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MODEL ANSWER

SAS PART-II EXAMINATION

APRIL, 2008

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Defence Accounts Department
S.A.S. Examination – Part II (New Syllabus)
APRIL, 2008

PAPER V – PRACTICAL (With Books)

SUBJECT: WORKS, STORES AND INTERNAL AUDIT

Time Allowed: 3 Hours

Total Marks : 100

Notes:-

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

(2) Section-I is common to all. Each question will carry 2 parts - One part theory carrying 3 marks and the other part practical carrying 7 marks.

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

(4) Reason must be given in support of the answers. Authority must be quoted in support of the answers.

Section-I (Works Accounts)
(Common to ALL candidates)

- Q.1.** (a) What is an Administrative approval? **(3 Marks)**
- (b) Write a short note on the following:
- (i) What is reappropriation of Buildings? **(3 Marks)**
- (ii) Does preparation of fresh/supplementary AEs be necessary for Minor Works? **(3 Marks)**
- (iii) Who will dispose a building situated on Cantonment Land? **(1 Mark)**

- Ans.** (a)
 - It is the sanction of CFA to the execution of a work at a stated cost.
 - It will be conveyed by a letter specifying the source from which funds will be provided.
 - It will also state whether the work is Authorised or Special.

(Auth: Para 127 & 138 RMES)
- (b) (i) Reappropriation of Buildings:
- It means the use of Buildings/building or a portion for any purpose other than that for which it was constructed.
 - This may be temporary or permanent.
 - May be intended either for authorized or for a special purpose.
- (Auth: Para 155 RMES)**

(ii) If the cost of minor works exceeds Rs.10,000/-, the CFA can order the preparations of AEs.

(Auth: Para 143 RMES)

(iii) Director General Defence Estate - DGDE.

(Auth: Para 158 RMES)

Q.2. (a) What are the levels of Military Engineer Services for the purpose of works? (3 Marks)

(b) (i) What are Transfer Entries? (3 Marks)

(ii) Whether a Major in charge of a station can close/open a road in a Cantonment Board? (3 Marks)

(iii) Can an amount remitted by Private individuals be directed to Treasury through T.E.? Yes or no. (1 Mark)

Ans. (a) Levels of MES:
- Engineer-in-Chief
- Command Chief Engineer
- Chief Engineer Zone/Project
- CWE
- G.E
- AGE

(Auth: Para 21 RMES)

(b) (i) **Transfer Entries:**

- Intend to transfer an item of receipt/expense from the a/c of a work in progress or from one budget head, to the accounts of another work/budget head.
- Every T.E. should have an authority/an order recorded on another document.
- It should set forth clear and concise explanation of the proposed correction in the charges booked in the Construction Accounts of a work etc.

(Auth: Para 527&528 RMES)

(ii) No. The Major or any other officer is not competent to close/open a road in a Cantonment (except for repairs). GOC-in-C approval is required for this purpose.

(Auth: Para 237 RMES)

(iii) Yes.

(Auth: Para 527(e)(i) RMES)

Q.3. (a) What are the accounting ledgers of a sub-division or station? (3 Marks)

(b) (i) QMG transferred funds worth Rs.150 lakh from a Major work in progress to

another? Is it in order or not? Explain. **(3 Marks)**

(ii) A Chief Engineer established an ice making installation. Is it in order? Who is responsible for maintenance of these? **(3 Marks)**

(iii) Occupation/Vacation returns will be prepared by MES authorities on IAFZ-2170. What is the last date for completing return annually on this account? **(1 Mark)**

Ans. (a) The following are the accounting ledgers :-

- Station Register - IAFW 1811
- Station Furniture Register - IAFW 2279
- Unit Distribution Ledger - IAFW 1814
- Station Furniture Distribution Ledger - IAFW 1814

((Auth: Para 666 RMES))

(b) (i) No, it is not in order.
QMG can transfer upto Rs.5 lakhs only.
GOC-in-C can transfer upto Rs.2 lakhs only.

(Auth: Para 189 RMES)

(ii) No; Chief Engineer cannot establish ice making installation.

- Sanction of G.O.I is necessary.
- MES is responsible for operations and maintenance of authorized ice making installation.

(Auth: Para 878 & 879 RMES)

(iii) 20th April annually.

(Auth: Para 632 RMES)

Q.4. (a) What are your comments on the following:

(i) Does a Station Commander has any power to allow retention of a family accommodation at the old duty station to an officer who handed over charge?

(1 Mark)

(ii) How do you regulate retention of accommodation for officers granted leave-cum-joining time?

(2 Marks)

(b) (i) A Lt. Colonel proceeded on deputation to M/s. BEL Bangalore and wishes to continue the same accommodation from Defence Pool?

(3 Marks)

(ii) An Army officer on his transfer to a peace station was placed on attachment at the same station after he was struck off. He wishes to retain his accommodation.

(3 Marks)

(iii) Is it in order for an Army Officer who was retired from service to retain accommodation upto 1 year as ordered by Station Commander?

(1 Mark)

- Ans.** (a) (i) Yes. Upto five months
(Auth: Para 66 SAO 10.S.86)
- (ii) At normal rates till the date of completion of leave cum joining time etc.
(Auth: Para 65(b) SAO 10/S/86)
- (b) (i) The Lt. Colonel cannot continue in the same, since he is not eligible for Defence Pool accommodation. He may retain the accommodation only for ten days.
(Auth: Para 84 read with para 11 of SAO 10/S/86)
- (ii) The officer can retain family accommodation for the entire period of attachment on payment of normal rent.
(Auth: Para 65(a) SAO 10/S/86)
- (iii) Not in order. Sanction of GOI required.
(Auth: Para 76 SAO 10/S/86)

- Q.5.** (a) What are the basic functions of A.A.O. of DAD attached to Engineer Officers?
(3 Marks)
- (b) (i) How the Licence Fee Bills of Indian Army officers; IAF Officers and Navy Officers is disposed of by AAO-G.E.?
(3 Marks)
- (ii) Fill in the blanks: (1X4=4 Marks)
- (a) An AAO GE enters the payment made to contractor on debit side of
- (b) Payment from Cash Assignment/Imprest will be recorded on..... of the Cash Book daily as disbursements are made.
- (c) AAO-BSO prepares Licence Fee Bill on the basis of
- (d) For implementation of Arbitration Awards sanction of is mandatory.

- Ans.** (a) AAO GE has threefold functions:-
- As an Accountant
 - As a primary Auditor
 - As a Financial Assistant & Adviser
- (Auth: Para 22 of U.A. Manual)
- (b) (i) Licence Fee Bills:
- ◆ **Army officer** - prepared in quadruplicate on IAFW 2241. Original and duplicate sent to CDA(O); Triplicate to BSO and fourth one, retained as Office copy.
 - ◆ **IAF Officers** - prepared in five copies on IAFW 2241. Original and

duplicate copies goes to O.C.Air Force & LAO-NewDelhi. Triplicate goes to DCDA (A.F) New Delhi. Quadruplicate to BSO, Fifth one - Office copy.

- ◆ **Navy Officers** - prepared in four copies. Two copies to Supply in-charge, IN-Pay office Mumbai. One will be to CDA-Navy-Mumbai. Fourth office copy retained.

(Auth: Para 199; a,b,c of UA Manual)

(ii) a) Contractors Ledger

(Auth: Para 296 UA Manual)

b) Credit side **(Auth: Para 151 UA Manual)**

c) Occupation Returns **(Auth: Para 197 UA Manual)**

d) Charged Expenditure **(Auth: Para 138(xv) UA Manual)**

Q.6. (a) What Audit checks will be exercised on the Register of appropriations?
(3 Marks)

(b) Fill in the blanks:

(i) The original receipt vouchers and the list of credit notes for stock should be linked with the different folios of the and it should be verified that the estimated cost of stores and charges for freight have been correctly entered.
(2 Marks)

(ii) In respect of hired buildings, the amount shown in register of sanctions tallies with those in the
(2 Marks)

(iii) In case of loss of stores, the pricing of loss statements will be done with reference to
(2 Marks)

(iv) An accommodation has been occupied after the lapse of more than ten days. It should be ensured that Licence Fee has been charged from of allotment.
(1 Mark)

Ans. (a) Audit on Register of Appropriations:

- That the Register is maintained properly and updated and that the check exercised by AAO is efficient.
- Appropriations made to sub-divisions for the reserve at the disposal of G.E. do not exceed the unallotted balance as shown in the Register of Appropriations.
- The bulk allotments for petty and periodical repairs made to S.D.Os, as entered in the Reg. of Appropriations agree with the amounts noted in the Reg. of Requisitions maintained by AAO.
- The postings in the selected month are correct w.r.t the authority notes against each entry.

- No transfers for a year have been sanctioned after close of that year.
(Auth: Para 118 of MES LAM)

- (b) (i) Stock Purchase Register (Auth: Para 127 MES LAM)
(ii) Leave Agreements (Auth: Para 123 MES LAM)
(iii) Stock Book Rates (Auth: Para 162 MES LAM)
(iv) Eleventh day (Auth: Para 170(i) MES LAM)

- Q.7.** (a) What are the special instructions that are seen while auditing the lump sum contracts? (3 Marks)
- (b) (i) What will C.E./C.W.E. do with reference to contracts accepted by them? (3 Marks)
- (ii) Can G.E. conclude a contract of Rs.5.00 lakh without calling for tenders? Is his action in order? (3 Marks)
- (iii) Whether a G.E. can accept tenders containing freak rates/reject it, which otherwise was most acceptable. Yes/No. (1 Mark)

- Ans.** (a) Audit checks on the Lump Sum Contract. It will be seen that -
- i) Services for which the contract has been conducted donot come under the term contract for that area.
- ii) A certificate has been recorded on the contract agreement that contract and Schedule of Errors have been checked by the S.W. with bills of quantities.
- iii) The deviation percentage inserted in the contract is in accordance with orders issued by E-in-C.
(Auth: Para 26(ii) of OM Part VIII)

- (b) i) The original and duplicate copies of the contract agreements as well as amendments are forwarded by the Accepting Officer direct to the Regional CDA.
(Auth: Para 23 OM Part VIII)
- ii) G.E. can conclude a contract upto 10 lakhs in consultation with CDA. So Rs. 5 lakhs contract case is in order. (Auth: Para 24 xvii(a) of OM Part VIII)
- iii) Yes. G.E. can accept/reject a tender containing freak rates.
(Auth: Para 24 xvii(c) OM Part VIII)

- Q.8.** (a) What are the types of operational works? (3 Marks)
- (b) (i) A formation commander places operational Works on PWD. Is it in order? (3 Marks)
- (ii) Who renders Monthly Expenditure Returns for works executed by other constructional agencies? (3 Marks)

(iii) What is the Major Head to which all expenditure on operational Works will be debited? **(1 Mark)**

- Ans.** (a) Types of operational works:-
These are restricted to the following categories -
- i) Field of Defence
 - ii) Improvement of Air fields etc.
 - iii) Field water supply
 - iv) Ancillary buildings to tented camps and hospitals
 - v) Shelters etc.
 - vi) Construction of advance landing grounds, helipads, roads etc.

Shelters are designed to withstand enemy small arms/artillery fire.

(Auth: Para 3&4 of D.I. on operational works)

- (b) (i) Yes, in order. Formation Engineers may not always be in a position to execute all the operational tasks. In such case, the works can be placed on MES/PWD/any other constructional agencies.

(Auth: Para 7 of D.I. on operational works)

(ii) Operational tasks executed by agencies other than formation Engineers and MES, the Chief Engineer command will coordinate and send MER to CDA.

(Auth: Para 26 of D.I. on operational works)

(iii) Major Head 2076 - Defence Services Army

(Auth: Para 23 of D.I. on operational works)

SECTION II (Store Accounts and Internal Audit (A) ARMY
(FOR CANDIDATES OTHER THAN AIR FORCE, NAVY AND FACTORIES)

- Q.1.** (a) What is the classification of losses? **(3 Marks)**
- (b) Please comment whether in the following cases it is necessary to prepare loss statements to regularize the shortages noticed in the stores.
- (i) Deficiencies in transit of stores received from U.K./other overseas stations. **(2 Marks)**
- (ii) Destruction of animals incurably injured. **(2 Marks)**
- (iii) Loss of ammunition/explosives (for which no age limit is fixed) declared to be unserviceable on test. **(2 Marks)**
- (iv) Unavoidable losses in the assembly of stores in Ordnance depot etc. **(1 Mark)**

- Ans.** (a) Loss of stores are classified under the following headings:
- i) Losses due to theft, fraud or neglect.
- ii) Losses due to other causes, such as -
- Fire
 - Deficiencies in actual balance
 - Deterioration
 - Defective Storage
 - In Transit
 - Rain/Storm/Floods
 - Casualties in case of animals
 - Miscellaneous causes
- (Auth: Para 244 SAI)**
- (b) (i) No loss statements are required to be prepared for deficiencies/damages in transit to stores received from U.K. etc. **(Auth: Para 254(c) of SAI)**
- (ii) Animals lost will be regularized on loss statements after six months from date of loss. These are done under the orders of Sub-area Brigade Commander or OC Station for destruction. **(Auth: Para 254 (an) of SAI)**
- (iii) If inspection ordnance officer certifies that unserviceability of stores is not due to unsatisfactory storage condition. Then no loss statement is necessary. **(Auth: Para 254(h) SAI)**
- (iv) No loss statement is required. **(Auth: Para 254(l) SAI)**

- Q.2.** (a) How do you regulate refund of cost of Ordnance and clothing stores issued on

payment if they are returned?

(3 Marks)

- (b) A batch of twelve (12) Parachutes have been received back in ordnance clothing factory, from the indenter. The vocabulary rate of one Parachute is Rs.450. The batch is branded as repairable. The repairable cost of one Parachute is Rs.13. What will be the amount refundable for the entire batch?

(4 Marks)

- (c) What are the functions of Supply Depots?

(2 Marks)

Ans. (a) The amount to be refunded will be as follows:-

a)	Stores conditioned as serviceable on receipt back	At full vocabulary rate
b)	Stores conditioned as repairable on receipt back	At full vocabulary rate less the Estimated cost of repairs
c)	Stores conditioned as unserviceable on receipt back in supply dept.	At 10% of the full vocabulary rate or at the scrap value whichever is less.

(Auth: Para 230 of SAI)

- (b) The amount refundable on entire batch of Parachutes is worked as follows:-

a) Full vocabulary rate of entire batch = $Rs.12 \times 450 = Rs.5,400/-$

b) Repairable cost of entire batch of Parachutes = $Rs.13 \times 12 = Rs.156/-$

c) Refundable cost - (Vocabulary rate - Cost of Repairs) = $5400 - 156 = Rs.5,244/-$

d) Refundable cost of entire batch = $Rs.5,244/-$

(Auth: Para 230 A(b) of SAI)

- (c) Functions of Supply Depot are:-

i) To receive articles of ASC Supply when arranged either by central purchase/local purchase/transfer from other Depots.

ii) To hold stocks as may be determined from time to time.

iii) To issue items of ASC to units for consumption.

iv) To operate ASC bakery and ASC butchery where required.

v) To hold and issue POL at stations where petroleum platoons do not function.

(Auth: Para 98 of SAI)

Q.3. (a) How do you assess the Damaged Stores in transit against Railways?

(3 Marks)

(b) (i) A sub-area Commander decides not to hold a Court of Inquiry in a case of Loss of Stores due to theft worth Rs.9,000. He has not consulted CDA. What are your comments? **(6 Marks)**

(ii) Are loss statements required? **(3 Marks)**

(a) Wastage of 11% timber due to degradation while seasoning.

(b) Discrepancy due to posting under wrong head.

Ans. (a) Claims against railways for damages to stores in transit will be assessed as under:-

i) The unserviceable stores be handed over to railways, when they have accepted fully liability. If the MoD decides to retain them, the scrap value will be credited to Railways.

ii) Stores damaged, but found repairable on receipt, will be assessed at full cost of repairs and credited to railways.

iii) Stores damaged beyond repairing capacity of consignee and which are considered worth repairing at a work shop will be assessed as in (ii) above, but cost of transport will be recovered from Railways.

(Auth: Para 251 of SAI)

(b) i) When reported loss is more than Rs.10,000/-, a Court of Inquiry is mandatory. If it is less than Rs.10,000/- holding of Inquiry is at discretion of prescribed authority. In this case the decision of Sub Area Commander, issues order as the loss is less than Rs.10,000/-. No need to consult CDA.

(Auth: Para 241(d) of SAI)

(ii) (a) Loss statement is necessary, since it exceeds maximum 10% of degradations of timber.

(Auth: Para 254(y)(iv) of SAI)

(b) Loss statement not necessary.

(Auth: Para 254(s) of SAI)

Q.4. (a) What are the points that an LAO will bring to the personal notice of Controller immediately by a special report? **(3 Marks)**

(b) (i) What is the percentage of Audit check to be carried in the following cases? What is the method of checking? **(4 Marks)**

a) Issue voucher

b) Receipt voucher

(ii) To whom the LAO will send Train Ration Returns - 'E' copy of Issue Voucher for issue of rations by a Supply Depot, when the units are moving by train?

(3 Marks)

- Ans.** (a) Special Report of LAO to CDA -
- i) The prescribed accounts are non-existent/missing/have not been produced.
 - ii) The accounts maintained by a unit are in an unsatisfactory state and
 - iii) The procedure adopted in maintaining accounts is not in conformity with that authorized in rules/standing orders.
- (Auth: Para 18 Part I ALAM)**
- (b)(i) a) Issue Voucher:- 33 1/3% of ledger entries into transfer voucher.
(Auth: Item 1(B)(1) of Table of Appendix-A referred to in Para 33 of ALAM Part-I Vol.I)
- b) Receipt voucher = 33 1/3% of voucher and all vouchers of Rs.1,000/- & above.
(Auth: Item 1(B)(3) of Table of Appendix-A referred to in Para 33 of ALAM Part-I Vol.I)
- (ii) LAO of detrain status for verification of credit in the Train Ration Returns.
(Auth: Para 153(i) ALAM Part I)

- Q.5.** (a) What is skeleton list? **(3 Marks)**
- (b) (i) During Local Audit of an R&D Establishment Project expenditure showed that:
- (a) Cost of Stores returned at the time of completion of the Project was credited to project. **(2 Marks)**
 - (b) Liabilities on account of Work Order/Supply Order were booked as Expenditure. **(2 Marks)**
- (ii) Define Linking. **(3 Marks)**

- Ans.** (a) Skeleton list means, the list of vouchers which are forwarded by the issuing depots to their LAOs in IAFO 1374 in the case of Ordnance Depots manuscript form in case of Supply Depots.
(Auth: Para 41(b) Note ALAM Part I Vol.I)
- (b)(i) (A) Action taken is correct.
(Auth: Para 476(ix) ALAM Part I Vol.III)
- (B) The action taken is not correct. The liabilities are not booked as Expenditure.
(Auth: Para 476(iv) ALAM Part I Vol.III)
- (ii) Linking means bringing together an entry in ledger etc and supporting voucher to ensure that the entry is strictly in accordance with the voucher.
(Auth: Para 32(b) Note below ALAM Part I Vol.I)

- Q.6.** (a) While Auditing Expense Book, what guidelines LAO will adhere to? **(3 Marks)**
- (b) (i) Is it in order to provide food in M.H. for attendants of sick who stay in hospital under the orders of C.O. Military Hospital? **(1 Mark)**
- (ii) A Medical Officer has recommended 'extras' to the Patient substituting no diet. Comment. **(3 Marks)**
- (iii) Can free ration be drawn by a unit for a soldier when detained in hospital for observation? **(3 Marks)**

- Ans.** (a) **Expense Book:**
- Drugs, dressing and other consumable medical stores held in the hospital are accounted in this book.
 - In auditing it should be seen that expense vouchers duly signed by MO hospital are furnished in support of issues made to dispensary.
 - deteriorated drugs are disposed of in accordance with provisions of Para 598 RTI SAF.

(Auth: Para 320 ALAM Part Vol.II)

- (b) (i) Yes, this is in order. **(Auth: Note 3 below Para 318 ALAM Part I Vol.II)**
- (ii) This is in order. 'Extras' may be provided to patients on 'No diet' when M.O. in charge considers essential.
- (Auth: Note 4 Para 318 ALAM Part I Vol.II)**
- (iii) Yes, ration can be drawn for the day of detention/discharge takes place after 14.00 hrs or before 10.00 hrs respectively.

(Auth: Para 283 iii(b) 4 ALAM Part I Vol.I)

- Q.7.** (a) What is responsibility of O.C. on the deposits of Regimental Funds? **(3 Marks)**
- (b) (i) Who will Audit the Regimental Funds and what is its periodicity? **(3 Marks)**
- (ii) Whether loans can be given to JCOs/ORs from regimental funds? Discuss. **(3 Marks)**
- (iii) What is the role of CDA in Auditing Regimental Funds? **(1 Mark)**

- Ans.** (a) All deposits of regimental funds remain the personal responsibility of O.C.
- He should take every precaution for the safety of Regimental Funds entrusted to his care.
 - Govt. is not responsible for loss arising from failure of the bank/other cause if any.
 - Depositing officers are sole responsible for any loss.

(Auth: Para 825 Regulations for Army Vol.II)

- (b) (i) The audit is carried out by the Station Audit Board and not by DAD. It is done on quarterly basis.

(Auth: Para 834 & 835 of DSR Vol.II)

(ii) Yes. O.C. Unit in exceptional circumstances grant advances from Regimental funds to JCOs/ORs. He can draw an agreement regarding the amount of loan, date & month of repayment and interest, if any to be recovered and also the name(s) of the individual or individuals, belonging to the same unit who are standing for the loan.

(Auth: Para 830 DSR Vol.II)

(iii) The CDA based on a request from S.A.Commander etc. inspect and report the accounts of a particular unit.

(Auth: Para 834 DSR Vol.II)

Q.8. (a) How the gradings of Officers are maintained and what is its use? **(3 Marks)**

- (b) (i) A deserter who was apprehended by Civil Police at Bikaner was detained in the Civil Jail? Comment. Is it in order? **(4 Marks)**

(ii) What is the composition of Army and what it comprises?

(3 Marks)

Ans. (a) Officers are graded in the grading list and in the corps in which they are permanently appointed as per the dates of their substantive rank in army.

The department seniority will be regulated by the date of appointment to the grade he holds in that Deptt.

(Auth: Para 56 DSR Vol.I)

- (b) (i) - Deserter/Absentees who are apprehended/surrenders to civil police will not be detained in civil jails.
- The SHO of the police station will arrange his dispatch to the nearest Reg. centre/unit specified.
 - Detaining deserter in a civil jails by civil police is not in order.

(Auth: Para 378 DSR Vol.I)

(ii) Composition of Army: It is composed of those who have undertakes a definite liability for military service. These are:-

Combatant troops
Admin services &
Enrolled non-combatants
Army comprises:-

- i) Regular Army
- ii)The Army Reserve and
- iii)The territorial Army

(Auth: Para 1 DSR)

SECTION II (Store Accounts and Internal Audit) (B) Air Force

- Q.1.** (a) What is the stocking limit in case of Local Purchase? **(3 Marks)**
- (b) An aero-engine worth Rs.1 crore has been damaged in a flying accident for which nobody is blamed. The engine was found in a condition not worth the cost of transportation to a repair unit and has been struck off charge on the authority of CAS Air Hqrs.

Audit is pressing for a loss statement and the regularization of loss under Govt. orders. Comment. **(7 Marks)**

- Ans** (a) Local purchase may cater for stocking upto 3 months' requirement subject to dues-in being taken into account and within the available budgetary provisions.
(Auth: Para 1 of Chapter 9, IAP 1501)
- (b) An aero-engine damaged by flying accident in such a way as to be not worth the cost of transport to a repair unit, may be struck off charge on the authority of the CAS Air Hqrs provided that there is no presumptive evidence of contributory negligence. This is not to be regarded as a formal loss and is not, therefore, subject to the financial limits laid down in FR.

Therefore, Audit's pressing for a loss statement and regularization of loss under government orders is not justified.
(Auth: Para 38 and 40 of Chapter 22, IAP 1501)

- Q.2.** (a) Can OC of a BRD, locally procure an item of equipment which has not yet been introduced in Air Force? If so, in what circumstances can he do so? **(3 Marks)**
- (b) (i) The repair cost a Compressor Chamber is assessed as 45% of the price of the new equipment. Cost of repair being very high, the equipment is declared 'Beyond Economic Repair' and a case is initiated for purchase of new equipment. Please comment. **(4 Marks)**
- (ii) Unit 'X' has been raised in October 2006. During the audit review, LAO finds that no stock taking was carried out during the financial year 2006-07 and puts it under objection. Please comment. **(3 Marks)**

- Ans** (a) OC of a BRD and the OC Air Force Station/Unit is authorized to locally procure/manufacture items of equipment, not so far introduced in service, to meet the special requirement for the servicing/repairs/overhaul of aircraft and for the manufacture of urgently required equipment.
(Auth: Para 1(j) of Chapter 24, IAP 1501)
- (b) (i) Repair to compressor chamber could be carried out so long as the cost of repairs estimates does not exceed 50% of the price of new article. An equipment will be declared 'Beyond Economic Repairs' taking into account the cost of repairs as well as the fact whether the useful life of an equipment after repairs is

commensurate with the cost of repairs.

(Auth: Para 28 and 29 of Chapter 24, IAP 1501)

(ii) LAO's objection is not in order. In case of newly formed units where stocktaking cannot be carried out during the financial year of their formation, Commanding officers concerned are to report the matter to the Command Hqrs/Air Hqrs as the case may be, giving reasons for not carrying out stocktaking. The AOC-in-C/Air Officer Incharge Maintenance may exempt such a unit from stocktaking for the first financial year if he is satisfied that the resources of the unit do not permit of stock verification.

(Auth: Para 1(c) of Chapter 25, IAP 1501)

- Q. 3.** (a) Who is responsible for carrying out internal checks of the accounts on behalf of the executive? **(3 Marks)**
- (b) (i) While conducting audit of an Air Force unit, it is found that there is hesitation on the part of the Executives to produce all necessary documents and there is something apparently irregular in withholding of some information on Accounts and important ledgers in the unit. What should be the reaction of the audit? **(4 Marks)**
- (ii) In regard to losses/damage, etc. to Public & Personal Clothing, recoveries are effected at PV rates plus 5% departmental charges (where not already included in PV rates). Is it in order? **(3 Marks)**

- Ans** (a) The Accountant Officers established at all important Air Force units and formations carry out internal checks of the accounts on behalf of the executives to ensure that the orders relating to the accounting of IAF equipment, etc are implemented and that the accounts are accurately maintained. **(Auth: Para 4 of AFLAM)**
- (b) (i) Normal extent of audit as laid down in Appendix I of AFLAM should be extended in such a situation. LAO(AF) should extend the scope of audit using his discretion and judgement as to how this should be done and to what extent. In all such cases, LAO(AF) should report the facts specifically to CDA(AF) and record his reasons for enhancing the extent of audit. **(Auth: Para 10 of AFLAM)**
- (ii) No. 5% additional charges both in respect of public and personal clothing and necessaries will be charged over and above these. **(Auth: Para 95(i) of AFLAM)**

- Q.4.** (a) In what circumstances can LAO carry out stock taking? **(3 Marks)**
- (b) (i) LAO insists on a Court of Inquiry in a case where in case of loss of defence stores, a claim has been accepted by the carrier/port authority to their maximum liability. Comment. **(4 Marks)**
- (ii) Railway Warrants and MC Notes are always to be signed by a Commissioned Officer. Comment. **(3 Marks)**

- Ans.** (a) 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 the unit, he may carry out an actual stock verification after obtaining the prior concurrence of CDA(AF). An intimation to that effect will be sent by the CDA/LAO to the executive officer concerned who will make suitable arrangements for stock verification by the LAO.

(Auth: Para 169 of AFLAM)

- (b) (i) Where a carrier/post authority accepts the claim to their maximum liability, no Court of Inquiry is required provided that -

(a) appropriate action has been taken by Embarkation Hqrs for purposes of making necessary claims.

(b) prompt action has been taken to make a report to the police for investigation in cases where either the stores are lost after landing from the ship while in the custody of carrier/port authorities or where a package or its contents are found damaged or pilfered on landing from the ship/while in the custody of port authorities.

(Auth: Note 3(d) under Para 120 of AFLAM)

(ii) Though generally Railway Warrants and MC Notes are to be signed by a Commissioned officer, Master Warrant Officers or Warrant officers may sign and issue MC Notes and Railway Warrants when they hold command of units or where there is only one Commissioned Officer at the unit and that officer is absent from the station at which the unit is located.

(Auth: Note below Para 338(i) of AFLAM)

- Q. 5.** (a) What are broad categories of irregularities which are included in MFAI report?
(3 Marks)

- (b) (i) Replacement of broken and unserviceable items of crockery in Station Sick Quarters has been made to the extent of 10% in a year. Is it in order?
(3 Marks)

(ii) Annual flying quota fixed for Jaguar aircraft is exceeded but has been regularized by AOC-in-C of Western Air Command to which the aircraft belonged. Regularisation has been effected after six months of the end of the financial year during which flying quota was exceeded. What should be the response of the Audit to this?

(4 Marks)

- Ans.** (a) The broad categories of irregularities included in the MFAI report are as under:

i) Cases involving irregular maintenance or non-maintenance of accounts.

ii) Financial irregularities of Rs.1 lakh and above.

iii) Serious irregularities which cannot be translated into financial terms but the CDA is of the opinion that they should be brought to the notice of AOC-in-C of Commands/Air Hqrs.

(Auth: Para 36 of AFLAM)

- (b) (i) Yes, it is in order. Replacement of broken and unserviceable items of crockery used in Station Sick Quarters is allowed upto a maximum of 15% per annum.

