

DEFENCE ACCOUNTS DEPARTMENT

S.A.S. EXAMINATION – PART II

November, 2020

PAPER V – PRACTICAL (WITH BOOKS)

SUBJECT: WORKS, STORES AND INTERNAL AUDIT

Time Allowed : 3 घंटे/Hours

Max. Marks. 100

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।

Section-I is common to all.

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 उनके द्वारा चयनित विकल्प के अनुसार देना है। भाग-II के प्रश्नों का उत्तर एक अलग उत्तर-पुस्तिका में लिखा जाना चाहिए।

In Section II, Candidates should answer any FIVE questions from Sub-Section A-ARMY or B-AIRFORCE or C-NAVY or D-FACTORY as opted by them. Answer to the questions to Section-II should be written in a separate answer book.

4. उत्तरों के समर्थन में कारण और प्राधिकार को अवश्य ही उद्धृत किया जाना चाहिए।

Reasons and Authority must be given in support of the answers.

(MODEL ANSWERS WITH AUTHORITIES)

PAPER – V		
WORKS, STORES AND INTERNAL AUDIT (PRACTICAL – WITH BOOKS)		
Section-I (Works Accounts)		
(Common for All Candidates)		
1.	(a)	Differentiate between Acceptance of Necessity and Administrative approval. (3 Marks)
	Ans.	Acceptance of Necessity i.e. approval in principle of the CFA to the proposed work or service. Administrative Approval i.e. sanction by the CFA to the execution of a work at a stated cost. (Auth: Para 127, MESR)
	(b)	A Sub Area Commander asked a GE to prepare designs and specifications for a work without Administrative Approval of CFA. Comment. (3 Marks)
	Ans.	Action of Sub Area Commander is against the orders on the subject. Engineer authorities will not be required to prepare AE until the necessity for a work has been accepted by the CFA, nor to prepare detailed designs and specifications until Administrative Approval has been accorded. (Auth: Para 130, MESR)
	(c)	Who is responsible for acquisition of land required for defence purposes in Delhi? (2 Marks)
	Ans.	Ministry of Urban Development, Government of India (Auth: Para 137, MESR)
	(d) (i)	Who is competent to accord approval for formation of new MES District (CWE) ? (1 Mark)
	Ans.	Government of India (Auth: Para 26, MESR)
	(ii)	Which authority is competent to sanction re-appropriation involving increase in scale? (1 Mark)
	Ans.	Government of India (Auth: Para 155 (d), MESR)

2.	(a)	Under what circumstances demolition can be carried out by departmental labour? (3 Marks)
	Ans.	It for administrative or security reasons it is undesirable to employ a private agency for the work, demolition may be carried out by the Departmental labour. (Auth: Para 170, MESR)
	(b)	Which authority is competent to sanction transfer of land from ARMY to Defence Accounts Department for construction of office building. (1 Mark)
	Ans.	Government of India (Auth: Para 175, MESR)
	(c)	Who is final authority to decide whether a particular work should be classed as an original work or petty repair? (2 Marks)
	Ans.	CWE (Auth: Para 227, MESR)
	(d)	On what basis estimated cost is worked out in case of services other than original works and special repairs? (2 Marks)
	Ans.	In the case of services other than original works and special repairs, the Schedule of Demands is the only estimate of cost. (Auth: Para 145, MESR)
	(e) (i)	Who is responsible for maintenance of Periodical Services Measurement Books? . (1 Mark)
	Ans.	GE (Auth: Para 230, MESR)
	(ii)	Who is responsible to maintain Construction Account? (1 Mark)
	Ans.	A Construction Account will be maintained on IAFW- 2242 by the SDO concerned for each work or service. (Auth: Para 531, MESR)
3.	(a)	Who is competent to authorise deviations on a contract? (2 Marks)
	Ans.	Deviations on a contract may be authorised only by the officer who accepted the contract unless such powers have been delegated. In delegating such power, he will specify the general nature and the financial limits up to which such deviations may be ordered. (Auth: Para 436, MESR)
	(b)	Who is authorised to fix all star rates relating to any contract? (1 Mark)
	Ans.	CWE (Auth: Para 439, MESR)

	(c)	How rate of store issued to contractors is fixed in case the same is not available in the SSR? (2 Marks)
	Ans.	If there is no rate in the SSR for any item proposed to be so issued, the issue rate may be fixed by the accepting officer at the local market level prevailing on the date of issue of tenders. (Auth: Para 445, MESR)
	(d)	Under what circumstances GW can issue additional stores to a contractor? (1 Mark)
	Ans.	If the circumstances demand and GE considers that it is essential in the interest of Government to issue additional stores, he will seek the approval of the Accepting Officer before issue and obtain the contractors agreements in writing to the issue rate and contract suitably amended. (Auth: Para 446, MESR)
	(e)	Over issue of stores valuing Rs. 8,000 was condoned by CWE in a contract of value Rs. 15 lakhs. Comment. (1 Mark)
	Ans.	Action of CWE is not in order . The maximum amount which can be condoned by CWE is Rs. 5000. (Auth: Note1, Para 451 MESR)
	(f)	What action can be taken against the contractor in case T&P issued on hire are lost? (1 Mark)
	Ans.	In case of T& P lost by a contractor, an additional charge of 10% on account of departmental charges will be levied on the replacement cost of the article lost and credited to Revenue. (Auth: Para 452, MBSR)
	(g)	For what purposes Hand Receipts are used? (1 Mark)
	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. (Auth: Para 474, MESR)
	(h)	What action should be taken if the final account of a contractor shows that he has been over paid? (1 Mark)
	Ans.	The account may be settled by a recovery in cash or from any other bill or payment due or from his security deposit. (Auth: Para 476, MESR)

4.	(a)	How payment of disputed and delayed final bills is dealt by E-Section of PCDA/CDA ? (3 Marks)
	Ans.	In disputed or delayed cases, if contractor requests for a further 'on account payment' after the preparation of the final bill , the intention to make such payment will be communicated by the GE to the PCDA/CDA concerned to enable him to expedite the scrutiny of the final bill and authorise such payment. The Payment so allowed will be restricted to those items of the final bill in respect of which there is no dispute. (Auth: Para 480, MESR)
	(b)	Who is competent to accord sanction for payment of advance money to a contractor for construction of labour camps? (1 Mark)
	Ans.	CE (Auth: Para 482, MESR)
	(c) (i)	Original works costing Rs. 1.5 lakhs will be budgeted under which head? (1 Mark)
	Ans.	Revenue head (Auth: PARA 5, DWP 2007)
	(ii)	Special repairs costing Rs. 15 lakhs will be budgeted under which head? (1 Mark)
	Ans.	Revenue head (Auth: Para 10(C), DWP- 2007)
	(iii)	Annual Low Budgeted Capital Works Programme is approved by which authority? . (1 Mark)
	Ans.	GOC-in C or officer of equivalent level. (Auth: Para 16 (C) DWP- 2007)
	(iv)	Annual Major Works Programme (AMWP) is approved by which authority? (1 Mark)
	Ans.	Govt. of India (Auth: Para 16 (a) DWP , 2007)
	(d)	What percentage of contingencies, establishment charges and consultancy charge may be included in the estimates? (2 Marks)
	Ans.	Contingency – 3% Establishment charges – 2% (only in case of deposit works) Consultancy charges- 3% (not exceeding) (Auth: Para 29 (C) DWP 2007)

5.	(a)	What is the time limit within which a contractor shall apply for extension of time? (3 Marks)
	Ans.	Upon the happening of any such event as given in condition 11 of IAF W-2249, the contractor shall immediately, but not later than 30 days of the happening of the event, give notice thereof in writing to the GE. (Auth: Condition 11 of IAF W-2249)
	(b)	Who is competent to grant extension of time in case of contracts? (1 Mark)
	Ans.	(i) GE for all Term Contracts. (ii) Accepting officer of the contract for all other contracts. (Auth: Condition 11 of IAF W-2249)
	(c)	What percentage check is to be carried out by AOGC in case of DO having star rates? . (1 Mark)
	Ans.	100% (Auth: Addenda –III, page 158, OM- VIII)
	(d)	What action is required to be taken if DO increases the value of contract beyond the powers of the accepting authority? (2 Marks)
	Ans.	Sanction of next higher Engineer Authority is required. (Auth: Addenda –III, page 158, OM- VIII)
	(e)	When does a deposit becomes due to be transferred to lapsed deposit head? (3 Marks)
	Ans.	All deposits remaining unclaimed for 3 years will be transferred to the credit of Government as lapsed Deposits. (Auth: Addenda –V, page 168, OM- VIII)
6.	(a)	What safeguard should be taken to prevent future claims from contractors for alleged idle labour or additional establishment etc., while issuing DO for extension of time? (3 Marks)
	Ans.	DO for extension of time should, in addition to indicating the changes in dates of completion, include the following endorsement: Financial effect- NIL (Auth: Para 30, OM-VIII)
	(b) (i)	What action is to be taken if the contractor refuses to sign the devaluation statement? (3 Marks)
	Ans.	The bill should be progressed like any other disputed bill. (Auth: Para 62 (XXII) (d), Note- 1 , OM- VIII)

	(ii)	From which head of account payment should be made in satisfaction of an arbitration award? (1 Mark)
	Ans.	Voted Head of account, except where an award is filed in a court and a decree is obtained. Expenditure required to satisfy the decree of a court is to be treated as "charged" on the Consolidated Fund of India. (Auth: Para 63 (II), OM- VIII)
	(iii)	Which section of PCDA/CDA allots code numbers to MES formations within each MES area? (1 Mark)
	Ans.	E Section (Auth: Para 101, OM-VIII)
	(iv)	Test Audit objections on MES are dealt by which section of PCDA/CDA ? (1 Mark)
	Ans.	Test audit objections on MES Contract bills etc. (other than those relating to local audit) will be dealt in E Section and remaining in FA Section. (Auth: Para 104, OM-VIII)
	(v)	Escalation clause was included in a work having PDC of 78 weeks. Comment. (1 Mark)
	Ans.	In case of works scheduled to be completed within 2 years, no escalation, except statutory increases, will be allowed in the contracts for execution of such works. AEs for such works be prepared accordingly. (Auth: Para 29 (d) DWP- 2007)
7.	(a)	What action should be taken against a contractor who fails to return the surplus stores but retains them for his own use or disposes them of to his personal gain? (4 Marks)
	Ans.	Contractor becomes liable to be prosecuted for embezzlement. Further, CE may either suspend the contractor from further tendering or remove him from the approved list. (Auth: Note-2 Para 121, UA Manual)
	(b)	Who does the pre-scrutiny of terminal compensation claims? (1 Mark)
	(i)	
	Ans.	PCDA/CDA or his authorised representative. (Auth: Para 130 , UA Manual)
	(ii)	What is the retention period of completed measurement books? (1 Mark)
	Ans.	MB will be preserved for ten years after the date of completion of a work, the measurement of any part of which is recorded therein. (Auth: Para 131, UA Manual)
	(iii)	Who carries out census of all measurement books on the charge of the formation as recorded in the register of measurement books? (1 Mark)
	Ans.	AOGC, Month of April every year (Auth: Para 136, UA Manual)

	(c)	What action should be taken by Aoge if it comes to light that after Construction Accounts have been closed but an error or omission has occurred in the recording the expenditure? (3 Marks)
	Ans.	The account may be reopened in order to rectify the error or omission unless the amount involved is not more than Rs. 10 in which case if will be sufficient to make a note of error or omission in the relevant documents conserved. (Auth: Para 291, UA Manual 2007, Para 589 MESR)
8.	(a)	During the scrutiny of AEs it was observed that MV/DCS was applied on the total value which included SSR rates as well as some assessed and market rates. Comment. (3 Marks)
	Ans.	MV/DCS on assessed /market/contract rates/furniture rates are not admissible. (Auth: DWP- 2007 page 172 May- 2013 common deficiencies notices in AE/RAES)
	(b)	What is meant by operational work? (2 Marks)
	Ans.	Operational works are undertaken in areas which according to geographic location and Military situation are specifically declared as 'Operational works areas' by the Government from time to time. Such areas will conform to the areas of jurisdiction of operational formations and static line of communication of formations having an operational role. (Auth: Addenda- III Para 2 Operational works Procedure, DWP- 2007)
	(c)	Who is competent to order operational works? (2 Marks)
	Ans.	Commanders in operational works areas may order the execution, within their respective areas of responsibility of any operational work provided the necessary stores are either at their disposal or are obtainable locally. (Auth: Addenda- III Para 4 Operational works Procedure, DWP- 2007)
	(d)	Name the agencies through which operational works may be executed. (3 Marks)
	Ans.	(i) Formation Engineers (ii) MES (iii) Other construction agencies like PWD, CPWD, BRO & Railways. However, no work will be ordered on civil agencies in areas where MES exist, without prior concurrence from Command Headquarters. (Auth: Addenda- III Para 6 Operational works Procedure, DWP- 2007)

भाग-II (भंडार लेखा और आंतरिक लेखापरीक्षा)

(क) थलसेना

SECTION-II (Store Accounts and Internal Audit)

(A) ARMY

1.	(a)	How expenditure incurred by the state Government in escorting deserters/absentees to regimental centres/units is reimbursed? (2 Marks)
	Ans.	<p>Expenditure incurred by State Governments is reimbursed from the Defence Service Estimates. Debits on that account supported by an audit certificate to that effect that “charges debited have been audited & admitted under rules” will be raised by the civil accounts officer concerned against the CDA concerned.</p> <p style="text-align: center;">(Auth: Para 378, DSR)</p>
	(b)	Who is responsible for preparation of Apprehension Certificate? What is its purpose? (2 Marks)
	Ans.	<p>Civil Police are in all cases responsible for the preparation of Apprehension Certificate – IAF – 910.</p> <p>This is a proof that the man is in fact a Military deserter/absentee. No deserter / absentee will be accepted by the Regimental Centre or the unit specified for this purpose without this form duly completed, unless the receiving unit has identified the man to be subject to the Army Act.</p> <p style="text-align: center;">(Auth: Para 378 (c) DSR)</p>
	(c)	An Army Jawan committed an offence, fraud involving financial loss of regimental property. His case was disposed of by taking administrative action against him. Comment. (2 Marks)
	Ans.	<p>Action is not in order.</p> <p>Such cases needs to be tried by court martial or prosecuted before a civil court. Punishment in such cases will be deterrent and commensurate with the gravity of the offence.</p> <p style="text-align: center;">(Auth: Para 432, DSR)</p>
	(d)	What is the amount that can be recovered from an officer/JCO/OR for damage of Government property by a fire due to his negligence? (2 Marks)
	Ans.	<p>Amount to be recovered usually will be limited to a sum not exceeding one week's pay of the individual who is held responsible.</p> <p style="text-align: center;">(Auth: Para 435, DSR)</p>

	(e)	An officer proceeded on two days casual leave without handing/taking over of cash. Comment. (2 Marks)
	Ans.	Action of officer is not in order. An officer while proceeding on leave (including casual leave) or temporary duty, will hand over the cash in his charge, together with the accounts correctly written up, to the officer who is detailed to officiate during his absence. (Auth: Para 809, DSR)
2.	(a)	Whether LAO can carry out the audit of vehicle log book ? (3 Marks)
	Ans.	Log book as such is not auditable but may be referred to by the audit authority for determining the KPL as fixed by the workshop, checking the workshop running and POL consumption and correctness of changes of tyres, tubes and batteries etc. (Auth: Para 141,SAI)
	(b)	How many car dairies are maintained for each vehicle and why? (2 Marks)
	Ans.	Two card dairies are maintained for each vehicle which are used for alternate quarters. The car diary for previous quarter will be produced for audit while the correct one will be used by the driver. (Auth: Para 142(b), SAI)
	(c)	Nature of duty is not clearly specified in the car diary. Comment? (2 Marks)
	Ans.	All journeys when nature of duty has not been clearly specified in the car diary will be treated as " non-duty journeys " and charges recovered from the officers using Government transport, for the KM run, at normal rates. (Auth: Para 142(J), SAI)
	(d)	When a unit moves from one station to another, whether it can carry the balance stock with it ? Elaborate. (3 Marks)
	Ans.	No. OC of the unit will close its ration return showing transaction 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 with him, under the orders of the supply depot to another unit and formation in the station or regular issue voucher. A new ration return will be opened at the new station, (Auth: Para 158, SAI)
3.	(a)	What for Train Ration Return is prepared? (3 Marks)
	Ans.	When a unit moves from one station to another via train, OC of the outgoing unit closes its ration return showing the transaction up to the date of entraining and opens a fresh Train Ration Return for the period of the journey. On arrival at the destination , the train ration return will be closed and the balances of the unconsumed rations will be transferred to the first ration return of the unit at the new station on regular voucher. (Auth: Para 159, SAI)

	(b)	Name the documents which are maintained for accounting of patients diet. (3 Marks)
	Ans.	<p>(i) Ward diet sheets (IAFM – 1282)</p> <p>(ii) Daily Requisition for diets & extras (IAFM-1266)</p> <p>(iii) Store keepers diet Record (IAFM- 1267)</p> <p>(iv) Monthly summary of diets & extras (IAFM- 1268)</p> <p>Above documents are included in the ration returns (IAFS- 1519-A)</p> <p style="text-align: center;">(Auth: Para 166, SAI)</p>
	(c) (i)	How packing material received with AOC stores are accounted for? (2 Marks)
	Ans.	Packing material is accounted for by units under the same nomenclature as it was vouchered and not under a general heading such as “cases packing of sorts” or “Drums of sorts ”.
		(Auth: Para 169 (b) SAI)
	(ii)	Name the return in which ASC packing materials held on the charge of units and formations are accounted for? (2 Marks)
	Ans.	These are accounted for in the Ration and Forage return.
		(Auth: Para 169 (a) SAI)
4.	(a)	Is it necessary to prepare loss statement for the loss of weight of green grass into hay? If not, what is required to be done? (3 Marks)
	Ans.	No loss statement is necessary. It will be shown in a conversion statement.
		(Auth: Para 208, SAI)
	(b)	A Military Farm prepared a loss statement in respect of animals lost but which were subsequently recovered after one year. What action is required to be taken? (3 Marks)
	Ans.	Animals subsequently recovered will be brought on charge.
		(Auth: Para 208, SAI)
	(c)	When a court of inquiry finds a person responsible for the loss of animals on the charge of Military Farm. What amount is required to be recovered from him?
		(i) In the case of purchased animals which have not calved since purchase. (2 Marks)
		(ii) In case of purchased animals which have calved at least once since purchase. (2 Marks)
	Ans.	(i) Purchase price. (ii) Twice the book above.
		(Auth: Para 208,SAI)

5.	(a)	How frequently LAO is expected to visit each unit/formation for review of local audit work? (1 Mark)
	Ans.	Once every six months. (Auth: Para 6 ALAM Part I & II)
	(b)	What is meant by linking? (3 Marks)
	Ans.	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. (Auth: Note below Para 50(b), ALAM)
	(c)	How many copies of issue voucher are prepared when stores transferred from one supply or store depot to another depot or consuming unit? What is their distribution? (3 Marks)
	Ans.	Issue voucher is prepared in Five copies. A, B, C, D & E(except ordnance depots where they are numbered 1, 2, 3, 4 & 5) A copy – Issuing depot's copy B copy – Sent to the consignee, receipted by him and returned to the consignee. C copy – Sent to the consignee & retained by him. D & E copy – Sent by the consignor to his LAO who pairs the two, retaining the D copy & passes on the E copy to Consignee's LAO. (Auth: Para 61, ALAM)
	(d)	Under what circumstances LAO may carry out an actual stock verification? (3 Marks)
	Ans.	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 the accuracy of the stock actually in possession of a unit, he may carry out an actual stock verification after obtaining the prior concurrence of PCDA/CDA. (Auth: Para 104, ALAM)
6.	(a)	What are risk indicators for carrying out audit of store accounts of supply and stores depots? (3 Marks)
	Ans.	Risk indicators areas under: -Issue of items without any proper indents from consuming units. - Overstocking of perishable items. - Procurement of ASC items through LPs in the absence of proper contracts. - Mismatch between demand and supply factor. - Non-availability of proper information system. (Auth: Para 120, ALAM)

	(b)	Who does the pricing of payment issues from officer's shops?	(2 Marks)
	Ans.	Pricing is done by the executive authorities and is test checked by the local audit staff. (Auth: Para 122, ALAM)	
	(c)	It was observed by the LAO during review of local audit work that payment issue of P.O.L. to individual has been made from P.O.L. depot, what action is to be taken by LAO?	(3 Marks)
	Ans.	Payment issue of P.O.L .to individuals can not be made from P.O.L depot. Hence, LAO should raise audit observation against the depot. (Auth: Para 175, ALAM)	
	(d)	Whose prior approval is required for disposing of unserviceable containers locally where large surplus stock exists?	(2 Marks)
	Ans.	IHQ of MOD (Army) (Auth: Para 175 XI, ALAM)	
7.	(a)	For audit of a Cantonment Board, whose concurrence is required before the strength of the audit party or the time required for audit or both are increased? And why?	(3 Marks)
	Ans.	As the Cantonment Boards are to pay the audit fees, which are assessed on the strength of the audit party and the no. Of days sanctioned for the completion of the audit, it is necessary to obtain their concurrence before increasing the strength of audit party or no of days or both. (Auth: Para 361(c), ALAM)	
	(b)	Serious irregularities were notice like decrease in income due to leakage of revenue by fraud by cantonment authorities and assistance of LAO was solicited in the conduct of special investigation. What action is to be taken by LAO?	(3 Marks)
	Ans.	LAOs should obtain separate permission from the PCDA/CDA for assisting cantonment authorities in such cases. (Auth: Para 361 (c), ALAM)	
	(c)	Who determines the audit fee of Cantonment Board?	(2 Marks)
	Ans.	On completion of local audit, LAO/ALAO will determine the amount of audit fees recoverable and before submitting the completion report (in duplicate) obtain the acceptance along with the audit completion report. (Auth: Para 364, ALAM)	
	(d)	Who carries out the audit of leave accounts of cantonment executive officers?	(2 Marks)
	Ans.	LAO/ALAO, during the audit of cantonment concerned. (Auth Para 393, ALAM)	
8.	(a)	During the audit of a vehicle depot it was observed that principle of issuing the latest vehicle in stock has been followed. Comment.	(4 Marks)
	Ans.	Action is not in order. Principle of issuing the oldest vehicle in stock first be followed. (Auth: Para 226, ALAM)	

	(b)	Name the accounting unit in which following items are accounted for in an Ammunition Depot; (i) Empty ammunition containers and packages. (1 Mark) (ii) Scrap Metal. (1 Mark)
	Ans.	(i) By numbers only (ii) By weight only (Auth: Para 236, ALAM)
	(c)	How it is ensured by the LAO that no double payment in claims for the allowance in respect of empty metal cartridge cases, fired bullets, brass and copper returned by units to Ammunition Depots takes place? (4 Marks)
	Ans.	Such claims are submitted to the PCDA/CDA through the LAO of the Ammunition Depot concerned for payment. The LAO while verifying the credit in the stock records of the Ammunition Depot will endorse the number and dates of the bills on the copies of the receipt vouchers in possession of the Ammunition Depot authorities to avoid the risk of double payment. (Auth: Note below Para 236, ALAM)

Paper – V: Works, Store and Internal Audit – (Practical) With Books
– Section – II (Store Accounts & Internal Audit) – (B) Air Force

STATEMENT OF AUTHORITIES AND MODEL ANSWERS

Question No.1

- (i) A Local Audit Officer has given a financial advice with regard to commercial utilisation of defence land. Comment whether this is ultra-vires his/her powers. (4 marks)

Authority: AFLAM '13: Chapter-I Principles and objects of Local Audit Organisation and Duties and Functions of Local Audit Officers and their staff [para 27] and Annexure I. + 385 D.

The financial advice rendered by the LAO is well within his/her powers as per the AFLAM which specifies that L.A.O (AF) should maintain personal touch with the C.Os , Chief Equipment Officers and Accountant Officers and MTO of the Air Force Units and formations. He should point out to the C.Os instances of obvious waste and extravagance, the avoidance of which may result in a saving to the State, suggest ways of tightening control and avoidance of errors and indicate, either personally or by means of special letters, the various directions in which economies could be effected. Further Annexure – I to AFLAM at point (XIX) identifies Commercial utilisation of defence land as one of the key risk areas for higher audit/ performance audit.

- (ii) What are the aspects of local audit of Airforce units which merit drawing immediate attention of the PCDA (AF)? How is it intimated? (4+2 marks)

Authority: AFLAM '13: Chapter-I Principles and objects of Local Audit Organisation and Duties and Functions of Local Audit Officers and their staff [para 32]

The LAO(AF) will immediately bring to the personal notice of the Controller of Defence Accounts (Air Force) by a special report, all cases in which:

- (i) the prescribed accounts are non-existent or missing or have not been produced for audit;
- (ii) the accounts maintained by a unit area in an unsatisfactory state;
- (iii) the procedure adopted in maintaining the accounts is not in conformity with that authorized in rules or standing orders.

- (iv) Objections of important nature or involving important financial irregularity such as cash transaction not credited fictitious quantities charged off.

Question No.2

- (i) Deterioration in the condition of stores due to unduly long/inadequate storage of Rs.95 lakhs has been recommended by LAO for inclusion in the MFAI report -Comment. (4 marks)

Authority: AFLAM '13: *Chapter-I Principles and objects of Local Audit Organisation and Duties and Functions of Local Audit Officers and their staff* [para 35 & 36]

All irregularities coming to light in the course of percentage audit and/ or processes of check over selected items and cases of wrong certification by executive should be viewed as very serious. High Risk Areas such as Utilization of plant and machinery for the purpose for which it was purchased and installed; Identification of slow-moving and non-moving items of stores in depots/store holding formations; Deterioration in the condition of stores due to unduly long/inadequate storage; Defective planning and implementation of projects involving significant investment highlighting, in particular major deviations from original time and cost targets etc., must be given special attention. However, Cases in which the value of the financial irregularity or loss involved is Rs 1 lakh or more in each case should only be made part of the MFAI. Since the irregularity mentioned in the given question is less than Rs. 1 lakh. It does not merit inclusion in the MFAI.

- (ii) Distinguish between Regulatory audit and Proprietary audit.(3+3 marks)

Authority: AFLAM '13: *Chapter-I Principles and objects of Local Audit Organisation and Duties and Functions of Local Audit Officers and their staff* [para 39]

Regulatory Audit is concerned with verifying that the expenditure conforms to the relevant provisions of the Constitution and of the laws and rules made there under and is also in accordance with the financial rules, regulations and orders issued by a competent authority either in pursuance of any provisions of the Constitution or by virtue of powers formally delegated to it by a higher authority.

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 monies 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".

Question No. 3

- (i) In 2019 a civil aircraft made an emergency landing in one of the IFA air bases. IFA issued them small quantities of fuel and emergency repairs to help the flight take off again. Approval of Air Head Quarters or MOD was not taken. Is this action of IAF objectionable? Should recovery of cost be made and if so at what cost? (2+3 marks)

Authority: AFLAM '13. Chapter IV: Audit of Equipment Account, Section-III: Audit of Payment Issue Vouchers (Including Vouchers for Charging Loss or Damage) and Loan Vouchers [Para 102 (i) and (iii)]

No. The action of IAF is authorised. While as a general rule no issues of A.F. Stores to Civil departments etc. is permitted without the concurrence of Air HQrs. and Min of Def (Fin). However, exception is given when small and urgent issues of equipment including POL to Civil aircraft in emergency was permitted to land at airfields.

