></p> <p style="text-align: center;"><b>[Auth: Para 421(i) , pg 174 OM Part-VI Vol I]</b></p>
<b>Q.7</b>	<b>(a)</b>	<p>Which items of expenditure in a shop are covered under Variable Overhead Expenses? Where are they booked?</p> <p style="text-align: right;"><b>(3 Marks)</b></p>
<b>Ans.</b>		<p>The variable overhead expenses of any shop comprise of items of expenditure which relate to-</p> <ul style="list-style-type: none"> <li>· repairs, maintenance, running of machinery</li> <li>· general shop labour</li> <li>· various allowances and incentives paid to industrial employees for supply and maintenance of service such as power, steam, gas etc.</li> <li>· pay and allowances of personnel deployed for generation, distribution, maintenance, repair etc. of utilities (Electricity, Water, steam and gas) for the part of utilities cost which cannot be charged direct due to general nature of their usage.</li> </ul> <p>All such expenses are booked against '02' series of work order.</p> <p style="text-align: center;"><b>[Auth: Para 529, pg 277 OM Part-VI Vol I]</b></p>

<b>Q.7</b>	<b>(b)</b>	<b>(i)</b>	How would you generally compute a Factory's War requirement/or installed capacity ? <b>(3 Marks)</b>
<b>Ans.</b>			<p>War requirement/or installed capacity is generally computed as the maximum capacity of the plant on the basis of two shifts of 10 hours each per day for 25 days per month in the case of batch operation plants and three shifts of 8 hours each per day for 22 days per month in respect of continuous process plants. This is the peak load of a factory. The normal capacity of a factory is based on the Datum load. Datum load is 45% /40% each of the items of production at peak load for general Engineering factories/process factories.</p> <p style="text-align: center;"><b>[Auth: Para 531, pg 277-278 OM Part-VI Vol I]</b></p>
		<b>(ii)</b>	How is Register of Warrants maintained in the Accounts Office? <b>(4 Marks)</b>
<b>Ans.</b>			<p>The Register of Warrants should be divided into block of work orders (04, 10, 70, 90 series etc.) and depending on past experience a suitable number of pages should be set aside for each block. Postings should be made according to the date of receipt of the warrant. The 'Manufacture Warrant' should be forwarded to Labour Section and 'Material Warrant' to Material Section through a Top Sheet and the dated initials of auditors concerned should be obtained in the register in token of acknowledgement.</p> <p>Additional copy of the list of completed warrants will be received in Costing Section and column 9 of the register filled in.</p> <p>Full particulars will be recorded in col. 10 in respect of (a) Warrants which are short closed (b) replacement warrants and (c) items manufactured in excess of sanction and action taken to regularise the same.</p> <p style="text-align: center;"><b>[Auth: Para 621 (b), pg 315, OM Part-VI Vol II]</b></p>
<b>Q.8</b>		<b>(a)</b>	What is the significance of Concurrent review of cost? Why is the review carried out (Name any three objectives of concurrent review)? <b>(3 Marks)</b>
<b>Ans.</b>			<p>Concurrent review of cost as and when they are compiled is necessary to bring out significant Variation in costs properly and promptly to the notice of the factory management, so that remedial measures may be taken in time.</p> <p>The object of the review is to spot out:</p> <ol style="list-style-type: none"> <li>(i) Heavy rejections.</li> <li>(ii) Delay in documentation such as delay in preparation of Demand Notes in some cases, Return Note in many cases.</li> <li>(iii) Considerable delay in inspection leading to accumulation of items.</li> <li>(iv) Delay in either issue or preparation of 'P' issue vouchers.</li> <li>(v) Non-closure of warrants even when production is complete or almost completed.</li> <li>(vi) Cases of substantial variation between actual and estimates as revealed by the expenditure recorded even when a warrant is running.</li> <li>(vii) Cases where, expenditure on tools have not been properly recorded/allocated.</li> </ol> <p style="text-align: center;"><b>[Auth: Para 635 &amp; 637, pg 323 OM Part-VI Vol II]</b></p>

<b>Q.8</b>		<b>(b)</b>	<p>How does the study of production trends by Factory Accounts Officers helpful in Ordnance Factories? What information does the A.O. rely upon for such study?</p> <p style="text-align: right;"><b>(5 Marks)</b></p>
<b>Ans.</b>			<p><b><u>Study of production trends in Ordnance Factories</u></b></p> <p>Factory Accounts Officers should maintain close watch so that cases of sizeable shortfall in production as well as considerable accumulation of factory manufactured store/components can be detected in time the reasons for shortfall/accumulations pin-pointed, the extent of extra expenditure including expenditure in foreign exchange from alternative sources determined. The consequences of shortfalls/accumulations like failure to maintain schedules of delivery, idle labour, idle machines, under absorption of overhead expenditure can also be highlighted through this process. The exercise need be confined to only important and costly items of end products and crucial components/sub-assemblies/IFDs etc.</p> <p>In order to facilitate the exercise, A.O. should keep them fully informed of the production programme of the end stores/important components and also equip themselves with list of critical components/sub assemblies required for the main product showing details as to the number required for each unit of the main product and the source of regular/alternative supply.</p> <p style="text-align: center;"><b>[Auth: Para 663-664, pg 329-330 OM Part-VI Vol II]</b></p>

Q8. (a)	What are the factors to be taken into account while defining delivery period of a contract/supply order? (3 Marks)
Ans.	<p>Timely delivery as per the delivery period (DP) stipulation in the contract/Purchase Order is one of the most important procurement objectives as timely availability of items is vital, particularly for the department of defence. The stores are considered to have been delivered only when these are handed over to the consignee after due inspection by the designated inspecting agency. Most contracts stipulate door delivery at the consignee's end by road. In some cases, the stores are also dispatched by rail, in which case the delivery is deemed to have been made on receipt of RR and inspection note. In certain cases where the contractor offers stores for inspection during the last few days of contract DP or on the last day of the contract DP, the inspector can inspect the store and sentence it as per standard franking clause.</p> <p style="text-align: right;">Auth: Rule 7.9.5 of DPM 2009.</p>
(b) (i)	<p>Supply order was placed on firm 'X' on 01.06.2014 with a delivery period of 60 days. However, stores were supplied by 15.10.2014 and CFA has accorded delivery period extension without LD after obtaining concurrence of FA/IFA. Comment. (4 Marks)</p>
Ans.	<p>The maximum period of extension of delivery that can be granted by the CFA under delegated powers should be such that the period -the original delivery period plus the extension does not exceed twice the original DP. In this case it has exceeded even the twice of original DP (original from 1.06.2019 to 1.08.2019 and twice is 1.06.2019 to 1.10.2019). This needs regularization /sanction of next higher CFA in the chain of Command, and with L.D charges.</p> <p style="text-align: right;">Auth: Rule 7.9.5 of DPM 2009</p>
(b) (ii):	<p>In other case, the original DP was 30.08.2013, However, the supplies are received by 15.08.2015. CFA has accorded sanction DP extension with LD and taken the items on charge. Comment. (3 Marks)</p>
Ans.	<p>In this case the items has been received and L.D has been charged. But it still needs to be regularized by obtaining sanction by next higher CFA in the chain of command.</p>

# PAPER - VII

## Section - I

### Financial Management

Q1. (i) What are the standards of financial propriety? . . .

( 5 Marks)

(ii) What are different components of Budget?

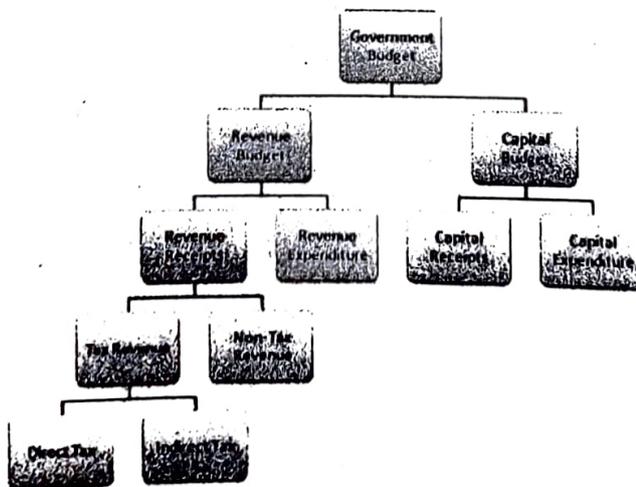
( 5 Marks)

Answer: -

- a) Rule 21 of GFR 2017 mentions about Standards of financial propriety. It is a guiding principle for every officer incurring or authorizing expenditure from public money. As a general principle every officer should sets high standards of financial propriety and enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers. More specifically:
- 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.
  - The expenditure should not be prima facie more than the occasion demands.
  - No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
  - Expenditure from public moneys should not be incurred for the benefit of a particular person or a 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 recognized policy or custom.
- b) Rule 44 of GFR 2017 mentions about the components of Budget. The budget shall contain the following :
- Estimates of all revenues expected to be raised during the financial year to which the budget relates; Both Tax and Non- tax revenues
  - Estimates of all expenditure for each programme, scheme and project in that financial year;
  - Estimates of all interest and debt servicing charges and any repayments on loans in that financial year;
  - Any other information as may be prescribed.

Alternate Answer for (ii):

The components of government budget can be depicted in the following form



Q.2] Write short notes on any two of the followings:-

- (i) Estimation of Project Cash Flow
- (ii) Techniques of Capital Budgeting
- (iii) Time Value of Money

(5x2 = 10 Marks)

**Answer:- (i) Estimation of Project Cash Flow:-** The following principle should be followed while estimating the cash flow of a project:

- **Separation Principle:-** There are two sides of a project, viz., the investment (or asset) side and the financing side and the cash flow associated with these two side should be separated. The financing cost for example interest on loan taken for the project is not reflected in investment side and reflected as cost of capital figure on finance side.
- **Incremental Principle:-** To ascertain a project's incremental cash flow one has to look at what happens to the cash flow of the firm with the project and without the project. The difference between the two reflects the incremental cash flow attributable to the project.

