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## **Model Answer**

### **SAS PART-II EXAMINATION** **NOVEMBER, 2009**

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**DEFENCE ACCOUNTS DEPARTMENT**

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

**NOVEMBER, 2009**

**PAPER-V - PRACTICAL (WITH BOOKS)**

**SUBJECT 'E'- 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 - AIR FORCE or C- NAVY or D - FACTORY. Answer to the questions to Section - II should be written in a separate Answer Book.
  - (4) Reasons must be given in support of the answers. Authority must be quoted in support of the answers.
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**SECTION-I (Works Accounts)**

**(Common for ALL Candidates)**

- Ques.1. (a) What are the four categories of original works for the administrative purpose. ?  
(3 Marks)
- (b) While vetting of Approximate Estimates of an original work in an IFA's office it was noticed that some items of the nature of special works were included. Is it permissible ? Under what conditions special works should not be sanctioned ?  
(3 Marks)
- (c) A major capital work costing more than Rs. 15 lakhs has been sanctioned in financial year 2008-09 by the GOC in C of command which was not included in the Annual Major Works Programme for the relevant financial year. Is this in order ?  
(3 Marks)

- (d) Who is the competent authority for grouping of buildings for special repairs ?

(1 Mark)

- Ans.1 (a) For administrative purposes original works are divided in the following categories:

(i) MAJOR CAPITAL WORKS: Original works costing Rs. 15 lakhs or more

(ii) LOW - BUDGETED CAPITAL WORKS: Original works costing more than Rs. 2 lakhs but less than Rs. 15 lakhs

(iii) REVENUE WORKS: Original works costing more than Rs. 11 Lakhs and not exceeding Rs. 2 Lakhs.

(iv) MINOR WORKS: Original works costing not more than Rs. 1 Lakh.

**(Authority: Para 5 of Defence Works Procedure, 2007)**

- (b) Special works are those which are not authorized works i.e. for which scales are not authorized and are thus not covered under Para 6(a) of Defence Works Procedure.

The Special Works may be approved only when exceptional local conditions justify the necessity, or as an important experimental measure. Therefore, in the instant case Special Works would be permissible if above conditions are fulfilled.

Special Works should not be approved if the effect would be to introduce a new practice or change of scales.

**(Authority: Para 6(a) and Para 6(b) of Defence Works Procedure, 2007)**

- (c) This is not in order because in case of a new Major Capital works each costing Rs. 15 lakhs and more, it has to be included in the annual Major Works Programme (AMWP) for the relevant financial year of the concerned service or organization as approved by Government of India.

**(Authority: Para 16 of Defence Works Procedure, 2007)**

- (d) The Garrison Engineer will be the competent authority for grouping of building for the purpose of special repairs.

**(Authority: Para 10 (b) of Defence Works Procedure, 2007)**

- Ques.2 (a) What do you understand about administrative approval of a work ? Is administrative approval essential for all kinds of work services ?

(3 Marks)

- (b)(i) An engineering officer has committed Government to expenditure beyond 10% of administrative approval amount without obtaining approval of the CFA. Is this action in order ?

(1.5 Marks)

(ii) Explain whether a revised administrative approval is based on actual completion cost after issue of financial concurrence (FC) ?

(1.5 Marks)

(c) A C.E. has entered in to a contract on a major work of the value of Rs. 10 crore which permits the contractor an advance of 10% value of the contract as mobilization advance for immediate hiring of the special equipments, tools and plants to be brought on site. Is this permissible ?

(3 Marks)

(d) Can a CWE fix star rates relating to a contract whether accepted by him or any higher authority ?

(1 Marks)

Ans. 2 (a) An Administrative Approval is a sanction by the CFA to the execution of a work at a stated cost. It also states clearly whether the works being approved are authorized or special. Special items of works will be specified and reasons for approving the same will be stated.

Administrative Approval is essential in all Original works and special repairs. However, in case of services other than the original works and special repairs, the schedule of demands is the only estimate of cost. An allotment given on this basis implies the administrative approval to the execution of services to that extant and no further administrative approval is required. No administrative approval is required for payment of general charges.

**(Authority: Para 31, 39 & 41 of DWP, 2007 and Para 145 of MESR)**

(b) (i) This action of the Engineer officer is not in order. It is because the final cost of any service will not exceed the amount of Administrative Approval by more than 10%. An officer will take no action which will commit the government to expenditure beyond 10% of Administrative Approval amount without obtaining prior sanction of the CFA in the form of Financial Concurrence (FC), a Corrigendum or a Revised Administrative Approval.

**(Authority: Para 2(h) of DWP 2007)**

(ii) A Revised Admin Approval is not based on actual completion cost and the tolerance limit of 10% as per Para 2(h) will be applicable to revised Admin Approval also.

**(Authority: Para 32(g) of DWP, 2007)**

(c) Yes, it is permissible. In case of works to be carried out in remote/difficult location and/or requiring mobilization of special equipments, tools or plants, or works to be completed on stringent and compressed time-frame, the Chief Engineer may include in the tender notice the offer of mobilization advance to the prospective contractors so as to prevent avoidable delay in commencement of works after acceptance of contract. The amount of mobilization advance that can be granted is limited to maximum of 10% of the value of the contract. The guidelines for interest to be charged and the method and schedule of recovery and /or adjustment of such advance in different categories of cases, are issued by E in Cs Branch time to time with the approval of Defence Finance.

**(Authority: Para 47 of DWP, 2007)**

- (d) Yes, a CWE is authorised to fix, before expiry of the period covered by the contract, as originally executed or as subsequently amended, all star rates relating to any contract, whether accepted by him or any higher authority.  
**(Authority: Para 439 of MESR)**

- Ques. 3 (a) Under what conditions the 'Go Ahead sanction of a work is accorded ?  
(3 Marks)
- (b) A CFA lower than the Government of India has accorded the 'GO Ahead' sanction of a work exceeding 20% of the rough cost estimate for the entire project. Comment on the correctness of above sanction.  
(3 Marks)
- (c) A GE has not prepared the costed schedules of a work with an estimated cost of Rs. two lakhs. Explain as to the importance of costed schedules tendering action and validity of above action of GE ?  
(2 Marks)
- (d) A work of construction of a Gymnasium Hall at X station was approved in October 2005 but the actual work is to be commenced in November 2009. Will this be in order ?  
(2 Marks)

- Ans. 3 (a) For urgent military reasons delay involved in the issue of administrative approval can not be accepted, the CFA is empowered to order the commencement of the work on essential items or required work prior to issue of administrative approval by according the "GO- Ahead" sanction. In doing so, however, the CFA should ensure that no accommodation or facility is constructed in excess of requirements.  
**(Authority: Para 34 of DWP, 2007)**
- (b) The action of CFA is not correct. The "GO - Ahead" sanction will not exceed 20% of rough cost estimate for the entire project made by the Engineer authorities. The percentage shall not include the cost of acquisition of land required for the project.  
**(Authority: Para 34(b) of DWP, 2007)**
- (c) Schedules of works duly costed and technically sanctioned by the competent Engineer authority essential to be prepared before tender documents are issued.  
  
In the case of work estimated to cost less than Rs. 50,000/- the preparation of costed schedules of works may be dispensed with. It is on the analogy of the that in case of Minor works costing less than Rs. 50000/- no approximate estimates will be necessary.  
**(Authority: Para 41 & 42 (c) of DWP 2007)**
- (d) This will not be in order. Delay in commencement of the works beyond 12 months would necessitate a revised administrative approval. If an approved work is not commenced within five years of the date of administrative approval, fresh approval must be obtained. In the instant case since the work has not been commenced within five years, fresh approved must be obtained.  
**(Authority: Para 31(c) of DWP, 2007 and Para 142 of MESR)**

- Ques.4 (a) What do you understand by deviation orders ? How is the deviation order different from an amendment to the contract ?  
(3 Marks)
- (b) While constructing a new residential building for army officers at Delhi Cantt, new specifications and material is proposed to be introduced on grounds of technical and aesthetic reasons after according of administrative approval ? Is this permissible ?  
(3 Marks)
- (c) A GE intends to change a portion of an existing building which has been worn out with a better class under maintenance services ? Can this be done ?  
(2 Marks)
- (d) A deviation ordered on a contract entails an increase on the sanctioned expenditure. Is such a deviation order permissible ?  
(2 Marks)

Ans.4 (a) During the performance of works under a contract, material improvements may suggest themselves which may make it necessary to carry out deviations on the contract. Deviations on a contract may be authorised only by the officer who accepted the contract unless such powers have been delegated. In delegating such powers he will specify the general nature and financial limits upto which such deviations will be specified. No deviation will be ordered on any contract if it entails an increase on the sanctioned expenditure or is beyond the deviation limit specified in the contract. The deviation orders will clearly state how the deviations are to be measured and priced. Any additional time allowed will be stated and the contractor's agreement obtained.

No work that radically changes the original nature and scope of the contract shall be ordered as a deviation. Therefore, if the basis for the existing contract is materially affected by the alteration in the design and the scope, than an amendment to contract would be required to effect the desired alteration in agreement to the contract. The dividing line between a deviation and an amendment to contract is thus is on for judgement. An officer competent to accept a contract is also competent to amend it provided that contract as amended is within his powers subject to some exceptions.

**(Authority: Paras 435 to 438 and 440 of MESR and condition 7 of I.A.F.W. - 2249)**

- (b) Yes this is permissible. While constructing a new building, new specifications or materials can be introduced if technical or aesthetical reasons so justify, with the prior approval of the Zonal Chief Engineer concerned, subject to the condition that this must be within the existing tolerance limit as applicable and not exceeding 5% of the original Administrative approval amount.

**(Authority: Para 52 (b) of DWP, 2007)**

- (c) Yes this can be done. The replacement of a fitment or portion of a building by one of better class is an original work, if the existing fitment or the portion of the building is still serviceable. But it is maintenance service if it is worn out and requires replacement in any case. Thus in the instant case, it will be permissible as maintenance service.

**(Authority: Para 227 of MESR)**

- (d) Such a deviation is not permissible. No deviation will be ordered on any contract if it entails an increase on the sanctioned expenditure.

**(Authority: Para 437 of MESR)**

- Ques. 5 (a) Why the operational works are needed and how these are different from normal works in regard to their procedure ?

(3 Marks)

- (b) Comment on the following statements from audit point of view :

- (i) A formation engineer has entered into a contract to execute an operational work sanctioned by a division commander.

(2 Marks)

- (ii) An operational work has been extended beyond two working seasons.

(1 Marks)

- (iii) A residential building in an operational area has been electrified under operational works.

(2 Marks)

- (iv) The monthly statement of imprest account pertaining to cash expenditure of an operational work for the month of March 2009 was received in the first week of April 2009 in a regional controller's office.

(2 Marks)

- Ans.5 (a) Operational works are generally of temporary nature actually needed for the conduct of operations for formations directly concerned with such operations. Works will not be treated as operational works if they can be dealt with under normal works procedure, without risk to the progress of operations.

**(Authority: Para 1 of Section 1, Addenda -III (on operational Works) of DWP - 2007)**

- (b) (i) This will be objected to in audit because formation engineers have to execute operational works ordered on them departmentally. They can not execute Operational works through contract.

**(Authority: Para 8 of Section-1, Addenda-III(On operational Works) of DWP, 2007)**

- (ii) This will be objected to in audit because no operational works should extend beyond two working seasons.

**(Authority: Para 29 of Section - I, Addenda-III (On operational Works) of DWP, 2007)**

- (iii) This will be objected to in audit because residential accommodation, whether built or hired, should not be electrified. If considered essential the work is required to be sanctioned under the normal works procedure.

**(Authority: Govt. of India Min of def letters No. 06633/03/WIII/10934/D7 dated 29.9.50 and even No. of 17.8.75)**

- (iv) This will be objected to in audit because the last statement of account before the close of financial year will be forwarded to the regional controller by 31 March.

**(Authority: Para 64 of Section -I, Addenda-III(On operational Works) of DWP, 2007)**

- Ques. 6 (a) What do you understand about a work contract. How it is different from a tender ?  
(3 Marks)
- (b) A contractor on award of a contract has brought on site the material which is recycled from a building recently demolished and the material of which was auctioned. The Engineer in charge of the work has objected on the material so brought by the contractor. comment whether such material is permissible under general conditions of a work contract.  
(2 Marks)
- (c) A contractor has not executed a Standard Security Deposit bond. His tender has been found most competitive and the accepting officer has decided to accept the same. Can this be done? If so, specify the conditions of acceptance and role of AAO, GE in this regard.  
(3 Marks)
- (d) What is the time limit prescribed for payment of final bills where there is no dispute ?  
(2 Marks)

- Ans.6 (a) A Work contract is the one which consists of accepted tender along with the documents referred to therein. When acceptance thereof is conveyed to the tenderer it becomes a binding contract. Normally acceptance is demonstrated by placement of a work order.

A tender is an invitation to an offer as per the terms and conditions there of and the enclosed documents. An offer based on a tender fructifies in to a work contract only when it is accepted by a competent authority and a work order is placed.

**(Authority: Chapter I, Definitions, General Conditions of Contracts, IAFW- 2249)**

- (b) Such material is not permissible under general conditions of a contract. The contractor shall provide at his own cost and expense, all materials required for the works other than those listed in schedule 'B' which are to be supplied by the Government. All materials to be provided by the contractor shall be new and in conformity with the specifications laid down in the contract and the contractor shall, if requested by the Engineer-in - charge, furnish proof, to the satisfaction of the Engineer- in- charge that the material so comply.

The Engineer- in- Charge shall have full powers to require removal any of or all the materials brought to the site by the contractor which are not new and in accordance with the contract specifications or do not conform in character or quality to samples approved by him.

Therefore, in the instant case, the objection by the Engineer in chief is justified.

**(Authority: Condition No. 10(A), General Conditions of Contracts, IAFW - 2249)**

- (c) This is permissible. If the accepting officer decides to accept his tender, the contractor shall lodge with the Regional controller concerned as security deposit in the prescribed form, the sum as notified by the accepting officer, with in thirty days of the receipt of the notification of the acceptance of the tender. Alternatively the earnest money deposited by the contractor may be converted as part of the security deposit, whenever such a transaction is feasible and balance shall be lodged by the contractor with in thirty days of the receipt of the notification of the acceptance of the tender to the Regional controller. If he does not do so, the same will be recovered from first RAR payment or from the first final bill.

In case of the contractor who has not executed the standard form of the bond the AAO will see that they have deposited the necessary earnest money with MES Officer and also security deposit if work is given to any one of them. He will also check the amount of security deposit specified in the contract has been correctly calculated.

**(Authority: Condition No. 22 General Conditions of Contracts, IAFW - 2249 and Paras 82 & 83 of UA Manual)**

- (d) Payments of those items of final bill in respect of which there no dispute shall be made as under:-
- (a) Contract amount not exceeding Rs. 5 Lakhs - Four months.
  - (b) Contract amount exceeding Rs. 5 Lakhs - Six months

The period as above shall be reckoned from the date of receipt of the bill by the GE.

**(Authority: Condition No. 66, General Conditions of Contracts, IAFW- 2249)**

- Ques.7
- (a) Explain briefly the manner in which the RAOs. ensure that the AAOs are carrying out their duties satisfactorily.  
(3 Marks)
  - (b) A GE has taken tendering action to conclude a furniture contract of the value of Rs. 20 lakhs for a new building as initial supply of furniture which was not earlier sanctioned as part of works project. What will be your audit comments during the scrutiny or contract ?  
(3 Marks)
  - (c) What head is used for Transfer Between MES Officers (TBOs) ? What is the role of 'E' section for closing this head with a NIL balance every financial year ?  
(3 Marks)
  - (d) In which statement of Annual Review of MES Expenditure the cases of covering DOs are included ?  
(1 Marks)

- Ans. 7 (a) During his periodical visits, RAO will, by personal inspection and supervision ensure that the AAOs are carrying out their duties satisfactorily. As a primary auditor and financial advisor to the MES officers, the AAO is charged with certain responsibilities as laid down in MES Accountant Manual. The procedure observed by him in discharging his duties and results achieved will be reviewed by the RAO. He should also scrutinize the objections raised by AAO since his last inspection, record his remarks against each item and takes notes of the objections which after discussion with the MES officer, where necessary he decides not to withdraw.

**(Authority: Para 25 of MES Local Audit Manual)**

- (b) The initial supply of furniture to complete scales is an authorised work and may be sanctioned either as part of a works project or separately as a major or minor work as the case may be.

Provision of furniture which does not form part of any work project will be treated as Original works. Original works costing Rs.15 lakhs or more fall in the category of Major Capital Works. Such a new work can not be sanctioned and/or commenced in any financial year unless it has been included in the annual Major Works Programme for the relevant financial year of the concerned service or organization as approved by Government of India.

Besides, three are four essential stages in the sanctioning and execution of Major Capital Works which will have to be complied with viz. Acceptance of necessity, Admin. Approval, Appropriation of funds and technical sanction. Article of furniture for the new building can not also exceed approved scales as laid down in Barrack and Hospital Schedules or other Government orders issued time to time except with the prior sanction of G of I.

The tendering action by GE is not authorised one in absence of the sanction of a Major Capital Work as per required procedure. Moreover, a GE has been given power of entering in to contracts through competitive tenders up to the value of Rs. 15 lakhs only. The GE can issue technical sanction up to Rs. 15 lakhs and thus is not competent to issue the technical sanction in this case. Therefore, the tendering action as well as entering in to the contract by the GE is irregular and in violations of procedures and regulations.

**(Authority: Paras 11, 20 and 24 of OM Part -VIII and Para 229 MES Local Audit Manual)**

- (c) The head used for transfer between MES Officers is 0/022/10. This head must close with NIL balance every year.

The role of E section in this regard is as under:

(a) Link the originating and responding transactions which have been adjusted during the month by both the UAs with their statements.

(b) Link the previous months transactions with the progress register maintained for the purpose.

(c) Dispatch statement of unlinked items every month to concerned UA for necessary action.

(d) Pursue vigorously adjustment of unlinked items with the UAs to avoid accumulation of arrears at the close of the financial year.

**(Authority: Paras 85 to 89 of OM Part VIII)**

(d) Statement 'D' of the Annual Review of MES Expenditure.

**(Authority: Para 127 of OM Part VIII)**

Ques. 8 (a) What do you understand about occupation returns and returns of recoveries ? Who prepares these returns and what basic checks are exercised in audit of these returns ?

(3 Marks)

(b) What specific checks are exercised by the RAO on cash assignment at the time of his inspection ?

(3 Marks)

(c) Complete the statements given below:

(i) Physical stock verification of securities furnished by the contractors is conducted in the month of ----- annually.

(1 Marks)

(ii) The correctness of rates charged to a contractor for the stores issued by MES is verified from ----- of contract agreement while auditing the bills.

(1 Marks)

(iii) The review of allotment of quarters is the personal responsibility of ----- at least once in two months.

(1 Marks)

(iv) An audit of Muster Rolls is conducted by the AAO, GE to see that the rate ----- allowed is appropriate to the class of labour employed.

(1 Marks)

Ans.8 (a) Occupation returns are prepared on IAFZ- 2170 by the MES authorities for all officers' quarters on the station pool immediately after handing over the quarter to the allottee and forwarded the same to AAO, BSO with a copy to Station Commander. The returns of recoveries are prepared for recovery of Water and electricity charges etc. from the authorised occupants of buildings and quarters. These are in the nature of demands and are credited as revenue receipts.

The occupation returns and the returns of recoveries are prepared by the Barrack/Stores officer (BSO) and are sent to AAO for incorporation in licence fee bill.

The general checks on occupation returns involve:

(i) That the return has been prepared on the proper form;

(ii) That the description of the building is correctly given;

(iii) That the columns of return are properly filled in

The return of reveries will be checked to see that the amounts of water and electricity charges and other allied charges have been levied as per prescribed rates and in accordance with rules on the subject.