The recovery of cost from the Civil airlines is to be made at the rates as laid down in priced lists of A.F. Equipment along with appropriate departmental charges over the P.V. Rates levied in accordance with the "Memorandum of instructions" for rates shown in priced vocabularies and that in the case of issue of articles of the U.S.A. and other Dollar Area origin or Factory manufactured stores consisting of raw materials drawn from the U.S.A. and Dollar Area, origin or Factory manufactured stores consisting of raw materials drawn from the U.S.A. and Dollar Area, additional charges (57.5%) over the P.V. rates promulgated up to 5-6-1966 are added [vide Government of India, Min. of Def (Fin) letter No. 1/Pricing /AF, dated 3-1-67] or the rates as amended from time to time.

(ii) What are the circumstances under which Conversion Vouchers are issued?

Authority: AFLAM '13. Chapter IV: Audit of Equipment Account, Section-IV: Audit of Certificate Receipt Vouchers, Certificate issue Vouchers and Conversion Vouchers etc [Para 111]. (5 marks)

A conversion voucher (F. 403) is generally raised: -

- (a) 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.
- (b) To convert the unserviceable stores into salvage.
- (c) To support transfer of stores from the charge of one inventory holder to that of another in a different section of the unit.
- (d) 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.
- (e) To effect change in denomination of stores held in stock.
- (f) To convert the balances of not in GIG items when GIG numbers are allotted.
- (g) To adjust accounts when the stores are received in a condition other than in which vouchered.
- (h) To adjust losses arising from deterioration of equipment held on the charge of a Stock Holding Establishment (Equipment Depot, A.S.P. or any other unit where command stocks are held) 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.
- (i) To adjust stock record card/tally card balances when stores of a similar type size or category have been wrongly identified or conditioned and incorrectly recorded. Such adjustments are, however, to be supported by the No. and date of the original voucher on which the equipment was received or issued or incorrectly identified or conditioned which is to be recorded on the conversion voucher.
- (j) To adjust accounts in the case of discrepancies in condition in consignments when the same is admitted by consignor.

Question No.4

- (i) Is maintenance of parallel set of store issue registers in alternate stores location appropriate? (4 marks)

Authority: IAP 1501. Appended with Chapter 42: Preparation of Logistics Support Plan. Para.18

In some cases, there may be a need to establish alternate store locations. Wherever an alternate location is setup or stores dispersed it must be ensured that a parallel set of documents, like life registers, etc., are available for issue of items from these locations without disruption, if the need arises. Therefore, maintenance of parallel set of store issue registers in such locations is as per laid down procedures.

- (ii) What should LAO do with the Local Purchase Vouchers received from PCDA (AF) after due completion of Post Audit? If any discrepancies are found in the local purchase at that stage should it be taken up with the concerned unit? (3+3 marks)

Authority: AFLAM '13. Chapter IV: Audit of Local Purchase of Bills – Responsibility of LAOs Vis-à-vis Audit Sections of CDA (AF) [Para 144].

After post audit of Local Purchase Vouchers by PCDA (AF), they are scheduled to LAOs for verification of credit of stores purchased in the tally cards/ stock record cards /dead stock register of the unit concerned. The local purchase vouchers (duly endorsed) after linking to the prescribed extent by the auditors and test checked by the ALAOs and LAOs will be finally recorded in the local audit office.

Any point which may come to the notice of LAOs during the course of linking of local purchase vouchers which they consider has been overlooked by the Audit Section of PCDA's office may be reported by them to the section concerned for taking up the matter with the unit concerned. Such points should not be referred by LAOs direct to units.

Question No.5

- (i) What are the categories of audit objections which require preparation of Statement of Case? (3 marks)

Authority: IAP 1501, Chapter 1: AFO 22/2000, Part VI, Statement of Case, Para 93.

The types of objections requiring reference to higher authorities in the form of Statement of Case generally fall under the following heads:-

- (a) Objections, which remain unsettled beyond the period allowed for settlement at unit level.
- (b) Objections which are beyond the financial competency of authorities at unit level.
- (c) Objections which require pursuing or action by higher authorities.

- (ii) A Self Accounting Unit of IAF has continued with the payments in spite of an audit objection against such payment. Is this tenable? Explain. (7 marks)

Authority: IAP 1501, Chapter 1: AFO 22/2000, Part VIII Continuance of Payments in the face of Audit Objections. Para 117. And Government of India, Ministry of Finance (Department of Expenditure) OM No. F. 11(16) E-II(A)/61 dated 10th May 1961.

The procedure to be followed to authorize such payments is as follows:-

- (a) Payments objected to in audit should normally be discontinued. In exceptional cases, however, where it is considered that, in public interest, the continuance of such payments, pending final decision by the Competent Authority, is absolutely necessary, payments should be made provisionally with the prior written approval (with reasons) of the Commanding Officer of the self-accounting unit and subject to recovery in case the objection is upheld, the payee giving an undertaking to that effect specifically. The Commanding Officer is to send a detailed report to the Controlling Command Headquarters within 3 weeks from the receipt of audit objection at unit.

- (c) Command HQ may, subject to fulfillment of the conditions, authorise with the prior written approval of the AOC-in-C, continuance of provisional payments in the face of audit objections. In such a case also a report and a comprehensive statement of case is to be forwarded to Air HQ as stated above.

- (d) At Air HQ after obtaining the PSO's orders, if provisional payments are to continue, the Ministry of Defence and Ministry of Defence (Finance) are to be informed of such authority within 4 weeks from the receipt of comments/audit report from CDA(AF).

Question No.6

- (i) **CAS has approved transfer of an unserviceable aircraft to a private educational institution free of cost for motivating the youth to join the IAF.** (4 marks)

Comment.

Authority: MOD letter no. Air HQ/ 60294/497/MC-2/2475/DS/D(Air IV)/06 dated 15.09.06 [Para 3-4] which is a part of IAP 1501, Chapter 18 : Aero-Engines and Power Plants.

The action taken by the IAF authority is incorrect on two grounds viz., One, the competent authority to approve transfer of unserviceable aircraft to the private educational institution is MOD and not CAS and Two, as per the laid down rules 10% of the book value has to be paid by the donee organization and therefore free issue is not permitted to a private educational institution.

- (ii) **What are the issues on which the outgoing Commanding Officer of an IAF unit certifies before handing over his charge to a new incumbent? (6 marks)**

Authority: IAP 1501, Chapter 17: Handing Over and Clearance Certificate, Para 3.

The outgoing Commanding Officer has to certify the following at the time of handing over his charge to the new incumbent:-

(a) That the last stocktaking was carried out in accordance with the regulations and that he was satisfied as to the accuracy of the balances after, such discrepancies as were revealed at the stock-taking, had been adjusted.

(b) That the periodical and independent checks of inventories prescribed by the regulations were carried out.

(c) That he has from time to time inspected the equipment accounts and satisfied himself that they are being kept in accordance with the regulations.

(d) That all vouchers are posted to date, and that all objections raised in audit have been dealt with.

Question No.7

- (ii) How is the turnover of oil and aviation fuel computed for estimation of losses? (4 marks)

Authority: IAP 1501. Chapter 29: Aviation Fuel, Aircraft Engine – Lubricating Oil, Mt Fuel, Oil and Kerosene Receipt, Inspection and Issue Para.14.

The turnover of fuel or oil is to be calculated on the basis of actual receipt during the period in question plus the issues recorded for the same period. Where, however, there has been no movement of stocks or the sum of receipts and issues is less than the stock in hand at the commencement of the period, the

- (iii) Name the various categories of priority demand? What is to be done with any other form of priority? (6 marks)

Authority: IAP 1501. Chapter 4: Transfer of Equipment Between Air Force Units in India. Para.23-24

With a view to ensure that equipment which is urgently required is made available with the least possible delay, priorities on demands are restricted to the following categories: -

- (a) A.O.G. (Aircraft on ground)
- (b) I.O.R (Immediate Operational Requirement)
- (c) U.R.R. (Urgent Repair Requirements).
- (d) U.S.R. (Urgent Stock Requirements).
- (e) M.O.G. (Missile on Ground).

No other priorities are recognized and Demand Control Officers at Equipment Depots are to scrutinize carefully all demands, which bear any of the above priorities, to ensure that they confirm with the instructions.

Question No. 8

- (i) Who issues an Investigation Performa for Manufacture and for which items? (3 + 3 marks)

Authority: IAP 1541. Leaflet No.31. Procedure for issuing MANUF Acturing Task.
[Para: 4 & 5]

In order to ascertain that the particular Base Repair Depot has the capacity to undertake the manufacture in quantity and priority as required by Air

Headquarters, a proforma 'Investigation for Manufacture' will be raised by the concerned Directorate / Cell. This proforma is also to be raised whenever there is a requirement for manufacture of an item at BRD as a result of periodical/special review or as a special requirement.

An Investigation Proforma is to be raised for any item, which in the opinion of the Specialist Staff, can be manufactured at BRDs. Even for an item which has been previously manufactured by BRD, an Investigation Proforma is to be raised since it is likely that while the BRD may have the capability, they may not have the capacity to undertake manufacture of fresh requirements. In such cases, it should be mentioned in the remarks column of Investigation Proforma that the item was previously manufactured, giving the task number etc.

- (ii) In the project cost of procurement of an equipment, IAF is proposing to include all requisite maintenance/ overhaul spares - will this be permitted? (4 marks)

Give justification to your answer.

Authority: IAP 1541. Leaflet no. 40: Introduction and Provisioning of Newly Introduced Equipment [Para: 2]

Yes, it is permitted to place indent for essential maintenance/ overhaul spares whenever a new equipment is introduced or induced into Air Force. Not only the requisite maintenance/overhaul spares but also test and ancillary equipment, if any, are simultaneously provisioned with the main equipment, to ensure its uninterrupted utilisation at the operating units. It is also necessary to ensure that newly provisioned equipment is duly positioned at the concerned unit/ units and these are installed and utilised without delay.

PAPER V- PRACTICAL (WITH BOOKS)

SUBJECT: WORKS, STORES AND INTERNAL AUDIT

SECTION-II (Store Accounts and Internal Audit)

(C) NAVY

MODEL ANSWERS

Question 1 a

INS Mysore under the local audit jurisdiction of NLAO, Visakhapatnam is undergoing a major refit at Mazagaon Dock Limited, Mumbai. What action is required to be taken for disposal of Naval Store Accounts maintained by the Supply Officer of the ship?

Model Answer

1. when a ship is destored, the Supply Officer shall
 - 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,
 - b. Inform Naval Headquarters, when this has been done.
2. In closing the accounts, the Supply Officer shall ensure that-
 - a. All transactions covering the destoring are entered in the ledgers before they are closed.
 - b. All supporting vouchers accompany the Naval Store Ledgers.'
 - c.
3. The following shall also be forwarded with the ledgers for custody and reissue when the ship recommissions-
 - a. Alphabetical List of Naval Stores
 - b. The stock description cards tied in separate bundles and clearly marked with the distinguishing number of the rack for bin from which they were removed.

Authority: **Para 586, Chapter 23: Disposal of Naval Store Accounts, Naval Storekeeping Manual**

(4 Marks)

Question 1 b

After fitting out, INS Mysore is leaving the shipyard. What action is required to be taken by the Supply Officer with respect to all the stores supplied by the shipbuilder?

Model Answer

Before the ship leaves the shipyard, the Supply Officer shall-

- a. Obtain from the Overseer/Dockyard Officer(s) full particulars of all Naval Stores supplied by the shipbuilder in accordance with the contract,
- b. Receive from the Overseer/Dockyard Officer supply note form S.134/3 duly endorsed with the place where the item is fitted,
- c. Ensure that they have been taken on charge in the Naval Store Ledger.

Authority: **Para 75.2, Chapter 5: Responsibility of the Supply Officer when ship fits out, Naval Storekeeping Manual**

(3 Marks)

Question 1 c

NLAO, Visakhapatnam while doing the audit of INS Mysore notices that some of the prescribed accounts are in an unsatisfactory state and is not in conformity with the authorized rules or standing orders. Please describe the action prescribed to be taken by NLAO in such cases?

Model Answer

The NLAO will bring to the personal notice of the CDA(N) by a special report all cases in which:

- a. The prescribed accounts are non-existent or missing or have not been produced for audit.
- b. The accounts maintained by a ship/Estt. Or Depot are in unsatisfactory state and
- c. The procedure adopted in maintaining the accounts is not in conformity with that authorized in rules or standing orders

Authority: **Para 17 Chapter 1, Naval Local Audit Manual**

(3 Marks)

Question 2 a

What are the transactions which are not required to be posted in the Naval Store Accounts?

Model Answer

The following transactions should not be posted in the Naval Store Accounts:

- a. Losses of consumable stores which have been previously issued off charge in self-accounting ships/establishments.
- b. Return of unserviceable components of tool kits.
- c. All stores/equipment purchased from non-public funds.
- d. Exchange transactions
- e. In cases, where it is permissible to issue permanent stores outright.
- f. Articles of non-utility made during training course.
- g. Non-naval store items found/salvaged.

Authority: **Para 439, Chapter 17, Naval Storekeeping Manual**

(3 Marks)

Question 2 b

A case of dispute had arisen between INS Talwar and Naval Store Officer, MO Mumbai on returning of XXX Litre of deteriorated paints by the returning ship. The dispute was on the cause of such deterioration and a Board of Officer was appointed to investigate the cause of deterioration. However, investigation could not determine the cause of this deterioration. What action is required to be undertaken by the Naval Store Officer in this case?

Model Answer

When the investigation cannot determine the cause of deterioration or deficiencies, the loss shall be written off by the Naval Store Officer and loss statement together with copies of proceedings of investigation board is forwarded to the Competent Financial Authority.

Authority: **Para 184.4, Chapter 10, Naval Storekeeping Manual**

(4 Marks)

Question 2 c

Please describe the different types of stock taking in Naval Ships.

Model Answer

- a. *Continuous Stocktaking*- The stocktaking of items held is spread over a period and it takes place continuously and concurrently with other store-keeping duties, i.e., stocktaking of sea stores on charge of the Supply Officer in self accounting ships/establishments.
- b. *Periodical Stocktaking*- In this the stock is mustered on prescribed occasions and in the minimum time possible, during which all other storekeeping duties except immediate transactions are kept in abeyance, e.g., periodic stocktaking of stores on permanent loan, snap checks, and half yearly musters in non-self accounting ships.

Authority: **Para 232, Chapter 12, Naval Storekeeping Manual**

(3 Marks)

Question 3 a

A ship is participating in a naval exercise and as a result has been given the relaxation from provisions of complete muster. What are the conditions which need to be fulfilled for the same?

Model Answer

Following conditions need to be fulfilled:

- a. In case ships proceeding on exercise, the Controller of Defence Accounts (Navy) is to be furnished with a list giving the name of ships in respect of which the relaxation will become operative by the AA. The stock that will be carried by ship i.e. whether for three months or less, should also be clearly indicated.
- b. However, in the case of operation, it may not be possible to forward the above details before hand on security grounds. In all such cases, the requisite information will be conveyed to the Controller of Defence Accounts (Navy) after the operations are over. In the mean time, the ships concerned will delete the certificate of muster appearing page 14 of the Victualling account, on the authority of this paragraph.

- c. Before embarking sea stocks for the period of the operations/exercises and also before any major subsequent replenishment during such period, ships are to carry out a physical muster of stocks held and complete the certificate of muster as on that day. A new account with actual verified ground stocks as opening balance is to be opened for the remaining part of the month. At the end of the month relevant copies of both the accounts are to be forwarded to the audit.
- d. Immediately on return to the "Home" port at the end of the operations/exercises, the ships will revert back to the normal procedure of mustering of victualling stores and rendition of muster certificates.

Authority: **Para 0810, Chapter 8, Naval Victualling Manual**

(4 Marks)

Question 3 b

What points need to be seen during the audit of Vehicle Kit Ledger?

Model Answer

The following points will be seen in audit:

- i. All receipts of vehicle kits have accounted for in the ledger and their distribution according to vehicles is shown on the reverse.
- ii. A kit inventory in duplicate has been prepared and both copies signed by the driver of the vehicle, copy no 1 being kept in the store and copy no 2 in the log book.
- iii. Replacement of parts made is on clear exchange system i.e. the unserviceable parts are returned and new items received in exchange.
- iv. Items returned by the driver except on clear exchange basis are recorded in the kit inventory.
- v. On transfer/issue of vehicles , items of kit are issued on regular vouchers and struck off ledger charge.

Authority: **Para 183, Chapter VII, Naval Local Audit Manual**

(3 Marks)

Question 3 c

What conditions are required to be fulfilled for the use of Government transport by the technical officers for local purchase of stores?

Model Answer

Following conditions are required to be 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 purchased have been brought in the same vehicle by the officer using the transport.

Authority: **Para 179 (xxiii), Chapter VII, Naval Local Audit Manual**

(3 Marks)

Question 4 a

What are offloading Plans? Describe different types of offloading plans?

Model Answer

The cases for off-loading will be consolidated into the offloading plan with the under mentioned parts. The off loading plan (RollOn Basis) would serve as an indicator of the estimated spread of expenditure and anticipated budget requirement for the next two to three years;

Part A. Consolidated cases that would individually be processed under delegated powers of ASDs/CSY/COMDISs for the ensuing year.

Part B. Consolidated cases that would individually be processed under delegated powers of CinCs/COMCGs for the next two years.

Part C. Consolidated cases that would individually be processed under delegated powers of VCNS/DGICG for the next two/three years.

Part D. Consolidated cases that would individually be processed under delegated powers of MoD for the next two/three years in respect of Coast Guard and Navy respectively.

Authority: **Para 14.4.3, Chapter 14, Defence Procurement Manual-09**

(4 Marks)

Question 4 b

The consolidated financial implications of the Part B offloading plan for Partial/Complete Refits/Repairs of Ships/Submarines for the next two years exceed the delegated financial powers of C in C. Even then, AoN was accorded by C in C. Comment.

Model Answer

The AON for the offloading plan would be accorded by the CFA based on the financial implication of the individual cases. The AON for Part B of the offloading plan would be accorded by the respective CinC/COMCG (even if the consolidated financial implications exceed the delegated financial powers). The financial consultation for each part of the offloading plan would be given by the concerned IFA of respective CFA.

Authority: **Para 14.4.5, Chapter 14, Defence Procurement Manual-09**

(3 Marks)

Question 4 c

In Naval Dockyard Mumbai, for repair/refits of ships/submarine, 18% of contract value has been catered for growth of work. Please comment. What are factors on which such growth of work is dependent upon?

Model Answer

The SOW in refits of ships/submarines are usually nondeterministic and dynamic in nature with regard to resources required for completion. Additional financial sanction up to 15% of Contract Value would be catered for such Growth of Work. The growth of work, a feature typical of refits/repairs, is dependent inter alia on factors such as Age of Ship/Submarine, Condition of onboard

Equipment/machinery, Condition of Hull, role and exploitation pattern, duration between formulation of work package and actual execution of work, modifications and Additions & Alterations.

Authority: **Para 14.7.1, Chapter 14, Defence Procurement Manual-09**

(3 Marks)

Question 5

Describe the following;

a. Minimum Stock Limit (MCL)

Model Answer

Minimum stock level (MSL) is the level below which the stock of an item should not be allowed to fall. MSL expressed as a quantity, is determined by the the following;

- a. Annual Consumption Level (ACL)
- b. Category coefficient for MSL (CCM)
- c. Shelf Life (SL) in months

Authority: **Para 5.18, Chapter 5, Material Planning Manual for Navy**

(2 Marks)

b. Skeleton List

Model Answer

Skelton List means the list with which vouchers are forwarded by the issuing depots to their NLAO periodically.

Authority: **Para 39(3), Chapter II, Naval Local Audit Manual**

(2 Marks)

c. Base and Depot Spares (B&D spares)

Model Answer

Base and Depot Spares (B&D Spares) constitute the spare equipment and spare parts estimated as required to maintain and repair a ship during the first five years of commission. They also include insurance spares. These spares are replenished based on consumption

Authority: **Para 6.27, Chapter 6, Material Management Manual for Navy**

(2 Marks)

d. Authority Holding Sealed Particulars (AHSP)

Model Answer

The Authority Holding Sealed Particulars (AHSP) is the authority in the Navy or DGQA who is responsible for the specifications of an item.

Authority: **Para 5.4, Chapter 5, Material Management Manual for Navy**

(2 Marks)

e. Professional Officer 's Valuation (POV)

Model Answer

Professional Officer 's Valuation (POV) is the price estimated by a designated naval authority, when the actual price of the item is not available. In the case of disposal, it is the price that the item is likely to fetch in the disposal market.

Authority: **Para 5.27 Chapter 5, Material Management Manual for Navy**

(2Marks)

Question 6 a

What are the conditions under which entitled personnel on Ty. Duty/tour/Leave etc can draw POL for their vehicles?

Model Answer

Entitled Personnel on Ty Duty/tour/Leave etc. will be authorized to draw their requirements of POL for their vehicle on production of the following, provided they are otherwise entitled to draw POL in their respective duty stations.

- a. Identity Certificate
- b. Registration Certificate of the vehicle
- c. Movement Order of Leave Certificate

Authority: **Para 117 (2), Note2, Chapter III, Naval Local Audit Manual**

(4 Marks)

Question 6.b

What is Flight Authorization Book? What are checks to be done while undertaking the audit of this document?

Model Answer

This book contains particulars regarding the nature of duty necessitating the flight, the Air craft flown, the duration of the flight, the crew etc.

This will be checked to see that

- i. All columns have been properly completed and written in chronological order and that there are no unattested alterations.
- ii. Specific nature of duty is indicated (duty or practice)
- iii. Flying hours are correctly worded out based on time of take off and time landed
- iv. The book is signed by the C.O. of the air-craft at the end of each days flying at the end of each completed page.
- v. Names of pilots and crews are noted.
- vi. Where official V.I.P. flights are undertaken, they are on official duty only, sanction of the Government of India authorising the airlift and specifying the incidence of charge will be looked for.
- vii. Where special flights are provided to non-entitled individuals or in the case of flights undertaken on behalf of civil power etc. Government orders, sanctioning the flight and incidence of charge is looked for.
- viii. No flight is undertaken as “errands of mercy” without the sanction of Chief of Naval Staff.

Authority: **Para 201, Chapter VIII, Naval Local Audit Manual**

(6 Marks)

Question 7 a

Describe the circumstances under which Limited Tender Enquiry could be resorted to even when the estimated value of procurement exceeds Rs 25 Lakhs.

Model Answer

Purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than Rupees twenty five lakhs, in the following circumstances, subject to approval by the CFA and in consultation with the IFA, where required as per delegation of financial powers:

- (a) The Indenter 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 nature of the urgency and reasons why the procurement could not be anticipated should also be placed on record.
- b) 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.
- (c) The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped is remote.
- (d)The nature of item to be procured is such that pre-verification of the competence of the firms and their registration is essential.

Authority: Para 4.3.2, Chapter 4, Defence Procurement Manual -09

(4 Marks)

Question 7 b

The Competent Financial Authority (CFA) while approving the constitution of Tender Evaluation Committee nominates a Finance Member also as the member of the committee. Comment.

Model Answer

Whenever two bid system of tendering is followed, technical evaluation of the bid becomes a vital step not only for ascertaining conformity of the technical bids with the technical specifications mentioned in

the tender, but also to bring all bidders on a level playing field in respect of qualitative requirements. While technical evaluation is to be carried out by the TEC and integrated finance need not be associated at this stage, CFA may, if considered necessary, evolve a system of associating the IFA or his representative in examination of the TEC Report in regard to compliance with the commercial terms and conditions before opening of the price bid. TEC report, once finalized, should be sent to CFA for acceptance.

Authority: Para 4.12.8, Chapter 4, Defence Procurement Manual -09

(3 Marks)

Question 7 c

In a procurement case, a request was made by various prospective bidders to extend the date of tender opening by three weeks. The CFA approved the extension without consultation of IFA. Please comment.

Model Answer

In those cases where extension of tender opening date does not become necessary because of amendment of the RFP (due to change of QRs/SQRs or terms and conditions of contract) but on request of the vendors, extension upto a maximum period of two months may be accorded by the CFA without consultation of IFA, even where CFA's procurement powers are exercisable with financial concurrence. For any extension beyond this period, the Competent Financial Authority, with the concurrence of integrated finance, where required as per delegation of financial powers, may extend the date of opening of the tender specified in the RFP but such extension should not exceed the total delivery period envisaged in the RFP.

Authority: Para 4.10.2, Chapter 4, Defence Procurement Manual -09, DPM-09 supplement

(3 Marks)

Question 8 a

A ship is away from the base port and is not likely to return for some time. It was brought to notice of Logistics Officer that five sacks of rice totaling 200 kg were infested with rice weevils and are likely to infest the remaining stored grain. What action is required to be taken by the ship?

Model Answer

If the ship is away from the base port and is not likely to return for some time and if the contaminated stock is likely to infest the remaining stock onboard, the items may be thrown overboard with the approval of the Commanding Officer. Necessary endorsement to this effect is to be made by the Commanding Officer on the survey report. The loss is then to be regularized with the approval of the CFA in the normal manner.

Authority: **Para 1305 (b) (ii) (iii), Chapter 13, Naval Victualling Manual**

(4 Marks)

Question 8 b

What are checks need to be performed by local audit officer on articles jettisoned on sea?

Model Answer

In the case of article jettisoned on sea, the reasons for not retaining them on board are recorded by the Commanding Officer on the survey report and the sanction of the higher competent financial authority obtained on the loss statement when necessary.

Authority: **Para 125 (32) (B) (3), Chapter V, Naval Local Audit Manual**

(3 Marks)

Question 8 c

Write down the duties of Base Logistics Officer.

Model Answer

The Base Logistics Officer (BLOGO) will be responsible for keeping, supervising, examining the Victualling Accounts of the non self accounting ships/establishments under his control. He is to afford assistance as and when sought by non-self accounting ships/establishments on matters relating to victualling. He is also to act as adviser to the Commanding Officer of such non-self accounting ships/establishments.