Project cash flow for year t = [Cash flow for the firm with the project for year t] -

[Cash flow for the firm without the project for year t]

- **Post Tax Principle:-** Cash flow should be measured on an after tax basis along with after tax discount rate. The income from a project is typically is marginal as it is in addition to the income generated by assets of the firm already in place. Hence marginal tax rate of the firm is the relevant tax rate for estimating the tax liability of the project.
- **Consistency Principle:-** One has to incorporate inflation in the estimation of future cash flow and apply a nominal discount rate to the same. However one cannot apply general inflation rate to all components of cash flow as some price or cost rise faster while other slower than the general inflation rate.

**(ii) Techniques of Capital Budgeting:-** Capital expenditures have three distinctive features (i) They have long term consequences (ii) They often involve substantial outlays (iii) They may be difficult or expensive to reverse. Because of these features capital budgeting is perhaps the most important issue in corporate finance. Capital budgeting is a complex process which may be divided into the following phases.

- (a) **Identification of potential investment opportunities:-** Based on the future sales which may be obtained through intelligent market survey, analysis and research the production target is set which is helpful in identifying required investment in plant and equipment.
- (b) **Assembling of proposed investments:-** Generally a project budgeting committee assembles the investment proposals given by production and other departments.
- (c) **Decision Making:-** Capital investment decisions are based on the value of the project. Under this scheme executives are vested with different power to approve the projects of different values.
- (d) **Preparation of capital budget and appropriation:-** Budget is allotted and distributed over years so that cash flow while implementing the project is not an issue.
- (e) **Implementation and performance review.**

In capital budget investment criterion is one of the most important issue. This can be classified in to two broad categories non-discounting criterion and Discounting criteria.

**Discounting criteria:**

- (a) **NPV (Net Present Value)** is the sum of present value of all the cash flow of the project. A project is worthwhile if its  $NPV > 0$  otherwise not.
- (b) **BCR (Benefit Cost Ratio)** is the present value of its benefits (cash inflow) divided by present value of its cost (cash out flow). A project is worthwhile if  $BCR > 0$  otherwise not.
- (c) **IRR (Internal rate of return)** of a project is the discount rate which makes its NPV equal to zero. A project is worthwhile if its IRR exceeds the cost of capital, otherwise not.

**Non-discounting method:-**

- (a) **Payback period:-** The payback period is the length of time required to recover the initial cash outlay on the project. The shorter the payback period, the more desirable is the project.
- (b) **The accounting rate of return:-** it is the average profit after tax divided by average book value of the investment over the life of the project. The higher the rate more desirable is the project.

**(iii) Time Value of Money:** - The time value of money (TVM) is the concept that money available at the present time is worth more than the identical sum in the future due to its potential earning capacity. This core principle of finance that, provided money can earn interest, any amount of money is worth more the sooner it is received. TVM is also sometimes referred to as present discounted value. A rupee today is more valuable than a rupee a year hence. There are several reasons:-

- (a) Individuals in general, prefer current consumption to future consumption.
- (b) Capital can be provided to generate positive returns. An investment of one rupee today would grow to  $(i+r)$  a year hence, ( $r$  = rate of return on investment)
- (c) In an inflationary period a rupee today represents a greater real purchasing power than a rupee a year later.

If time value of money is not calculated properly a capital project may face cash flow problem, The general formula for the future value of a single account is

$$FV_n = PV(1+k)^n$$

$FV_n$  = future value after n years

PV = present value

K= interest rate per year

N= numbers of year

As per the rule of 72 the doubling period is obtained by dividing 72 by the interest rate.

Q3 Write short notes on the followings

- (i) Purchase of goods without quotation and through local purchase committee.
- (ii) Price Variation Clause
- (iii) E-reverse Auction
- (iv) Grant-in-aid

( 2.5x4 = 10 Marks)

Answer:-

- (i) Rule 154 of GFR -2017 mentions about purchase of goods without quotation. Purchase of goods up to the value of Rs. 25,000 (Rupees twenty five thousand) only on each occasion may be made without inviting quotations or bids on the basis of a certificate to be recorded by the competent authority to the effect that the goods have been purchased at reasonable price from a reliable supplier having desirable quality.

Rule 155 of GFR 2017 mentions about purchase of goods by Purchase Committee. Purchase of goods costing above Rs. 25,000 (Rupees twenty five thousand only) and up to Rs.2,50,000/- (Rupees two lakh and fifty thousand only) on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier and render certificate to the same effect.

- (ii) Rule 225 of GFR-2017 discusses about the Price Variation Clause (PVC). Price Variation Clause can be provided only in long-term contracts, where the delivery period extends beyond 18 months. Where a price variation clause is provided, the price agreed upon should specify the base level viz, the month and year to which the price is linked, to enable variations being calculated with reference to the price levels prevailing in that month and year. No price variation will be admissible beyond the original Scheduled Delivery Date for defaults on the part of the supplier. However Price variation may be allowed beyond the original Scheduled Delivery Date, by specific alteration of that date through an amendment to the contract in cases of Force Majeure or defaults by Government. The formula for Price Variation should ordinarily include a fixed element, a material element and a labour element. The formula for Price variation will thus be :

$$P1 = P0[ F + a * M1/M0 + b * L1/L0 ] - P0$$

Where

P1 is the adjustment amount payable to the supplier

P0 is the Contract Price at the base level.

F is the Fixed element not subject to Price variation.

“a” and “b” are assigned percentage to the material and labour elements

L0 and L1 are the wage indices at the base month and year and at the month and year of calculation respectively.

M0 and M1 are the material indices at the base month and year and at the month and year of calculation respectively.

(iii) As per the provisions of Rule 167 of GFR-2017 Electronic Reverse Auction means an online real-time purchasing technique utilised by the procuring entity to select the successful bid, which involves presentation by bidders of successively more favourable bids during a scheduled period of time and automatic evaluation of bids. A procuring entity may choose to procure a subject matter of procurement by the electronic reverse auction method, if:

- i. It is feasible for the procuring entity to formulate a detailed description of the subject matter of the procurement;
- ii. There is a competitive market of bidders anticipated to be qualified to participate in the electronic reverse auction, so that effective competition is ensured;
- iii. The criteria to be used by the procuring entity in determining the successful bid are quantifiable and can be expressed in monetary terms; and

The procedure for electronic reverse auction shall include the following, namely:

- i. The procuring entity shall solicit bids through an invitation to the electronic reverse auction to be published or communicated in accordance with the provisions similar to e-procurement; and
- ii. The invitation shall, in addition to the information as specified in e-procurement, include details relating to access to and registration for the auction, opening and closing of the auction and Norms for conduct of the auction.

(iv) Grant-in-aid :- Grant-in-Aid can be given to a person or a public body or an institution having a distinct legal entity e.g. autonomous institutions registered as a society, voluntary organizations or NGOs, educational institutions, Urban or Rural local self-government institutions, co-operative societies etc. The autonomous bodies can be created only with the approval of the Cabinet based on stringent criteria for judging the activities proposed. The grantee organizations should be encouraged to maximise internal income resources and eventually attain self-sufficiency. Financial Adviser shall be appointed for the grantee institution whose concurrence is necessary for incurring all expenditures. Peer review of the activities of the autonomous bodies shall be conducted every 3-5 years depending on the size and the nature of the activities. The autonomous shall make an application to the ministry concerned for seeking grants. The Ministries shall maintain list of all the institutions which have been sanctioned grants. Sanction should be processed based on viable and specific schemes drawn up in sufficient details. Grants shall be categorized as Recurring and Non-Recurring grants. The grantee institution shall maintain its accounts in Uniform Format of Accounts. The grantee Institution shall submit an Utilization Certificate at the end of each Financial Year. The Unspent balance shall be considered while granting the funds for the next year. The grants can be withheld if it is felt that the activities for which the grants have been sanctioned have not been carried out. All the interests and the earnings of the grantee institution shall be remitted to the Consolidated Fund of India immediately after finalization of the accounts for each financial year.

Q. 4. (i) What conditions are to be ascertained in case of Resultant Vendor situation? (5 Marks)

(ii) What is the rationale of EMD? In what conditions EMD can be exempted? (5 Marks)

Answer: (i) As per Para 4.15 of DPM-2009 there are cases when only a single quote or a single valid acceptable quote is received even against LTE or OTE. This situation may arise in single bid tendering as well as in two-bid tendering before or after technical evaluation. This results in a single vendor situation indicating lack of competition. In such situations, the following aspects will be examined:

- (a) Whether all necessary requirements such as standard tender enquiry conditions, industry-friendly specifications, wide publicity and sufficient time for formulation of tenders had been taken care of while issuing the RFP;
- (b) Whether the RFP had been properly dispatched and duly received by the prospective vendors to whom these were sent.
- (c) Whether the SQRs, particularly in the LTE cases, could be reformulated and made broader based to generate wider competition.
- (d) Whether time and criticality of requirement permits reformulation of the SQRs.

If the examination reveals that (a) and (b) had been complied with and (c) and (d) are not feasible, the proposal may be processed further treating it as a case of OTE or LTE as the case may be with the approval of the CFA. In case, however, there is any doubt about the tendering process or it is considered feasible to consider reformulation of SQRs without compromising on operational requirement, the RFP should be retracted and re-issued after rectifying the deficiencies and/or reformulating the SQRs

(ii) Para 4.7 of DPM-2009 mentions about Bid security or the Earnest Money Deposited. As the name suggests it is to safeguard against a bidder's withdrawing or altering his bid during the bid validity period in the case of advertised or limited tender enquiry. The bidders should be asked to furnish the bid security along with their bids. The bid security/earnest money will be liable to be forfeited if the bidder withdraws or amends, impairs or derogates from the tender in any respect within the validity period of his tender. No separate order is required for forfeiture of Bid Security which follows on default and should be credited at once to the Government Account. To ensure that the tendering process is meaningful and successful if L1 backs out re-tendering should be resorted to as per the instructions issued by the Central Vigilance Commission. While retendering RFP may not be issued to the vendor who had backed out and EMD, if any, of such a firm should be forfeited. Amount of bid security should ordinarily range between two percent to five percent of the estimated value of the goods to be procured with normal validity of forty-five days.