**(Authority: Paras 169, 177, 178 and 183 of MES Local Audit Manual)**

(b) It will be verified that:

(i) a reconciliation statement is prepared every month by the MES officer between the cash book balance and treasury pass book; in respect of cash assignments at the non bank treasuries and between the cash book balance and bank scroll in other cases.

(ii) the amount is drawn from the assignment against audited and passed vouchers, acquittance rolls, bills etc. and the note of the cash book item No. and date is kept under the initials of the AAO on the vouchers themselves to safeguard against the possibility of drawing cash twice against the same voucher, and

(iii) the cash is brought to account in the cash book promptly in the cash column on its withdrawal from the bank.

**(Authority: Para 39 of MES Local Audit Manual)**

(c)(i) Physical stock verification of securities furnished by the contractors is conducted in month of **April** annually.

(ii) The correctness of rates charged to a contractor for the stores issued by the MES is verified from **Schedule 'B'** of contract agreement while auditing the bills.

(iii) The review of allotment of quarters is the personal responsibility of **RAO** at least once in two months.

(iv) An audit of Muster Rolls is conducted by the AAO GE to see that the rate **per diem** allowed is appropriate to the class of labour employed.

**(Paras 24(xxiv) & 40 of Office manual Part VIII and Paras 83 & 95 of MES Local Audit Manual)**

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

- Ques.1. (a) What are the general accounting procedures of stores of army ?  
(3 Marks)
- (b) What are the three classes of stores issued from a supply and stores depot?  
(3 Marks)
- (c) Complete the sentences:
- (i) Issue vouchers are not required to be signed by the issuing establishments except those on -----  
(2 Marks)
- (ii) All vouchers in connection with the issue of stores for internal use of the depot will be endorsed as -----  
(1 Mark)
- (iii) The cash payment issue section of an ordnance depot stock stores authorized by ----- from time to time.  
(1 Marks)

- Ans.1 (a) The accounting of stores in defence formations is generally done on a quantitative basis. In the manufacturing establishments, however, the accounting is also done on a cost to facilitate preparation of annual production, trading and profit and loss accounts. In store holding establishments items will be accounted for by quantity and condition. The store holder in charge will maintain ledgers, account cards, bin cards, or other records prescribed in the departmental regulations, to account for the stores, to afford all essential and complete information required for administrative purposes including maintenance of stock at its proper level. All transaction in the accounts will be supported by relevant vouchers and balance shown in the accounts will represent the actual stocks in hand. In the case of ordnance depots and ASC supply depots, the stores are accounted for centrally in the depot.

**(Authority: Para 1 of SAI)**

- (b) These are as under:
- (a) free issues (transfers or final issues, for consumption);
- (b) issues on payment; and
- (c) issues on loan with or without recovery of hire charges, as permissible under the rules. All transactions relating to the issues of any of the categories mentioned above will be supported by issue vouchers.

**(Authority: Para 9 of SAI)**

- (c) (i) Issue vouchers are not required to be signed by the issuing establishments except than those on payment issue and loan for which hire charges are recoverable.

(ii) All vouchers in connection with issue of stores for internal use of the depot will be endorsed as A-in U.

(iii) The cash payment issue section of an ordnance depot stocks stores authorized by the DOS and published in Army orders from time to time.

**(Authority: Paras 22 & 86 of SAI)**

- Ques.2 (a) What are the basic principles of local audit of all store accounts. ?  
(3 Marks)
- (b) During a recent visit to a unit, LAO has experienced difficulty in obtaining full and free access to the essential accounts and has thus got serious doubts on the keeping of the store accounts by the unit reasonably well. What action the LAO is free to take in performance of duties in this case ?  
(3 Marks)
- (c) LAO is supposed to carry out an intelligent review of the consumption pattern of stores during his review of audit of accounts. What important role he performs while doing so and what is the scope and extent of his role ?  
(4 Marks)

- Ans.2 (a) The audit of store accounts is conducted locally by LAO acting under the orders of the PCDA/CDA. The general/basic principles of local audit of all store accounts are as under:
- (a) that the accounting procedure followed by units and formations does not differ from that prescribed by the rules or other Government orders issued from time to time;
- (b) that all receipts and issues of stores by units and formations and transfer of stores between depots and /or consuming units have been duly accounted for in the store ledgers and returns, etc, of the parties concerned;
- (c) that stores issued for consumption or use does not exceed the scales authorised in Regulations and equipment tables;
- (d) that all cases of losses and damages have been dealt with in accordance with the rules/orders on the subject under the orders of CFA.
- (e) that the balance of stores shown in the store ledger etc. does not exceed the authorised limit and suitable action is taken for the disposal of surplus or unauthorized stores;
- (f) That the stock verification has been carried out at regular intervals and certified as such on the store ledgers etc.
- (g) that no article has been supplied after the necessity for the supply has lapsed.

**(Authority: Para 31 of Army Local Audit Manual Part-I)**

- (b) If during the recent previous visits or during the current visit, difficulty has been experienced in obtaining full and free access to the essential accounts or records, or if during the course of a test check, the LAO feels that he is seriously "put upon enquiry", he is free to extend the scope of the audit, using his discretion and judgement as to how this should be done and to what extent.

**(Authority: Para 34 of Army Local Manual Part-I)**

- (c) In this context, the LAO performs the role of providing financial advice to the administrative authorities on ways and means of effecting economy in spending public money and consumption of stores.

For this purpose, he should see that the maximum quantities prescribed in the regulations are not drawn as a matter of course. If he finds that the issues have been abnormal or that maximum quantities allowed have been drawn as matter of course, he should enquire personally in the reasons for the issues and take up the matter with the unit.

The LAO should also ascertain reasons for transfer of large quantities of stores between depots, units etc. He should satisfy himself that the transfers were really necessary. Items of financial advice will not be included in objection statements.

**(Authority: Paras 12 to 15 of Army Local Audit Manual Part-I)**

Ques.3 (a) What do you understand about losses of stores and cash in the units and establishments of Army ?

(3 Marks)

(b) Losses of stores are bound to arise due to various factors. However, all losses of stores shall be subjected to preliminary investigation to determine the cause of loss and the amount. State as to which type of losses a court of inquiry shall invariably be held to investigate the loss and how such losses are regularized ?

(3 Marks)

(c) Explain briefly as to what action is required to be taken in the following cases of losses:

(i) On stock taking of stores in an unit, some items of stores have been found surplus and many other have been found deficient by the board.

(2 Marks)

(ii) Many items of clothing stores were pilferaged in transit from Kanpur to Chandimandir from an Indian Railways goods train.

(2 Marks)

Ans.3 (a) Losses of stores and cash may arise due to various factors in the units and establishments. These may be due to theft, fraud and neglect and without these factors also. There are losses due to other causes viz. fire, deficiencies in actual balances, deterioration and defective storage. Losses may arise in transit between depot and consuming units, between one depot and another, manufacturing units to depots, and casualties in case of animals. Losses may also occur due to Rain /storm/Flood etc.

Each LAO maintains statistics in respect of losses of stores and losses in cash coming within the purview of his audit in a register of losses and in a register in IAF (CDA) 182 respectively.

**(Authority: Para 241 & 244 of SAI and Para 22 of Army Local Audit Manual Part-I)**

(b) A court of inquiry shall invariably be held to investigate the loss in the following cases:

(a) All losses which require the sanction of Govt. of India to write off.

(b) Loss due to inaccuracies in previous stock taking.

(c) Loss of arms, ammunition and explosives.

- (d) Losses due to theft, fraud, neglect and fire in case reported loss is more than Rs. 10,000/-
- (e) Losses due to unusual occurrence

After a court of inquiry, the causes of losses and the responsibility aspect, if such element is involved, are determined. The proceedings for regularization of loss through loss statement are initiated without delay which is routed through PCDA/CDA for regularization by competent financial authority.

**(Authority: Paras 241 of SAI)**

- (c)(i) When on stock taking, stores are found surplus or deficient, the surpluses after very through check must be taken on charge and deficiencies shall be dealt with under the orders of the competent financial authority except in cases where other specific instructions exist.

**(Authority: Para 247(e) of SAI)**

- (ii) Claims against Railways for value of serviceable clothing stores shall be assessed at catalogue rates. The losses to the extent that they become irrecoverable from the Railways will be treated not due to theft, fraud or neglect and will be written off in accordance the rules on the subject.

**(Authority: Paras 238(h) & 248(b) (ii) of SAI)**

- Ques.4
- (a) How the accounting of all rations obtained for troops for a particular month by a unit from a supply depot is done?  
(3 Marks)
  - (b) Comment on the propriety of action in the following cases:
    - (i) An Army establishment has overdrawn the ration in a particular month and it intends to adjust the same against under drawal of ration in the previous month.  
(3 Marks)
    - (ii) Balances of rations in hand, brought forward at the beginning of the current month shows surplus food in a unit which the unit intends to adjust against the deficiencies found in the previous month.  
(3 Marks)
    - (iii) Condemned human food item(biscuits) was pronounced by veterinary authorities as fit for animal consumption which was issued by a supply depot to a unit at equal weight to grain.  
(1 Marks)

- Ans.4
- (a) All rations for troops and enrolled non- combatants entitled to free rations will be indented for and obtained from the supply depot concerned and bought to account in the units ration return for the month. The quantities of ASC items required for payment issues to unit personnel and to others attached to the unit for purposes of drawing rations on payment will also be drawn on regular indents from the supply depot and taken on charge in the month's ration return of the unit. Subsequent payment issues during the month will also be charged off separately from the ration returns.

**(Authority: Para 152 of SAI)**

- (b) This is not permissible. Underdrawal of rations (including fresh items) in a month has lapsed to the Government and can not be made good by overdrawal in the subsequent month.

**(Authority: Para 283 (VII) (a) of Army Local Audit Manual Part-I)**

- (ii) This will not be in order. Any surplus found at once be credited to the Government in the return and deficiencies dealt with by the CFA on loss statements.

**(Authority: Para 155 of SAI)**

- (iii) This action of the supply depot is not correct one. It has to be issued at an equal weight to bran and not the grain.

**(Authority: Para 156(5) of SAI)**

Ques.5. (a) What do you understand about hospital stoppage rolls ? How the hospital stoppages are recovered in case of civilian patients ?

(3 Marks)

- (b) A patient was admitted to the hospital before 14 :00 hours on a day and was discharged on the same day. Is the hospital stoppage recoverable from him? If so, how it will be levied on him ?

(2 Marks)

- (c) " Extras" in a military hospital have been provided to the patients on "ordinary diet" by the medical officer incharge. Is this in order ? Explain the powers of medical officer incharge to this regard.

(3 Marks)

- (d) Artificial dentures have been supplied by a military dental centre to other ranks and Non- combatant (enrolled) at Government expense as a matter of routine. This has been objected to by the LAO in internal audit. Is this correct ?

(2 Marks)

Ans.5 (a) Hospital stoppage rolls are prepared on IAFA - 55 for admission into Military hospital of certain category of cases in respect of which the recoveries are effected by respective accounting authorities. These cases are (1) JCOs, Other ranks and enrolled persons when they are treated for sickness held to be due to their fault, (2) Officers, (3) Civilians who are not entitled for free hospital treatment and (4) Non- entitled persons.

Hospital stoppages from the civilian patients are recovered as per the rates fixed by Government of India, Ministry of Defence from time to time. The recoveries may be effected either their respective accounting authorities or through deposits in the treasuries.

**(Authority: Para 317 of Army Local Audit Manual Part -I)**

- (b) The hospital stoppage is recoverable from him. A fraction of the authorised rate of hospital stoppage will be levied and the fraction will be decided by the OC of the hospital concerned.

**(Authority: Para 317 (Note 2) of Army Local Audit Manual Part-I)**

- (c) This is in order. "Extras" are not permissible to patients on "ordinary diet" but will be issued when the medical officer incharge considers it essential for patients on other prescribed classes of diets, and also for those on "No diet".

**(Authority: Para 318 (Note 4 ) of Army Local Audit Manual Part-I)**

- (d) This is not authorised and thus not correct. Dentures can be supplied on government expense subject to the following conditions:
- (i) artificial dentures are essential for efficient performance of the duties and to prevent a soldier invalidment out of service;
  - (ii) the solders have to serve for a minimum period of two years on more;
  - (iii) the dental condition has not been brought about through the soldier's own fault.

**(Authority: Para 334 (B) (b) of Army Local Audit Manual Part-I)**

- Ques6. (a) State the payment issue transactions vouchers which are priced by the unit and depots authorities themselves subject to scrutiny by the LAO concerned. (3 Marks)
- (b) While calculating the free issue rates the departmental charges were levied and the rates were changed during the course of the year in respect of items purchased locally. Comment on the propriety of above action with reference to the manner of fixation of free issue rates of items purchased locally. (3 Marks)
- (c) State as to who prices the following loss statements:
- (i) Loss statements chargeable to state. (1 Marks)
  - (ii) Loss statements for losses where penal recoveries from individuals are involved. (1 Marks)
  - (iii) Loss statements in respect of ordnance stores where units are not able to price them. (1 Marks)
  - (iv) Loss statements in respect of NIV items of ordnance and MT stores. (1 Marks)

- Ans. (a) The vouchers relating to following payment issue transactions are priced by units/depot authorities themselves subject to scrutiny by the LAO concerned:
- (i) Payment issue of ASC stores to entitled personnel from retail issue shops, unit ration stands, etc.
  - (ii) Payment issue of AOC stores to officers etc.
  - (iii) Issue of clothing and necessaries to JCO's OR, NC(E) on payment.

(iv) Payment work orders in RSSD workshops.

(v) Losses of public clothing and equipments chargeable to JCOs, OR and NC(E)

(vi) Issue of ASC stores issued from supply depot to various services viz. IAF, Indian Navy and MES.

(vii) Vouchers in respect of Farm Produce.

**(Authority: Para 223 of SAI)**

(b) This is not as per laid down procedure for fixation of free issue rates. Free issue rates are published annually by PCDA/CDA based on running contracts or if contracts do not exist, with reference to the average of the latest purchase rates prevailing in the area or command as case may be. Departmental charges will not be taken in to consideration while calculating the free issue rates.

**(Authority: Para 227 (a) of SAI)**

(c) (i) The responsibility of pricing of loss statements chargeable to the state generally devolve upon the party who initiates the loss statements, i.e. the depot /unit authorities.

(ii) These will be priced by the PCsDA/CDA/LAOs.

(iii) Where these can not be priced even with the assistance of audit authorities, they will approach only those ordnance depots which are centrally responsible for the items concerned.

(iv) These will be priced by the ordnance depot on which the unit is dependent. Such loss statements will be forwarded by the units to the depots through PCDA/CDA concerned.

**(Authority: Para 224 (a) (b) (c) and (d) of SAI)**

Ques.7 (a) What do you understand about Military Schools ? Explain briefly their basic objectives.

(3 Marks)

(b) Who is responsible for the preparation of apprehension certificate ? Can a unit refuse to accept a deserter on the ground that the original copy of the desertion report is not forthcoming ?

(3 Marks)

(c) A recruit has deserted after enrollment but before joining the unit to which he was posted. Can he be dealt with for desertion by the unit concerned ?

(2 Marks)

(d) A NCO has committed an offence in respect of a public property causing loss to the State. Explain the nature of punishment need to be awarded in this case.

(2 Marks)

Ans. (a) Military Schools are located in Chail (Simla Hills), Ajmer, Belgaum, Bangalore and Dholpur and are residential institutions run on Public School lines. These have been established under Ministry of Defence. The vacancies in the school are distributed amongst the sons of serving and ex-service JCOs and Ors of the Army, Non Entitled Boys of service officers

and civilians and 15% and 7% seats are reserved for schedule castes and schedule tribes regardless of their position in merit list.

They prepare students for the All India Senior School and Secondary School of Examinations of the Central Board of Secondary Education and also for the Entrance Examination to the National Defence Academy.

**(Authority: Para 264 of DSR, Vol.I)**

- (b) The civil police are in all cases responsible for the preparation of apprehension certificate (IAFD-910) which will be handed over by them duly completed with the deserter/absentee as proof that the man as is in fact a military deserter/absentee as shown therein.

Military units will not refuse to accept deserters/absentees merely on the ground that original copy of the desertion report is not forthcoming.

**(Authority: Para 378 (c) of DSR Vol.I)**

- (c) The recruits who desert after enrolment by the recruiting staff but before joining the unit to which posted, will be dealt with by the unit concerned and not by the recruiting staff.

**(Authority: Para 380 of DSR, Vol.I)**

- (d) Persons subject to Army Act committing offences involving moral turpitude, fraud, theft, dishonesty and culpable negligence involving financial loss of Public or Regimental property will be tried by court martial or prosecuted before a civil court. Such cases will not be disposed of summarily or by administrative action. Punishments in such cases will be deterrent and commensurate with the gravity of the offence.

**(Authority: Para 433 of DSR, Vol.I)**

- Ques.8 (a) What are the responsibilities of an intending officer ? What economy aspects the indenting officer should keep in view while indenting the demands ?  
(3 Marks)
- (b) Are the following actions in auction sale permissible:  
(i) Individual of a unit made bids for certain items in an auction sale of the unit and bought some of items.  
(3 Marks)  
(ii) Commission was paid to government servant who was required to act as auctioneer in auction sale of unit.  
(2 Marks)
- (c) Who allots the single officer's quarters attached to messes in bulk to individual officers.  
(1 Marks)
- (d) Can a married officer less than the age of 25 be allotted a married accommodation ? Comment on his entitlement in this regard.  
(1 Marks)

- Ans.8 (a) The indenting officer is responsible that the demands are framed in accordance with regulations and in the case of expendable stores will demand such quantity as is necessary, having due regard to any unused balance in hand. He is responsible for furnishing the supplying officer with current data and will be liable for value of over issues.

The indenting officer are liable that requirements are foreseen as far as possible, that indents are framed with economy in accordance with the instructions given in equipment regulations and instructions to medical equipment Scales and with regard to the requirements of the service, and are submitted on due date.

**(Authority: Para 864 & 870 of DSR Vol.2)**

- (b) (i) This is not permissible. No individual of the department or unit concerned may bid for or buy any article at an auction sale.

**(Authority: Para 901 of DSR Vol.2)**

(ii) This is not in order. No commission is admissible to a government servant who may be required to act as auctioneer.

**(Authority: Para 901 of DSR, Vol.2)**

- (c) Single officer's quarters attached to masses will be allotted in bulk by the station commander to the OC unit in charge of the mess. Allotment to individual officers will be the responsibility of the OC unit concerned.

**(Authority: Para 1014 (b) of DSR, Vol.2)**

- (d) Officers who marry before the age of 25 years will not be entitled to married accommodation until they attain that age and will be required to live in a mess.