Authority: **Para 0104, Chapter 1, Naval Victualling Manual**

(3 Marks)

**Special SAS PART II EXAMINATION
PAPER V-PRACTICAL (WITH BOOKS)**

SUBJECT: WORKS, STORES AND INTERNAL AUDIT

SECTION – II (Store Accounts & Internal Audit)
(D) FACTORY

MODEL ANSWERS

- Q.1. (a) What do class 2 & class 3 voucher signify? (3 Marks)**
(b) Calculate the Notional Time wages payable to the individual piece worker Mr. X in the Skilled Grade having Basic pay Rs 24500/- in the month of June from the following information: (5 Marks)

No. of Sundays:	04
No. of Holidays:	01
No. of Leave taken in the month:	01
Total OT hours:	11.5 hrs

- (c) What will be the piece work profit percentage of the above referred individual piece worker Mr. X if he has given an output of 225 hrs in the month of June. (2 Marks)**

ANSWER

1. (a) Class 2 Voucher signifies:
Transfer Entry – These are the vouchers notifying rectification of any voucher
And Class 3 voucher signifies:
Inter Departmental Schedules – These are the vouchers generated for the transaction within the same accounting circle i.e. between two sister Ordnance Factories

Authority : Para 7 of Office Manual Part XI & Para 38 of OM Part VI

1. (b) The Grade of Mr X is Skilled Grade
Basic Pay of Mr X = Rs 24500
No. of total Days in the Month of June = 30 days
No. of Sundays: 04
No. of Holidays: 01
No. of Leave taken in the month: 01
Total OT hours: 11.5 hrs

Notional Time Wages (NTW) = $P/(N-S) \times \text{Attendance} + P/200 \times \text{Total OT Hours}$
(P = Rs 7100), (N= No. of days in a month), (S= Sundays)

$$\begin{aligned}\text{Therefore, The Notional Time wage of Mr X} &= 7100 / (30-04) \times 24 + 7100/200 \times 11.5 \\ &= \text{Rs } 6962.09 /-\end{aligned}$$

Authority : Para 149 of Office Manual Part VI

$$\begin{aligned}
 1. (c) \text{ Input Man Hours given by Mr X} &= 4 \text{ (weeks)} \times 44.75 \text{ Hrs} + 11.5 \text{ Hrs} \\
 &= 190.5 \text{ Hrs} \\
 \text{Output SMH by Mr X (given)} &= 225 \text{ Hrs}
 \end{aligned}$$

Profit percentage = $\left[\frac{\text{Output Hours}}{\text{Input Hours}} - 1 \right] \times 100$

Therefore,

$$\begin{aligned}
 \text{Piece Work Profit percentage of Mr X} &= \left[\frac{(1.25 \times 225)}{190.5} - 1 \right] \times 100 \\
 &= \mathbf{47.63\%}
 \end{aligned}$$

Authority: Para 149 of Office Manual Part VI

Q.2. (a) Define the following terms: (i) Inward Gate Pass, (ii) Material Inward Slip (2 Marks)

(b) 12000 nos. Pin Firing for 5.56 INSAS rifle was purchased in January 2019 at the rate of Rs 36 per No., thereafter another 8000 nos. at the rate of Rs 36.50 per no. were purchased by the factory in July 2019 and in December 2019 another purchase of 11000 nos. at Rs 37 per no was completed. What will be the rate reflected in the ledger folio for the item in January 2020?

(4 Marks)

(c) In the warrant no. 90/00000/02 for the 5.56 INSAS rifle issued in December 2019 for 15000 nos. it is observed that no. of INSAS rifles completed at the end of January 2020 are 4500. What will be the cost of the pin firing (as referred in (b) above) to be booked in the material cost (per unit & total) column of the respective cost card by the Branch accounts office, if the demand note placed by the production shop is for 5000 nos.? (4 Marks)

ANSWER

2. (a) (i) **Inward Gate Pass:** Any material entering an Ordnance Factory will be recorded in the packed condition at the Factory Gate. The document generated at the gate for entry of any material is called as Inward Gate Pass or (IGP). This document will be linked with the Supply Order and the receipt voucher.

Authority Annexure 5 of the Material Accounting Chapter in the Office Manual Part VI

(ii) **Material Inward Slip:** MIS is a descriptive statement prepared in the factory on receipt of stores, showing full particulars of the stores received and the results of their examination by the inspecting authority.

Authority Definitions in the Office Manual Part VI

$$\begin{aligned}
 2. (b) \text{ No. of Pin Firings purchased in January 2019} &= 12000 \\
 \text{Rate in January 2019} &= \text{Rs } 36 \\
 \text{No. of Pin Firings purchased in July 2019} &= 8000 \\
 \text{Rate in January 2019} &= \text{Rs } 36.50 \\
 \text{No. of Pin Firings purchased in January 2019} &= 11000 \\
 \text{Rate in January 2019} &= \text{Rs } 37
 \end{aligned}$$

In view of the above the Moving average ledger rate will be reflected in the ledger folio for Pin Firing.

$$\begin{aligned}
 \text{The required rate} &= \text{Rs } \left\{ \frac{(12000 \times 36) + (8000 \times 36.5) + (11000 \times 37)}{(12000 + 8000 + 11000)} \right\} \\
 &= \mathbf{\text{Rs } 36.48}
 \end{aligned}$$

2. (c) The warrant Quantity = 15000
 Completed Quantity = 4500
 Demand Note Quantity = 5000

As per the (b) above, the Moving average Rate of the Pin Firing = Rs 35.34

Therefore, Total Cost of Pin Firing booked at the end of January 2020 = Rs (36.48×5000)
 = Rs 182400

And the per unit material cost on account of pin firing will be = Rs $(182400 / 4500)$

(As the completed quantity is 4500 and 500 quantity is still under process, we have to take the total cost of demand note drawn divided by the completed quantity)

= **Rs 40.53**

Authority : Para 421 of Office Manual Part VI

Q.3 (a) Differentiate between Except system & PPL system of Cost accounting followed in the Ordnance Factories. **(4 Marks)**

ANSWER

3.(a) The differences between Except System & PPL System may be tabulated as:

EXCEPT SYSTEM	PPL SYSTEM
<p>1. In case of production of items comprising many components, which are of peculiar in certain factories Except System of Cost Accounting is followed.</p> <p>2. Each kind of component is turned out independently and finally assembled. Instead of taking the finished component to stock as complete and subsequent drawal to assembly work order, the components are kept on production charge.</p> <p>3. The work orders for components are in 40 series and the components are held on production charge as finished components till they are drawn for assembly.</p> <p>4. A separate production card is maintained for each of the component.</p> <p>5. A separate abstract called 'Component Abstract' is prepared from Red Demand/Return Notes.</p> <p>6. The element wise cost of the components is then taken in the above cost statement and added to the unit assembly cost. The total thus arrived at represents the detailed cost of the finished product.</p>	<p>1. In 'Priced Production Ledger' system, material and components manufactured in the factory for further utilization in production of that factory will not be transferred to stock but will be retained under production charge on priced production ledger.</p> <p>2. Work order serial 41 will be operated for manufacture of such components and components stock voucher will be prepared for posting in priced production ledger.</p> <p>3. These components will be drawn for utilization on concerned out-turn orders on Demand Notes with distinctive colour and code Number so as to differentiate them from ordinary Demand Notes. Return Notes, where necessary will also be prepared separately.</p> <p>4. Demand/Return Notes will be accounted for by Accounts Office separately and Accounts Office will afford credit in accounts with identical value of such Demand Notes less Return Notes under 41 series.</p> <p>5. The element wise cost of the PPL components will not be taken but a total cost of the PPL material will be added to the unit assembly cost.</p>

Authority: Para 646 to 652 of OM part VI

Authority: Para 653 of OM part VI

(b) There are 3 service sections S1, S2, S3 and three production sections, P1, P2, & P3. The intrinsic Overhead expenditure of all sections are given in the table below. The ratio of distribution of overheads from the left to right is based on the no. of employees working in each section and the output SMH of the production sections P1, P2 & P3 as given in the table below. Calculate the hourly overhead rates in the production sections P1, P2 & P3 by using step ladder method.

(6 Marks)

ANSWER

The step ladder method of arriving at the hourly overhead rates have been followed and depicted in the following tabular form:

	S1	S2	S3	P1	P2	P3
No. of employees	20	30	10	30	30	20
Intrinsic OH expenditure	25000	23000	36000	84000	103000	112000
		$23000+6250 =29250 [(3:12)\times 25000]$	$36000+2083.33 =38083.33 [(1:12)\times 25000]$	$84000+6250 =90250 [(3:12)\times 25000]$	$103000+6250 =109250 [(3:12)\times 25000]$	$112000+4166.67 =116166.67 [(2:12)\times 25000]$
			$38083.33+3250 =41333.33 [(1:9)\times 29250]$	$90250+9750 =100000 [(3:9)\times 29250]$	$109250+9750 =119000 [(3:9)\times 29250]$	$116166.67+6500 =122666.67 [(2:9)\times 29250]$
			TOTAL OH	$100000+15500 =115500 [(3:8)\times 41333.33]$	$119000+15500 =134500 [(3:8)\times 41333.33]$	$122666.67+10333.33 =133000 [(2:8)\times 41333.33]$
			TOTAL OUTPUT SMH	6000	3000	4000
			Hrly Rate	$115500/6000 = \text{Rs } 19.25$	$134500/3000 = \text{Rs } 44.83$	$133000/4000 = \text{Rs } 33.25$

Q.4 (a) Define Block Register & Revenue Ledger.

(4 Marks)

(b) A production shop was constructed in 1996 at a final cost of Rs 3500000. As per the extant orders in Ordnance Factories, what will be the depreciation amount of the building in 2018-19 to be charged in the Annual Accounts? What will be the residual value of the building as on 31.03.2019?

(6 Marks)

ANSWER

4. (a) **Block register** is a register maintained by the Accounts Office in which all capital assets such as machinery, buildings etc., installation etc., are recorded. As far as possible, the value of machinery items purchased along with the cost of erection & commissioning will be directly booked against the appropriate minor head for capital and to facilitate this relevant vouchers (which will be assigned numbers in the 'M' series) etc. They are subsequently taken on the block register on the authority of Capital Services Voucher numbered in 'M' series. The buildings, shops etc. numbered as 'B' vouchers will also enter the capital block register.

Authority: Para 738, 745 (B) of Office Manual Part VI

The Revenue Ledger (I.A.F.W. 2240) would contain a progressive record of revenue due and recovered per quarter and will be maintained by the Accounts Officer. The General Manager will render to Accounts Office, Occupation Return in respect of Type IV quarters and above in Factory Estate. The Occupation Return will on receipt, be posted in the Revenue Ledger. The Accounts Officer will prepare monthly license fee bills from the Revenue Ledger. License Fee Bills in respect of the quarters borne on the Revenue Ledger will show license fee and other charges like conservancy, electricity, water etc. The Revenue Ledger will be posted from the regular disbursements and each item of recovery will be recorded. The ledger will be examined by the Accounts Officer once in a month. License Fee Bills for quarters Type-I to Type-III will be prepared by the Ordnance Factories and for Type-IV and above by the Accounts Officer concerned.

Authority: Para 909 of Office Manual Part VI

4.(b) Historical Cost of the Production shop as on 31.03.2019 = Rs 35,00,000

The method of calculation of depreciation in Ordnance Factories is Straight Line Method.

The life of a building is considered as 60 Yrs.

No. of years passed by since 1996 to 2019 = 23 years

The depreciation to be charged in the Annual Accounts of 2018-19 = Rs $\{(3500000-(3500000/60))/60$
(after setting aside the residual Value) = **Rs 57361.11**

And

The residual value of the production shop as on 31.03.2019 will be = Rs $\{3500000-(57361.11 \times 23)\}$
= **Rs 21,80,694.47**

Authority: Para 800 of Office Manual Part VI

Q.5. What is the audit percentage prescribed for audit of:

(5x2=10 Marks)

- (a) Railway Warrant & Concession Vouchers?**
- (b) Military Credit Note?**
- (c) Military Special Warrant Form C?**
- (d) Review of disposal/ sale of waste and obsolete stores including losses?**
- (e) Local audit of Ordnance Factories hospitals?**

ANSWER

5. The prescribed audit percentages for the audit of the following have been tabulated as:

Sl. No.	Particulars	Conditions	Percentage prescribed	Authority
a	Railway Warrant & Concession Vouchers	(i)Vouchers upto the value of Rs 1000	General Scrutiny selected at random	Authority: Para 1088 of Office Manual Part VI
		(ii)Vouchers of the value Rs 1001 & upto Rs 2000	30%	
		(iii)Vouchers of the value Rs 2001 & above.	100%	
b	Military Credit Note	(i)Military Credit Notes upto the value of Rs 1000	General Scrutiny selected at random	Authority: Para 1088 of Office Manual Part VI
		(ii)MC notes of the value Rs 1001 & upto Rs 5000	30%	
		(iii) MC notes of the value Rs 5001 &above	100%	
c	Military Special Warrant Form C		100%	Authority: Para 1088 of Office Manual Part VI
d	Review of disposal/ sale of waste and obsolete stores including losses	Quarterly	10 % 100 Items to 30 % 300 Items	Authority: Para 523Kof Office Manual Part VI
e	Local audit of Ordnance Factories hospitals	Half yearly	16 ½ %	Authority: Para 523Kof Office Manual Part VI

Q.6 (a) Write short notes: (i) MSA, (ii) PL Card

(2x2=4 Marks)

(b) The Unavoidable rejection percentage of 30mm Sarath Cartridge cases is 6%. The production plan for 2018-19 was for 60000 nos. The demand notes drawn for the raw material (costing Rs 800 per no) was for 66622 nos. Calculate the Loss to be kept out of production. Who will be the authority to regularize such loss.

(6 Marks)

ANSWER

6. (a) (i) **MSA**

A statement of issues to the services/customers is known as Manufacturing Accounts Statement 'A' or MSA. This statement shows the value of issues under different heads. The statement is to be completed by the 20th of the month following that to which it relates, for the purpose of posting in the Principal Ledger. This account will be compiled in IAF (Fac)-116 from the original vouchers independently and agreed with the schedule of 'P' (production) Vouchers.

Authority: Para 671(A) of the OM Part VI

(ii) **PL Card**

As and when the manufacture of article is completed, they will be inspected by the Inspection Section or the Work Inspection Section as the case may be. The detail of articles inspected, quantity accepted and quantity rejected are shown in the Inspection Note or Departmental Advice Note (IAFO-1937). This is used for all articles (including components) manufactured in a factory. One copy of the Inspection Note will be sent to the Accounts Office from which the quantity accepted is posted on the Receipt side and quantities rejected, if any, will also be posted under the column "Rejection" of **the production Ledger Card [IAF (Fac) 39](PL Card)**. One production card should be opened for each item/warrant simultaneously with, the opening of the cost card, and columns of the cards filled in strictly in accordance with the heading provided in the cost cards. Extract numbers should be entered in the production card as soon as the relevant extract is received and any addition or alterations to the extract should also be noted therein. Issues are posted from the Production Issue Voucher. The pricing of Issue vouchers is done at the actual Cost of production as shown in the cost cards. In cases where the completed cost cards are not available in time, the vouchers will be priced provisionally at estimated rates and modified to the extent necessary with reference to any change brought to light.

Authority: Para 668 of the OM Part VI

6.(b) The UAR for Sarath 30mm Cartridges	= 6%
Production plan for the year	= 60000
Quantity authorized to be rejected	= $60000 \times 0.06 = 3600$
Actual rejections that took place	= 66622

$$\text{Quantity beyond UAR} = 66622 - 3600$$

$$= 3022$$

$$\text{Value of material beyond UAR} = 3022 \times 800 = \text{Rs } 24,17,600$$

Therefore the value of Kept Out of Production or KOP will be **Rs 24,17,600**

Competent Authority to regularize the loss is **OFB** (as per the latest delegation of financial powers booklet since the loss is less than 100% above UAR and less than 50 Lakhs assuming that there is no negligence in causing the rejection).

Authority: Para 679 of OM Part VI and Delegation of Financial Power booklet of OFB

- Q.7. (a) What is stock pile? (2 Marks)**
(b) What are the code heads for creation, withdrawal & transfers from stock pile (3 Marks)
(c) What is EMD? What amount will be taken as EMD in general? What is the ceiling amount for EMD? What are the instruments acceptable for EMD? (5 Marks)

ANSWER

7.(a) Stock Pile stores are strategic item of stores which are very difficult to procure. Reserve of such stores is built up separately in order to meet the demand of production in case of failure of supplies. Categorization of an item as Stock Pile is authorized by OFB. The purchases are made from the Capital Grant of the Factory. Separate ledger and Bin Cards are maintained for these items. Accounting is done through "R" Series of vouchers.

Authority: Para 367 of OM Part VI

- 7.(b) The following procedure should be adopted for compilation of Stock Pile transactions:
i) Code Head for Creation of Stock Pile Item : 01/925/31
ii) Code Head for withdrawal of Stock Pile Item : 01/925/32
iii) Code Head for Transfer from Stock Pile to Working stock : 01/806/02

Authority: Para 514 of OM Part VI

7. (c) Earnest Money Deposit: 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. The bidders should be asked to furnish EMD along with their bids. EMDs of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity and latest on or before the 30th day after the award of the contract.

Amount of EMD should ordinarily range between two percent to five percent of the estimated value of the goods to be procured. The amount of EMD should be determined accordingly by the Factories (VSL TPC) and indicated in the bidding documents.

EMD shall be obtained in favour of the Sr.GM/General Manager/ Head of Department. The EMD may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the commercial banks or payment online in an acceptable form, safeguarding the purchaser's interest in all respects. The EMD is normally valid for a period of forty-five days beyond the final bid validity period.

Authority: Para 5.3 of the OFBPM 2018

**Q.8. (a) What is concurrent review of Cost?
(b) Please analyze the following table and comment**

**(5 Marks)
(5Marks)**

Work-order No.	Year of Mfg	Issue Price	Qty. Mfd	UNIT COST OF PRODUCTION					
				Material	Labour	VOH	FOH	Exp	Total
	₹		₹	₹	₹	₹	₹	₹	₹
70/aaaaa/04 ITEM A (EP CODE – 03bbbbbb70)	20xx-yy	125000.00	7	36404.00	15994.00	33023.00	80152.00	13480.00	179053.00
	Estt.			32409.00	20203.00	31548.00	64862.00	13089.00	162111.00
70/aaaaa/04 ITEM A (EP CODE – 03bbbbbb70)	20ww-xx	130000.00	42	28171.00	15633.00	25203.00	51051.00	13538.00	133596.00
	Estt.			25114.00	20336.00	27780.00	57925.00	12143.00	143298.00
	20xx-yy	125000.00	30	33157.00	22860.00	30776.00	67604.00	13186.00	167583.00
	Estt.			32409.00	20203.00	31548.00	64862.00	13089.00	162111.00
70/aaaaa/04 ITEM A (EP CODE – 03bbbbbb70)	20xx-yy	125000.00	14	31899.00	19997.00	27338.00	65219.00	10216.00	154669.00
	Estt.			32409.00	19777.00	31193.00	63523.00	13089.00	159991.00

ANSWER

8. (a) 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. This Concurrent review enables the Accounts Officer to have a clear picture from the cost accounting point of view of the overall activity of the factory. Detailed analysis of the warrants is incorporated in a quarterly report called 'Concurrent Review of Production cost and Activities' and is sent to the PR Section of the office of the Principal Controller of Accounts (Factories) by 30th of the month following the quarter.

Having selected the warrants for review, the relevant cost cards and the production ledger cards pertaining to these warrants are segregated. The 'postings and related documents are scrutinized to see:

- (i) The progress of expenditure against these warrants.
- (ii) The Progress of issues as against quantity manufactured.
- (iii) Quantity of rejections and significant variations in cost as compared to estimates.
- (iv) Discrepancies in pricing etc.

The aim of the review is to spot out:

- (i) Heavy rejections.
- (ii) Delay in documentation such as delay in preparation of Demand Notes in some cases, Return Note in many cases.
- (iii) Considerable delay in inspection leading to accumulation of items.
- (iv) Delay in either issue or preparation of 'P' issue vouchers.
- (v) Non-closure of warrants even when production is complete or almost completed.

- (vi) Cases of substantial variation between actual and estimates as revealed by the expenditure recorded even when a warrant is running.
- (vii) Cases where, expenditure on tools have not been properly recorded/allocated.

Authority: Para 635 to 642 of OM Part VI

8.(b) the table given has been studied and following observations may be listed:

- In the year 20xx-yy the item A has been produced by the concerned Factory for supplies to the sister Factory as a part of the Inter Factory Demand (70 series work order)
- Total quantity produced in the year 20xx-yy is (30+14+7) 51nos. in three warrants, whereas, in the last financial year i.e. 20ww-xx, 42 nos. were produced in one warrant. The reasons for operation of 03 warrants need to be ascertained.
- The three warrants show different estimated costs, ranging from Rs 1,59,991 to Rs 1,62,111 i.e. a difference of only Rs 2120.
- The estimated material cost in all the three warrants is Rs 32409 whereas the labour and OH estimation varied in three warrants; in fact, estimates are same in two of the three warrants but varied with the third.
- The actual material cost varied from +15% to -2% in three warrants.
- But it is observed, in one of the warrant having same estimates (qty completed 7) the labour booking is 20% less than the estimated and the other warrant with same estimates show labour booking 10% more than the estimated. In the third warrant, the estimated and the actuals are exactly same in case of labour bookings.
- The estimated cost of production have been hiked by Rs 18813 i.e. 13% with respect to last financial year despite of the actual cost of production in the last financial year was Rs 9702 less than the estimated (-6.7%).
- The total per unit COP in three warrants have varied from the estimated cost in all the three warrants to the tune of Rs 16942 (+10.45%), Rs 5472 (+3.37%) and Rs 5322(-3.32%).
- The price of the item has been reduced from 130000 to 125000 in the financial year 20xx-yy, whereas the estimates have been increased.

These issues need to be highlighted for getting explicable justifications from the management.

Authority: Para 635 to 642 of OM Part VI

(MODEL ANSWERS WITH AUTHORITIES)**PAPER – VI****WORKS, STORES AND INTERNAL AUDIT (THEORY – WITHOUT BOOKS)****भाग-I (निर्माण-कार्य लेखा)****Section-I (Works Accounts)****(सभी अभ्यर्थियों के लिए समान)****(Common for All Candidates)**

1.	(a)	Can GE refund portion of contractor's security deposit. If yes, bring out the situation wherein GE can exercise his power? (3 Marks)
	Ans.	Yes. In consultation with PCDCA/CDA, the GE is empowered to refund a portion of a contractor's security when any delay occurs in audit of his accounts provided the security has become due for refund in the circumstances stated above, and provided further, he is satisfied that the objects on account of which was taken having been served and that any claim outstanding against the contractor will be covered by the amount of security deposit retained. (Auth: Para 515 of RMES)
	(b)	How are Works Services classified? (3 Marks)
	Ans.	For administrative purposes, works services are classified into the following categories: (a) Original Works (b) Repairs Original Works are further sub-divided as follows: (a) Authorised Works (b) Special Works (Auth: Para 121 & 122 of RMES)
	(c)	What provisions govern local MES authorities. May please also quote specific provisions in respect of sanitation matters? (2 Marks)
	Ans.	Local MES authorities are governed by the provisions of the Cantonments (Act 11 of 1924) and the rules made there under regarding sanitation and matters connected therewith. The responsibility for sanitary conservation and drainage of land inside cantonments rests with authority in occupation or in executive management of the land, the M.E.S. being responsible only for the military properties in the cantonment. (Auth: Para 251 of RMES)

	(d)	What is the monetary limit for making advance payment by MES when they entrust the work to other agencies? Who audit the final bills in these cases? (2 Marks)
	Ans.	Irrespective of the estimated cost with the concurrence of PCDA/CDA. The final bills shall be pre-audited by PCDA/CDA. (Auth: Para 298 of RMES)
2.	(a)	What is: 1. IAFW 2263 2. IAF CDA 258 (2 Marks)
	Ans.	1. Running Account Receipt 2. Register of Suspense Account
	(b)	Define the following: (i) Rent Assessment Ledger (ii) Item Rate Contract (iii) Construction Account (6 Marks)
	(i)	Rent Assessment Ledger (2 Marks)
	Ans.	Rent Assessment Register is maintained by AO/AAO MES and contains record of assessed rent of the accommodation, internal electrical installation and furniture in respect of each building which is rentable, whether Government owned, hired or appropriated. (Auth: Para 682 (a) of RMES)
	(ii)	Item Rate Contract (2 Marks)
	Ans.	Item Rate Contract is suitable in cases where large quantities of work, involving a small number of items, have to be carried out but the exact quantities of work required are not known. The contract contains a schedule of items together with the approximate quantity and specifications for each item. The contractor is to quote his rate against each item and to work out the total sum based upon quantities given and rates quoted. (Auth: Para 403 (b) (iii) of RMES)

	(d)	What is the monetary limit for making advance payment by MES when they entrust the work to other agencies? Who audit the final bills in these cases? (2 Marks)
	Ans.	Irrespective of the estimated cost with the concurrence of PCDA/CDA. The final bills shall be pre-audited by PCDA/CDA. (Auth: Para 298 of RMES)
2.	(a)	What is: 1. IAFW 2263 2. IAF CDA 258 (2 Marks)
	Ans.	1. Running Account Receipt 2. Register of Suspense Account
	(b)	Define the following: (i) Rent Assessment Ledger (ii) Item Rate Contract (iii) Construction Account (6 Marks)
	(i)	Rent Assessment Ledger (2 Marks)
	Ans.	Rent Assessment Register is maintained by AO/AAO MES and contains record of assessed rent of the accommodation, internal electrical installation and furniture in respect of each building which is rentable, whether Government owned, hired or appropriated. (Auth: Para 682 (a) of RMES)
	(ii)	Item Rate Contract (2 Marks)
	Ans.	Item Rate Contract is suitable in cases where large quantities of work, involving a small number of items, have to be carried out but the exact quantities of work required are not known. The contract contains a schedule of items together with the approximate quantity and specifications for each item. The contractor is to quote his rate against each item and to work out the total sum based upon quantities given and rates quoted. (Auth: Para 403 (b) (iii) of RMES)

	(iii)	Construction Account	(2 Marks)
	Ans.	Construction Account will be maintained by the SDO concerned for each work or service. It will contain the amounts sanctioned and allotments received and a day to day running account of the expenditure and liabilities incurred and credits expected. The primary account will be booked in lower leaf folio which are grouped together by detailed heads of the budget concerned. Abstracts would be prepared monthly from the above.	
		(Auth: Para 531 of RMES)	
	(c)	What do you mean by Stock Book Rates?	(2 Marks)
	Ans.	The cost per unit fixed at a valuation in respect of an article borne on the stock of MES is known as Stock Book Rates. The stock book rate is applicable throughout each division, or for separate outstation. The stock book rate will be compiled in the Stock Purchase Register from the suppliers bills. This would remain constant throughout the year	
		(Auth: Para 764 of RMES)	
3.	(a)	Can Technical Sanction exceeding the amount of administrative approval be issued for taking tender action? If yes, state reasons.	(3 Marks)
	Ans.	Yes. In case, the Technical Sanction amount for the whole project is likely exceed the amount available in the Administrative Approval amount including the Tolerance limit of 10%, but without any change in the scope of the project, then the Technical Sanction can be issued for taking Tender action, subject to the stipulation, to be recorded in writing, that revised administrative approval is being obtained and that no financial commitment will be made until the revised administrative approval or financial concurrence is received.	
		(Auth: Para 42 (i) of DWP 2007)	
	(b)	What are the basic principles for undertaking Defence works?	(5 Marks)
	Ans.	<p>The basic principles of undertaking Defence Works are:</p> <ul style="list-style-type: none"> (a) No new works should be sanctioned without careful attention to the assets or facilities already available and the time and cost required to complete the new works. (b) As budgetary resources are limited and granted on annual basis, adequate provisions should be ensured for works and services already in progress before new works and services are undertaken. (c) If an approved work is not commenced within one year of the date of Administrative Approval, fresh approval of the CFA should be taken. (d) Since time is of the essence, the completion period stipulated in the Administrative approval will not be exceeded as far as possible. 	