**Exemption from Submission of Bid Security:** Bid security is not required to be obtained from those firms who are registered with the Central Purchase Organization (e.g. DGS&D), National Small Industries Corporation (NSIC) or concerned Departments or Ministries of the Government of India. Bid security need not be asked for if the value of the tender is Rs two lakh or less.

05, Post contract management is an important aspect of overall contract management. Elaborate this statement with reference to the clauses through which post contract management is ensured. (10 Marks)

Answer:- A contract or more specifically the purchase of goods and services does not end with the issue of Supply order or work order. The contract is finally closed when obligations from both the sides are completely met. To ensure the right quantity and quality of goods and services a well drafted contract should include well defined and unambiguous

- technical specification,
- payment terms (when and how and by whom),
- quality (specification, tolerance through samples, standards and inspections),
- Non-performance and delayed delivery (penalty, risk purchase, warranty, force majeure),
- Transit Loss (who's risk, insurance)
- Legality (applicability of law, Arbitration)

Besides general and special conditions of contract. A post contract management is generally referred after the placement of supply order. This is called post contract because both parties are bound to abide by the pre written conditions of the contract which can be altered only with mutual consent. It should kept in mind that any post contract modification should not jeopardise the level playing conditions for other prospective vendors. Following clauses are generally made the part of general condition of contract for post contract management at RFP stage only:-

1. LD Clause: - This is to ensure that the delivery are met in time. The delivery includes delivery, installation and commissioning. A pre-determined penalty to be imposed if delivery is not met in time.
2. Termination Clause: - This clause ensured that the contract can be terminated if delivery is delayed beyond a certain time as time is the essence of the contract. In case of service contract it can be terminated if the services are not satisfactory
3. Risk and Expense Clause: - This clause is also related to delivery of goods and services where in buyer can take the same goods of services at the cost of the seller. To ensure this performance bank guarantee is to be taken from the supplier.
4. Amendment Clause: - This clause not to be use generally except in development contract where in both buyer and seller can amend the conditions of the contract with mutual consent.
5. Arbitration Clause: - To resolve the dispute between the parties.
6. Repeat Order and Option Clause: - These clause should be included with caution as these clauses have impact on price. This is to ensure that the same items if required in future can be procured quickly.
7. Fall Clause: - This is to ensure that the seller does not decrease the price with other buyer in case of rate contract.
8. Tolerance Clause: - This is to ensure that minor variation in quantity does not require amendment to the contract.
9. Warranty Clause: - This is to ensure quality over a period of time. PBG is to be kept.
10. Price Variation Clause: - To ensure that the seller/buyer remains immune with market variation during the currency of the contract.

Q 6. Write short note on any four of the followings:-

- (i) Letter of Credit
- (ii) Development Contract
- (iii) Appropriation Account
- (iv) Procurement of technical books and journals
- (v) Single and PAC tendering
- (vi) Fall Clause

( 2.5x4 = 10 Marks)

Answer (i) **Letter of Credit**:- A letter of credit is a written understanding given by the buyer's bank (the issuing bank) on behalf of and at the request of its customer (the applicant) routed through the agency of a bank in the seller's country (advising bank) to the seller that it (issuing bank) guarantees to pay the seller for the goods within a specified time provided that the conditions laid down in documentary credit are fully satisfied. In international trade, buyer and seller being located in different countries may not know each other well. The two countries would have different legal systems, currencies and trade and exchange regulations. Due to this fact, both the Buyer and the Seller, need some conditions to be fulfilled, to suit their requirements, before releasing the payments and goods respectively. The buyer and seller want the following:

(a) A Seller would want:

- To be paid as soon as he ships the goods.
- An assurance that he will be paid by the buyer or his bank as per contractual obligations.
- Convenience of receiving payments in his own country.

(b) A Buyer would want:

- To pay for the goods only after they are shipped by the seller.
- An assurance that the seller will ship the goods ordered for and deliver them in time.

**Opening of Letters of Credit:** The procedure for opening of an LC would generally include steps as given below: -

**Step-1:** Receipt of PBG and intimation from the Supplier regarding readiness of goods for dispatch by the contract concluding authority as per contractual terms from the supplier.

**Step-2:** The contract concluding authority seeks FFE release from the appropriate authority.

**Step-3:** On release of FFE the contract concluding authority forwards the case for opening of LC to the Principal Controller/Controller of Defence Accounts concerned, who after proper scrutiny of all details for correctness, authorizes the bank to open the LC. The bank establishes the LC and intimates the Principal Controller/ Controller of Defence Accounts concerned and the contract concluding authority.

(ii) **Development Contract:-** Chapter 15 of DPM 2009 deals with DESIGN, DEVELOPMENT AND FABRICATION CONTRACTS. Development contracts in Defence are the contracts for design, indigenous development (including indigenization) and fabrication of stores, equipment and spares required by the Defence Services. Since such items are not available off the shelf in the market in the development element and the inherent uncertainties are involved in such type of contract. An element of R&D is also involved in such contracts. Such contracts may be essential for indigenization or because of restricted technology. Thus development contracts have element of flexibility over other normal type of purchase or service contracts. This is to avoid time delays and to encourage the industry to come forward and undertake the design, development and fabrication of items, equipment, plant and machinery required by the Defence Services. The development contract is generally suited in the following cases:-

- (a) When OEM is closing down or has closed down the production line and spares are not available ex-import for equipment which has adequate residual life and population.
- (b) Items for which TOT has been taken.
- (c) Items including those which are low tech and the sample is available and which it would be economic to develop.
- (d) Spares which are fast moving and the requirement is recurring in nature.
- (e) Goods for which the import price is exorbitant.
- (f) Items short-listed from MRLS and import list depending upon their criticality, technological processes involved and consumption rate.
- (g) Where an Indian firm offers to develop an item on 'No Cost : No Commitment' basis.
- (h) In special cases, where it is considered in the interest of the State to indigenize or for any other strategic reason to be recorded, e.g. Secrecy devices.

Although, it is not possible to lay down any rigid rules covering all the contingencies that may arise in the finalisation of specific development contracts, the following guiding principles may, however, be borne in mind :-

- (a) Exploration of sources for placement of development order should be as wide as possible, both in the public and private sector, to encourage competition.
- (b) Ability of the contractor to execute work of the desired quality to the required time schedule should be evaluated by a Technical Committee.
- (c) For more vendor development contracts may, as far as feasible, be concluded with two or more contractors in parallel, subject to the other vendor/s agreeing to match the price of L1.

(iii) **Appropriation Account:-** Under the provisions of Article 149 of the Constitution of India the Comptroller and Auditor General is required to prepare, for the Central Government, for each State Government and for the Government of each of the Union Territories with separate Legislative Assemblies, Accounts, that is accounts of the expenditure (both voted and charged) of the Government for each financial year - the Appropriation Accounts

Appropriation Accounts indicate the appropriations sanctioned for each grant by concerned legislature (Parliament in the case of Union Government and State Legislature in the case of State Governments) and actual expenditure booked against that appropriation along with reasons for any excess and savings, if any.

Appropriation Accounts is a mechanism through which appropriations approved by Parliament and expenditure incurred by the Government out of the Consolidated Fund of India is submitted to the Parliament indicating therein any expenditure in excess of appropriation, expenditure on schemes without parliamentary approval, major savings in appropriations indicating unnecessary appropriations submitted to Parliament.

Appropriation Accounts of Central Ministries (other than Ministry of Railways) and of Central Civil Departments (excluding Department of Posts and Defence Services) shall be prepared by the Principal Accounts Officers of the respective Ministries and Departments (under the guidance and supervision of the Controller General of Accounts) and signed by their respective Chief Accounting Authorities i.e., the Secretaries in the concerned Ministries or Departments. Union Government Appropriation Accounts (Civil) required to be submitted to Parliament, shall be prepared annually by the Controller General of Accounts by consolidating the aforesaid Appropriation Accounts. Appropriation Accounts pertaining to Departments of Posts and Defence Services shall be prepared and signed by the Secretaries to the Government of India in the Department of Posts and Ministry of Defence respectively and that of Ministry of Railways by the Chairman, Railway Board.

**(iv) Procurement of technical books and journals:-** Chapter 13 of DRDO procurement Manual mentions about Procurement of technical books and journals. The major objective of DRDO Libraries/ Technical Information (Resource) Centres/ Knowledge Centres (KCs) is to provide relevant, required and current information at the right time to the scientists working on various projects in the DRDO Labs/Estts. These are not academic or general libraries but are special libraries and deal with publications in special and focused subject areas. To meet this objective director of the Lab/Estt may appoint a Library Advisory Committee consisting of Chairman of the rank of Scientist 'E' or above, three to five members representing various subject disciplines of the Lab/Estt and the Library In-Charge (Officer-In-Charge) who will also be the Member Secretary. The LAC is an essential body advising and guiding the library in its activities and services.

2.6 Bidding process will not be mandatory for procurement of books/ publications other than periodicals. In view of high costs, no library can afford to purchase all the information, materials, documents needed or demanded by its readers even if they are relevant to the establishment. Library should procure documents by following the golden rule "the most relevant documents covering core and major subject interests of the establishment, for the largest number of users and at the least cost" within the resources available.

Acquisition of periodical publications is different because generally advance payment is mandatory for subscription and renewal of periodicals. Either of the following methods of procurement may be followed for procurement of periodicals. a) Bidding process b) Direct ordering. Direct ordering should be recommended only in exceptional cases where bidding process is not practical.

#### **(v) Single and PAC tendering:-**

**Single Tender Enquiry (STE):** Procurement from a single source may be resorted to with the prior approval of the CFA and in consultation with the IFA, where required as per delegation of financial powers for reasons to be recorded in writing in the following circumstances, after determining reasonableness of the rates:

- (a) In a case of emergency/urgency, the required goods are necessarily to be purchased from a particular source.
- (b) On account of any other operational or technical requirement, which should, however, be clearly recorded.

STE should generally be sent to the OEM or to a registered firm. The financial power of CFA is half in case of STE and negotiation needs to be invariably be conducted in such cases.