**(Authority: Para 1023 of DSR, Vol.2)**

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

- Ques.1. (a) Please indicate the percentage of audit check required to be carried out in the following cases:  
(i) CILQ Allowance  
(ii) Payment Issues  
(iii) Credit to Government in Loss Statements  
(iv) Railway Warrants  
(4x2 Marks)
- (b) After the stock - taking has been carried out in respect of item 'X' a consignee unit has reported a surplus receipt of 'X'. What is the action to be taken and why ?  
(2 Marks)
- Ans.1 (a) (i)  $33\frac{1}{3}$   
(Authority: Appendix 1.6(d) AFLAM)  
(ii)  $33\frac{1}{3}$   
(Authority: Appendix 1.4(iii) AFLAM)  
(iii) 100%  
(Authority: Appendix 1.4(iv) (b) AFLAM)  
(iv) 5% in detail and other general scrutiny.  
(Authority: Appendix 1.8 AFLAM)
- (b) Manuscript Register of DR (inward) will be scrutinized to see that wherever the DR is accepted by the consignor, the adjustment voucher raised by the logistic officer, agreeably to Para 38, Chapter 10, IAP 1501 is in order, and a loss statement has been raised wherever necessary. Sanction of the loss Statement will be watched in the normal manner. Case where a loss statement is necessary, but has not been raised, will be placed under objection.  
(Authority: Para 131 (ii) AFLAM)
- Ques2. (a) Where would the third and fourth line of repair to common - user vehicles/hybrid vehicles be carried out ? What are the actions involved ?  
(5 Marks)
- (b) It is proposed to dispatch at MT vehicle from an Air Force unit to Army Salvage Depot. Offer comments.  
(5 Marks)
- Ans.3 (a) If, on categorization by the EME, common user vehicles are found to be requiring third and fourth line repairs (i.e. complete dismantling , overhaul and rebuilding ) , they are to be transferred from the Air Force to Army ordnance. This also applies to the Common -user chassis of Hybrid vehicles, which when transferred to the Army Ordnance for third and fourth line chassis repairs must be stripped of their specialist equipment prior to transfer and the specialist equipment remounted by the unit concerned upon renovated chassis.  
(Authority: Para 80 Chapter 20 IAP 1501)
- (b) The following instruction are to be strictly complied with while returning the vehicles to the Army Salvage Depot

(a) No vehicle will be dispatched to Salvage Depot by rail except on the specific authority of the controller of salvage at the Army Command concerned.

(b) Army Salvage depot have extremely limited facilities for the unloading of vehicles from Rail wagon and, when such method of transport has been agreed to, IAF units are to provide assistance in unloading vehicles if called upon to do so.

**(Authority: Para 94 Chapter 20 IAP 1501)**

- Ques3. (a) State the purpose of auditing Aircraft Servicing Form 700 and maximum percentage of audit for it. What is the period for which it can be retained ?  
(3 Marks)
- (b) Where are the regulatory use of IAF Aircraft promulgated ?  
(3 Marks)
- (c) Who can sanction flights "Errands of Mercy" ?  
(3 Marks)
- (d) How will passenger/cargo manifesto which are marked "Top Secret" will be produced to the LAO(AF) ?  
(2 Marks)

Ans.3 (a) The quantity of aviation fuel issued to Aircraft will be linked from the issue vouchers into Form 700 (Air Craft Servicing Form) to the extent of 10% of the Internal Issue Vouchers raised during the month selected for detailed Audit, to see that the quantity drawn as per IAFF (Q) 419 (MoD) agrees with that recorded on Form 700. Likewise, from the issue of Oil recorded in the Flight Oil Books, a few case will be selected and linked into F.700.

Form 700 will be returned, after scrutiny, within a maximum period of 3 days, beyond which they should not be retained.

**(Authority: Para 198 and Note -2 Para -198 AFLM)**

- (b) Orders regulating use of IAF Aircraft are promulgated in AFI 49/71  
**(Authority: Note under Para 199(viii) AFLAM)**
- (c) No flight is undertaken as " Errands of Mercy " without the sanction of Chief of the Air Staff.  
**Authority: Para 199 (X) AFLAM)**
- (d) Passenger/Cargo manifesto which are marked "Top Secret" will be produced to the LAO (AF) personally.  
**(Authority: Note under Para 200 AFLAM)**

- Ques 4. (a) What are steps to be taken in case of Loss or Damage to Equipment on Loan ?  
(4 Marks)
- (b) An equipment was taken on loan from Unit A, but the borrower returned it to Unit B. Can unit B accept the equipment ? Give detailed comment.  
(4 Marks)

Ans.4 (a) Loss of, or damage to, Air Force Equipment on loan, after satisfactory receipt by the borrower, should be reported by him to the consignor unit.

The borrower is to be requested to furnish particulars of the circumstances of the loss or damage and whether replacement of the complete article or components thereof is required.

**(Authority: Para 15 Chapter 11 IAP 1501)**

- (b) Yes, unit B can accept the equipment taken on loan by a borrower from other unit (i.e. unit A). If the articles on loan are returned to a unit other than unit which made the issue in the first place, they are to be brought on charge by a certificate voucher prepared in triplicate detailing full particulars of the consignor. After stock record action has been taken two copies of the certificate receipt vouchers are to be forwarded to the unit which made the loan. The latter unit is to give it a receipt voucher number from its receipt voucher series and endorse it "Return noted in outward loan ledger and stock Record Cards". Both copies of the voucher are to be prominent marked "Not for stock Record Action. One noted copy of the certificate receipt voucher is to be returned to the receiving unit and the other retained in support of the Loan Ledger.

**(Authority: Para 25 Chapter 11. IAP - 1501)**

Ques.5. (a) How is the stock of attractive items of Equipment Depots maintained ? Enumerate the Stock - taking checks to be carried out in respect of such items.

(6 Marks)

- (b) What is the period upto which stock verification is executed for newly formed units ?

(4 Marks)

Ans.5 (a) In the case of Equipment Depots attractive items will be Stock taken as under:-

- |   |                     |
|---|---------------------|
| (a) Class 'A' & Valuable and Attractive items - | Once a year         |
| (b) Class 'B' items                             | Once in two Years   |
| (c) Explosive items                             | Once in two Years.  |
| (d) Class 'C' stores other than Explosives      | Once in three years |

In addition to the above following stock taking checks are carried out for Attractive items:-

QUARTERLY - These checks are necessary in respect of units other than EDs and in UES of EDs.

SURPRISE CHECKS - (a) Stock taking of valuable and attractive items at more frequent intervals at the discretion of the officer commanding.

(b) SNAP CHECK - At any time as ordered by the Commanding Officer or considered necessary by the Equipment officer.

**(Authority: Para 163 - 164 AFLAM)**

- (b) Newly formed units are exempted from stock verification during the first year of their formation provided the Air Officer - Commanding is satisfied that the resources of the unit do not permit of stock verification during that year.

**(Authority: Note under Para 166 AFLAM)**

- Ques6. (a) What is the procedure for provisioning of recurring items from DGOF ?  
What happens if DGOF offers a revised delivery schedule ?  
(5 Marks)
- (b) Enumerate the time table for taking provisioning review for items to be processed by DGOF ?

(5 Marks)

- Ans.6 (a) Firm demands for recurring items covered by Air Staff policies required for use during the next four financial years, indicating separately the quantities required in respect of each year, are to be placed on DGOF before the commencement of the 4 year period.

Acceptance of the revised delivery schedule offered by DGOF within 2 months. Where the revised delivery schedule indicated by the DGOF is not acceptable, the indenting officer will refer such cases to the Ministry of Defence and the Department of Defence Production for decision on reduction/cancellation on newly placed indents. These case do not require reference to Ministry of Finance (Def/Air). If, however, the DGOF indicates a prolonged delivery date beyond the four- year period to which the indent relates, acceptance of the revised delivery is to be advised to DGOF after consulting Ministry of Finance (Def/Air).

**(Authority: Para 5 & 6 - Leaflet No. 20 IAP 1541)**

- (b) The following time- table for undertaking provisioning reviews and placement of indents to be produced by DGOF is to be strictly followed:

(a) The provisioning reviews are to be undertaken from 1st October every year covering requirements for 54 months (i.e from 1st October to 31st March of the financial year in which the review is undertaken and the next four financial years.

(b) By 31st March of the following year, the placing of all indents, including supplementary requirements, on the DGOF after approval of the Ministry of Finance (Def/Air), should be completed. Repeat indents for the same item should not be placed in the same year, except the emergent requirement.

(c) In the first week of April each year, a certificate is to be rendered to JS(P&C) with a copy to JS(A), by the Director of Maintenance Administration about the placing of annual indents on DGOF.

**(Authority: Leaflet 20 - Para 13 IAP 1541)**

- Ques7. (a) Can Air Force or Army Units/formations report deficiencies when equipment/consignment is collected by authorized representatives ?  
(5 Marks)
- (b) List the cases under which Discrepancy reports are to be raised from service sources ?

(5 Marks)

Ans.7 (a) No. where equipment/consignment is collected by the authorized representative of the demanding unit from the unit situated at the same station or from an outstation units/Depot against a temporary receipt on IAFF(a) 432, no discrepancy report is permissible.

**(Authority: Para 1(b) chapter 10 IAF 1501)**

(b) Discrepancy reports are to be raised in all cases in which loss or damage is:-

(i) Attributable to known or suspected theft, fraud, arson or gross carelessness.

(ii) One of the series of losses from the same source

(iii) Clearly the responsibility of the contractor.

(iv) of a nature which in the opinion of the consignee, should be brought to notice.

(v) In excess of 10% of the value of total consignment even though the value of loss in excess of Rs. 50/- in within Rs. 100/- at units and Rs. 200/- at Depot/ASPs for aviation stores and for other stores Rs 50/- at units and Rs. 100/- at Depot/ASPs.

(vi) In excess of Rs 100/- at units and Rs 200/- at Depot/ASPs for aviation stores and Rs 50/- at units and Rs 100/- at Depot /ASPs for other stores.

**(Authority: Para 3(b) Ch.10 IAP 1501)**

Ques8. Comment on the following :

(a) An entry in the car diary, covering journey of 230 km undertaken by an Air Commodore, has been signed by the driver of the car.

(5 Marks)

(b) Govt. transport has been used for the conveyance of airmen to witness a cricket match organized by the District authorities.

(5 Marks)

Ans. 8 (a) Signing of car diary by the driver of the car is not correct. Where Senior officers not below the rank of Air Commander are the users of the staff cars, the car diary may be signed by their Staff Officers. In no case Car Diary is to be signed by the drivers themselves.

**(Authority: Para 181(b) AFLAM)**

(b) Use of Govt. transport for conveyance of airmen to witness sports(cricket match) organized by district authority is not to be treated as authorised purpose.

**(Authority: Para 181 L (V) AFLAM)**

## **SECTION -II (Store Accounts and Internal Audit) (C) Navy**

- Ques 1 (a) Why is it necessary for the NLAO to hold monthly conferences with his SOs(A) / AAOs and auditors/clerks ?  
(5 Marks)
- (b) During his review of the audit carried out by his audit team, the NLAO noticed that a number of registers/ledgers/accounts maintained by the IN depots had been omitted to be audited. How will it be ensured that no registers/accounts maintained by ships/establishments/Depots are omitted in audit ?  
(5 Marks)
- Ans.1 (a) It is necessary for the NLAO to hold such conferences to ensure that orders and sanctions affecting his work issued by the Govt. of India and the authorities subordinate to them, CGDA's letters and PCDA(Navy) office orders are correctly applied in audit. All important and doubtful points arising in the course of local audit will be discussed at these conferences.  
**(Authority: Para 4 of NLAO Local Audit Manual)**
- (b) To ensure that no registers/accounts maintained by ships/ establishments/ Depots are omitted in audit, a standard list of such documents required to be maintained by ships and establishments in his audit area and which he has to audit, will be made out by the NLAO and sent to CDA(N) for approval. The list will be kept updated by the NLAO.  
**(Authority: Para 11, NLAO Manual)**
- Ques2 (a) The responsibility for carrying out stock verification rests primarily and solely with the executive authorities concerned . However, please explain the audit role of the NLAO in regard to stock verification.  
(8 Marks)
- (b) How are over issues and under issues of victualling store items dealt with ?  
(2 Marks)
- Ans.2 (a) The NLAO during his periodical visit, will verify that the stock taking has been carried out as it falls due and that whether provided for the staff actually employed in verifying stock is independent of the staff responsible for the physical custody of the stock or for keeping accounts thereof,. He will further see that:
- (xiii) the system of stock taking adopted is adequate and proper.
  - (xiv) the results of stock taking are recorded in ledgers, account cards or other prescribed documents by a responsible officer under his dated credentials.
  - (xv) Al the discrepancies detected during the stock taking are properly investigated, that all the surpluses found on stock taking have been credited to Govt. and deficiencies have been dealt with under the orders of the competent financial authority and
  - (xvi) the vouchers received prior to the date of stock taking have not been brought into the balance after stock taking.
- The NLAO will bring to the notice of the local administrative authorities concerned through the PCDA(N) any cases of failure on the part of the executive authorities to carry out periodical stock verification or cases of heavy discrepancies or other serious irregularities noticed in stock taking.  
**(Authority: Para 75-A NLAO Manual)**

- (b) While under issues are not required to be adjusted by over issues in a subsequent month, the over issues in a month are required to be adjusted by under issues in a subsequent month.

**(Authority: Para 125(21) NLAO Manual)**

Ques.3 (a) What are various categories of Naval stores ? Please also categories the following items of Naval stores ?

(6 Marks)

- (i) Life Floats
- (ii) Binoculars
- (iii) Timber
- (iv) Calcium Chloride
- (v) Flags

(b) What is the purpose of stock taking ? Can a stock taker have an access to Naval store ledger balances during the course of stock taking ?

(4 Marks)

Ans.3 (a) Naval Stores are categorized as under:

- (x) Permanent stores
- (xi) Consumable stores
- (xii) Quashi- permanent stores

Categorization of the given items of stores is as under:

- (i) & (ii) n - Permanent stores
- (iii) & (iv) Consumable stores
- (v) Quashi - permanent stores

**(Authority: Article 12, Naval Storekeeping Manual)**

(b) The purpose of stocking is to check that the stores held are in agreement with the balances reflected in the various accounts. The store taker, however, is not allowed to obtain any information from or have access to the pertinent Naval store ledgers until the stock taking has been completed.

**(Authority: Article 231 & 234.5(h)) Naval Storekeeping Manual**

Ques.4 (a) Loss of certain naval store items due to theft, the regularization of which was required under the powers of the Govt. has been regularized under the powers of a formation commander on the ground that the theft had taken place during the time of war. Please comment on the correctness of the action taken.

(7 Marks)

(b) In the context of Naval stores, what constitutes war reserve ?

(3 Marks)

Ans.4 (a) The action taken is not correct since the losses of stores due to theft fraud or gross neglect even during war is required to be dealt with in the normal manner. Hence in the subject case, regularization under the powers of the Govt. was required.

**(Authority: Para 3(g) of Appendix IX of Naval Storekeeping Manual)**

(b) War reserve consists of insurance spares and specified quantities of spare parts and items of consumable and permanent naval stores.

**(Authority: Para 1.27 Naval Material Planning Manual)**

Ques.5 (a) As an IFA, what broad checks will you exercise while vetting a proposal for placement of a repeat order ?

(5 Marks)

(b) For procurement of stores from abroad, one the essential requirements is DGQA import clearance. Why is such a clearance from DGQA necessary and what aspects will be taken into account by DGQA while providing import clearance ?

(5 Marks)

Ans.5 (a) It will be seen that the firm on whom repeat order is proposed to be placed has supplied the original quantity satisfactorily. In addition, the following confirmation should also be looked for:

(j) There has been no downward trend in price

(k) Repeat orders have proposed to be placed within six months of the original supply order.

(l) Repeat order quantity is not exceeding 50% of the original order quantity.

**(Authority: Para 3.27 and 7.27, Material Management Manual, Part-III)**

(b) In cases of procurements from abroad, DGQA import clearance is necessary to ensure that the item being indented is not available within the country. In some cases, the DGQA agency may feel that while the item is not immediately available within the country, it could be cost effectively indigenized over the period. A decision to this effort would depend upon the following:

(x) The period for which the item is likely to be in service

(xi) The annual requirement of the item and its value

(xii) Technologies involved

**(Authority: Para 13.8 Material Management Manual, Part- III)**

Ques.6. (a) What are the important steps which must be taken before indent is raised ?

(5 Marks)

(b) What does provisioning mean in the context of Naval material management ?

(5 Marks)

Ans.6 (a) The following steps must be taken before indent is raised:

(v) Determination of need.

(vi) Determination of availability of funds

(vii) Importance clearance, in the case of foreign procurement

(viii) Expenditure angle clearance, in the case of foreign procurement.

**(Authority: Para 3.3 of Material Planning Manual)**

(b) Provisioning in the context of Naval material management stands for an authorization to acquire an item through indenting.

**(Authority: Para 3.3 of Material Planning Manual)**

Ques.7 (a) Why is it essential to keep the inventory as low as possible ?

(5 Marks)

(b) What are 'Not in Vocabulary' (NIV) stores ?

(5 Marks)

Ans.7 (a) It is essential because of inventory carrying cost. In addition, a large

inventory means greater storage space, larger staff, greater transportation and handling costs as well as greater risks of deterioration and obsolescence.

**(Authority: Para 3.15 of Material Planning Manual.)**

- (b) NIV items are those items which are not in vocabulary of stores, i.e. the items that have not been formally introduced and allotted a unique cat part number in the central approval list of inventory items of the concerned service/organization, as applicable.

**(Authority: Para 1.4.13 of DPM - 2009)**

Ques.8 Please comment on the following:

- (a) It has been proposed to extend the LC in respect of a foreign contract whose delivery period has expired.

(5 Marks)

- (b) A repeat order has been proposed to be placed under the orders of a CFA lower than the CFA with whose approval the original order was placed, on the ground that the total value of repeat order falls within the financial powers of the lower CFA.

(5 Marks)

Ans.8

- (a) The proposed action is not correct as the LC cannot be extended in respect of a foreign contract whose delivery period has expired. Before extension of LC, it needs to be ensured that the delivery date of the contract has been extended and the corresponding amendment in the LC for latest date of shipment has been made.

**(Authority: Para 12.7.1 DPM 2009)**

- (b) The CFA for placement of repeat order will be determined taking into account the value of the original order quantity and the repeat order quantity and not with reference to the value of only the repeat order. Hence the action proposed is not correct.

**(Authority: Para 9.7.22(k), DPM- 2009)**

**SECTION -II (STORES ACCOUNTS AND INTERNAL AUDIT ) (D) FACTORY**

- Ques.1 (a) Calculate different OT elements payable to a Day Worker 'A' based on the following information : Total Hours worked in the week 54 hours, Basic Pay Rs. 4,000, DA Rs. 2,000, HRA Rs. 1200, CCA Rs. 100. How much OTB would have been paid to him, if he was a Pieceworker? (3 Marks)
- (b) Write short notes on procedure for linking of stores. (3 Marks)
- (c) 240 numbers of an item has been taken on charge through a "S" series receipt voucher. The basic rate of the item is Rs. 1400 per unit. The ED is 16.25% and VAT is 12.5%. 100 numbers were supplied 30 days after expiry of delivery period, for which DP extension with LD was granted. There was a reduction in Ed during extended DP i.e. @ 10.3%. Calculate the value of stores. (3 Marks)

- Ans.1 (a) OT Pay Hrs =  $54 - 44 \frac{3}{4} = 9 \frac{1}{4}$   
OT Bonus Hrs =  $54 - 48 = 6$   
DOT Hrs =  $48 - 44 \frac{3}{4} = 3 \frac{1}{4}$   
OTP =  $P/200 \times 9 \frac{1}{4} = 185/-$   
OTB =  $[ P + 2(DA+HRA+CCA)]/200 \times 6 = 318/-$   
DOT =  $[DA + CCA] /200 \times 3 \frac{1}{4} = 34/-$   
OTB if he was a piece worker  
 $= [ P + \frac{1}{4} P + 2(DA + HRA+CCA)] /200 \times 6 = 348/-$   
**(Para 197 & 199 OM Pt. VI)**

- (b) (1) Receipts from other Ordnance Factories can be sub-divided into two classes-  
(i) from their stock and  
(ii) from their production

Priced copies of the vouchers are forwarded by the Accounts Officer of the issuing factory. An ID List (in duplicate) is made out by the Br AO of the issuing factory indicating the number and date of the vouchers and their amounts. Before issuing the list, the total will be agreed with total in the PSA issues against the code number of each consignor factory for issues from stock. Similarly, for issues from " Production" agreement with the figures in the manufacturing statement will be ensured.