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| | <ul style="list-style-type: none"> (e) No works services would be executed without administrative approval, formal allocation of funds and technical sanction having first been obtained from the Competent Authority in each case (f) No officer shall exceed any specific budget allotment made to him under any minor or detailed head, except in so far he may within his power of transfer of funds, be able to meet excess expenditure on one item by equivalent savings on another. (g) No officer, will, in course of the financial year, exceed the aggregate budget allotment made to him for any works or under any sub-head of maintenance. (h) The final cost of any service will not exceed the amount of Administrative Approval by more than 10%. (i) The CFA according to Administrative Approval should be kept informed of the progress of the work till completion through periodical reports. (j) No project or works services would be split to bring it within the powers of the CFA at a lower level. |
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(Auth: Para 2 of DWP 2007)

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| | <p>(c) Is Administrative Approval to be revised if scope of work is reduced? If so, please elucidate. (2 Marks)</p> |
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Ans.	When the scope of a work service is reduced for administrative or other reasons, the Administrative Approval need not be revised; but the approved amounts or the abandoned or reduced items of service and the total approved amount will be reduced accordingly by the concerned engineer authority within whose powers of Technical Sanction the work falls. Details would be sent to the CFA/CDA and all other concerned.
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(Auth: Para 51 of DWP 2007)

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| 4. | <p>(a) Can the contractor suspend the progress of works? If yes, explain how. (3 Marks)</p> |
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Ans.	<p>The contractor can suspend the progress of work if he receives the order in writing by the GE for such time in such manner the GE may consider for any of the following reasons:</p> <ul style="list-style-type: none"> (a) On account of any default on the part of the contractor (b) For proper execution of works or part thereof for reasons other than the default of the contractor (c) For the safety of the Works or part thereof.
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(Auth: Condition 9 of General Conditions of Contracts)

		(b) Explain how contract can be cancelled on account of corrupt acts.
		(4 Marks)
Ans.	The CWE whose decision shall be final and binding, shall, without prejudice to any other right or remedy which shall have accrued or shall accrue thereafter to Government, cancel the contract in any of the following cases and the contractor shall be subject to payment of any loss or damage resulting from any such cancellation to the like extant as is provided in the cancellation of default:	
	<p>If the contractor shall –</p> <ul style="list-style-type: none"> (a) Offer or agree to give to any persons in Government service any gift or consideration of any kind as an inducement or reward for doing or fore bearing to do or for having done or forborne to do any act in relation to the obtaining or execution of this or any other contract for the Government service, or (b) Enter into a contract with Government in connection with which commissions has been paid or agreed to be paid by him or to his knowledge, unless the particulars of any such commission and the terms of payments thereof have previously been disclosed in writing to the Accepting Officer, or (c) Obtain a contract with Government as a result of ring tendering or other non-bonafide methods of competitive tendering without first disclosing the fact to the Accepting Officer. <p style="text-align: right;">(Auth: Condition 52 of General Conditions of Contracts)</p>	
(c)	<p>At what rate can compensation be recovered from the contractor for delay in completion of work along with maximum limit for the following:</p> <ul style="list-style-type: none"> (a) Term contract (b) Other contracts 	(3 Marks)
Ans.	<p>(a) Term contract:</p> <p>In case of Term contract, the compensation would be recovered at one percent of the estimated value of the Requisition or the Works order for every week that whole of the work remains uncompleted.</p> <p>(b) Other contracts</p> <p>In case of other contracts, one percent of the contract value of the item or group of items of work (excluding the contract value of such individual items as are completed and taken over by the GE on or before the date(s) fixed for completion).</p>	(3 Marks)
		(Auth: Condition 50 of General Conditions of Contracts)

5.	(a)	What are the types of operational works?	(4 Marks)
	Ans.	<p>Operational Works are of the following types:</p> <ul style="list-style-type: none"> (a) Field Defences (b) Construction and improvement of airfields, roads and bridges (c) Field Water supply (d) Ancillary buildings to tented camps and hospital. (e) Shelters (but not huts) as a substitute for tentage (f) Construction of advanced landing grounds, helipads, roads\ (g) Electrifications to the minimum extent considered necessary. (h) Lightening protection <p style="text-align: center;">(Auth: Management of Operational Works)</p>	
	(b)	What are the executing agencies through which operational works can be ordered?	(2 Marks)
	Ans.	<p>Operational Works can be ordered on any of the following executing agencies:</p> <ul style="list-style-type: none"> (a) Formation Engineers (b) Military Engineering Services (c) Other construction agencies like Public Works Department, Central Public Works Department, Border Roads Organisation and the Railways. <p style="text-align: center;">(Auth: Management of Operational Works)</p>	
	(c)	How is the disposal of Operational Works Asset carried out?	(4 Marks)
	Ans.	<p>Disposal of operational works assets that have outlived their life or have deteriorated beyond economical repairs or are no longer required, will be carried out under the orders of the Divisional Commander, who had ordered the execution of these works. However, concurrence of Corps Headquarters will be obtained prior to dismantling & disposal of such assets.</p> <p>The Division commander will order a board of officers to assess the serviceability of stores being dismantled and to recommend disposal of stores. On the basis of recommendations of the board, the division commander will issue orders for dismantling of assets.</p> <p>Thereafter the formation engineers will strike off the assets from the numerical registers and intimate the same to formation headquarters.</p> <p style="text-align: center;">(Auth: Management of Operational Works)</p>	

6.	(a)	What are the points to be verified by the AO while checking the construction Accounts? (5 Marks)
	Ans.	<p>The AO will check the correctness of posting in the construction accounts by means of original vouchers in his possession. He will also check the abstracts of construction accounts and reconcile the same with Abstracts of Receipts and Charges. The Construction Account will bear a certificate of reconciliation with Abstracts of Receipts and Charges and if an error is found in the Sub Divisional Accounts, the AO will have it set right on the spot. Should <u>there be any error in the financial accounts it will be noted in the Abstracts of Receipts and Charges and rectified in the financial accounts next month.</u></p> <ul style="list-style-type: none"> (a) The AO should also ensure that the Sanctions and Allotments agree with the Register of Approvals to Works and Register of Approvals. (b) Reference to letter number and date quoted in the folio of the construction account (c) Amounts shown as charges against recoveries from contractors agree with the balances shown in the contractors ledger (d) Expenditure does not exceed the amount of sanction. (e) No undue delay is taken on submission of completion reports after completion of the works. (f) Construction Accounts to be maintained according to various sub items of the work as indicated in the Approximate Estimates attached to the Administrative Approval. (g) Liabilities are correctly posted in the construction accounts. <p style="text-align: center;">(Auth: Para 104-105 of UA manual)</p>
	(b)	What are the points to be seen while admitting escalation claims? (5 Marks)
	Ans.	<p>The salient points to be seen while admitting escalation claims are briefly brought out below:</p> <ul style="list-style-type: none"> (a) Payment in respect of escalation is as per special conditions of the contract agreement. (b) Periodicity of working out should be three months (c) The valuation of the RARs has been timed in such a manner that relevant date required for quarterly calculations are available in RARs. (d) The value of whole sale price index has been taken as on the last date for receipt of tender. (e) The value of L1 has been taken as minimum as minimum wages in rupees of an unskilled adult as on the date of commencement of the period for reckoning.

		<ul style="list-style-type: none"> (f) Similarly, the value of Lo has been taken as on the last date of receipt of tenders (g) Period of reckoning has not been started before the date of receipt of tenders. (h) First price adjustment in respect of variations for wages has only been worked out for the relevant quarter during the relevant quarter during which alteration of wages has taken place. (i) No price variations reimbursement should be allowed in terms of condition No. 63 of General Conditions to Contract Agreement. (j) Price adjustment allowed for the value of work done and material collected at site.
(Auth: Para 121 of UA manual)		

7.	(a)	Being an AAO and posted in Engineering Section, what are the checks you will undertake while auditing Technical Sanctions
		(5 Marks)

Ans.	<p>The points to be seen are:</p> <ul style="list-style-type: none"> (a) Sanction has been accorded by the Engineer authority competent to do so. (b) Technical sanction along with the costed schedules has been received directly from the sanctioning authority. (c) Amount of Technical sanction should not exceed the amount of administrative approval. (d) These are based on the scales and designs laid down in Scales of Accommodation and Scales of Furniture or other authority issued by Government of India and does not vary from specifications shown in Approximate Estimates unless: <ul style="list-style-type: none"> (I) The changes are necessitated by the Engineer and are not altering the scope of work. (II) No departure from general specifications (III) Any excess in cost met from other items of work (IV) Savings are surrendered when the effect of changes decreases the cost of work
(Auth: Para 11 of OM VIII)	

	(b)	How is the budgetary control done in respect of the works carried out on behalf of Navy, Air Force and Factories for the following: <ol style="list-style-type: none"> 1. Through the Agency of MES 2. Through the Agency of the Civil PWD authorities other than on a standing arrangement 	(3 Marks)
		1. Through the Agency of MES:	
	Ans.	Since the Regional Controllers are responsible for watching the progress of expenditure against sanctioned allotments, the AO attached to MES formations, will, after the close of monthly compilation prepare a statement of compiled actual in triplicate reconcile them with Monthly Expenditure Return relating to projects and forward the same to PCDA/CDA who will then verify the figures with the printed sectional compilations.	
		2. Through the Agency of the Civil PWD authorities other than on a standing arrangement	
	Ans.	In such scenario also, the AO will furnish monthly statements to PCDA/CDA after adjustments of the debits received from Civil Accounts Officer and incorporation in their monthly Punching Medium.	
		(Auth: Para 17 of OM VIII)	
	(c)	What are the points to be examined while auditing the following bills? <ol style="list-style-type: none"> 1. Telephone Rent bills 2. Bills for periodical services 	(2 Marks)
		1. Telephone Rent bills	
	Ans.	Sanction of the GOC-in-C of the command for the installation of telephone and the rate of telephone to be verified. The correctness of the rates charged in the bill to be verified and the claim should be linked with the previous bills paid.	
		2. Bills for periodical services	
	Ans.	In the case of bills for based on Periodical Services Measurement Books, a certificate endorsed by the AO to the effect that they have been checked arithmetically by the Local Audit Staff or that the relevant pages of the books concerned have been checked by him and the record of periodical measurements have been kept by the SDO and that the admissibility of the services with reference to orders on the subject verified.	
		(Auth: Para 63 (ix and x) of OM VIII)	

8.	(a)	What are the points to be seen while scrutinising the following:
		1. Deposit Register 2. Register of MES Advances
		(4 Marks)
		(1) Deposit Register
	Ans.	The Register should contain full particulars of the transactions to admit of action being taken for final adjustment. It should also be seen that any amount which would have been finally adjusted by credit to some service head has not been placed under deposit. It should also be ensured that deposits over 3 years (excluding the year of deposit) are credited to revenue and that the balance of rupee or fraction of a rupee are not taken to a subsequent year's register but credited to revenue during the year of then closing. In case of deposit work, it should be seen that the debits do not exceed the credit.
		(2) Register of MES Advances
	Ans.	The register is scrutinised to ensure that except as specified in para 279 of RMES, no expenditure has been debited to MES Advances on the grounds of absence or insufficiency of sanctions or allotments and that no item has been included which was eventually debit able to a budget head or to a department and that items relating to sales on credit are not allowed to remain outstanding for an unduly long period of time. It would also be seen that the departmental charges have been correctly levied in cases of such sales, where necessary.
		(Auth: Para 155 & 156 of MESLAM)
	(b)	How is review of allotment of quarters carried out?
		(3 Marks)
	Ans.	The review of allotment of quarters is the personal responsibility of the RAO and shall be carried out at intervals of at least once in two months. For this, the occupation returns and list of vacant quarters have to sent to the RAO with full remarks of AAO BSO. On the basis of this, the RAO would ensure that the Government accommodation has been utilised to the advantage of the State and no wasteful expenditure is incurred in retaining hired and requisitioned buildings.
		(Auth: Para 83 of MESLAM)

	(c)	While performing Local Audit, how would you examine Vouchers of Contingent Charges relating to MES?
	Ans.	<p>The original vouchers relating to expenditure on contingent charges will be checked with the register of sanctions and construction accounts to see:</p> <ul style="list-style-type: none">(a) That the total expenditure on any item for which any financial limits have been laid down in Regulations or for which a lump sum allotment has been given, does not exceed the financial limits of the amount of allotment.(b) That in the case of vouchers not submitted to CDA, the classification of expenditure is correct and that the expenditure has received such sanction as is necessary under rules and(c) That no charges are adjusted in the accounts of MES officers on account of printing and stationery, as such charges on account of supplies and services procured through Department of Printing and Stationery are adjusted in the books of the Regional CDA in whose audit area the MESs formation is located.

(Auth: Para 107 of MESLAM)

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

1.	(a)	What are the various classes of stores issued from a Supply Unit? (3 Marks)
	Ans.	<p>The various classes of stores issued from Supply Unit are of the following types:</p> <p style="padding-left: 40px;">Free Issues (transfers or final issues, for consumption)</p> <p style="padding-left: 40px;">Issues on payment; and</p> <p style="padding-left: 40px;">Issues on loan with or without recovery of hire charges, as permissible under the rules.</p> <p style="text-align: right;">(Auth: Para 9 of SAI)</p>
	(b)	Bring out the various categories of issue of stores from Ordnance Depots on payment. (4 Marks)
	Ans.	<p>Issue of stores from Ordnance depots on payment are of the following categories:</p> <ol style="list-style-type: none"> 1. Payment issues to civil departments/railways 2. Issues to civil institutions 3. Issues to foreign governments through MEA 4. Issues to overseas indentors 5. Issues to officers 6. Issues to Military departments 7. Issues to Military units (other than MES) for book adjustment 8. Issues to Navy, Air Force, MES <p style="text-align: right;">(Auth: Para 30 of SAI)</p>
	(c)	What action to be taken in case of Non Receipt of Vehicle Log book? (3 Marks)
	Ans.	<p>In case of Vehicle Log Books with vehicles from the consignee, depot should immediately raise a discrepancy in the normal manner and take steps to progress all subsequent action.</p> <p style="padding-left: 40px;">Build up log books afresh will all the information that may be available.</p> <p style="padding-left: 40px;">In case of loss of any Log Book by a depot, a departmental COI will be convened to investigate. A fresh log book will be prepared immediately.</p> <p style="text-align: right;">(Auth: Para 64 of SAI)</p>

	<p>2. (a) How is loss of kit inventory treated?</p>	(2 Marks)
	<p>Ans. In the case of loss of inventory of kit, JCOs/OR or NC(Enrolled) concerned will be presumed to have been in possession immediately prior to the loss of their full authorised scales of clothing and accessories and would be held liable unless it is proved that the loss is not due to negligence to make any good any deficiencies at their own expense.</p> <p style="text-align: center;">(Auth: Para 128 of SAI)</p>	
	<p>(b) Bring out the Store Accounting Procedure pertaining to Army Headquarters in respect of the following:</p> <ul style="list-style-type: none"> (i) Library Books (ii) Hot and Cold Weather Amenity Stores (iii) Defence HQ Journal (iv) Publications 	(8 Marks)
	<p>Ans.</p> <p>(i) <u>Library books:</u> All the books are entered in a serial order in the accession ledger maintained by GS Branch. Issue entries are supported by issue vouchers and losses by CIV duly supported by the order of the MOD writing off the loss. A separate ledger is allotted for each newspaper, journal and magazine.</p> <p>(ii) <u>Hot and Cold Weather Amenity Stores:</u> The receipt of the expendable stores is accounted for in the normal manner. The issue is made on expense voucher signed by the officer at the scales and for the approved by the CAO.</p> <p>(iii) <u>Defence HQ Journal :</u> With the sanction of the Government, the CAO publishes a DHQ journal. The number of copies are taken on charge. Those issued free to entitled officers and on payment at approved rates are struck off charge on CIVs. The amount realised on account of payment issues would be credited to the Government</p> <p>(iv) <u>Publications:</u> Monetary grants are granted by the Government for cyclostyling and reproduction of technical publication and photographing samples of these manufactured or invented by EME workshops are charged off through expense vouchers.</p>	

(Auth: Sub paras – a, b, d, j under Para 181 of SAI)

3.	(a)	What is the procedure for Stock verification by Defence Accounts Department? (3 Marks)
	Ans.	<p>Whenever stock verification by the Defence Accounts Department has been found to be necessary in a particular unit/formation, an intimation to that effect will be sent by the PCDA/CDA/LAO to the executive officer concerned. On receipt of the intimation the OC of the unit/formation will make suitable arrangements for the verification of the stock by the representative of the Defence Accounts Department. He will provide the LAO with sufficient departmental assistance for carrying out his work and will arrange that the storeholder or his representative 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 representative obtained on both the copies, as proof of his having accepted the figures. The completed stock verification report which will show both, the 'stores actually held in stock' and the 'ledger balances' as worked out by him (LAO), will be shown to the OC and his signatures obtained on both the copies of the report. One copy of the report will be handed over to the OC for his record. The OC will arrange for an investigation of discrepancies, if any, revealed in the stock verification report and take suitable action for their adjustment.</p> <p style="text-align: center;">(Auth: Para 295 of SAI)</p>
	(b)	State the general procedure adopted by Army Headquarters for disposal of surplus stores. (3 Marks)
	Ans.	<p>The procedure followed for the disposal of surplus stores by the army authorities will, in general, be the same as being followed by DGS&D, except that serviceable and obsolete Ordnance stores (less MT) whose vocabulary/estimated rate is Rs.20.00 or below per accounting unit and total stocks the value of which does not exceed Rs.100.00 will be disposed of through salvage. Surplus stores, available for disposal are in the first instance offered to 'Priority indentors' (other Ministries of Government of India) State Governments and certain other Government sponsored organisations like River Valley Corporations, Universities, etc., when the indents are sponsored by the respective Ministries of Government of India at the rates prescribed by the Government. In the case of surplus stores of the book value less than Rs. 5,000.00 in a single category, sold by the Defence Services direct to the priority indentor, a flat rate of 5% of the sale value of the stores will be charged from the priority indentor concerned for packing, loading and other incidental charges. In addition, cartage charges worked out on the basis of local contract rates or with reference to the rates as notified from time to time, as the case may be, will also be levied from the priority indentors. In the case of salvage and scrap sold to the priority indentors, a flat rate of 10% of the sale value of the stores will be charged to cover packing, loading, carting and other incidental charges.</p> <p style="text-align: center;">(Auth: Para 261 of SAI)</p>

	(c)	Briefly define the following: 1. Kilometre Card 2. Vehicle Log Book	(4 Marks)
	Ans.	<p>1. Kilometre Card:</p> <p>This card is printed on both sides and record for six months can be maintained on one side. Thus complete record of one year for one vehicle can be kept on one card. The various columns to be completed are self-explanatory. It will be filled daily by vehicles in the station and on return from duty for vehicles on out station duty, exercise. MT gasoline/diesel in tank of every MT vehicle will, however, be checked accurately on the last day of the month by filling the tank to the maximum capacity or by draining the tank in those areas where filling to maximum capacity is not necessary, and the result recorded. Vehicles which are off road throughout the month (except static running) and have done on kilometres will not have their tanks filled with MT gasoline/diesel or draining the tank, for the purpose of check to prevent avoidable losses. The consumption of MT gasoline/diesel during the month thus arrived at will be taken for purposes of audit. Particular attention should be paid to the following points: -</p> <ul style="list-style-type: none"> a) All the columns in the kilometres card should be completed. b) Issues of MT gasoline/diesel to vehicle shown in kilometre card, POL Retail Issue Voucher (IAFZ-2206) Part II (Revised), Car Diary and POL ledger should agree c) The Kilometre Card will be shown to the Officer Commanding of the unit or the Officers nominated by him every month and signed by him. <p style="text-align: right;">(Auth: Para 144 of SAI)</p>	
	Ans.	<p>2. Vehicle Log book:</p> <p>This book will be maintained for each individual vehicle by the unit on whose establishment the vehicle is held and should be kept up-to-date. All casualties affecting the vehicles regarding the change of ownership, change of drivers, tests carried, replacements made, monthly kilometres run and POL consumed for test and static run will be recorded therein. It will accompany the vehicle into workshops for appropriate entries to be made. The various particulars to be entered should be examined every month to ensure that no entries have been omitted. It should be seen that a list of authorised tools and equipment is kept in the pocket provided at the end of the book in addition to the register maintained for this purpose. Log Book IAFZ-2197 will not be auditable as such but may be referred to by the audit authority or determining the KPL as fixed by the workshop, checking the workshop running and POL consumption and correctness of changes of tyres, tubes and batteries etc.</p> <p style="text-align: right;">(Auth: Para 141 of SAI)</p>	

4.	(a)	What are the general principles for local audit of all store accounts? (4 Marks)
	Ans.	<p>The general principles for the local audit of all store accounts are :</p> <ul style="list-style-type: none">a) That the accounting procedure followed by units and formations does not differ from that prescribed by the rules or other Government orders issued from time to time;b) That all receipts and issues of stores by units and formations and transfers of stores between depots and/or consuming units have been duly accounted for in the store ledgers and returns, etc. of the parties concerned;c) That stores issued for consumption or use do not exceed the scales authorized in Regulations and Equipment Tables;d) That all losses and damages/deficiencies are dealt with under the orders of the competent financial authority in accordance with the rules laid down in Financial Regulations and other Government orders issued from time to time;e) That the balance of stores (other than A.S.C. stores in supply depots where stock limits are not to be checked in local audit) shown in store ledgers etc., does not exceed the authorised limit and that suitable action is taken for the disposal of surplus or unauthorised stores;f) That stock verification has been carried out at intervals and certified as such on the relevant ledgers by the executive authorities, as laid down in rules. The results of stock verification have been recorded properly and action taken to adjust the deficiencies and surpluses;g) That no article has been supplied after the necessity for the supply has lapsed.

(Auth: Para 51 of ALAM Part I)

	(b)	What are the general principles to be observed by LAO at the time of stock verification?	(4 Marks)
	Ans.	<p>The following general principles will be observed by the LAO when stock verification is undertaken by him:</p> <ul style="list-style-type: none"> (i) He will generally be guided by past experience in the matter of selection of stores which he intends to verify. However, costly stores and those which are frequently received and issued and are easily saleable in the market will, in general, be given preference over other stores of less importance. (ii) In the case of bagged supplies, a certain number of bags will be weighed and the weight of each bag ascertained. If the surplus or shortage on the number of bags weighed is 1.25 per cent, or less from the invoiced weight, such bags will be accepted as containing the correct quantity. Bags, which appear, to have been tampered with, will be weighed and the correct quantity verified. (iii) Stock of petrol M.T. stores in petrol tanks will not be verified. (iv) The actual stock of coal in coal stacks will not ordinarily be verified. He will, however, see that : <ul style="list-style-type: none"> a) The receipt and issue of coal in respect of each consignment have been properly accounted for in the register maintained for the purpose; b) There are as many stacks as are indicated by the stack tally sheets; c) The stacks are suitably marked to prevent pilfering; d) Issues are not made from more than one stack at a time; e) The percentage of the coal written off in each case is not abnormally high. Instances of abnormally high percentage of loss should be brought to the notice of the Principal Controller /Controller. 	(Auth: Para 106 of ALAM Part I)

	(c) What does the Local Audit Completion Report contain? (2 Marks)
Ans.	<p>The LAO will submit to the P.C.D.A/C.D.A. a monthly completion report showing:</p> <ul style="list-style-type: none"> (i) The name(s) of the unit(s) the accounts of which have been locally audited during the period under report; (ii) The dates of commencement and conclusion of local audit; (iii) The month's account locally audited; (iv) The dates of the dispatch of the objection statements; and (v) The major financial and accounting irregularities; <p>In the case of units in which local audit is in progress and has not been concluded during the period under report, the words "in progress" will be entered against items (iii) to (iv) above.</p> <p style="text-align: center;">(Auth: Para 42 of ALAM Part I)</p>
5.	<p>(a) Bring out the salient points during the audit of Depot Contingent Return (IAFA 173). (4 Marks)</p> <p>In auditing the Depot Contingent Return it will be seen that:</p> <ul style="list-style-type: none"> a) Only such charges as are properly debitable to Depot Contingencies have been accounted for in the return and not those which should be met out from office contingencies. b) There are no abnormal variations between the hired labour and transport employed. This check will be exercised through the register or other suitable record maintained for the purposes in supply depots. <p>Note : Vouchers for payments made to contractors, etc., by the P.C.D.A./C.D.A. on account of labour and transport which are required to be accounted for in the Depot Contingent Return, will be sent by the P.C.D.A./C.D.A. to the L.A.O. for necessary verification.</p> <ul style="list-style-type: none"> c) Pay and allowances of regular labourers (both permanent and temporary) will be reflected in the Depot Contingent Return for the limited purpose of guiding the CFA to judge the necessity of employment of casual labourers and will not be taken into account for determining the CFA to accord sanction of the return. d) Separate statement showing expenditure on account of contingencies incurred in each bakery are prepared and attached to the contingent return of the Supply Depots concerned to facilitate the inclusion of the charges in question in the relevant Production Account. e) Each item of contingent expenditure detailed in the contingent return has been sanctioned by the competent financial authority. <p>Note:- In war or at any other period, when for special reasons supply units are administered direct by IHQ of MoD (Army) the Q.M.G. exercises the powers of a G.O.C.-in-Chief Command or G.O.C. Area with the consultation of the D.F.A. (Q). At such a time Q.M.G.'s sanction will be accepted in audit, if the D.F.A. (Q) has informed the P.C.D.A./C.D.A. concerned that it has received his prior concurrence.</p> <p style="text-align: center;">(Auth: Para 158 of ALAM Part I)</p>

	(b)	What are the functions of Composite Food Laboratory? (4 Marks)
	Ans.	<p>Composite Food Laboratory has the following main functions:</p> <ul style="list-style-type: none"> a) Operation of contracts for centrally purchased items placed by the Ministry of Consumer Affairs, Food and Public Distribution in that command. b) Inspection of the goods tendered by contractors against Ministry of Consumer Affairs, Food and Public Distributions in that command. c) Acceptance of consignments tendered, if upto A.S.C. specifications and their dispatch according to despatch instructions issued by IHQ of MoD (Army). d) Advise on pest control. e) Categorization of command stocks. <p style="text-align: center;">(Auth: Para 176 of ALAM Part I)</p>
	(c)	Name any four auditable documents pertaining to Quartermaster Branch. (2 Marks)
	Ans.	<ol style="list-style-type: none"> 1. Public clothing ledger 2. Personal clothing ledger 3. E.I. Clothing ledger 4. Expendable ledger 5. Ammunition ledger 6. Unit equipment ledger 7. Repair book (Boot and clothing) 8. Amenity stores ledger 9. Dead stock ledger 10. Station stores ledger 11. Arms ledger 12. M.T. Tools ledgers, volumes, I & II 13. Unit vehicle register 14. P.O.L. Stock ledger and used engine oil account 15. Requisition slip for P.O.L. 16. Vehicle daily running account 17. Trailers fire pump daily running account 18. Duty slips 19. Cars diary

		<ol style="list-style-type: none">20. Log book of vehicle and T.F.P.21. Anti-malaria stores ledger22. Register of conservancy charges23. Hire transport register24. Amenity transport register25. Ration return26. I.A.F.Z.-303327. Consolidated payment register28. Entitlement register29. Cash memos30. K.P.L. Return31. Loss statement register32. Typewriter and duplicator register
(Auth: Annexure 'A' under Para 215 of ALAM Part I)		
6.	(a)	Briefly explain the objects of inspection of Public Fund Account by LAOs (3 Marks)
	Ans.	<p>The main objects of inspection of public fund accounts by LAOs are:</p> <ul style="list-style-type: none">(a) To ensure that all prescribed accounts and documents are maintained.(b) That the accounts etc are maintained strictly in accordance with the regulations and orders(c) To see that all the transactions between individuals and the funds and other accounts can easily be traced and correctly tallied.(d) To ensure that all moneys(including cheques and Government drafts) relating to public funds have been duly accounted for and expended in conformity with regulations.