1.7 **PAC Tendering:** Certain items, particularly equipment, are the propriety product of a manufacturing firm. Such items are only available with that firm or their dealers, stockists or distributors as the detailed specifications are not available for others to manufacture the item. Situations may also arise when, for standardization of machinery or ensuring compatibility of spare parts with the existing sets of equipment, as per the advice of the competent technical expert, goods and services have to be obtained from a particular source. In such situations, a PAC tendering may be restored to after issuing PAC certificate by an officer not below the rank of a Brigadier. PAC tendering can be done for repairs and servicing of equipment through the sole dealer/servicing agency, authorized by the OEM, if the main equipment was purchased on the basis of PAC. However caution to be exercised while granting PAC as PAC bestows monopoly and obviates competition. Unlike single tendering here the financial power of CFA is 100% of the original power.

2.5 **(vi) Fall Clause :-** Fall clause is a price safety mechanism in rate contracts. The fall clause provides that if the rate contract holder reduces its price or sells or even offers to sell the rate contracted goods following conditions of sale similar to those of the rate contract, at a price lower than the rate contract price, to any person or organization during the currency of the rate contract, the rate contract price will be automatically reduced with effect from that date for all the subsequent supplies under the rate contract and the rate contract amended accordingly. Other parallel rate contract holders, if any, are also to be given opportunity to reduce their price as well, by notifying the reduced price to them and giving them 15 (fifteen) days' time to intimate their revised prices, if they so desire, in sealed cover to be opened in public on the specified date and time and further action taken as per standard practice

# PAPER - VII

## भाग-II (एकीकृत वित्तीय सलाह प्रणाली) SECTION-II (IFA SYSTEM)

Q1.	(i)	What is the role of IFA concurrence in case of works proposals? Indicate any two important points to be seen during concurrence of special repair cases. (4 Marks)
	(ii)	What is the minimum financial limit for which IFA rep is mandatory for Procurement Committee? (1 Mark)
	(iii)	Under which circumstances commercial negotiation is mandatory with L1? (2 Marks)
	(iv)	A project is included in PPP as approved by Service Headquarters, Is AON concurrence warranted by IFA? Give reasons of your answer. (3 Marks)

Ans: (i) The role of IFAs in the area of Civil Works proposals are as under:-

- a. IFAs to give financial concurrence for Acceptance of Necessity, Vetting of AEs and Administrative Approval on the basis of details scope of work, rough cost indicated in Board Proceedings and approximate estimate.

Two Important points to be seen during concurrence of special repair cases.

1. Proposal is approved under Roll on Plan
2. No such special repair has been carried out during last five year and estimated cost of the proposal is under permissible limit i.e. not more than 50 % of the present cost.

(ii) When the estimated cost of proposal is more than 5 lakhs.

(iii) Commercial negotiations are invariably conducted in case of single tender situations, including PAC cases, or when price is considered high with reference to assessed reasonable price, irrespective of the nature of tendering.

(iv): Consolidated details of proposals for a grant along with quantity and forecast estimate of the proposal after concurrence by the IFA and sanction by the CFA are forwarded to service HQrs for sanction for inclusion in the PPP for next F.Y but at AON stage nomenclature of item, quantity cost of item given in PPP and present proposal are compared and queries are asked in case of any different in the two. Further AON for a proposal is also scrutinizes for availability of funds, mode of tendering, comparisons of estimated cost from last purchase price if any, level of CFA Schedule and code head against the fund be allotted etc. Hence AON concurrence for a proposal is warranted by IFA even if the same is included in approved PPP.

<b>Q2.</b>	<b>Answer the following:-</b>	<b>(1x10 = 10 Marks)</b>
(i)	<b>In which year departmentalization of account started?</b>	
<b>Ans.</b>	1976	
(ii)	<b>When was the IFA system introduced in BRO?</b>	
<b>Ans.</b>	1995	
(iii)	<b>When was the IFA system introduced in Works?</b>	
<b>Ans.</b>	1998	
(iv)	<b>Who is the Principal Accounts Officer of Defence Services?</b>	
<b>Ans.</b>	FADS	
(v)	<b>Who is the Chief Accounting Authority of MoD?</b>	
<b>Ans.</b>	Secretary MOD	
(vi)	<b>What is the full form of CBRP?</b>	
<b>Ans.</b>	Capital Booking Revenue Procurement	
(vii)	<b>What is the full form of ARPP?</b>	
<b>Ans.</b>	Annual Revenue Procurement Plan	
(viii)	<b>What is the limit beyond which e-procurement is mandatory?</b>	
<b>Ans.</b>	>2 Lakhs	
(ix)	<b>What is the full form of QCBS in procurement of Consultancy and Other Services?</b>	
<b>Ans.</b>	Quality and Cost based Selection	
(x)	<b>Which article of the Constitution of India provides the parliamentary control over public finance?</b>	
<b>Ans.</b>	Article 266	

Q.3	(i)	<b>What is the role of IFA in post contract management with special reference to extension of delivery period and waiver of LD?</b> <p style="text-align: right;"><b>(7 Marks)</b></p>
	(ii)	<b>What is the difference between damage and penalty?</b> <p style="text-align: right;"><b>(3 Marks)</b></p>
Ans.	<p>(i) A contract or more specifically the purchase of goods and services does not end with the issue of Supply order or work order. The contract is finally closed when obligations from both the sides are completely met. To ensure the right quantity and quality of goods and services a well drafted contract should include well defined and unambiguous</p> <ul style="list-style-type: none"> <li>• technical specification,</li> <li>• payment terms (when and how and by whom),</li> <li>• quality (specification, tolerance through samples, standards and inspections),</li> <li>• Non-performance and delayed delivery (penalty, risk purchase, warranty, force majeure),</li> <li>• Transit Loss (who's risk, insurance)</li> <li>• Legality (applicability of law, Arbitration)</li> </ul> <p>Besides general and special conditions of contract. A post contract management is generally referred after the placement of supply order. This is called post contract because both parties are bound to abide by the pre written conditions of the contract which can be altered only with mutual consent. It should kept in mind that any post contract modification should not jeopardise the level playing conditions for other prospective vendors. The role of IFA is crucial as post contract modifications are generally not easy and desirable.</p> <p><u>Extension of Delivery period</u>:- In case the execution of the contract is delayed beyond the contracted period and the purchaser grants extension of delivery period, with or without LD, the supplier must get the <u>BG revalidated</u>, if not already valid. The extension of DP is associated with the <u>termination of contract clause</u> also. In case of <u>PVC clause</u> if extension is granted with LD then price variation is not applicable. In the event of grant of extension of DP any increase in the <u>taxes and levies</u> would not be payable, unless the contract specifically provides for it or it is expressly agreed to with the concurrence of the Integrated Finance.</p> <p>Compensation of loss on account of late delivery where loss is pre-estimated and mutually agreed to is termed as the <u>Liquidated Damage (LD)</u>. As a general rule, if the contractor fails to deliver the stores/service or any instalment thereof within the DP or at any time repudiates the contract before expiry of such period, the CFA, without prejudice to the right of the purchaser to any other remedy for breach of contract, may recover from the contractor a sum equivalent to <u>0.5% of the prices of any stores</u> which the contractor has failed to deliver within the period agreed for delivery in the contract, for each week or part thereof during which the delivery of such stores may be in arrears, where delivery thereof is accepted after expiry of the aforesaid period. The total damages shall not exceed value of 10% of undelivered goods.</p> <p>Liquidated damages may be waived in full or part, with the approval of the CFA and the concurrence of the IFA, wherever such concurrence is mandated as per delegation of financial powers. In all such cases, adequate reasons should invariably be recorded for waiving the Liquidated Damages.</p> <p>(ii) If the <u>sum payable is far in excess of the probable damage</u> on breach of the contract, then it is a penalty. Liquidated damages, on the other hand, are the true pre-estimate of the damage. While the English law distinguishes between a penalty and liquidated damages, in India, there is no such distinction. The distinction between penalty and LD has been abolished by the Indian Contract Act and in every case, the Court is not bound to award more than 'reasonable compensation' not exceeding the amount so named. Damage can be liquidated damage ( in case of contract) or unliquidated damage( in case of tort) . While <u>liquidated damage is predefined</u> the unliquidated damage is to be decided by the court of law.</p>	

<b>Q.4</b>	(i)	<b>What are the circumstances when retendering is restored to?</b> <b>(5 Marks)</b>
	(ii)	<b>What are the circumstances leading to the lack of competition?</b> <b>(5 Marks)</b>
<b>Ans.</b>	<p>(i) As per para 4.16.1 of DPM 2009 re-tendering may be recommended by the CNC and approved by the CFA with the concurrence of integrated finance, where original sanction was accorded with the concurrence of integrated finance, with utmost caution, generally under the following circumstances:</p> <ul style="list-style-type: none"> <li>(a) Offer(s) do not conform to qualitative requirements and other terms and conditions set out in the RFP.</li> <li>(b) There are major changes in specifications and quantity, which may have considerable impact on the price.</li> <li>(c) Prices quoted are unreasonably high with reference to assessed reasonable price or there is evidence of a sudden slump in prices after receipt of the bids.</li> <li>(d) Where there is lack of competition and there are clear and reasonable grounds to believe that the lack of competition was due to restrictive specifications, which did not permit many vendors to participate.</li> <li>(e) When L1 bidder withdraws.</li> </ul> <p>(ii) Para 4.14 of DPM 2009 deals with Lack of Competition. The following situations would imply lack of competition:</p> <ul style="list-style-type: none"> <li>(a) The number of acceptable offers is less than two.</li> <li>(b) Ring prices have been quoted by all tenderers (Cartel formation).</li> <li>(c) The product of only one manufacturer has been offered by all the tenderers irrespective of the number of quotations.</li> <li>(d) Store under purchase is chronically in short supply against which the number of acceptable offers never exceeds two.</li> </ul>	