On receipt of the monthly lists, the vouchers received from the AO of the issuing factory will be checked with details of the vouchers noted on the monthly list. Missing vouchers will be called for while acknowledging the receipt of the list. Accounts Officer of the issuing factory will watch with reference to the office copies the prompt receipt of acknowledgements.

(2) To ensure that-

- (i) all issue vouchers relating to inter factory transactions have been received and properly linked with corresponding receipt vouchers,

- (ii) all receipt vouchers have been properly linked with the respective consignor's issue vouchers and
- (iii) all the stores in Transit figures have been correctly arrived at

A register for linking Inter Factory receipt is maintained in two parts. In the first part separate pages are allotted for receipts from each factory. Priced copies of issue vouchers as and when received from the Accounts Offices of the issuing factory are noted in the Register. On receipt of the monthly list, it will be verified that all the vouchers have been received and the amount of each voucher agrees as per the list. Immediate action should be taken to call for wanting vouchers and reconcile discrepancies, if any.

**(Authority: 455(d)OM Pt. VI)**

- (c) For 140 nos. supplied within DP  $140 \times 1400 = 196000$ . ED @ 16.25% = 31850. VAT @ 12.50% = 28481.  
Value of stores for 140 nos = 256331/-  
For 100 nos supplied during extended DP date  $100 \times 1400 = 140000$ . ED @ 10.3% = 14420. VAT @ 12.5% = 19303/-. Value of stores for 100nos = 173723/-  
LD @ 0.5% per week, for four weeks works to 2%  
After deducting Rs. 3474/- from Rs. 173723/- value of stores for 100 nos = 170249/-.  
Total value of stores on the supply order before imposing LD is Rs. 426580/-

**(Authority: Para 407, 409 OM VI)**

- Ques.2 (a) Calculate DA% of production shop A from the following data:
- |                                    |              |
|------------------------------------|--------------|
| Total DA paid for the year 2000-01 | = Rs. 30,000 |
| HRA paid for the year 2000 -01     | = Rs. 50,000 |
| CCA paid for the year 2000 -01     | = Rs. 10,000 |
| Basic wages of the shop            | = Rs. 45,000 |
- The Basic labour cost of Job X is Rs. 50. How much DA you will levy on this job cost ?

(1+1 Marks)

- (b) Find out cost of production of a thrust cap and work out excess rejection value.

a. Estimate No.	P/123459
b. Work Order No.	40141012 warrant 07040
c. Ordered qty	30
d. Completed	19
e. Rejected qty	11
f. UAR%	30%

Current year expenditure:	
Direct material	77482
Direct Labour	5375
ROH	19666
VOH	8070
Total	110593

(3+1 Marks)

- (c) How is it ensured that no IE overstayed in service beyond the date of superannuation ? In case of such overstay, what action is required to be taken ?

(2 Marks)

- (d) Explain in full detail the accounting procedure for allocation of DA, CCA etc.

(2 Marks)

Ans.2 (a)  $DA Levy = (DA + HRA + CCA) / \text{Basic wages} \times 100$   
 $= (30000 + 50000 + 10000) / 45000 \times 100 = 200\%$   
 $DA Levy \text{ on Job } x = Rs. 50 \times 200\% = Rs. 100/-$

**(Authority: Para 230 OM Pt. VI)**

- (b) Abnormal rejection units =  $11 - (30 \times 30\%) = 2$   
Cost of abnormal rejection = total cost / expected qty x abnormal rejection qty

$$= [110593 / 21] \times 2$$
$$= 10533 \text{ (KOP)}$$

$$\text{Cost of production for 19 units} = 110593 - 10533$$
$$= 100060$$

$$\text{Cost per unit} = 100060 / 19 = 5266/-$$

**(Authority: Para 628 & 679 OM VI)**

- (c) The date of birth shown in the superannuation statement should be compared with the date of birth shown in the March Check Roll and also with the previous year's statement. In the case of new names, it should be compared with LPC/Rolls etc. where pay was drawn. Audit should proceed from March Check Rolls/LPC etc. to the superannuation statement and not vice versa.

Discrepancies noticed should promptly be got rectified in consultation with the administrative authorities and orders of the competent authority called for in case an individual is retained beyond the age of superannuation or previous extension of service.

**Authority: Para (266) OM Pt. VI**

- (d) At the beginning of every financial year, a percentage will be worked out for each section of the factory based on the actual amount paid as basic wages and dearness allowance, House Rent Allowance and City Compensatory Allowance. The figures for the pervious year should be suitably modified taking into account the load position, overtime working composition of the trade and grade of men employed in that section as also revision in the rates of DA, HRA & CCA.

**(Authority: Para 230 OM VI)**

- Ques.3. (a) Use the following data and work out the issue rates in respect of issues made on the last working day of the month:

		Qty	Value (Rs.)
OB as on	01-03-09	2300	31000
	03-03-09	Receipt	500
	07-03-09	Return Note	1000
	09-03-09	Issue to shop	800
	11-03-09	Receipt on Nominal Vr.	100
	12-03-09	Receipt from IFD	200
	31-03-09	Issues to shop	300

(2+1 Marks)

- (b) Work out the ALR from the details given below in respect of item stainless steel (per kg) on 31-03-09:

Date	Opening Qty(Kg)	Value (Rs.)
01-03-09	30	19,500
09-03-09	10	6,700
30-03-09	20	14,400

(2 Marks)

- (c) From the following data calculate the monthly average ledger rate as on the last day of the month. On 1st of the month, the opening quantity was 13.5 with MA rate of 20 and value of Rs. 270. On 10th, qty 45 was received with a total value of Rs. 980 taken on charge. On 21st, another qty 48 was taken on charge with a value of Rs. 1020.

(2 Marks)

- (d) Write short notes on Fines.

(3 Marks)

- Ans.3 (a)  $ALR = \frac{V1 + V2/Q1 + Q2}{Q1 + Q2}$  where V1 is opening value, V2 is value of receipts, Q1 is opening qty, Q2 is qty received

$$\text{Issue rate for 09.03.09} = \frac{31000 + 4000 + 12500}{2300 + 500 + 1000} = 12.50$$

$$\text{Issue rate for 31.03.09} = \frac{(47500 - 10000) + 3000}{(3800 - 800) + 200} = 11.81$$

Transaction dated 11.03.09 is not to be considered for calculation of ALR since nominal transactions are not taken in PSL.

**(Authority: Para 421, 491 OM Pt. VI)**

- (b)  $ALR = \frac{V1 + V2/Q1 + Q2}{Q1 + Q2}$  Where V1 - Opening value, Q1 - Opening qty, V2 - value of receipts, Q2 - qty of receipts

$$19500 + 6700 + 14400 / (30 + 10 + 20) = 676.67$$

**(Authority: Para 421(1) OM VI)**

- (c) On 10th after taking the quantity on stock the total quantity including opening qty is 58.5 with a total value of Rs. 1250/-. MA rate on 10th works out to  $1250/58.5 = \text{Rs. } 21.37$  per unit. On 21st after the stock is taken on charge, the quantity held on stock is 106.5 with a total value of Rs. 2270/-. Hence, the MA rate from 21st will be  $2270/106.5 = \text{Rs. } 21.31$ . The same MA rate will continue till the last day of the month.

**(Authority: Application of Para 421)(i) OM VI)**

- (d) All persons employed on the industrial Establishments, whether Day Workers or Piece Workers with the exception of Children below 15 years of age, are liable to fines under Section 8 of the Payment of Wages Act, 1936. Rules in regard to infliction of fines are:
- (i) The incumbents of the following appointments are empowered to impose fines on persons employed under them:
- (a) General Manager
  - (b) Dy. General Manager/Dy. Manager or Asstt. Manager.
  - (c) Principal Foreman/Foreman or Assistant Foreman in charge of a section of a factory.
- (ii) Fines may be inflicted for the following acts and omissions on the part of a person, with the prior approval of the State Government or the prescribed authority, after giving him an opportunity for explanation:
- (a) Breach of Factory Rules.
  - (b) Drunkenness, sleeping on duty, idling or loitering about.
  - (c) Negligence, disobedience of expressed order relating to discharge of legitimate duties, malingering and deliberately delaying production.
  - (d) Riotous conduct or any act likely to cause disturbance of peace.
  - (e) Loosing identification tickets or not producing it when demanded.
  - (f) Smoking in unauthorized places, interference with any safety deceives or failure to observe safety instructions.
  - (g) Willful damage of work in process or to property belonging to Government.
  - (h) Distribution of or exhibiting inside Factory area of hand bills, pamphlets, posters etc without prior permission.
  - (i) Any conduct prejudicial to the health, hygiene, morals and safety of other employees in the factory.

**(Authority: 252 OM VI, 38 & 39 FAR)**

- Ques.4 (a) Explain over/under absorption of overheads. What is the accounting treatment? (2+1 Marks)
- (b) How and why are the Annual Accounts reviewed ? (5 Marks)
- (c) How will you account for all expenses on various labour welfare measures sanctioned by the GM of the factory ? ( 1 Marks)
- (d) Write a short note on subsistence allowance. (1 Marks)

- Ans.4 (a) Overheads fixed and variable are budgeted cost centre-wise at the beginning of the financial year by SBC/CBC. The percentage thus worked out is levied to outturn work orders through labour abstracts. The difference [ the actual indirect expenses incurred through 01 and 02 series of work orders] and amount charged to outturn workorders is termed as under/over absorption of OH. Tolerance limit of UA/OA is + /- 5% beyond which Accounts Office would go for relevy of hoverheads of production cost.

U/A - amount charged is less than incurred.

O/A - amount charged is more than incurred

U/A leads to reduced COP and increased profit

O/A leads to increased COP and reduced profit

These elements are included in the Profit & Loss A/c of the Principal Ledger.

**(Authority: Para 575 OM Pt. VI)**

- (b) The figures in the Annual Accounts should be studied to find out:-  
(i) Reasons for change in inventory holdings, work in progress, finished stock and components in hand as compared with previous year. This study will help in locating pricing errors, if any, and also enable the Accounts Office to bring cases of unusual nature to the notice of the management.

(ii) Heavy figures of "Outstanding Assets" and Outstanding Liabilities" would indicate that proper linking has not been done. By sample check of a few items of considerable value, say over Rs. 5 Lakhs, the correctness or otherwise of outstanding figures can be established. If there are huge payments outstanding for over a year for stores received and accounted for the case requires review as contractors would not wait for such a long time for payment. In the case of stores issued /Services rendered to MES /Navy/Air Force, the outstanding might be due to the fact that proper allocation has not been done even though punching media might have been adjusted. Here, proper follow up action to ascertain the facts and to clear the transaction should be taken. Figures of unabsorbed Preliminary Expenses, Deferred Revenue Expenditure require review.

In the case of Principal Items of work done, any increase/decrease in cost of material/labour would require review. The analysis. should be thorough so that the exact reasons are known. Control of inventory holding is possible by proper ABC analysis of holding and consumption of material. The value of surplus , obsolete, waste and scrap items and the value of disposal would incite the efficiency of the organization in disposing of unwanted stores.

As payments to staff and officers are made twice in April, once for March paid in April and the other for April paid in April, utmost care should be exercised to ensure that the figures are correctly segregated and shown. The correctness of the liability provide on this account should be checked.

In the case of payments to Industrial Employees, proper care has to be taken to ensure that:-

(a) Disbursement Certificates for the period from April to March have been received and adjusted. The payment for March is made in April. The provision of liabilities has to be done correctly as the amounts reflected in the cash compilation of April will be the amount of net payment due. Gross wages should be properly ascertained.

(b) In the case of labour employed on minor maintenance, capital work, punching media for transfer of work from wages head to the relevant head has been made out. Similarly, unpaid wages is a liability and is not reflected in the cash compilation. Apart from ensuring that the sum of Direct Labour and Indirect Labour agree with the figures as per Labour Abstract, proper ascertainment of the wages payable on the lines indicated above in necessary.

Proper care has to be taken to ensure that rejection is properly apportioned in the case of incomplete warrants as on 31st March. Pricing the quantity completed on the basis of estimated price without taking into account the rejections, leads to inflation of Work in Progress (Semi) Figures.

**(Authority: Para 867-871) OM Pt. VI)**

(c) All such expenses are treated as Factory overheads WO 01/02 series.  
**(Authority: Para 296 OM Pt. VI)**

(d) It refers to payment made to an employee in lieu of pay and allowances during the period of suspension. In the matter of grant of subsistence allowance and grant of pay and allowance on reinstatement, industrial employees are treated on par with non- industrial Employees with effect from 10-6-63. Subsistence allowance will therefore be granted to the IES under the provisions of Article, 193 Civil Service regulations.  
**(Authority: Para 285 OM Pt. VI)**

- Ques.5. (a) How are materials classified for inventory control ?  
(1½ Marks)
- (b) What is ABC analysis of inventory control ?  
(1½ Marks)
- (c) What is the methodology followed while allotting LF number?  
(1½ Marks)
- (d) It is noticed during reconciliation of the PSL and bin card that there is a difference of 100 quantity more shown in the PSL balance. In the bin card the 100 numbers are shown as issued on nominal issue voucher. Comment  
(1½ Marks)
- (e) How is stock held by Factory reviewed by Accounts Office ? what reporting is made thereon ?  
(2+1 Marks)
- (f) All materials are taken into cost accounts irrespective of the payment. Comment.  
(1 Marks)

- Ans.5
- (a) All materials are classified as fast moving, slow moving and non-moving items after analyzing all issues of materials from stock over a particular period.  
(Authority: Para 435 - 437 OM Pt. VI)
- (b) It is a method of inventory control depending upon the high value of an individual item or the total value of consumption of an item during a particular period as per the Factory Management policy.  
(Authority: Para 504 OM Pt. VI)
- (c) The LF number consists of 10 digits. The first two digits represent the volume of the priced vocabulary of the Stores Number of the Ledger, the next 4 digits represent the folio number of the Ledger concerned and the last 4 digits denote the sub-number.  
(Authority: Para 419 OM Pt. VI)
- (d) Nominal transactions are not to be posted in the PSL. Hence the difference.  
(Authority: Sl. No. 25 Appx B to FAR)
- (e) Factory Management submits to AO quantitative or Folio wise data of the stores under the following categories:-  
 (i) Working Store  
 (a) Ordinary Stores  
 (b) Maintenance Stores  
 (ii) (a) Stores surplus to the provisioning period  
 (b) Stores declared as surplus  
 (iii) Waste and Obsolete Stores  
 (iv) Buffer Stock  
 (v) Reserve Stock  
 (vi) Stock Pile
- Based on this, Accounts Office will furnish the value of stores under the above categories periodically to OFB with copy to Finance Division and PC of A (Fys). This enables the authorities at HQrs to find out whether the stock balances are at appropriate levels.  
(Authority: Para 435 - 436 OM Pt. VI)
- (f) Yes.  
 The important records used for the Accounting of Stores are Bin Cards and the Priced Store cum-Provision Ledger. All stores accounted through receipt vouchers and drawn through demand notes are taken to cost accounts. It will be treated as outstanding liabilities in the store cash purchase account of the Principal Ledger.  
(Authority: Para 414, 496B OM Pt. VI)
- Ques.6.
- (a) Explanation only is sufficient. Authority need not be quoted.  
 State the difference between Sales Defence A/c and Sales Defence Receivable A/c.  
 (1½ Marks)

- (b) Where should the value of finished semi be reflected in the case of components manufacture ?  
(1½ Marks)
- (c) Where are the previous year's closing balances posted in the new financial year.  
(1½ Marks)
- (d) Items of expenditure and income compiled in CCO2 are primarily reflected in which Account ?  
(1 Marks)
- (e) State the purpose of opening of notional cash A/c  
(1½ Marks)
- (f) Where is under absorption /over absorption of overheads accounted in the Principal Ledger and Annual Accounts. ?  
(1½ Marks)
- (g) Name the main accounts for commercial format of Annual Accounts.  
(1½ Marks)
- Ans.6
- (a) The main difference is that current year's production and issues are accounted for in the Sales Defence A/c including Profit/loss on issues. Outstanding assets & liabilities are accounted for though the Sales Defence Receivable A/c. Sales Receivable A/c is based on the accrual concept of financial accounting.
- (b) The opening value should be debited and closing value credited to Manufacture for own factory account along with 10,13 series of work orders and contra entry to Revenue Outlay A/c and Balance A/c respectively.
- (c) Credit Balance of previous year are debited to concerned account of the current year with contra entry to Revenue Outlay A/c (Revenue nature) /Capital Outlay A/c (Capital nature)
- (d) Notional cash A/c
- (e) The purpose is to generate commercial account. Contra entries to initial entries made are transferred to Revenue Outlay A/c to make the notional cash account tally.
- (f) Under/over absorption of O/H is transferred from WIP A/c to P & L A/c and reflected as U/A - Current assets, O/A - Current liability in A & L statement.
- (g) The main accounts in the commercial format are- Proforma Manufacturing Account, Proforma, Profit & loss A/c and Proforma Balance Sheet.
- Ques.7.
- (a) How are receipts from Production of own factory priced ?  
(1½ Marks)
- (b) What are KODs used in inventory accounting ?  
(1½ Marks)
- (c) What is the course of action to be taken by the consignee factory AO on receipt of the IFD ID List ?  
(1½ Marks)
- (d) How will the deficiencies in transit to be treated ?  
(1½ Marks)

- (e) Calculate depreciation w.e.f. 01-04-2006 from the following data:

Original value of machine as on 01-04-86	}	1,00,000
Effective life of the machine		20 years
Reconditioning cost on the machine in 2006 (regularized through adjustment voucher)		1,00,00
Extended life of the asset		5 Years from 01-04-06

(2 Marks)

- (f) Arrive at the priced value of the following receipt voucher of a CNC lathe:
- |                                      |             |
|--------------------------------------|-------------|
| Value of supply order                | 1,50,00,000 |
| Erection and commissioning charges   | 1,00,000    |
| Compiled to compiled to capital head |             |
| Civil works                          | 50,000      |

If the life of the machine is 20 years, what would be annual depreciation charges ?

(1½ Marks)

- Ans.7 (a) These receipts should be valued at the cost of production as shown in the cost cards. In cases where complete costs are not available in time, the vouchers will be priced provisionally at estimated rates noted in the cost cards and modified to the extent necessary with reference to any changes brought to light.

**(Authority: Para 409 (E) OM Pt.VI)**

- (b) KOD 21,29 for plus and minus receipts, KOD 24,26 for plus and minus issues, KOD 27,42 for plus and minus demand notes and KOD 22,47 for plus and minus return notes.

**(Authority: Para 429 OM Pt. VI)**

- (c) On receipt of the list, the issue vouchers received from the consignee factory will be checked with the details in the list. Missing vouchers will be called for while acknowledging the receipt of the list.

**(Authority: Para 455(D) OM Pt. VI)**

- (d) The full quantity as vouchered will be brought on charge and a discrepancy voucher in form IAF(Fac) 144 will be made for the quantity less received.

**(Authority: Para 474 OM Pt.VI)**

- (e) Original Value of the asset 100000  
 Annual depreciation  $100000/20 = 5000$ ; residual value Rs. 5000/-  
 Book value as on 01.01.06 5000  
 Adjustment voucher for reconditioning of the machine 01.04.06

$100000+5000=105000$

Depreciation on extended life of five years  $(105000/5)$  21000

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

(f) Value of the asset	1,50,00,000
Add erection & commissioning charges	1,00,000
Civil works	50,000
	1,51,50,000

Annual depreciation on the asset =  $15150000/20 = 757500$

**(Authority: Para 745, 762 OM Pt. VI)**

Ques.8 (a) A consignor AO intimates the consignee AO that an item issued from his factory production has been less priced by Rs. 2.5 lakhs during 2006- 07. He passes on an adjustment to the effect to the consignee through non - financial punching medium. Comment on it.