(Auth: Note (a) under Para 238(h) of AFLAM)

(ii) The regularization by AOC-in-C will be placed under objection. Moreover, there is a delay in regularization action. Annual flying quota fixed by Govt. for each type of Aircraft, if exceeded, will have to be regularized under the orders of the Chief of Air Staff authorizing reallocation of the surplus flying effort within three months of the end of the financial year.

(Auth: Para 199(xi) of AFLAM)

- Q. 6.** (a) Define Forecast Factor. **(3 Marks)**
- (b) (i) Can CAR be adjusted for the purpose of working out 'Gross Requirement' during Provisioning Review? **(4 Marks)**
- (ii) The Orders on HAL can be placed on 'Firm Quotation' given by HAL. Comment. **(3 Marks)**

- Ans.** (a) Forecast factor is a multiplying factor which is applied to post consumption data for spares and equipment in order to estimate the rate of consumption during the ensuing provisioning period.

(Auth: Para 1 of Leaflet no.8, IAP 1541)

Also defined as:

The ratio between the forecast future strength and/or effort and the actual strength and/or effort.

(Auth: Glossary of Provisioning Terms IAP 1541)

- (b) (i) It is sometimes necessary to adjust the CAR for the elimination of known anomalies. It is in this adjustment that the knowledge and experience of provisioning is used, but any such adjustments must be authorized by the Provisioning Officer concerned. The reasons necessitating any adjustments to the CAR should be explained in the remarks columns of the review statement.

(Auth: Para 10 of Leaflet No.7, IAP-1541)

(ii) The order on HAL can be placed either on 'firm quotation' given by HAL or on estimated cost which is to be obtained from HAL before raising the order. Where orders are placed on estimated cost basis, payment is to be made on cost plus 10% basis.

(Auth: Para 20(c)(i) & (ii) of Leaflet no.21, IAP-1541)

- Q. 7.** (a) What is the basis of the provisioning of rotables? **(3 Marks)**
- (b) (i) In case of an item the MPE of which is 39 months, Review Action Figure (RAF) and Short Stock Figure (SSF) are to be calculated on the same basis as for 39 months provisioning, even if 'life of type' review results in the requirement for a period in excess of 39 months. Comment.

(4 Marks)

(ii) Due to non-conclusion of contract for stocks centrally, 23 ED makes local purchase of socks due to which a supply order for 10,000 socks is placed on a firm. The supplies do not materialize till the time the Provisioning Review for socks is finalized but the order placed by 23 ED is not treated as 'due-in' while working out quantities for Central purchase. Is it in Order?

(3 Marks)

Ans. (a) The provisioning of rotables is restricted to anticipated wastage during the forward authorized period (which is 39 months) and any additional requirements arising from increase in the scale or UE. It is assumed that all rotables removed from aircraft at flying units, overhaul agency, etc. would be repaired and become available for re-issue except the quantity likely to be rejected as beyond economical repair.

(Auth: Para 121 of Leaflet No.11, IAP-1541)

(b) (i) The above statement is true. However, in case the 'life of type' provisioning is for a period less than 39 months, RAF and SSF will be worked out on the basis of 12 months' and 9 months' requirements respectively.

(Auth: Para 8 of Leaflet no.5, IAP-1541)

(ii) In this case, 10,000 nos. of socks are to be treated as 'dues-in' while finalizing the quantities for central procurement of socks irrespective of the fact that order was placed locally by 23 ED.

(Auth: Para 6 of Leaflet no.9, IAP-1541)

Q. 8. (a) What are the types of items for which Air Force places orders on M/s. HAL?

(3 Marks)

(b) (i) When are the rotables falling due for repair/overhaul categorized as external arisings?

(3 Marks)

(ii) A task has been issued to 3 BRD in respect of a rotatable pertaining to an aircraft which is being phased out within next 12 months. Is it in Order?

(4 Marks)

Ans. (a) Air Force places orders on M/s HAL for supply, repair, overhaul, modification, etc of aircraft, aero-engines, their components and accessories and other Air Force technical equipment which HAL have agreed to manufacture/overhaul or obtain from abroad and supply to the IAF.

(Auth: Para 1 of Leaflet no.21, IAP-1541)

(b) (i) Rotables falling due for repair/overhaul at Operating Units after having completed the overhaul life (also termed as Time Between Overhaul i.e. TBO) and rotables prematurely withdrawn from service are said to be External arisings.

(Auth: Para 39(a) of Part II, IAP-1541)

(ii) No, it is not in order. No task is to be issued in respect of rotables during the last 15 months of the life of the parent aircraft/major assembly i.e. 15 months prior to its phasing out.

(Auth: Para 6(b) of Part IAP-1541)

SECTION II (Store Accounts and Internal Audit) (C) Navy

- Q.1.** (a) Explain what is 'Inventory carrying cost'. **(3 Marks)**
- (b) Calculate the Inventory carrying cost per annum based on following data: **(7 Marks)**
- | | | |
|-------------------------------|---|-----------------------|
| Inventory value | - | Rs.1000 crores |
| Cost of Money | - | 12% per annum |
| Inflation | - | 4% per annum |
| Rent for storage of Inventory | - | Rs.10 lakh per annum |
| Related Employees salary | - | Rs.50 lakh per annum |
| Deterioration & Obsolescence | - | 2% of Inventory value |

- Ans.** (a) Inventory carrying cost is the financial cost incurred from the time payment is made to the supplier to the time the item is issued or disposed off. This is primarily the cost of blocked money.
(Auth: Para 14.4, Material Planning Manual - Navy)
- (b) The real cost of money has to be adjusted to inflation. As such cost of money in real terms comes to 12% minus 4% = 8% PA.

Inventory carrying cost per annum

Cost of money at 8% per Annum	=	Rs.80 crores
Rent for storage of Inventory	=	Rs.10 lakh p.a
Related employees salary	=	Rs.50 lakh
Deterioration and Obsolescence of Inventory	=	Rs.20 crores
@ 2% of Rs.1000 crores		

Total Inventory carrying cost per annum = Rs.100.60 crores

(Auth: Para 3.15, Material Planning Manual - Navy)

- Q. 2.** (a) In which situations is it better to enter into rate contracts for procurement of goods and services? **(3 Marks)**
- (b) A valid DGS&D rate contract was available for procurement of the required item. Still the Material Superintendent (Mumbai) has initiated a case for procurement of the required item through LTE. What should be the comments of IFA when the case comes up for his concurrence? **(7 Marks)**

- Ans.** (a) All goods and services in regular demand are suitable for procurement through rate contracts. Other factors which make rate contracts the preferred mode of procurement are PAC, limited shelf life, storage difficulty and geographical spread of users.
(Auth: Para 2.13 Procurement Manual (MM-3))
- (b) In case an item is available on rate contract, the order must be placed against it except where the CFA takes a deliberate decision to conclude a separate contract for valid reasons such as the item is required urgently and the contractor is not

able to deliver it within the required delivery period. In the present case IFA should seek reasons for initiating LTE despite the existence of DGS&D rate contract and examine the validity of reasons. If the reasons are found convincing, he may concur. Else, he can withhold concurrence.

(Auth: Para 2.19 Procurement Manual (MM-3))

- Q. 3.** (a) An indent should normally cover the full requirement of the item for the planned provisioning period. What are the exceptions to this rule? **(3 Marks)**
- (b) (i) MO(MB) has raised an LPV (Local provisioning) indent for requirement of some items which are of regular nature and which have not arisen unexpectedly. IFA(FA to MS) objects to it. Please comment. **(4 Marks)**
- (ii) In case of cash and carry purchase resorted to by Hqrs WNC, the concerned section of CDA(N) insists for pre-audit of Vouchers, before payment. Comment. **(3 Marks)**

Ans. (a) Exceptions to the rule are:-

- i) LPV indents
ii) Urgent or operational CPV indents.

(Auth: Para 3.1 Procurement Manual (MM-3))

- (b) (i) An LPV indent can be raised only when the requirement has arisen unexpectedly and when the indent value is within the local purchase powers of concerned authority. In the instant case the requirement has not arisen unexpectedly. As such IFA's objection is valid.

(Auth: Para 3.7 Procurement Manual)

(ii) As per Para 2.11 of the Procurement Manual, in case of cash and carry purchase the bills are audited, post payment. As such rule position should be explained to CDA and CDA will drop his insistence.

(Auth: Para 2.11 of the Procurement Manual)

- Q. 4.** (a) On receipt of information about the arrival of stores by railway what action the R&D (Receipt and Despatch) section of BVY organization has to take? **(3 Marks)**

- (b) A railway wagon carrying stores for BVY was found to be tampered with and packages found damaged. Following action was taken in the presence of Board of Officers and railway rep: **(7 Marks)**

(i) Open delivery was taken from railways

(ii) 50% of the items were weighed and listed

(iii) The list was certified by the Board of Officers

(iv) The differences in weight were noted on the reverse of Railway Receipt
Has the procedure as prescribed been correctly followed? If not, please state the

correct procedure.

Ans. (a) Following action is to be taken by the R&D Section:

- i) Note all the RRs/PWBs in the register for stores by rail
- ii) Inform the Stock Holding Group and forward receipt vouchers to them if BVY has a railway siding

iii) Make routine enquiry at the railways yard about the arrival of wagons

iv) Arrange joint inspection with railway authorities/ reps of the stores.

(Auth: Para 1615 Naval Victualling Manual)

(b) The position is stated as follows and seriatim.

i) Taking of open delivery from railways has been done correctly as per procedure.

ii) 100% of the items were required to be weighed and listed. As such the action taken is faulty.

iii) The list prepared should have been certified both by the Board as well as Railways rep.

iv) The differences noticed should have been noted not only on the reverse of the Railway receipt but also in the delivery book of the railways which should also have been attested by the railway representative.

(Auth: Para 1617 Naval Victualling Manual)

Q.5. (a) When a large number of consignees receipt vouchers are not produced for linking with the vouchers received by consignee NLAOs Office. What action should the consignee NLAO take? **(3 Marks)**

(b) During test check of receipt vouchers NLAO found that in respect of certain vouchers credit had not been afforded in the ledgers. NLAO took the following actions thereafter: **(7 Marks)**

(i) Detached the vouchers from the relevant sub-list and filed these with the office copy of objection statement, after placing the voucher under objection.

(ii) Nothing about the removal of vouchers was mentioned in the Sub-list of Vouchers.

(iii) After settlement of objection, the relevant vouchers were removed from the objection statement and re-annexed with the sub-list concerned.

Please comment on the correctness of above actions of NLAO.

Ans. (a) In such cases the NLAO should personally contact the executive officers and if no results are achieved, it should be viewed as a case of non-production of primary or basic documents and included in the General State of Accounts as one

of serious irregularities.

(Auth: Para 53 of NLAO's Manual)

- (b) (i) The action of NLAO to detach the vouchers from the sub-list and placing them with the objection statement is correct.

(ii) However the fact of removal of vouchers from the sub-list should have been mentioned in the sub-list by the NLAO which he has failed to do.

(iii) As per instructions the detached vouchers can be allowed to remain with the objection statement even after final settlement of objections. As such this action of NLAO is also wrong.

(Auth: Para 55 NLAO's Manual)

- Q. 6.** (a) What important points are seen during quarterly audit of the Registers maintained by Shipping section of the Naval Store Depots? **(3 Marks)**

- (b) The clothing history sheets of a sailor were lost: **(7 Marks)**

(i) How these will be reconstructed?

(ii) The reconstructed clothing history sheets received in NLAO's office are checked to the extent of 66%. Comment.

(iii) Old provisional clothing history sheets are not recorded with the new ones. Should the NLAO object?

- Ans.** (a) During the audit of registers maintained by the shipping section of the Naval Store Depots it is seen that discrepancy reports are raised for shortages with reference to endorsements on the consignee's receipt vouchers and the regularization thereof is watched; that where claims are sustainable against carriers, these are preferred in time and cases of rejection of claims are examined to see that they are not of recurring nature.

(Auth: Para 98-A NLAO's Manual)

- (b) i) In the event of loss of clothing history sheets of a sailor, the same is reconstructed based on the records such as loan books, service certificates, duplicate copies of IN 23 etc.

(Auth: Para 129(1) NLAO's Manual)

ii) Reconstructed clothing history sheets are required to be checked 100%.

(Auth: Note to Para 129(1) of NLAO's Manual)

iii) Old history sheets are required to be recorded with the new ones. NLAO should object.

(Auth: Para 129(3) NLAO's Manual)

- Q. 7.** (a) What are non-self accounting ships and establishments for the purpose of Naval Stores? Define them. **(3 Marks)**

- (b) Audit has objected to the following concerning a non-self accounting ship.

Comment.

(7 Marks)

(i) No detailed account of individual issues and receipts is maintained in any Central Ledger.

(ii) No Supply/Store Officer is borne on the ship's strength.

(iii) The name of the non-self accounting ship does not appear in the Navy Orders promulgated by Navy.

Ans. (a) Non-self accounting ships and establishments are those where it is not practicable to follow the complete Naval store-keeping system. Such ships and establishments operate indirectly under the general Naval store keeping system.

(Auth: Para 551 NSK Manual Part 1)

(b) The following is stated ad-seriatim:-

i) In case the ship is promulgated as a non-self accounting ship no detailed account of individual issues and receipts is required to be made in Central Ledger. As such Audit Objection is not tenable.

ii) Posting of supply officer is not mandatory in non-self accounting ships.

iii) Audit objection is valid as the names of non-self accounting ships are required to be promulgated in Navy Orders.

(Auth: Para 551(2)(3) and (4) of NSK Manual Part 1-Navy)

Q. 8. (a) What is the purpose of Store Accounting System? (3 Marks)

(b) Give your decision/comments for the following situations: (7 Marks)

(i) A sailor was found responsible for the loss of certain watches and chronometers from the stock. The recovery was completely waived from the sailor.

(ii) A staff member of a Store Depot was found responsible for the loss of Officer's blankets. Half of the full current Rate Book Price of a new blanket was ordered to be recovered from the person responsible.

(iii) Part value for the lost binoculars was ordered to be recovered from the person responsible for the loss. It was contended that the Commanding Officer had discretion to order part recovery.

Ans. (a) The store accounting system is designed to -

i) Maintain control over the custody and expenditure of public stores

ii) Establish the responsibility of those who hold the public stores in their charge.

iii) Provide the store department with the necessary facilities for maintaining (a) an accurate record of stores held in the store room and on permanent loan (b) a

record of actions taken to provide for the maintenance of adequate stocks and (c) the basis on which to calculate future requirement of stores.

(Auth: Para 421 NSK Manual-Navy)

- (b) i) As per instructions full value of watches/chronometers should be charged unless the circumstances are considered so exceptional as to justify charge of a smaller sum or waiver of charges altogether. Such exceptional circumstances are to be submitted to CNS for decision. As such if the recovery was waived under a decision from CNS, the action is justified.

(Auth: Para 262(1) of NSK Manual)

ii) In case of loss of blankets the condition of articles is to be ignored and the full current Rate Book Price of a new blanket is to be charged unless there is a strong justification for the recovery of a smaller sum. Hence, if the Commanding Officer has ordered charging of half value considering the strong justification for such a decision, the action is tenable.

(Auth: Para 262(2) of NSK Manual)

iii) In case of loss of binoculars the whole or part value can be recovered from the individual responsible at the discretion of the Commanding Officer. As such the contention of CO is valid.

(Auth: Para 262(3) of NSK Manual)

SECTION II (Store Accounts and Internal Audit) (D) Factory

- Q. 1.** (a) What checks are required to be undertaken on receipt of piece work card?
(3 Marks)
- (b) Suppose a gang consisting of 4 piece workers A B C & D of an Ordnance Factory produced 1000 articles in the month. The PW rate was Rs.85.674 per 100 units/
From the following data calculate: (3.5x2=7 Marks)

(i) The percentage of profit earned by the gang

(ii)PW earning of each member of the gang:

Worker	Rate of pay Rs.	Attendance
A	120	20 days
B	150	25 days
C	180	25 days
D	210	20 days

There was no paid holiday during the month which consists of 30 days and 4 Sundays.

- Ans.** (a) Entries in the PW cards to be checked. There will be posted in the manufacturing warrant but before doing so it will be seen that number presented for payment plus paid for in the past as well as the rates for operation are covered by manufacturing warrant. Any operation in excess of number authorized on a warrant will not be paid for but would be referred back to Factory management. In exceptional cases Account Office may accept provisional payment for such excess operations and watch that the necessary amendments are made to the warrants by the competent authorities.

(Auth: Para 148 of OM Part VI Vol.I)

(b) Total P.W. earning = $\frac{85674}{1000 \times 100} \times 1000 = 856.74$

N Time wages of the workers:-

Worker	NTW	Rs.
A	$\frac{120}{26} \times 20$	= 92.31
B	$\frac{150}{26} \times 25$	= 144.23
C	$\frac{180}{26} \times 25$	= 173.08
D	$\frac{210}{26} \times 20$	= 161.54
		<u>571.16</u>

Total earning of the Gang	=	856.74
Less NT Wages	=	<u>571.16</u>
Profit	=	<u>285.58</u>

$$\% \text{ of profit} = \frac{285.58}{571.16} \times 100 = 50\%$$

So earning of A	=	92.31 + 46.15	=	138.45
So earning of B	=	144.23 + 72.12	=	216.35
So earning of C	=	173.08 + 86.54	=	259.62
So earning of D	=	161.54 + 80.79	=	242.31
	=	856.74		

(Auth: Para 148 of OM Part VI Vol.I)

- Q. 2.** (a) What factors are involved in fixation of variable overheads percentage? **(3 Marks)**
- (b) (i) What is a step-ladder allocation? **(1 Mark)**
- (ii) Selections of a factory and the first entry in the step-ladder is given below. Complete the rest of the entries: **(6 Marks)**

Service Sections			Production Sections		
A	B	C	D	E	F
1100	500	1500	2000	3000	4000

- Ans.** (a) Factors involved in the fixation of variable overhead percentage are -
1. Anticipated direct labour
 2. Anticipated direct material
 3. Anticipated variable charges
 4. Anticipated changes in load.

(Auth: Para 549 of OM Part VI Vol.I)

(b)

Service Sections			Production Sections		
A	B	C	D	E	F
1100	500	1500	2000	3000	4000
(-) <u>1100</u>	<u>50</u>	<u>150</u>	200	300	400
xx	550	1650			
	- <u>550</u>	<u>100</u>	100	150	200
	xx	1750			
		- <u>1750</u>	<u>389</u>	<u>583</u>	<u>778</u>
		xx	2689	4033	5378

(Auth: Para 547 of OM Part VI Vol.I)

- Q. 3.** (a) What is the correct sequences of closing of various accounts so as to achieve agreement of figures? **(3 Marks)**
- (b) Study the following transaction of Principal Ledger and state the source from which the figures are to be taken and also state the head of Principal Ledger it pertains to: **(1x7 = 7 Marks)**

(i) Indirect material issued to stores less return.

(ii) R R fund machineries issued on loan to other factories.

(iii) Profit on sale of surplus assets procedure under NC grant and projects (Not chargeable to production)

(iv) Expenditure on a/c of care and custody of stock surplus to current production (Not chargeable to production).

(v) Licence fee and rates recovered (Cash)

(vi) Electricity and water charges recovered (Cash)

(vii) Balance of finished Semi on 1st April.

- Ans.** (a) Correct sequence of closing of various Account is as under -

"Store Accounts" in the Principal Ledger is closed before dispatch of Store Accounts.

"Capital Asset Account" in the Principal Ledger should be closed before dispatch of Capital Asset Account.

Before closing Production and Finished Stock Accounts, Wages Accounts, Supervision Charges Accounts, Overhead Expenses Accounts, Work-in-progress Accounts, Manufacture for Army etc. Accounts should be closed.

Finally, the balancing of all items in the other accounts including capital outlay is done.

(Auth: Para 849 of OM Part VI Vol.II)

(b)

	<u>Head of Principal Ledger</u>		<u>Source</u>
i)	Overhead Expenses A/c	-	PSA
ii)	Miscellaneous Credit A/c	-	Block Register
iii)	Overhead Expenses A/c	-	Sale Accounts
iv)	Overhead Expenses A/c	-	WO 02/00025/00
v)	LF, Rates, Water & Elec. charges recoverable Accounts	-	Manufacturing A/c Statement B
vi)	-do-	-	Cash compilation & Manufacturing A/c Statement B
vii)	Service to other Factories Accounts	-	Details of statement of Assets & Liabilities for the preceding year

- (Auth: Annexure 'B' as referred in Para 840 of OM Part VI Vol.I)**
- Q. 4.** (a) What are the items of expenditure under 01 series which are required to be kept out of production? **(3 Marks)**
- (b) (i) What do the last 2 digits of work order indicate? **(2 Marks)**
- (ii) How many digits are there in work order? **(2 Marks)**
- (iii) What do the first 2 digits of work order indicate? What the next 5 digits indicate? **(2 Marks)**
- (iv) Which costing method is followed in HEF? **(1 Mark)**
- Ans.** (a) i) WO No 01/00006/00 Idle items beyond control.
- ii) 01/00012/00 Training in India other than in Ord. Factories
- iii) 01/00013/00 Training of Apprentices
- iv) 01/00015/00 Loss of stock pile items
- v) 01/00019/00 Book value of machine transferred to other Military Formation and sale proceeds of machinery.
- vi) 01/00020/00 Residual value of machine sold out and book value of the machine transferred to other Military Formations.
(Auth: Para 578 of OM Part VI Vol.I)
- (b) i) Indicate shop or manufacturing centre to which the expenditure incurred.
(Auth: Para 539 of OM Part VI Vol.I)
- ii) 9 digits
(Auth: Para 46 of OM Part VI Vol.I)

iii) Main work order, next 5 digit indicates particulars of work
(Auth: Para 46 of OM Part VI Vol.I)

iv) Process costing method
(Auth: Para 22 of OM Part VI Vol.I)

Q. 5. (a) Who is the Chairman of Central Budget Committee and Shop Budget Committee? Who are their members and what are the functions of Budget Committee? **(1+1+1=3 Marks)**

(b) Prepare Store Accounts from the following data: **(1x7=7 Marks)**

- 1) Store in hand as on 1st April = Rs.5 crore
- 2) Cost of Store on charge during the year = Rs.100 crore
- 3) Store received from Defence Departments = Rs.10 crore
- 4) Profit on sale of Store = Rs.5 lakh
- 5) Issue of Store to Army = Rs.10 crore
- 6) Issue on payment = Rs.10 lakh
- 7) Closing balance on 31st March

Ans. (a) **CBC**

Chairman - GM
 Members - Local Accounts Officer and selected AWM/WM

SBC

Chairman - Divisional officer of particular shop/cost centre.

Member - Head of particular section
 - Rep. of local Accounts Office.

The Budget Committees review all the factors to fix the variable overhead %.

(Auth: Para 549 of OM Part VI Vol.I)

(b)

STORE ACCOUNTS

S.N	Dr. side	Amt. (Rs.)	S.N.	Cr. side	Amt.(Rs.)
1	To store in hand as on 1 st April	5 Crore	1	By store issued to Army	10 Crore
2	To cost of stor on charge during the year	100 Crore	2	By issue on payment	10 lakhs

3	To store received from Defence	10 Crore	3	By closing balance on 31 st March	
4	To profit on sale of store	5 lakh			

(Auth: Annexure 'A' as referred in Para 840 of OM Part VI Vol.II)

- Q.6.** (a) (i) What is a CCO-2? What does it contain? **(1.5 Marks)**
- (ii) What are the main primary documents? **(1.5 Marks)**
- (b) What journal entries will be made in the Principal Ledger in respect of following transactions:
- (i) Custom duty amounting to Rs.5,00,000 not paid in current year but carried forward for payment in ensuing year. **(2 Marks)**
- (ii) Payment amounting to Rs.50,000 made during the previous year for which store were not received at the end of the year. **(2 Marks)**
- (iii) Custom duty allocated to the cost of Store amounting to Rs.20,000. **(2 Marks)**
- (iv) Custom duty amounting to Rs.30,000 paid but carried forward for inclusion in the ensuing year's account as the relevant store not received at the end of the current year. **(1 Mark)**

- Ans.** (a) (i) CCO-2 cash compilation of ord factories. It contains voucher wise particular viz. Voucher No. Section Compiling, Factory to which expenditure pertains, code Nos. Amount etc.

(Auth: Para 40 of OM Part VI Vol.I)

- (ii) Main primary documents are -

Day work card
Piece work card
Demand Notes
Return Notes
Receipt vouchers
Issue vouchers
Transfer vouchers

(Auth: Para 42 of OM Part VI Vol.I)

- (b) (i) Custom duty amounting to Rs.5,00,000/-

Custom Duty Accounts Dr.	5,00,000/-	
Cr. To Outstanding Liability A/c		5,00,000/-

(ii) Store cash purchase A/c Dr.	50,000/-	
Cr. To Outstanding Asset A/c		50,000/-

(iii) Custom duty allocated to cost of store

Store A/c	Dr.	20,000/-	
	Cr. To Custom duty A/c		20,000/-
(iv) Outstanding Asset A/c	Dr.	30,000/-	
	Cr. To Custom Duty A/c		30,000/-

(Auth: Para 840 Annexure B of OM Part VI Vol.II)

- Q.7.** (a) (i) What are the objectives of maintaining Cost Cards? **(1 Mark)**
- (ii) What is the difference between Extract & SWOD? **(2 Marks)**
- (b) (i) Piece Workers get PW profit. How the maintenance workers are compensated? **(1 Mark)**
- (ii) Who fixes the strength of industrial workers grade-wise? Under what circumstances the authorized strength may increase? **(2 Marks)**
- (iii) Can operations other than authorized be performed and paid? If yes, name the authority who can permit the same. **(2 Marks)**
- (iv) When a transaction is treated as Separate Transaction in respect of excess supply of store? **(2 Marks)**

Ans. (a) (i) Objectives of maintaining Cost Cards are -

To ascertain the cost and to control the cost by analyzing figures of variation into facts in its time perspective, so that the management may be aware of the cost result for any timely action closing of cost card, compilation of process cost etc are very important items.

(Auth: Para 62 of OM Part VI Vol.I)

(ii) Authority for undertaking work in the factory is the Extract which is issued by the OFB where as SWOD (Supplementary Work Order Draft) is issued by AGMS order for petty casual work or minor internal factory service or repair and maintenance or for departmental store orders.

(Auth: Para 45 of OM Part VI Vol.I)

(b) (i) Maintenance workers are compensated by incentive bonus.

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

(ii) Strength of Industrial workers gradewise is fixed by OFB.

The Authorise strength may increase due to transfer, promotion, reversion, transfer to different grade.

(Auth: Para 256 of OM Part VI Vol.I)

(iii) No operations other than the authorized one will be paid. If any other operation has been carried out, it will be referred back to the Management to get NRR approved for the same.

(Auth: Para 278 of OM Part VI Vol.I)

(iv) If the value of excess supply exceed 5% of the original value, it will be treated as a separate transaction.

(Auth: Para 368 of OM Part VI Vol.I)

Q.8. (a) What checks are exercised by Accounts Office on Semi statements? **(2 Marks)**

(b) (i) What irregularities might be caused by carry forward of Semi for number of years? **(2 Marks)**

(ii) Expenditure pertaining to Factory Works undertaken by MES are debit to which Head? Who will audit it? How will it be finally booked?

(3 Marks)

(iii) Under which series the Pay & Allowances of Staff are charged?

(2 Marks)

Ans. (a) Check exercised by Accounts Office on semi statement are -

i) Costing Section - Scrutiny with reference to the warrant register to ensure that all incomplete warrants have been included.

ii) 'M' Section - Verification with the reference to the posting in the relevant material warrant that the quantities of material shown are correct and the pricing of materials was done at the rate at which bulk of the demand/Return Notes were priced.

iii) Labour Section - Verification with reference to the postings in the relevant Manufacture warrants that the operations shown as performed are correct and pricing of these operations are at correct rate.

iv) Costing Section - Final scrutiny with reference to cost card, production ledger card, levy of DA& overhead & preparation of an abstract of semi in respect of each work order and warrant for working out cost of production.

(Auth: Para 715 of OM Part VI Vol.II)

(b) (i) Carry forward of semi for a number of years might perpetuate irregularities such as advance payment, wrong booking, payment against wrong warrants, non-clearance of notes & Notes against the completed work resulting in marginal residual payment remaining uncleared etc.

(Auth: Para 717 of OM Part VI Vol.II)

(ii) Expenditure pertaining to factory works undertaken by MES are debit to Major Head 469, Sub Major Head D Minor Head 1(a).

Expenditure will be audited by the PCDA/CDA concerned and finally adjusted by them in their book and later on to the CFA/PCA.

(Auth: Para 792 of OM Part VI Vol.II)

(iii) Pay & Allowances of staff are charged to work order under '02' series.

(Auth: Para 557(i) of OM Part VI Vol.I)

Defence Accounts Department
S.A.S. Examination – Part II (New Syllabus)
APRIL, 2008

PAPER VI – THEORY (Without Books)

SUBJECT: WORKS, STORES AND INTERNAL AUDIT

Time Allowed: 3 Hours

Total Marks : 100

Note:-

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

(2) Section-I is common to all. Each question will carry 2 parts - One part theory carrying 3 marks and the other part practical carrying 7 marks.

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

Section-I (Works Accounts)
(Common to ALL candidates)

Q.1. (a) What do you understand by reappropriation of a building? **(3 Marks)**

(b) A building presently being used as an MES Inspection Bungalow is to be reappropriated for use as a Local Audit Office. Whose sanction will be required for this? **(3 Marks)**

Ans. (a) Reappropriation means the use of a group of buildings, a building, or a portion thereof, for any purpose other than that for which it was constructed. Reappropriations may be temporary or permanent and may be intended either for an authorized or for a special purpose.