(Auth: Para 5 of ALAM Part II)

	(b) What will the LAO observe during the audit of Office Allowance Fund Account? (5 Marks)
Ans.	<p>The LAO will examine the account to see that:</p> <ul style="list-style-type: none"> (a) The expenditure charged against the fund is correctly debit able against that fund as defined in the regulations and sanctions exists for the purchase of articles (b) No local purchase of stationery has been made except under orders of the competent authority. (c) Typewriters and other appliances purchase out of this fund are brought on ledger charge. (d) No charges on account of cost of repairs to typewriters and duplicators purchased from regimental funds (e) Charges for printing of special forms locally are met from this fund (f) Payments for conveyance Allowance admissible under TR for encashing cheques are in respect of cheques relating to public fund only (g) The unexpended balance at the end of each financial year is refunded to the Government. <p style="text-align: right;">(Auth: Para 60 of ALAM Part II)</p>
(c)	<p>What are the special checks to be exercised by LAO during inspection of Military Hospitals? (2 Marks)</p> <p>While inspecting Military Hospitals, the LAO should exercise the following:</p> <ul style="list-style-type: none"> (a) See that receipt from hospital gardens are handed over to the nearest Supply Depot and the value thereof claimed from the PCDA/CDA are credited to the Regimental funds. (b) Examine the register of fees realised for work done for private individuals by (a) the Medical Officer-in-Charge of X-Ray apparatus, (b) the officer-in-charge of Military Laboratories and (c) the Army Dental Centre, and see that the percentage of fees refundable to Government has been duly credited. <p style="text-align: right;">(Auth: Para 116 of ALAM Part II)</p>

7.	(a)	What are the documents to be maintained by Defence Estates Office as mandated by The Cantonment Land Administration Rules (1937)?
		(3 Marks)
	Ans.	<p>The DEO shall maintain the following registers as mandated by The Cantonment Land Administration Rules (1937):</p> <ul style="list-style-type: none"> (a) The General Land Register in Schedule I (b) Standard Table or Rents in Schedule II (c) DEOs Land Revenue Register in Schedule III (d) DEOs Grant Register (building site) loose leaf register of original applications (e) DEOs Grants Register (Agricultural lands) in Schedule XIII (f) DEOs Grants Register (Miscellaneous sites) loose leaf register of original applications (g) DEOs Grants Register (Temporary licences) in Schedule XVIII <p style="text-align: center;">(Auth: Para 92 of ALAM Part II)</p>
	(b)	Bring out the special instructions for LAO while inspection of Accounts of Territorial Army Units.
		(5 Marks)
	Ans.	<p>The LAO when on audit of TA units would observe the following:</p> <ul style="list-style-type: none"> (a) He will see that the accounts of regimental funds are maintained in accordance with Regulations for the Territorial Army 1948 (b) He will ensure that in case of permanent advance, the payments made out of it are in accordance with Regulations for the Territorial Army 1948 (c) In the case of Musketary Allowance Fund, the recoveries, if any, made by the OC of the unit on account of bad and empty cartridge cases under Equipment Regulations for the Army are added as per Regulations for the Territorial Army 1948. (d) In cases where JCOs have relinquished their commission within 3 years of their appointment, the LAO will ensure the refund of initial outfit allowance granted to them. If the amount is not refunded, he will ensure that refund has been waived off by GOC-in-C. (e) Will satisfy the items of expenditure mentioned in Regulations for the Territorial Army 1948 only are met from the incidental charges grant. (f) Will ensure that the expenditure from the Field Practice and Training Grant are incurred only for items mentioned in Regulations for the Territorial Army 1948. (g) Will see that the charges incurred towards Technical Training are met from Technical Training and Equipment Grant (Signal Units) (h) Will ensure that all warrants and credit notes pertaining to TA units are endorsed 'debitable to TA Estimates'. <p style="text-align: center;">(Auth: Para 123 of ALAM Part II)</p>

	(c)	What will LAO ensure while audit of Educational Training Grant? (2 Marks)
	Ans.	<p>The LAO will ensure the following:</p> <ul style="list-style-type: none"> (a) Sale proceeds of old newspapers, etc purchased from the grant are credited to the Government periodically and the TRs sent to the PCDA/CDA for adjustment. (b) The unspent balance of the grant is refunded to Government in the normal way on 31st March of every year. <p style="text-align: right;">(Auth: Para 61 of ALAM Part II)</p>
8.	(a)	What financial investments can the Regimental Funds be invested in? (3 Marks)
	Ans.	<p>Regimental Funds including those of TA units and Army institutes may only be invested in Government securities, shares of the Reserve Bank of India or the State Bank of India, post office cash certificates or Government of India National Savings Certificates or deposited in the Post Office savings bank in addition to Regimental Fund Units and formations may also be invested in fixed deposits in nationalise banks, public sector undertakings in which AGI funds are invested or such other schemes notified by Army HQ. Shares of State Bank of India purchased from regimental funds of units would be registered in two names, namely the personal name of the OC and the next senior officer of the unit. The same would be deposited in an authorised bank to be held to the credit of the regimental fund account with that bank. The dividends would be paid into regimental fund account.</p> <p style="text-align: right;">(Auth: Para 829 of Chapter XIII of DSR)</p>
	(b)	<p>What is the procedure for drawal of ration when soldier is admitted in hospital? (2 Marks)</p> <p>✓</p> <p>(a) Rations may not be drawn by a unit for a soldier admitted to hospital during the period of his admission. The period of admission includes the day of admission and day of discharge, provided an individual reports sick before <u>1200 hours</u> on the day of admission and is discharged from hospital <u>after 1000 hours</u> on the day of discharge.</p> <p>(b) Subsistence diets will be drawn by the hospital for patients admitted after 1200 hours of the day of admission.</p> <p style="text-align: right;">(Auth: Para 889 of Chapter XIX of DSR)</p>

(c)	What is Pouch Ammunition?	(2 Marks)
Ans.	<p>Pouch ammunition will be carried on guard, on march, on journeys by train, at camps when it cannot be suitably stored and when required by circumstances. The custody of ammunitions in lines or barracks would be as follows:</p> <p>The ammunitions of squadrons, companies will be locked in box or boxes and placed in the squadron armoury. The keys would be properly labelled and hung in the quarter guard and will only be delivered by the guard commander to an officer. The rapid issue of ammunition would be practiced.</p>	
		(Auth: Para 911 of Chapter XX of DSR)
(d)	<p>How are the stores left over disposed off in respect of the following?</p> <ol style="list-style-type: none"> 1. Ordnance and ASC Stores 2. Schools Stores 	(3 Marks)
Ans.	<p>1. <u>Ordnance and ASC Stores:</u></p> <p>The OC will handover to his successor all items of ordnance and ASC stores other than those authorised in PET/WET according to a list prepared by him. If the OC does not handover personally to the successor, a copy of the list of stores will be given to the officer temporarily assuming charge, who will hand over the stores to the relieving officer in exchange of a transfer certificate. If the unit is not relieved, the stores would either be returned to the depots concerned or issued to other units in the station where authorised. In all cases, regular issue vouchers will be prepared and copies sent to CDA concerned.</p> <p>2. <u>School Stores:</u></p> <p>Where the Unit commander does not hand over directly to his successor, a list would be prepared in manuscript and action taken as in the case of Ordnance and ASC Stores.</p>	
		(Auth: Para 880 of Chapter XIX of DSR)

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Paper – VI: Works, Store and Internal Audit – (Theory) Without Books – Section II (Store Accounts & Internal Audit) – (B) Air Force.

STATEMENT OF AUTHORITIES AND MODEL ANSWERS

Question No.1

- (i) 'The internal audit has to provide an independent assurance that internal controls are functioning effectively and organisation achieves its objectives while complying to all applicable laws.' What are the pre-requisites to meeting this objective? (6 marks)

Authority: Air Force Local Audit Manual, 2013, Internal Audit Framework [Page.3]

For being effective the internal audit should satisfy the following pre-requisites:

- (a) The set up should be manned by trained and competent staff and supervisory officers.
- (b) Its independence must be ensured through proper reporting arrangements and a clear mandate.
- (c) The effectiveness of internal audit would ultimately depend upon the importance that the organization attaches to its reports, which is reflected in the action taken.
- (d) There should be a written charter of the internal audit activity that defines the internal audit's purpose, authority and responsibility.
- (e) The charter should also establish the internal audit's position, authorize access to records, personnel and physical properties relevant to the performance of engagements
- (f) The scope of internal audit activities should be clearly defined.

- (ii) Why should auditors conducting the local audit start the work by reading the post audit reports? (4 marks)

Authority: AFLAM, '13: Chapter-I Principles and objects of Local Audit Organisation and Duties and Functions of Local Audit Officers and their staff [para 7].

Audit is based on test check of some transactions as hundred percent audit check is costly and unwarranted to meet the purpose of the audit. In order to

select the criterion for selecting the areas of audit and transactions is to assess the risk involved. Risk is nothing but the exposure to the chance of failure or loss. It is related to the probability that an event or action will occur which would adversely affect the organization. The risk of misstatement or error is not uniformly distributed across all areas or transactions. Factors such as value of the transactions, the control environment in the auditee organisation etc., could indicate the possible high-risk areas. Past audit reports would provide a good guide to control environment of an organization. Therefore, Auditors should invariably consult the past audit reports and other material in the planning phase to determine the state of controls.

Question No. 2

- (i) **Mention important aspects to be verified at the time of audit of sanctions.** (6 marks)

Authority: AFLAM '13: Annexure- II to Chapter-I Principles and objects of Local Audit Organisation and Duties and Functions of Local Audit Officers and their staff [para 12]

Some of the aspects which should be verified at the time of audit of sanction are following: (candidates can write any 6 points)

- (a) One of the important functions of audit in relation to audit of expenditure is to see that each item of expenditure is covered by the sanction of authority competent to sanction.
- (b) It also needs to be ensured that authority sanctioning it is competent to do so by virtue of powers vested in it and sanction is definite and need no reference.
- (c) It is imperative that utmost care and attention should be devoted to the work connected with the audit of sanctions to the expenditure, as once the sanction has been accepted in audit, expenditure may have to be passed against it for a length of time.
- (d) The sanctions are issued by the CFAs as per the delegations of powers.
- (e) Provision of funds is necessary before financial powers can be exercised.
- (f) The authority sanctioning the expenditure is empowered to sanction a particular expenditure.
- (g) The specific provisions under which the sanction has been accorded viz. Govt. letter / Air force Instructions etc is indicated.
- (h) Sanction for a particular item has not been split in order to bring the financial powers within powers of lower authority.

- (i) The sanction accorded is not for an expenditure which involves introduction of new practice. The sanction of Govt. of India is necessary for any expenditure which involves introduction of new practice.
- (j) The sanction accorded to incur expenditure during a particular year has been acted upon during the same year and should not be acted upon during the subsequent year unless it is specifically renewed.
- (k) The sanction should indicate the Head of account against which expenditure is debit able.
- (l) The sanction should clearly indicate the amount of expenditure in words and figures and also that cost is inclusive of taxes and duties or not.
- (m) The sanction should also indicate the purchase procedure to be adopted for procurement.
- (n) The sanction should also indicate the IFA's concurrence number and date if applicable.
- (o) All sanctions should be appropriately serial numbered for a financial year.

(ii) While making the Payment Issues to Officers and Flight Cadets how is the correct pricing ensured? Also state how recovery of cost for part worn serviceable items made? (2+2 marks)

Authority: AFLAM '13. Chapter IV: Audit of Equipment Account, Section-III: Audit of Payment Issue Vouchers (Including Vouchers for Charging Loss or Damage) and Loan Vouchers [Para 93 (ii) and (iv)]

In case of Payment Issues to Officers and Flight Cadets, it will be seen that the price charged for any article or length of material represents the price given in the Priced List of Indian Air Force Equipment plus departmental, additional and other charges at appropriate rates as laid down in the "Memorandum of Instructions" thereto and that no issue is made of any article for which price is not given in vocabulary.

In cases where part worn serviceable items are issued, the recovery is made at a minimum rate of 2/3rd of the vocabulary prices plus the departmental, additional and other charges laid down in the Memorandum of instructions for rates or at a higher rate where fixed by the logistic officer.

Question No. 3

- (i) Explain in detail, the aspects to be checked while auditing the expenditure on ammunition for ground defence? (6 marks)

Authority: AFLAM '13. Chapter VIII: Armament Accounts [Para 233 & 232].

Air force units are required to carry out tests on all small arms held by them once yearly and on all small arms suspected of faulty functioning and inaccurate shooting and those which have undergone repairs affecting the functioning and firing of the same. For the purpose of testing, maintenance and repair of these arms scales of small arms ammunition have been laid down by Government of India from time to time.

It will be seen in audit that:

- (a) Adequate records showing expenditure of small arms, ammunitions have been maintained.
- (b) Requirements for yearly firing and accuracy tests have been calculated on the basis of establishment/actual holding of small arms, whichever is greater, vis-à-vis the scale laid down by the Govt. and the expenditure has not exceeded these limits.
- (c) For small arms suspected of faulty functioning and inaccurate shooting and those which have undergone repairs, not more than 10% of the total requirements as determined in accordance with (b) above has been expended.
- (d) It is to be ensured from the register that the annual expenditure allotted for each airman is not exceeded.

- (ii) What is Station Sick Quarters? How would you audit them? (2+2 marks)

Authority: AFLAM '13. Chapter IX: Medical Accounts [Para 239].

The IAF station sick quarters are treated as non-dieted hospitals except in case where dieted beds have been authorized. The entitled patients when admitted therein, are to be issued medical comforts on the scale laid down by the Government from time to time and will not be allowed medical comforts authorized in S.R.S. in addition to the scale referred to above.

It will be ensured in audit that the patients who are unable to take ordinary rations are struck off the unit's ration strength and subsisted on medical comforts only. Further, that only those patients who cannot medically be subsisted on ordinary rations alone are issued with medical comforts according to the scales laid down in addition to the normal rations at the discretion of the Medical officer in-charge of the station sick Quarters.

Authority: AFLAM '13. Chapter IV: Audit of Equipment Account, Section-IV: Audit of Certificate Receipt Vouchers, Certificate issue Vouchers and Conversion Vouchers etc [Para 111].

Losses arising from deterioration of equipment held on charge of stock-holding establishment (E.D. or any other unit where Command stocks are held) 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 stores can be classified as an unavoidable loss.

Question No.4

- (i) What are the audit checks to be done in case of disposal of salvage and surplus? (6 marks)

Authority: AFLAM '13. Chapter IV: Segregation of Surplus/Salvage Stores from Current Stocks [Para 157].

The following audit checks will be exercised while auditing the disposal of salvage and surplus:

- (a) Whether a surplus report along with the sanction of competent authority for declaring the item as surplus is enclosed. However, for disposal of salvage, no surplus report is required.
- (b) Whether complete stock is transferred to a single location e.g. Salvage section of depot or unit to retrieve substantial value on disposal.
- (c) When transportation cost to one location exceeds the expected retrievable scrap value or if the value of scrap is negligible, disposal in-situ may be considered.
- (d) One of the following procedures is to be followed as under:
 - (I) Disposal through local auction. {If the total value of stores is Rs. 50,000/- or less in a single category/report}.
 - (II) Disposal through M/s. MSTC
 - (III) Disposal through approved Government auctioneers {in case no contract exists with MSTC}.
- (e) Whether MRP is fixed by BOO {Auction at the rate below/above MRP is regulated as per the guidelines mentioned in relevant schedule}.
- (f) Whether procedure laid down in AFO 19/2000 as amended from time to time is followed.

(ii) Under what circumstances a ground rent is to be recovered from a vendor? (4 marks)

Authority: AFLAM '13. Chapter IV: Procedure of Scrutiny of Documents on Account of Disposal of Salvage by Air Force units through MSTC or other Authorised Auctioneers [Para 162 (2) (d)].

Recovery of Ground Rent @ 2% per day is to be made on the value of the units/quantity for the period of delay after the date of expiry of free delivery period stipulated in special terms & conditions of tender cum auction/open tender systems. As per the special terms & conditions the successful tenderer shall lift the full material lying in the lot allotted to them by employing their own labour and transport at their own cost within 30 days or within such time as may be prescribed in the sale order/delivery order. If not the Ground Rent @ 2% is to be recovered.

Question No.5

(i) Can Air Force vehicles be given to individuals on payment basis? If yes, what audit checks are to be applied while scrutinising such cases? (6 marks)

Authority: AFLAM '13. Chapter IV: Audit of Repayment Runs [Para 183].

Yes, providing of government vehicles on payment basis is permitted under rare occasions. Repayment runs are to be allowed very sparingly and only when in the opinion of the Commanding Officer they are fully justified. Applications for use of M.T. on repayment are to be approved by the Commanding Officer personally.

Such cases will be checked to see that:

- (a) They are serially accounted for in the M.T. on repayment Register IAFF (F) 1520.
- (b) The run is not made for any unauthorized individual or firm;
- (c) Vehicles not fitted with speedometers or with unserviceable speedometers are not to be detailed on recreational or amenity or other payment runs;
- (d) The higher charges are correctly levied as per rates laid down in current A.F. Instructions and government letters;
- (e) The recovery is affected as soon as the journey is over;
- (f) The total amount recovered is credited to Government by linking forms IAFF (T) 905 with the forms 1505 received from PCDA (AF)/CDA(AF). For this purpose, the original copies of forms 905 will be scheduled to the LAOs (AF)/ ALAOs (AF) by the main office;
- (g) The recreational runs for officers and families of Airmen are made subject to the conditions laid down in current A.F. instructions;
- (h) Only those types of vehicles as are indicated in Para 9 of AFI 13/75as amended from time to time are detailed for amenity purposes on amenity rates.

- (ii) A unit has refused to produce a passengers manifests marked as 'Top Secret' for local audit. Comment.

4 marks

Authority: AFLAM '13. Chapter VI: Audit of Aviation Accounts [Para 200].

The action by the unit is incorrect and is objectionable. Passengers Manifests contains essential information regarding No., Rank, Name and status of the person conveyed in the service aircraft. As per rules, Passengers manifests which are marked "Top Secret" will be produced to the LAO(AF) personally. Such documents will not be taken away but will be seen by Audit Officer concerned in the presence of the Officer responsible for the custody of the documents. In the case of documents marked "Secret" the same can be handed over to the LAO/ALAO(AF) who will get them audited in the presence of Air Force Officers concerned. LAOs/ALAOs (AF) are not required to audit passenger manifests "in" but only "out" manifests.

Question No.6

- (i) While auditing the defence land held by an Air Force unit, the LAO notices that it has been used for cultivation using troops. Explain how and when it can be done and what should be examined in audit. (6 marks)

Authority: Chapter XIII – Misc. Documents and Registers to be Checked in Local Audit [Para 385 A. III]

Lands close or adjacent to unit lines or with in the perimeter of the installation and units / Establishments or any other lands which cannot be placed at the disposal of DDL&C on account of security considerations can be cultivated through troop labour to the extent feasible subject to the following conditions:

- (i) Only troop labour or where feasible security cleared private labour will be employed.
- (ii) Unit / Formations shall not give defence lands to private parties for cultivation on lease basis or on the basis of crops.
- (iii) For land cultivated by troops or security cleared private labour no payment will be made by the Air Force Authorities if the land cultivated is not in excess of that arrived at the scale of 4 acres for 1000 troops in the unit / formation concerned.
- (iv) In respect of land in excess of the limit at (iii) above, 1/4th of net annual profit as per audited figures of the Regimental fund shall be paid to the Government.
- (v) In case of certain establishments and installation as Ordnance Depots, Ammunition Depots. Air Field and so on where certain areas of lands of the perimeter and within the establishment have to be left uncultivated for reasons of security or safety, no charges will be levied even if the land is in excess of the scale at (iii) above provided such land is not cultivated.

- In the audit of register of Defence lands under cultivation it will be seen that:
- (a) Details of lands under cultivation regimentally or otherwise are recorded clearly and correctly.
 - (b) The items produced are disposed off according to instruction on the subject issued from time to time by Air HQrs.
 - (c) That in respect of item conforming to ASC specifications and utilized either by the unit themselves or handed over to the ASC Depots, the amount paid by the CDA agrees with the amount shown in the register.
 - (d) That in respect of items not conforming to ASC specifications and disposed off locally see that they are supported by authenticated documents duly attested by COs and amount correctly reflected in the register.
 - (e) That 1/4th of net profit arrived at for crediting in the Govt. Accounts is based on the above realization and the amounts are credited either on MRO or through Cash Accounts and details are recorded against the entries.
 - (f) In case of fruits grown in regimental garden the entire amount is to be credited to Government.

(ii) An AF unit has done physical property check for the whole year on 31st March- Is it objectionable? Also bring out the aspects to be verified by the LAO with respect to property check. (1+4 marks)

Authority: AFLAM '13. Chapter XVII – Instruction for the Check of Amenities, Comforts, Entertainment Services Funds Accounts [Para. 356]

Physical stock-taking has been carried out on the 31st March and 30th September, each year and a certificate to that effect is recorded by the stock-taking officer. Therefore, checking only once a year is irregular and objectionable.

The Property Book will be checked by LAO to see that:

- (a) it has been kept in the correct manuscript form prescribed for the purpose.
- (b) all strike offs are supported by Certificate Issue Vouchers and certified due to normal fair, wear and tear.
- (c) All losses (other than the deficiencies revealed at stock taking for which see clause (f) below) are written off after due investigation and any recoveries for losses due to neglect etc., of any individual (s) are affected from the and credited to Government.
- (d) Sale proceeds of stores (including sale proceed of newspapers, magazines, etc.,) are credited to Public Fund Account and not to amenity fund.
- (e) issues to flights and sections are accounted for on loan cards. Form IAFF (Q) 444 and the cards are signed by the persons receiving the stores.
- (f) The surplus revealed during stock taking are brought on charge in the Property Book and the remarks column is annotated to the effect. Similarly, that necessary write off entry in respect of the deficiencies revealed at stock-taking, which are authorised by the CO to be written off, has been made in to the loss or write off column of the Property Book and the remarks column signed by the CO as authority for the write off.

Question No.7

- (i) **What aspects are to be borne in mind while computing the demand for ammunition?** (3 marks)

Authority: IAP 1541, Chapter 2: Provisioning System in Air Force [para 47]

Ammunition and explosive stores are provisioned for war and also training in peace time. Requirements of war reserve are calculated on the basis of authorised scales applicable to various types of aircraft for the period of reserve authorised by the Government. Further provisioning is limited to replace life-expired and unserviceable items. Training requirements are also provisioned on the basis of approved scales, but since these are of recurring nature the past consumption is kept in view to avoid over-provisioning. If there is a shortfall in consumption in the past, the scaled requirements are reduced on a percentage basis at rates laid down by the Government. These stores are reviewed annually and orders placed for the authorised forward provisioning period. Phased deliveries are asked for short life items.

- (ii) **Aviation oils and lubricants based on the actual usage and requirements of the Air Force are contracted by Air Hqrs directly from the major oil PSUs - Comment.**

(4 marks)

Authority: IAP 1541, Chapter 2: Provisioning System in Air Force [para 49]

Common user aviation oils and lubricants are provisioned by the Army on the basis of review of requirements undertaken by Air Headquarters quarterly. MT oils and lubricants are supplied by the Army on the same basis as the MT fuel. Requirements of other oils and lubricants, which are provisioned by the Air Force, are worked out in the normal manner, i.e. application of forecast factor to the past consumption.

- (iii) **What are items for which Air Force is dependent on Army for procurement and why?** (3+3 marks)

Authority: IAP 1541, Chapter 2: Provisioning System in Air Force [para 50] and Leaflet No.19: Procedure for Procurement of Stores from Army Ordnance [Para 1]

The responsibility for bulk provisioning of stores which are in common use between two or more service is that of the service which is the major user. The Air Force is dependent on the Army for the provisioning and supply of a large number of items, such as MT Vehicles, small arms, clothing and accountrements, general stores, etc.

This has been conceived to bring into operation the economies of scale where in bulk buying could result in most economical procurement to the services and thus save cost to the government.

The stores/equipment concerned and provisioning arrangements applied are clearly defined by inter-Service agreement.

Question No.8

- (i) **What activities precede a periodical review?** (5 marks)

Authority: IAP 1541, Leaflet No.10: [Preparation and Scrutiny of Reviews, Para.3]

Before commencing a provision review, it should be ensured that: -

- (a) All Provision Control, Dues-in and Dues-out Record cards pertaining to the vocabulary section (or for the affected items in the case of special review) are available.
- (b) All pending posting sheets for the items under review have been posted on the respective PCR Cards.
- (c) The Dues-in and Dues-out Record cards have been brought up -to -date.
- (d) The Section, reference, part number, description and denomination of quantity indicated on the PCR cards agree with the latest schedule of spare parts.
- (e) The forecast factors, which are proposed to be applied during the review, are put up to the Deputy Director for his approval.

- (ii) **Would it be correct to state that rotables can't not be put to reuse? Who approves the scales of rotables for signals?** (3+2 marks)

Authority: IAP 1541, Leaflet No.11: [Review of Scaled Rotables, Para.1 & 15]

No. The very definition of Rotables means those items which are considered economical to repair for re-use. Rotables have had or are expected to show turnover at the flying units as a result of normal usage and they can be replaced by a flying unit and, when beyond the capacity or authority of the flying unit to repair, must be returned to the appropriate repair agency for repair/overhaul. Requirements of signals rotables are to be worked out on the basis of the scale approved by the Government.

PAPER VI- THEORY (WITHOUT BOOKS)

SUBJECT: WORKS, STORES AND INTERNAL AUDIT

SECTION-II (Store Accounts and Internal Audit)

(C) NAVY

MODEL ANSWERS

Question 1 a

What are the categories under which various audit processes carried out during the audit of store accounts of Store Depots, ships and establishments fall?

Model Answer

The various audit processes carried out during the audit of the store accounts of Store Depots, Ships and establishments fall generally under the following three main categories;

- a) Verification of 'Castings' 'Closing book balances' and 'Opening book balances'.
- b) 'Linking ' on the receipt of 'Transfers Inward' and of 'Purchases' and on the issue side of 'Transfers Outward'.
- c) Audit of 'Final receipts' (Surplus found on stock taking etc.) and of final issues i.e. issues for final consumption (as distinct from a transfer to some other store account also auditable by Defence Accounts Department) or issues on payment or quantities charged off on loss statement etc.

Authority: **Para 32, Chapter II, Naval Local Audit Manual**

Question 1 b

Please describe the procedure in handling of issue vouchers (S.134 or its equivalent) when stores are transferred from one Naval Store Depot to another Naval Store Depot or to a Ship/Estt.

Model Answer

When stores are transferred from one Naval Store Depot to another Naval Store Depot or to a Ship/Estt. the issue voucher (S.134 or its equivalent) is prepared in quadruplicate. These are referred to as original copy, duplicate copy, triplicate copy and 'Quadruplicate' copy and are disposed of by the issuing depot as under:

Original and duplicate: To be forwarded by the NSO to his NLAO with a top sheet decadewise indicating the number of vouchers forwarded. The NLAO will retain the original for audit of issue transactions in the NSOs ledgers and schedule the duplicate after pairing to the NLAO of the consignee for linking.

TriPLICATE: To be forwarded to the consignee for the purpose of bringing the stores on his ledger charge.

Quadruplicate: To be forwarded by the NSO to the consignee for receipting and return to NSO which will be watched by him through a Register.

Authority: **Para 40, Chapter II, Naval Local Audit Manual**

Question 1 c

Please describe various categories of Naval stores. Give two examples of each.

Model Answer

Naval stores are categorised as follows:

Permanent Stores: Permanent stores are those Naval stores which

- a) are not consumed or appreciably altered in use.
- b) are usually of a greater value than consumable stores.
- c) have a greater functional importance

these stores include pressure gauges; certain tools such as calipers, micrometers, large hammers, saws, sea boats, life floats, furniture such as chair, desks, rugs, cupboards, office equipments such as PCs, photocopiers, typewriters, duplicators, filing cabinets, adding machines, binoculars, barographs, binnacles, gyro compass equipment, photographic equipment such as cameras, projectors, microphones, meggers, lanterns, anchor gear.