(2 Marks)

- (b) What action will be effected in the PSA/PSL in respect of the following:
- (i) Item A has been wrongly entered as 100 kg instead of 10 kg in respect of a return note.
- (ii) Item B has been priced as Rs. 3,000 per item for 25 nos. instead of Rs. 300 per number
- (iii) A receipt voucher qty has been posted with 75 qty instead of 60 qty.

((1½ Marks)

- (c) Analyse the following date extracted from Asset and Liability Register as on 01-04-09 and offer comments thereof:

Bill No.	S.O. No.	Value
(i) LP/001/Fy dt. 5-4-08	001/04/08-09 dt. 1-3-08	1,00,000
(ii) LP/001/Fy dt. 10-4-08	001/04/08-09 dt. 1-3-08	2,000
(iii) LP/002/Fy dt. 15-9-08	010/09/08-09 dt. 1-8-08	50,000
(iv) LP/003/Fy dt. 16-9-08	010/09/08-09 dt. 1-8-08	1,25,000
Receipt Vr. No.	S.O.No.	Value
(i) S/002 of 2-4-08	001/04/08-09 dt. 1-3-08	1,02,000
(ii) S/007 of 3-9-08	010/09/08-09 dt. 1-8-08	1,75,000

(2 Marks)

- (d) As per terms and condition of a Supply Order, steel billets of certain dimensions and weight 250-260 kgs. approx will be issued free of cost by the factory to the firm. The firm has to supply 300 nos of finished crankshaft forging as per stipulated drawing. The price for conversion will be @ Rs. 24780 per unit. The rejection allowance admissible is 3%. PDC 3 months, IT to be recovered @ 2% plus cess 3%. The firm executed the order and supplied 300 nos within the DP. QC rejected 12 nos. Calculated the net amount payable to the firm after standard deductions. (Moving ALR Rs. 14.868)

(4½ Marks)

Ans (a) The system of inter- factory adjustment of costs in respect of issues from production from one factory to another has been dispensed with effect from 1.4.78. The difference between the value intimated and the actual COP will be retained by the consignor in his own books as a variance account and will be reflected as such in the finished stock account of the consignor. As per revised principal, ledger, the difference is treated as loss on issue of finished articles.

**(Authority: Para 670(2) OM Pt.VI)**

(b) Necessary adjustment voucher to be prepared to rectify the correctness and account for the same in the accounts then open as per provisions of Para  
**Authority: Para 418 OM Pt. VI)**

(c) All stores for which payments are made and book debits received are to be linked 100%. In this case, the same has not been done, even though both payments made and receipts were accounted, both remain outstanding in the books of Assets & liabilities. Such omissions need to be avoided and prompt linking of stores to be ensured.

**(Authority: Para 496 OM Pt. VI)**

(d) Total qty to be supplied by the firm 300 nos. firm supplied the qty nos (rejection no. reported 12)

Total Value of SO 7434000/-

Payment admissible

Admissible at 3% = 9 nos. = 288 + 9 = 297

Excess rejection by the firm = 291 - 288 = 3 nos. ( to be recovered from the firm)

297\* 24780 = 7359660

2% = 147193

3% cess on IT = 4416

Recovery for excess rej = 3x 14868 = 44604

Total recovery = 196213

Net Payment 7359660-151609 = 7163447

**(Authority: Para 384 OM Pt. VI)**

**DEFENCE ACCOUNTS DEPARTMENT**

**S.A.S. EXAMINATION -PART-II (NEW SYLLABUS)**

**NOVEMBER, 2009**

**PAPER-VI - THEORY (WITHOUT BOOKS)**

**SUBJECT 'E' - 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 Section -II. Each question carries 10 marks.**
- (2) Section -I is common to all. Each question will carry 10 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 - AIR FORCE 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 for ALL Candidates)**

**Ques.1. State how the Monthly Expenditure Return is examined in a Regional Controller's Office ?**

**(10 Marks)**

**Ans. The Monthly Expenditure Return (IAF-2251) is received in the office of the CDA with reference to Para 532 MESR. The first scrutiny is to see the UA's certificate stating that the expenditure shown therein agrees with the punching media for the month. It is compared with the last month's MER to see if the carry forward is done correctly. It will also be seen that the figures in the Return agree with the printed compilation received from EDP Section, for that month. The expenditure shown against each major work will be checked with the Register of Approvals to ensure that the classification has been done under the proper head of account. It is also seen that the expenditure against each major work is progressing fairly and that the expenditure against each major work is progressing fairly and that cases of excess of expenditure over and above the amount of administrative approval and sanctioned allotment have been reflected in the O.I. Statements by the UA**

**(Authority: Para - 148 OM Part VIII )**

- Ques. 2 (a) When are Earnest Money and Security Deposits refunded ? (5 Marks)
- (b) Can an 'on account payment be made after a contractor has submitted a final bill under protest ? (5 Marks)

Ans.2 (a) Earnest Money is refunded to a Contractor when his tender is not accepted. The refund will be made after verifying that the tender submitted was bona-fide.

Standing security deposit will be refunded to the contractor on his removal from the approved list of contractors or when there is a change in category. In other cases, it will be refunded after the contracted work has been completed including the period of maintenance, if any.

- (b) Yes, "On account Payment" will be restricted to only those items of payment where there is no dispute.

**(Authority: Para 480 of MESR)**

- Ques. 3 What do you understand by Re- appropriation of Buildings ? (10 Marks)

Ans.3 Re- appropriation of buildings means the use of group of buildings, a building, or a portion thereof for any other purpose than for which it was originally constructed. Re- appropriations may be temporary or permanent and may be intended either for an authorized or for a special purpose.

Re- appropriations of buildings may be categorized as under:

(i) A re- appropriation entailing no alteration and no cost. Such appropriations may be approved in writing by any of the authorities given in Table A to MES Regulations irrespective of the capital values of the building involved. All sanctions accorded by authority lower than commander Area/Division will be reported to him.

Sanctions for temporary re-appropriations will specify the period for which the approval will remain in force and must be renewed as required. However, permanent re- appropriations will be initiated by the Unit concerned on IAFW - 1831 and on approval, necessary amendments to the Register of Buildings will be made by the GE.

(ii) A re- appropriation entailing alterations and expenses. This will be initiated on IAFW - 1831 by the Unit concerned and sent to local commander and upon his acceptance in principle, the re appropriation involving expenditure will be considered by the competent authorities as per the limits laid down for acceptance of necessity in Table A to MES Regulations. However, all sanctions accorded by an authority lower than the Commander Area/Division will be reported to him. Each sanction will state whether the re- appropriation is temporary or permanent and particular, including expenditure, will be recorded in the Register or Buildings.

(iii) Re- appropriations involving increase in scales or introducing a new practice require the sanction of the Government of India . Re-

appropriation of MES Inspection Bungalows will be done under government orders (provided the E in C furnishes a certificate that the Inspection Bungalow is no longer required as such).

**(Authority: Para 155 MESR)**

Ques.4 (a) What special checks are exercised by 'E' Section of Controller's Office to guard against spurious contract documents and fraudulent alterations to contracts accepted by MES authorities ?

(5 Marks)

(b) What is the basic purpose of measurement of certain works ? Why is it necessary to prevent delays in the measurement of works ?

(5 Marks)

Ans.4 (a) The special checks exercised by 'E' Section of CDA's Office to guard against spurious contract documents and fraudulent alterations to contract accepted by MES authorities are: (i) the contract agreement is in the same ink and handwriting, (ii) blank spaces are filled in/a line drawn , (iii) rates are given in words and figures.

**(Authority: Para 25 OM Part VIII)**

(b) The basic purpose of measurement of certain works is to determine the amount of payments to Contractors for work done and also to account for materials received which have to be measured or counted. It is necessary to prevent delays in measurement of works to ensure prompt payment to Contractors and it also provides opportunity for false and inflated claims by Contractors.

**(Authority: Para 100 MES Local Audit Manual)**

Ques. 5 (a) Explain the procedure followed in MES for ensuring recovery of over payments from contractors.

(5 Marks)

(b) The GE issues an amendment to increase the rates of a contract concluded by him. The AAO (GE) objects to this amendment. The GE asks him to make provisional payment. Please comment.

(5 Marks)

Ans.5 (a) To recover overpayments from Contractors which are pending for over 2 months, the GE will inform the CWE, who will, in turn, inform his other GEs for recovering the money from other amounts due to the contractor. If the overpayment is still not recovered within another two months, the CWE will inform the Chief Engineer. The CE will ask the other CWEs in the Command and if the money is not recovered within a total period of 6 months from the date it was discovered, the CE will report the matter to the E- in C, Army HQrs.

**(Authority: Para 540 OM Pt. VIII)**

(b) The amendment to increase the rates of a Contract concluded by the GE is unacceptable and the sanction of CWE is required. The AAO is not required to make provisional payment at the increased rate pending CWE's sanction.

**(Authority: Para 30 OM Pt. VIII)**

- Ques. 6 Fill in the blanks in the following
- (a) No approximate estimate is required for works costing up to Rs.-----  
(2 Marks)
- (b) Work diaries (IAFW - 2347) will be maintained at site for all work costing more than Rs. ....  
(2 Marks)
- (c) The Muster Rolls Should be technically checked by ..... in the GE's office either before, it time permits, or after payment.  
(2 Marks)
- (d) When the arbitration award is made rule of Court and the payment is being made in satisfaction of Court decree, prior allotment of funds as ..... is necessary before making payment.  
(2 Marks)
- (e) Payments from cash assignment/imprest will be recorded on the ..... of the cash book daily as disbursements are made.  
(2 Marks)

- Ans.6
- (a) No approximate estimate is required for works costing up to **Rs. 10,000**  
**(Authority- Para 143 MESR)**
- (b) Work diaries (IAFW-2347) will be maintained at site for all works costing more than **Rs. 20,000**  
**(Authority: Para 368 MESR)**
- (c) The Muster Rolls should be technically checked by teh Surveyor's **Assistant** in the GE's office either before, if time permits, or after payment.  
**(Authority: Para 124 UA Manual)**
- (d) When the arbitration award is made rule of Court and the payment is being made in satisfaction of Court decree, prior allotment of frunds as "Charged expenditure " is necessary before making payment.  
**(Authority: Para 138 UA Manual)**
- (e) Payments from cash assignment/imprest will be recorded on the credit side of the cash book daily as disbursements are made.  
**(Authority: Para 151 UA Manual)**

- Ques 7. What action needs to be taken by the GE in the following circumstances ?
- (a) When the final cost of the work exceeds the amount of Adm. approval by more than 10%  
(5 Marks)
- (b) When the accepted amount of the contract reduces the cost of project below Adm. approval by more than 15% ?  
(5 Marks)

- Ans.7
- (a) When the final cost of work exceeds the amount of administrative approval by more than 10% and there is no prospect this excess being met by savings on other items a revised estimate will be prepared and a revised administrative approval of the CFA will be obtained.  
**(Authority: Para 30(a) DWP)**
- (b) For projects estimated to cost Rs. 1 Lakh or more, when the amount of accepted contract reduces the cost of project below the administrative approval by more than 15% then the approved amount for the project will

be reduced by the amount exceeding 15% by the CE/CWE within whose powers the technical sanction for the work falls. The details of reduction will be sent to the CDA.

**(Authority: Para 30 (b) DWP)**

- Ques.8. Write short notes on:
- (a) Contractor's Ledger (4 Marks)
  - (b) Construction Account (4 Marks)
  - (c) Please bring out the difference between the two (2 Marks)

Ans.8 (a) All transactions in respect of each contract will be entered into the ledger. The ledger will be posted as transactions occur and will be balanced monthly. Even in cases of contracts in which the only payment is the final payment, a separate folio will be opened. The closing balance of each contract account will show the amount outstanding, if any, in respect of each contract. The contractor should be encouraged to examine his ledger account from time to time and sign in token of his acceptance. He may be given an extract of the ledger, if require..

**(Authority. Paras 491 to 493 RMES)**

- (b) Construction accounts are maintained by the SDOs concerned for each work or service for the purpose of progressing and controlling expenditure under various heads of account. The amount of sanction and allotment as also the expenditure as and when incurred with sufficient details, liabilities and expected credits are also shown until adjusted.

The entries are made with reference to duplicate copies of vouchers/allocation sheets received from AAO GE. The AAO GE will check the correctness of the posting in the construction accounts with reference to original vouchers in his possession and reconcile the same with the abstract of receipts and charges.

While the construction account will reflect all the expenditure incurred in connection with the project including pay and allowances, the contractor's ledger will show only the payments made and stores and T&P issued to the contractor and the value of work executed by him.

**(Auth: Para 531 MESR, Para 103 UA's Manual, Appx. 1 MESR)**

**Section -II Store Accounts and Internal Audit**  
**(For candidates other than Air Force, Navy and Factories)**

**(A) Army**

Ques.1. What are the basic functions of Military Farms ? Briefly explain how losses in Military Farms are to be dealt with.

(10 Marks)

Ans.1 The basic functions of the Military Farms department are :

(a) Production of perishable foodstuffs which are included in the ration scales of the armed Forces. These are milk butter cream, paneer (cottage cheese), etc.

(b) Provision of dry fodder required for the armed forces, green fodder for its own requirement and fodder for the operational requirements as demanded by the ASC.

(c) Fresh vegetables produced in Military Farm's lands are produced by the ASC on priority basis.

All losses of stores, dairy produce, fodder, etc. will be dealt with as per instructions in FB Part I & II.

All losses of dairy produce, while on charge and in transit, whether they are to be borne by the State or by an individual, will be valued at the highest sale rate in force of the farm in which the losses occur. The loss or weight during the process of manufacture of green grass into hay will be shown in a conversion statement and no loss statement is necessary. Animals lost will remain on the books until six months have elapsed from the date they were reported lost after which a loss statement will be prepared. Animals subsequently recovered will be brought on charge.

**(Authority: 191, 208 SAI)**

Ques.2. (a) When is it not necessary to prepare a loss statement for the loss of medicines in a Medical Store Depot ?

(5 Marks)

(b) Is a loss statement required for the loss of ammunition found unserviceable on testing before the expiry of shelf life ?

(5 Marks)

Ans.2 (a) It is not necessary to prepare a loss statements for the loss of medicines in a Medical Store Depot when the loss is not due to faulty storage.

**(Authority: ALAM)**

(b) Yes. A loss statement is required if ammunition is found unserviceable on testing before the expiry of shelf life.

**(Authority: ALAM)**

Ques.3. (a) What use is made by the LAO of the Monthly Man hour Statistical Return prepared by EME Workshops ?

(5 Marks)

- (b) What checks will the LAO exercise in post audit of Check Rolls to ensure that : (i) Payment has actually been made to the individuals; (ii) no unauthorized alterations are made in the entries in the Check Rolls, and (iii) payment for the period of leave is in accordance with the leave actually sanctioned.  
(5 Marks)
- Ans.3 (a) LAO test checks 10% of the Monthly Man hour Statistical Returns of EME Workshops by verifying the hours booked in selected section's daily statements of a particular group with the hours recorded in the summary of work orders prepared in the compilation group of the workshop.  
**(Authority: ALAM Part -I)**
- Ans.3 (b) (i) To ensure payment has actually been made to the individual, the LAO will verify during post audit of check rolls that a certificate signed by a Commissioned or a Gazetted Officer to the effect that payments have been made in his presence, is endorsed on the last page of the Check Roll.  
  
(ii) To ensure that no unauthorized entries are made in the Check Roll, the LAO will verify that all alterations are duly attested by the executive and that there are no erasers to overwriting.  
  
To ensure that payment for the period of leave is in accordance with the leave actually sanctioned, the LAO will link the leave DO II orders 100% with the Check Rolls.  
**(Authority: ALAM Part -I)**
- Ques.4. (a) Explain briefly the meaning of linking and pairing in local audit ?  
(5 Marks)
- (b) What is the significance of pairing in the context of 'D' and 'E' copies ?  
(5 Marks)
- Ans.4 (a) 'Linking' means bringing together an entry in a ledger and supporting voucher to ensure that the entry in the ledger is strictly in accordance with the voucher.  
**(Authority: Note below Para 32, ALAM)**  
  
"Pairing" means bringing together two documents which are supposed to be facsimile copies, one of the other, to ensure that they are in fact identical.  
**(Authority: Note 1 below Para 51, ALAM)**
- (b) The significance of pairing is to ensure that the item and quantity stock of charge by the consignor unit as verified by LAO ( as per D copy) has been taken on charge by the consignor unit ( as per E copy).  
**(Authority: Para 40, ALAM)**
- Ques.5. (a) What procedure should be followed in respect of Rations when a unit moves out from a station ?  
(5 Marks)
- (b) What points are checked by the LAO while auditing Vehicle Log Book and 'Car Diaries' ?  
(5 Marks)

- Ans.5 (a) The unit should close its ration return showing transactions up to the date of entraining.

The closed Ration Return will be got audited by the LAO before leaving the station and objections as far as possible, settled.

**(Authority: Para 59 of Store Accounting Instructions for Army)**

- (b) Vehicle log book is not an auditable document. It will only be referred to if the need arises for determining KPL etc.

Car diaries will be checked to see that:

- (i) The nature of duty is clearly mentioned.
- (ii) That entries are made in English
- (iii) That the officers using the car have signed in the diary.
- (iv) That journeys for private purposes have been shown separately.

**(Auth: Para 310(iv) of ALAM Pt. I, Vol. II and Para 141 of Store Accounting Instructions for Army)**

- Ques.6. (a) What are the different classifications for loss of stores ? (5 Marks)
- (b) When does a court of inquiry to investigate a loss become mandatory ? (5 Marks)

- Ans.6 (a) Losses of stores are classified as under:  
(i) Losses due to theft, fraud or neglect.  
(ii) Losses due to other causes.  
**(Auth: Para 244 of Store Accounting Instructions for Army)**

- (b) Court of Inquiry is mandatory in respect of following losses:  
(i) Which require sanction of Government of India for write off.  
(ii) Losses due to inaccuracies in previous stock- taking.  
(iii) Losses of arms, ammunition and explosives.  
(iv) Losses due to theft, fraud or neglect.  
(v) Losses due to fire or any unusual occurrence.  
**(Authority: Para 241 of Store Accounting Instructions for Army)**

- Ques.7. Write short notes on:
- (a) Functions of Supply on : (5 Marks)
- (b) Major Financial and Accounting Irregularities (5 Marks)

- Ans.7 (a) Functions of Supply Depot:  
(i) To receive articles of ASC supply when arranged either by central purchases or local purchase, or by transfer from other depots;  
(ii) To hold such stocks as may be determined from time to time;  
(iii) To issue items of ASC supply to units/formations for consumption;  
(iv) To operate ASC bakery and ASC butchery, where required, and  
(v) To hold and issue POL At specific stations.

**(Authority: Para 98 SAI)**

(b) Major Financial and Accounting Irregularities

All serious financial and accounting irregularities from the procedural or propriety audit point of view are reported to the CGDA, Army HQrs. Command HQrs. Unit concerned and the Test Audit authorities. This is a quarterly report from the CDA which is based on such reports from all the LAOs.

**(Authority: Para 19,20 ALAM Pt.II)**

Ques.8. What is Returned Stores Sub- Depot and Salvage Sub- Depot ? Bring out the silent points to be seen in the audit of these Depots.

(10 Marks)

Ans.8 RSSDs receive, sort out and condition clothing, general and technical stores. They carry out unskilled repairs to all such stores. They disinfect and wash/dry clean all clothing. They recondition EME stores. After conditioning, all serviceable stores are forwarded to stock sub- depots for re- issue. BER stores are disposed of. Account cards are maintained to show all transactions.