(Auth: Reg. 155, MESR)

(b) As per Reg. 155(d), MESR, sanction of the Govt. of India is required for reappropriation of MES inspection Bungalows (provided the E in C furnishes a certificate that the Inspection Bungalow is no longer required as such).

(Auth: Reg. 155(d), MESR)

Q.2. (a) Distinguish between (i) Major Works and Minor Works; (ii) Authorised Works and Special Works. **(3 Marks)**

(b) Classify the following as Original Work or Repairs: **(7 Marks)**

(i) Widening of roads;

(ii) Replacement of damaged doors and windows in a building;

(iii) Purchase of new furniture in replacement of unserviceable items;

(iv) Additions to existing buildings.

Ans. (a) (i) Major Works are those costing more than Rs. one lakh. Minor Works are those costing Rs. one lakh or less.

(Auth: Para 121 MESR)

(ii) Authorized Works comprise services authorized by Government in regulations, or by separate orders of a general or specific nature and services which it is customary to provide for troops, etc., e.g. water supply, temporary cook-houses in standing camps.

Special Works are not of the type above. These may only be approved when exceptional local conditions justify the necessity, or an important experimental measure. Special Works should not be approved if the effect would be to introduce a new practice or change of scale.

(Auth: Para 122, MESR)

(b) (i) Original Work;

(ii) Repairs;

(iii) Repairs;

(iv) Original Work

(Auth: Para 121,123,227,246, MESR; Paras 3 & 4 of Defence Works Procedure)

Q.3. (a) How does the Acceptance of Necessity of an MES work differ from Administrative Approval? **(3 Marks)**

(b) As a result of an earthquake, family accommodation of military personnel is destroyed and needs to be rebuilt. The local Garrison Engineer wishes to go ahead with the work immediately without waiting for Administrative Approval. Under whose orders can he do so, and within what time should the Administrative Approval be obtained? **(7 Marks)**

Ans. (a) Acceptance of Necessity is the approval in principle of the CFA to the proposed work or service. Administrative approval is the sanction by the CFA to the execution of a work at a stated cost.

Acceptance of Necessity is generally based on rough estimates whereas Administrative Approval is accorded on the basis of updated Approximate Estimates.

(Auth: Paras 127 to 129, MESR; Paras 25 to 31, Defence Works Procedure)

(b) In case of such urgent requirement arising out of natural disaster, the GE can go ahead with the work of reconstruction with the approval of the local Army Commander. Administrative Approval must be accorded by the CFA within six months of the commencement of the work.

(Auth: Paras 35 & 37 Defence Works Procedure)

Q.4. (a) Within what time of the completion of an MES work should the Final Bill be submitted by the contractor? How many copies of the bill are required to be

submitted?

(3 Marks)

- (b) A bill for Rs.38,000 of a contractor has been prepared by the MES on the directions of GE on the plea that the contractor is illiterate. AAO GE has objected to the preparation by MES stating that bills are to be prepared by the contractor only. Comment. **(7 Marks)**

Ans. (a) The Final Bill should be submitted by the contractor within three months of physical completion of the Works to the satisfaction of the Engineer-in-Charge. (Condition 65, IAFW-2249). Two copies of the bill are required to be submitted. **(Auth: Para 65-A, IFAW-2249)**

- (b) The objection of the AAO GE is unwarranted. In the case of small contracts (below Rs.40,000) with illiterate contractors, the preparation of the bills can be undertaken by the MES on the orders of the GE. In such case "Bill prepared by MES" will be endorsed on the bill.

(Auth: Para 460, MESR)

Q.5. (a) What are the freak rates and how are they treated in the evaluation of tenders by MES authorities? **(3 Marks)**

- (b) A Chief Engineer has concluded a contract at a cost of Rs.120 lakhs. Schedule 'B' of the Contract Agreement does not contain any item as all the materials are to be supplied by the contractor. During the progress of the work, due to non-availability of cement in the market, the contractor requests the GE to issue cement from MES. In the interest of the State, and to avoid delay, the GE issues 800 bags of cement and makes recovery at the Schedule 'B' rates as applicable to other contracts. Comment on the action of the GE. **(7 Marks)**

Ans. (a) Freak rates are those rates in a tender which, in the opinion of the Accepting Officer, are either abnormally high or abnormally low.

If any freak rates are discovered, these will be communicated to the tenderer and he will be afforded an opportunity to revise them. He will be informed that the lump sum quoted by him will be corrected on the basis of any revision of rates thus made. In case the tender as corrected no longer remains acceptable, the foregoing procedure will be resorted to in respect of the next acceptable tender.

Where a tenderer does not propose to modify all or any of the freak rates pointed out to him or where the revised rates quoted by him are not considered reasonable but the tender is otherwise still the most acceptable, the Accepting Officer will decide whether to accept or to reject the tender. Before rejecting such a tender, however, it should be preferable to consult the CDA.

If the tender is rejected, the Accepting Officer may accept any other tender or resort to retendering. Should he decide to accept any other tender, the same procedure shall be followed for correction of freak rates.

(Auth: Paras 424 & 425, MESR)

- (b) Since the contract did not specifically provide for issue of materials to the contractor, the GE, as per rules, could not have supplied the cement without the

approval of the Accepting Officer.

Issue at Schedule B rates, as applicable to other contracts, was not in order. The GE should have taken the highest of the following rates:

- i) Stock Book rates as on the date of issue of stores;
- ii) Market rate as on the date of issue of stores; 1q
- iii) Rate deduced from the tendered rates in case of contracts based on Bills of Quantities and item rate contracts;
- iv) Rate in the MES Schedule adjusted by the contractor's percentage in case of contracts based on MES Schedule of rates.

(Auth: Para 446, MESR)

- Q.6.** (a) In the context of MES works and contracts, what is meant by (i) Contractor's Percentage; (ii) Emergency Works; (iii) Prime Cost? **(3 Marks)**
- (b) An MES work, for which Administrative Approval for Rs.20 lacs had been accorded, is completed at a cost of Rs.21.8 lacs. Is revised Administrative Approval required? Give reasons for your answer. **(7 Marks)**

- Ans.** (a) i) In the case of Lump Sum contracts, **Contractor's Percentage** means the percentage entered by the contractor in the General Summary as addition to or deduction from the cost of buildings, etc. listed in Schedule 'A', to provide a lump sum quotation for performance inclusive of any element required by him for extra costs, profit, establishment charges and insurance, etc.

In the case of Measurement and Term Contracts, **Contractor's Percentage** shall, if the context so permits, mean the uniform percentage tendered by the Contractor and accepted by the Accepting Officer; and the contract rates shall accordingly be the rates in the MES Schedule as adjusted by the said contractor's percentage.

ii) **Emergency Works** mean any urgent measures which, in the opinion of the Engineer-in charge, become necessary during the progress of the Works to obviate any risk of accident or failure or which becomes necessary for security or rectifications to essential services like water supply and electrification during the maintenance period of the contract.

iii) **Prime Cost** means the amount actually paid by the contractor for any article, commodity or special work, and includes all proper charges for packing, carriage and delivery to the site, after deduction of all trade discounts, rebates and allowances and all discounts obtainable for cash in so far as such discounts exceed 2½ per cent.

(Auth: Para 1-IAFW 2249)

- (b) As per Para 193 of MESR and Para 2(h) of Defence Works Procedure, 2007, the final cost of any service may exceed by not more than 10 per cent the amount approved by the CFA for that service and expenditure may be incurred up to that limit. In the instant case the incurred expenditure exceeds the amount of Administrative Approval by only 9 per cent. Hence revised Administrative

Approval is not required.

(Auth: Para193 MESR and Para 2(h) Defence Work Procedure)

- Q.7.** (a) Subject to what conditions may an MES contractor be permitted to tender for a work in excess of his monetary limit? **(3 Marks)**
- (b) In a GE's Cash Assignment there is a cash balance of Rs.15 lakhs as on 31st March, 2007. Cheques amounting to Rs.12 lakhs have been drawn on the cash assignment for payments to be made to contractors during the coming financial year. What is the amount that will lapse at the close of the financial year? **(7 Marks)**

Ans. (a) In case of a contractor who has executed the standing security bond, but where the tendered cost of the work exceeds the financial limit of the contractor, and the Accepting Officer decides to accept his tender, the contractor shall lodge with the Accepting Officer concerned additional Security Deposit as notified by the Accepting Officer. This should be done within thirty days of the receipt by the contractor of notification of acceptance of his tender, failing which this sum will be recovered from the first RAR payment or from the first final bill.

(Auth: Condition 22, IAFW-2249 & Para 500 MESR)

- (b) As per Para 535 MESR, any balance in a GE's cash assignment remaining unpaid on the last day of the financial year will lapse except that cheques drawn before but paid after the end of the year will be taken against the balance of the assignment of that year.

In the present case, there is a balance of Rs.15 lakhs as on 31st March. However, as against this balance of Rs.15 lakhs, cheques to the tune of Rs.12 lakhs have already been drawn as on 31st March for payments to contractors. These cheques will be taken against the assignment for the current year. Hence only an amount of Rs.3 lakhs will lapse.

(Auth: Para 535 MESR)

- Q.8.** (a) What is a Construction Account in MES and who maintains it? **(3 Marks)**
- (b) A GE makes a payment of a MES contractor's final bill valuing Rs.6 lakhs after getting it pre-audited by the AAO GE. The bill after payment is forwarded to the concerned CDA for post audit. Comment on the correctness of the GE's action. **(7 Marks)**

Ans. (a) A Construction Account exhibits in detail the expenditure and liabilities incurred on specific items or services or groups of services, including charges for services rendered by other Arms or Services or by civil agencies. This is maintained by the MES.

(Auth: Para521, 531-535 MESR)

- (b) As per Para 572 MESR, a GE may pay, without preaudit by the CDA, final bills the gross value of which does not exceed Rs.5 lakhs each. In the instant case, the contractor's bill is for Rs.6 lakhs, which exceeds the specified limit. Accordingly the bill could not have been paid without pre-audit by the CDA.

(Auth: Para 572 MESR)

SECTION II (Store Accounts and Internal Audit (A) ARMY

(FOR CANDIDATES OTHER THAN AIR FORCE, NAVY AND FACTORIES)

- Q.1.** (a) How many copies of the issue voucher are prepared in case of transfer of stores from one Army depot to another, and what is the disposal of the different copies? **(3 Marks)**
- (b) Stores meant for Army depot X are wrongly received by another Army depot Y. What procedures and formalities are required to be followed by the two depots and their LAOs in order to rectify the mistake? **(7 Marks)**

- Ans.** (a) When stores are transferred from one depot to another depot or to a unit, the issue voucher is generally prepared in five copies. These are referred to as the 'A' copy, 'B' copy, 'C' copy, 'D' copy and the 'E' copy (except ordnance depot where they are referred to as No.1,2,3,4 and 5 copy), and are disposed of by the issuing depot as under:

The 'A' copy is the issuing depot's office copy. The 'B' copy is the copy which is sent to the consignee, receipted by him and returned to the consignor. The 'C' copy is the copy sent to the consignee and retained by him.

The 'D' and 'E' copies are sent by the consignor to his LAO who pairs the two retains the 'D' copy and passes on the 'E' copy to the consignee's LAO.

(Auth: Para 40, ALAM Part I)

- (b) In this case, the depot Y receiving the stores will first take the stores on charge by preparing a nominal voucher. It will then redirect the stores to the appropriate consignee and on receipt of receipted copies for the same release the office copy of the nominal voucher to the dependent LAO who, in turn, will schedule it to the LAO of the original consignor. The latter will link it with the original voucher of the consignor and watch for the revised vouchers showing the stores consigned to the ultimate consignee.

(Auth: Para 48, ALAM Part I)

- Q.2.** (a) What are the registers and records required to be maintained by a Defence Estate Officer and to be inspected by the LAO? **(3 Marks)**
- (b) Is the LAO required to carry out the inspection of regimental fund accounts of Army units? **(2 Marks)**
- (c) At what frequency should the inspection of Military Farms be carried out by the LAO, and how many months' cash account are to be taken up for detailed audit in an year? **(3 Marks)**
- (d) With whose sanction can land held by the DEO be reclassified? **(2 Marks)**

- Ans.** (a) The DEO is required to maintain the following registers and returns, which are to be audited by the LAO:
- i) General Land Register;

- ii) Standard Table of Rents;
- iii) DEO's Land Revenue Register;
- iv) DEO's Grants Register (building sites);
- v) DEO's Grants Register (agricultural lands);
- vi) DEO's Grants Register (miscellaneous sites);
- vii) DEO's Grants Register (temporary licences).

(Auth: Para 137, ALAM Part II)

- (b) The LAO is not required to carry out the inspection of regimental funds of Army units, except under definite instructions from the PCDA/CDA.

(Auth: Para 1, ALAM Part II)

- (c) The inspection of the accounts of a Military Farm by the LAO should be carried out half yearly. Two months' accounts will be taken up for detailed audit in an year.

(Auth: Para 7, ALAM Part II)

- (d) Re-classification of land held by the DEO can be done only with the sanction of the Govt. of India or such other authority as it may empower.

(Auth: Para 140, ALAM Part II)

- Q.3.** (a) What are the types of losses in which a court of inquiry is necessarily to be held? **(3 Marks)**

- (b) AOC stores held by a unit, which were previously in a repairable condition, have now become unserviceable and are to be destroyed by burning. The priced vocabulary rate of these stores was Rs.45,000. For what amount will the loss statement be prepared? **(7 Marks)**

- Ans.** (a) A court of inquiry shall invariably be held to investigate the loss in the following cases:

- i) All losses which require the sanction of the Govt. to write off;
- ii) Losses due to inaccuracy in previous stock taking;
- iii) Losses of arms, ammunition and explosives;
- iv) Losses due to theft, fraud, neglect, fire, or due to any unusual occurrence.

(Auth: Para 241, Store Accounting Instructions for the Army)

- (b) 100% of the priced vocabulary rate will be taken for preparing the loss statement. In other words, the loss statement will be prepared for Rs.45,000.

(Auth: Para 247 of SAI)

- Q.4.** (a) An apparent loss of stores has resulted from omission to prepare vouchers for stores disposed off? Is such a loss required to be regularized through a loss statement? Will it be regarded as a loss due to neglect? **(3 Marks)**

- (b) An Army vehicle meets with an accident resulting in damage to the vehicle without the vehicle being downgraded. The cost of making good the damage, as assessed by the workshop officer, comes to Rs.1,30,000. Penal recoveries amounting to Rs.50,000 have been made from the concerned individuals. For what amount should the loss statement be prepared? **(4 Marks)**

- Ans.** (a) The loss is required to be regularized through a loss statement, but it need not be regarded as a loss due to gross neglect.
(Auth: Para 243(c) of SAI)
- (b) In this case, since downgradation of the vehicle is not involved, penal recoveries will not be deducted from the amount of loss. In other words, the loss statement will be prepared for the full amount of loss, i.e. for Rs.1,30,000.
(Auth:Note (ii) below Para 247(c), SAI)
- Q.5.** (a) How many times in a month is the diesel in the tank of an MT vehicle required to be checked, and how is it done?
(3 Marks)
- (b) An MT vehicle issued from a vehicle depot to an Army unit is filled with 100 litres of diesel at the time of leaving the vehicle. It arrives at the receiving unit with 80 litres of diesel, the remaining quantity having been spent in transit. What quantity of diesel will the receiving unit take on charge and what are the accounting transactions to be done in this connection?
(7 Marks)
- Ans.** (a) MT gasoline/diesel in tank of every vehicle will 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.
(Auth: Para 144, SAI; Para 310(vii)(A)(i), ALAM Part I)
- (b) The receiving unit will take on charge the full vouchered quantity, i.e. 100 litres of diesel. The quantity expended in transit, i.e. 20 litres, will be charged off by means of a certificate issue voucher.
(Auth: Para 66, SAI)
- Q.6.** (a) Under what circumstances may extra rations be issued to troops? Whose sanction will be required if such extra rations have to be continued beyond a period of 90 days?
(3 Marks)
- (b) When a complete Army unit moves from one station to another, what action should it take in regard to rations and ration return, both at the original station and at the destination?
(7 Marks)
- Ans.** (a) On the recommendations of the local medical authorities, the issue of extra rations at the prescribed scales to troops may be sanctioned when climatic conditions are specially severe and unusually hard work is being performed, and commanders are satisfied that the normal daily ration is inadequate to maintain its recipient in health.
- Issues for periods in excess of 90 days in any one financial year will require sanction of the Central Government.
- (b) When a unit moves from one station to another, the officer commanding of the outgoing unit will close its ration return showing the transactions up to the date of entraining, and open a fresh Train Ration Return for the period of the journey. The closed Ration Return will be got audited by the LAO before leaving the station, and objections, if any, will also, as far as possible, be settled

on the spot. A list of balances in the closed Ration Return will be made over in duplicate to the LAO duly signed. All supplies drawn from the supply depot at the entraining station for the period of the journey and also those drawn en route will be brought on charge as receipt in the train ration return on IAFS-1519 and issues made for consumption by troops during the journey struck off charge. On arrival at the destination, the train ration return will be closed and the balances of unconsumed rations will be transferred to the first ration return of the unit at the new station on regular vouchers. The train ration return will be retained by the OC unit for local audit.

(Auth: Para 159, SAI)

- Q.7.** (a) Which local Army authority should the civil authorities approach for military aid in maintenance of law and order? Is the army authority bound to comply with such a demand? Who will decide the strength and composition of the force to be deployed for this purpose? **(3 Marks)**
- (b) A sepoy fails to return from leave on the due date. How long can the OC of his unit wait before reporting the fact of his desertion to the police authorities? Can the civil police arrest him on the basis of such a report, and can it detain him in civil person? **(7 Marks)**

Ans. (a) For military aid in maintenance of law and order, the civil authorities should approach the officer in command of troops. Every such requisition made by a civil authority, in writing or by telegram, will be complied with immediately. The strength and composition of the force, the amount of ammunition, arms and equipment to be taken, and the manner of carrying out the operations are matters for the military authorities alone.

(Auth: Para 303, DSR, Regulations for Army Vol.I)

- (b) The OC unit can wait up to a maximum of fourteen days before reporting the fact of desertion. (Para 377, DSR, Regulations for Army Vol.I). The civil police can arrest the deserter on the basis of such a report, but cannot detain him in civil prison. The police station will arrange for dispatch of the deserter to the nearest regimental centre or unit.

(Auth: Para 378, DSR, Regulations for Army Vol.I)

- Q.8.** (a) What is meant by grant of ante-date for allotment of married accommodation Army officers? What are the circumstances in which this is done? **(3 Marks)**
- (b) A 23 year old Captain in the Army, living in an Army mess, marries. He applies to the competent authority for allotment of Armed Forces married accommodation. His request is turned down. Comment on the decision of the competent authority? **(7 Marks)**

Ans. (a) Ante-date of seniority for allotment of married accommodation is given to officers who, in their previous assignment, had been posted to a station where married accommodation could not be provided to them under any arrangement, or to a field service area where they were precluded from taking their families, or who had served overseas or afloat. The stay at the previous duty station should not have been less than six months. On posting to a peace station, such

officers will have their seniority antedated by half the period they spent in the previous station/ship of duty, irrespective of whether they retained family accommodation/separated family accommodation at the previous duty station.

(Auth: Para 1022, Regulations for Army Vol.II)

- (b) Since the Captain was less than 25 years when he married, he was not entitled to married accommodation till he attained that age, and was required, as per rules, to live in a mess. Hence the decision of the competent authority in turning down his request for married accommodation was in order

(Auth: Para 1023, DSR, Regulations for Army Vol.II)

SECTION II (Store Accounts and Internal Audit) (B) Air Force

- Q.1.** (a) What is the difference between fixed and continuous stock taking? **(3 Marks)**
- (b) (i) Is it permissible to give an article to an individual who is charged full value of the article in consequence of it having been so damaged as to render it unfit for further service? How should it be accounted for? **(4 Marks)**
- (ii) In a fire accident, stores of two neighboring units were destroyed. Both the units raised separate loss statements. However, LAO insisted on a consolidated loss statement on the grounds that loss had occurred due to a single fire accident. Whose contention is right and why? **(3 Marks)**

- Ans** (a) Fixed stock taking is the one where the whole staff is to be employed thereon as far as possible until completed. Continuous stock taking is spread over the full stock taking cycle. **(Auth: Para 5 of Chapter 25, IAP 1501)**
- (b) (i) No, it is not permissible to give an article to an individual who is charged full value of the article in consequence of it having been so damaged as to render it unfit for further service. The article is to be brought to account as salvage forthwith. **(Auth: Para 33 of Chapter 23, IAP 1501)**
- (ii) Losses of various classes of stores due to one and the same incident/cause should be written off on one loss statement. However, if the stores involved pertain to different units, separate loss statements will be required to regularize the loss in respect of stores held, on charge of each unit. The competent financial authority should be determined with reference to the value of loss in each unit. Accordingly, the contention of the unit is right in this case. **(Auth: Para 2(g) of Chapter 22, IAP 1501)**

- Q.2.** (a) What is the difference between strike off charge and write off charge? **(3 Marks)**
- (b) A specialist vehicle costing Rs.10 lakh meets with an accident and is downgraded to class VI. A penal deduction of Rs.10,000 is made from the driver. What is the amount of loss to be written off? **(7 Marks)**

- Ans** (a) Strike off charge is the term applied to the entry of an issue of stores in the Stock Record Card when the issue is not in respect of a loss. On the contrary, write off charge is the term applied when the posting of an issue in the stock record card is in respect of a loss. **(Auth: Glossary of Terms, IAP 1501)**
- (b) The actual loss to be written off will be the depreciated value of the vehicle at the time of occurrence of the loss, less residual value after the occurrence, excluding penal deduction, if any, imposed upon the individual held responsible for the loss.

The depreciated value of the vehicle will be calculated as under:

Class I (New)	-	100% of vocab rate
Class VI	-	20% vocab rate

The gross loss will be the depreciated value of the vehicles at the time of accident i.e. Rs.8 lakh (Rs.10 lakh - Rs.2 lakh).

(Auth: Para 14 and 29 of Chapter 23, IAP 1501 IAF Equipment Regulations)

- Q. 3.** (a) In what situations are the CRVs raised? **(3 Marks)**
- (b) (i) An LAO(AF) includes items of financial advice in the objection statement issued to unit 'X'. Comment. **(3 Marks)**
- (ii) During linking of LP vouchers, LAO finds that some points have been overlooked by Audit Section of CDA office while passing the claim. What should he do? **(4 Marks)**

Ans (a) CRVs are raised generally -

i) To bring the stores on charge whenever received without issue vouchers or advice notes.

ii) To bring on charge the imported stores received from overseas with reference to packing account/packing lists, etc.

iii) To bring on charge stores found surplus as a result of a snap check, etc.

iv) To adjust accounts in case of discrepancies in consignment of equipment when the discrepancy is admitted by the consignor.

(Auth: Para 109 of AFLAM)

- (b) (i) Items of financial advice will not be included in the objection statements issued to the units. After they have been discussed with the unit authorities and which are accepted by them should be reported to the CDA(AF) in the quarterly financial advice report so as to reach him by the 10th of the month following the quarter.

(Auth: Para 28 of AFLAM)

(ii) In such cases, LAO should take up the matter with the section concerned of CDA office for taking up the matter with the concerned unit. Such points should not be referred by LAOs direct to units.

(Auth: Note below Para 144 of AFLAM)

- Q.4.** (a) Explain the difference between Regulatory Audit and Higher Audit? **(3 Marks)**
- (b) (i) Persons engaged on duties involving handling of lead have been issued milk on Sunday/holidays also falling within the stipulated period of their engagement. Should LAO object to this in audit? **(4 Marks)**

(ii) Hospital diet has been issued to a patient under observation. Comment.

(3 Marks)

Ans. (a) Regulatory Audit ensures that for every expenditure there is a voucher and that the expenditure is according to certain laws and rules and other instructions that have been laid down. Higher Audit relates either to individual or class or transactions and is concerned with an intelligent examination whether lesser expenditure would have served the purpose. Canons of financial propriety in Govt. expenditure are the guiding principles in higher audit.

(Auth: Para 39 of AFLAM)

(b) LAO should see whether such persons were employed for 15 days or more on such duties. If they are employed for less than 15 days, milk will be issued only for days of employment. In case they are engaged for 15 days or more, milk is to be issued on Sunday/holiday and leave falling within the stipulated period of the engagement of personnel and the total period including these days will be reckoned towards calculating the period of engagement.

(Auth: Para 262(iii) and Note 1 thereunder, AFLAM)

(ii) Hospital diet is not to be issued to a patient detained in Hospital for observation as such patients are subsisted on Extras.

(Auth: Para 270(v) of AFLAM)

Q. 5. (a) What is a Watch Log Book?

(3 Marks)

(b) (i) How is the petrol/diesel consumed worked out on the Kilometre Card?

(3 Marks)

(ii) During audit of ration accounts of a unit, it is observed by the LAO that the overdrawals were adjusted in the next month by underdrawals. Similarly net underdrawals at the end of the month were being adjusted by overdrawals in the subsequent month. What action should be taken by the LAO?

(4 Marks)

Ans. (a) Watch Log Book is maintained by Duty Air Traffic Control Officer to record particulars of takeoffs/landings of aircrafts including civil, foreign and commercial aircrafts.

(Auth: Para 203 of AFLAM)

(b) (i) The Petrol/Diesel consumed will be worked out as under:

1) The actual quantity of motor spirit found in tank on the last day of the previous month, plus

2) total motor spirit drawn during the month, minus

3) the actual quantity of motor spirit found in tank on the last day of the month.

(Auth: Para 186(vi) of AFLAM)

(ii) While over draws could be allowed to be adjusted in the next month by under draws. The net under draws at the end of a month have to lapse to the Govt. and will not be subsequently adjusted by over draws. Hence LAO should place the adjustment of net under draws by subsequent over draws under objection and

insist on recovery at payment issue rates.

(Auth: Para 249 of AFLAM)

- Q. 6.** (a) How would you define Assets while undertaking provisioning? **(3 Marks)**
- (b) (i) If quantity 15 is held as repairable and the percentage of yield off repair for the item is 75%, what would be the estimated yield off repair? **(3 Marks)**
- (ii) While calculating the requirement of tents during the Provisioning Review, tents issued to State Govt. of Tamil Nadu during tsunami have been included in the CAR. Comment. **(4 Marks)**

Ans. (a) Assets consist of stores available or likely to become available as a result of provisioning action already taken i.e. stocks physically held of serviceable and repairable stores plus dues-in, expected against outstanding orders, including 'Repair' orders.

(Auth: Glossary of Provisioning Terms, IAP 1541)

- (b) (i) Estimated yield off repair would be 11 by applying the formula = $15 \times \frac{75}{100}$

(Auth: Para 6 of Leaflet No.9, IAP-1541)

(ii) CAR (Current Annual Rate) should include only the past recurring consumption of an item during the 12 months preceding a provisioning review. Since issue of tents to State Govt. of Tamilnadu during tsunami cannot be termed as a recurring requirement rather is a one-time issue (i.e. programme requirement), inclusion of the same for calculation of CAR is not in order.

(Auth: Para 4 of Leaflet No.9, IAP-1541)

- Q. 7.** (a) What is Life of Type Review? **(3 Marks)**
- (b) (i) 26ED has provided only one year data relating to CAR and has worked out its requirements based on one year consumption only. Would you object to this while scrutinizing their proposal? **(4 Marks)**
- (ii) As consumption data of only 6 months is available, CAR had to be adjusted marginally to compensate for inadequacy of data which should normally be for a period of preceding 12 months. Is it in order? **(3 Marks)**

Ans. (a) It is the final review carried out to provision all ranges of spares of an aircraft or equipment before the manufacturer goes out of production.

(Auth: Para 33 of Chapter 2, IAP-1541)

Para 5 of Leaflet No.6, IAP-1541)

- (b) (i) Since consumption of spares has a tendency to run in cycles with marked upward or downward trend from period to period, the past one year's consumption may not always provide a realistic basis for forecasting future requirements. In such cases, it may be desirable to take three to four years' consumption and arrive at an annual rate of usage, the principle being that longer

the base period, the clearer the view of the trend of consumption. Hence CAR for previous 3-4 years (even upto 5 years, if available as per guidelines issued under IMMOLS) may be called for in this case.

(Auth: Para 3 of Leaflet No.7, IAP-1541)

(ii) The CAR must not be adjusted to compensate for the fact that the figures on which it is based may on occasions represent issues for a period of less than 12 months, as the method of calculating the forecast factors takes this point into account.

(Auth: Para 11 of Leaflet No.7, IAP-1541)

Q. 8. (a) What is the MPE for the following items: **(3 Marks)**

- (i) Perishable items except dry batteries
- (ii) Dry batteries

(b) Please work out the net requirement to be included in the indent for procurement of item 'Brake Shoe' as a result of the provisioning review based on the following data: **(7 Marks)**

CAR	=	500
Forecast Factor	=	4.5
Dues-in	=	100
Dues-out	=	200
Stock	=	100

Ans. (a) MPE for the items is as under:

- i) Perishable items except dry batteries - 24 months
- ii) Dry Batteries - 9 months

(Auth: Appendix to Leaflet No.1, IAP-1541)

(b) Net requirement = Liabilities (-) Assets

$$\begin{aligned} \text{Liabilities} &= (\text{CAR} \times \text{FF}) + \text{Dues-out} \\ \text{Assets} &= \text{Stock} + \text{Dues-in} \end{aligned}$$

$$\begin{aligned} \text{Liabilities} &= (500 \times 4.5) + 200 \\ &= 2250 + 200 \\ &= 2450 \end{aligned}$$

$$\begin{aligned} \text{Assets} &= 100 + 100 \\ &= 200 \end{aligned}$$

$$\begin{aligned} \text{Hence, Net requirement} &= 2450 - 200 \\ &= 2250 \end{aligned}$$

(Auth: Para 7 of Leaflet No.9, IAP-1541)

SECTION II (Store Accounts and Internal Audit) (C) Navy

Q.1. Senior procurement managers are responsible for evaluating the efficiency of individuals and sections involved in procurement. In this context, explain the following: **(10 Marks)**

- (a) Administrative Lead Time Analysis
- (b) Supply Lead Time Analysis
- (c) Indent Analysis
- (d) Delivery Acceptance Analysis

Ans. Senior Management evaluates the efficiency of procurement by carrying out certain analysis. The required terms are explained below:

(a) **Administrative Lead Time Analysis:**

It is the analysis of time taken between raising of indent and issuance of tender enquiry and between issuance of tender enquiry and placement of order, in respect of each section in CPRO/DPRO. An analysis of indents held up on account of inadequate specifications, carried out indenter-wise also helps in judging the efficiency of concerned sections.