<b>Q.5</b>	<b>(i)</b>	<b>Write short note on overrule of advice of IFA by CFA?</b> <b>(4 Marks)</b>
	<b>(ii)</b>	<b>In how many part the delegation of financial power has been structured under DFPDS-2016? Name them.</b> <b>(3 Marks)</b>
	<b>(iii)</b>	<b>Mention in percentage the financial power for PAC tendering and STE cases in each sub-schedule of DFPDS-2016?</b> <b>(2 Marks)</b>
	<b>(iv)</b>	<b>What is the cap on "full power" to CFAs in DFPDS-2016?</b> <b>(1 Mark)</b>
<b>Ans.</b>	<b>(i)</b>	At any stage of procurement, the CFA can overrule the advice of the IFA by a written order giving reasons for overruling the IFA's advice on file. A copy of the order overruling IFA's advice will be provided to IFA for information. If such over-ruling of IFA is done at AoN stage or at an interim stage of procurement, action in procurement process will be taken as per the decision of CFA and IFA will continue to participate in this process as Finance member. At the time of Expenditure Sanction stage, IFA can either concur the final proposal or record their dissent to the final proposal. CFA can agree with IFA's advice or overrule the advice of the IFA by a written order giving reasons for overruling the IFA's advice on file at Expenditure Sanction stage. The sanction letter issued in latter cases will not contain UO number of IFA but will clearly indicate that the advice of the IFA was taken but the same was over-ruled by CFA and copy of relevant notings of IFA&CFA will be endorsed along with the CFA sanction to CDA / PCDA for purposes of internal audit and payment. A quarterly report will be submitted by the IFAs through CGDA to MoD (Fin) on such overruling cases. There will be no requirement for CFA to report the over-ruling cases to next higher CFA/IFA.
	<b>(ii)</b>	Delegation of financial powers has been structured under DFPDS-2016 in following six parts a) ASP-2016 ( Army Schedules of Powers-2016) b) NSP-2016 ( Navy Schedules of Powers-2016) c) AFSP-2016 ( Army Schedules of Powers-2016) d) ASP-2016 ( Air Force Schedules of Powers-2016) e) ISP-2016 ( IDS Schedules of Powers-2016) f) MSP-2016 ( Medical Schedules of Powers-2016)
	<b>(iii)</b>	Financial powers for PAC tendering is 100 % of the financial powers mentioned in each sub-schedule of DFPDS-2016 and for STE (Single tendering cases) the same is 50 % the financial powers mentioned in each sub-schedule of DFPDS-2016.
	<b>(iv)</b>	There is a cap of Rs. 150 crores for scaling cases wherever " Full Powers" have been delegated to the highest CFA of service HQrs under DFPDS-2016.

**भाग-III (विधि के तत्व)**  
**SECTION-III (ELEMENTS OF LAW)**

Q.1. (i) What are different Components of GST? Name them.

( 2 Marks)

(ii) What is HSN Code and what is its significance?

( 2 Marks)

(iii) What is TDS in GST explain it?

( 2 Marks)

(iv) Write short note on any two of the followings:-

- (a) Works Committee
- (b) Board of Conciliation
- (c) Court of Enquiry
- (d) Labour Court

( 2x2 = 4 Marks)

(i) Components of GST:-GST would be levied on a common base by both the central and the state government simultaneously. The dual GST can be categorized into the following:

- **Central GST (CGST)**- GST to be levied by the central government.
- **State GST (SGST)**- GST to be levied by states and Union Territories with legislature.
- **Union Territory GST (UTGST)**- GST levied by Union Territories without legislature.
- **Integrated GST (IGST)**- GST levied by central government on inter-state supply of goods and services to ensure that the credit chain is not disrupted. Apart from the applicable custom duties, import of goods and services would be treated as inter-state supplies and would therefore be subject to IGST.

(ii) HSN stands for Harmonized System of Nomenclature which was developed by the World Customs Organization (WCO) with the vision of classifying goods all over the World in a systematic manner. HSN contains six digit uniform code that classifies 5,000+ products and which is accepted worldwide. This type of classification is used for taxation purposes in identifying the rate of tax applicable to a product in a country. This code is also used to determine the quantum of item traded or imported all through a nation.

HSN is applicable in India after implementation of GST. India has already been using HSN system in the Central Excise and Customs regime. It is a much more detailed classification that added another two digits to the 6-digit structure. There is a requirement to mention HSN code of items in tax invoice under GST.

- (a) Small taxpayer with annual turnover up to Rs 1.50 crores in preceding financial year need not be required to mention HSN code in their tax invoice.
- (b) Taxpayers having turnover exceeds Rs. 1.5 crore but up to 5.00 crore will be required to mention only two digits of HSN code.
- (c) Taxpayers having turnover exceeds Rs 5.00 crore will be required to mention four digits of HSN code.

(iii) Tax deducted at source introduced in GST is a mechanism to track the transaction of supply of goods and/or services by making the recipient of such supply to deduct a small percentage of amount to be paid to the supplier of such goods and/or services and deposit the same with the government. The supplier in such cases takes into account the amount so deducted and makes the balance payment of tax to the government. This is deducted if the aggregate value of contract exceeding a sum of Rs. 2.5 lacs. The deductors of tax at source can be one or more of the following:

- Department of Central or State Government.
- An establishment of the central or state Government.
- Governmental agencies.
- Local authority.
- Such category of persons as may be notified by Central or State Governments on the recommendation of GST Council.

(iv) From Industrial Dispute Act ,1947

**(a) Works Committee:-** In the case of any industrial establishment in which one hundred or more workmen are employed or have been employed on any day in the preceding twelve months, the appropriate Government may by general or special order require the employer to constitute in the prescribed manner a Works Committee consisting of representatives of employers and workmen engaged in the establishment so however that the number of representatives of workmen on the Committee shall not be less than the number of representatives of the employer. It shall be the duty of the Works Committee to promote measures for securing and preserving amity and good relations between the

employer and workmen and, to that end, to comment upon matters of their common interest or concern and endeavour to compose any material difference of opinion in respect of such matters.

**(b) Board of Conciliation:-** The appropriate Government may as occasion arises by notification in the Official Gazette constitute a Board of Conciliation for promoting the settlement of an industrial dispute. A Board shall consist of a chairman and two or four other members, as the appropriate Government thinks fit. The chairman shall be an independent person and the other members shall be persons appointed in equal numbers to represent the parties to the dispute. A Board, having the prescribed quorum, may act notwithstanding the absence of the chairman or any of its members or any vacancy in its number provided that if the appropriate Government notifies the Board that the services of the chairman or of any other member have ceased to be available, the Board shall not act until a new chairman or member, as the case may be, has been appointed.

**© Court of Enquiry:-** The appropriate Government may as occasion arises by notification in the Official Gazette constitute a Court of Inquiry for inquiring into any matter appearing to be connected with or relevant to an industrial dispute. A Court may consist of one independent person or of such number of independent persons as the appropriate Government may think fit and where a Court consists of two or more members, one of them shall be appointed as the chairman. A Court, having the prescribed quorum, may act notwithstanding the absence of the chairman or any of its members or any vacancy in its number provided that, if the appropriate Government notifies the Court that the services of the chairman have ceased to be available, the Court shall not act until a new chairman has been appointed.

**(d) Labour Court:-** The appropriate Government may, by notification in the Official Gazette, constitute one or more Labour Courts for the adjudication of industrial disputes relating to any matter specified in the Second Schedule and for performing such other functions as may be assigned to them under Industrial Dispute Act,1947. A Labour Court shall consist of one person only to be appointed by the appropriate Government. A person shall not be qualified for appointment as the presiding officer of a Labour Court, unless

(a) He is, or has been, a Judge of a High Court; or

(b) He has, for a period of not less than three years, been a District Judge or an Additional District Judge; or

(d) He has held any judicial office in India for not less than seven years; or

(e) He has been the presiding officer of a Labour Court constituted under any Provincial Act or State Act for not less than five years.

(f) He is or has been a Deputy Chief Labour Commissioner (Central) or Joint Commissioner of the State Labour Department, having a degree in law and at least seven years' experience in the labour department including three years of experience as Conciliation Officer: or

(g) He is an officer of Indian Legal Service in Grade III with three years' experience in the grade.

Q. 2, Keeping in view the Employee's Compensation Act, 1923 explain the followings:-

(a) How is amount of compensation Calculated?

( 4 Marks)

(b) What is the procedure for payment of compensation when employer does not accept to pay the compensation when due and what is the penalty for default?

( 6 Marks)

Answer:- (a) As per Section 4 of Employee's Compensation Act, 1923 deals with the amount of compensation. Subject to the provisions of this Act, the amount of compensation shall be as follows, namely:-

(a) Where death results from the injury an amount equal to fifty percent of the monthly wages of the deceased employee multiplied by the relevant factor; or an amount of one lakh and twenty thousand rupees, whichever is more;

(b) Where permanent total disablement results from the injury an amount equal to sixty percent of the monthly wages of the injured employee multiplied by the relevant factor; or an amount one lakh and forty thousand rupees, whichever is more;

Provided that the Central Government may, by notification in the Official Gazette, from time to time, enhance the amount of compensation mentioned in these cases.

The "relevant factor" mentioned above in relation to an employee means the factor specified in the second column of Schedule IV of the Act against the entry in the first column of that Schedule specifying the number of years which are the same as the completed years of the age of the employee on his last birthday immediately preceding the date on which the compensation fell due.

(b) Compensation under section 4 of this Act shall be paid as soon as it falls due. In cases where the employer does not accept the liability for compensation to the extent claimed, he shall be bound to make provisional payment based on the extent of liability which he accepts, and, such payment shall be deposited with the Commissioner or made to the employee, as the case may be, without prejudice to the right of the employee to make any further claim.

Where any employer is in default in paying the compensation due under this Act within one month from the date it fell due, the Commissioner shall-- (a) direct that the employer shall, in addition to the amount of the arrears, pay simple interest thereon at the rate of twelve percent per annum or at such higher rate not exceeding the maximum of the lending rates of any scheduled bank as may be specified by the Central Government, by notification in the Official Gazette, on the amount due; and (b) if, in his opinion, there is no justification for the delay, direct that the employer shall, in addition to the amount of the arrears and interest thereon, pay a further sum not exceeding fifty per cent, of such amount by way of penalty.

Q 3. What are the grounds on which the appointment of an arbitrator can be challenged and what is the procedure and time limit for the same?

( 10 Marks)

Answer:- An arbitrator may be challenged only if :-

(a) circumstances exist that give rise to justifiable doubts as to his independence or impartiality, or

(b) he does not possess the qualifications agreed to by the parties.