It should be seen in audit that details of all stores received are posted in Account Cards. The stores conditioned have been written off charge from the column 'awaiting condition' and the same quantity brought on charge. unserviceable stores of all types and excess repairable stores, after conditioning have been passed on to the Salvage Section/Depot and brought on charge by the salvage section. RSSD workshop job cards are to be scrutinized. It should be seen through audit that no theft, pilferage takes place and the stores are accounted for at every stage and economy is achieved.

**(Authority: 212-217 ALAM I Vol. II)**

**Section -II - Store Accounts and Internal Audit**

**Air Force**

Ques.1. (a) Which of the following categories of losses find a place in the Appropriation Accounts of the Defence Services:

(i) Aircraft losses in enemy action on Tiger Hill in Kargil.

(2 Marks)

(ii) Losses of aircrafts in Inter command Exercises

(2 Marks)

(b) What audit checks are exercised by an LAO(Air Force) on Certificate Issue Vouchers and Conversion Vouchers ?

(3 Marks)

(c) Give four instances when Conversion Voucher will be raised.

Ans.1 (a) (i) Aircraft losses in enemy action on Tiger Hill in Kargil will not find place in Appropriation Account being losses occasioned directly by active operations/enemy action.

(ii) Losses of aircraft in Inter Command exercise will find place in Appropriation.

**(Authority: Appendix IX Para 2 AFLAM)**

- (b) Certificate issue vouchers will be checked by LAO(AF) to see that-
- (a) they are cross- referred to the relevant Certificate Receipt Voucher, Receipt Vouchers or Issue Vouchers etc, where necessary and that the strike off action certificate on them is bonafied;

(b) In the case of strike off stores due to enemy action, service accidents etc. full particulars of the circumstances etc. and orders of higher authorities wherever appropriate are recorded on them.

Conversion Vouchers will be checked to see that-

(a) the conversion made are genuine and within the generic heading of the same vocabulary section;

(b) in case of strike off of stores in stock taking holding Establishment owing to deterioration and the deterioration is not due to lack of suitable storage accommodation or failure to look after the articles properly in stores raised to adjust the stores are properly endorsed with certificate from competent inspecting officers;

(c) the stores have been converted to salvage understanding orders or on receipt of specific orders from Air Hqrs. wherever necessary, and that the resultant produce of stores salvaged or broken down reasonably represent the correct weight brought on account.

(d) Where surpluses/deficiencies have been set off one against the other, they are true and legitimate as allowed under order and are none out by the stock taking records.

**(Authority: Para 113, 114 AFLAM)**

- (c) Four instances when conversion Voucher ;is raised are as under:-
- (a) To convert the unserviceable stores into salvage.
- (b) To support transfer of stores from the charge of one inventory holder to that of another in a different section of the unit.
- (c) To convert the balances of N.I.V items when Command N.I. V numbers are allotted.
- (d) To adjust accounts when the stores are received in a condition other than in which vouchered.

**(Authority: Para -111 AFLAM)**

- Ques.2. (a) What is the responsibility of LAO (AF) in regard to Payment Issue Vouchers for stores issued from an Air Force Unit to Flight Cadets ?  
(5 Marks)
- (b) How is it ensured that the Consignee Army unit gets the stores and Air Force Unit gets the Credit for these stores ?

(5 Marks)

- Ans.2 (a) The following audit checks are to be exercised by LAO(AF) in regard to Payment issue to flight cadets. It will be seen-
- (i) that the quantity of any article issued is not in excess of his personal needs as covered by the scale of equipment to be maintained ?
- (ii) that the price charged for any article or length of material represent the price given in the Price list of Indian Air - Force Equipment plus departmental, additional and other charges at appropriate rate as laid down in the 'Memorandum of Instructions' thereto and that no issue is made of

any article for which price is not given in vocabulary;  
(iii) that specified articles of clothing, footwear, necessaries etc. are issued;

(iv) that the issue of controlled material does not exceed the specified Limit and requisite certificate endorsed by the officers to whom issues are made,

(v) That in the case of restricted issue to married officers, the officers purchasing the item have certified that at the time of purchase they were married;

(vi) that where partworn serviceable items are issued, the recovery is made at the minimum rate of 2/3rd of the vocabulary price plus the departmental, additional and other charges laid down in Memorandum of Instruction for rates or at a higher rate where fixed by the logistic officer.

**(Authority: Para 93 AFLAM)**

- (b) The Account officer of issuing Depot/unit supplies three un receipted priced copies of issue vouchers IAFF(Q) 431 (namely 4th, 5th & 6th copy) to the consignor LAO. On receipt of three copies of issue vouchers in respect of Army, the LAO (AF)/ Group Superintendent LAO(AF) will ensure that the price charged therein are correct. After ensuring in that the vouchers are indetical in all respect the LAO (AF) Gp. Superintendent LAO (AF) will indicate on one copy the relevant head of account to which the cost of the issue made is creditable and the amount involved and then transmit it to the CDA of the receiving service. The CDA of the receiving service will prepare a Punching Medium debiting the relevant service Head of the receiving service by contra credit to the head of account of the issuing service shown on the vouchers and send a copy of Punching Medium to the consignor LAO(AF) for his information (citing reference to the related voucher and the No. & date of communication under which it was received ) Thus, it is ensured that the consignee Army unit gets the stores and Air Force units gets the credit for these stores.

**(Authority: Para 98 AFLAM)**

Ques.3. (a) Name at least four of the forms to be used when preparing local contracts ?  
(4 Marks)

(b) Explain the importance of manuscript registers in fresh ration accounting ?  
(6 Marks)

Ans.3 (a) Following forms are to be used when preparing contracts:-

- |                   |   |
|-------------------|---|
| (a) IAFF(Q) 411-  | Tender Form.                              |
| (b) IAFF(Q) 513 - | Schedule of tenders.                      |
| (c) AF(1) 403 -   | Schedule Boot and Shoe repairs            |
| (d) AF(I) 157 -   | Schedule Barrack & Sick Quarters Washing. |
| (d) IAFF(Q) 518 - | Schedule Tailoring                        |

**(Authority: Para 11 Ch. 26 IAP 1501)**

- (b) Manuscript Registers are maintained by Logistic officer where daily receipt of fresh rations, both obtained directly from ASC depots and directly from contractors are recorded . Monthly consolidated issue vouchers issued by ASC Depot/IAFS 1520 received from contractor are

checked by the logistic officer from Manuscript Register to ensure total receipt during the month.

When demanding from ASC depot, Unit logistic officer to place demands daily on memo form. ASC depot will prepare an issue memo IAFs(1555) for quantity of each commodity issued on each day. On receipt of the supply, the logistic officer is to check them against issue memo (FS- 1555) and sign and return the acknowledgements foil to ASC depot. Form (s) 1555, after recording the receipts in the relevant manuscript Registers maintained by the logistic officer, will be passed by logistic staff to Account Staff on daily basis for custody, internal verification and production to Audit. At the end of the month the ASC Depot will forward in a consolidated issue Vouchers (IAFZ - 2096) in duplicate, incorporating all issues on Form S- 1555 for the month to unit. The logistic officer is to check total issue as shown IAFZ - 2096 with the total receipt as recorded in Manuscript Register.

When supplies are delivered direct by ASC contractor to the Unit, the unit concern is to inform the contractor of its daily requirements. Once copy of IAFS- 1520 is to be complied by the unit to cover supplies over a period of one month. The contractor is also to maintain a copy of FS- 1520. As and when deliveries are made to the unit, the quantities are to be entered in the Form and the Logistic officer is to sign the contractors copy & obtain the contractors signature on the unit copy. The supplies are to be brought on charge by the Logistic officer in " Manuscript Register" on the basis of relevant entry in IAFS-1520. At the end of the month the contractor is to forward his copy of IAFS - 1520 to the logistic officer. The total deliveries shown on both copies of IAFS - 1520 are to be checked against the total receipt as recorded in "Manuscript Register and both copies are to be rectified and signed by the Logistic officer.

**(Authority: Para 16-17 Chapter 34 IAP 1501)**

Ques 4.

Write TRUE or FALSE (at least FIVE):

- (a) Inactive Stock includes equipment which is no longer in current use but which may be required in an emergency.
- (b) Reduction to produce means to break down an assembly to its basic materials and dispose of the arising as salvage by weight.
- (c) Diversion Order is a request by the Command Hqtr. contractor to deliver equipment to a consignee other than originally specified in the Contract.
- (d) The term Airframe includes gliders without engine(s) installed.
- (e) Salvage means equipment which has been conditioned as beyond repair and not fit for further use in IAF.
- (f) A substore can be instituted with the prior approval of AOM/AOC- in - C.

(5x2 Marks)

Ans.4

- (a) False
- (b) True
- (c) False
- (d) False
- (e) True
- (f) True

**(Authority: Glossary of Terms - IAP 1501)**

Ques.5. Write short notes on any FOUR:

- (a) Initial issues
- (b) Special review of Requirements
- (c) Dues - in and Dues - out
- (d) Review Action Figure (RAF)
- (e) Rotables
- (f) Item Controls

(4x 2.5 Marks)

Ans.5 (a) Initial Issue - a term denoting :

- (a) An issue of equipments, generally to a pre-determined scale, to enable a new unit to function, or an existing unit to change function or fulfil specific commitments, or,
- (b) The first issue of an item made against authorized scale i.e. initial issue to recruits.

**(Authority: Glossary of terms - IAP 1541)**

(b) Special Review of Requirements

On receipt of the revised forecast Factors and the overhaul/Repair plan, the following action is to be taken by the provisioning Section in respect of spares and equipment pertaining to the aircraft: -

(a) All items for which dues in exist are to be reviewed immediately, if the review reveals surplus assets, over and above the requirements for maintenance during the remaining utilization period of the aircraft, the procurement agency is to be requested to cancel/reduce the outstanding indents to the extent to surpluses. Ministry of Defence and Finance (Def/Air) should be simultaneously informed of the action taken and the reason therefore.

(b) Rotables for the aircraft, which are included in the current Repair Task are to be reviewed and the Repair Task reduced to the extent of surplus, if any. Wherever reduction have been made, the concerned repair agency/Overhaul Spares Depot is to be instructed to review requirements of breakdown spare for internal and external arising s on priority basis and communicate the revised requirements to the provisioning section form further necessary action.

(c) Revised requirements for major inspections/ overhaul of the air craft and aero-engines based on the Revised Repair/Overhaul Plan, is to be likewise obtained from the concerned repair agency/OSD priority for necessary action.

(d) Thereafter, review of all the remaining items is to be undertaken.

**(Authority: Para 5 Leaflet No. 42 IAF 1541)**

(c) Dues- in and Dues out

Quantities of equipment due for delivery against indents, supply orders, RMS Orders or direct purchase sanctions are termed as Dues- in.

Quantities of equipment recorded on Provisioning Record Cards or Dues out card as being the unfulfilled requirements for which stock is awaited.

(d) Review Action Figure (RAF)

A pre- determined stock level, expressed in terms of so many months requirements. When the depot stock of an item reaches this figure a special review is undertaken and supplementary indent placed where necessary.

(e) Rotables

These are items which are capable of being repaired and re-used. This term is used in Air Force to denote those items which

(a) Have had or are expected to show turnover at the flying units as a result of normal usage.

(b) Are considered economical to repair for re use and

(c) Which can be replaced by a flying unit and when beyond the capacity or authority of the flying unit to repair , must be returned to the appropriate repair agency for repair/overhaul.

(f) Item Control

Control exercised by the provisioning authority on specified items of equipment. This control also extends automatically to normal issue of any item for which depot stocks have reached the short stock Figure.

**(Authority: Glossary of Terms - IAP 1541)**

Ques.6 (a) When is an Equipment vouched as CAT D1 ?

(6 Marks)

(b) Write any two of the decisions the Defect Investigation Report is required to indicate.

(4 Marks)

Ans.6 (a) Equipment returned for Defect Investigation by Flight/section to logistic Section is to be vouched as Cat - DI to indicate that the item is subject to Defect Investigation and Final category will be decided after the Defect Investigation. The Logistic Section will also vouch such items to OSDs/ BRDs as Cat DI. Such items should be sent complete with all documents including report on failure of Defect (Form IAFF(Q) 1022 ) pertaining to the same.

**(Authority: Para 93 ch. 22 IAP 1501)**

(b) Progress and Production Control Section (PPCS) should allot the Form (Q) 408 a job number from a separate series using the prefix "QR" to distinguish it from other routine jobs. The final investigation report will indicate one of the following decisions:

(a) To retain the serviceable item for use in the depot.

(b) To return the item to the unit in serviceable condition.

(c) To retain the item in repairable condition

(d) To sentence the item beyond economical repair.

**(Authority: Para 96 Ch. 22 IAP 1501)**

Ques.7 (a) What is the necessity of register (Form(F) - 1521] ? What are audit points that will be seen in DRs(Out) ?

(4 Marks)

- (b) How are discrepancies reported by consignee maintained and how is it scrutinized ?  
(3 Marks)
- (c) What is the procedure to be followed in respect of Kit of airmen selected for commission ?  
(3 Marks)

- Ans.7 (a) The Loss statement register (Form(F) 1521) held by the EA Section is checked to verify that all loss statements have been entered therein and it will be seen that all cases under reference to higher authorities are suitably expedited by that section.

The audit points will be seen in DRs (Out) are that -

(i) They are raised without any undue delay after the receipt of consignments, indicating particularly-

(a) the date of receipt of consignment at depot/unit,

(b) the date of unpacking thereof and

(c) suitable explanation for the delay, if any, between the date of receipt and date of opening of the consignment.

(ii) Other instructions contained in chapter 10 IAP. 1501 and in any other orders issued from time to time for the raising of discrepancy reports in the case of inland and foreign consignments have been duly complied with;

(iii) Their clearance is suitably watched and expedited.

**(Authority: Para 127-128 AFLAM)**

- (b) Discrepancies reported by consignee are maintained through Manuscript Register of Discrepancy Report(Inward) . The register is scrutinized to see that -

(i) The discrepancies reported by the consignee units are attended to promptly and cleared expeditiously. Cases where the DR's in is pending for an appreciable period will be brought to the notice of CO through a special communication. If effective action is not taken over thereafter, the matter will be reported to command Hqrs. The consignor LAO will not , however, raise formal objection on outstanding DRs in.

(ii) Wherever, the DR is accepted by the consignor, the adjustment voucher raised by the logistic officer is in order and a loss statement has been raised. Sanction of Loss Statement will be watch in normal manner. Cases where a loss statement is necessary but has not been raised, will be placed under objection.

(iii) Any surplus receipt of equipment reported by a consignee unit is not charged off the daily cards/stock record cards as a matter of course without stock taking of the item concerned; and if stock taking had been carried out already, subsequent to issue, no strike off is allowed.

The DR (in) Register will also be subjected to critical overall scrutiny, to detect significant features, if any.

**(Authority: Para 131 AFLAM)**

- (c) Kit of airmen selected for commission is withdrawn and deposited at Air Force Colleges in the Kit Store on IAFF(Q) 402. On successful

completion of training all items of public clothing of the airmen are to be brought on charge and IAFF(Q) 402 cleared. In case an airmen, who on being disqualified, revert to the ranks, it will be ensured that he is kitted with the same set of public and personal clothing which was withdrawn from him at the time of his selection as a Flight Cadets.

**(Authority: Para 135 AFLAM)**

- Ques.8. (a) Define Cat B Training Aircraft. (4 Marks)
- (b) Bring out condition, selection and authority for it. Who carries out the maintenance of such aircraft ? (6 Marks)

- Ans.8 (a) The category Cat 'B' Training Aircraft means a serviceable aircraft at least upto first overhaul stage but fit for ground instructional training.

**(Authority: Para 119 Ch. 19 IAP 1501)**

- (b) Condition - The aircraft in this category would be fully serviceable in all respects through not air worthy for operational use. The main systems of the aircraft would be fully serviceable and operable and the aircraft would be complete to column 7 of Appendix. 'A' or its equivalent.

Selection - The aircraft to be selected for this category is to have maximum utilization from the date of manufacture. The selection is to be made only at the time it is actually required to be allotted against the scale of ground having units.

Authority - Only Air Headquarters is authorized to re - categories a aircraft from equipment category 'B' to B- Training. This they will do after judicious inspection of all serviceable aircraft on the fleet strength of the type under consideration.

Maintenance - Aircraft in this category are to be maintained by training units in fully serviceable condition. Assemblies and spares required as replacements are to be obtained in accordance with IAF 1501(Ch.4 Para 54-66)

**(Authority: Para 120-122 & 125 Ch. 19 IAP 1501)**

## **Section -II - Store Accounts and Internal Audit**

### **(c) Navy**

Ques.1. (a) Whose responsibility it is for supplying and arranging delivery of victualling stores to ships and establishments ?

(3 Marks)

(b) What are the various ledger accounts required to be maintained by a Victualling Store Officer ? Please indicate the purpose for which these accounts are maintained.

(7 Marks)

Ans.1 (a) It is the responsibility of the Victualling Stores Officer to supply and arrange delivery of victualling stores to ships and establishments.

**(Authority: Para 3 of Section 3 Indian Navy Victualling Directive)**

(b) The Victualling Store Officer is to maintain the following ledger accounts for the purpose indicated against each:

(i) Provision Ledger - To account for all provisions received and issued.

(iv) Packing Material Ledger - To account for all packing material received and issued.

(iv) Suspense Ledger - To account for provisions returned and/ or set aside for survey.

**(Authority: Para 1 Part II Indian Navy Victualling Directive)**

Ques.2. (a) How will you ensure that a contract/supply order has been issued only by the authority to do so. ?

(4 Marks)

(b) What action would you recommend as an IFA in a case, where the item offered by the supplier he is not in a position to either rectify the defects or offer items conforming to the contracted quality standards ?

(6 Marks)

Ans.2 (a) By verification of the specimen signature borne on the contract/supply order with the specimen signature received from the CFA.

**(Authority: Para 6.9.1 of DPM - 2009)**

(b) In the above circumstances, the advice would be to terminate the contract.

**(Authority: Para 6.12.1 of DPM - 2009)**

Ques.3. (a) Who is the agency that carries out pricing of issue vouchers relating to issue of Defence Stores to foreign governments ?

(4 Marks)

(b) While carrying the audit of Main Ledger in a Naval Armament Depot, certain costly items of stores are found to have been charged off by issues to sections in the depot. Which document will you look for too see that the said items have been taken on charge by the concerned sections ?

(6 Marks)

Ans.3 (a) To Min of Def.(Fin.)

**(Authority: Para 85 of NLAO Local Audit Manual)**

- (b) Article - in- ue (A-in-u) Ledger.  
(Authority: Para 102 of NLAO Local Audit Manual)
- Ques.4. (a) What is the pre condition for a demanding unit to carry out local purchase of CPV items of stores ?  
(4 Marks)
- (b) The expenditure against local procurement of stores against a Central Provisioning (CPV) indent is found to have been debited to a local procurement Head. Please comment upon the correctness of this booking.  
(6 Marks)
- Ans.4 (a) NAC from the MO/NSD concerned.  
(Authority: Para 102 of NLAO Local Audit Manual)
- (b) The action taken is not correct. All CPV indents are required to be debited to the Central Procurement Head of account and not to LP head.  
(Authority: Para 3.8, Material Management Manual, Part-III)
- Ques.5. (a) The following liquidated damages (LD) clause has been provided in the draft contract sent to the IFA for vetting:  
  
"In the even of the Supplier's failure to deliver on time, the purchaser , at his sole discretion and not by way of penalty may deduct from the payment 1% of the contract price of the undelivered stores for each month or part thereof till the item is delivered , subject to a maximum of 5% of the contract value."  
  