(Auth: Para 15.3 & 15.4, Procurement Manual - Navy Vol.3)

(b) **Supply Lead Time Analysis :**

It involves analysis of the actual time taken between order placement and delivery of material, in respect of each section. A similar analysis should also be undertaken with regard to extension of DP in respect of each section.

(Auth: Para 15.5 & 15.6, Procurement Manual - Navy Vol.3)

(c) **Indent Analysis:**

To judge the efficient procurement, indents are analysed, indenting sectionwise, to determine the number of items that have been indented more often once a year.

(Auth: Para 15.9, Procurement Manual - Navy Vol.3)

(d) **Delivery Acceptance Analysis:**

Frequency distribution analysis is carried out in respect of time taken between physical delivery of store and issue of SRV in respect of each storehouse.

(Auth: Para 15.7, Procurement Manual - Navy Vol.3)

Q. 2. (a) Define the terms 'Marine equipment' and 'spares' in the context of Navy? **(3 Marks)**

- (b) Are all items of war reserves permitted to be stocked over and above the MSL? What is the purpose of Insurance spares and do such stores form part of war reserve? **(7 Marks)**

Ans. (a) The term 'marine equipment' covers all equipment used in the Navy, on board or ashore, other than air equipment and weapon equipment. The term 'spares' includes both equipment and spare parts held in stock. Spare parts connote assemblies, sub-assemblies and components of equipment, excluding those components which are stocked as naval stores.

(Auth: Para 1.16, Material Planning Manual-Navy)

- (b) Specified quantities of spare parts and items of consumable and permanent naval stores are permitted to be maintained as war reserves. All items of war reserves, including insurance spares are allowed to be stocked additional to MSL.

Insurance spares are equipment held in stock to cater for war and other unexpected damage. Such spares form part of war reserve. List of insurance spares must be promulgated by DLS in consultation with technical Dtes.

(Auth: Para 1.26 & 1.27, Material Planning Procurement Manual of Navy)

Q. 3. (a) State the categories under which the stocks declared unfit for human consumption by the CFL, fall. Explain the categories. **(3 Marks)**

- (b) A Base Victualling yard disposed of category 'E' stock by selling to ex-servicemen who purchased the stock at 1/10 of the free issue rate for feeding to their animals and birds. The Military farm which was also located at the same station objected to this sale stating that they should have been first offered the category 'E' stock for purchase. How would you justify the action of Base Victualling Officer? **(7 Marks)**

Ans. (a) Stocks which are declared unfit for human consumption by the CFL fall under the following categories:

- i) Category E - May be fed to animals
- ii) Category F - May be disposed off for commercial purposes
- iii) Category G - Unfit for human consumption and cannot be categorized as 'E' or 'F' and should be destroyed.

(Auth: Para 1314 Naval Victualating Manual)

- (b) Category 'E' stores are to be first offered to military farms for feeding to animals at 1/10 of the stock-book free issue rates. If the Military farms do not accept the items the stock may be sold to ex-servicemen for feeding their animals and birds at 1/10 of free issue rate. In the instant case if the category 'E' stock was sold to ex-servicemen without first offering to military farm, then the action of BVO is questionable. However, if the BVO can establish that he had offered the stock to Military farm but they were offering payment which was less than 1/10 of free issue rate, then his action to sell to ex-servicemen at 1/10 rate can be justified.

(Auth: Para 1315 Naval Victualating Manual)

Q. 4. (a) In which ledger/account the Naval Armament Depots record the store issued to Factory/Laboratory for examination etc. and return? What points are seen in audit

of such issue of stores? **(3 Marks)**

(b) (i) What are Air stores and how are Air stores classified? **(3 Marks)**

(ii) How are the air stores received without vouchers brought on charge? **(2 Marks)**

(iii) Is the procedure followed in respect of Air stores in regard to preparation of copies of demands, transfer vouchers, survey reports, loss statements etc. the same as in the case of Naval stores? **(2 Marks)**

Ans. (a) Such issues by the Naval Armament Depots are recorded in the subsidiary accounts maintained by the Depots. During audit it should be seen that the stores charged off the stock column in the main ledger are posted as receipts in the subsidiary column, that no inordinate delay takes place in the return of the articles issued for examination and that the subsidiary column is cleared as expeditiously as possible.

(Auth: Para 103 of NLAO's Manual)

(b) i) Air stores are those items of spares, equipment or stores which are used exclusively for Aviation purposes. Air stores are classified under two headings:

- (a) Permanent stores
- (b) Consumable stores

(Auth: Para 194 of NLAO's Manual)

(ii) Air stores received without vouchers are brought on charge at the time of receipt on certified receipt vouchers and these are subsequently compared and linked with the original vouchers when received.

Auth: Para 193(iii) of NLAO's Manual)

(iii) Yes, the same procedure as in case of Naval stores is followed in respect of the stated transactions.

Auth: Para 193(ii) of NLAO's Manual)

Q.5. (a) What is the purpose of issue of samples to certain authorities/firms/contractors from the working stock of Stocking Depots? **(3 Marks)**

(b) The responsibility for carrying out stock verification rests primarily and solely with the executive authorities. What are the points which NLAO should see during his periodical visits to Depots, to ensure that executive authorities are discharging their responsibility effectively? **(3 Marks)**

Ans. (a) Issue of samples to certain firms/contractors etc helps in establishing indigenous manufacture of stores by guiding the local manufacture by firms. It also helps and facilitates correct supply of stores as per specifications.

(Auth: Para 94(1) of NLAO's Manual)

(b) During his periodical visits to Depots, the NLAO will verify that stock taking has been carried out as it falls due. He will also see that-

i) the system of stock-taking adopted is adequate and proper

ii) the results of stock-taking are properly recorded

iii) All the discrepancies detected during stock-taking are properly investigated, all surpluses have been credited to govt-account and deficiencies have been dealt with under the orders of CFA.

iv) the vouchers received prior to the date of stock taking have not been brought with the balance after stock taking.

NLAO will also bring to the notice of local administrative authorities through CDA(N) cases of serious irregularities etc.

(Auth: Para 75-A, NLAO's Manual)

Q. 6. (a) Under which categories the losses of stores are classified? Who investigates the losses? **(3 Marks)**

(b) After investigation of a loss, it was established that a person 'X' was responsible (due to neglect) for the loss of an article, the purchase price of which was Rs. One lakh. The commanding officer orders recovery of Rs.1 lakh from the pay of the individual in instalments. The individual 'X' pleads that his financial position is precarious and also that the condition of the article when lost had almost NIL value. Are his arguments tenable? **(7 Marks)**

Ans. (a) Losses of stores shall be investigated by the superior officer of the individual immediately in charge of the stores and classified as under:-

- a) Losses due to theft or fraud,
- b) Losses due to neglect,
- c) Losses not due to theft, fraud or neglect.

(Auth: Para 255 NSK Manual)

(b) The arguments put forth by 'X' are tenable, as for the determination of the recoverable amount, the Commanding officer has to be inter alia guided by the means of the person responsible for loss and the condition of the article when lost. If the realizable value of the lost article had drastically diminished by usage or age, this factor must be taken into account while ordering the recoverable amount. Similarly if the finance condition of the responsible person is precarious, this can be taken into account.

(Auth: Para 257 NSK Manual)

Q. 7. (a) What are the basic objectives of using budget as a management tool in provisioning? **(3 Marks)**

(b) To achieve provisioning control at the level of individual provisioning officers, each detailed head is divided further into section heads and prescribed code allocated. For the following Section Heads, the code allocated by provisioning officers is indicated below. Please state whether they are correctly allocated. If not, please mention the correct code:

(7 Marks)

Section Head	Code
Boiler Material	636 N 10
Aviation Lubricants	636 N 02
Office Equipment	636 L 01
Boats/Small Craft	636 B 01

- Ans.** (a) The basic objectives of using budget as a management tool in provisioning are:-
- To ensure that the material needed to operate and maintain the Navy efficiently in piece and in war is provisioned in time and in a prioritized manner.
 - To minimize inventory carrying costs consistent with the above objective.

(Auth: Para 4.1 Material Planning Manual - Navy)

- (b) The code allotted by the provisioning officer for Boiler Material is correct. However for Aviation Lubricants and office equipments the correct code should be 636L0Z and 636E01 respectively. The code allotted to Boats/small craft is also correct.

(Auth: Para 4.9, Material Planning Manual - Navy)

- Q. 8.** (a) What is the purpose of Register of Losses maintained by NLAO? **(3 Marks)**
- (b) The NLAO includes the following categories of losses in the Register of Losses. Is his action correct? If not, why not? **(7 Marks)**

(i) Objections waived or written off by officers of DAD under Rule 177 FR Part 1, as amended.

(ii) Losses of imported stores.

- Ans.** (a) The purpose of Register of losses is to maintain statistics in respect of losses of stores. All losses in ships/establishments of the value of Rs.500 and above and all losses in supply and store depots, irrespective of value (which have been written off by CFA) appearing in the accounts covered by audit are to be noted in this register.

(Auth: Para 21 NLAO's Manual)

- (b) NLAOs action is not correct. As per Para 2 of Appx. 6 to NLAO's Manual, (i)The objections waived or written off by DAD officers as per FR Part I and (ii) Losses of imported stores (as these are treated as cash loss) are not to be included in the Register of Losses.

(Auth: Appx 6 NLAO's Manual)

SECTION II (Store Accounts and Internal Audit) (D) Factory

Q. 1. (a) What are the conditions under which idle time payment can be made? **(3 Marks)**

(b) Comment on the following:

(i) The voucher has been posted in PSL thereafter it comes for pricing. **(2 Marks)**

ii) Loan items have been documented by S.Series voucher. **(2 Marks)**

iii) Factory as a whole declared as cost centre in terms of departmentalization of overhead cost centre concept. **(2 Marks)**

iv) Head of other section made chairman of SBC. **(1 Mark)**

Ans. (a) Idle time payment can be made under the following conditions.

1) High humidity hindering certain operations in explosive factories or unfavorable weather conditions hindering specialized optical work depending on sun light.

2) Plant, furnace and transport breakdown.

3) Temporary shortage of material.

4) Failure of power supply

5) Temporary shortage of work in highly specialized sections such as instrument repair and optical sections.

Idle time payment other than above causes should be covered by Govt. sanction.
(Auth: Para 160 of OM Part VI Vol.I)

(b) (i) First pricing of the voucher is done thereafter it is to be posted in PSL.
(Auth: Para 410(c) of OM Part VI Vol.I)

(ii) Loan items are to be documented by Nominal vouchers.
(Auth: Para 489 of OM Part VI Vol.I)

(iii) Shop/section of a factory is to be declared as cost centre.
(Auth: Para 535 of OM Part VI Vol.I)

(iv) Divisional officer of particular shop/cost centre is the chairman of SBC.
(Auth: Para 549 of OM Part VI Vol.I)

Q. 2. (a) Write a short note on Night Shift Bonus. **(3 Marks)**

- (b) What journal entries will be made in Principal Ledger in respect of following transactions:
- (i) Store worth Rs.50 crore received in previous year but brought forward for payment in the current year A/C. **(3 Marks)**
- (ii) Store dispatched from other factories during the year Rs.5 lakh. **(2 Marks)**
- (iii) Store amounting to Rs.5,50,000 received during the year from other factories. **(2 Marks)**
- (iv) For what transaction class 3 vouchers are prepared? **(1 Mark)**

Ans. (a) Piece worker who perform overtime work under Departmental Rules in the night shift will be paid extra pay termed as Night shift bonus. **(Auth: Para 196 of OM Part VI Vol.I)**

- (b) (i) Outstanding Liabilities A/c Dr. 50 crore
To Store cash purchases A/c 50 crore

(Auth: Annexure B of Para 840 credit item no.1 of store cash purchase Account)

- (ii) Store supplied by other factory Accounts Dr. 5 lakhs
To Capital Outlay A/c 5 lakhs

(Auth: Annexure B of Para 840 of OM Pt.VI Vol.II)

- (iii) Store Accounts Dr. 5,50,000/-
Store supplied by other Fys. Accounts 5,50,000/-

(Auth: Annexure B of Para 840 of OM Pt.VI Vol.II)

- (iv) Class 3 vouchers are prepared for items adjustable by Defence.

(Auth: Para 39 of OM Pt.VI Vol.II)

Q. 3. (a) Financial year ends on 31 March whereas the Annual Accounts for ordnance factories is closed after five months. State any 3 reasons for late closure of the Accounts? **(3 Marks)**

- (b) Study the following transaction of Principal Ledger. State the source from which the figures are to be taken and also state the head of Principal Ledger it pertains to: **(7x1 = 7 Marks)**

(i) Transportation charges allocated to Assets

(ii) Misc. issues of store

(iii) Profit on sale of stores (Not chargeable to production)

(iv) Expenditure on account of care and custody of stock surplus to current production (Not chargeable to production).

(v) Electricity and water charges recoverable (Cash)

(vi) Licence fee and rates recovered (Cash)

(vii) Value of receipt into stock from own factory manufacture.

- Ans.** (a) - Financial Accounts are closed in various stages viz. March Preliminary Account, March Final Accounts & March Supplementary Accounts.
- Belated closure and belated dispatch of warrants.
 - Arrear in posting and closing of cost cards
 - Adjustment based on actual cost become necessary in certain cases such as production Issue Voucher relating to own factory production for stock purpose etc.
 - These adjustment lead to adjustment to the following documents -(a) Receipt vouchers prepared for bringing the manufactured store on charge, (b) Demand Note and Return Notes floated after the receipt under (a) above, etc.

(Auth: Para 850 of OM Part VI Vol.II)

(b)

<u>Head of Principal Ledger</u>	<u>Source</u>
i) Overhead Expenses A/c	- Balance entry or Transportation charges A/c
ii) Overhead Expenses A/c	- PSA
iii) Capital Outlay Accounts	- Sale Accounts
iv) Capital Outlay Accounts	- Amount booked to work orders 02/00025/00
v) LF, Rates, Water & Elec. charges recoverable Accounts	- Manufacturing A/c Statement 'B'
vi) -do-	- CCO-2 & Manufacturing A/c Statement 'B'
vii) Manufacture for Factories own stock Accounts	- Contra entry to debit items 7 of store accounts.

(Auth: Annexure 'B' as referred in Para 840 of OM Part VI Vol.II)

- Q. 4.** (a) What is AHSP stands for? What are its functions? Define process cost and Deposit store. **(3 Marks)**
- (b) (i) There is specified arrangement of opening of tenders. One officer has opened and signed the tenders. Offer comments. **(2 Marks)**

(ii) Ordinary store D P was fixed on 20.1.08. And the firm supplied the store on 27.1.08. Is D P extension required. Give the rule position? **(2 Marks)**

(iii) Name the document which reflects the past performance of firms. What details does it contain? **(2 Marks)**

(iv) Which case does not require the approval of T.P.C. **(1 Mark)**

- Ans.** (a) - AHSP - Authority Holding Sealed Particulars. It is the authority empowered to draw up the specifications of the items and hold the detailed particulars of the items.
- Process Cost - It is the cost of product at each process, operations or stages of manufacture where the product of one process becomes the material of another process or operation.
- Deposit Store - Are the stores held in deposit in factory conversion or for ultimate utilization in manufacture.

(Auth: Para 2.10 Procurement Manual OFB & Definitions given in OM Part VI Vol.I)

(b) i) Two officers are supposed to open and sign the tenders.

(Auth: Para 6.12 Procurement Manual OFB)

ii) D P Extension is not required as 21 days grace period is allowed for supply of store.

(Auth: Para 8.4 Procurement Manual OFB)

iii) Name of the document is Data sheet. It reflects the past performance of the firm as well as its current load position. It indicates the details of orders placed during the last 3 years. If no orders placed during the last 3 yrs, then details of the orders placed earlier.

(Auth: Para 6.16 Procurement Manual OFB)

iv) Following cases do not require TPC approval -

- 1) Purchase of store under collaboration agreement
- 2) Items valuing less than Rs.50,000/-

(Auth: Para 6.19.3 Procurement Manual OFB)

Q. 5. (a) What is a letter of credit? Name four types of LC. **(3 Marks)**

(b) (i) TPC brief has been received wherein LC is to be opened for payment of Rs. 9 lakh. Offer comments. **(2 Marks)**

(ii) 100 CKD are to be delivered over 2 years, 50 each in every six months. Which type of LC would you recommend and why? **(2 Marks)**

(iii) A firm of Foreign origin has requested for opening of confirmed LC. Should it be opened? If yes/No, give reasons. **(2 Marks)**

(iv) Rs.9 lakh was paid to a foreign firm through L/C and 20% of the items were found below the specification. Whether arbitration clause is to be operated? **(1 Mark)**

- Ans.** (a) Letter of Credit is a documentary credit. It is an instrument and an arrangement whereby a Bank undertakes to pay another firm on behalf of a customer an amount as per agreed stipulations and against presentation of specified documents. This is done in a trade transaction whereby goods move from seller to buyer and in return payment made from seller to buyer.

Types of letter of credit -

1. Irrevocable LC
2. Confirmed LC
3. Sight credit
4. Revolving LC
5. Acceptance Credit
6. Deferred Payment Credit
7. Transferable credit

(Auth: Para 7.8.1 Procurement Manual OFB)

- (b) (i) Small value say 10 lakh payment may be remitted to the seller's bank A/c by Direct Bank transfer instead of opening L/c.

(Auth: Para 7.8.1.4 Foot note, Procurement Manual OFB)

(ii) Revolving credit should be opened as this would be economical than other LCs.

(Auth: Para 7.8.1.2 IV, Procurement Manual OFB)

(iii) Confirmed LC should not be opened as it undermines the credibility of our nationalized bank.

(Auth: Para 7.8, Procurement Manual OFB)

(iv) Arbitration clause should not be operated as it is very costly in terms of the small amount involved.

(Auth: Para 7.10, Procurement Manual OFB)

- Q.6.** (a) What is Costing Recce Board? What are its functions? **(3 Marks)**
- (b) (i) What are possible reasons for non telling of PSA figures with PSL figures: **(2 Marks)**
- (ii) How does skeleton list help Accounts office? **(2 Marks)**
- (iii) Why is agreement form of Labour prepared? **(2 Marks)**
- (iv) Which series vouchers are prepared for incidental expenses such as cost of acquisition of land and legal expenses in connection therewith incurred in respect of capital Assets? **(1 Mark)**

- Ans.** (a) Costing Recce Board is constituted in connection with works project. In order to determine the CFA for A/N indication of cost of project is prepared on the basis of user's requirement. For this purpose a Costing Recce Board is required to be held in terms of Para 11 of E in C's pamphlet No.13.

(Auth: Para 791 Annexure 'A' 1(i) of OM Part VI Vol.I)

- (b) (i) Main reasons for the mismatch is -

Items have been received but the relevant papers would have not been sent to A/c or may be in pipe line.

(Auth: Para 410 of OM Part VI Vol.I)

(ii) All relevant documents are to be accounted for in the M section of Accounts office & Store section of the Factory, furnish the relevant documents to Accounts Office. At the end of the month store section furnish a skeleton list showing the first and last number of documents for the month and also the documents either cancelled or left blank. So as the missing documents may be called from them by Accounts Office.

(Auth: Para 410 of OM Part VI Vol.I)

(iii) Agreement form of labour ensures that both the Accounts & management are in agreement of the payment of labour, recoveries etc. It is prepared in duplicate in which the total amount passed for payment will be entered section-wise. This would be forwarded to GM who will return one copy duly completed to show the amount actually paid, recoveries made etc.

(Auth: Para 214 of OM Part VI Vol.I)

(iv) Capital 'B' series voucher

(Auth: Para 799 of OM Part VI Vol.I)

Q.7. (a) Write a short note on Arbitration in connection with payment made through LC. **(3 Marks)**

(b) What is the rule position on the following situation regarding admissibility of wages:

(i) A worker fell sick at 11.00 hrs., was taken to dispensary of the factory and rejoined duty at 12.00 hrs. The sickness was arising out of work. **(2 Marks)**

(ii) A worker fell sick during working hours at 9.30 A.M., was taken to Factory Dispensary for treatment. He rejoined at 12.00 hrs. sickness was not due to work. **(2 Marks)**

(iii) A worker during the course of work fell sick at 11.00 hrs., was treated outside factory and he rejoined his duty at 2.30 P.M. The sickness was arising out of work. **(1 Marks)**

(iv) How the store taken on loan from a sister factory would be accounted for? **(2 Marks)**

Ans. (a) When a store etc. are purchased from a foreign vendor L/C is opened wherein there is a clause on Arbitration. Generally there are 3 members in the Arbitration. One each from the buyer and the seller and the third, who should not normally be a native of either of the two parties. In case of disagreement between the 2 arbitrators, the 3rd arbitrator may be left to be nominated by the Chairman of Chairman of International Chamber of Commerce.

(Auth: Para 7.10, Procurement Manual OFB)

(b) (i) He is eligible for wages.

(Auth: Para 181 of OM Part VI Vol.I)

(ii) No wages for the period will be admissible.

(Auth: Para 181 of OM Part VI Vol.I)

(iii) This period will be treated as special leave with wages.

(Auth: Para 181 of OM Part VI Vol.I)

(iv) The store will be accounted for by Nominal voucher.

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

Q.8. (a) Write a short note on ab initio negotiation. (3 Marks)

(b) (i) What are the occasions which warrant urgent procurement? (4 Marks)

(ii) There is a requirement of a particular raw material for 18 months in a factory. What conditions should be suggested regarding D.P. ? (1½ Marks)

(iii) There is an urgent requirement of store. What type of tender Enquiry be floated? (1½ Marks)

Ans. (a) Ab initio Negotiation -

Such negotiation should be undertaken only in exceptional circumstances & may be undertaken.

a) for purchase of proprietary articles.

b) Purchase of store manufactured by only two or three forms. Such negotiation would not be justified on the ground of urgency alone where the more appropriate course will be short dated LTE.

This negotiation should be resorted to only with the prior approval of the competent authority unless a general dispensation is already available for specific case or stores.

(Auth: Para 4.3.5, Procurement Manual OFB)

(b) (i) Occasions warrant urgent procurement are --

1. Target has been revised

2. Store loss due to natural calamity

3. Failure in supply of dues from established source

(Auth: Para 3.12, Procurement Manual OFB)

(ii) Staggered Delivery Schedule should be suggested.

(iii) Single tender inquiry can be floated for urgent requirement of store.

Defence Accounts Department
S.A.S. Examination – Part II (New Syllabus)
APRIL, 2008

PAPER VII – THEORY (Without Books)

SUBJECT: FINANCIAL MANAGEMENT, IFA SYSTEM AND ELEMENTS OF LAW

Time Allowed: 3 Hours

Total Marks : 100

Note:-

- (1) In all, candidates are to attempt 10 questions - 4 questions out of 6 questions from Section-I, 3 questions out of 5 questions from Section-II and 3 questions out of 5 questions from Section-III.
- (2) Each question in Section-I, II and III carries 10 marks.
- (3) Answer to question in respect of each Section should be written in one place.

Section-I (Financial Management)

Q.1. What is the procedure for purchase of goods directly under DGS&D rate contracts? **(10 Marks)**

Ans. The following general principles should be observed while entering into contracts:

(i) The terms of contract must be precise, define and without any ambiguity. The terms should not involve an uncertain or indefinite liability, except in the case of a cost plus contract or where there is a price variation clause in the contract.

(ii) Standard forms of contracts should be adopted wherever possible, with such modifications as are considered necessary in respect of individual contracts. The modifications should be carried out only after obtaining financial and legal advice.

(iii) In cases where standard forms of contracts are not used, legal and financial advice should be taken in drafting the clauses in the contract.

(iv) No work of any kind should be commenced without proper execution of an agreement as given in the foregoing provisions.

(v) Contract documents, where necessary, should be executed within 21 days of the issue of letter of acceptance. Non-fulfilment of this condition of executing a contract by the Contractor or Supplier would constitute sufficient ground for annulment of the award and forfeiture of Earnest Money Deposit.

(vi) Cost plus contracts should ordinarily be avoided. Where such contracts become unavoidable, full justification should be recorded before entering into the contract.

(vii) Price Variation Clause can be provided only in long-terms contracts, where the delivery period extends beyond 18 months.

(viii) Contracts should include provision for payment of all applicable taxes by the contractor or supplier.

(ix) The terms of a contract, including the scope and specification once entered into, should not be materially varied.

(x) All contracts shall contain a provision for recovery of liquidated damages for defaults on the part of the contractor.

(xi) All contracts for supply of goods should reserve the right of Government of reject goods which do not conform to the specifications.

(Auth: Rule 204, GFR, 2005)

Q.2. Explain the standards of financial propriety. **(10 Marks)**

Ans. Every officer incurring or authorizing expenditure from public money should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers. Among the principles on which emphasis is generally laid are the following:-

(i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

(ii) The expenditure should not be prima facie more than the occasion demands.

(iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

(iv) Expenditure from public money should not be incurred for the benefit of a particular person or a section of the people, unless -

(a) a claim for the amount could be enforced in a Court of Law,

Or

(b) the expenditure is in pursuance of a recognized policy or custom

(v) The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

Q.3. Enumerate various stages for acquisition of Capital items prescribed under Defence Procurement Procedure 2006. **(10 Marks)**

Ans. Under Defence Procurement Procedure 2006 the acquisition process for schemes categorized as 'BUY' and 'BUY' and 'MAKE WITH ToT' involves the following stages:

(I) Services Qualitative Requirements (SQRs)

- (II) Acceptance of Necessity (AoN)
 - (III) Solicitation of offers/bids
 - (IV) Evaluation of Technical offers by Technical Evaluation Committee (TEC)
 - (V) Field Evaluation
 - (VI) Staff Evaluation
 - (VII) Oversight by Technical Oversight Committee (TOC) for Acquisitions above Rs.300 Crs.
 - (VIII) Commercial negotiations by Contract Negotiation Committee (CNC)
 - (IX) Approval of Competent Financial Authority (CFA)
 - (X) Award of contract/Supply Order (SO)
 - (XI) Contract Administration and Post-Contract Management.
- (Auth: Chapter I(12), DPP, 2006)**

Q.4. The general performance criteria for assessing the performance of vendors by the procurement agency may be enumerated. **(10 Marks)**

Ans. Performance of vendors should be reviewed by the procurement agency periodically, preferably, once a year. The general performance criteria for assessing performance of vendors may comprise the following:-

(a) **Quality:** Quality has to be assessed from the inspector's report as well as the feedback from the actual users.

(b) **Delivery:** Delivery compliance has to be assessed from the delivery data against purchase orders placed on the supplier. The purchaser from his computer records could generate the percentage of orders that met the original delivery date as per contract and that, which did not.

(c) **Price:** Price competitiveness of a vendor has to be assessed against his ability to secure orders on competitive basis. Orders secured as percentage of quotes should indicate the price competitiveness of the supplier. This data can be automatically generated by the computer.

(d) **Response:** The response analysis of the vendors would be indicated in terms of number of quotes submitted against the number of TEs sent to them. Computer generated data for quotes received, as a percentage of TE sent would be one of the valid criteria for response analysis.

(e) **Product Support:** Product support record of a manufacturer/supplier may be determined on the basis of response to enquiries for spare parts and maintenance services for the equipment originally supplied by him.

(Auth: Chapter III (3.3), DPM, 2006)

Q.5. What is letter of credit? Explain the various essential elements to be followed while opening letters of credit. **(10 Marks)**

Ans. A letter of credit (LC) 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. A LC can be established in any of the 27 Public Sector banks besides SBI.

The following essential elements are to be clearly stipulated while opening LC:

- (a) Type of LC
- (b) Name and address of applicant and beneficiary
- (c) Amount of credit and currency
- (d) Validity of LC
- (e) Latest shipment date (delivery date as per contract)
- (f) Basis of delivery (FOB/FCA/CIP/CIF)
- (g) Contract No. and date
- (h) Shipment from to
- (i) Consignee and ultimate Consignee
- (j) Part shipment allowed/not allowed
- (k) Documents required to be produced by the beneficiary for release of payment from LC
- (l) LD Clause
- (m) Any other special instructions.

(Auth: Chapter 9 (9.2 & 9.11), Purchase Manual (DRDO), 2006)

Q.6. What is 'Vote on account'? Can new schemes be approved during 'Vote on account' period? **(10 Marks)**

Ans. The Budget is normally presented to the Parliament on the last day in the month of February but the corresponding Appropriation Bill seeking authorization of the Parliament to make expenditure in consonance with the Budget proposal is introduced and passed much later i.e after due deliberation and approval by the Parliament.