Consumable Stores: This term comprises stores which are

- a) used to destruction or become worn within a limited time
- b) of small monetary value.

These stores include timber, paint, nuts, bolts, waste, canvas, cordage, small tools such as pliers, files, spanners, flags, rubber sheeting, calcium chloride, soda, lime, acids, oils, greases, electric lamps, lampholders, copper sheeting, silver solder.

Quasi –permanent stores: This is general term used to designate Naval Stores which although broadly categorized as Consumable Stores are of a Quasi-permanent nature. They comprise articles which because of their semi-permanent character shall, in so far as practicable, after first fitting out, only be issued to departments in exchange for an equal quantity of unserviceable stores of the same description.

These stores include buckets, cans, feeders, brooms, brushes, squeegees, dust pans, oars, staves, gauntlets, gloves, flags, ensigns, pendants, torches, torch batteries, thermometers, coir mats, W/T valves, certain type of tools i.e. chisels, drills, files, screwdrivers, knives, small hammers, pliers, punches, scrapers, spanners, wrenches, mallets, hand vices, taps, dies, accountable containers, etc.

Authority: **Para 12, Chapter 2, Naval Storekeeping Manual**

Para 137, Chapter V, Naval Local Audit Manual

Question 2 a

What authorities have been vested full powers of provisioning within the approved Provisioning Plan?

Please name them along with the type of equipment, spare parts and stores for which such powers have been vested in them.

Model Answer

Within the approved Provisioning Plan, the Navy has full powers of provisioning. These powers are vested in;

- DCNS for Air equipment, spare parts and stores
- COM for Weapon equipment and spare parts
- COL for all other types of equipment, spare parts and stores

Authority: **Para 3.25, Chapter 3, Material Planning Manual for Navy**

Question 2 b

What does ABER Stand for? What is the procedure for replacement of equipment through ABER?

Model Answer

ABER stands for Anticipated BER and is intended to provide the needed lead time to procure an equipment. The procedure for replacement of equipment through ABER shall be as follows;

- ABER certificate is to initiated by the ship whenever there is an opportunity to examine an equipment and it is estimated that the residual life is less than 3.5 years.
- ABER Board constituted by command headquarters is to examine the proposal.
- The recommendations of the board is to be examined by command headquarters and forwarded to NHQ.
- DOS(E), DOS(L), or DNA at NHQ is to give the ABER decision together with the particulars of the replacement equipment.
- Replacement action is to be initiated by DLS/MS

Authority: **Para 6.66, Chapter 6, Material Planning Manual for Navy**

Question 2 c

Please write down the main objects of Inspection of Public Fund Accounts of IN Ships/Establishments.

Model Answer

The main objects of inspection by NLAOs are:

- i. To ensure that all prescribed accounts and documents are maintained.
- ii. To ascertain that the accounts are being maintained in strict accordance with the existing regulation and orders.
- iii. To see that all transactions between individuals and the funds and other accounts are easily traced and correctly tallied.
- iv. To ensure that all moneys relating to public funds have been duly accounted for and expended only for the purpose for which they are intended.

Authority: **Para 218, Chapter IX, Naval Local Audit Manual**

Question 3 a

What are the duties of NLAO with respect to stock verification during his periodical visits to ships/establishments?

Model Answer

The responsibility for carrying out stock verification as prescribed in departmental 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:

1. The system of stock taking adopted is adequate and proper.
2. The results of stock taking are recorded in the ledgers, account card or other prescribed documents by a responsible officer under his dated initials.
3. 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, and
4. The vouchers received prior to the date of stock taking have not been brought into the balance after stock taking.

The NLAO will bring to the notice of the local administrative authorities concerned through the PCDA(N)/CDA(N) any cases of failure on the part of executive authorities to carry out periodical stock verification or cases of heavy discrepancies or other serious irregularities noticed in stock taking.

Authority: Para 75-A , Chapter II, Naval local Audit Manual

Question 3 b

Please write down five audit checks, which NLAO has to perform during the audit of the Loan Register.

Model Answer

Following should be seen while doing the audit of Loan Register;

1. That the loan issues have been made under proper authority as laid down in N.I. 1/S/81.

2. That extension of the period of loan is granted only by the authority competent to sanction the loan.
3. That the stores issued on loan are returnable within the period of loan.
4. That necessary action is being taken to get the stores returned or in the case of stores not returned within the period of loan, action is taken with the ship/estt. to obtain the sanction of the competent authority for extention.
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.
6. That in cases where stores are returned as unserviceable or repairable by other than I.N. Ships/Estt. necessary action is taken to recover the appropriate value from the parties concerned.
7. That relevant entries are made in all cases where the stores have been returned and the loan closed.
8. That the loan issue vouchers have been scheduled to the respective consignee NLAO to 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
9. That in the case of issues, which are treated as outright, the matter is reported to the NLAO of the consignee and his acknowledgement obtained.

Authority: **Para 89, Chapter III, Naval Local Audit Manual**

Question 4 a

Write down any three circumstances under which a contract can be terminated?

Model Answer

A contract may be terminated in the following circumstances:

- (a) When the supplier fails to honour any part of the contract including failure to deliver the contracted stores/render services in time.
- (b) When the contractor is found to have made any false or fraudulent declaration or statement to get the contract or he is found to be indulging in unethical or unfair trade practices.

- (c) When both parties mutually agree to terminate the contract.
- (d) When the item offered by the supplier repeatedly fails in the inspection and/or the supplier is not in a position to either rectify the defects or offer items conforming to the contracted quality standards.
- (e) Any special circumstances, which must be recorded to justify the cancellation or termination of a contract.

Authority: Para 6.12.1, Chapter 6, Defence Procurement Manual-09

Question 4 b

Please write down the heads where inventory losses not due to depreciation can be categorized.

Model Answer

Losses not due to depreciation shall be grouped under the following heads:

- i. Losses due to theft or fraud;
- ii. Losses due to neglect;
- iii. Anticipated losses on account of obsolescence of stores or of purchase in excess of requirements;
- iv. Losses due to damage and
- v. Losses due to extra ordinary situations under 'Force Majeure' conditions like fire, flood, enemy action etc.

Authority: Rule 223 (3), Chapter 7, General Financial Rules-17

Question 4 c

What is Letter of Credit (LC)? Please describe the advantages to buyers and sellers in using LCs as a means of payment. Compared to this what are advantages of Direct Bank Transfer (DBT) for the buyers?

Model Answer

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.

Advantages for the buyer :

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

Advantages for the seller:

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

Advantages of DBT: In comparison with payments through Letters of Credit, payment through DBT has the following advantages:

- (a) Payment is released only after receipt of goods.
- (b) Payment is made only after full satisfaction to the quality, quantity etc.
- (c) It is cost-effective as compared with LCs.

Authority: **Para 12.2.2 and Para 12.8.3, Chapter 12, Defence Procurement Manual-09**

Question 5 a

Can a centrally procured item be procured locally by a formation or depot after obtaining NAC from the Central Procurement Agency?

Model Answer

Local Purchase (LP) is undertaken within the LP powers of various authorities as per the delegated powers in the following circumstances:

- (a) To meet the short-term, ad-hoc or urgent requirements of units/ establishments when supplies are not available through the central provisioning agency. Intimation regarding such purchases should immediately be sent to the central provisioning agency so that the latter could take the quantities procured through local purchase into account.

DPM does not prescribe obtaining of NAC from the Central procurement agency in such cases. However, this aspect would also be governed by the internal guidelines/ administrative procedure prescribed by the Department concerned.

Authority: **Para 2.4.7 (a), Chapter 2, Defence Procurement Manual-09**

SI No 12, Section 1, Chapter 2, Supplement 2010 to Defence Procurement Manual-09

Question 5 b

What are the cases under which procurement of goods of foreign origins from indigenous suppliers are treated as import?

Model Answer

Procurement of goods of foreign origin from indigenous firms/suppliers will be treated as import purchases in the following cases –

- (a) Where the movement of goods from the foreign country to India is occasioned directly as a result of the sale.
- (b) Where there is a privity of contract between the foreign supplier and the Defence Department / purchaser.
- (c) Where the Indian Supplier acts as the agent of the foreign manufacturer in the agreement of the sale.

Authority: **Para 2.4.5, Chapter 2, Defence Procurement Manual-09**

SI No 6, Section 2, Chapter 1 Supplement 2010 to Defence Procurement Manual-09

Question 5 c

Please describe the following:

- i. NSQR
- ii. JSQR

Model Answer

NSQRs refer to the Naval Staff Qualitative Requirements for equipment specific to these Services.

JSQRs refer to specifications reflecting the Joint Services Qualitative Requirements in cases where commonality of equipment exists and standardization of QRs between the three Services is merited.

Authority: **Para 1.4.7, Chapter 1, Defence Procurement Manual-09**

Question 6

Define the following terms

a. Sea Stores

Model Answer

This term applies to a ship's outfit of Naval Stores including such general stores, tools and spares for fitted equipments as are necessary for the efficient maintenance and running of the ship. These are shown in the Establishment of Sea Stores for the class of ship.

Authority: **Para 15, Chapter 2, Naval Storekeeping Manual**

Question 6

b. Indent

Model Answer

An indent is a requisition placed by the provisioning authority on the procurement agency to procure an item. Indent is the authority for initiating procurement action and may contain one or more items, each with a distinct item code/part number.

Authority: **Para 10.1, Chapter 10, Material Management Manual, Navy**

Para 1.4.8 Chapter 1, Defence Procurement Manual-09

Question 6

c. Sub-List

Model Answer

Sub-List means the forwarding memo which shows the total number of Central or Local purchase vouchers or receipt vouchers in respect of each ships/establishment which are sent by the PCDA(N)/CDA(N)/NLAO to NLAO/SNLA.

Authority: **Para 39 (4), Chapter II, Naval Local Audit Manual**

Question 6

d. On Board Spare Parts

Model Answer

On board spare parts are spare parts estimated as required to operate and maintain a ship during first year of commission.

Authority: **Para 1.22, Chapter 1, Material Management Manual, Navy**

Question 6

e. Revocable Letter of Credit

Model Answer

Revocable Letter Of Credit: A revocable letter of credit is one which may be amended or cancelled by the issuing bank at any moment without prior notice to the beneficiary.

Authority: **Para 12.3.2, Chapter 12, Defence Procurement Manual-09**

Question 7 a

Please list down various types of contracts which can be entered into by the Government.

Model Answer

Government contracts can be of many types depending on the nature of the item being procured, work to be executed, services required to be rendered and support to be provided. The general types of contract could be as follows:

- (a) Purchase order for items of stores, spares or equipment.

- (b) Rate Contract.
- (c) Price Agreement.
- (d) Service Contract.
- (e) Annual Maintenance Contract (AMC)/Comprehensive Maintenance Contract (CMC)
- (f) Consultancy Contract.
- (g) Development Contract.
- (h) Works Contract/Project.

Authority: **Para 6.10.1, Chapter 6, Defence Procurement Manual-09**

Question 7 b

Describe Sailors Basic Training Grant.

Model Answer

The fund is to be utilized for the purpose of defraying expenses connected with the training of sailors and apprentices of all branches under the following heads:

- (i) Prizes and Awards.
- (ii) Badge Money. (outdoor and indoor recreation including sports)
- (iii) Educational visits to historical places.
- (iv) Arranging competitions.
- (v) Model club activities.
- (vi) Miscellaneous expenses.

Authority: **Para 235, Chapter IX, Naval Local Audit Manual**

Question 7 c

What is a Survey? Please describe its purpose and various types of Survey?

Model Answer

A survey is the procedure which is carried out when Naval Stores must be-

- a. condemned as a result of damage/deterioration,
- b. appraised as to suitability and/or loss of utility.

The purpose of a survey is to provide a record for-

- a. an administrative review of
 - i. the condition of the article
 - ii. the cause of the condition
 - iii. recommendation for its disposal
- b. an authority to take the item off charge.

Types of Survey

- a. General Survey: is a survey conducted by the Surveyor of Stores/Naval Store Officer.
- b. Local Survey: is a survey which is conducted on board by the ships/establishments officers.

Authority: **Para 172, 173 & 174, Chapter 10, Naval Storekeeping Manual**

Question 8 a

For the procurement of provisions in Base Victualling Yard, what are the circumstances under which re-tender can be resorted to?

Model Answer

Resort to re-tendering becomes necessary in the following circumstances:

- a. When the tendered rates are high and do not favorably compare with current market rates.
- b. When reduction in rates is not acceptable to tenderers.
- c. When extension of the current contract is not agreed to by the concerned contractor.

Authority: **Para 1720, Chapter 17, Naval Victualling Manual**

Question 8 b

What are occasions when Base Victualling Officer can make local purchase of provisions? Does he need to take prior approval of CFA in all cases of local purchase? Please comment.

Model Answer

The BVO may purchase items locally on the following occasions:

- a. Items for which requirements are spasmodic and concluding contract for such supplies is considered uneconomical e.g. chocolates, cheese etc.
- b. When contractor fails to supply items demanded and purchases are made at the risk and expense of the contractor.
- c. When the stocks of an item of central supply are exhausted but are required to meet immediate requirements.
- d. When abnormal quantities of contract supply items are required to meet immediate requirements.

Approval of the CFA is to be obtained prior to making this local purchase. If time does not permit, this matter is to be intimated to the CFA soon after making the purchase. The following information is to be furnished to the AA:

- a. Why the purchase was necessary?
- b. Quantity of the item purchased
- c. The rate at which the item purchased.

Authority: **Para 1626, Chapter 16, Naval victualling Manual**

Question 8 c

What are the authorities which can blacklist a registered supplier of victualling stores?

Model Answer

The authorities competent to black list:

- a. For moral turpitude in relation to business dealings or when contractor's loyalty to state is questionable, Secretary, Ministry of Defence with the approval of Ministry of Home Affairs.
- b. For bribery, corruption, fraud, substitution of tender interpolation or when the contractor continuously refuses to return Govt. dues without showing adequate cause, Secretary, Ministry of Defence.

Authority: **Para 1750, Chapter 17, Naval victualling Manual**

Special SAS PART II EXAMINATION
PAPER VI-THEORY (WITHOUT BOOKS)

SUBJECT: WORKS, STORES AND INTERNAL AUDIT

SECTION – II (Store Accounts & Internal Audit)

(D) FACTORY

MODEL ANSWERS

Q.1 (a) what is systematic overtime? (2 Marks)

(b) Elucidate on the Overtime admissible to an Industrial Employee under Factories act.

(5 Marks)

(c) What is departmental OT? To whom this Departmental Overtime is admissible?

(3 Marks)

ANSWER

1. (a) **Systematic Overtime**

Any work done under proper orders outside the normal working hours or on a Sunday or a paid holiday will be treated as overtime. Orders for working overtime are required to be issued strictly in conformity with the provisions under Sections 51 to 56 of the Factories Act, 1948, as modified by exempting rules, if any, framed by the State Government under powers conferred in accordance with Section 64 and exemption in force as per Section 65 ibid. Overtime may be systematic or casual. Any overtime worked by a shop or a section as a whole irrespective of the period involved or overtime worked by any individual exceeding 14 calendar days (including Sundays and gazetted holidays) at a time is classified as systematic overtime. Overtime worked by individual members of a shop or section for a period not exceeding 14 consecutive calendar days will be classified as casual overtime unless it is sanctioned by the DGOF in which case it is to be treated as systematic overtime. The General Manager is competent to sanction both casual and systematic over time in terms of instructions issued by the OFB from time to time.

Authority: Para 187 to 190 of the OM Part VI

1.(b) Payment of overtime under Section 59 of the Factories Act, 1948 arises for work done beyond 9 hours a day or 48 hours in a week. The total of the overtime hours worked in a week should be divided into overtime hours under Factories Act and Departmental overtime. In all cases where overtime is admissible to a worker both under the provisions of the Factories Act and under Departmental rules, the overtime will be calculated as under:

(i) For work in excess of normal working hours and up to 9 hours on any working day or 48 hours in a week, overtime will be paid at the rates prescribed in the Departmental Rules. For calculating overtime pay under this item Basic pay (Band Pay + Grade Pay) and dearness allowance will be taken into account.

(ii) For work in excess of 9 hours on any day or 48 hours in a week, overtime will be paid at the rates as prescribed in Section 59 of Factory Act 1948. For calculating overtime under this item, the expression basic wages, as mentioned in Section 59 of the Factories Act include basic wages and dearness allowance only.

The split up between hours of overtime under departmental rules and Factories Act may be done by ascertaining the 'hours of overtime under Factories Act' in the first instance. The difference between the total hours of overtime and overtime under Factories Act will be overtime under Departmental Rules. Thus if a worker works for 54 hours in a week,

Overtime under Factories Act is $54 - 48 = 6$ hours

Total overtime hours is $54 - 44 \frac{3}{4} = 9 \frac{1}{4}$ hours

Overtime under Departmental Rules is $9 \frac{1}{4} - 6$ hours = $3 \frac{1}{4}$ i.e. the difference between 48 and 44 hours.

Calculation of OT hours will be done on weekly basis or daily basis whichever is beneficial to the workers. If a worker is absent on Saturday and the number of hours is 10 hours per day on week days then the hours worked is 50 in a week. Calculation of overtime hours has to be done on daily basis being more beneficial i.e. from 8 hours to 9 hours, 1 hour under Departmental Rules and from 9 hours to 10 hours i.e. 1 hour under Factories Act. Departmental overtime @ 1 hour per day for 5 days = 5 hours Overtime hours under Factories Act @ 1 hour per day for 5 days = 5 hours Total OT hour @ 2 hours per day for 5 days = 10 hours

Authority: Para 191 to 195 of the OM Part VI

1.(c) Overtime under Departmental Rules is the difference between 48 and $44\frac{3}{4}$ hours. The departmental OT is admissible to the Day Workers for working beyond the normal working hours in a week. The normal working hours in Ordnance Factories is $44 \frac{3}{4}$ hours in a week. The normal working hours as per Factories Act 1948 is 48 hours a week.

No overtime will be admissible to piece workers for working departmental overtime in the day shift but for the purpose of calculation of Piece Work Earnings the notional time wage element in respect of overtime upto 9 hours a day or 48 hours a week will be determined at the rate of P/200 per hour, where 'P' represents the 'pay' to which Piece work rate has been correlated.

Authority: Para 198 of the OM Part VI

Q.2. (a) Write Short Notes on:

(3x2.5=7.5Marks)

- (i) Job Costing**
- (ii) Process Costing**
- (iii) Foundry Costing**

(b) In the traditional format of Cost Accounting in Ordnance Factories, how many accounts are presented and what are they?

(2.5 Marks)

ANSWER

2. (a) (i) **Job Costing:**

Job costing is defined as a method of recording the costs of a manufacturing job, rather than process. With job costing systems, a project manager or accountant can keep track of the cost of each job. In the case of Ordnance Factories, the production authority, in the form of a warrant is issued for a lot quantity. The system of job costing followed in Ordnance Factories is as follows:

(i) Orders are placed on the production shops of the Ordnance Factory in the form of manufacture and material warrant for convenient batch or quantity which can be completed in six months. Warrants are also issued for quantities or lot size of higher numbers for meeting up particular order or target.

(ii) Standard Estimates are drawn up by the planning section of the Ordnance Factories. These estimates are priced by the Branch Accounts Office. It is the basis for issue of warrants to execute the production by the shops

(iii) Warrant is the authority for utilization of labour and drawl of materials by the production shops or the cost centres.

(iv) Expenditure incurred under the elements of cost viz. Labour, Materials, Direct Expense, Variable Overheads and Fixed Overheads are collected warrant-wise with respect to respective work orders. These expenditures are compiled in the cost cards maintained by the BrAOs.

(v) After the closure of warrant the actual cost is compared with the estimated cost under different elements of cost.

Comparison between the costs of production on warrants for the same items, during different periods, enables identification of variances and the causes. Remedial measures as necessary can be undertaken by the Ordnance Factories based on such inputs.

Standard Costing system envisages the determination of standard compilation of actual and working out of variances in respect of Direct Labour, Direct Material, Direct Expenses and Overhead for each component, sub-assembly or assembly manufactured against a warrant in a section of the factory. By applying the variances to the standard cost, actual cost is ascertained.

Authority: Para 51 & 52 of the OM part VI

2. (a) (ii) Process Costing:

Certain items of production pass through various stages or processes before the final product is obtained. Process costing is a method of costing where a product has to pass number of processes till the final product is being produced and issued. For each such process, separate accounts are maintained known as process accounts. To compile process accounts, it is necessary to have a flow chart of production. The various process work orders are listed in the Syllabus of Work Order Part 1.

Basic principles in the compilation of process costs are:

Labour: Direct Labour booked by the Section for each process is obtained from Labour Abstract.

Materials: Material Abstract will contain value of materials drawn; every Process Section furnishes the quantity of material demanded and material expended. The value of material expended is arrived at.

Direct expenses: Electricity, water, steam and compressed air are directly allocated to the work.

Variable Overheads: These are divided into (i) Allocated Overheads (ii) Unallocated Overheads

Repair and other charges such as electricity, steam, compressed air and refrigerated water etc. that can be directly allocated to non-manufacturing process are called "Allocated Overheads". Other indirect charges incurred by the Section itself or by other Section and the Overheads thereon cannot be directly allocated to a particular process are compiled separately and are then distributed to the process concerned on direct labour charge basis.

Fixed Overheads leviable are being absorbed on the current level of production.

In addition, departmental materials are also used in the manufacture of certain process material. They are also valued at the previous month's rate and are compiled under charges incurred in manufacture.

Waste acids are recovered from certain processes and they are again utilized in production after necessary purification. The waste acids are priced at pre-determined rates which are arrived at the

beginning of each financial year, with reference to the purification/concentration cost incurred during the previous financial year.

Every month the management furnishes the Accounts Office with a statement showing on the receipt side the quantity of the process materials produced and of the opening balance from the previous months. On the issues side the quantities issued are shown and the closing balance. The value of the opening balance is obtained from the previous month account and is added to the value of production during the month and an average rate for the month is worked out. The issues are priced at this rate.

Authority: Para 62 to 67 of the OM part VI

2. (a) (iii) Foundry Costing

Blooms, billets, rods are produced by open hearth, electric steel furnaces. Foundry work orders are operated. The procedure actually envisages arriving at a unit rate per kilogram of castings produced. Foundry Cost Statement Form I is made out by Labour section posted from Foundry Form III (metal statement and process statement) which gives details and value of material consumed and Form II (Foundry work record) which gives labour charges. Variable and Fixed Charges are calculated on the basis of rate per SMH. The total expenditure divided by net total weight of castings produced gives the rate per unit weight. The moulding rates of the casting vary according to the type of casting produced. The labour charges are allocated direct from Form I to the relevant castings after adding variable and fixed overhead expenses.

In order to arrive at the total cost of a particular job, undergoing different operations, the expenditure incurred in previous months is linked up with that incurred for the remaining operations for the same job in subsequent months.

Authority: Para 57, 58 of the OM part VI

2. (b) Following Accounts are presented in the traditional format of the Cost Accounting:

- i. Annual Production Accounts
- ii. Annual Stores Accounts
- iii. Annual Capital Accounts
- iv. Annual Finished Stock Accounts
- v. Statement of Assets & Liabilities

Authority: Para 850 of the OM part VI

3. (a) Write briefly on : (i) Deferred Revenue; (ii) Preliminary Expenses. (2x 2=4 Marks)
(b) What are the main features of the Renewal Reserve Fund of the Ordnance Factories? Why it has been created? How the fund is being operated? (6 Marks)

ANSWER

3. (a)(i) Deferred Revenue:

In Ordnance Factories, when heavy expenditure is incurred on repairs and is to spread over several years, the incidence of the charge will not be met from "Revenue Budget". In the Production Account, the amount chargeable to current year's production will be treated as an item of overhead expenditure. Balance will be carried forward as Outstanding Asset. Approval of the OFB for treating the expenditure

as Deferred Revenue and for the period over which the expenditure is to be spread over should be booked for in audit before the expenditure is actually incurred. Supplementary work order Drafts (S.W.O. Ds) should be properly en faced as "Deferred Revenue" and Control No. 9 should be used in the first digit of the five digit code representing the Main Work Order.

Authority: Appendix A to the Chapter XIII of OM Part VI

3.(a)(ii) Preliminary Expenses

The term "Preliminary Expenses" covers all Revenue Expenditure incurred on establishment of a project in the existing/new factories from project planning to final commissioning stage. The charging of Preliminary expenses should commence when production is established. Even after commissioning, there may be trickle production for some time before regular batch/bulk production is undertaken. During this stage, overhead charges incurred will be absorbed only partially, the rate being fixed by the General Manager of the Factories. The unabsorbed overhead charges incurred during trickle production will also be treated as Preliminary Expenses. The term "Trickle Production" should normally mean production upto five percent of the full/planned/installed capacity.

Authority: Appendix A to the Chapter XIII of OM Part VI

3. (b) Features of Renewal and Reserve Fund:

Renewal & Reserve Fund was created in the Public Account of India for financing the replacement of the ageing plants and machinery of Ordnance Factories. RR Fund is a non-lapsable, revolving & non-interest bearing fund. The fund is financed by transfers from revenue head under the Consolidated Fund of India. As and when expenditure on renewal & replacement is incurred the revenue head under the Consolidated Fund of India is simultaneously relieved through a deduct entry under the same revenue head by contra debit to the Renewal Reserve Fund in Public Account.

The accounting procedure which was decided in consultation with C & AG of India was as follows:

- (i) 'Renewal Reserve Fund Ordnance Factories' will be distinct subhead under the existing minor head "Renewal Reserve Fund of Government non-commercial Departments" below major head "8226Renewal Reserve Fund" in the section "Reserve Funds not bearing interest".
- (ii) The Fund will be fed by transfer from Consolidated Fund of India annually. The withdrawals from the Consolidated Fund of India for credit to the RR Fund will be accounted for under the following head: Major head : 2079 – Defence Services – Ordnance Factories Minor head : Transfers to Reserve Funds and Deposit Accounts Sub head : Renewal Reserve Fund Ordnance Factories Detailed head : Inter-Account transfer
- (iii) The actual expenditure in renewal replacement will be debited to minor head "Renewal and replacements" under major head "2079- Defence Service-Ordnance Factories".
- (d) An equivalent amount will be debited to the Renewal Reserve Fund as per the head of account at (i) above, by per contra credit to the following head of accounts: Major Head : 2079 – Defence Services – Ordnance Factories Minor Head : Transfer from Reserve Funds and Deposit Accounts Subhead : Deduct – Amount met from Renewal Reserve Funds Ordnance Factories.

The Proforma Capital Block Register for machineries procured through Renewal Reserve Fund should be separately maintained. In this Proforma Block Register depreciation of each year worked out with reference to modified formula will be exhibited with no reduction of the Original Book Value. This Register will facilitate in future procurement of machinery on like to like basis.

Charging of depreciation of the Machine procured from Renewal Reserve Fund The entire amount will be charged to Cost of Production as Overhead. Branch Accounts Offices should work out the depreciation in accordance with para 762 and booked to Work Order 01/00034/00 and the same should be shown in IE Statement.

Machinery purchased out of R.R. Fund for which payment has been made but not brought on charge during the year If it so transpires that payment has been made for purchase of a machine but the same has not been received during the year, then the amount so paid cannot be taken to outstanding Asset Account, as the amount has to be charged to production during the year itself. In that event the receipt of Machine will be watched through a linking register to be opened for the purpose.