Do you notice any flaw/defect in the aforesaid proposed clause ? If so, please elucidate.  
(7 Marks)
- (b) It has been proposed to accept the offer of L2 vendor on the ground that the L2 vendor has offered to supply the stores within shorter delivery period 1 vendor. Please comment.  
(3 Marks)
- Ans.5 (a) The above clause is defective to the extent that the percentage of maximum limit up to which LD can be levied is of the value of the stores not delivered on time and not of the total value of the contract.  
(Authority: Para 33 of Appendix A to chapter 6 of Navy Procurement Manual)
- (b) In no case, an offer other than the lowest would be accepted. Hence the proposal to accept the offer of L2 vendor is not in order.  
(Authority: Para 9.9.5, DPM - 2009)
- Ques.6 (a) What do you understand by special conditions of contract ? Are they applicable to all type of contracts ?  
(5 Marks)
- (b) Item Boot DMS has been proposed to be procured from Ordnance Factory as it has been developed specially for Defence Services. Will its procurement form Ordnance Factory as a single source require a PAC ?  
(5 Marks)

- Ans.6 (a) Special conditions of contract are special conditions applicable to specific tender and contract which can be included on case to case basis and in all type of contracts. Special conditions of contract are given in Part- IV of Appendix C, D, & E of DPM- 2009  
(Authority: Para 7.1.4 DPM - 2009)
- (b) Procurement of goods from Defence PSUs specifically manufactured for Defence Services are required to be procured from concerned Defence PSU only. Hence such procurements will not be treated as PAC procurements and as such no PAC is required.  
(Authority: Para 2.4.8 DPM 2009)
- Ques.7. Please explain the following:
- (i) Marine Equipment and Spare parts (3 Marks)
- (ii) On Board Spares (2 Marks)
- (iii) Base and Depot Spares (3 Marks)
- (iv) Insurance Spares (2 Marks)
- Ans.7 (i) Marine Equipment and Spare Parts  
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 include both equipment and spare parts held in stock. Spare connotes assemblies, subassemblies and components of equipment, excluding those stocked as naval spares.  
(Authority: Para 1.16, Material Planning Manual)
- (ii) On Board Spares  
On board spare parts are spare parts estimated as required to operate and maintain a ship during the first year of commission. They are positioned on board by the Shipyard. These are required to be replenished thereafter from spare parts stocked in depots.  
(Authority: Para 1.22, Material Planning Manual)
- (iii) Base Depot Spares  
B&D spares constitute the spare equipment and spare parts estimated as required to maintain and repair a ship during the first five years of commission. They also include insurance spares. These spares are replenished based on consumption. Spares not included in B&D provisioning are provisioned and procured when the need for them arises or is foreseen.  
(Authority: Para 1.23, Material Planning Manual)
- (iv) Insurance Spares  
Insurance spares are equipment held in stock to cater for war and other unexpected damage. These form part of war reserve.  
(Authority: Para 1.26, Material Planning Manual)
- Ques.8. (a) One of the main considerations to be taken into account while provisioning is obsolescence. Please elucidate. (5 Marks)
- (b) What is the minimum stock level ? How is it determined ? (5 Marks)

Ans.8 (a) Every item used by the Navy will functionally out dated over a period of time and require to be superseded by an item of more modern concept and design. In case of some items their very function will disappear over a period of time. As a result, all items held in stock will eventually become first obsolescent and then obsolete.

**(Authority: Para 3.22, Material Planning Manual)**

(b) Minimum Stock Level is the level below which the stock of an item should not be allowed to fall. It expressed as quantity, is determined by the following :

(i) Annual consumption level

(ii) Category Co- efficient for MSL(CCM)

(iii) Shelf Life in months

**(Authority: Para 5.18, Material Planning Manual)**

**SECTION -II (STORE ACCOUNTS AND INTERNAL AUDIT) (D)**  
**FACTORY**

Ques.1. (a) Find out the cost of production per unit of a Crank case from the details listed below :

(a)	Estimate No.	PW/1001200
(b)	Work Order No.	401018000 warrant 08040
(c)	Ordered qty.	50
(d)	Accepted	42
(e)	Rejected qty.	08
(f)	UAR%	25%
(g)	Opening semi:	
	(i) Direct Labour	161984
	(ii) Direct material	1144194
	(iii) PPL	Nil
	(iv) FOH	578899
	(v) VOH	179582
(h)	Expenditure during the year:	
	(i) Direct Labour	293465
	(ii) Direct material	1890783
	(iii) PPL	5961289
	(iv) FOH	1103244
	(v) VOH	546705
(i)	Previous Year COP:	
	(i) Direct Labour	484741
	(ii) Direct material	10354509
	(iii) PPL	4160328
	(iv) FOH	1813031
	(v) VOH	808848

(5 Marks)

(b) (i) How will you account for loss of labour due to waste of time, inefficiency and poor workmanship in costing ?

(1 Marks)

(ii) Will it be included in the normal cost of the job ?

(1 Marks)

(iii) How will you treat such loss beyond the limit indicated in the standard estimate ?

(1 Marks)

(iv) How will you account for this production loss in the Annual Production Account ?

(1 Marks)

(v) How can you set a "standard" for labour hours ?

(1 Marks)

Ans.1(a)	Labour (op semi + exp + PY COP )	940190
	Material ( OP Semi + exp + PY COP )	13389486
	ppl (op semi + exp + PY COP)	10121617
	FOH ( op semi + exp + PY COP)	3495174
	VOH ( op semi + exp + PY COP )	1535135
	<b>TOTAL COP</b>	<b>29481602</b>

Probable output with 25% UAR 14 units, actual output 42, rejection 8 (within UAR)

Cost per unit  $29481602/42 = 701942.90$

42 NOS. absorbs the total expenditure as excess rejection value is nil in this case.

**(Authority: Para 628 OM Pt. VI)**  
**OFB circular No. 31/P(c) dated 20.09.1990 & 21.01.2003**

- (b) (i) It will be treated as "unavoidable loss" as provided for in the corresponding estimate for the respective production job within the permissible limit based on past experience in production.
- (ii) Yes.
- (iii) It will be treated as "Production Loss"
- (iv) This loss will be included in the credit side.

**(Authority: Para 679(ii) OM Pt. VI)**

- (v) Through proper time and motion study, the labour operations required for performing a particular job are determined, which are initially declared as provisional estimate. After three months of continuous production activity, this is to be converted into a standard estimate.

**(Authority: Para 601 OM Pt. VI)**

- Ques.2. (a) A gang of piece workers in a factory produced 6000 nos. in Jan. 2000. The piecework rate is Rs. 250 for 100 items. Calculate the earnings of the gang and piece work profit of each worker of the gang based on the following data:

Worker	Basic Pay	Scale of pay	Attendance
A	Rs. 2600	2550 - 3200	22
B	Rs. 2800	2650 - 4000	23
C	Rs. 4000	3050 - 4590	20
D	Rs. 3000	2550 - 3200	24

(5 Marks)

- (b) Carry out variance analysis per unit cost in respect of Bearing on the following cost data:

	Actuals	Estimated
Direct Labour	18430	15300
Direct Material	170075	210080
PPL	11000	10000
FOH	54700	42840
VOH	23240	18360
TOTAL	277445	296580

(3 Marks)

- (c) Write short notes on Inspection Notes and PL Card.

(2 Marks)

- Ans.2 (a) Notional time wages
- A  $2550/26 \times 22 = 2158$
- B  $2650/26 \times 23 = 2344$
- C  $3050/26 \times 20 = 2346$
- D  $2550/26 \times 24 = 2354$
- Total Time wages = 9202

Piece work earnings of the gang =  $6000/100 \times 250 = \text{Rs. } 15000/-$   
 Piece work profit of the gang =  $15000 - 9202 = 5798/-$   
 Piece work profit % Output/Input -1 =  $15000/9202 - 1 = 63\%$   
 Piece work profit @ 63% of individual notional time wages is to be distributed as follows:

- A  $2158 \times 63\% = 1360$
- B  $2344 \times 63\% = 1477$
- C  $2346 \times 63\% = 1478$
- D  $2354 \times 63\% = 1483$

**(Authority: Para 149 OM Pt. VI)**

- (b) As per provisions of Para 629 and 630 of OM VI, the Br AO should carry out detailed scrutiny of details obtained in the closed card. Necessary variance analysis is to be carried out element wise respect to the unit cost, wherever variation is more than 10%. In the instant case, both direct labour has increased by 20.45% and direct material has decreased by 19% over the estimated cost.

The labour cost variation is presumably due to effect of VI CPC implementation. Reduction in material cost may be due to decrease in price of input materials, particularly steel. After watching the price trend in respect of material over a longer period, revision of the material estimate may be considered if decrease in prices is sustained. However, no revision in labour cost can be envisaged as effect of pay commission is a one time occurrence.

**(Authority: Para 629 & 630 OM Pt. VI)**

- (c) As and when the manufacture of articles is completed, they will be inspected by the Inspection Section or the Work Inspection as the case may be. The detail of articles inspected, quantity accepted and quantity rejected are shown in the Inspection Note or Departmental Advice Note (IA FO - 1937). In the Ammunition Factory, Kirkee and leather factories, this is called an 'O' voucher. This is used for all articles (including components) manufactures in factory. One copy of the Inspection Note will be sent to the Accounts Office from which the quantity accepted is posted on the Receipt side and quantities rejected, if any will also be posted under the column " Rejection" of the Production Ledger Card [IAF (Fac) 39]. One production card should be opened for each item/warrant simultaneously with the opening of the cost card and columns of the cards filled in strictly in accordance with the heading provided in the cost cards.

Extract numbers should be entered in the production card as soon as the relevant extract is received and any addition or alterations to the extract should also be noted therein. Issues are posted from the Production Issue Voucher.

**(Authority: Para 668 OM Pt.VI)**

- Ques.3. (a) List any five points that are essential for planning and control of manufacturing components.

(5 Marks)

- (b) Enumerate the procedure for opening of cost card, posting of expenditure in the cost card and closing of cost card.

(5 Marks)

- Ans.3 (a) 1. There should be proper planning and effective control over production /procurement of various components required for final assembly of products.
2. In assembly line manufacture, final assembly of a product would remain incomplete due to non- availability of even one or more of the components. This entails undue delay in completion of the warrant and in some cases loss to the state.
3. Absence of proper planning and un- coordinated production also leads to heavy accumulation of components in some cases.
4. The programme of production of components in the own factory or procurement of the components from sister factories against IFDs should be so planned as to have a built up stock of components for three months requirement at least to ensure continuity of production and to avoid any hold up in the final assembly stage. For this purpose it is necessary for the management (Planning and progress Section ) to make out a programme for manufacture/procurement of the component based on their requirement with reference to the orders for the main stores on hand and take action for placing warrants in their own factory or IFD on the feeder factories well in advance to ensure regular flow of the components.
5. It would also be necessary to conduct concurrent review of the progress of production of the parent warrant vis- a vis progress of the production/procurement of components relating to it, at least for the main item of production.
6. It would also be required to be seen whether there is accumulation of some components due to increase /unmatched rate of production on the one hand and shortage of certain other components on the other hand, creating bottlenecks in the final assembly.

(Authority: Para 662 OM Pt. VI)

(b) **Opening of Cost Cards**

Cost cards by warrants will be maintained in the Local Accounts Office in IAF(Fac) 95. For this purpose, Cost Cards will be opened immediately after a warrant is issued. Particulars regarding Extract Number, Quantity ordered, Work Order/Warrant Number, nomenclature of material and estimated cost under different elements of cost will be filled in. Opening of the cost card will be authorised by the section officer. In the case of warrants which are carried forward from the previous year, opening value of semi different elements of cost as well as the estimated cost of items will be filled in.

**Posting in Cost Cards**

Accounts Office generates monthly abstracts in the month/2nd month following that of the account to which they relate:

- (i) Labour and Overhead Abstract

- (ii) Material Abstract
- (iii) Transfer Voucher/Allocation Abstract
- (iv) Component abstract

The Accounts office will post from the abstracts into the relevant cost cards, figures relating to each warrant. In posting from the abstract into the cost cards, priority will be given to:

- (i) Warrants completed during the month
- (ii) Running warrants in respect of which the GM of the factory requires progressive figures of expenditure every month

### **Closing of Cost Card**

The list of warrants completed during a month is to be received by the Costing Section by the 10th of the following month. As soon as the list of warrants completed during a month is received in Costing Section, necessary action in the following manner should be taken to close the Cost Cards:-

(i) The first step is to obtain from the labour and Material Sections respectively the completed shop copies of Manufacture and 'Material warrants' duly paired with Accounts copies. These copies will be annexed with relevant cost cards.

(ii) In the case of warrants running from the previous year it should be ensured that the cost card has been debited with opening semi, if any. Replacement Warrants and warrants for tools and gauges manufactured on the parent workorder with sub-numbers will similarly be annexed with respective cost cards and all enclosed to the cost card for the parent Work Order. It should be ensured that the details of all expenditure recorded against a warrant should be available when a warrant is finally closed, no matter how long a warrant has been running. The original cost card of the past year /years in regard to a warrant closed in the current year should be available. Accounts Officers are to ensure that cost cards for all carry forward warrants for any year are available.

(iii) The class of cost wise expenditure debited to the work during a year by Section and month separately and the class of cost wise values of the opening semi, if any, will be cross- totalled and reconciled. The total figures under each element of cost appearing in the cost cards for replacement and tool and gauge warrant will be brought forward and debited separately to the cost card for the parent Work order. All the debits viz. the opening semi, expenditure during the year, cost of replacement, tolls and gauges charges by class of cost will be cross totalled and reconciled.

(iv) At the end of the year, in the case of running warrants, the value of closing unfinished semi should be priced and deducted from the total expenditure element- wise to determine the cost of production of completed articles.

(v) It should now be determined whether any avoidable rejection has occurred in the warrant. The amount of avoidable rejection should be calculated in accordance with the principle and deducted from the expenditure recorded in the cost card. The amount deducted will be excluded from Production Account.

(vi) The normal cost of production of the articles completed will be arrived at by excluding the difference mentioned in (v) above from the total cost of production inclusive of the cost of rejections. The unit cost of production will then be worked out under each element of cost by dividing the normal total cost by number of articles completed.

The cost per unit thus arrived at on closure of each cost card will be taken for variance analysis with reference to the estimated cost determined as per the standard estimates.

**(Authority: Para 623 - 628 OM Pt. VI)**

- Ques.4. (a) What are the objectives of the process to study cost as and when it is compiled ?  
(3 Marks)
- (b) What is the procedure to regulate payment when a supplier supplies quantity in excess of what is stipulated in supply order ?  
(4 Marks)
- (c) How are spot payment bills and audited before payment ? How are they accounted for ?  
(2 Marks)
- (d) How is difference between cost of production and value of issue on a Civil Trade order with loss is treated in Annual Accounts ?  
(1 Marks)

- Ans.4 (a) The object of the review is to spot out
- i. Heavy rejections
  - ii. Delay in documentation such as delay in preparation of demand notes in some cases, return notes in many cases
  - iii. Considerable delay in inspection leading to accumulation items
  - iv. Delay in either issue or preparation of 'P' issue vouchers
  - v. Non- clearance of warrants even when production is complete or almost completed
  - vi. Cases of substantial variation between actual and estimated as revealed by the expenditure recorded even when a warrant is running.
  - vii. Cases where expenditure on tools has not been properly recorded/allocated

**(Authority: Para 637 OM Pt. VI)**

- (b) (a) Acceptance of supplies in excess/short of the quantity ordered will not be held to be modification in the conditions of a contract provided that the value of the excess/short supply does not exceed 5% of the original value. For acceptance of supplies in excess /short of 5% of the original value, the competent authority will be determined by the value of the original order plus the excess /short value. This does not refer to contract made on "As required Basis. "

(b) GMs may allow price increase up to a ceiling of 5% of the contracted price. This may be allowed if-

(i) Alternative course of making risk purchase arrangements is either not practicable or would adversely affect production, and

(ii) The increase claimed by the party is due to factors beyond their control. The increase should not be allowed as matter of routine and 5% is the maximum limit.

(c) The general directive regarding purchase of components for which capacity has already been created in Ordnance Factories for production is that clearance should be obtained from the Ordnance Factory Board. To meet immediate requirements when the item is used by more than one factory, the factory initiating the purchase against their own requirements should inform sister ordnance Factory/Factories using stores regarding price at which order has been place. Last purchase price paid by factory or sister factory for the item will be taken into consideration before placement of new orders. When orders are placed by GMs to meet emergent requirements for which OFB has placed orders, care will be taken to ensure the orders are not placed with defaulting firm.

(d) Price differential may be allowed at the discretion of OFB with the concurrence of Member (Finance) in respect of contractors placed on different sources for the supply of identical stores. This should not exceed 10% in special cases.

(e) General Managers may enter into contracts for fabricating /processing of raw materials /stores including purchase of machined components and semi- fabricated items such as forgings, castings etc. up to the limit specified in relevant Govt. order.

(f) In respect of fixed price contracts, OFB can accept increase upto 66-2/3 percent of the Contract Price. Normally as a principle no price increase should be accepted, but in exceptional cases negotiations could be done and the final decision taken by OFB.

**(Authority: Para 368 OM Pt. VI)**

(c) In regard to bills for Spot Payment, Cheque would be issuable only against bills preferred by the GM on behalf of the contractor duly supported by the proposed Supply order. The relevant supply order should invariably be audited before the bill prepared for the proposed Spot Payment is admitted and Cheque is handed over to GM of the concerned factory. As and when the cheque, is issued, it will be entered into the "Register of Payments to Contractors in the usual manner. These advance payments are noted in the Demand Register. Factory Authorities will forward covering bill from the contractor duly receipted for the amount of cheque and indicating other usual particulars e. g. reference to the Supply Order, description of stores, unit of quantity, total quantity of stores delivered, rate and total cost duly certifying the receipt of the stores in good condition. In cases, where Receipt Vouchers do not accompany such receipted bill, it should be

ensured that they are received within a reasonable time. Case of unusual delay should be brought to the notice of the Factory Management at the appropriate level and discussed in the Liaison meeting.

**(Authority: Para 389(e) OM Pt. VI)**

- (d) Treated as Cash loss as per 721 (B)  
The profit or loss is calculated with reference to the total volume of civil Trade done by a factory in a year.

**(Authority: Para 102 OM Pt. VI)**

- Ques. 5. (a) Saturday bonus under Factories Act is also paid to a piece worker separately.  
(True/False)
- (b) A maintenance worker attached to production section gets incentive bonus than a maintenance worker attached to non- production section.  
(True/False)
- (c) Will you admit " guarantee pay" to a day worker ?  
(Yes/No)
- (d) Material cost is the major element of cost in Ordnance Factory.  
(True/False)
- (e) The General Manager of the Factory directs stores manager to issue two tanks to the Army for urgent trial through Demand note. Is it correct ?  
(True/False)
- (f) "P" issue vouchers should be prepared for all issues from production.  
(True/False)
- (g) A new foreman of the Factory demands production materials from store section by presenting issue voucher. Is it correct ?  
(Yes/No)
- (h) The foreman of a Production shop asks unskilled workers attached to the shop to remove all production rejection material for direct disposal to a contractor. Is it correct ?  
(True/False)
- (i) In a Tender Purchase Committee Level III, Dy. General Manager of the Factory compares Average Ledger Rate obtained from Local Accounts Office with the contractor's rate for awarding the contract on the ground that the contractor's rate is below the Average Ledger rate. However the Local Accounts Office objects to this and he refuses to approve that case for placement of supply order saying that comparison is not on like to like basis. Is he correct ?  
(Yes/No)
- (j) Some materials purchased from different supply sources at different prices are accounted for in a single ledger folio.  
(Yes/No)

- Ans.5 (a) False  
(b) True  
(c) No  
(d) True  
(e) No  
(f) True  
(g) No  
(h) No

- (i) Yes
- (j) True

Ques.6. (a) What position does the following indicate and what remedial action is to be initiated ?