Pending the completion of the procedure prescribed in Article 113 of the Constitution for the passing of the Budget, the Finance Ministry may arrange to obtain a 'Vote on Account' to cover expenditure for one month or such longer period as may be necessary in accordance with the provisions of Article 116 of the Constitution. Funds made available under Vote on Account are not to be utilized for expenditure on a 'New Service'.

(Auth: Rule 50 GFR, 2005)

Section-II (IFA System)

Q.1. Explain general restrictions placed on appropriation and re-appropriation of funds. **(10 Marks)**

Ans. The general restrictions placed on appropriation and reappropriation of funds are as follows:

(i) Funds shall not be appropriated or reappropriated to meet expenditure which has not been sanctioned by an authority competent to sanction it.

(ii) Funds provided for charged expenditure shall not be appropriated or reappropriated to meet votable expenditure and funds provided for voted expenditure shall not be appropriated or reappropriated to meet charged expenditure.

(iii) No reappropriation shall be made from one Grant or Appropriation for charged expenditure to another Grant or Appropriation for charged expenditure.

(iv) Funds shall not be appropriated or reappropriated to meet expenditure on a new service or new instrument of service not contemplated in the budget as approved by Parliament.

(v) Without the previous consent of finance Ministry, no Reappropriation shall be made -

(a) from and to the provision for the Secret Service Expenditure;

(b) so as to augment the provision under the primary units "Salaries", "Wages", "Office expenses" and "Other Charges", taken together for the entire Grant or Appropriation;

(c) from the provision made for any specified new item of expenditure in a Grant of Appropriation for another purpose.

(d) from funds provided under the Plan Heads to the Non-Plan Heads both under Revenue and under Capital Heads; and

(e) so as to augment the provision under the primary unit "overtime allowance".

(vi) Funds shall not be appropriated or reappropriated from or to the primary unit of appropriation "Deputation or Travel abroad of Scientists" over and above the funds provided for in the budget as approved by Parliament.

(Auth: Rule10, DFPR)

Q.2. Please define the role and functions of IFAs in the Defence Services.

(10 Marks)

Ans. The role and functions of IFAs in the Defence Services are as under:-

(i) He/She shall be the Integrated Financial Adviser at the respective Headquarters.

(ii) He/She shall render advice on financial matters, which fall within the competence of various authorities within the delegated financial powers as and when sought for.

(iii) He/She may render advice and assist incases of all proposals/cases requiring government sanction, if called upon.

(iv) He/She or his/her representative will participate in various TPCs/PNCs at respective Headquarters.

(v) He/She will monitor the processing of draft Audit Paras, internal Audit objections, etc. concerning the Service to ensure adequate attention and speedy remedial measures. For this purpose, he/she will maintain close liaison with regional Controllers of Defence Accounts, CGDA, DGADS and Ministry of Defence.

(vi) He/She will assist in preparing and monitoring a database on committed liabilities.

(vii) Any other duties relating to Finance/Accounts as assigned to him/her by the Dy. Chiefs concerned and Secretary Defence (Finance).

(viii) In case of difference of opinion between IFA and the CFA concerned, the CFA can overrule the IFA. But the CFA has to give reasons for such overruling and intimate higher authorities and the IFA. The IFA has then a choice whether to report this to his higher authority or drop the issue.

Q.3. What do you mean by Financial Management Strategy (FMS) in the MGO's Branch, Army Hqrs. as promulgated under MoD letter No.6(1)/97/D(O-1) dated 8th April, 1997? **(10 Marks)**

Ans. Financial Management Strategy (FMS) in the MGO's Branch, Army Hqrs. as promulgated under MoD letter No.6(1)/97/D(O-1) dated 8th April, 1997 involves:

(i) Decentralisation of budget formulation and financial control together with adoption of the concept of accountability.

(ii) Creation of Authority-cum-Responsibility Centres (ARBs) at MGO Branch.

(iii)MGO to be a high level budget holder and act as Authority-cum-Accountability Centre. This centre is to monitor expenditure on AOC stores and to make sub-allocations of budget to subordinate budget centres. MGO is responsible for cost effective management of all equipment management activities.

(iv) DGOS & DGEME made intermediate budget holders and act as Responsibility and Budget Centres for their respective Directorates.

(v) ADGOSs, Cmdts - CODs & Base Wksp. made responsible for day to day management of budget/expenditure.

(vi) The most important feature of FMS is the linkage of provisioning and procurement activities with the availability of financial resources.

(vii) MGO to prioritize his expenditure proposals, before the commencement of the financial year, in the form of budget centre-wise, store discipline wise, sub-allocations for both class 'A' & 'B' stores, which is known as Priority Procurement Plan (PPP). After approval by MoD, PPP would be intimated to all budget centres.

(viii) Provisioning to be carried out item-wise, through APRs but on a 3 year roll-on basis, whereby following two years' requirement also would be worked out to facilitate a clear assessment of funds requirement. The demands so arisen will be vetted by the I & BC Cell, IFA(Army-Ord) and MoD(Fin) as the case may be.

(ix) Once the requirement is firmed up based on APRs, the liabilities will be consolidated in the form of a statement indicating item, qty vetted, unit rate & total financial implications.

(x) The equipment-wise liabilities thus worked out will be prioritised with reference to the criticality of deficiencies and availability of funds.

(xi) Procurement activity commences after availability of firm Prioritised Procurement Plans, which is taken up at the level of various CFAs depending upon the total financial value.

(xii) Progress of the Procurement plan is reviewed mid-term and also as a pre-budget exercise.

(xiii) Purchases exceeding Rs.5 lacs are based on Tender Purchase Committees (TPCs) comprising reps of indentors, user, DGQA, and IFA/CDA.

Q.4. Explain the main features of procurement of goods and the extent of Army Commander's Special Financial Powers (ACSFP) in Northern Command and Eastern Command. **(10 Marks)**

Ans. Special financial powers have been delegated to General Officers Commanding-in-Chief (GOC-in-Cs) of various Commands of Indian Army to incur expenditure on procurement of equipment and stores and carrying out modifications to equipment for meeting special requirement of Strike Corps and Reserve Formations, operational requirements including those relating to Counter Insurgency/Internal Security Duties and Aid to Civil Authorities, vide Schedule XXI to Ministry of Defence letter No.A/89591/FP-1/1974/2006/D(GS-I) dated 26 July, 2006. The enhanced powers will be utilized for purchase of stores of ordnance origin and such other stores as are considered operationally necessary for the specified tasks.

The extent of special financial powers and their utilization for procurement of the stores in Northern and Eastern Commands will be as follows:

Major Head 2076, Minor Head 110C

	Item	CFA	Value
(i)	Purchase of Stores of Ordnance Origin	GOC-in-C	Upto Rs.10 Crs per transaction
(ii)	Sector Stores	GOC-in-C	Upto Rs.2 Crs per transaction
(iii)	Import of Stores against payment in FFE.	GOC-in-C	Upto Rs.2 Crs per transaction

Major Head 2076, Minor Head 800

	Item	CFA	Value
(iv)	Miscellaneous and Contingent Expenditure	GOC-in-C	Upto Rs.10 lacs per transaction

(a) The powers at Ser 1 to 3 above are subject to overall limit of Rs.100 Crs and Rs.50 Crs per annum for Northern Command and Eastern Command respectively.

(b) The GOC-in-C Northern Command will also exercise the above financial powers for meeting urgent/immediate requirements of RR CIF/Force/Bns/Units up to a ceiling of Rs.25 Crs per annum to be allocated additionally out of the RR budget under MH 112 F9b.

2. The powers at Ser 4 are subject to a limit of Rs.1 crore per annum per Command.

3. The powers at Ser 1 to 4 above are subject to the condition that all purchases under the powers exceeding Rs.5 lakhs will be processed and done with the approval of Tender Purchase Committees constituted by the GOC-in-C and will include a rep of IFA. The aforesaid requirement does not apply to items available against DGS&D rate contract.

4. The special financial powers will be exercised by GOCs-in-Cs, Northern and Eastern Commands only in consultation with respective IFAs except in respect of expenditure on immediate repair and maintenance of equipment and items procured under these powers through Ordnance/EME.

5. Immediate and urgent repairs and maintenance of equipment procedure under these powers up to an annual ceiling of 1% of the overall limit contained in Note 1 above will be sanctioned under the local purchase powers delegated to Ordnance/EME functionaries in Schedule XII. The expenditure on such repair and maintenance will be accounted for separately for compilation together with other expenditure incurred in exercise of the special financial powers under Minor Head 110(c).

Q.5. What is the procedure for procurement of Information Technology items under delegated powers? What are the various subheads under which expenditure on IT items may be effected? **(10 Marks)**

Ans. Information Technology has been identified as the single greatest enabler to propel the country in the new millennium. Accepting the potential of Information

Technology (IT) in the Army, the Govt. of India has given a special thrust to facilitate IT penetration down to the lowest levels of the military hierarchy. Due to the peculiarities of IT which make it distinct from any other technology, a need was felt to setup a new budget head "Budget Head IT, Major Head 2076, Minor Head 110(H)" exclusively for IT in Indian Army in 1998. This was done with the primary aim to speed up and streamline the process of automation in the Army as also specifically address the peculiar nature of IT characterized by rapid obsolescence and the need to procure services and not only products.

2. A Priority Procurement Plan (PPP) covering all major projects and procurements will be prepared by all CFAs and approved by the Army HQ at the beginning of each financial year. This would constitute "in principle" acceptance of need. The projects in the PPP should not be confined to the likely budget, but it should contain a comprehensive list of all projects operationally required and whose priority could be periodically revised as per needs. This is to ensure that projects have been conceived in advance in case of additional allocation of funds at the Revised Estimates (RE) stage of the budget. The time for completion of all IT projects should be realistically worked out. Due to the long gestation period of IT projects, some projects may roll over into the next financial year. The Priority Procurement Plan should therefore incorporate the total cost of a project as also specify the likely cash outgo during the current financial year. In case of a project where implementations likely to be carried forward to the next financial year, approval for budgetary support will be taken from the Army Hqr. by 31 Jan each year.

3. The six sub-heads under which the expenditure on IT may be effected out of Budget Head IT, Major Head 2076, Minor Head 110(H) are as under:

(a) Purchase of computer systems.

(b) Access Networks and Media Connectivity including associated hardware and software.

(c) Purchase of systems software and application software.

(d) Software development, Technical Consultancy for IT Projects and IT training.

(e) Purchase of computer peripherals and ancillaries

(f) Computer stationary and Consumables.

Section-III (Elements of Law)

Q.1. What is an arbitration agreement? What are the essential of an arbitration agreement? **(10 Marks)**

Ans. Arbitration agreement means an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of a defined legal relationship, whether contractual or not. An arbitration agreement may be in the form of an arbitration clause in a contract, or in the form of a separate agreement. It shall be in writing. An arbitration agreement is in writing, if it is contained in -

a) a document signed by the parties;

b) an exchange of letters, telex telegrams or other means of telecommunication which provide a record of the agreement; or

c) an exchange of statement of claim and defence in which the existence of the agreement is alleged by one party and not denied by the other.

The reference in a contract to a document containing an arbitration clause constitutes an arbitration agreement if the contract is in writing and the reference is such as to make that arbitration clause part of the contract.

The essential elements of an arbitrary agreement are as follows:

(i) A valid agreement must be in writing and satisfy all the essential elements of a valid contract.

(ii) The agreement may be to refer the present dispute or likely future dispute to Arbitration.

(iii) When there is an Arbitration clause in a contract and the contract comes to an end owing to frustration to becomes avoidable, the arbitration may still continue to be binding.

(iv) Agreement to refer the dispute to arbitration is not valid if it lacks the essential elements of a contract.

(v) The construction of an Arbitration Agreement is not thwarted by narrow pedantic interpretation.

(Auth: Section 7, The Arbitration and Conciliation Act, 1996)

Q.2. Define the following:

(a) Promissory Note

(b) Bill of Exchange

(c) Cheque

(d) Holder of a negotiable instrument

(10 Marks)

Ans.

(a) **Promissory note:** A promissory note is an instrument in writing (not being a bank-note or a currency-note) containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.

(b) **Bill of Exchange:** A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

(c) **Cheque:** A cheque is a bill of exchange drawn on a specified banker and a not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form.

(d) **Holder in due course:** Holder in due course means any person who for consideration became the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or endorsee thereof, if (payable to order), before the amount mentioned in it became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title.

(Auth: Sections 4,5,6 and 9, The Negotiable Instruments Act, 1881)

Q.3.

Distinguish between Consolidated Fund of India and Contingency fund of India.

(10 Marks)

Ans.

Consolidated Fund of India:

(i) Subject to the provisions of Article 267 of the Constitution of India, with respect to the assignment of the whole or part of the net proceeds of certain taxes and duties to States, all revenues received by the Govt. of India, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall from one consolidated fund to be entitled 'the Consolidated Fund of India', and all revenues received by the Government of State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advance and all moneys received by that Government in repayment of loans shall from one consolidated fund to be entitled "the Consolidated Fund of the State".

(ii) All other public moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the public account of India or the public account of the State, as the case may be.

(iii) No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.

Contingency Fund of India:

Parliament may by law establish a Contingency Fund in the nature of an imprest

to be entitled "the Contingency Fund of India" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the President to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament by law under Article 115 or Article 116 of the Constitution of India.

(Auth: Articles 266-267, Constitution of India)

Q.4. Enumerate the procedure for fixing and revising minimum wages. **(10 Marks)**

Ans. **Procedure for fixing and revising minimum wages:**

(i) In fixing minimum rates of wages in respect of any scheduled employment for the first time under the Act or in revising minimum rates of wages so fixed, the appropriate Government shall either -

(a) appoint as many committees and sub-committees as it considers necessary to hold enquiries and advise it in respect of such fixation or revision, as the case may be, or

(b) by notification in the Official Gazette, publish its proposals for the information of persons likely to be affected thereby and specify a date, not less than two months from the date of the notification, on which the proposal will be taken into consideration.

(ii) After considering the advice of the committee or committees appointed under clause (a) sub-section (i), or as the case may be, all representations received by it before the date specified Government shall, by notification in the Official Gazette, fix, or as the case may be, revise the minimum rates of wages in respect of each scheduled employment, and unless such notification otherwise provides, it shall come into force on the expiry of three months from the date of its issue provided that where the appropriate Government proposed to revise the minimum rates of wages by the mode specified in clause (b) of sub-section(i), the appropriate Government shall consult the Advisory Board also.

(Auth: Section 5, The Minimum Wages Act, 1948)

Q.5. What type of disputes and complaints etc. are entertained by Central Administrative Tribunal? Does it have the power to punish for contempt? **(10 Marks)**

Ans. Central Administrative Tribunal exercise jurisdiction, powers and authority exercisable in relation to -

(a) recruitment and matters concerning recruitment, to any All India Service or to any civil service of the Union or a civil post under the Union or to a post connected with defence or in the defence services, being, in either case, a post filled by a civilian.

(b) all service matters concerning -

- (i) a member of any All-India Service or
- (ii) a person [not being a member of an All-India Service or a person referred to in clause (c)] appointed to any civil service of the Union or any civil post under Union; or
- (iii) a civilian [not being a member of an All-India Service or a person referred to in clause (c)] appointed to any defence services or a post connected with defence.

and pertaining to the service of such member, person or civilian, in connection with the affairs of the Union or any State or of any local or other authority within the territory of India or under the control of the Government of India or of any corporation or society owned or controlled by the Government;

(c) all service matters pertaining to service in connection with the affairs of the Union concerning a person appointed to any service or post referred to in sub-clause (ii) or sub clause (iii) of clause (b), being a person whose services has been placed by a State Government or any local or other authority or any corporation or society or other body, at the disposal of the Central Government for such appointment.

A Tribunal shall have and exercise, the same jurisdiction, powers and authority in respect of contempt of itself as a High Court has and may exercise and, for this purpose, the provisions of the Contempt of Courts Act, 1971 (70 of 1971) shall have effect.

(Auth: Section 14 and 16, Administrative Tribunals Act, 1985)

Defence Accounts Department
S.A.S. Examination – Part II (New Syllabus)
APRIL, 2008

PAPER VIII – (QUALIFYING PAPER)

SUBJECT: OFFICE COMMUNICATION

Time Allowed: 3 Hours

Total Marks : 150

Note:-

(1) This is a qualifying paper only in which a candidate has to compulsorily secure 60 marks. Marks secured in this paper will neither be counted in the aggregate marks nor will be added in total marks secured in other papers.

(2) Four (4) questions are to be answered by the candidates out of 6 questions.

(3) **Question No.1 is compulsory** carrying 40 marks. 5 and 10 marks are reserved for title and summary of points respectively and 25 marks for précis proper.

(4) Question No.2 is also compulsory carrying 40 marks.

(5) Candidates are to attempt 2 questions out of questions set at Serial No.3 to 6. Each question carries 35 marks, the total being 70 marks (35 x 2).

Q.1. Make a précis of the material given in APPENDIX-1. Also suggest a suitable title and give a summary of points. **(40 Marks)**

APPENDIX-1 TO QUESTION No.1

'T'

Fax/Speed Post

No.IFA/SC/75/Vol-II
OFFICE OF THE IFA
HQ Southern Command
Pune-411 001.

Dated:27th April, 2007

To

The Pr. IFA
O/o CGDA
West Block-V, R.K.Puram,
New Delhi-110 066.

Sub: Tendering Process - Negotiation with LI.

Ref: Pr. IFA New Delhi letter bearing No. PIFA/Gen Corr/IFA/SC
dt.12.01.2007.

It is submitted that CVC vide their No.005/CRD/12 dated 3.3.2007 has issued fresh guidelines in supersession of the previous instructions. It is mentioned in para one of the CVC letter bearing No.005/CRD/12 dated 3.3.2007 that as post-tender negotiations could often be a source of corruption, it is directed that there should be no post tender negotiations with LI except in certain exceptional situations. Such exceptional situations would include procurement of proprietary

items, items with limited sources of supply and items where there is suspicion of a cartel formation.

2. This office had examined the scenario and had intimated our views on the subject for which HQrs office issued clarification vide their No.PIFA/Gen Corrs/IFA SC dated 12.1.07.

3. However, the executives feel that the guidelines of CVC issued afresh vide 3rd March, 2007 is the final verdict based on which negotiations should be done away with in all the cases. They also feel that any clarifications including those communicated vide HQrs letter No.PIFA/Gen Corr/IFA SC dated 12.1.2007 should be taken as superseded. Now the executives and this office (guided by the clarifications of PIFA) hold different views and therefore there is no smooth flow of projects. It is needless to emphasize that this scenario causes embarrassment to this office while giving day-to-day advice on individual cases.

4. Further, in the circumstances described in the pre-paragraphs when negotiation itself is a bone of contention and requires re-examination for clarification, IFA(Army/M), New Delhi is adding a new dimension by demanding re-negotiation in respect of some cases (which are under the powers of higher CFA like SO-in-C etc.) which were examined by this office originally and CNCs were also conducted in Southern Command. The plea of IFA(Army/M), New Delhi is that rates of some items are not equal or less than the rates achieved elsewhere in India. In a situation when negotiation itself has been banned technically by the CVC, it is not understood whether re-negotiation can be asked for in cases where the job of negotiation has already been carried out. It is also pertinent to note that the cases referred to above are Turn-Key projects and the items brought out for comparison are only some items and not the case as a whole. It is also important to point out that each station has its own peculiarities and rates may also fluctuate with reference to levies and taxes, transportation charges, cost of labour etc. specific to that situation. Obviously the rates are bound to differ from station to station and also from time to time. In any case, it is a matter of policy whether such re-negotiations are valid and legal.

5. It is requested that HQrs office may kindly re-examine the points brought out in paras 3 and 4 ante and guide this office on further action to be taken by this office in both the type of situations.

6. It is requested that priority may be given to this decision as cases are piling up in Command and elsewhere wherein the advice from this office is pending.

7. IFA HQ SC Pune has seen.

Sd/-
Dy.IFA, HQ SC, Pune

Copy to:
All IFAs

For examination and intimation of
their view and practice to PIFA
with a copy to us.

Sd/-
Dy.IFA, HQ SC, Pune

II
Office of the CGDA, West Block-V, R.K.Puram, New Delhi-110 066
Pr.IFA Wing

No.PIFA/Gen Corr/IFA SC

Dated: 12th January, 2007

The IFA(HQ SC)
Pune.

Subject: Price Negotiation with L-1 Vendor.

Reference: Your No.IFA/SC/75/II dated 7.11.06.

Various points of doubt referred to by your office under your above quoted letter regarding Price Negotiations have been examined and the following comments are offered.

2. In accordance with the provisions of Para 6 of GOI MoD No.A/89591/FP-I/1974/2006/D(GS-I) dated 26.7.2006, all purchases exceeding Rs.5 lakhs in value will be made on the advice of Tender Purchase Committee to be constituted by the CFA and will include the IFA or his rep as a member.

3. Further, as per para 5.6 of DPM-2006 Price Negotiation is normally required to ensure that the interest of the state is fully protected and price paid is reasonable. Such negotiations are invariably conducted by a duly appointed commercial negotiation committee including a finance member. Further guidelines for PNC/CNC for assessing the reasonableness of rates have been laid down in para 5.8 and chapter 13 DPM-2006.

4. Hence, for all purchases exceeding Rs.5 lakhs, TPC procedure must invariably be followed as per Delegation of Financial Powers. Further, TPC should also decide the reasonableness of rates offered by L-1 firm and may suggest further negotiation with L-1 depending on the rates achieved. Determination of lowest offer (L-1) is to be decided by PNC/CNC. Hence, Non-constitution of TPC/PNC by CFA as brought out in your above reference is not in order.

5. Further, Para 13.5 of DPF-2006 clearly provides that IFA/IFA's rep will vet the CST with regard to original quotations, indents and other supporting documents. The IFA's rep and purchase officer are also required to sign the CST.

6. Regarding implementation of the guidelines of CVC as incorporated in para 13.5.1 of DPM-2006, it is suggested that the exceptional circumstances where valid logical reasons exist which warrant negotiation with L-1 may be considered by TPC/PNC as per their discretion after evaluating the situation.

7. Regarding point of doubt at para 7.2 and 7.3 in your above reference, provisions of para 6 of Govt. orders dated 26.7.2007 on Revised Delegation of Powers is very explicit and there is no discretion to CFA to dispense with TPC.

8. As regards number of times TPC has to assemble (referred to in para 7.4 of

your above reference), no such restrictions are prescribed and it has to be decided on a case to case basis.

9. Pr. IFA has seen.

Sd/-
Jt. CGDA(IFA)

III

No.005/CRD/12
Government of India
Central Vigilance Commission

Satarkta Bhawan, Block-A,
GPO Complex, INA,
New Delhi-110023
Dated the 3rd March, 2007

Circular No.4/3/07

Sub: Tendering Process - Negotiation with L-1.

Reference is invited to the Commission's circulars of even number dated 25.10.2005 and 3.10.2006 on the above cited subject. In suppression of the instructions contained therein, the following consolidated instructions are issued with immediate effect:

(i) As post tender negotiations could often be a source of corruption, it is directed that there should be no post tender negotiations with L-1, except in certain exceptional situations. Such exceptional situations would include procurement of proprietary items, items with limited sources of supply and items where there is suspicion of a cartel formation. The justification and details of such negotiations should be duly recorded and documented without any loss of time.

(ii) In cases where a decision is taken to go for re-tendering due to the unreasonableness of the quoted rates, but the requirements are urgent and a re-tender for the entire requirement would delay the availability of items, thus jeopardizing the essential operations, maintenance and safety, negotiations would be permitted with L-1 bidder(s) for the supply of a bare minimum quantity. The balance quantity should, however, be procured expeditiously through a re-tender, following the normal tendering process.

(iii) Negotiations should not be allowed to be misused as a tool for bargaining with L-1 with dubious intentions or lead to delays in decision-making. Convincing reasons must be recorded by the authority recommending negotiations. Competent authority should exercise due diligence while accepting a tender or ordering negotiations or calling for a re-tender and a definite time frame should be indicated so that the time taken for according requisite approvals for the entire process of award of tenders does not exceed one month from the date of submission of recommendations. In cases where the proposal is to be approved at higher levels, a maximum of 15 days should be assigned for

clearance at each level. In no case should the overall time frame exceed the validity period of the tender and it should be ensured that tenders are invariably finalized within their validity period.

(iv) As regards the splitting of quantities, some organizations have expressed apprehension that pre-disclosing the distribution of quantities in the bid document may not be feasible, as the capacity of the L-1 firm may not be known in advance. It may be stated that if, after due processing, it is discovered that the quantity to be ordered is far more than what L-1 alone is capable of supplying and there was no prior decision to split the quantities, then the quantity being finally ordered should be distributed among the other bidders in a manner that is fair, transparent and equitable. It is essentially in cases where the organizations decide in advance to have more than one source of supply (due to critical or vital nature of the item) that the Commission insists on pre-disclosing the ratio of splitting the supply in the tender itself. This must be followed scrupulously.

(v) Counter offers to L-1 in order to arrive at an acceptable price, shall amount to negotiations. However, any counter offer thereafter to L-2, L-3 etc. (at the rates accepted by L-1) in case of splitting of quantities, as pre-disclosed in the tender, shall not be deemed to be a negotiation.

2. It is reiterated that in case L-1 backs out, there should be a re-tender.

3. These instructions issue with the approval of the Commission and may please be noted for immediate compliance.

Sd/-
Dy. Secretary

All Chief Vigilance Officers

'IV'
No.IFA/Army/M/TAG/13/2007

Office of the IFA(Army/M)
DRDO Block, Kashmir House,
New Delhi-110 011.
Dated the 19th May, 2007

To

The Pr.IFA
O/o the CGDA,
West Block-V, R.K.Puram,
New Delhi-110 066.

Sub: Tendering Process - Negotiations with L-1.

Ref: IFA(SC) Pune No.IFA/SC/75/Vol.II dated 27 Apr 07 addressed to your office and copy to this office amongst others.

This office is of the view that the CVC guidelines regarding avoidance of negotiations and resorting to negotiations in exceptional circumstances and in

conditions like those mentioned in sub para (i) of their circular number 005/CRD/12 dated 3.3.07, are most appropriate. Attention of the Army HQrs Dtes functionally concerned with this office, have been specifically drawn to these instructions.

The tendency of resorting to negotiations for obtaining so-called 'value of money' has been noticed in many cases. The negotiations have been held keeping in view the estimated cost which were observed lower than the L-1 price obtained. Negotiations have also been undertaken when L-1 price has apparently been economical and reasonable in circumstances of competitive bidding, but certain aspects like rate of AMC quoted was not acceptable, the delivery schedule required to be improved etc.

This office of the considered view that the negotiations should be few and far between and only after appraising the prices obtained vis-à-vis a reasonable price or reasonable price threshold, determined as a bench mark based on evaluation of market trend, last purchase price, prices of near-similar items obtained, and before the opening of the commercial bids. This is generally not being done as an appraisal effort. The cost-estimates worked out at the acceptance-of necessity stage, is generally being relied upon and that too after the commercial bids. This is generally being relied upon and that too after the commercial bids are opened. This modus operandi is required to be altered to bring about a change in the processing of the proposals in consonance with the letter and spirit of the CVC guidelines.

As regards the issue of re-negotiations raised by IFA SC, vide para 4 of their letter under reference, it is mentioned that disagreement with the recommendations of the Command PNC in some cases - very few cases - (Procurement of laying of 21 Km 24 Core OFC between Clement Town to Bullapur Chowk (Dehradun), HQ CC, Procurement and laying of 0.9 mm JFC at Neori Hill Complex for proposed KLP of HQ 21 Corps, HQ SC, Procurement and laying of UG Cable at Pune Cantt and ASI, HQ SC, and Procurement and laying of 20 pair Armoured underground cable from Military Exchange, Haldwani to Uttaranchal Sub Area Pro. HQ CC) were communicated to CFA, keeping in view the price trends observed on a macro-all-India basis and prices obtained in similar proposals processed and sanctioned at the Service HQrs. CFA obviously agreed that Command PNC reconsider their recommendations. Once negotiations have been done at the Command HQs, it is inappropriate to say that CVC guidelines would be violated if, further negotiations are held. The L-1 price which was negotiated at Command PNC, obviously was not considered economic and hence the CFA had, in consultation with his IFA, reverted the case to PNC for reconsideration. The Command PNC, perforce have to reconsider such cases and may resort to further negotiations and thereafter, render follow up recommendations to the CFA. The command PNC could also deliberate on the directions of the CFA and, after reconsideration, reiterate their view already communicated. Both the options are there with the PNC and, thereafter, it is for the CFA to take a final decision towards acceptance or rejection of the PNC recommendations. In no way, by this process, the CVC guidelines are militated against.

In view of the above, negotiations may be resorted to only after a decision

on bench mark price, before opening of the commercial bids and in particular circumstances of the nature referred to by the CVC. Negotiations once undertaken, should result in obtaining the best possible and most economic price and if the price is not obtained accordingly, further negotiations may be undertaken at the earliest. If further negotiations are not feasible e.g. market conditions having changed substantially or L-1 not willing, retendering may be done unless a compromise is feasible between acceptance of a less and reasonable price and fulfillment of a dire need or urgency from the operational angle to obtain the stores.

Sd/-
IFA(Army/M)

'V'
Ministry of Defence(Finance)

Subject: Tendering Process - negotiations with L-1

Kind attention is invited to CVC's Circular No.4/3/07 dated 3rd March, 2007, on the subject cited above (copy enclosed) wherein the following clarifications have been given by CVC:

- (a) No post-tender negotiations to be held with L-1 except in exceptional situations. Such exceptional situations would be for PAC items, items with limited supply i.e. limited tender enquiry and items where there is suspicion of cartel formation.
- (b) If the decision is to go for re-tendering due to unreasonableness of quoted rates, negotiation is permitted with L-1 bidder for bare minimum quantity, should there be an urgency of requirement. However, the balance quantity is to be re-tendered.
- (c) Negotiations should not lead to interminable delay and entire process of award of tender should not exceed more than a month from submission of recommendations and tender should be invariably finalized within the validity period.
- (d) In case the organization decides in advance to have more than one source of supply due to critical/vital nature of the items, it would be necessary to pre-disclose the ratio of splitting the supply in the RPF itself.
- (e) Counter offer to L-2, L-3 should be at L-1's rate in case of splitting of quantity and this shall not be deemed to be a negotiation.