The creation of the RR fund in 1991 was with an intention to make more fund available for capital investments/modernization for the Ordnance Factories at a point of time when the capital budget availability was limited.

Authority : Government of India, Ministry of Finance (Department of Economic Affairs) no. F.1 (140)-B (AC)/89 Dated 30-1-1991 and Para 817 of OM Part VI

(Q.4 (a) What are the audit checks for payment of local purchase bills in a Branch Accounts Office? (5 Marks)

(b) Write the level of officers authorized to sign a purchasing medium depending on the amounts of bills. (2 Marks)

(c) What is Book Debit? Give few examples of Book debit in respect of Ordnance Factories. (3 Marks))

ANSWER

4. (a) The procedure in Material Section of Local Accounts Office dealing with payment of bills may be listed as:

(i) Bill is checked with relevant Supply Order in respect of quantity, rate and terms of delivery. It will be seen that the enforcement of "Pre Audited", "Post Audited" or "Not Selected for Post Audit" as the case may be under the dated Signature of the Asstt. Accounts Officer has been made on the Supply Order.

(ii) Bills are in the prescribed form i.e. Contractors' Bill (IAFA – 68 revised) and in original.

(iii) Bills have been duly receipted and signed in full by the suppliers and that vernacular signatures are translated.

(iv) Detailed calculations working upto the total amount and the total amount are shown both in words as well as in figures.

(v) There are no erasures and alterations and that any alteration in the total amount is attested by the Counter Signing Officer concerned as many times as they are made.

(vi) These bills are signed in ink, no bill or voucher signed with a rubber stamp will be accepted.

(vii) That Revenue Stamp is affixed to bills.

(viii) That the signature of the Officer certifying the bill tally with the Specimen Signature held in the Local Accounts Office to ensure that the signature on the bill is genuine.

(ix) Funds in the relevant head are available.

(x) Prescribed Certificate on payment of Taxes and other Govt. duties have been rendered and enclosed.

(xi) Receipt of Stores has been certified by Asstt. Accounts Officer, Material Section.

(xii) In the case of advance payment, prescribed documents viz. Inspection Note and No. and Date of Rly. Receipt/Postal Receipt No. has been furnished.

The bill is passed for payment when the above requirements are complied with and appropriate endorsement on the bill is made.

Authority: Para 383 of OM Part VI

4(b) The levels of officers authorized to sign a punching medium may be tabulated as:

SI No.	Amount of Bill	Officer Authorized to sign PM
1	Upto Rs 5,00,000 (Five Lakhs)	Assistant Accounts Officer of the Bill Section Concerned
2	Upto Rs 25,00,000 (Twenty Five Lakhs)	Sr Accounts Officer/ Accounts Officer of the Bill Section
3	Above Rs 25,00,000 (Twenty Five Lakhs)	Officer In-Charge of Br AO
4	Above ₹ 1,00,00,000 (One Crore)	Group Controller

Authority: Para 383 of OM Part VI

4.(c) Book Debit

In the case of supplies received from Non-Military Departments, book debits are raised based on accepted copy of voucher from consignee. In regard to stores received from Navy, Air-Force and MES, the adjusting punching medium is prepared by the Local Accounts Office on receipt of the priced copy from the LAO of the consignor indicating the code to which the credit is to be afforded. Incidental to the purchase of stores are the charges on account of customs duty, sea freight and transportation charges etc. Custom duty is payable by the CDA in whose audit jurisdiction the port of Disembarkation is located with the exception of the bills, for stores landing at Kolkata Port. For Ordnance Factories the main Ports are Kolkata and Mumbai. For stores landing at Kolkata, Customs duty is paid by "Stores Section" of the Office of the Principal Controller of Accounts (Fys). The bills of entry prepared and countersigned by the Embarkation Commandant and duly completed by the Customs authorities is submitted to the Stores Section for issue of cheque in favour of the customs authorities concerned.

Authority: Para 403 (e), (f) & (g) of OM Part VI

Q.5. (a) What are the sequences of steps involved in financial appraisal of a new capital acquisition proposal? (4 Marks)

(b) What is meant by PFC in Ordnance Factories? Describe the role & Function of PFC. (4 Marks)

(c) As per the PCA(Fys) important circular of September 2013 who are the competent authorities for nominating alternate member of the TPCs in lieu of Controller of Finance & Accounts (Fys) and a DCFA? (2 Marks)

ANSWER

5. (a) A capital investment proposal will require financial appraisal which would involve the following sequence of steps:

- (i) Estimation of the initial capital investment and the timing of cash out flow.
- (ii) Estimation of the production level at the time of full production.
- (iii) Estimation of future cash out-flows considering various production factors.
- (iv) Estimation of future in-flows based on the estimated volume of production & prices, etc.
- (v) Working out the net in-flows.
- (vi) Proposal Evaluation based on accepted financial evaluation techniques like IRR etc.

Authority: Para 523Y of OM Part VI

5.(b) At OFB level Plan Finalization Committee (PFC) is headed by the Concerned Operating Member/Addl. DGOF in association with DDG/Engg., DDG/Operating Division and Controller of Finance/Addl. Controller of Finance. PFC/OFB will examine the recommendations of PFC/Factory and accord approval of RR demands. PFC normally approves RR Plans by First Quarter of the financial year. New Capital projections are based on the long-term project plan or for investments of isolated nature, the specific requirement of the factory etc.

The proposals from each factory is received by the respective division and the proposals are evaluated by the Engineering division and the Finance Division in the OF Board. After thorough examination, the proposals are put in the PFC for deliberation, prioritization of the capital investment. The role of PFC is to evaluate the modernization proposals.

Authority: Para 523W of OM Part VI

5. (c) As per the PCA (Fys) circular following table is placed depicting the competence of nomination of alternate members in TPCs

Level of TPC	Finance Member	Authority nominating alternate member
Level I	Controller of Finance & Accounts (Fys)	PCA(Fys)
Level III or IV	If the member is DCFA	Group Controllers

Authority: Para 525J of OM Part VI

Q.6. (a) Describe briefly the charter of duties of a TPC cell in the Branch Accounts Office or a Controller of Finance & Accounts (Fys) office. (7 Marks)

(b) Define NRR & NRM. (3 Marks)

ANSWER

6.(a) Charter of Duties of a TPC Cell

The duties and responsibilities of the TPC Cell of the LAO/ CF&A may be listed as under:

- i) To coordinate each and every case which comes to the LAO and to maintain record of each case linking all four stages at which the file comes to LAO/CF&A office.
- ii) To verify MP Sheet / SHIS attached with the Brief for TPC Member of all levels of TPCs to ascertain justification of requirement inter-alia confirming that the MP Sheet / SHIS so submitted has been vetted.
- iii) To verify the minutes of the source approval or vendor selection TPC and the conditions of the tender.
- iv) To scrutinize quotations of the firms to see the Address / Fax No. / Telephone No. of the firms and to see whether all the terms and conditions mentioned in TE have been accepted by the firms and there is sufficient bid validity.
- v) To verify Comparative Statements / Ranking Statements prepared. It is the responsibility of the TPC cell to check the variation of rate with reference to LPR.
- vi) To check RBI Whole Sale Price Index for material, Labour, Electricity etc as prevailed in LPR and that of as on the date of receipt of the Brief from Fy. Mgt. / date of TPC, LME prices for

- metal, CMIE index etc. This cell should clearly mention the indices in their Brief for all levels of TPCs.
- vii) The Cell should prepare a self contained analytical Brief for the Finance Member of TPCs.
 - viii) The Cell should also be responsible for processing of DP extension cases submitted for deliberation in TPCs.
 - ix) The TPC cell shall scrutinize pre-audit of Supply Order cases valuing upto Rs.10 lakhs for which TPCs are not held. However the post audit of Supply Orders may continue to be conducted by Material Section for Store items / Costing Section for Plant & Machinery items.
 - x) This cell shall maintain register for TEC / TPC cases and DP extension cases separately for each TPC level-wise.
 - xi) This cell shall also deal non-TPC cases i.e. cases below Rs10 lakhs.
 - xii) This cell shall co-ordinate with other groups of the Accounts Office in order to prepare Financial Advice Report i.e. monthly / quarterly Report and send the same to Group Controllers to enable Group Controllers to consolidate.

[ANY 10 will fetch full Marks]

Authority: Para 525I of OM Part VI

6.(b) **NRM & NRR:** Non Recurring Materials & Non Recurring Rates. These are the material inputs used as alternate materials in the production process in exceptional circumstances. A list of such materials against the normally used material along with the value is maintained by the planning section of a Factory. These are used sparingly. In exceptional cases some labour operations will be required to be carried out over and above the normal operations. The cost of NRM & NRR will be accounted for in the dedicated warrants for the purpose and fifth digit of the warrant number will indicate whether NRM or NRR has been used ('1' is for NRRs '2' is for NRMs)

Authority: Para 634 of OM part VI

Q.7. (a) What is the concept for drawl of material in respect of UAR as per the Batliboy committee recommendations? (3 Marks)

(b) What is the methodology for the calculation of abnormal rejection (BNR) in Ordnance Factories? (7 Marks)

ANSWER

7.(a) As per the recommendations of the Batliboy Committee, the factories/production shops should draw only that quantity of material from the store against any actual rejection. In a production situation there are unavoidable rejections and it is a norm in the Ordnance Factories to have a declared UAR percentage. Batliboy Committee has recommended that the sections/shop should not draw on demand note the Warrant Quantity and UAR quantity right at the beginning, rather, the shops should place demand note of the ordered quantity and thereafter if there is any actual rejection, then that additional quantity should be demanded.

7. (b) METHODOLOGY FOR CALCULATION OF ABNORMAL REJECTION : The following methodology may be adopted for calculation of Beyond Normal Rejection (BNR) value:

- i. The Warrant quantity will be sum of order quantity and process wastage like proof requirement, destructive testing requirement etc. because the components use for proof and destructive testing are also good output.
- ii. Sub-Warrant are to be issued as per actual rejection quantity. The issue of sub-warrant to cover up quantity rejected or quantity ordered is restricted to maximum "ONE TIME" during the period of one Financial year. Beyond that the warrant should be short closed and fresh warrant will be issued for further drawal of Labour and Material.
- iii. Rejection percentage should be calculated for combined quantity of rejection for main and sub warrants over processed quantity. Calculation of avoidable rejection percentage will be done by deducting UAR% from total rejection%.
- iv. The unit value of avoidable rejection loss will be calculated on prorata basis i.e. total value of expenditure incurred during the process (less) value of scrap recovery (due to normal loss), if any, divided by total input units processed (including proof quantity (less) unavoidable loss (normal loss) units. Total cost of avoidable loss will be the unit cost of avoidable loss multiplied by avoidable rejection quantity.
- v. Net loss to be regularized will be worked out by deducting scrap value of BNR quantity from the total value of avoidable loss.
- vi. The Material and Labour Estimates will be revised based on the above methodology.

Authority: Para 679 of OM part VI

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|---|------------------|
| Q.8. (a) What is ABC analysis? Which items are categorized as 'A' items? | (3 Marks) |
| (b) Define Transfer voucher and Nominal vouchers. | (6 Marks) |
| (c) What are the full forms of SFC & SVC? | (1Marks) |

ANSWER

8.(a)ABC analysis is based on the concept of selective inventory management. It underlines the important principle of "vital few – trivial many". Statistics show that just a handful of items account for the bulk of the annual expenditure on materials. These few items, therefore, hold the key to an effective inventory management and hence they may be classified as 'A' category materials. 'B' and 'C' category items are much more numerous but their value is less significant. ABC analysis thus attempts to identify all the items into three categories based on their annual usage in value terms.

'A' category items are higher value items in terms of annual usage. While such items account for about less than 10% of the total number of items, but they account for about 80% of the total value of consumption.

Authority Para 504 of OM Part VI

8.(b) **Transfer Vouchers:** If materials drawn against one order and are unavoidably used for another, the concerned executive will prepare a transfer voucher crediting the Order on which the materials were drawn and debiting the order for which the materials have actually been utilized. Similar transfer vouchers are prepared for correction of wrong booking of Labour, for rectification of mistakes and transfer of expenditure from one work order to another. All such transfer vouchers enfraced with certificate as to the necessity of their preparation will be sent to the Accounts Office duly signed by as Assistant Works Manager. These transfer vouchers will first be registered in the Costing Section and given a serial number and passed on to the Material and Labour Sections for checking and posting on

warrants. The Materials and Labour (where necessary) will then be priced by the Material and Labour Section, respectively and the transfer voucher will be returned. The Costing Section will add the overhead charges. Thereafter, these transfer vouchers alongwith allocation sheets etc. are sent to EDPs Section for the preparation of the abstract of transfer vouchers, which when received back will be posted in the cost cards.

Authority Para 626A of OM Part VI

Nominal Vouchers: 489. Stores will be accounted for by nominal series of vouchers for very limited and essential purposes. Broadly the following categories of transactions will be documented by nominal vouchers:

- (a) Loan items
- (b) Stores wrongly received.
- (c) Stores returned by parties to whom the same were issued on loan/as assistance for fabrication.
- (d) Stores received/issued for rectification or/repair or processing.
- (e) Samples for test.

In order to show the true physical balance of any item of stores, loan transaction which are accounted through nominal vouchers are posted in Bin Card under the authority of nominal receipts and issue vouchers. These are not posted in the Priced Stores Ledger as the issuing formation is still the holder of the stores in question. For reconciling the ledger and bin card balances, the nominal transactions are ignored. The correctness of the nominal transaction will be verified from the Loan Register maintained by the factory. The Loan Register is verified in the local audit.

Authority Para 489 & 490 of OM Part VI

- 8.(c) SFC = Statement of Sectional Fixed Charges
SVC = Statement of Sectional Variable Charges

PAPER-VII - MODEL ANSWERS

भाग-I (वित्तीय प्रबंधन) Section-I (Financial Management)

1.	<p>(a) What is the Rule of 72? Calculate how much time it will take to double an amount at the interest rate of 12% using this formula?</p> <p style="text-align: right;">(5Marks)</p>
	<p>Ans. Rule of 72: According to this rule of thumb, the doubling period is obtained by dividing 72 by the rate of interest. So if the Interest rate is 12%, the doubling period will be $72/12=6$ years.</p> <p style="text-align: center;">(Auth: Chapter 6 of financial management by Prasanna Chandra)</p>
	<p>(b) What is the formula for Rule of 69? Using this formula calculate how much time it will take to double the amount when the interest rate is 10%?</p> <p style="text-align: right;">(5 Marks)</p>
	<p>Ans. More accurate rule of thumb for doubling period is Rule of 69. The formula of this is :- $0.35+69/\text{Interest rate}$.</p> <p>So if interest rate is 10% then doubling period will be $0.35+69/10 =7.25$ Years.</p> <p style="text-align: center;">(Auth: Chapter 6 of financial management by Prasanna Chandra)</p>
2.	<p>(a) As a general rule a cheque shall not be issued for a sum less than rupees ten. Give any two exceptions to this Rule.</p> <p style="text-align: right;">(5 Marks)</p>
	<p>Ans. Exceptions are:</p> <ul style="list-style-type: none"> (i) Cheques of the Defence Department drawn for payment elsewhere than at that station where the drawing officer himself is located, may be drawn for a sum not less than one rupee. (ii) Cheques for sums of one rupee and upwards for payment of stores bills at headquarters and elsewhere may be drawn by officers specially authorized by the Government. (iii) The Customs Collectorate is authorized to issue cheques in favour of the Post Office for sums less than Rs.10 for remittance by Money Order of refunds arising out of reassessment of customs duty on Postal parcels. (iv) The Income Tax Department is authorized to issue cheques in favour of the Post Office for sum less than Rs. 10 for remittance by Money Order of refunds of income tax and surcharge. (v) The Central Excise Collectorate is authorized to issue cheque for a. sums less than Rs. 10 for making refund of the Union Excise Duty. <p style="text-align: center;">(Auth:Central treasury rule Part-V Section –I Para-160)</p>

	(b)	Up to which date will a cheque issued in the month of January will be Payable as per Treasury Rules?
	Ans.	Cheques shall be payable at any time within three months after the month of issue; thus a cheque bearing any date in January is payable at any time up to 30 April. (Auth:Central treasury rule Part-V Section –I Para-162).
	(c)	How does payment to persons not in Government employment need to be processed as per Treasury Rules?
	Ans.	When a person not in government employ claims payment for work done, services rendered or articles supplied, the Treasury Officer shall, subject as provided in Rule 133, require the submission of the claim by the Head of the Department or other responsible Government officer concerned. (Auth: Central treasury rule Part-V Section –I Para-187)
3.	(a)	Please mention three type of procurement from GeM portal, along with the monetary ceiling to each of them?
	Ans.	The GeM portal shall be utilized by the Government buyers for direct on-line purchases as under:- (i) Up to Rs.25,000/- through any of the available suppliers on the GeM, meeting the requisite quality, specification and delivery period. (ii) Above Rs.25,000/- and up to Rs.5,00,000/- through the GeM Seller having lowest price amongst the available sellers, of at least three different manufacturers, on GeM, meeting the requisite quality, specification and delivery period. The tools for online bidding and online reverse auction available on GeM can be used by the Buyer if decided by the competent authority. (iii) Above Rs. 5,00,000/- through the supplier having lowest price meeting the requisite quality, specification and delivery period after mandatorily obtaining bids, using online bidding or reverse auction tool provided on GeM. (Auth: GFR Rule 149)
	(b)	As per GFR under which two conditions (Law) shall a bidder who has been convicted of an offence be debarred from bidding and what will be the maximum period of debarment?
	Ans.	A bidder shall be debarred if he has been convicted of an offence – (a) Under the Prevention of Corruption Act, 1988; or (b) The Indian Penal Code or any other law for the time being in force ,for causing any loss of life or property or causing a threat to public health as part of execution of a public procurement contract. A bidder debarred under sub-section (i) or any successor of the bidder shall not be eligible to participate in a procurement process of any procuring entity for a period not exceeding three years commencing from the date of debarment. (Auth: GFR-Para151)

4.	(a)	As per GFR, ordinarily advance Payments can not be made for services rendered or supplies made. What are the exceptions to this rule?
	Ans.	It may become necessary to make advance payments for example in the following types of cases: - (i) Advance payment demanded by firms holding maintenance contracts for servicing of Air-conditioners, computers, other costly equipment, etc. (ii) Advance payment demanded by firms against fabrication contracts, turn-Key contracts etc. (Auth: GFR Rule-172(1))
	(b)	What is the full form of QCBS? For which type of procurement can it be used as per Rules under GFR?
	Ans.	"Quality and Cost based selection "QCBS may be used for procurement of consultancy services, where quality of the consultancy is of prime concern. (Auth: GFR Rule- 192)
5.	(a)	Please enumerate four facilities extended by the Government to MSME firms under Government store purchase programs?
	Ans.	Government of India has been extending various facilities as given below to these MSMEs registered with NSIC under its Single Point Registration Scheme: (a) Issue of Tender Sets free of cost; (b) Exemption from payment of Earnest Money; (c) Waiver of Security Deposit up to the monetary limit for which the unit is registered (d) Price Preference up to 15% over the quotation of large-scale units (Auth: DPM -2009 Para2.5.2)
	(b)	What action should be taken If an unregistered firm claims compliance under LTE tendering?
	Ans.	In the case of LTE, some unregistered firms may nevertheless submit unsolicited bids. In such cases action may be taken as follows: (a) If it is a two-bid tender, the technical bid of the firm may be opened and evaluated, where procurement does not involve any trials. If the firm is found to be technically compliant, capacity verification of the vendor need to be done before opening of commercial bid, provided it does not entail any delay in procurement, defeating the very purpose of procurement. (b) If the firm is not found to be technically compliant, further cognizance of the tender need not be taken and the firm advised accordingly, with the advice to apply separately for registration. In a single bid tender, the tender may be considered if it does not involve any trials or does not result in delay in procurement. (Auth: DPM -2009 Para-4.3.5)

6.	(a)	Name three situations which would imply lack of competition as per DPM - 2009. (5 Marks)
	Ans.	<p>The following situations would imply lack of competition:</p> <ul style="list-style-type: none">(a) The number of acceptable offers is less than two.(b) Ring prices have been quoted by all tenderers (Cartel formation).(c) The product of only one manufacturer has been offered by all the tenderers irrespective of the number of quotations.(d) Store under purchase is chronically in short supply against which the number of acceptable offers never exceeds two. <p>(Auth: DPM-2009 Para-4.14.1)</p>
	(b)	What happens if the L1 vendor withdraws his offer after opening of Bids? As per DPM-2009 what action should be taken against such vendor? (5 Marks)
	Ans.	<p>In case the lowest tenderer withdraws his offer, 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.</p> <p>(Auth: DPM-2009 Para 4.16.2)</p>

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

1.	(a)	Can the fund provided for voted expenditure be appropriated to meet charged expenditure? (Auth: Rule-10(2) of DFPR)
	Ans.	No.
	(b)	Can the funds from other heads be diverted to augment travel expenses with the advice of financial adviser? (2.5 Marks) (Auth: Rule-10GOI Decisions 3A of DFPR)
	Ans.	No. (Auth: Rule-10GOI Decisions 3A of DFPR)
	(c)	Can the departments of the Central Government create the post of officer on special duty, if yes what are the conditions? (5 Marks) Ans. Yes. The Conditions are: 1) Department can create a post of OSD If the post can be equated to an existing sanctioned post having similar duties and responsibility. 2) However, if the post of officer is to be created on special scale, approval of Ministry of finance would be necessary. (Auth:Rule 11 GOI Decision(1) of DFPR)
2.	(a)	What is CBRP? Can the powers given in DFPDS schedules be utilized for this, If yes what is the upper ceiling of power for CBRP cases? (5 Marks) Ans. CBRP is "Capital Booking Revenue Procedure" Mechanism. Yes, powers given in these schedules may be used for processing all CBRP cases. However, there will be an upper ceiling of Rs.150 Cr. on CBRP cases. (Auth: Para 3.2 of Guidelines Given in DFPDS 2016)
	(b)	What are the three aspects of procurement which are covered under procurement power given in DFPDS2016? (5 Marks) Ans. The procurement Powers covers powers to accord Acceptance of necessity Expenditure Angle sanction Post Contract Management Decisions (Auth: Para 3.3 of Guidelines Given in DFPDS 2016)

3.	(a)	What are the four conditions that need to be satisfied for treating an Agreement as a contract, and make it enforceable? (5 Marks)								
	Ans.	<p>An agreement is a contract enforceable by law when the following are satisfied. A defect affecting any of these renders a contract un-enforceable.</p> <ul style="list-style-type: none"> (a) Competency of the parties (b) Freedom of consent of both parties (c) Lawfulness of consideration (d) Lawfulness of object <p style="text-align: center;">(Auth: DPM para 6.2.4)</p>								
	(b)	What are the conditions under which a letter of acceptance of contract can be withdrawn by the purchaser? (5 Marks)								
	Ans.	<p>An acceptance can be withdrawn before such acceptance comes to the knowledge of the tenderer. A telegraphic revocation of acceptance, which reaches the tenderer before the letter of acceptance, will be a valid revocation.</p> <p style="text-align: center;">(Auth: DPM Para 6.8.2)</p>								
4.	(a)	What is ERV? In which type of contract it can be included? Is it payable if DP is refixed/ extended? (5 Marks)								
	Ans.	<p>"Exchange Rate variation"</p> <p>This clause is only to be included in the contracts concluded with Defence PSUs, in case the delivery period exceeds one year from the date of contract which involves import content (foreign exchange). In case DP is re-fixed / extended, ERV will not be admissible, if this is due to default of the supplier.</p> <p style="text-align: center;">(Auth: DPM Para 7.6.1)</p>								
	(b)	Name three private sector banks authorized to carry out government transactions? (5 Marks)								
	Ans.	<p>At present, ICICI Bank Ltd., Axis Bank Ltd. and HDFC Bank Ltd. are the three private sector banks authorized to carry out government transactions.</p> <p style="text-align: center;">(Auth: DPM Para 7.7.1)</p>								
5.	(a)	<p>Kindly give minimum two difference between following: -</p> <p>(a) EMD and PBG</p> <p style="text-align: right;">(5 Marks)</p>								
	Ans.	<table border="1"> <thead> <tr> <th style="text-align: center;">EMD</th> <th style="text-align: center;">PBG</th> </tr> </thead> <tbody> <tr> <td>Earnest Money Deposit</td> <td>Performance bank Guaranty</td> </tr> <tr> <td>2-5% of contract value</td> <td>10% of SO Value</td> </tr> <tr> <td>Submitted along with the Bid</td> <td>Submitted by L-1 vendor after finalization of Bid Process.</td> </tr> </tbody> </table> <p style="text-align: center;">(Auth: DPM Para 7.7.1 for PBG and Para 4.7.2 for Earnest Money)</p>	EMD	PBG	Earnest Money Deposit	Performance bank Guaranty	2-5% of contract value	10% of SO Value	Submitted along with the Bid	Submitted by L-1 vendor after finalization of Bid Process.
EMD	PBG									
Earnest Money Deposit	Performance bank Guaranty									
2-5% of contract value	10% of SO Value									
Submitted along with the Bid	Submitted by L-1 vendor after finalization of Bid Process.									