A party may challenge an arbitrator appointed by him, or in whose appointment he has participated, only for reasons of which he becomes aware after the appointment has been made.

Challenge procedure:- A party who intends to challenge an arbitrator shall, within fifteen days after becoming aware of the constitution of the arbitral tribunal send a written statement of the reasons for the challenge to the arbitral tribunal.

Unless the arbitrator challenged withdraws from his office or the other party agrees to the challenge, the arbitral tribunal shall decide on the challenge.

If a challenge under any procedure agreed upon by the parties or under the procedure is not successful, the arbitral tribunal shall continue the arbitral proceedings and make an arbitral award. Where an arbitral award is made under such circumstances, the party challenging the arbitrator may make an application for setting aside such an arbitral award in accordance with section 34.

Q. 4 Write Short Notes on the followings:-

- (i) Res judicata
- (ii) Subordination of Court
- (iii) Essential Elements and Conditions of a Contract
- (iv) Condition of appointment of a judicial member in CAT

( 2.5x4 = 10 Marks)

Answer:

(i) The doctrine of the **Res Judicata** means the matter is already judged. It means that no court will have the power to try any fresh suit or issues which has been already settled in the former suit between the same parties. It enacts that once a matter is finally decided by a competent Court, no party can be permitted to reopen it in a subsequent litigation. " Res judicata— No Court shall try any suit or issue in which the matter directly and substantially in issue has been directly and substantially in issue in a former suit between the same parties, or between parties under whom they or any of them claim, litigating under the same title, in a Court competent to try such subsequent suit or the suit in which such issue has been subsequently raised, and has been heard and finally decided by such Court. "

(ii) **Subordination of Courts**-For the purposes of Civil Procedure Code, the District Court is subordinate to the High Court, and every Civil Court of a grade inferior to that of a District Court and every Court of Small Causes is subordinate to the High Court and District Court.

(iii) The basic elements of a valid contract are:-

- (a) Offer
- (b) Acceptance
- (c) Consideration
- (d) Of a Lawful Object.
- (e) By competent parties
- (f) With free will

(iv) A person shall not be qualified for appointment, as a Judicial Member, unless he is or qualified to be a Judge of a High Court or he has for at least two years held the post of a Secretary to the Government of India in the Department of Legal Affairs or the Legislative Department including Member-Secretary, Law Commission of India or held a post of Additional Secretary to the Government of India in the Department of Legal Affairs and Legislative Department at least for a period of five years.

<b>Q.5</b>	(i)	<b>In how many regions the Union of India has been divided for the purpose of implementation of Official language of the Union of India? Give at least two examples in each cases?</b>  <b>(2Marks)</b>
	(ii)	<b>When did section 3(b) of Official Language Act, 1963 come into force?</b>  <b>(1 Mark)</b>
	(iii)	<b>How many members are there on the Committee of Parliament on Official Language constituted under the provision of Official Language Act 1963? How many of them are from Rajya Sabha and how many of them are nominated members?</b>  <b>(2 Marks)</b>
	(iv)	<b>What should be the percentage of staff having working knowledge of Hindi if the office is to be declared as having working knowledge of Hindi as a whole?</b>  <b>(1 Mark)</b>
	(v)	<b>What are the content of Section 5 and 7 of the Official Language, Act 1963?</b>  <b>(4 Marks)</b>
<b>Ans.</b>	<p>(i) As per definition in Official Language Rule 1976 there are three regions viz., "Region A" means the States of Bihar, Haryana, Himachal Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand, Uttarakhand, Rajasthan and Uttar Pradesh and the Union Territories of Delhi and Andaman and Nicobar Islands; "Region B" means the States of Gujarat, Maharashtra and Punjab and the Union Territory of Chandigarh, Daman and Diu and Dadra and Nagar Haveli ; and "Region C" means the States and the Union Territories other than those referred above.</p> <p>(ii) 26<sup>th</sup> January, 1965</p> <p>(iii) 30 members; 20 from Lok Sabha; 10 from Rajya Sabha. No nominated member</p> <p>(iv) The Staff of a Central Government office shall ordinarily be deemed to have acquired a working knowledge of Hindi if eighty per cent of the Staff working therein have acquired such knowledge.</p> <p>(v) Section 5 of Official language Act; 1963 authorises Hindi translation of Central Acts or any Ordinance promulgated by the President in the Official Gazette. It also says that any order, rule, regulation or by-law issued under the Constitution or under any central Act, shall be deemed to be the authoritative text thereof in Hindi. All Bills to be introduced or amendments thereto to be moved in either House of Parliament shall be accompanied by a translation of the same in Hindi.</p> <p>Section 7 of Official language Act; 1963 mentions about optional use of Hindi or other Official language in judgements etc. of High Courts. The Governor of a State may, with the previous consent of the President, authorise the use of Hindi or the official language of the State, in addition to the English language, for the purposes of any judgment, decree or order passed or made by the High Court for that State and where any judgment, decree or order is passed or made in any such language (other than the English language), it shall be accompanied by a translation of the same in the English language issued under the authority of the High Court.</p>	

**MODEL ANSWER**  
**PAPER-VIII**  
**(OFFICE COMMUNICATIONS)**

**ANSWER NO. 1 (PRECIS)**

Title

Revision of Pension in respect of Pre-2016 Pensioners/Family Pensioners as per 7<sup>th</sup> CPC recommendations.

**SUMMARY OF THE POINTS**

1. 7<sup>th</sup> CPC vide Para 10.1.67 of its report has recommended the pension formulation in two options for civil employees of Central Government, who have retired before 01.01.2016.
2. First option is revision of pension based on notionally fixing their pay in the Pay Matrix recommended by 7<sup>th</sup> CPC and second one is based on the fitment factor of 2.57.
3. Dept of P&PW vide resolution Dt. 04.08.2016 has decided to accept the recommendations of the 7<sup>th</sup> CPC on Pensionary benefits to the Central Government Civil Employees.
4. Based on the recommendations of 7<sup>th</sup> CPC & acceptance by the GOI, Dept of P&PW vide their OM Dt. 04.08.2016 has implemented the ibid Second option of 7<sup>th</sup> CPC recommendations in respect of pre-2016 Pensioners/family pensioners.

## PRECIS

7<sup>th</sup> CPC vide Para 10.1.67 of its report has recommended the pension formulation in two options for civil employees of Central Government, who have retired before 01.01.2016. First option is revision of pension based on notionally fixing their pay in the Pay Matrix recommended by 7<sup>th</sup> CPC and second one is based on the fitment factor of 2.57. It also suggested to provide the option of choosing whichever formulation is beneficial to them.

Further, it was recommended that revised pension may be calculated as per second option, since the first option will take time to formulate the pension, which involves checking of records of the pensioner. In the event of calculation as per first option yields a higher amount, the difference may be paid subsequently.

Government after due consideration, has decided vide Dept of P&PW resolution Dt. 04.08.2016 to accept both the options recommended by the commission on pensionary benefits to the Central Government Civil Employees in the following manner:

a) The second option may be implemented immediately.

b) Formation of Committee comprising the Secretary (Pension) as Chairman and another 4 members to explore the feasibility of implementation of first option.

As such, Dept of P&PW vide their OM No. 38/37/2016-P&PW (A) (ii) Dt. 04.08.2016 has implemented the recommendations of 7<sup>th</sup> CPC w.e.f. 01.01.2016 to all the pre-2016 pensioners/family pensioners. It has also been mentioned about applicability of this OM to various categories of Pensioners.

The provisions have been explained with illustration about the methodology of calculation of revised pension/family pension in respect of the pensioner who have retired before 01.01.2016, as follows;

For Pensioner retired during the 6 <sup>th</sup> CPC regime	For Pensioner retired before 6 <sup>th</sup> CPC regime
Basic Pension@ fixed in 6 <sup>th</sup> CPC * 2.57	Basic Pension@ revised in 6 <sup>th</sup> CPC * 2.57

@Without the element of additional pension, if any.

In both the cases, the amount so arrived at shall be rounded off to next higher rupee.

Further, the below mentioned provisions also were mentioned. The details of the same in a nutshell are:-

- (a) The commuted portion of pension will be deducted, since the consolidated pension is inclusive of commuted portion.

- (b) Minimum Pension was fixed as Rs.9,000/- per month excluding the element of additional pension.
- (c) The upper ceiling on Pension / Family Pension will be 50% and 30% respectively of Rs.1,25,000/-.
- (d) The Additional quantum of Pension of 20%, 30%, 40%, 50% and 100% will be admissible to the Pensioner/Family Pensioner, who are in the age between 80-85 years, 85-90 years, 90-95 years, 95-100 years or more respectively. The same will be shown distinctly in the Pension Payment Order (PPO).
- (e) The provisions related to the cases of Central Government employees who have been permanently absorbed in public sector undertakings/autonomous bodies were mentioned in detail.
- (f) Constant Attendant Allowance shall be paid at existing rates till a final decision taken based on the recommendations of the Committee convened for that purpose.
- (g) All Pension Disbursing Authorities (PDA) were authorised to pay the Pension/Family Pension and additional Pension, if any, at the revised rates as prescribed above, without any further authorisation from the concerned Accounts Officers/Head of Office, duly making a suitable entry by the PDA in both halves of the PPO.
- (h) The revised Pension/Family Pension as worked out as per above provisions shall be treated as Basic Pension w.e.f. 01.01.2016, which includes Dearness Relief (DR) sanctioned from 01.01.2016 and shall qualify of DR sanctioned thereafter.
- (i) Further orders in regard to revision of pension as per the first option recommended by 7<sup>th</sup> CPC will be issued in due course, after recommendations of the committee constituted for that purpose. Based on this, HOD of the Department will revise the pension/Family Pension and revised PPO be issued by the accordingly.
- (j) Revised Pension and the arrears due to the Pensioners are to be paid them by 31<sup>st</sup> August 2016 or before positively.

Ultimately, it was advised that all PDA to prominently display these orders on their notice boards for the benefit of Pensioners.