2. The guidelines for negotiation with L-1 have been incorporated in DPM 2006 (para 13.5.1) and DPP 2006 (para 51). The comprehensive guidelines of CVC which also brings out the principles of apportionment, timely award of contract should be followed scrupulously.

3. This issues with the approval of Secretary (Defence Finance)

Sd/-
Addl. FA(M)&JS

CISC
Vice Chief of the Army Staff
Vice Chief of the Naval Staff
Vice Chief of the Air Staff

Copy for information to: SO to Defence Secretary, PPS to Secretary (DP), SO to SA to RM, PPS to Secretary (Defence Finance), Sr. PPS to DG(Acq.), PPS to Special Secretary (B), PPS to Special Secretary(J), PPS to Additional Secretary (DP), PPS to Additional Secretary (S). CGDA, Principal IFA. All Joint Secretary, Additional FAs/Finance Managers, IFAs, Director (Finance)/DFAs

Min of Def(Fin) UO No.1720/DPM/2004/Addl. FA(M) dated 16.3.2007

'VI'
Instruction Order 11 of 2007
PIFA/Gen Corr/Negotiations dated 6th July, 2007
Office of the CGDA, West Block-V, R.K.Puram, New Delhi-110 066
Pr.IFA Wing

Instruction No.11 of 2007
Dated te 6th July, 2007

No.PIFA/Gen Corr/IFA SC/Vol.II

To

All PCsDA/CsDA/IFAs
.....
.....

Sub: Tendering Process - negotiations with L-1

Consolidated instructions on the above subject have been issued by the Central Vigilance Commission (CVC) vide No.005/CRD/12 dated 3.3.2007 (circulated vide this office No.AN-XIII/13006/2/Vol.XX dated 5th April, 2007).

2. Attention is also invited to MoD(Fin) UO No.1720/DPM/2004/Addl. FA(M) dated 16th March, 2007 (copy enclosed).

3. Consequent upon issue of the CVC instructions mentioned above, references have been received in this HQ from IFAs wherein it has been intimated that there is lack of clarity and/or divergence of views between the executive and the IFAs regarding holding of negotiations with L-1 bidder. It has been mentioned by

some of the IFAs that in the light of CVC's instructions dated 3.3.2007, the executive feel that negotiations be done away with in all cases.

4. In this regard, it is mentioned that the CVC instructions have not put a blanked ban on post-tender negotiations with L-1 bidder. In certain exceptional situations, which include procurement of proprietary items, items with limited sources of supply and items where there is suspicion of a cartel information, negotiations with L-1 bidder continue to be permissible. The justification and details of such negotiations should, however, be duly recorded and documented without loss of time and convincing reasons must be recorded by the authority recommending the negotiations. Competent Authority should exercise due diligence while accepting a tender or ordering negotiation or calling for a re-tender, and definite time frame should be indicated so that the time taken for according requisite approvals for the award of tenders does not exceed one month from the date of submission of recommendations. In cases where the proposal is to be approved at higher levels, a maximum of 15 days should be assigned for clearance at each level. It should be ensured that tenders are invariably finalized within their validity period.

5. Accordingly, keeping in view the CVC instructions dated 3.3.2007, MoD(Fin) UO dated 16.3.2007 and the DPM 2006 provisions, the following is clarified:

(i) Negotiations through a CNC/PNC should be conducted in case of single tender situations including PAC cases.

(ii) Negotiations may also have to be conducted in multi-vendor cases where the offered price is considered high with reference to the assessed reasonable price taking into account inter alia, the competition observed from the response of the trade to the enquiry. In each case, the CNC/PNC should record its recommendations regarding the reasonableness of the price offered by the L-1 bidder and the need for negotiation or otherwise with detailed justification. Based on the recommendations of the CNC/PNC, negotiation may be undertaken with the concurrence of IFA and approval of CFA. In cases where decision is taken to go for re-tendering, but the requirements are urgent, negotiations may be undertaken with the L-1 bidder(s) for the supply of a bare minimum quantity in accordance with para 3 of CVC instructions *ibid*.

(iii) The safeguards prescribed in the CVC instructions regarding documentation of the justification for and details of negotiations, timely award of contract, apportionment of quantities, etc. should be scrupulously adhered to.

6. It is requested that the above clarification may be brought to the notice of the executive authorities for further dissemination to units and formations.

7. Pr. IFA has seen.

Sd/-
Jt. CGDA(IFA)

Ans.

Title: Resolution of interpretational hurdles in the implementation of CVC's fresh instructions on negotiations with LI - issue of clarifications by the Pr. IFA.

Summary of Points

- On receipt of a reference from IFA(HQr) SC, it was interalia clarified by Pr.IFA vide his letter dated 12.10.07 that it is for the appropriate TPC/PNC to decide whether negotiations in a particular case are to be held or not, the guiding principles being the protection of the interest of the state and the reasonableness of the price paid. Accordingly, various Executive Authorities as well as the Finance officials start complying with these guidelines.
- CVC vide its circular dated 3.3.2007 issues fresh instructions barring post tender negotiations with the LI bidder except in certain exceptional circumstances, such as procurement of proprietary items, items with limited sources of supply and items where cartel formation is suspected.
- The instructions of CVC are given effect to by the MoD(Finance) by issuing a UO Note to the three Service Chiefs as well as to various other Executive Authorities and IFA's etc. with direction that these should be followed scrupulously.
- Pursuant to issue of instructions by the CVC and the directions by MoD(Finance), Executive Authorities in HQrs SC take the stand that clarifications given by the Pr. IFA vide his letter dated 12.1.07 stand superseded and that no negotiation can be held at all with the LI whereas the IFA, HQ SC holds the view that the negotiations can still be held with the LI within the ambit of the guiding principle laid down by the Pr. IFA in its letter dated 12.1.07.
- As the divergence of views between the Executive Authorities and the IFA begins to cause embarrassment to the latter in the disposal of individual cases, he refers the matter to the Pr. IFA for its resolution and issue of fresh guidelines.
- In the same letter the IFA, HQr, SC also refers to certain cases where IFA (Army/M) New Delhi has demanded re-negotiation and seeks to know the legality and validity of such a demand when the negotiations itself have been barred by the CVC except in certain specified circumstances. He also endorses a copy of this letter to all the IFA's for communicating their views directly to the Pr IFA.
- In his response to the Pr. IFA, IFA(Army/M) describes the CVC guidelines as appropriate and besides giving his views on various issues raised by IFA, HQr, SC opines that the CFA in the Army HQrs has the discretion to revert a case to the Command PNC for re-negotiation if he does not consider the price earlier negotiated by that PNC to be economical or reasonable.
- He further expresses the view that it is inappropriate to say that CVC

guidelines would be violated if further negotiations were held by the command level PNC.

- After taking into account various inputs, the Pr.IFA clarifies that: the CVC instructions of 3.3.07 have not put a blanket ban on post tender negotiations with the LI bidder which continue to be permissible in cases of single tender situation, including PAC cases; multi vendor cases where the offered price is considered to be high as also in cases where cartel formation is suspected.
- The Pr. IFA further clarifies that it is, however, necessary for the concerned CNC/PNC to record reasons for negotiations in each case and scrupulously adhere to the other safeguards prescribed in CVC's instructions. The Pr. IFA also requests to bring these clarifications to the notice of the Executive Authority for further dissemination to the units and formations.

PRECIS

Resolution of interpretational hurdles in the implementation of CVC's fresh instructions on negotiations with LI - issue of clarifications by the Pr. IFA

IFA HQrs. SC in his letter dated 27.4.07 addressed to the Pr. IFA, highlights the problems faced by his office in disposing of individual cases because of the divergence of views held by the Executive Authorities in SC and his office with regard to the permissibility of holding negotiations with the LI bidder in the wake of instructions issued by the CVC vide its circular dated 3.3.07.

Earlier, in response to a reference from the IFA, HQrs, SC, it was clarified by the Pr. IFA vide letter dated 12.1.07 that it was for the appropriate TPC/PNC to decide whether negotiations in a particular case were to be held or not, the guiding principle being the protection of the interest of state and the reasonableness of the price paid. Citing reference to various provisions of DPM-2006, it was further clarified by the Pr. IFA that for implementing the then existing guidelines of CVC as incorporated in para 13.5.1 of DPM-2006, it was for the TPC/PNC to consider the exceptional circumstances and valid reasons which warrant negotiations with LI and then use their discretion after evaluating the situation. Both the Executive Authorities, as well as the Finance were accordingly complying with these guidelines.

However, CVC vide its circular dated 3.3.2007 issued fresh instructions barring all post tender negotiations with the LI bidder except in certain exceptional circumstances as they were of the view that negotiations could become a source of corruption. The exceptional circumstances mentioned by the CVC were: procurement of proprietary items, items with limited sources of supply and items where there was a suspicion of cartel formation. The circular also contained instructions about the manner in which limited quantity could be procured from the LI bidder even in cases involving re-tendering, the need for quick decision making, the maximum time permitted for approvals at different levels, recording of reasons in support of various recommendations/decisions, pre-disclosure of ratio of splitting the supply in the tender itself where more than one source of supply was needed, etc. It was also clarified by the CVC that

whereas counter offer to L1 shall be deemed as negotiations, the subsequent counter offers to L2 & L3 etc in case of splitting of quantities as pre disclosed in the tender would not be deemed to be negotiations. The Commission also directed for strict compliance of these instructions.

To give effect to these instructions, the Ministry of Defence (Finance) issued a UO Note dated 16.03.07 addressed to the 3 Service Chiefs, as also to various other executive and Finance Authorities, wherein it summarized all the instruction and directed all concerned to follow them scrupulously.

It was pursuant to issue of CVC's circular dated 3.3.2007 and the subsequent directions of MoD(Finance) vide their UO dated 16.03.2007 that the Executive Authorities in HQr, SC took the stand that no negotiations could now be held with the LI and that the clarifications given by Pr. IFA vide his letter dated 12.1.07 stood superceded. The O/o IFA HQrs, SC, however, held the view that negotiations could still be held within the ambit of the guiding principles laid down by the Pr. IFA, viz protection of the interest of State and reasonableness of the price paid.

Beside requesting the Pr. IFA to resolve the matter arising out of the divergence of views, the IFA, HQrs, SC also referred in the same letter to certain cases where IFA(Army/M) New Delhi had demanded re-negotiation by the command PNC and questioned the legality and validity of such a demand when the negotiation itself had been barred by CVC except in certain specified circumstances. He also endorsed a copy of this letter to all the other IFA's for communicating their views directly to the Pr. IFA.

In his letter dated 9.5.07 to the Pr. IFA, sent in response to the communication endorsed to him by IFA, HQrs, SC, IFA(Army/M) described the CVC guidelines as appropriate. He gave reasons for holding of frequent negotiations and suggested a modus operandi for ensuring that proposals were processed in consonance with the letter and spirit of the CVC guidelines. However, on the issue of re-negotiation, he expressed the view that the CFA in the Army HQrs had the discretion to revert a case to the Command PNC if he did not consider the price earlier negotiated by that PNC to be economical or reasonable and that such a course of action in no way violated the CVC guidelines.

After taking into account various inputs and examination of the issue, it was clarified by the office of Pr. IFA vide its Instruction Order 11 of 2007 dated 6.7.07 addressed to all the PCsDA/CsDA/IFAs that the CVC instructions dated 3.3.07 do not put a blanket ban on post tender negotiations with the LI bidder which continue to be permissible in cases of single tender situation, including PAC cases, multi vendor cases where the offered price was considered to be high as also in cases where cartel formation was suspected. However, justification for such negotiations should be recorded in each case and approval at different levels should be accorded within the prescribed time frame so that tenders are finalized within their validity period. In cases where decision is taken to go for retendering, but the requirement are urgent, negotiations may be held with LI bidder(s) for the supply of bare minimum quantity in accordance with CVC instructions. Pr. IFA further clarified that all other safeguards prescribed by CVC should also be scrupulously adhered to and that these clarifications may be

brought to the notice of the Executive Authorities for further dissemination to the units and formations.

- Q.2.** Shri X, an Accounts Officer working in one of the DAD offices in Hyderabad and staying in his own accommodation was transferred to another DAD office located in Delhi by the CGDA. Shri X, AO, who is to superannuate in the year 2012, had been serving in Hyderabad for the past 4 years. He represented against his transfer to the CGDA on the ground of his own ill health as well as the old age of his parents, who were dependent upon him and also staying with him. This was rejected by the CGDA stating that excellent medical facilities were also available in Delhi, which he could avail for himself and for his parents, and that at his level of seniority he could easily get Govt. Accommodation in Delhi. Against this order of CGDA, Shri X filed an O.A. No. 100 of 2008 in CAT, Hyderabad for cancellation of his transfer order and his retention in Hyderabad. As the dealing SO(A), please prepare a draft counter affidavit. **(40 Marks)**

Ans

**BEFORE THE CENTRAL ADMINISTRATIVE TRIBUNAL,
HYDERABAD
COUNTER AFFIDAVIT
(On behalf of the Respondents)**

O.A.No.100 OF 2008

IN THE MATTER OF:

SHRI X APPLICANT

VERSUS

UNION OF INDIA & OTHERS RESPONDENTS

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

(Deponent)

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 CDA, Secunderabad and is well acquainted with the facts of this case and is competent to file the present counter affidavit on behalf of the respondents.

PRELIMINARY OBJECTIONS:

2. The instant OA is not maintainable since the applicant has not fully exhausted all the remedies available to him in as much as no representation has been made by him to the Appellate authority i.e. Secretary, Ministry of Defence (Finance), against the order of the CGDA. The OA, therefore, is liable to be dismissed on this ground alone.

REPLY ON MERITS:

3. The plea advanced by the applicant is not tenable and hence denied. The service in the Defence Accounts Department has the all India liability and as such the applicant is liable for transfer to any DAD office on an all India basis. Also having served in the present station viz. Hyderabad for four years, the services of the applicant were now required at another station i.e. Delhi on administrative grounds and accordingly he was transferred. The plea of his own ill-health and the old age and illness of his parents against the transfer does not hold water since excellent medical facilities are also available at Delhi which can be availed of by him for himself and for his parents. Further, at his level of seniority, he can easily get government accommodation in Delhi where the aged parents and other family members can reside with him. Hence cancellation of Transfer Order will not meet the ends of justice. There is sufficient justification in transferring the applicant from Hyderabad to Delhi.

PRAYER:

4. That in view of the aforesaid facts, the present OA is devoid of merits and is based on untenable grounds and hence is liable to be dismissed with costs. It is prayed accordingly.

RESPONDENT

THROUGH

Station: Hyderabad
Dated:, 2008

(GOVT. COUNSEL)

VERIFICATION:

Verification at Hyderabad on this day of January, 2008 that the contents of paragraphs 1 to 3 are true and correct to the best of my knowledge and the remaining is believed to be correct as per legal advice received.

RESPONDENT

Q.3.

The internal inspection of major Sub Offices by the Main Office of a Regional CDA has revealed that intelligent scrutiny and proper auditing of suppliers' claims is not being done. Important checks, such as verification of the specimen signatures, linking of bills with advance copies of supply orders, linking with Contractors' payment register etc. are not being carried out scrupulously.

Draft a D.O. letter from the Addl. CDA in the Main Office to the Heads of the Sub Offices drawing their attention to these lapses and advise them to ensure strict compliance of the important provisions contained in Para 511 of OM Part II, Vol. I, while carrying out pre-audit of the suppliers'/contractors' claim.

Relevant Para 511 of OM Part II, Vol.I is reproduced at **APPENDIX-2**.

(35 Marks)

APPENDIX-2

Para 511 of OM Part II, Vol-I Audit of contractor's bills

511. In auditing contractor's bills the following main points will be observed:

- (i) that the bills are prepared in ink; the vouchers are in the prescribed form; they are in original and are preferred by the persons authorized to do so.
- (ii) that the various columns of I.A.F.A-68 and the supporting vouchers are complete in all respects;
- (iii) that all alterations in the documents are attested;
- (iv) that revenue stamps are affixed for all bills in excess of Rs.5000 and are defaced;
- (v) that the purchase of stores has been sanctioned by the competent authority.
- (vi) that the arithmetical calculations are correct and that the totals are expressed in words as well as in figures;
- (vii) that vernacular signatures, except those in Hindi, are transliterated into English and thumb impressions are attested by some responsible person;
- (viii) that signatures are in ink;
- (ix) I.A.F.S.-1520, or supply order, or inspection note bears the serial number and further that I.A.F.S.-1520 (prepared separately for each unit and each month) has been signed both by the officer receiving the stores and the supplier;
- (x) that the stamp of the issuing depot has been affixed on supply order or I.A.F.S.-1520 and it has been signed by the O.C. of the depot on the top;
- (xi) that the quantitative totals shown in figures in the supply orders/I.A.F.S.-1520 agree with those shown in words;
- (xii) that the total quantities of various articles shown in I.A.F.S-1520 and I.A.F.Z.-2135 proper, agree with the totals given on the respective abstracts and that no alterations or interpolations exist in the abstracts;
- (xiii) that the abstract portion of I.A.F.S.-1520/I.A.F.Z.-2135 is endorsed with the word 'paired' under the dated initials of the auditor passing the bill;
- (xiv) that the date of issue of I.A.F.S.-1520 indicated at the top of it is in advance of the commencement of daily supplies;
- (xv) that columns 1 to 4 of the bill tally with corresponding details in the supporting supply order/I.A.F.S.-1520;

(xvi) that the supporting vouchers bear an endorsement by the depot or unit receiving the stores, showing the particular ledger or return and the month's account in which the stores have been brought on charge. The signatures of the officers who sign the receipt certificate on I.A.F.S.-1520/I.A.F.Z.-2135 will be verified from the register of specimen signatures;

(xvii) that in the case of loss of original I.A.F.S.-1520 or I.A.F.Z.-2050, the provisions of Rule 43, F.R., Part-II, are observed;

(xviii) that all the conditions of the contract such as percentage of varieties of fruits and vegetables are adhered to in the transactions covered by the bill;

(xix) that the amount claimed in the bill is correct with reference to the contract or other duly sanctioned rates notified in the fortnightly rate list;

NOTE: The check of rates should also ensure that the most advantageous rate to Government in the contract, has been adopted in the valuation of the supplies and that the rates are correct with reference to the place and time of delivery.

(xx) that no supplies have been made after the expiry of the period of contract;

(xxi) that in cases where supplies have been made in excess of those specified in the contract, the executive authorities are informed of the quantities paid in excess, to enable them to keep a check over such supplies;

(xxii) that in the case of supplies made by a party of agency other than the person with whom a contract exists, the penalties prescribed in the regulations or in the contract agreement have been enforced on the defaulting contractor;

(xxiii) that all amounts due from contractors on account of default or for any other cause are noted in the demand register and their recovery watched therefrom. Recoveries will be effected either from bills submitted subsequently or in cash or from the security deposit of the contractor;

(xxiv) that in case of local purchases, articles of Indian manufacture are given preference to other vide Rule 128, F.R.Part I;

(xxv) that in the case of bills for direct local purchase sanction of the CFA exists;

(xxvi) that in respect of bills of casual purchase at the risk and expense of the contractors, the extra expenditure is debited to the contractors;

(xxvii) that payment by open cheques are only made through the officer who received the stores for which payment is being made;

(xxviii) that acceptance of supplies in excess/short of the quantity ordered will not be held to be a modification in the conditions of a contract provided that the value of the excess/short supply does not exceeds 5% of the original value. If

it exceeds, the modification may be insisted upon before admitting the bill in audit;

(xxix) The contractor is required to submit a certificate, in writing, stating that whether he is willing to receive the 95% payments from the Supply Depot and 5% from the Pr. CDA/CDA or 100% payments from the Pr.CDA/CDA.

Ans:

Draft DO

D.O.No.ATC/R&D/SC/128
Govt. of India
Defence Accounts Department
O/o PCDA(R&D)
'L' Block, Church Road,
New Delhi-1.

XXXX, IDAS
Addl. CDA

28.1.08

Dear Shri

I am writing to you in the context of the recent internal inspections of our major sub officers carried out by the teams from the Main Office.

2. The inspections have revealed that intelligent scrutiny and proper auditing of the suppliers claims in not being done by the concerned Officers/staff. Scant regard has been shown by these officers/staff even to the important audit checks like verification of the specimen signatures, linking of bills with advance copies of Supply Orders, linking with Contractor's payment register, etc.

3. The Principal Controller has expressed his deep concern and displeasure at the sorry state of affairs prevailing in the sub offices and directed the undersigned to draw your personal attention to this major problem area so that appropriate remedial measures are taken on an urgent basis. Please ensure that the concerned officers and staff are properly trained and guided in this crucial area of our responsibility and are advised to scrupulously follow various audit checks contained in Para 511 of OM Pt.II, Vol.I while processing the suppliers claims. Particular emphasis may be given to the compliance of important provisions, such as, linking of bills with the advance copies of supply orders, linking with the contractors payments register, verification of Competent Authority that has awarded the sanction, etc.

4. Please also ensure that this area of work is monitored by you on a regular basis till such time as its quality improves to a desired level. Details of measures taken by you may be intimated in your next monthly activity report and the progress made thereafter be communicated through the next few MARs.

Pl. acknowledge receipt.

With ,

Yours sincerely,
XXXX

All Heads of Offices
(By name)

- Q.4.** While scrutinizing the Annual Review of Balances for the year 2006-07, Pr.CDA noticed that a huge sum of Rs.82,33,84,989 was lying as outstanding balance in the suspense head 76/20/83. It was confirmed by the GO(A/Cs) to the Pr. CDA that main reason for this was the non adjustment of Letters of Credit by the Sub Offices as per the procedure prescribed by the CGDA office for adjustment of Letters of Credit (LC) vide their letter No.A/III/12159/92-93, Dated 14th July 1995 as reproduced at **APPENDIX-3**.

Assuming that you are the dealing SO(A) in the Accounts Section of Main Office and operating file No.A/Cs-I/R&D/02, please put up a draft circular to all the Heads of Sub Offices (By Name) outlining the need for strict compliance of provisions contained in the HQrs letter No.A/III/12159/92-93, Dated 14th July 1995 and advising them to forward a time bound action plan for clearance of outstanding amount under suspense head 76/20/83 within 15 days of the issue of the circular.

(35 Marks)

APPENDIX-3

IMPORTANT CIRCULAR

No.A/III/12159/92-93,
Office of the CGDA,
West Block-V, R.K.Puram,
New Delhi-66.
Dated: 14th July, 1995

1. The CDA(HQrs), New Delhi
2. The CC of A(Fys) Calcutta
3. The CDA(R&D), New Delhi
4. The CDA(R&D), Bangalore

Sub: Compilation of expenditure against authorization for payment in respect of Foreign Contracts.

In the case of expenditure incurred for foreign payments either through payment under 'Letter of Credit' or through 'Direct Bank Transfer' the booking to final service heads is delayed substantially due to late receipt of debit advices from the Reserve Bank of India. This issue of time-lag between the actual cash outgo and adjustment of debits to final heads has been considered and it has been decided that the amounts paid under letter of Credit/and authorized under Bank Transfer are to be charged directly to the Service Heads concerned by contra adjustment to code head 020/83 (RB Suspense-unclassified with a distinct category prefix '76' at the time of authorization of Bank Transfer/payment of L.C. by SBI). SBI Branches concerned will be advised to send payment details to CDA immediately on payment under L.C. (simultaneously with their advice to RBI).

On receipt of debit advice further adjustments will be made in respect of bank commissions, variation on rate of exchange etc. as indicated in the annexure. The Accounts Section will, however, ensure clearance of the above Suspense head while adjusting the Debit Advice at a later date and submit a monthly report on amount outstanding under 76/020/83 to the CDA. In order to reflect all such payments as a distinct item in the printed compilations cat. '76' will also be prefixed to code head 021/00 (Reserve Bank Deposits) while adjusting the debit advices. The above procedure will be given effect to from 1.8.95.

In view of the above, Code Head 020/81 (Cheques and Bills) will no longer be operated in case of payments of the above nature (viz. Letter of Credit and Direct Bank Transfers).

Please acknowledge receipt.

For CC of A(Fys), Calcutta only: The clarification contained on our letter No.A/III/12159/92-93 dt.23.11.92 in the case of adjustments relating to Letter of Credit will stand modified to the extent to the revised procedure.

For CGDA

Controllers: for information.

Amount authorized for payment/Amount Paid under L.C.....	Rs.46,10,000.00
Amount of Service Charges (Tele/Commission etc.)	
Charged by the RBI/SBIRs. 7,145.50
Variation due to rate of exchangeRs. 20,000.00
Total amount for which debit Advice is received <u>Rs.46,37,145.50</u>

P.M. PREPARED AT THE TIME OF AUTHORISATION ON RECEIPT OF INTIMATION OF L.C.PAYMENT BY S.B.I.

Code Head	(+) Receipt Rs.	Code Head	(+) Charge Rs.
76/020/83	46,10,000	1/908/36	46,10,000
	<u>46,10,000</u>		<u>46,10,000</u>

P.M. PREPARED ON RECEIPT OF DEBIT ADVICE BY AT-SECTION

Code Head	(+) Receipt Rs.	Code Head	(+) Charge Rs.
76/020/83	27,145.50	1/908/36	20,000
	<u>27,145.50</u>	1/742/13	7,145.50
			<u>27,145.50</u>

P.M. PREPARED BY ACCOUNTS SECTION ON RECEIPT OF DEBIT ADVICE

Code Head	(+) Receipt Rs.	(+) Receipt Rs.
76/021/00	46,37,145.50	
76/020/83		46,37,145.50
	46,37,145.50	46,37,145.50

Ans:

Registered/Immediate

No.A/Cs-I/R&D/02
Office of the PCDA(R&D)
'L' Block, Church Road,
New Delhi-110001.
Dated: 16 November, 2007

To
All HOO (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 2006-07 has revealed that a huge sum of Rs.82,33,84,989/- 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/Branches 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.

PCDA has been consulted.

(XYZ)
GO(A/Cs)

Q.5.

While conducting the local audit of Labs of DRDO, it was noticed by the LAO, that one of the Labs was collecting money for the Resource Generation Activities through crossed cheques/drafts favouring Director of Lab and depositing them in the Public Fund Account contrary to the provisions contained in the Govt. Letter No.DBFA/FA/10/6108/D(R&D) Dated 23rd Nov., 1995. It was also noticed that the money so kept in Public Fund Account was being deposited in the Govt Treasury after a considerable lapse of time. Relevant portion of the Govt. Letter No.DBFA/FA/10/6108/D(R&D) Dated 23rd Nov 1995 is reproduced at **APPENDIX-4.**

The situation is viewed with concern by the Pr. CDA, who decides to take up the matter with the Director of the Lab before its possible inclusion in the next MFAI report. Assuming that you are the SO(A) in the audit section in the Main Office, please put up a draft DO letter from the PCDA to the Lab Director drawing his attention to this irregularity, corrective measures required to be taken and calling for his comments/response in the matter.

(35 Marks)

APPENDIX-4

DBFA/FA/10/6108/D(R&D)
Government of India, Ministry of Defence
Deptt. of Defence Research & Development

23 Nov., 1995

Director General,
Defence Research & Development,
New Delhi

Sub: Resource Generation by DRDO (Extract of Relevant portion)

Sir,

1. Resource generation to supplement budgetary support as well as to foster

application of DRDO developed technologies in the non-defence sector has been receiving attention by the Government since 1991. Guidelines in this regard have been issued vide letter No.DP&RM/RG/6100/RD(budget)/21/D(R&D) dated 1.1.93.

2. I am directed to convey the sanction of the President of India for revision of the above Guidelines with a view to increasing DRDO's efficiency and effectiveness in these activities through simplification of procedures.

3. **Instructions on Payments and Receipts:**

(a) Payments will be received through crossed cheques/drafts in favour of CDA(R&D) and deposited in the Govt Treasury through MROs.

(b) Each project will be assigned a job/contract No. by the Lab/Estt. and the same will be intimated to pay office while forwarding the MRO.

(c) All receipts for Deposit Works, including resource generation activities, shall be deposited in the identified RDR account and not in Public Fund Account of the Lab/Estt. Practice followed in some Lab(s)/Estt(s) to credit such receipts in the Public Fund will be stopped forthwith and procedure in this subpara will be followed.

Yours faithfully
Under Secretary to the Govt. of India

Ink signed copies to:

CDA(R&D)
'L' Block
New Delhi

CDA(R&D)
C.V.Raman Nagar,
Opp. LRDE Bangalore

Copy to:
DGADS
15/L-11 Block
New Delhi

Chief Adviser(Tech),
Chief Controller(R&D),
Chief of Resources

CGDA
West Block-V, R.K.Puram,
New Delhi

Jt. Director (Fin.& Accounts), DBEA,
Officer-In-Charge, C-TEC

Addl FA(R),
K.Wing, Sena Bhawan,
New Delhi

Director at R&D HQrs
Director Lab/Estts
All sub officers of CDA(R&D)

Ans:

Name:, IDAS
PCDA

D.O.No.
O/o The PCDA(R&D)
'L' Block, Church Road,
New Delhi-110 001.