	(b)	Repeat order and option clause. (5 Marks)						
Ans.		<table border="1"><thead><tr><th>Option Clause</th><th>Repeat Order</th></tr></thead><tbody><tr><td>Can be operated before Expiry of DP</td><td>After Expiry of DP</td></tr><tr><td>No choice of vendor</td><td>Vendor may agree or disagree with the Repeat order</td></tr></tbody></table> <p>(Auth: DPM Para 7.13)</p>	Option Clause	Repeat Order	Can be operated before Expiry of DP	After Expiry of DP	No choice of vendor	Vendor may agree or disagree with the Repeat order
Option Clause	Repeat Order							
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भाग-III (विधि के तत्व) SECTION-III (ELEMENTS OF LAW)

1.	(a)	What are the four important areas covered under comprehensive audit done by the CAG for Public Sector Enterprises? (5 Marks)
	Ans.	<p>Important Areas Covered by Comprehensive audit are: -</p> <ul style="list-style-type: none"> 1) Investment Decisions 2) Project formulation and management. 3) Delegation of powers and MIS 4) Capacity Utilisation 5) Plant and machinery 6) Use of material <p>(Auth: Chapter 31 Para 31.11 of Introduction to Indian Govt. Accounts and Audit)</p>
	(b)	When was the system of comprehensive appraisal of companies of the Union Government through audit board introduced and what is the basic Composition of the audit board.(5 Marks)
	Ans.	<p>The system of comprehensive appraisal of companies of the Union Government through audit board was introduced in April 1969.</p> <p>The basic Composition of the audit board, is Chairman and four other members of the audit Board for each enterprise. Two of the members are officers of the IAAS and two part time members are appointed by the administrative ministry responsible for the enterprise.</p> <p>(Auth: Chapter 31 Para 31.11 of Introduction to Indian Govt. Accounts and Audit)</p>
2.	(a)	Please mention the date from which the sale of goods act has been made effective? (2.5 Marks)
	Ans.	<p>Sale of Goods act has come into force on the 1st day of July, 1930.</p> <p>(Auth: Chapter-I, section -1 of Sale of Goods Act 1930)</p>
	(b)	What is the meaning of delivery as per the sale of goods act 1930? (2.5 Marks)
	Ans.	<p>"Delivery" means voluntary transfer of possession from one person to another.</p> <p>(Auth: Chapter-I, section -1 of Sale of Goods Act 1930)</p>

(c)	Mention two condition implied in case of contract for sale by sample? (5 Marks)	
Ans.	<p>In the case of a contract for sale by sample there is an implied condition -</p> <ul style="list-style-type: none"> (a) That the bulk shall correspond with the sample in quality. (b) That the shall have a reasonable opportunity of comparing the bulk with the sample. <p>(Auth: Chapter-II, Section-17 Sale of Goods Act 1930)</p>	
3.	<p>Please answer true or false: -</p> <ul style="list-style-type: none"> (a) A bill cannot originate in the Council of state. (b) A bill pending in the Council of state which has not been passed by the House of the people shall not lapse on dissolution of the House of the People. (c) A bill which is pending in the House of people or which have been passed by the House of people and is pending in the Council of state shall lapse on dissolution of the House of the people. (d) Estimates related to expenditure charged upon the Consolidated Fund of India shall not be discussed in either House of Parliament. 	
Ans.		(4 x 2.5 Marks)
	<ul style="list-style-type: none"> a) FALSE (Auth: Article 107(1) of Constitution) b) True (Auth: Article 107(4) of Constitution) c) True (Auth: Article 107(5) of Constitution) d) FALSE (Auth: Article 113(1) of Constitution) 	
4.	(a)	<p>Under which article of the constitution is the Contingency Fund of India is established and under whose disposal it is kept?</p> <p>(5 Marks)</p>

	Ans.	Article 267 of Constitution authorizes creation of Contingency fund of India. This Fund is placed at the disposal of the President. (Auth: Article 267 of constitution)
	(b)	What is the difference between salaries, pensions payable to persons serving under CAG and other Central Government services as far as the Consolidated Fund of India is concerned? (5 Marks)
	Ans.	Salaries of CAG and officers serving under him shall be charged upon consolidated fund of India. However, salaries of other services are voted in the parliament (Auth: Article 148 of the constitution)
5.	(a)	What is the full form of UNCITRAL which is a specialized commission under United Nation created by the General Assembly for Arbitration. (2.5 Marks)
	Ans.	"United Nations Commission on International trade Law" (Auth: Preamble to The Arbitration and Conciliation Act)
	(b)	In which year did the UNCITRAL conciliation rules come in to effect? (2.5 Marks)
	Ans.	In 1980 UNCITRAL Conciliation rules came into force. (Auth: Section-1 of The Arbitration and Conciliation act,1996)
	(c)	What are the recommendations of the General Assembly in its resolution No.40/72 of 11th December 1985. (5 Marks)
	Ans.	General Assembly recommended that all states give due consideration to model UNCITRAL Model law, in view of the desirability of uniformity of the law of arbitral procedures and the specific need of the international arbitration practice. (Auth: Section-1 of The Arbitration and Conciliation act,1996)

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DEFENCE ACCOUNTS DEPARTMENT
SAS EXAMINATION- PART II, NOVEMBER 2020
PAPER VIII-THEORY (WITHOUT BOOKS)
SUBJECT: OFFICE COMMUNICATION
MODEL ANSWERS

Ans. Q No.1:

Title: 'Review of effectiveness of Defence Pension Disbursement System' or 'Study for improving the effectiveness of Defence Pension Disbursement System'.

Summary of Points:

- During the review of Defence Pension Disbursement System based on the four pillars viz Record Office, PSAs, PDAs and RBI certain deficiencies were seen.
- Key findings included incomplete accounting of pension expenditure, inefficiencies in the pension authorization process and deficiencies in the pension disbursement system.
- Based on the key findings certain recommendations were also made to improve the functioning.
- Important internal control weaknesses and deficiencies in Record Office, PCDA (P) and RBI were also discussed in details.

Precis:

To ascertain the efficiency and effectiveness of the Pension Disbursement System including the budgeting, accounting and internal controls that existed in the four pillars of the defence pension system *viz.*, the Record Offices, the Pension Sanctioning Authorities (PSAs), the Pension Disbursement Agencies (PDAs) and the Reserve Bank of India (RBI), a review was undertaken. Key findings showed the following deficiencies in the system:

- (a) A substantial amount of expenditure of pension head was lying in RBI suspense head due to non-submission of Pension Payment Scrolls by the banks to PCDA (P) leading to incorrect depiction of pension accounts.
- (b) The lack of integration of Record Offices, the PSAs and PDAs resulted in errors in pension payments.

(c) The transmission errors as well as other mistakes in the banks leading to numerous cases of underpayments and overpayments. On test check for one month it was noticed that 21,434 pensioners were under-paid, 11973 pensioners were over paid and there were several cases of double payments. There were instances of delays in recovery by PDAs, errors in date of birth, bank accounts etc and non-deduction of Income Tax at source. There were lack of validation checks and missing information in Aasharaya software used by DPDOs.

2. Some of the key recommendations were made during the review. Some of the key recommendations were:

- (a) RBI may be asked to make reimbursement to the banks on proof of submission of the payment scroll to the PCDA (P).
- (b) Existing monitoring system for timely authorization of the pension should be strengthened and simplified to make the process less cumbersome and less time consuming.
- (c) PPOs should be sent by the PSAs directly to the PDAs, in electronic form.
- (d) The three pillars-Record Offices, PSAs, and PDAs- should be connected online.
- (e) PCDA (P) should implement comprehensive e-audit of the scrolls.
- (f) PAN number should be captured at the Record Offices and transmitted to the PDAs to facilitate TDS.
- (g) Provide the pensioners a hassle-free method of submitting life certificates to the PDAs, through Aadhaar number.

3. Based on the findings of audit some important control weaknesses at Record Office, PCDA (P) and RBI were identified that needs to be addressed to make the system more robust, efficient and effective.

- (a) It was observed that Record Offices were deficient in controls leading to delays in processing of pension claims at different stages. There appeared to be a need to review the existing arrangement to ensure that the Record Offices possess updated information when the pension cases are due to be taken up.

- (b) Several control deficiencies were also noticed in the functioning of PCDA(P). A discrepancy in the number of pensioners was noticed between the figures of MoD statement presented in Lok Sabha in February 2017 and that of consolidation of pensioners' data obtained from all the CPPCs of banks and other Pension Disbursing Agencies during March 2016. There appeared to be a need of only one source of the pensioners' information, e.g., the Record Offices and for strong controls to ensure that the PDAs send their payment scrolls immediately after making the disbursements; and for comprehensive audit of the information in the scrolls received in PCDA (P)'s office.
- (c) Hence, there appeared to be need of controlling the deficiencies in expenditure accounting by the PCDA (P) by booking expenditure on pension in the correct head.
- (d) There was a decreasing trend in the coverage of internal audit of pension accounts attributed to shortage of manpower. In-house development of e-audit software was conceptualized in September 2014 for audit of pension payment through e-scrolls, however, the same was not implemented as yet. There appeared to be a need of priority implementation of this important control measure.
- (e) It was seen that due to delinking of the submission of scrolls from the claims of reimbursement from the banks by the SBI, after the introduction of the Single Window system in 2007, the control over the expenditure on account of pension has weakened. Some of the discrepancies such as wrong reimbursement to agency banks and difference in amount reimbursed by the RBI and amount paid to the Defence Pensioners were noticed.

Ans. Q No.2-

BEFORE THE CENTRAL ADMINISTRATIVE TRIBUNAL, CHANDIGARH

COUNTER AFFIDAVIT

(On behalf of the Respondents)

in

OA. No. XXX of 2018

IN THE MATTER OF:

SHRI X APPLICANT

VERSUS

UNION OF INDIA & OTHERS RESPONDENTS

Affidavit of Shri AAA, IDAS, aged about yrs, son of Shri BBB.

I, the above named deponent, do hereby solemnly affirm and respectfully state as follows:

1- That the deponent is presently working as a Dy. Controller of Defence Accounts in the office of the Principal CDA (ABC Command), Place XYZ, and is well acquainted with the facts of this case and is competent to file the present affidavit on behalf of the respondents.

REPLY ON MERITS:

2. The Applicant has been working in the office of Principal Controller of Defence Accounts (ABC Command), since 2000. The Applicant has been posted in the stores section entrusted with the work of scrutiny and verification of specimen signatures of the officers forwarding the bills, inspection notes and CRVs, tax details etc. before passing such bills.

3. During test check of passed bills, it was found that the Applicant had passed some forged bills without exercising prescribed audit checks. The lapses on the part of the Applicant have been established during enquiry by a Board of Officers.

4. The contention of the Applicant that, he was directed by his superior officers to process the bills is not tenable as the same could not be established by the applicant during the enquiry. Further, there are laid down procedures which ought to be followed by the applicant before passing the bills, which the Applicant failed to do so.

5. The Applicant has been placed under suspension for showing negligence in discharging

his official duties after following the laid down procedure as per Central Civil Services (Classification Control and Appeal) Rules. The OA, therefore, deserves dismissal on above grounds.

PRAAYER:

6. In view of the aforesaid facts and submission, the OA is devoid of merit and is based on untenable grounds and hence is liable to be dismissed with cost. It is prayed accordingly.

RESPONDENT

THROUGH

(GOVT COUNSEL)

Station XYZ

Dated, 2018

VERIFICATION:

Verification at Place XYZ on this day of..... 2018 that the contents of the paragraph 1 to 5 are true and correct to the best of my knowledge and the remaining is believe to be correct as per legal advice received.

RESPONDENT

Ans. Q.No.3-

Important Circular

No. E/I/732/GEN
Office of the CDA Chennai
Chennai

Dated:

All Chief Engineers,
All Command Works Engineers
All Garrison Engineers.

Sub: Audit of Deviation orders and Recovery of compensation on account of delay in completion of contracts in respect of works services.

xxxx

During scrutiny of Deviation Orders in respect of MES contracts it has been noticed in general that the provisions stated in the General conditions of contract are not being complied with. In order to streamline the procedure the following points are brought to your kind attention for dissemination and ensuring compliance:

2. In order to effectively audit the Deviation orders the following documents may be submitted in duplicate to Aoge for his preliminary scrutiny and forwarding one copy of the same to this office along with Deviation order.
 - (a) Copy of Approval in principle accorded by the Accepting officer.
 - (b) Copy of the market rates quotations/ AEs of relevant contract stated in support in respect of the star rates mentioned in the Deviation orders as required vide para 439 of RMES.
 - (c) Copy of Notice required to be issued by the Contractor as per Condition No. 114 of General Conditions of contract (GCC) IAFW-2249 along with supporting documents in proof of the circumstances with reference to which the time extensions are sought by the Contractor.
 - (d) In all cases of DOs issued for time extensions after the PDC, copy of notice of compensation required to be issued by MES to the Contractor under condition 50 of GCC, as is mandatorily required under Para 17.2.9 of MES Manual of Contracts.

3. In case the contractor has not been issued the Deviation order for time extension before the expiry of the PDC for the contract as a whole or for the phase, it is mandatory for the GE to

issue notice of compensation under condition 50 of GCC and as per para 17.2.9 of MES Manual of contracts. Consequently, it is mandatory to recover compensation due as per the notice issued under condition 50 of IAFW- 2249 in the next RAR presented for payment or in the Final bill.

4. Specific reasons for granting time extensions need to be intimated and the same must be justified with reference the notice to be given by the Contractor under 11A of GCC and its supporting documents in proof. In this connection it is stated that whenever time extension is granted under para 11A of General Conditions of Contract, the Accepting Officer must ensure that the specific justification for granting extension falls within the circumstances listed in paras 11A of GCC.

5. It must be noted that time extensions can be sought by the Contractor only if a proper notice is served on MES under Condition 11A within 30 days of the happening of the event which necessitates time extension. If such a notice is not served, the Contractor is not entitled to seek time extensions.

6. As per para 17.2.6.1 of MES Manual of contracts where time extensions granted are over 25% of original PDC, the case must be referred to the next higher authority for orders.

This issues with the approval of CDA.

Please acknowledge receipt.

Sd/-
Dy.CDA

Copy to:
All AOs GE

Ans. Q No.4-:

Registered/Immediate

Circular

No.PCA/Fys/Accts-I/2019

Office of the PCA (Fys)

Kolkata.

Dated: 12 December, 2019

To

All Controllers of Accounts (Fys) (By Name)

Sub: Compilation of expenditure against authorization for payment in respect of Foreign Contracts and clearance of suspense head 76/020/83.

A scrutiny of the Annual Review of Balances for the year 2018-19 has revealed that a huge sum of Rs.95,32,82,257/- is lying as outstanding balance under RBI Suspense Head 76/020/83. This clearly indicates that the procedure laid down by the HQrs Office vide their letter No.A/III/12159/92-93 dated 14.7.1995 for relieving the suspense head is not being followed strictly. In order, therefore, to ensure compliance of the laid down procedure, the following guidelines are being laid down for strict compliance by all concerned:

- (i) The Audit Sections will not at all operate the code head 76/021/00 (RBI Deposit). This code head will be operated/used only by the Account Section of the Main Office while accepting the Debit received from Focal Point Branch/Banches of the RBI through daily Debit Scroll based on the amount paid by SBI/RBI against Direct Bank Transfer or out of letter of credit by giving contra Minus receipt to code head 76/020/83 for clearing the amount booked by Audit Sections.
- (ii) In cases involving authorization of Direct Bank Transfer, Audit Sections will prepare the punching medium simultaneously with the issue of letter to SBI based on the amount authorized in Rupees and noted on the U.O. Note. Further adjustments on account of extra expenditure due to variation in the Exchange Rate, Bank commission etc. will be carried out by the Audit Sections on receipt of debit advice indicating clearly in the narration of punching medium the amount of advice already adjusted and the balance now adjusted.

(iii) Where Letter of credit are to be opened, no adjustment is to be made at that time. However, punching medium will be prepared by the Audit Sections on receipt of Debit advice on each occasion e.g. on account of charges for LC opening, various invoice payments, etc.

A copy of instructions issued vide HQrs office letter No.A/III/12159/92-93 of 14.7.1995 is enclosed for ready reference. The punching media should be prepared in the same manner as illustrated in the circular.

A feedback of all outstanding LCs/Direct Bank Transfer, which are yet to be adjusted to final head of account and the action plan in this regard may please be sent by name to the undersigned within 15 days of issue of this letter. This may please be accorded top priority.

PCA has been consulted.

(XYZ)

GO (A/Cs)

Ans. Q No.5-:

Principal Controller of Defence Accounts (ABC Command)

XXXXX

No:.....

Date

ORDER

Late Shri XYZ was employed as Sr. Auditor in this Organization. He died in harness on 02.11.2018 while in service. The son of the deceased, Shri ABC had requested in his application dated 31.12.2018 for appointment on compassionate ground in the Department.

His request vide application dated 30.4.2-16 for appointment on compassionate ground was considered by the Competent Authority with reference to the opinion of the Board of Officers and the Govt. Orders on the subject.

The objective of granting compassionate appointment to a dependent family member of a Govt. servant, who dies in harness, leaving his family without any means of livelihood, is to relieve the family of the Govt. servant concerned from financial destitution and penury immediately after the death. However, it is noticed that the widow is receiving the family pension of Rs.22,175 (normal rate)/ Rs.36,958 (Enhanced Rate) + DA thereon per month. She also received a sum of Rs.35,00,200/- as terminal benefits after the death of the government servant.

It is to note that the compassionate appointment is made on the availability of vacancy being available within a ceiling of 5% vacancies meant for the purpose. In the light of the above, the request of ShriABC for compassionate appointment in this Department was considered by the Board of Officers with due sympathy but rejected being a non-deserving one.

The undersigned has carefully considered the matter in compliance to the judgment delivered on O.A. No.Nil/2019. In view of the position brought out above the undersigned finds no reason to interfere with the decision already conveyed to him. Hence his request for appointment on compassionate ground cannot be acceded to.

-sd-

Principal Controller of Defence Accounts

Ans. Q. No.6-:

Important Circular

No. 1234/IA Cell/99
Office of the PCDA
BBCCDD
Dated May 2019

To

All LAOs/ RAOs

Subject: Strengthening Internal Audit

A review of the outstanding Internal Audit objections carried out in the Main Office reveals that as per the AAC 2017-18, 25125 objections with oldest date of 1980-81, are outstanding. Out of these objections, 25% related to non-maintenance/ improper maintenance of record, another 10% related to minor over-drawl of rations and about 5% were in the nature of opinion/ advice. It was also observed that a total of 06 cases of MFAI and 03 IAR point only had been reported by the organization during the last year.

2. In view of the large number of outstanding objections of which about 40% relate to minor issues and opinion/ advice, it is requested that immediate action may be taken to review the outstanding audit objections in your jurisdiction and to consider for settlement the objections of the nature of non-maintenance/ improper maintenance of record, minor over drawl of rations and opinion/ advice.

3. In addition, effort may be made to focus on areas like non-utilization of assets and misappropriation of Government Revenues. Audit objections in these areas may be developed into points for the MFAI report and IAR.

4. It may be noted that contribution of cases for MFAI Report/ IAR shall be an important parameter for assessing the performance of the LAOs/ RAOs.

5. This issues with the approval of PCDA.

(Smt EFGH)
GO (IA)

MODEL ANSWERS
PAPER-IX (THEORY)

SUBJECT: FUNDAMENTALS OF ELECTRONIC DATA PROCESSING

Q.1	Choose the correct answers in the following :-	(1 X 10 Marks)
i)	A step by step procedure used to solve a problem is called a) Operating system b) Algorithm c) Application Program d) None of the above	
Ans:	b	
ii)	A smaller version of an image is called a a) Clipart b) Bitmap c) Thumbnail d) Portable network graphic	
Ans:	c	
iii)	A computer virus normally attaches itself to another computer program known as a) Target Programme b) Host Programme c) Backdoor Programme d) Trojan Horse	
Ans:	d	
iv)	An unsolicited e-mail message sent to many recipients at once is a _____. a) Worm b) Virus c) Threat d) Spam	
Ans:	d	
v)	When a computer is booting, BIOS is loaded to the memory by a) RAM b) ROM c) CD-ROM d) TCP	
Ans:	b	

vi)	Which of the following is not a version of the Android mobile operating system? a) Cupcake b) Dairy - Milk c) Éclair d) Froyo
Ans:	b
vii)	Which of the following is interactive media? a) A radio broadcast b) A talk show on TV c) A newspaper d) A computer game
Ans:	d
viii)	What is the meaning of bandwidth in a network? a) Transmission capacity of a communication channel b) Connected computers in a network c) Class of IP used in Network d) Interconnected by communication channels
Ans:	a
ix)	Which of the following is a social network? a) Amazon b) eBay c) Gmail d) Twitter
Ans:	d
x)	.com in a web address stand for? a) Commodity b) Community c) Computer d) Commercial
Ans:	d
Q.2	Explain the following in brief : (2.5 X 4 Marks)
i)	Relational Database
Ans:	Relational Database: A Relational Database is able to store and manipulate data across multiple tables. A relational database is a set of formally described tables from which

	<p>data can be accessed or reassembled in many different ways without having to reorganize the database tables. The standard user and application programming interface (API) of a relational database is the Structured Query Language (SQL). A software system used to maintain <i>relational databases</i> is a <i>relational database management system</i> (RDBMS).</p>
ii)	Digital Signature
Ans:	A Digital signature is a code which is attached to an email to uniquely identify the sender. <i>Digital signatures</i> , a type of e-Signature based on PKI standards, allow users to sign documents in compliance with country/industry-specific regulations. A <i>digital signature</i> is basically a way to ensure that <i>an electronic document</i> (e-mail, spreadsheet, text file, etc.) is authentic. Authentic means that you know who created the document and you know that it has not been altered in any way since that person created it.
iii)	URL
Ans:	URLs: The address of a Web site is given but something called its URL (Uniform resource Locator). A Uniform Resource Locator (URL) , colloquially termed a web address , is a reference to a web resource that specifies its location on a computer network and a mechanism for retrieving it. It is defined as the global address of documents and other resources on the World Wide Web.
iv)	Firewall
Ans:	A firewall is a system that secures our network from access by unauthorized users and a firewall consists of software & hardware protection against invasion via the Internet. In computing, a firewall is a network security system that monitors and controls incoming and outgoing network traffic based on predetermined security rules. A firewall typically establishes a barrier between a trusted internal network and untrusted external network, such as the Internet.
Q.3	<p>Mention four different types of printers used in offices. Suggest some steps which can result in controlling and reducing unwarranted printing of documents in our offices. (4 + 6 Marks)</p>
Ans:	<p>Two types of Printers</p> <p>a) Impact printers - Dot-Matrix Printers, Daisy-wheel printers, Line printers, Drum printer, Chain printers, Band printers</p> <p>b) Non-impact printers - Ink-jet printers and Laser printers</p> <p>Printers used in our offices: Line printers, Dot-Matrix Printers, Ink-jet printers and Laser printers</p> <p>Suggest some steps which can result in controlling and reducing unwarranted printing of documents in our offices.</p> <ol style="list-style-type: none"> 1. Double page printing 2. Usage of waste papers for draft printing 3. Raising awareness 4. Making Paperless office and use of e-governance project

	5. Restricting printing to various employees or departments 6. Reducing unwarranted colour printing 8. Taking advantage of bulk purchase agreements from vendors.	
Q.4	a)What are the definitions for freeware and shareware?	(4 Marks)
Ans:	Freeware: This is software which can be copied or downloaded for free. It is often fully functional. <i>Freeware</i> is software, most often proprietary, that is distributed at no monetary cost to the end user. There is no agreed-upon set of rights, license, or EULA that defines <i>freeware</i> unambiguously; every publisher defines its own rules for the <i>freeware</i> it offers. Example-UNIX, LINUX Shareware: This is where we can use software for a free trial period and after that we have to pay for it. Shareware is software that you can use on a trial basis before paying for it. Unlike freeware, shareware often has limited functionality or may only be used for a limited time before requiring payment and registration. Once you pay for a shareware program, the program is fully functional and the time limit is removed.	
b)	What Is Clipboard?	(3 Marks)
Ans:	A temporary storage location in Windows. The clipboard is a buffer that some operating systems provide for short-term storage and transfer within and between application programs. The clipboard is usually temporary and unnamed, and its contents reside in the computer's RAM. The clipboard is sometimes called the paste buffer. An operating system that supports a clipboard provides an application programming interface by which programs can specify cut, copy and paste operations. The clipboard will store one piece of information at a time when it is manually added to the clipboard or is copied there.	
c)	What does client/server mean?	(3 Marks)
Ans:	These terms relates to the type of network where resources are kept centrally on the server and used locally by the client. Client–server model is a distributed application structure that partitions tasks or workloads between the providers of a resource or service, called servers, and service requesters, called clients. Often clients and servers communicate over a computer network on separate hardware, but both client and server may reside in the same system. A server host runs one or more server programs, which share their resources with clients. A client does not share any of its resources, but it requests content or service from a server. Clients therefore initiate communication sessions with servers, which await incoming requests. Examples of computer applications that use the client–server model are Email, network printing, and the World Wide Web.	
Q.5	(a) What is the difference between Save and Save As?	(3 Marks)
Ans:	Use SAVE when you are revising an existing document. Use SAVE AS when you are creating a new document from scratch or an existing document. This will keep the original document untouched in its original format and create a new document with a new name.	

(b)	What is difference between operating system software and application software? (4 Marks)
Ans:	Operating system is system software, which loads automatically when we start our computer. It manages computer hardware resources and provides common services for computer programs. On the other hand, Application software is the type of program which we use once the operating system has been loaded. They are specific to a particular task. For example, MS Excel - for doing accounts and working with numbers.
(c)	Name three types of ports available in a computer. What these ports are used for? (3 Marks)
Ans:	<p>1. USB Port : The Universal Serial Bus (USB) is a USB socket located at the back of the system which enables us to connect items to the computer, such as a printers, scanners, digital cameras and flash drives.</p> <p>2. Serial Port : The serial port is a socket located at the back of the system which enables us to connect items to the computer, such as a modem. It is commonly labelled as COM1 or COM2.</p> <p>3. Parallel Port : The parallel port is a socket located at the back of the system which enables us to connect items to the computer, such as a printer. It is commonly labelled as LPT1 or LPT2.</p> <p>4. Network Port : The network port allow us to plug a ‘network cable’ into our computer, which then lets us communicate with other computers connected to our local network or to other computers via the internet.</p> <p>5. Fire wire Port: Fire wire is an interface from Apple Inc. that allows high data transfer between our computer and a compatible device such as a digital camera.</p>
Q.6	Write short notes on the following: (2.5 X 4 Marks)
i)	Defence Travel System
Ans:	Defence Travel System is a system developed by Defence Accounts Department for providing online e-ticket booking facility for the personnel of the Defence Services and defence civilian personnel both for their rail and air journey for bonafide government duties. Tickets are booked at the unit with due approval of the Commanding officer. Entitlements are checked by the system.
ii)	Dolphin
Ans:	Dolphin is software system for use in the Pay Account Offices (Other Ranks) of the Department. The system processes data of DO Part II, received from the Record Offices in soft format online and generates monthly pay bill of the PBORs.
iii)	Tulip
Ans:	Tulip is an office automation system used in the department for processing of third party claims as well as personal claims in PCDA/CDA offices and their sub-offices.

iv)	SPARROW
Ans:	SPARROW (Smart Performance Appraisal Report Recording Online Window) is an online system for processing of Annual Performance Appraisal Reports of officers of Government of India including officers of Defence Accounts Department.
Q.7	Define the following: (2 X 5 Marks)
i)	WLAN
Ans:	A WLAN (Wireless Local Area Network) allow us to connect computers within LAN without cables.
ii)	VoIP
Ans:	Voice over Internet Protocol (VoIP): VoIP is a technology that allows us to talk with other people via the internet. A well known VoIP product supplier is Skype.
iii)	Search Engine
Ans:	A search engine holds information about pages on websites throughout the internet. It has only information about websites which have been to it, or ones that it has found out about automatically. Ex. Google, Bing, Yahoo etc
iv)	File & Folder
Ans:	Files: A file is an object on a computer that stores data, information, setting or commands that are used with a computer program. Folder: A folder is a location that stores multiple files
v)	Flow Chart
Ans:	Flowchart: As part of the process of designing a new computer program, a programmer uses the knowledge of the problem gained in the design stage to begin planning the sequence of steps that will form a programmed solution to the problem. There are a number of different ways to express the design, but one popular method is to create a flowchart , an outline of the program using a set of geometric symbols. Each of the symbols in the flowchart indicates a step in the logical sequence of the program and each indicates a program statement that must be created.
Q.8	(a) What is artificial intelligence? (5 Marks)
	<i>Artificial intelligence (AI) is the simulation of human <i>intelligence</i> processes by machines, especially computer systems. Specific applications of AI include expert systems, natural language processing (NLP), speech recognition and machine vision. The use of artificial intelligence (AI) programs gives computers the capability to learn from past events. Some AI programs are already being used to provide expert advice, control robots that learn, or to recognize objects by shape and size. Artificial intelligence programs are expected to give computers new capabilities for understanding the human voice and for interpreting a user's natural language responses to programs.</i>
(b)	What is an embedded microprocessor? (5 Marks)
	These days microprocessors can be found in many places besides microcomputers. Microprocessors are now used as control devices inside appliances like microwave

ovens and stereo systems. These *embedded microprocessors* do not use standard input and output devices because they are not intended to be used directly by humans. Instead, they are used to control the complex switching and regulating tasks used in modern appliances. In more complex devices such as automobiles and copy machines these embedded microprocessors may have a self-diagnostic function that results in the output of information that can be used by humans.

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