## **Answer No.2 (Speaking Order)**

Office of the Principal Controller of Defence Accounts, New Delhi

No. xx/xxx/xx

Dated : dd/mm/yy

### **ORDER**

1. Whereas, Shri Chetan, AAO, presently serving in the office of the PCDA, New Delhi, was initially appointed as Auditor on 20-11-2002 and after passing SAS Part I & II examination got promoted as SO (A) w.e.f 17-04-2006. Consequent on implementation of 6<sup>th</sup> Central Pay Commissions recommendations his pay was fixed in the pay band 2 with Grade Pay of Rs. 4800/- under the CCS Revised(Pay) Rules 2008.

2. Whereas, Shri Chetan, AAO have filed OA No.1234/2015 before Hon'ble Principal CAT, New Delhi seeking relief of grant of the Grade Pay of Rs.5400/- along with arrears and all consequential benefits with effect from, 01.09.2008. This being the earliest date on which a number of Senior Auditors were placed in the Grade Pay of Rs. 5400/- on grant of 3<sup>rd</sup> upgradation under the MACP Scheme, by extending the benefits of the judgement dated 29.12.2010 passed by the Hon'ble CAT Madras Bench, in OA No. 966 and 967 of 2009, as upheld by Hon'ble Madras High Court vide judgement dated 19.03.2014 in Writ Petition 18611 and 18612 of 2011. The same has also been made final by Hon'ble Supreme Court of India vide order dated 19.08.2014 rendered in SLP CC No. 11103/2014.

3. Whereas, honorable Principal CAT, New Delhi vide order dated 01-01-2016 directed the department to consider the grievance of Sh. Chetan, AAO in the light of the judgments/orders referred in para 2 above and to pass a reasoned and speaking order.

4. Whereas, only those Senior Auditors who were granted 2<sup>nd</sup> upgradation under ACP Scheme in the pay scale of 6500-10500 were allowed the 3<sup>rd</sup> upgradation to Grade Pay of Rs.5400/- under the MACP Scheme strictly as per the eligibility conditions therein and based on clarifications received from MOD(Finance) in the matter.

5. Whereas, the relief sought by the applicant of the OA has been examined by the department in the light of the judgment/orders referred in para 2 above in consultation with DoP&T in detail. It has come to fore that post of AAO is not in the regular line of promotion for any cadre in the department. Therefore, after induction to the post of AAO, the Officers in the post of Senior Auditor and the Officer holding the post of AAO are part of different hierarchies. These can no longer be considered as Senior/Junior as both the posts have different seniority lists. As such, the demand of Sh. Chetan holding the post of AAO to grant financial up-gradation under MACP Scheme at par with Sr. Auditors is not in order and therefore not acceptable.

6. After detailed consideration of the case as brought out above, it is concluded that the claim of the applicant is devoid of merit and found untenable under the extant of law. Accordingly, the claim of Sh. Chetan for grant of Grade Pay of Rs.5400/- is hereby rejected.

ACDA(Admin)

Copy to:

Shri. Chetan, AAO,  
----- Section,  
O/o. PCDA, New Delhi

## **ANSWER NO. 3 ( OFFICE NOTE)**

### OFFICE NOTE

NO: AN/1534/OC/MAN POWER  
DT. 26/06/2019

SUB: PROPOSAL FOR OUTSOURCING OF DEOs – REG

\*\_\*\_\*\_\*\_\*\_\*\_\*

Letter bearing No. R/1986/ADM CORR Dt. 20/06/2019 received from Records Section in connection with shortage of man power is placed below for the kind consideration of the CDA and directions please.

2. It has been stated that daily average DAK entry at 'R' Section for the last 6 months is around 4500 DAK per day. The entire data entry work is being done by 3 DEOs working there. As such, there is an inordinate delay in diarizing the DAK, since the work cannot be coped up with the existing staff strength. As the available man power also will be reduced further due to retirement/VRS & transfer in the forthcoming months, it was requested to post sufficient man power to 'R' Section.

3. In this regard, it is stated that authorised strength for Record Section is 7 Clk/Aud/SA/DEO. Out of these, only 3 DEOs are in 'R' Section as on date. Out of 3 DEOs, One DEO is getting superannuated on 30.06.2019 & another DEO has already given notice for VRS w.e.f. 01.08.2019. Another DEO is due for station seniority transfer. Further, shortage of manpower exist in this organization in the level of Clk/Aud/SA/DEO is around 41%. Hence, it is not possible to post any one at R Section at this point of time.

4. As the available manpower is inadequate to meet the existing work load, it is proposed that the possibilities of outsourcing of DEOs may be explored. As per Minimum Wages act and mandatory provisions like EPF, ESI, Bonus etc., the approximate amount of expenditure on a/c of hiring of one DEO is arrived for Rs. 33, 500/-for one month.

5. Sufficient funds are available under Office Contingency Grant for the FY 2019-2020.

6. In view of the above, PCDA being a competent authority may kindly consider according in principle sanction for outsourcing of 3 DEOs for the period of 1 year against the vacancy position existing in our organization to cope up the work load in 'R' Section, to enable to start the tendering process.

7. Submitted for consideration and orders please.

**AAO (AN)**

**SAO (AN)**

## **ANSWER NO. 4 (CIRCULAR)**

Office of the CDA,  
No. 1, Staff Road,  
Secunderabad – 500 009.

No: AN/I/1592/ATTENDANCE/BAS

DATED: 26/06/2019

### **Circular**

To

The Officer-in-Charge,  
All Sections in Main Office &  
All sub offices under this organization.

### **Sub: Bio-Metric Attendance System for punctuality in DAD– reg;**

\*\*\_\*\*

During the monthly conference held on 25/06/2019 at Main Office, CDA has viewed very seriously about non-functioning and non-marking of attendance on AEBAS by the officials serving in this organisation. In this connection, CDA has directed that AEBAS should be implemented in all the sub offices under this organization at the earliest. Wherever, AEBAS Machines are not functioning, immediate action is to be taken to make it functional. This may kindly be ensured by the Officers-in-charge.

To ensure punctuality by all, the following instructions are also reiterated for scrupulous compliance by all officers and staff;

1. All Officers and staff should mark attendance only on the Aadhar Enabled Bio-Metric Attendance System without fail.
2. In the event of any technical glitch in the system, attendance may be marked in the Register maintained in the Admin Section. Necessary immediate action is to be taken to make the system functional.
3. Late Attendance report in AEBAS may be taken every week/month to take necessary action against the Late comer as per provisions available in OM Part I.
4. Disciplinary action may be taken against habitual late comers.

The contents of this circular may be disseminated to all concerned for strict compliance and obtain their signature for having noted and kept in your records.

Sd/-

Dy. CDA (AN)

## **Answer : 5 (Circular)**

Office of the Controller of Defence Accounts  
Teynampet, Anna Salai, Chennai

No. AN/I/255/Disc/GenCorr

Date : -06-2019

### **Important Circular**

To

The Officer-In-Charge,  
All Sections in Main Office  
All Sub-Offices (as per list attached)

Sub: Bringing political or other outside influence to further service  
interest of Government Servants- reg.

\*\*\*

It has been informed by HQrs. office that a large number of references have been received in the office of the CGDA from members of Parliament, Legislative Assemblies, leaders of political parties, relatives of the employees recommending/seeking transfers to the station of choice on various grounds in the recent past. The above practice is not only embarrassing for the superior authority but subversive of the provisions of CCS (Conduct) Rules, 1964 also. Therefore, it has been viewed seriously by the CGDA.

In the above context, it is enjoined upon all officers and staff members that Government Servants' representations on service matters including transfers, promotions, deputation etc. are required to be submitted through proper channel. It is also pertinent to mention here that the representations received are acted upon promptly by all concerned.

Further, attention is invited to Rule 20 of CCS(Conduct) Rules, 1964, which prevents a Government Servant from bringing any political or other outside influence to promote his service interests including transfers, promotions, deputation etc.

In view of the above, all officers and staff members are advised to desist from such practices which is in violation of Rule 20 of CCS(Conduct) Rules, 1964. Repeated violation of the above said provisions will be viewed very seriously and disciplinary action will be initiated against such erring officials. All such cases may be brought to the notice of Main Office immediately for appropriate action.

Content of this circular may be got noted by all concerned and acknowledgement for the same may be obtained and recorded.

Please acknowledge receipt.

DCDA(AN)

## **Answer 6 (Letter)**

Office of the Principal Controller of Defence Accounts,  
107, Lower Agram Road, Bengaluru – 07

No.AN Pay/III/1002/PayFix

Date : -06-2019

To

The CGDA,  
(Admin Section)  
Ulan Batar Road, Palam,  
Delhi Cantt.

Sub: Date of next increment – Rule 10 of CCS(RP) Rules 2016

Ref: MoF, Department of Expenditure OM No 4-21/2017-IC/E.III(A)  
dated 31<sup>st</sup> July, 2018

\*\*\*

Kindly refer to the OM under reference forwarded vide HQrs Letter No. dated .

2. The matter regarding date of next increment as laid down in Rule 10 of CCS(Revised Pay) Rules, 2016 and clarification issued vide OM under reference has been examined in this office. Certain doubts has arisen in arriving the date of next increment in terms of Rule 10 and clarification thereunder is brought out below:

### **3. Rule position**

a) As per sub-rule 2 of Rule 10 of CCS (RP) Rules 2016, the increment in respect of an employee appointed or promoted or granted financial up-gradation including up-gradation under Modified Assured Career Progression Scheme (MACPS) during the period between the 2nd day of January and 1st day of July (both inclusive) shall be granted on 1st day of January and the increment in respect of an employee appointed or promoted or granted financial up-gradation including up-gradation under MACPS during the period between the 2nd day of July and 1st day of January (both inclusive) shall be granted on 1st day of July.

b) As per Illustration b) under sub-rule 2 of Rule 10, an employee appointed or promoted in the normal hierarchy or under MACPS during the period between 2nd day of January, 2016 and 1st

day of July, 2016, who did not draw any increment on 1st day of July, 2016, the next increment shall accrue on 1st day of January, 2017.

c) As per the clarification issued by DoE vide OM ibid, in case an employee is promoted or granted financial up-gradation including up-gradation under the MACP scheme on 1<sup>st</sup> January or 1<sup>st</sup> July, where the pay is fixed in the Level applicable to the post on which promotion is made in accordance with the Rule 13 of the CCS(RP) Rules, 2016, the first increment in the Level applicable to the post on which promotion is made shall accrue on the following 1<sup>st</sup> July or 1st January, as the case may be, provided a period of 6 months' qualifying service is strictly fulfilled.