Dear

It has been reported by the LAO in his Cash Inspection Report of your Lab that receipts on account of Resource Generation Activities are being received through crossed cheques/drafts favoring the Director and are being deposited into the Public Fund Account. Thereafter the money so deposited into the Public Funds is further deposited into Govt. Treasury through MROs prepared in favor of Pr. CDA(R&D). Delay in deposit of this money in the Govt. Treasury has also been noticed by the LAO.

2. In this context, I would like to draw your attention to Para 7 of the Govt. of India, Ministry of Defence letter No.DBFA/FA/10/6108/D(R&D) Dated 23rd Nov. 1995, which clearly provides that "payments will be received through crossed cheques/drafts in favor of Pr. CDA(R&D) and deposited in the Govt. Treasury through MROs". It further mentions that "all receipts for Deposit Works, including resource generation activities, shall be deposited in the identified RDR account and not in Public Fund account of the Lab/Estt. Practice followed in some Lab(s)/Estt(s) to credit such receipts in the Public Fund Account will be stopped forthwith and procedure in this sub para will be followed.

3. Since the practice followed in your Lab is in contravention of the laid down instructions, resulting into holding of Govt money in Public Fund Account of your Lab, it constitutes a financial irregularity which is currently under consideration for its possible inclusion in the ensuing Major Financial and Accounting Irregularities Report. However, before doing that I thought it appropriate to bring this to your notice and seek your comments in the matter. I would also advise you to issue instructions to stop forthwith the practice of receiving payments on account of Resource Generation Activities in the Public Fund Account of your Lab and observance of the correct procedure as outlined in MoD letter dated 23rd Nov, 95 with further direction for the preparation of MROs without delay in future.

With

Yours

Dr.....
Director
Lab X

Q.6.

A Defence Civilian not entitled to travel by air and posted at Nagpur traveled on 4 year LTC between Nagpur and Kolkata by Air and sought reimbursement of the air fare by restricting it to Rajdhani fare by the entitled class. Please examine his claim in the light of the clarifications contained in the DoPT OM No.31011/2/2006-Estt.(A) dated 21.5.2007, reproduced in **APPENDIX-5**, and put up an office note for the consideration of your Accounts Officer recommending admissibility or otherwise of the claim.

(35 Marks)

APPENDIX-5

Dated 21st May, 2007

OFFICE MEMORANDUM

Sub: Regulation of journeys by private airlines while availing Leave Travel Concession.

1. The undersigned is directed to refer to this Department's OM No.31011/2/2006-Estt.(A) dated 24th April, 2006, regarding regularization of journey by private airlines while availing Leave Travel Concession (LTC), where it has been inter alia stated that journeys by non-entitled officers between places connected by train may be allowed, provided the reimbursement of the fare would be restricted to the entitled class by Rail other than Rajdhani/Shatabdi Express.
2. In partial modification of the above provision, it has now been decided that the reimbursement may also be given at the rates applicable for Rajdhani/Shatabdi Express trains, provided the Government is entitled to it and the headquarter of the Government servant/missible place of commencement of journey and the home town/destination under All India LTC is directly connected by the above mentioned trains and two stations between which the air travel has been performed are connected by Rajdhani/Shatabdi type trains, the reimbursement would be limited to the actual expenditure. All pending cases may be settled accordingly in terms of this order. However, past cases already settled will not be reopened.
3. The above orders will be applicable with effect from the date of issue of this Office Memorandum.
4. In their application to the staff serving in the Indian Audit and Accounts Department, these orders issue after consultation with the Comptroller and Auditor General of India.
5. This issues in consultation with Ministry of Finance (Department of Expenditure) vide their I.D.No.84/E-IV/2007 dated 9th May, 2007.

Sd/-
Deputy Secretary to the
Govt. of India

To,

All Ministries/Departments of the Government of India with usual number of spare copies.

Copy to:

1. President's Secretariat, Rashtrapathi Bhawan, New Delhi
2. Vice-President's Secretariat, New Delhi

3. Prime Minister's Office, South Block, New Delhi
4. Cabinet Secretariat, New Delhi
5. Comptroller and Auditor General of India, New Delhi
6. Central Vigilance Commission, New Delhi
7. Union Public Service Commission, New Delhi
8. Staff Selection Commission, New Delhi
9. Central Bureau of Investigation, New Delhi
10. All Union Territory Administrations
11. Lok Sabha/Rajya Sabha Secretariat
12. All attached and Subordinate Offices of the Ministry of Personnel, Public Grievances and Pensions and Ministry of Home Affairs.
13. All Officers and Sections of Ministry of Personnel, Public Grievances and Pensions and Ministry of Home Affairs.
14. Website Section, Ministry of Personnel, Public Grievances and Pensions, North Block, New Delhi.
15. Facilitation Centre, Ministry of Personnel, Public Grievances and Pensions, North Block, New Delhi - 25 copies
16. 200 spare copies.

Ans:

No.T/PCDA/LTC/108

Office Note
(T Section)

Placed below is a contingent bill where reimbursement has been sought for expenditure on account of LTC in respect of Shri X, a Defence Civilian posted at Nagpur who availed LTC from Nagpur to Kolkata for the current 4 Year Block period. The individual has performed the journey by air from Nagpur to Kolkata and requested to restrict the amount of reimbursement of air fare by entitled class of Rajdhani express.

2. The individual is not entitled to travel by air. However, Min. of Finance vide its Memo No.31011/2/2006-Estt(A) dated 21.5.2007 (placed at Flag 'A') have decided that the admissibility of air fare for the non-entitled persons under All India LTC will be restricted to the entitled class of the Rajdhani/Shatabdi Express provided the HQrs of the Govt. Servant/permissible place of commencement journey and the Home Town/Destination are directed connected

by Rajdhani/Shatabdi Express.

3. In the present case, since Nagpur & Kolkata are not directly connected by Rajdhani/Shatabdi Express, reimbursement to Shri X is proposed to be restricted to the entitled class by Rail other than Rajdhani/Shatabdi Express in the light of the provisions contained in Office Memo of Ministry of Finance.

Submitted for orders please,

AO(T)

SO(A)

Defence Accounts Department
S.A.S. Examination – Part II (New Syllabus)
APRIL, 2008

PAPER IX - THEORY PORTION

SUBJECT: FUNDAMENTALS OF ELECTRONIC DATA PROCESSING

Time Allowed: 1½ Hours

Max. Marks : 60

Note:-

(1) This is a qualifying paper only. Marks secured in this paper will neither be counted in the aggregate marks nor will be added in total marks secured in other papers. The paper has two parts - Theory portion and Practical portion.

(2) Candidates are to answer 6 questions out of 8 questions from this portion. Each question will carry 10 marks. All answer should be specific and concise.

(3) Question Paper for Practical portion is separate. However, while computing marks for the paper, the marks obtained in Theory portion shall be combined together.

(4) Candidates are to secure 30 marks to qualify from this portion.

Q.1. (a) Differentiate between data and information. **(5 Marks)**

(b) What is a computer and what are the characteristics of a computer? **(5 Marks)**

Ans. (a) The word data is the plural of word datum which means fact. Data is thus basic facts about any given thing e.g. number of hours worked by individuals, material used in manufacturing something, number of people working in an office etc. Information is data arranged in a particular order or fashion that is useful to people who receive it. In other words, information is relevant knowledge produced as output of processed data and acquired by people to enhance understanding to achieve specific purposes.

(b) Computer is device that can accept, store, process data. All computers have characteristics of doing their jobs with speed, accuracy, automation, diligence, versatility and capability to store vast amounts of data.

Q.2. (a) How will you make a file read-only in MS-Windows? **(5 Marks)**

(b) How will you put the Cut and Paste icons on the toolbar of the Windows Explorer? **(5 Marks)**

Ans. (a) Right click the mouse on the name of the file and select Properties. In the dialogue box that open click the box Read-Only in the Attributes section so that a check mark appears in the box. Click on Apply and make the change permanent.

(b) Open Windows Explorer. Right click the mouse on the toolbar area or click on View-Toolbars-Customize. Now select the Cut icon in the left pane and click on Add button. Repeat for Paste icon. Finish by clicking on Close button.

Q.3.

Answer the following:-

- (a) A name or number used to identify a storage location is called:
(i) a byte (ii) a carry bit (iii) a record (iv) an address (v) a file
- (b) The component which co-ordinates the step-by-step running of the computer is called:
(i) Input device (ii) Logic unit (iii) Arithmetic (iv) Control unit (v) Main memory unit
- (c) Which of the following is a primary storage device?
(i) Magnetic tape (ii) Floppy disk (iii) Optical disk (iv) Pen drive (v) None of these.
- (d) Which of the following is used to hold RAM, ROM, CPU and expansion cards?
(i) Computer bus (ii) Cache (iii) Motherboard (iv) None of these
- (e) The difference between primary memory and storage is that the former is _____ and storage is _____.
(i) Temporary, Permanent (ii) Permanent, Temporary
(iii) Slow, Fast (iv) None of these

(2x5 Marks)

Ans.

- (a) (iv) an address
- (b) (iv) Control unit
- (c) (v) None of these
- (d) (iii) Motherboard
- (e) (i) Temporary, Permanent

Q.4.

Fill in the blanks:

(2x5 Marks)

- (i) 1 kilobyte equals _____ bytes.
- (ii) A byte consists of _____ bits.
- (iii) _____ is that part of the computer which does the adding, subtracting, multiplying, dividing and comparing functions.
- (iv) _____ system uses the base equal to eight.
- (v) The three functional elements of a computer are input device, _____ and output device.

Ans:

- (i) 1024
- (ii) 8
- (iii) ALU

(iv) Octal

(v) CPU

Q.5. What is an operating system? What are the essential capabilities of an operating system? **(10 Marks)**

Ans. An operating system is a collection of programs that coordinates the operation of computer hardware and software and provides its users with an interface to interact with the hardware. All OS must have some or all of the following capabilities:

Input/Output

Input and output (or I/O) is essential to the operation of any computer. I/O allows the computer to store and retrieve data on disks or tapes, to interact with the user terminals and to print output on paper. Every operating system must provide some form of I/O.

Computer Interpreter

The command interpreter reads the command a user type in at a terminal and changes or interprets them into instructions the computer can understand. Command interpreter vary widely from one operating system to another, but again, its something that almost every one provides.

Data Management

Data management allows the user to organize their data into logical groupings called files. Although not all operating systems provide data management, the few that do not are severely limited in their flexibility and usefulness.

Program development tools

Program development tools assist users in writing and monitoring programs. Compilers, assemblers, debuggers and software maintenance systems fall into this category.

Time-sharing

Time-sharing is a way of allowing several people to run programs on different terminals at the same time. This feature is usually found on larger operating systems.

Security

Security protects a user from another and the operating system from all users. Its main function is to make only authorized users access the computer and its data and that users do only things they are authorized to do. Most operating systems that do not have time-sharing have little or no security, since only one user is involved. Most large operating systems provide some measure of security, but the degree varies from one to another.

Communication

Communication refers to the ability of one computer to communicate with other computers and terminals to transfer programs or data.

Accounting

Accounting keeps track of what each person has done on a computer in order to bill each one for the resources used. This is necessary on computers that have many users who must be charged for their use of the machine.

Q.6. Write a short note on System Software. **(10 Marks)**

Ans. System software is a set of one or more programs, designed to control the operation and extend the processing capability of a computer system. In general, a computer's system software performs one or more of the following functions:

- (a) Supports the development of other application software.
- (b) Supports the execution of other application software.
- (c) Monitors the effective use of various resources such as CPU, memory, peripherals etc.
- (d) Communicates with and controls the operation of peripheral devices, such as printers, disk, tape etc.

Hence, system software makes the operation of a computer system more effective and efficient. It helps the hardware components work together, and provides support for the development and execution of application software (programs). The programs included in a system software package are called system programs, and the programmers who develop them are referred as system programmers. Some of the most commonly known types of system software are:

1. Operating System
2. Programming Language Compilers
3. Communication Software
4. Utility Programs

Q.7 (a) What are the limitations of Assembly language? **(5 Marks)**

(b) Write a short note on compilers. **(5 Marks)**

Ans. (a) 1. Machine dependence: Since each instruction of an assembly language program is translated into exactly one machine language instruction, assembly language programs are machine dependent. So assembly language programs can be executed only on the computer in whose assembly language it has been written.

2. Knowledge of hardware required. Since assembly languages are machine dependent, assembly language programmer must have a good knowledge of the characteristics, and the logical structure of his/her computer to write good assembly language programs.

3. Machine level coding. In case of an assembly language, instructions are still written at the machine code level. That is, one assembly language instruction is substituted for one machine language instruction. Hence, writing assembly language programs is still time-consuming and not very easy.

- (b) Computers can execute only machine language instructions. Hence, a high level language program must be converted (translated) into its equivalent machine language program, before it can be executed on the computer. This translation is done with the help of a translator program, which is known as compiler. Hence, a compiler is a translator program, which translates a high-level language program into its equivalent machine language program. A compiler is so called because it compiles a set of machine language instructions for every program instruction of a high-level language.

A compiler can translate only those source programs, which have been written in the language for which the compiler was meant. Thus a COBOL compiler will only compile programs written in COBOL. The object program created by a compiler is also machine-dependent. Thus, if the basic hardware of two computers is different then a program compiled on one computer will not run on the other. However, machine-independence can be achieved by recompiling the source code on the other computer.

Compilers also normally have error detection routines built into them. They can detect some programming (syntax) errors like use of illegal characters, improper sequencing of instructions, use of undefined variables etc. They can, however, not detect logic errors.

Q.8. Distinguish between LAN and WAN. **(10 Marks)**

Networks are broadly classified into two types Local Area Networks (LANs) and Wide Area Networks (WANs). The key characteristics which differentiate the two types of network are:

1. **Geographical distribution:** A LAN is restricted to a limited geographic coverage of a few kilometers, but a WAN may extend over several thousand kilometers.

2. **Data rate:** Data transmission rates are usually much higher in LANs than in WANs. Transmission rates in LANs may go up to Gigabits per second but in WANs it may be only in Megabits per second.

3. **Error rate:** LANs generally experience fewer data transmission errors than WANs do.

4. **Communication link:** The most common communications link used in LANs are twisted pair, coaxial cable and fibre optics. On the other hand in WANs the most common links are telephone lines, microwave links and satellite channels.

5. **Ownership:** A LAN is typically owned by a single organization because of its limited geographical spread. A WAN is usually formed by interconnection multiple LANs each of which may belong to a different organization.

6. **Communication cost:** The cost to transmit data in a LAN is negligible, since the transmission medium is usually owned by the user organization. However, with a WAN, this cost may be very high because the transmission media used a leased lines or public communication systems.

Defence Accounts Department
S.A.S. Examination – Part II (New Syllabus)
APRIL, 2008

PAPER IX - PRACTICAL PORTION (First Batch)

SUBJECT: FUNDAMENTALS OF ELECTRONIC DATA PROCESSING

Time Allowed: 1½ Hours

Max. Marks : 40

Note:-

(1) This is Practical portion of Paper-IX.

(2) Answer any two questions. Each question carries 20 marks. Candidates are to secure 20 marks to qualify from this portion.

(3) Enter ROLL NUMBER ON THE LEVEL OF THE FLOPPY given to you. All files created by you as a part of this examination must be copied on the floppy provided in the following manner:-

- Created a MAIN FOLDER with your ROLL NUMBER as the folder name.
- Create three folders within the main folder with the names as Q.1, Q.2, Q.3. All answers must be saved in the respective folders, with the files names as given in the question. One folder would remain blank as candidate has to answer only two of the three questions.

(4) On the Answer Books supplied to you, write your ROLL NUMBER, questions answered by you and names of the files copied by you in the floppy mentioned above. The name of the file must be indicated question-wise.

(5) Marks secured in Practical Portion shall be added in the Theory Portion of the Paper.

Q.1. (a) Type the following text:

Society for Worldwide Inter-bank Financial Telecommunication (SWIFT):

1. India was the 74th country to join the Society for Worldwide Inter-bank Financial Telecommunication (SWIFT) network on December 2, 1991. The initial membership of Banks in India was 34.

2. Each country has a SWIFT gateway called the SWIFT Access Point (SAP) to which the individual users' terminals are connected. The users are connected to the SAP through leased lines with PSTN as backup. The SAPs are connected to the Regional Processors, which in turn are connected on-line to mother operating Centres in the USA and Netherlands from where the messages are distributed to the ultimate destination address indicated in each message.

3. SWIFT has 9 types of Standard Message Categories. Each broad message category has various message types for specific uses. A majority of the forex related messages are sent to correspondent banks abroad through SWIFT.

4. The users of the network in India are the Reserve Bank of India, all major banks

including the newly established private sector banks, branches of foreign banks and major financial institutions.

Committees on Communication Network for Banks and SWIFT implementation (1987).

Chairman: Shri T.N.A.Iyer, Executive Director, Reserve Bank of India.

Recommendations:

** Setting up of X.25 based packet switching network called "BANKNET" to be jointly owned by the Reserve Bank and the Public Sector Banks. It suggested that the computer system resources of the four IBM Mainframes (installed at the four metros for cheque processing operations) could be made use of during the day time by BANKNET for data communication with additional equipment.

** BANKNET to be implemented in two phases. In Phase I the computer systems available in the Head Offices of the Public Sector Banks in the four metropolitan cities would be connected to the four IBM Mainframe servers. In the second phase connectivity could be gradually extended to eight to ten banking intensive centres, and to a hundred centres over a three year period.

** India should join the SWIFT (Society for Worldwide Interbank Financial Telecommunication) Network for the transmission and reception of international financial messages.

** BANKNET should strive to emulate SWIFT in matters of data security, encryption, and authentication and SWIFT message standards which are internationally accepted should be adopted by BANKNET.

- (b) Apply following formatting to the text typed above: **(10 Marks)**
- (i) The heading should be Arial 18 points, bold, double underlined and centered. The rest of the documents should be in Arial 12 points.
 - (ii) The paragraph should be numbered automatically.
 - (iii) All paragraphs should be fully justified.
 - (iv) Space after the heading should be 24 points and space after rest of the paragraphs should be 6 points.
 - (v) The document should be in a single line spacing.
 - (vi) The document should be set on an A4 size paper with 1.25", 1.25", 1" and 1" left, right, top and bottom margins respectively.
 - (vii) The recommendations in the document should be bulleted with bullets of your choice and should be indented 0.5" from the rest of the document and have an hanging indent of 0.3".
 - (viii) Make bold the words "5. Committees on Communication Network for Banks

and SWIFT implementation (1987)" and the word "Recommendations".
(ix) Underline the words " Committees on Communication Network for Banks and SWIFT implementation (1987)".

(x) Make italic the word "Recommendations".

(xi) Save the document as Answer "1(A)(B).doc".

(c) Make a presentation with the text typed in previous part of this question:

(i) The presentation should have 6 slides.

(ii) The first slide should be a title slide with the heading of the document as the title.

(iii) The contents of paragraph numbered 1 to 4 may be put into two subsequent slides (each slide having 2 paragraphs) of title and text layout. These slides should carry the title "Slide 1" and "Slide 2".

(iv) Make another title slide with the sentence "Committees on Communication Network for Banks and SWIFT implementation (1987)" and the sentence "Chairman" Shri T.N.A.Iyer, Executive Director, Reserve Bank of India" as the sub-title.

(v) The next should be of title and text layout. The title should contain the words "Recommendations" and the text of the first two bullets as the text portion.

(vi) The last slide should be of title and text layout. The title of the slide should be "Slide 3" and the text of the last two bullets should be the text portion of this slides.

(vii) The font in the slides for the non-title text should be Aerial 24.

(viii) Give a slide design of your choice from the templates available in the presentation software.

(ix) Save the presentation as "Answer 1(C).ppt".

Ans. (a)
&
(b)

Society for Worldwide Inter-bank Financial
Telecommunication (SWIFT)

1. India was the 74th country to join the Society for Worldwide Inter-bank Financial Telecommunication (SWIFT) network on December 2, 1991. The initial membership of Banks in India was 34.

2. Each country has a SWIFT gateway called the SWIFT Access Point (SAP) to which the individual users' terminals are connected. The users are connected to the SAP through leased lines with PSTN as backup. The SAPs are connected to the Regional Processors, which in turn are connected on-line to mother operating Centres in the USA and Netherlands from where the messages are distributed to the ultimate

destination address indicated in each message.

3. SWIFT has 9 types of Standard Message Categories. Each broad message category has various message types for specific uses. A majority of the forex related messages are sent to correspondent banks abroad through SWIFT.
4. The users of the network in India are the Reserve Bank of India, all major banks including the newly established private sector banks, branches of foreign banks and major financial institutions.
5. **Committees on Communication Network for Banks and SWIFT implementation (1987).**

Chairman: Shri T.N.A.Iyer, Executive Director, Reserve Bank of India.

Recommendations:

- ◆ Setting up of X.25 based packet switching network called "BANKNET" to be jointly owned by the Reserve Bank and the Public Sector Banks. It suggested that the computer system resources of the four IBM Mainframes (installed at the four metros for cheque processing operations) could be made use of during the day time by BANKNET for data communication with additional equipment.
- ◆ BANKNET to be implemented in two phases. In Phase I the computer systems available in the Head Offices of the Public Sector Banks in the four metropolitan cities would be connected to the four IBM Mainframe servers. In the second phase connectivity could be gradually extended to eight to ten banking intensive centres, and to a hundred centres over a three year period.
- ◆ India should join the SWIFT (Society for Worldwide Interbank Financial Telecommunication) Network for the transmission and reception of international financial messages.
- ◆ BANKNET should strive to emulate SWIFT in matters of data security, encryption, and authentication and SWIFT message standards which are internationally accepted should be adopted by BANKNET.

(c)

**Society for Worldwide Inter-bank
Financial Telecommunication
(SWIFT)**

Slide 1

- India was the 74th country to join the Society for Worldwide Inter-bank Financial Telecommunication (SWIFT) network on December 2, 1991. The initial membership of Banks in India was 34.
- Each country has a SWIFT gateway called the SWIFT Access Point (SAP) to which the individual users' terminals are connected. The users are connected to the SAP through leased lines with PSTN as backup. The SAPs are connected to the Regional Processors, which in turn are connected on-line to mother operating Centres in the USA and Netherlands from where the messages are distributed to the ultimate destination address indicated in each message.

Slide 2

- SWIFT has 9 types of Standard Message Categories. Each broad message category has various message types for specific uses. A majority of the forex related messages are sent to correspondent banks abroad through SWIFT.
- The users of the network in India are the Reserve Bank of India, all major banks including the newly established private sector banks, branches of foreign banks and major financial institutions.

**Committees on Communication Network for Banks
and SWIFT implementation (1987)**

Chairman: Shri T.N.A.Iyer, Executive Director,
Reserve Bank of India.

Recommendations

- Setting up of X.25 based packet switching network called "BANKNET" to be jointly owned by the Reserve Bank and the Public Sector Banks. It suggested that the computer system resources of the four IBM Mainframes (installed at the four metros for cheque processing operations) could be made use of during the day time by BANKNET for data communication with additional equipment.
- BANKNET to be implemented in two phases. In Phase I the computer systems available in the Head Offices of the Public Sector Banks in the four metropolitan cities would be connected to the four IBM Mainframe servers. In the second phase connectivity could be gradually extended to eight to ten banking intensive centres, and to a hundred centres over a three year period.

Recommendations

- India should join the SWIFT (Society for Worldwide Interbank Financial Telecommunication) Network for the transmission and reception of international financial messages.
- BANKNET should strive to emulate SWIFT in matters of data security, encryption, and authentication and SWIFT message standards which are internationally accepted should be adopted by BANKNET.

Q.2. (a) Make the following table using your word processor:

FINANCE ACCOUNTS, UNION GOVERNMENT
NO.6-STATEMENT SHOWING THE PERCENTAGE DISTRIBUTION
OF REVENUE RECEIPTS
AND EXPENDITURE FOR THE YEAR 2006-2007

(in crores of rupees)

Heads	Amount	% age of total revenue receipts
1	2	3
Receipt Heads (Revenue Account)- A - TAX REVENUE		
Taxes on income and expenditure -		
Corporation Tax	106701.25	20.31
Taxes on Income other than Corporation TAX	52296.66	9.96
Hotel Receipts TAX	2.26	-
Interest Tax	4.92	-
Collection under Fringe benefit Tax	5316.04	1.01
Other Taxes on Income and Expenditure	68.19	0.01
TOTAL - TAXES ON INCOME AND EXPENDITURE	164389.32	31.29
Taxes on Property and Capital Transactions-		
Land Revenue	2.43	-
Stamps and Registration Fees	98.45	0.02
Estate Duty	1.66	-
Taxes on Wealth	193.05	0.04
Gift Tax	4.35	-
Security Transaction Tax	4645.50	0.88
Collection under Banking Cash Transaction Tax	507.01	0.10
TOTAL - TAXES ON PROPERTY AND CAPITAL TRANSACTIONS	5452.45	1.04
Taxes on Commodities and Services-		
Customs	62819.11	11.96
Union Excise Duties	92650.39	17.63
State Excise	168.76	0.03
Taxes on Sales, Trade etc	1087.15	0.21
Taxes on Vehicles	38.49	0.01
Taxes on Goods and Passengers	4.07	-
Taxes and Duties on Electricity	11.61	-
Service Tax	26185.02	4.98
Other Taxes and Duties on Commodities and Services	375.90	0.07
TOTAL - TAXES ON COMMODITIES AND SERVICES	183340.50	34.89
TOTAL TAX REVENUE	353182.27	67.22

- (b) Apply following formatting to the table and text typed above: **(10 Marks)**
- (i) The heading should be centered, Times New Roman 16 points.
 - (ii) The words "(In crores of Rupees)" should be in Times New Roman 10 points. The rest of the document should be in Times New Roman 12 points.
 - (iii) Apply 12.5% background shading in the column heading as shown.
 - (iv) Apply bold and italics as shown in the table.
 - (v) The figures in column 2 and 3 should be aligned to the decimal sign.
 - (vi) Wherever the column 1 text is wrapping into more than 1 line the corresponding cell alignment in column 2 and 3 should be centered.
 - (vii) Save the document as Answer "2(A)(B).doc".
- (c) Make a spreadsheet with the data of the table made in the preceding part of this question: **(10 Marks)**
- (i) The heading should be centered, Times New Roman 16 points.
 - (ii) The words "(In crores of Rupees)" should be in Times New Roman 10 points. The rest of the document should be in Times New Roman 12 points.
 - (iii) Apply bold and italics as done in the previous part of the question.
 - (iv) The appearance of the table should be like that in the previous part of the question, viz. font characteristics, background and lines. The colour scheme of the background may be changed to your liking.
 - (v) Wherever there is "-" in column 3 the figure entered should be zero and use formatting to display the zero as "-".
 - (vi) Use in-built functions to get the figures in rows where totals are shown in the table round the figures using in-built functions so as to get the same figures as shown in the table above.
 - (vii) Save the spreadsheet as Answer "2(C).xls".

Ans. (a),
(b)

FINANCE ACCOUNTS, UNION GOVERNMENT
NO.6-STATEMENT SHOWING THE PERCENTAGE
DISTRIBUTION
OF REVENUE RECEIPTS
AND EXPENDITURE FOR THE YEAR 2006-2007

(in crores of rupees)

Heads	Amount	% age of total revenue receipts
1	2	3
Receipt Heads (Revenue Account)- A - TAX REVENUE		
<i>Taxes on income and expenditure -</i>		
Corporation Tax	106701.25	20.31
Taxes on Income other than Corporation Tax	52296.66	9.96
Hotel Receipts Tax	2.26	-
Interest Tax	4.92	-
Collection under Fringe benefit Tax	5316.04	1.01
Other Taxes on Income and Expenditure	68.19	0.01
TOTAL - TAXES ON INCOME AND EXPENDITURE	164389.32	31.29
<i>Taxes on Property and Capital Transactions-</i>		
Land Revenue	2.43	-
Stamps and Registration Fees	98.45	0.02
Estate Duty	1.66	-
Taxes on Wealth	193.05	0.04
Gift Tax	4.35	-
Security Transaction Tax	4645.50	0.88
Collection under Banking Cash Transaction Tax	507.01	0.10
TOTAL - TAXES ON PROPERTY AND CAPITAL TRANSACTIONS	5452.45	1.04
<i>Taxes on Commodities and Services-</i>		
Customs	62819.11	11.96
Union Excise Duties	92650.39	17.63
State Excise	168.76	0.03
Taxes on Sales, Trade etc	1087.15	0.21
Taxes on Vehicles	38.49	0.01
Taxes on Goods and Passengers	4.07	-
Taxes and Duties on Electricity	11.61	-
Service Tax	26185.02	4.98
Other Taxes and Duties on Commodities and Services	375.90	0.07
TOTAL - TAXES ON COMMODITIES AND SERVICES	183340.50	34.89
TOTAL TAX REVENUE	353182.27	67.22

Ans. (c)

FINANCE ACCOUNTS, UNION GOVERNMENT
NO.6-STATEMENT SHOWING THE PERCENTAGE
DISTRIBUTION OF REVENUE RECEIPTS
AND EXPENDITURE FOR THE YEAR 2006-2007

(in crores of rupees)

Heads	Amount	% age of total revenue receipts
1	2	3
Receipt Heads (Revenue Account)-		
A - TAX REVENUE		
<i>Taxes on income and expenditure -</i>		
Corporation Tax	106701.25	20.31
Taxes on Income other than Corporation Tax	52296.66	9.96
Hotel Receipts Tax	2.26	0
Interest Tax	4.92	0
Collection under Fringe benefit Tax	5316.04	1.01
Other Taxes on Income and Expenditure	68.19	0.01
TOTAL - TAXES ON INCOME AND EXPENDITURE	=ROUND(SUM(B11:B16),0)	=SUM(D11:D16)
<i>Taxes on Property and Capital Transactions-</i>		
Land Revenue	2.43	0
Stamps and Registration Fees	98.45	0.02
Estate Duty	1.66	0
Taxes on Wealth	193.05	0.04
Gift Tax	4.35	0
Security Transaction Tax	4645.50	0.88
Collection under Banking Cash Transaction Tax	507.01	0.10
TOTAL - TAXES ON PROPERTY AND CAPITAL TRANSACTIONS	=SUM(B19:B25)	=SUM(D19:D25)
<i>Taxes on Commodities and Services-</i>		
Customs	62819.11	11.96
Union Excise Duties	92650.39	17.63
State Excise	168.76	0.03
Taxes on Sales, Trade etc	1087.15	0.21
Taxes on Vehicles	38.49	0.01
Taxes on Goods and Passengers	4.07	0
Taxes and Duties on Electricity	11.61	0
Service Tax	26185.02	4.98
Other Taxes and Duties on Commodities and Services	375.90	0.07
TOTAL - TAXES ON COMMODITIES AND SERVICES	=ROUND(SUM(B28:B36),0)	=SUM(D28:D36)
TOTAL TAX REVENUE	=ROUND(B17+B26+B37),0)	=D17+D26+D37

Q.3 (a) Using the spreadsheet application calculate the income tax payable by Shri X under the following circumstances: **(10 Marks)**

(i) The taxable income of Shri X is Rs.4,42,721.

(ii) He has contributed Rs.1,26,000 to GPF.

(iii) His annual CGEGIS contribution is Rs.1,440.

(iv) A rebate of upto Rs.1,00,000 is allowed on the total of contributions under GPF and CGEGIS.

(v) The rate of taxation is for first Rs.1,10,000 nil, 10% on the next Rs.40,000, 20% on the next Rs.1,00,000 and 30% for income above Rs.2,50,000.

(vi) There is access of 3% on the tax calculated on the rates above.

(vii) It may be noted that the net taxable income is to be rounded to nearest multiple of Rs.10 and the tax must be rounded to nearest Rupee.

(viii) Use in-built functions of the spreadsheet application and your own formulae using those functions for all the calculations.

(ix) Use the "vlookup" function to calculate tax liability.

(x) Save the spreadsheet as Answer "3(A).xls".

(b) Make a presentation using the following data: **(10 Marks)**

(in paise)

Other Non-Plan Expenditure	12
Subsidies	7
Defence	13
Interest	21
Central Plan	19
State & UT Plan Assistance	6
Non-Plan Assistance to State & UT Govts.	5
States' Share of Taxes & duties	17

(i) There should be a title slide reading "RUPEE GOES To".

(ii) The second slide should carry the table above.

(iii) The third slide should carry the title "Rupee Goes to" and also have a 3D pie chart in it showing the data in the table.

(iv) Apply slide design of your choice.

(v) Save the presentation as "Answer 3(C).ppt".

Ans. (a)

INCOME TAX CALCULATION FOR SHRI X

1. Taxable Income	442721
2. GPF Contribution	126000
3. CGEGIS contribution	1440
4. Total GPF & CGEGIS	=C4+C5
5. Rebate on GPF & CGEGIS	=OF(C6>100000,100000,C6)
6. Cess	0.03
7. Tax Table	

Income slab	Rate	Add to rate
0	0	0
110001	=10/100	0
150001	=20/100	=(B13+B12)*C12
250000	=30/100	=D13+(B14+1-B13)*C13

A. Taxable Income	442721
B. Net Taxable Income	=+C17-C7
C. Rounded net taxable income	=ROUND(C18,-1)
D. Applicable highest tax rate	=VLOOKUP(C19,B11:D14,2)
E. Income on which the highest tax rate would apply	=C19-VLOOKUP(C19,B11:D14,1)
F. Tax on E	=+C22*C20
G. Tax on rest of the income	=VLOOKUP(C19,B11:D14,3)
H. Total Gross tax	=+C23+C24
I. Cess on H	=+C25*C8
J. Total rounded net tax	=ROUND((C25+C26),0)

INCOME TAX CALCULATION FOR SHRI X

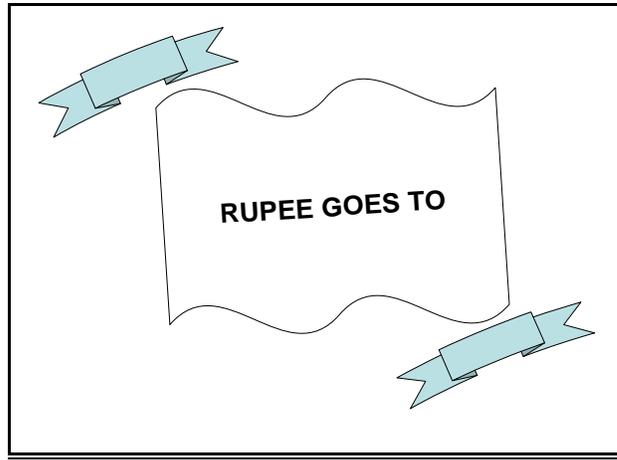
1. Taxable Income	442721
2. GPF Contribution	126000
3. CGEGIS contribution	1440
4. Total GPF & CGEGIS	127440
5. Rebate on GPF & CGEGIS	100000
6. Cess	3%
7. Tax Table	

Income slab	Rate	Add to rate
0	0%	0
110001	10%	0
150001	20%	4000
250000	30%	24000

A. Taxable Income	442721
B. Net Taxable Income	342721
C. Rounded net taxable income	342720
D. Applicable highest tax rate	0.3
E. Income on which the highest tax rate would apply	92720
F. Tax on E	27816
G. Tax on rest of the income	24000
H. Total Gross tax	51816

I. Cess on H
J. Total rounded net tax

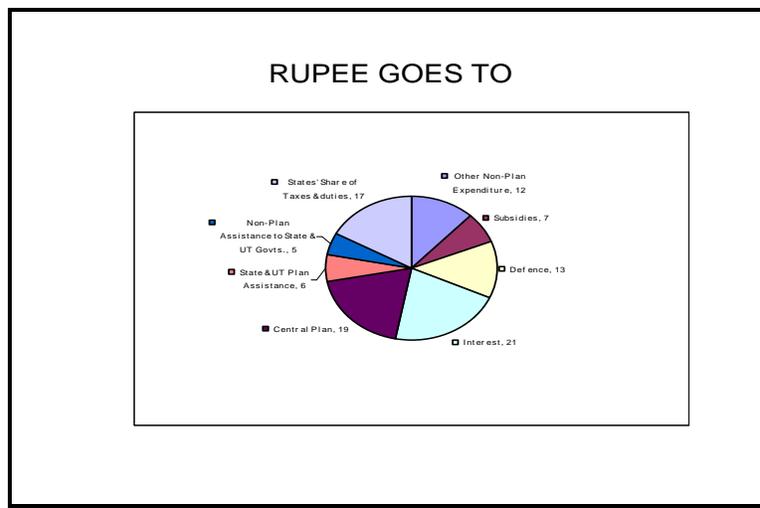
1554.48
53370



RUPEE GOES TO

(in paise)

Other Non-Plan Expenditure	12
Subsidies	7
Defence	13
Interest	21
Central Plan	19
State & UT Plan Assistance	6
Non-Plan Assistance to State & UT Govts	5
States' Share of Taxes & Duties	17



Defence Accounts Department
S.A.S. Examination – Part II (New Syllabus)
APRIL, 2008

PAPER IX - PRACTICAL PORTION (Second Batch)

SUBJECT: FUNDAMENTALS OF ELECTRONIC DATA PROCESSING

Time Allowed: 1½ Hours

Max. Marks : 40

Note:-

- (1) This is Practical portion of Paper-IX.
 - (2) Answer any two questions. Each question carries 20 marks. Candidates are to secure 20 marks to qualify from this portion.
 - (3) Enter ROLL NUMBER ON THE LEVEL OF THE FLOPPY given to you. All files created by you as a part of this examination must be copied on the floppy provided in the following manner:-
 - Created a MAIN FOLDER with your ROLL NUMBER as the folder name.
 - Create three folders within the main folder with the names as Q.1, Q.2, Q.3. All answers must be saved in the respective folders, with the files names as given in the question. One folder would remain blank as candidate has to answer only two of the three questions.
 - (4) On the Answer Books supplied to you, write your ROLL NUMBER, questions answered by you and names of the files copied by you in the floppy mentioned above. The name of the file must be indicated question-wise.
 - (5) Marks secured in Practical Portion shall be added in the Theory Portion of the Paper.
-

Q.1. (a) Type the following text:

Committees on Computerisation

I. Working Group to consider feasibility of introducing MICR/OCR Technology for Cheque Processing (1982)

Convenor: Dr. Y.B.Damle, Adviser, Management Services Department, Reserve Bank of India.

Recommendations:

** Introduction of 'item processing' (sorting and listing of cheques with the help of computers) in three phases.

>> In the first phase at the four metropolitan cities viz. Mumbai, New Delhi, Chennai and Kolkata, with the help of MICR technology.

>> In the second phase all state capitals and important commercial centres.

>> In the final phase national clearing to be introduced by dividing the country into four Regional Grids with headquarters at Mumbai, New Delhi, Chennai Kolkata.

Each Regional Centre was to perform two functions:

- (i) to act as a clearing house for intra-grid instruments and
- (ii) participate in national clearing on behalf of the grid for extragrid outstation cheques.

II. Committee on Mechanisation in the Banking Industry (1984)

Chairman: Dr.C.Rangarajan, Deputy Governor, Reserve Bank of India.

Recommendations:

****Banks should set up service branches at centres where they have more than 10 branches. The service branch so set up would exclusively be devoted to clearing operations of the bank at that particular centre.**

****Banks to be in readiness for the introduction of MICR**

Clearing at the four metropolitan cities by assessing their requirements for encoders, adopting standardized cheque forms and reorganizing work procedures where necessary, and training staff down to the branch level.

III. Committee for proposing Legislation on Electronic Funds Transfer and other Electronic Payments (1995)

Chairperson: Smt. K.S.Shere, Principal Legal Adviser, Reserve Bank of India.

Recommendations:

****EFT system could be introduced immediately by framing regulations under Section 58 of the RBI Act. A Model Customer Contract agreement to govern the banker-customer relationship with regard to EFT should be adopted by all banks participating in the system.**

****As a long term measure, a new legislation needed for regulating, defining and determining the rights and obligations of the system providers and users.**

- (b) Apply following formatting to the text typed above: **(10 Marks)**
- (i) The heading should be Arial 18 points, bold, double underlined and centered. The rest of the documents should be in Arial 12 points.
 - (ii) The paragraph should be fully justified.
 - (iii) Space after the heading should be 24 points and space after rest of the paragraphs should be 6 points.
 - (iv) The document should be in a single line spacing.
 - (v) The document should be set on an A4 size paper with 1.25", 1.25", 1" and 1" left, right, top and bottom margins respectively.
 - (vi) The recommendation under "I.Working Group to consider feasibility of introducing MICR/OCR Technology for Cheque Processing (1982)" in the document should be bulleted with bullet of your choice and should be indented 0.5" from the rest of the document and have a hanging indent of 0.3". The three sub-points under this should also be bulleted with a different bullet of your choice and should be indented 0.8" from the rest of the document and have a hanging indent of 0.3".

(vii) The two points under "Each Regional Centre was to perform two functions" should be bulleted with bullets of your choice and should be indented 0.5" from the rest of the document and have an hanging indent of 0.3".

(viii) The recommendation under " II. Committee on Mechanisation in the Banking Industry (1984)" in the document should be bulleted with bullets of your choice and should be indented 0.5" from the rest of the document and have an hanging indent of 0.3".

(ix) The recommendation under " III. Committee for proposing Legislation on Electronic Funds Transfer and other Electronic Payments (1995)" in the document should be bulleted with bullets of your choice and should be indented 0.5" from the rest of the document and have an hanging indent of 0.3".

(x) Make bold the word " I.Working Group to consider feasibility of introducing MICR/OCR Technology for Cheque Processing (1982)", " II. Committee on Mechanisation in the Banking Industry (1984)", " III. Committee for proposing Legislation on Electronic Funds Transfer and other Electronic Payments (1995)" and the words "Recommendations:" under them. Make these "Recommendations:" words italic too.

(xi) Save the document as Answer "1(A)(B).doc".

(c) Make a presentation with the text typed in previous part of this question:

(i) The presentation should have 7 slides.

(ii) The first slide should be a title slide with the heading of the document as the title.

(iii) The second slide should be of tile layout with " I.Working Group to consider feasibility of introducing MICR/OCR Technology for Cheque Processing (1982)" as title and " Convenor: Dr. Y.B.Damle, Adviser, Management Services Department, Reserve Bank of India" as sub-title.

(iv) Third slide should be of title and text layout with "Recommendations" as title and the contents of recommendations as the text. The three paragraphs beginning with ">>" and the two paragraphs numbered (i) paragraphs beginning with ">>" and the two paragraphs numbered (i) and (ii) here should be sub-bulleted. The main bulleted text should be in Arial 24 and the sub-bulleted text in Arial 20.

(v) The fourth slide should be a title slide with the sentence" II. Committee on Mechanisation in the Banking Industry (1984)" and the sentence " Chairman: Dr.C.Rangarajan, Deputy Governor, Reserve Bank of India" should be the sub-title.

(vi) The fifth slide should be of title & text layout with "Recommendations" as title and the contents of recommendation as the text. The bulleted text should be in Arial 24.

(vii)The sixth slide should be of title slide with the sentence" III. Committee for proposing Legislation on Electronic Funds Transfer and other Electronic Payments (1995)" and the sentence " Chairperson: Smt. K.S.Shere, Principal Legal Adviser, Reserve Bank of India " should be the sub-title.

(viii) The seventh slide should be of title & text layout with "Recommendations" as title and the contents of recommendation as the text. The bulleted text should be in Arial 24.

(ix) Give a slide design of your choice from the templates available in the presentation software.

(ix) Save the presentation as "Answer 1(C).ppt".

Ans. (a)
&
(b)

Committees on Computerisation

I. Working Group to consider feasibility of introducing MICR/OCR Technology for Cheque Processing (1982)

Convenor: Dr. Y.B.Damle, Adviser, Management Services Department, Reserve Bank of India.

Recommendations:

- Introduction of 'item processing' (sorting and listing of cheques with the help of computers) in three phases.
 - In the first phase at the four metropolitan cities viz. Mumbai, New Delhi, Chennai and Kolkata, with the help of MICR technology.
 - In the second phase all state capitals and important commercial centres.
 - In the final phase national clearing to be introduced by dividing the country into four Regional Grids with headquarters at Mumbai, New Delhi, Chennai Kolkata.

Each Regional Centre was to perform two functions:

- to act as a clearing house for intra-grid instruments and
- participate in national clearing on behalf of the grid for extragrid outstation cheques.

II. Committee on Mechanisation in the Banking Industry (1984)

Chairman: Dr.C.Rangarajan, Deputy Governor, Reserve Bank of India.

Recommendations:

- Banks should set up service branches at centres where they have more than 10 branches. The service branch so set up would exclusively be devoted to clearing operations of the bank at that particular centre.
- Banks to be in readiness for the introduction of MICR Clearing at the four metropolitan cities by assessing their requirements for encoders, adopting standardized cheque forms and reorganizing work procedures where necessary, and training staff down to the branch level.

III. Committee for proposing Legislation on Electronic Funds Transfer and other Electronic Payments (1995)

Chairperson: Smt. K.S.Shere, Principal Legal Adviser, Reserve Bank of India.

Recommendations:

- EFT system could be introduced immediately by framing regulations under Section 58 of the RBI Act. A Model Customer Contract agreement to govern the banker-customer relationship with regard to EFT should be adopted by all banks participating in the system.
- As a long term measure, a new legislation needed for regulating, defining and determining the rights and obligations of the system providers and users.

(c)

**Committees on
Computerisation**

**I. Working Group to consider feasibility
of introducing MICR/OCR Technology
for Cheque Processing (1982)**

Convenor: Dr. Y.B.Damle, Adviser,
Management Services Department,
Reserve Bank of India

Recommendations

- Introduction of 'item processing' (sorting and listing of cheques with the help of computers) in three phases.
 - In the first phase at the four metropolitan cities viz. Mumbai, New Delhi, Chennai and Kolkata, with the help of MICR technology.
 - In the second phase all state capitals and important commercial centres.
 - In the final phase national clearing to be introduced by dividing the country into four Regional Grids with headquarters at Mumbai, New Delhi, Chennai Kolkata.
- Each Regional Centre was to perform two functions:
 - to act as a clearing house for intra-grid instruments and participate in national clearing on behalf of the grid for extragrid outstation cheques.

II. Committee on Mechanisation in the Banking Industry (1984)

**Chairman: Dr.C.Rangarajan,
Deputy Governor,
Reserve Bank of India**

Recommendations

- Banks to be in readiness for the introduction of MICR Clearing at the four metropolitan cities by assessing their requirements for encoders, adopting standardized cheque forms and reorganizing work procedures where necessary, and training staff down to the branch level.
- Banks should set up service branches at centres where they have more than 10 branches. The service branch so set up would exclusively be devoted to clearing operations of the bank at that particular centre.

III. Committee for proposing Legislation on Electronic Funds Transfer and other Electronic Payments (1995)

**Chairperson: Smt. K.S.Shere,
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Reserve Bank of India.**

Recommendations

- EFT system could be introduced immediately by framing regulations under Section 58 of the RBI Act. A Model Customer Contract agreement to govern the banker-customer relationship with regard to EFT should be adopted by all banks participating in the system.
- As a long term measure, a new legislation needed for regulating, defining and determining the rights and obligations of the system providers and users.

Q.2. (a) Make the following table using your word processor:

**GOVERNMENT OF INDIA
UNION GOVERNMENT ACCOUNTS
AT A GLANCE
AS AT THE END OF NOVEMBER 2007**

(Rs. In Crore)@@

	B.E. 2007- 2008* Rs.	Actuals @ upto Nov.2007 Rs.	% of Actuals to Budget Estimates Current COPPY**	
1. Revenue Receipts	486422	274633	56.46%	(54.8%)
2. Tax Revenue (Net)	403872	220372	54.56%	(54.1%)
3. Non-Tax Revenue	82550	54261	65.73%	(58.0%)
4. Non-Debt Capital Receipts	43151	40468	93.78%	(60.4%)
5. Recovery of Loans	1500	2768	184.53%	(89.4%)
6. Other Receipts	41651	37700	90.51%	(0.0%)
7. Total Receipts (1+4)	529573	315101	59.50%	(55.0%)
8. Non-Plan Expenditure	475421	298756	62.84%	(62.7%)
9. On Revenue Account	383546	252599	65.86%	(66.8%)
(i) of which Interest payments	158995	103648	65.19%	(62.9%)
10. On Capital Account	91875	46157	50.24%	(32.6%)
(i) of which loans disbursed	802	630	78.55%	(41.4%)
11. Plan Expenditure	205100	112619	54.91%	(52.8%)
12. On Revenue Account	174354	92008	52.77%	(52.5%)
13. On Capital Account	30746	20611	67.04%	(53.9%)
(i) of which Loans disbursed	6696	5366	80.14%	(57.9%)
14. Total Expenditure (8+11)	680521	411375	60.45%	(59.7%)
15. Fiscal Deficit (14-7)	150948	96274	63.78%	(72.8%)
16. Revenue Deficit (9+12-1)	71478	69974	97.90%	(99.7%)
17. Primary Deficit {15-9(i)}	-8047	-7374	91.64%	(228.6%)

* Financial Year runs from "April to March"

**COPPY: Corresponding period of the Previous Year

@Actuals are unaudited provisional figures

@@1 Crore = 10 Millions

(b) Apply following formatting to the table and text typed above: **(10 Marks)**

i) The heading should be Arial 12 points, bold. The rest of the document should be in Times New Roman 12 points.

ii)The 4 footnotes/remarks to the table should be in Arial 10 font.

iii)The first two rows of the table should be with 15%gray fill and the rest of the table with light turquoise fill.

iv)Apply bold and italics as shown in the table.

v)Save the document as Answer "2(A)(B).doc".

(c) Make a spreadsheet with the data of the table made in the preceding part of this question: **(10 Marks)**

(i) Using in-built functions calculate the "Current" column figures rounded to two decimal places.

(ii) Using in-built function calculate the "Budget Estimates" and "Actuals" column figures for row number 7, 14, 15, 16 and 17.

(iii) Save the spreadsheet as Answer "2(C).xls"

Ans. (a)
&
(b)

**GOVERNMENT OF INDIA
UNION GOVERNMENT ACCOUNTS
AT A GLANCE
AS AT THE END OF NOVEMBER 2007**

(Rs. In Crore)@@

	B.E. 2007- 2008*	Actuals @ upto Nov.2007	% of Actuals to Budget Estimates	
			Current	COPPY**
	Rs.	Rs.		
1. Revenue Receipts	486422	274633	56.46%	(54.8%)
2. Tax Revenue (Net)	403872	220372	54.56%	(54.1%)
3. Non-Tax Revenue	82550	54261	65.73%	(58.0%)
4. Non-Debt Capital Receipts	43151	40468	93.78%	(60.4%)
5. Recovery of Loans	1500	2768	184.53%	(89.4%)
6. Other Receipts	41651	37700	90.51%	(0.0%)
7. Total Receipts (1+4)	529573	315101	59.50%	(55.0%)
8. Non-Plan Expenditure	475421	298756	62.84%	(62.7%)
9. On Revenue Account	383546	252599	65.86%	(66.8%)
(i) of which Interest payments	158995	103648	65.19%	(62.9%)
10. On Capital Account	91875	46157	50.24%	(32.6%)
(i) of which loans disbursed	802	630	78.55%	(41.4%)
11. Plan Expenditure	205100	112619	54.91%	(52.8%)
12. On Revenue Account	174354	92008	52.77%	(52.5%)
13. On Capital Account	30746	20611	67.04%	(53.9%)
(i) of which Loans disbursed	6696	5366	80.14%	(57.9%)
14. Total Expenditure (8+11)	680521	411375	60.45%	(59.7%)
15. Fiscal Deficit (14-7)	150948	96274	63.78%	(72.8%)
16. Revenue Deficit (9+12-1)	71478	69974	97.90%	(99.7%)
17. Primary Deficit {15-9(i)}	-8047	-7374	91.64%	(228.6%)

* Financial Year runs from "April to March"

**COPPY: Corresponding period of the Previous Year

@Actuals are unaudited provisional figures

@@1 Crore = 10 Millions

Ans. (c)

**GOVERNMENT OF INDIA
UNION GOVERNMENT ACCOUNTS
AT A GLANCE
AS AT THE END OF NOVEMBER 2007**

(Rs. In Crore)@@					
		B.E. 2007-2008*	Actuals @ upto Nov.2007	% of Actuals to Budget Estimates	
		Rs.	Rs.	Current	COPPY **
1.	Revenue Receipts	486422	274633	=D9/C9	-0.548
2.	Tax Revenue (Net)	403872	220372	=D10/C10	-0.541
3.	Non-Tax Revenue	82550	54261	=D11/C11	-0.58
4.	Non-Debt Capital Receipts	43151	40468	=D12/C12	-0.604
5.	Recovery of Loans	1500	2768	=D13/C13	-0.894
6.	Other Receipts	41651	37700	=D14/C14	0
7.	Total Receipts (1+4)	=C9+C12	=D9+D12	=D15/C15	-0.55
8.	Non-Plan Expenditure	475421	298756	=D16/C16	-0.627
9.	On Revenue Account	383546	252599	=D17/C17	-0.668
	(i) of which Interest payments	158995	103648	=D19/C19	-0.629
10.	On Capital Account	91875	46157	=D20/C20	-0.326
	(i) of which loans disbursed	802	630	=D22/C22	-0.414
11.	Plan Expenditure	205100	112619	=D23/C23	-0.528
12.	On Revenue Account	174354	92008	=D24/C24	-0.525
13.	On Capital Account	30746	20611	=D25/C25	-0.539
	(i) of which Loans disbursed	6696	5366	=D27/C27	-0.579
14.	Total Expenditure (8+11)	=C16+C23	=D16+D23	=D28/C28	-0.597
15.	Fiscal Deficit (14-7)	=C28-C15	=D28-D15	=D29/C29	-0.728
16.	Revenue Deficit (9+12-1)	=C17+C24-C9	=D17+D24-D9	=D30/C30	-0.997
17.	Primary Deficit {15-9(i)}	=C29-C18	=D29-D18	=D31/C31	-2.286

* Financial Year runs from "April to March"

**COPPY: Corresponding period of the Previous Year

@ Actuals are unaudited provisional figures

@@1 Crore = 10 Millions

Q.3 (a) Make the following spreadsheet:

G.P.F.CALCULATION

Opening Balance --- 20927

	MONTH	PAY	SUBS.	REFUND	TOTAL	WDL.	I.R.R.
	A	B	C	D	E	F	G
1.	Apr-92	3200		417			21984
2.	May-92	3300		417			23061
3.	Jun-92	3300		2500			26221
4.	Jul-92	3300		2500			29381
5.	Aug-92	3300		2500			32541
6.	Sep-92	3300		2500		10000	25701

7.	Oct-92	3300		2500			28861
8.	Nov-92	3300		427			29948
9.	Dec-92	3400					30628
10.	Jan-93	3400					31308
11.	Feb-93	3400					31988
12.	Mar-93	3400					32668
13.	TOTAL						
Closing balance				Interest			

(b) Do the following relating to the data above: **(10 Marks)**

(i) The figures in column C are 20% of the corresponding figure in column B. Use an in-built function to calculate them and place in the respective cells.

(ii) The figures in cell G1 is equal to opening balance plus figure in E1 minus figure in F1. Use a formula to calculate the figure in G1.

(iii) The figures in G2 to G12 are equal to IRR of previous month + the figure of column E for that month minus the figure of column F for that month. Use a formula to calculate the figures in cells G2 to G12.

(iv) Use an in-built function to calculate figures in cells C13 to G13.

(v) Calculate interest at the rate of 8.5% on monthly average of total IRR (i.e. it is 8.5% of one twelfth of total IRR). Use a formula to calculate this and round it to the nearest rupee.

(vi) Round the interest to nearest rupee using as in-built function.

(vii) Calculate closing balance which is equal to the opening balance + total subscription + total refund - total withdrawal + interest.

(viii) Save the document as Answer "3(A)(B).xls"

(c) Make a presentation using the following data: **(10 Marks)**

Average Precipitation for World Cities

	(in mm)								
	Acapulco	Amsterdam	Anchorage	Dallas	Glasgow	Madrid	New York	Tokyo	Toronto
January	10	69	17	48	110	39	99	101	55.2
April	5	53	13	87.5	50	48	100	121	65.4
July	208	76	42.5	62	61	11	115	189	71
October	145	74	52	118	112	53	86	172	63.5

(i) There should be a title slide reading "Average Precipitation for World Cities".

(ii) The second slide should carry the table.

(iii) The third slide should carry the title "Average Precipitation for World Cities" and also have a line chart in it showing the data in the table.

(iv) The Y axis should be labeled "Precipitation in mm" and the X axis "Location".

(v) The X axis should show the name of the cities which should have a slanted orientation.

(vi) Save the presentation as "Answer 1(C).ppt".

Ans. (a)
&

G.P.F. CALCULATION

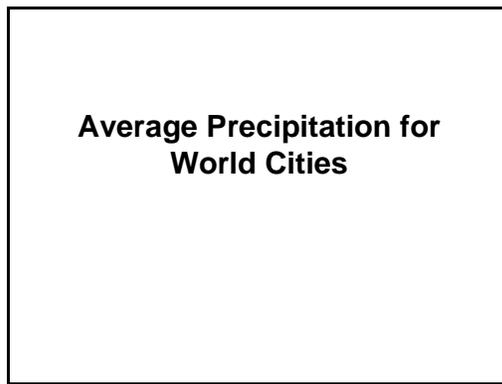
(b) Opening Balance 20927
Interest Rate 0.085

MONTH	PAY	SUBS.	REFUND.	TOTAL	WDL.	I.R.R.
33695	3200	=20%*C7	417	=+D7+E7		=D3+F7-G7
33725	3300	=20%*C8	417	=+D8+E8		=+H7+F8-G8
33756	3300	=20%*C9	2500	=+D9+E9		=+H8+F9-G9
33786	3300	=20%*C10	2500	=+D10+E10		=+H9+F10-G10
33817	3300	=20%*C11	2500	=+D11+E11		=+H10+F11-G11
33848	3300	=20%*C12	2500	=+D12+E12	10000	=+H11+F12-G12
33878	3300	=20%*C13	2500	=+D13+E13		=+H12+F13-G13
33909	3300	=20%*C14	427	=+D14+E14		=+H13+F14-G14
33939	3400	=20%*C15		=+D15+E15		=+H14+F15-G15
33970	3400	=20%*C16		=+D16+E16		=+H15+F16-G16
34001	3400	=20%*C17		=+D17+E17		=+H16+F17-G17
34029	3400	=20%*C18		=+D18+E18		=+H17+F18-G18
TOTAL		=SUM(D7:D18)	=SUM(E7:E18)	=SUM(F7:F18)	=SUM(G7:G18)	=SUM(H7:H18)

Closing balance =D3+D19+E19-G19+H21 Interest =ROUND(H19*D4/12),0)

Closing balance 35107 Interest 2439

(c)



Average Precipitation for World Cities

	Acapulco	Amsterdam	Anchorage	Dallas	Glasgow	Madrid	New York	Tokyo	Toronto
January	10	69	17	48	110	39	99	101	55.2
April	5	53	13	87.5	50	48	100	121	65.4
July	208	76	42.5	62	61	11	115	189	71
October	145	74	52	52	112	53	86	172	63.5

Average Precipitation for World Cities