#### 4. Points of doubt/clarifications sought:

Fixing date of next increment may please be clarified in the following three types of pay fixation cases:

- a) where a Government employee is promoted between 2<sup>nd</sup> January 2016 and 30<sup>th</sup> June 2016 and Opted pay fixation from the date of promotion under Rule 13 of Revised Pay Rules 2016,
- b) where a Government employee is promoted between 2<sup>nd</sup> January 2016 and 30<sup>th</sup> June 2016 and opted pay fixation from the date of next increment, i.e. 01-07-2016 under Rule 13 and FR 22(l)a(1)
- c) where a Government employee is promoted on 01-07-2016 and fixation from the date of promotion under Rule 13 of Revised Pay Rules 2016,

In case of 4(b) above, whether annual increment and promotional increment granted for fixation of pay under FR 22(l)a(1) and Rule 13 would amount to drawal of increment on 01-07-2016 in terms of Illustration b). If so, how to fix the date of next increment in such cases may please be clarified.

In case of 4(c) above, annual increment accrued on 01-07-2016 would be taken into account for fixation of pay under Rule 13. What will be the date of next increment in such cases keeping in view the terms of Illustration b) since annual increment is drawn in this case.

Since promotion in all the three cases 4(a), ( b) & (c) above falls between 02-01-2016 and 01-07-2016 (both inclusive), the date of next increment as per Rule 10 of CCS (RP) Rules 2016 should be 01-01-2017. At the same time illustration b) limits date of next increment of 01-01-2017 only in cases increment is not drawn on 01-07-2016. Therefore, it is not clear how to regulate the date of next increment in cases where increment (promotional or annual) is drawn on 01-07-2016.

The doubts as brought out may please be examined and clarification on regulating the date of next increment in these cases may please be given at the earliest.

This issues with the approval of PCDA.

ACDA(AN)

**MODEL ANSWERS**  
**PAPER-IX (THEORY)**

**SUBJECT: FUNDAMENTALS OF ELECTRONIC DATA PROCESSING**

<b>Q.1</b>	<p><b>Match the items in column 1 with those in column 2:</b></p> <table><tr><td>i) Logic</td><td>a) Firewall</td></tr><tr><td>ii) Unauthorized access</td><td>b) ROM</td></tr><tr><td>iii) Both input and output</td><td>c) ALU</td></tr><tr><td>iv) Embedded Computer</td><td>d) Hacking</td></tr><tr><td>v) Number of pixels</td><td>e) Resolution</td></tr><tr><td>vi) Network security</td><td>f) Touchscreen</td></tr><tr><td>vii) Web browser</td><td>g) Linux</td></tr><tr><td>viii) Volatile memory</td><td>h) Micro oven</td></tr><tr><td>ix) Non-volatile memory</td><td>i) RAM</td></tr><tr><td>x) Operating System</td><td>j) Application Software</td></tr></table> <p style="text-align: right;"><b>(10x1=10 Marks)</b></p>	i) Logic	a) Firewall	ii) Unauthorized access	b) ROM	iii) Both input and output	c) ALU	iv) Embedded Computer	d) Hacking	v) Number of pixels	e) Resolution	vi) Network security	f) Touchscreen	vii) Web browser	g) Linux	viii) Volatile memory	h) Micro oven	ix) Non-volatile memory	i) RAM	x) Operating System	j) Application Software										
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x) Operating System	_____	g) Linux																													

Q.2	(i)	<b>What is the purpose of computer networking? (5x2=10 Marks)</b>
	Ans.	To share hardware resources such as printers and <u>scanners</u> and to transfer and share data. <u>By networking you can gain economies and efficiency.</u>
	(ii)	<b>Why do software programs need periodic updates?</b>
	Ans.	To fix bugs and to <u>provide additional features.</u>
	(iii)	<b>What is the difference between data and information?</b>
	Ans.	Data refers to basic <u>facts about activities</u> of a business. Information is obtained by assembling <u>data into meaningful form.</u> Data is the input and information is the output.
	(iv)	<b>Computers understand only machine language. However, we program them using high level languages such as java and python. Why?</b>
	Ans.	High level languages are easier to use for human beings. <u>Compilers</u> translate the higher level source code into machine code which the CPU can understand.
Q.3	(v)	<b>What are the computer programs that translate source code into machine code called?</b>
	Ans.	Compilers and Interpreters ( <u>either one will do.</u> )
	(i)	<b>What are peripherals? Give three examples. (5 Marks)</b>
	Ans.	A computer peripheral is an external device that provides input and output for the computer. Examples are keyboard, <u>printer, scanner, USB drive</u> etc.
	(ii)	<b>What is the difference between system software and application software? Give one example of each. (5 Marks)</b>
	Ans.	System software is a computer software that is designed to operate the computer hardware, and to provide a platform for running the application software on. Eg: Operating System like Linux and Windows, <u>language compilers, device drivers</u> etc.  Application software is a computer software which is designed to help the user in performing single or multiple related tasks. Eg: Browser like Firefox, Chrome or Office productivity software like <u>LibreOffice / MS Office</u> etc.

Q.4	<b>What are the advantages and disadvantages of using Optical Fibre cables in networking?</b>
Ans.	<p style="text-align: right;"><b>(10 Marks)</b></p> <p><b>Advantages:</b></p> <p><b>Large bandwidth:</b> They can have up to 100 times the bandwidth of a copper cable.</p> <p><b>Low loss:</b> Do not require as many repeaters as a copper cable, thereby reducing cost.</p> <p><b>No electromagnetic interference:</b> Do not pick up errors during transmission. Reduces cost and overhead of complex error checking mechanisms.</p> <p><b>Small and lightweight:</b> Easy to transport and lay the cables through conduits.</p> <p><b>Security:</b> It is difficult to tap optical signals and also difficult to tamper with the transmission.</p> <p><b>Safety:</b> Optical fibres are insulators. They do not spark, making it safe to use them everywhere.</p> <p><b>Disadvantages:</b></p> <p><b>Sharp Corners:</b> Optical fibres cannot be turned in sharp corners, making it difficult to lay the cables.</p> <p><b>Joining fibres:</b> Aligning and joining two fibres is a delicate process unlike copper cables which can just be twisted together.</p>
Q.5	<b>How is a LAN different from the Internet? Name any two services available on the Internet.</b>
Ans.	<p style="text-align: right;"><b>(10 Marks)</b></p> <p>A local area network (LAN) is a private network that links computers at a single location, such as at a private residence or office building. Establishing a LAN allows files, software and devices like printers and fax machines to be shared among users on the LAN. The Internet, by contrast, is a global, public, Wide Area Network (WAN) that links millions of smaller networks with over a billion computers connected at any given time. The most basic difference between a LAN and the Internet then, is that a LAN is private and localized, while the Internet is public and worldwide.</p> <p>World Wide Web, Email, e-Commerce etc. are the services available on the Internet.</p>

Q.6	<b>Why is an operating system required? Write any two differences between Command Line Interface (CLI) and Graphical user Interface (GUI). (10 Marks)</b>	
Ans.	<p>Operating system (OS), program manages a computer's resources, and allocates those resources among other programs. Typical resources include the central processing unit (CPU), computer memory, file storage, input/output (I/O) devices, and network connections. Management tasks include scheduling resource use to avoid conflicts and interference between programs. Unlike most programs, which complete a task and terminate, an operating system runs indefinitely and terminates only when the computer is turned off.</p> <p><b>Differences: CLI Vs GUI</b></p> <ul style="list-style-type: none"> <li>• CLI is difficult for a beginner. GUI is easier.</li> <li>• CLI requires only a keyboard, so is faster. GUI requires mouse also.</li> <li>• With CLI multitasking is difficult. GUI makes it easier.</li> <li>• CLI makes it easy to run scripts. With GUI it is difficult.</li> <li>• CLI does not change much. GUI changes a lot among versions.</li> <li>• CLI does not consume as many resources as a GUI.</li> </ul>	
Q.7	<b>Mark the following statements as True or False (10x1=10 Marks)</b>	
	(i)	<b>If you delete a file accidentally, it can never be recovered.</b>
Ans.	False	
	(ii)	<b>When you copy and paste a file, you have two copies of the file.</b>
Ans.	True	
	(iii)	<b>Cutting and pasting a file into a different directory/folder retains it in the original directory/folder.</b>
Ans.	False	
	(iv)	<b>Emptying a full recycle bin increases the free space available on a hard disk.</b>
Ans.	True	
	(v)	<b>Updating the operating system frequently is a bad practice as it increases the risk to a computer.</b>
Ans.	False	

(vi)	You do not notice any abnormal behavior in your computer. That means your computer is absolutely safe to use.
Ans.	False
(vii)	<b>Authorization is not useful when authentication fails.</b>
Ans.	True
(viii)	<b>Having a password protected screen saver is dangerous as it can lock you out of your computer.</b>
Ans.	False
(ix)	<b>HTTPS is the recommended protocol to access web sites using a browser.</b>
Ans.	True
(x)	<b>Infrastructure as a Service is called cloud.</b>
Ans.	True
<b>Q.8</b>	<b>What is two-factor authentication? Give an example. (10 Marks)</b>
Ans.	<p>Two-factor authentication adds a second level of authentication to an account log-in. When you have to enter only your user name and one password, that's considered a single-factor authentication. 2FA requires the user to have two out of three types of credentials before being able to access an account. The three types are:</p> <ul style="list-style-type: none"> <li>• Something you know, such as a personal identification number (PIN), password or a pattern</li> <li>• <u>Something you have, such as an ATM card or phone</u></li> <li>• <u>Something you are, such as a bio-metric like a fingerprint or voice print</u></li> </ul> <p>Eg: Using a password and an OTP to log into your bank account. Using ATM card and PIN. Using Aadhar number and finger scan.</p>

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