Ledger folio no.	62010010001
Item	Filter
Stock position as on 31-03-09	
Qty held	
500	(-) 20000
1000	nil
nil	(-)5000
nil	10000

(2 Marks)

(b) From the following data make out an analysis:

(i) Water pump LF	62100200301	
	Qty	Value
Opening balance 01-03-06	600	30000
Issue on 21-03-06	50	2500
Receipt on 30-03-09	100	4000

(3 Marks)

(ii) Rod LF	62300200101	
	Qty	Value
Opening Balance 01-03-08	200	320000
Qty held as on 31-03-09 (after stock verification)	200	320000

(1 Marks)

(c) What kind of loss statements are prepared in respect of the following:

(i) Losses occurring in transit upto the port of disembarkation in India for which supplier refuses to make good the loss.

(1 Marks)

(ii) Article taken on charge in unpacked condition as per marking in the packages but found deficient at the time of actual issue.

(1 Marks)

(d) Write a short note on Trade test.

(2 Marks)

Ans.6 (a) These are unorthodox balances arising in the ledger due to store documents not being promptly priced and posted chronologically. This is also due to non- posting of receipt documents in the chronological order over the issue documents. Necessary counter adjustments either to receipt or issue, which were necessary, were not made.

**(Authority: Para 425 & 426 OM Pt. VI)**

An unorthodox Balance Register (as per Sl. No. 16 Annexure "A" ) should be maintained wherein all file unorthodox balances should be noted. The unorthodox balances recorded in the register - should be reviewed

promptly and adjustment documents as necessary made out every month and certificate to the effect furnished to the Stores Section of C. C. of A \*(Fys) through the monthly Progress Report (Proforma B). As the Bin balance is reflected on the reverse of each documents reconciliation quantity should be effected by calling for the Bin card as balance as per Bin Card can never be a minus figure.

**(Authority: Para 427 OM Pt. VI)**

- (b)(i) On carrying out careful review of stores held on charge, it is noticed that in spite of the Water pump not being drawn for three years, a fresh receipt has been recorded with as meager utilization on 31.03.09. This is clear case of procurement of an items aft it has become a non - moving item. This may b objected to on the grounds of procurement of particular stores not required for production for a period of three years.
- (ii) The case of Rod to be taken up with factory management with an advice to utilize the slow moving item on priority and explore possibility of utilization for liquidation.

**(Authority: Para 437 OM Pt. VI)**

- (c) (i) Cash loss  
(ii) Store loss

**(Authority: 477 & 478 read with 476 OM Pt. VI)**

- (d) Promotion to a higher grade in the same trade or transfer to a different trade as also appointment as a tradesman will be subject to passing the prescribed trade test. For this purpose a trade test board will conduct test as per details of specifications approved by the OFB for each trade and grade.

Labour representatives from industrial employees appointed as observers will be treated as on duty for the time spent by them in the meetings of the board held during the normal working hours. If the normal working hours are exceeded during a trade test board meeting, the time spent will be similarly treated and overtime allowance etc. if admissible under the departmental rules governing overtime pay, provided however, the rate of overtime allowance will not exceed normal time rate.

The pay of the workman for the period he undergoes trade test or acts a s an observer will be charged to WO 01/00010/00.

**(Authority: Para 286-288 OM Pt. VI)**

- Ques.7. (a) Categories the following expenditure of overhead as fixed or variable and indicate the work orders to which these are to be booked:  
(i) Repairs to electrical installation.  
(ii) Payment of incentive bonus of IEs  
(iii) Superannuation charges  
(iv) Tools for general shop use  
(4x1= 4 Marks)
- (b) What action will be taken in the following cases:  
(i) Pricing receipt voucher on receipt from sister factory  
(1 Marks)  
(iii) Loss of cheque issued to a private party

(3 Marks)

(iii) Difference in the quantity of an item as per Priced Store Ledger and Bin Card

(2 Marks)

- Ans.7 (a) (i) Fixed 01/00027/00  
(ii) Variable 02/00007/00  
(iii) Fixed 01/00009/00  
(iv) Variable 02/00019/00

**(Authority: Para 567-581 OM Pt. VI)**

- (b) (i) These are valued as per priced copies of vouchers. If these are not received in time, they should be valued provisionally at the latest receipt rate or on estimated rate.

**(Authority: Para (409) (F) OM Pt. VI)**

(ii) In cases where Cheques are reported as lost, intimation should be sent to the banker under 'Registered Post/Ack. Due' to stop payment of the cheque. On receipt of intimation from the Bank, Accounts Section should be addressed for confirming that the cashed cheque has not been received. After this, fresh cheque will be issued to the contractor on receipt of Indemnity Bond duly scrutinized by the factory authorities. Indemnity Bond is not necessary in the case of cheque issued in favour of Govt. Departments/Bank. The payee should furnish a certificate stating that he has not received the cheque alleged to have been lost and that it will be returned to the drawer if found.

**(Authority: Para 390 OM Pt. VI)**

(iii) In the case of discrepancy between the Priced Store Ledger balance and the actual stock, a discrepancy voucher on IAF(Fac) 144 for the gross loss will be prepared and posted in the ledger with a view to keeping the ledger balance always and at any time in agreement with the physical ground balance. The discrepancy will subsequently be investigated and settled. Pending settlement of the discrepancy, the Discrepancy Voucher should be entered in the objection Register and watched. If on final settlement a loss settlement is necessary, the loss statement portion IAF(Fac) 144 will be completed and written off or sanctioned for the net loss.

**(Authority: Para 471 OM Pt. VI)**

- Ques.8. (a) From the following data determine the outstanding asset after linking. Towards supply of 100 numbers of a particular item an advance payment of 15% of the total value is made to the tune of Rs. 15,00,000 in June, 2006. In Aug 2006, 25 numbers of the item have been received and taken on charge thorough receipt voucher. The receipt voucher has been priced for Rs. 25,00,000.

(2 Marks)

- (b) In the above example, what is the value of outstanding liability ?

(1 Marks)

- (c) A demand note for an item drawn on out turn work order was wrongly priced at Rs. 100 per unit for 50 units instead of Rs. 1000 per unit. What is the course of action to be taken.

(2 Marks)

- (d) List any five additional items of expenditure/income recently incorporated in the Revised Principal Ledger package so as to facilitate generation of Commercial Accounts.

(5 Marks)

Ans.8

- (a) In linking, out of the 15% advance payment made for 100 numbers of the item the amount, pertaining to 25 numbers will be cleared and the value remaining under outstanding asset against the particular item will be Rs. 11,25,000/-

(Authority: Para 740 OM Pt. VI)

- (b) Liability will also be cleared to the extent the asset is cleared. Here the asset cleared works out to Rs. 3,75,000/-. So the value of outstanding liability will be (2500000 - 375000) Rs. 21,25,000/-

(Authority: Para 741 OM Pt. VI)

- (c) A plus adjustment to be made on KOD 27 under the out turn work order/warrant on which the original demand note was drawn for the difference in value ( 50\* (1000-100 = 45000/-) and posted in the PSA/PSL.

(Authority: Para 421 and 429 OM VI)

- (d) Liability side

(i) Railway siding charges remaining unpaid

(ii) Water & electricity charges unpaid

(iii) Advances received on A/c of Excise duty

(a) For services rendered on Payment (MHA & Export)

(b) For Civil Govt. Deptt/PSU (Others Central Govt. Deptt., State Govt/UT, PSU & State Police)

(c) For Private Indentors

(iv) Advances received on a/c of Sales Tax/VAT

(a) For services rendered on Payment (MHA & Export)

(b) For Civil Govt. Deptt/PSU ( Others Central Govt. Deptt., State Govt/UT, PSU & State Police)

(c) For Private Indentors

(v) Amount of Sales Tax Remaining unpaid

(vi) Amount of Excise duty Remaining unpaid

(vii) Govt. Contribution to NPS for March to be paid

(viii) Security Deposit remaining unpaid

(ix) Earnest money deposit remaining unpaid & LD recovered but under litigation

(xiii) GM's Public Fund A/c

(ix) Advances received for services to - Army

Navy

Air Force

ODD

Asset side

(i) Central Excise Duty paid but not realized from parties

(ii) Sales Tax paid but not realized from parties

(iii) Electricity Duty excess paid

(iv) Un recovered Excise Duty from customers

(a) For Services rendered on Payment (MHA & Export)

(b) For Civil Govt. Deptt/PSU (Others Central Govt. Deptt., State

Govt./UT, PSU & State Police)

(c) For Private Indentors

(v) Un recovered Sales Tax/VAT from customers

(a) For services rendered on Payment (MHA & Export)

(b) For Civil Govt. Deptt/PSU (Others Central Govt. Deptt., State Govt. /UT, PSU & State Police)

(c) For Private Indentors

(vi) Un recovered Festival Advance

(vii) Advances Deposit on Electricity & others

(viii) GM's Public Fund A/C balance

(ix) Advances received up to the current year for services to be rendered in the ensuing year.

(x) Security Deposit remaining unpaid

(xi) Earnest money deposit remaining unpaid & LD recovered but under litigation

**DEFENCE ACCOUNT DEPARTMENT**  
**SAS EXAMINATION - PART-II (NEW SYLLABUS)**  
**NOVEMBER, 2009**  
**PAPER-VII - THEORY (WITHOUT BOOKS)**

**SUBJECT: FINANCIAL MANAGEMENT, IFA SYSTEM AND ELEMENTS OF LAW**

**Time Allowed: 3 Hours**

**Max. Marks: 100**

**Notes:**

1. In all, candidates are to attempt 10 questions 4 question out of 6 questions from Section-I, 3 question 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)**

Ques1. What are the types of cases in which advance payment to suppliers can be made as per GFR- 2005 ? Enumerate conditions/limits attached with the same. Also, state competent authority who can relax the ceilings.

(10 Marks)

Ans.1 Ordinarily, payments for services rendered or suppliers made should be released only after the services have been rendered or supplies made. However, it may become necessary to make advance payments in the following types of cases:-

- (i) Advance payment demanded by firms holding maintenance contracts for servicing of Air - conditioners, computers, other costly equipment, etc.
- (ii) Advance payment demanded by firms against fabrication contracts, turnkey contracts etc.

Such advance payments should not exceed the following limits:-

- (i) Thirty percent of the contract value to private firms;
- (ii) Forty percent of the contract value to a State or Central Government agency or a Public Sector Undertaking; or
- (iii) In case of maintenance contract, the amount should not exceed the amount payable for six months under the contract.

Ministries or Departments of the Central Government may relax, in consultation with their Financial Advisors concerned, the ceilings (including percentage laid down for advance payment for private firms) mentioned above. Further, while making any advance payments as above, adequate safeguards in the form of Bank Guarantee, etc. should be obtained from the firm.

**(Authority: Rule 159 of GFR 2005)**

- Ques2. Define the following:
- (a) Bid Security (Earnest Money Deposit ( EMD)
  - (b) Performance Security
  - (c) Buy Back Offer
  - (d) Limited Tender Enquiry
  - (e) PAC Tendering

(2x5 Marks)

Ans.2 (a) **Bid Security:**

To safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money) is to be obtained from the bidders except those who are registered with the Central Purchase Organisations (DGS&D etc), National Small Industries Corporation (NSIC) or the concerned Ministry or Department. The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range between two percent to five percent of the estimated value of the goods to be procured. The exact amount of bid security, should be determined accordingly by the Ministry or Department and indicated in the bidding documents. The bid security may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the commercial banks in an acceptable form, safeguarding the purchaser's interest in all respects.

**(Authority: Rule 157 of GFR- 2005)**

(b) **Performance Security:**

To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract. Performance Security is to be obtained from every successful bidder irrespective of its registration status etc. Performance Security should be for an amount of five to ten percent of the value of the contract. Performance Security may be furnished in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from a Commercial bank in an acceptable form safeguarding the purchaser's interest in all respects. It should remain valid for a period of sixty (60) days beyond the date of completion of all contractual obligations of the supplier including warranty obligations.

**(Authority: Rule 158 of GFR- 2005)**

(c) **Buy Back Offer:**

When it is decided with the approval of the competent authority to replace an existing old item(s) with a new and better version, the department may trade the existing old item while purchasing the new one. For this purpose, a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders formulate their bids accordingly. Depending on the value and condition of the old item to be traded, the time as well as the mode of handling over the old item to the successful bidder should be decided and relevant details in this regard suitably incorporated in the bidding document.

Further, suitable provision should also be kept in the bidding document to enable the purchaser either to trade or not to trade the item while purchasing the new one.

**(Authority: Rule 162 of GFR- 2005)**

(d) **Limited Tender Enquiry:**

Limited Tender Enquiry may be adopted when estimated value of the goods to be procured is up to Rupees Twenty - five Lakhs. Copies of the bidding document should be sent directly by speed post/registered post/courier/e-mail to firms which are borne on the list of registered suppliers for the goods in question.

The number of supplier firms in Limited Tender Enquiry should be more than three.

Also, Purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than Rupees twenty-five lakhs, in the following circumstances.

- (a) The competent authority in the Ministry or Department certifies that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. The Ministry or Department should also put on record the nature of the urgency and reason why the procurement could not be anticipated.
- (b) There are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.
- (c) The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped, is remote.

**(Authority: Rule 151 of GFR- 2005)**

(e) **PAC Tendering:**

Certain items, particularly equipments, are the propriety product of a manufacturing firm. Such items are only available with that firm or their dealers, stockiest or distributors as the detailed specifications are not available for others to manufacture the item. Situations may also arise when, for standardization of machinery or ensuring compatibility of spare parts with the existing sets of equipment, as per the advice of the competent technical expert, goods and services have to be obtained from a particular source. In such situations, a Propriety Article Certificate (PAC) may be issued to the original equipment manufacturer (OEM) and items procured on PAC basis from that particular firm or its authorized dealers, stockists or distributors. While PAC is issued only in respect of the concerned OEM, the item may be bought from any dealer, stockist or distributor specified in that particular PAC on the basis of the information provided by the OEM, provided the purchase is accompanied by a proper manufacturer certification. PAC once issued will be valid for two years from the date of issue unless cancelled earlier by the CFA.

**(Authority: Rule 4.5.1 of GFR- 2005)**

Ques.3      Mention the instances in which tenders may be ignored and rejected straight away as per DGS &D manual ?

(10 Marks)

Ans.3      The instances in which tenders may be ignored and rejected straight away as per DGS&D manual are as follows:-

- (i) The tenders received after due date and time of tender opening (Late

Tenders);

(ii) It is an unsolicited offer i.e. offer from tenderer other than those asked to quote against LTI/SIT. These can be considered for acceptance only in exceptional circumstances in consultation with the finance.

(iii) It is in the form of letter head/FAX/Telex/Telegram.

(iv) It is from, stockist(s) or agent(s) without indicating details of the manufactures.

(v) It is from agents without proper authorization from the manufacturers.

(vi) It is from agents quoting for imported stores but they are not enlisted with DGS&D under Compulsory Enlisted Scheme of Ministry of Finance.

(vii) It is not accompanied with Earnest Money in case the firm responded is not registered with DGS&D/NSIC.

(viii) It does not indicate delivery period by which supplies can be made or delivery offered is vague.

(ix) It does not indicate the terms of delivery.

(x) It is ambiguous with regard to any of the essentials i.e. the items being offered, prices quoted and the period of delivery.

(xi) Tender samples as required in the enquiry conditions have not been submitted by the due date.

**(Authority: Para 9.3.7 of DGS &D Manual)**

**Ques.4** Who is competent authority for grant of extension of delivery date in DGS & D procurements and what are the conditions for the same ? What are the points to be considered in cases where downward trend in prices is indicated, while granting extension of delivery date in procurement against DGS&D rate contract? Also mention the amount of liquidated damages applicable for the said extension?

(10 Marks)

**Ans.4** The purchase officer within whose powers the value of the Acceptance of Tender falls will be competent to consider requests for extension and to decide whether the extension of time should be given. Such extension in delivery period will be given by the competent purchase officer by reserving the right of the purchaser to levy liquidated damages for delay and with denial of increase in price, taxes, duties etc. taken place during the extended period. These are called R/R and denial clauses.

Further, when there is downward trend in prices, advantage thereof should be taken while considering the request of the contractor for extension of the delivery period. The following actions should be taken.

(a) Where the lower trend in prices is such that it can be legally recovered then the pre- estimated damages against the higher priced Acceptance of Tender, then the delivery period should be extended with R/R and Denial Clauses.

(b) In case the amount of the pre- estimated damages does not cover the total cost differential on account of lower trend observed, then the lower price should be counter offered to the firm. Where there is a range of lower price available, the competent purchase officer in consultation with Finance will determine the price to be counter offered to the firm keeping in view the rate at which the maximum quantity has been covered, the delivery

which the maximum quantity has been covered, the delivery schedule, capacities of lower quoting firms etc.

(c) In case the firm does not accept the lower price the contract may be cancelled and action taken to repurchase the stores as per conditions governing the contract. In case the firm agrees to the lower price counter offered, the delivery period will be extended without liquidated damages and R/R and denial clauses.

The Liquidated Damages applicable for extension of Delivery period, if any will be @ 2% per month subject to maximum of 10%.

**(Authority: Para 12.13,12.16 of DGS &D Manual & clause 14.7(1) of DGS&D form No. 68 (Revised)**

Ques.5 Explain foreign Payment procedure in brief.

(10 Marks)

Ans. 5 The payment will be made by RBI/SBI for credit to the particular account to the Foreign Bank as per the terms of the contract and the amount of payment will be intimated to the PCDA (HQrs), New Delhi by the Banks concerned by means of Debit Advice." The Debit Advice will show the amount paid in foreign currency vis-a-vis rate of exchange and the amount in rupees, towards telex charges, commission charges, amount towards bank charges, transit interest etc. On receipt of Debit Advice, PCDA(HQrs), New Delhi will call for the invoices " in respect of letter of Credit Cases" from the Service HQrs for scheduling the same to consignee CDA. The Debit advices should be checked, to ensure particularly that the rate of Exchange adopted is correct. The amount is compiled by preparing a Punching Medium to the respective expenditure Head of Account as indicated in the sanction letter.

In respect of Bank transfer cases also the adjustment will be carried out as per the debit advices received from the RBI/SBI on the same advices as above.

Where payment has to be made through letter of credit action to open letter of credit in favour of named party will be taken immediately on receipt of requisite Govt. sanction/authorization letter and after verification of release of foreign exchange by the Ministry of Defence (Fin). A letter of credit is to be opened in accordance with the contents of the Govt sanction/authorization letter and payment terms of the contract agreement.

**(Authority: Para 20 of OM - XII)**

Ques.6 Explain in brief the demand for grants? How many demand for grants are there in Min. of Defence for Defence Services only? Name them.

(10 Marks)

Ans.6 The estimates for expenditure for which vote of Parliament is required shall be in the form of Demand for Grants.

Generally, one Demand for Grant is presented in respect of each Ministry or Department. However, in respect of large Ministries or Departments, more than one Demand is presented . Each Demand normally

includes provisions required for a service, i.e. provisions on account of revenue expenditure, capital expenditure, grants to the State and Union Territory Governments and also Loans and Advances relating to the service.

The Demand for Grants shall be presented to Parliament at two levels. The main Demand for Grants are presented to Parliament by the Ministry of Finance, Budget Division along with the Annual Financial Statement while the Detailed Demands for Grants, after consideration by the "Departmentally Related Standing Committee" (DRSC) of the Parliament, are laid on the Table of the Parliament by the concerned Ministries /Departments, a few days in advance of the discussion of the respective Ministrie's/Department' Demands in that House.

There are six (6) no. of demand for grants in Min of Defence, Five (5) on Revenue Account and one (1) on Capital Account. The same are given as under:-

Demand No. 21 - Defence Services, Army(Major Head - 2076).

Demand NO. 22- Defence Services, Navy (Major Head - 2077)

Demand No. 23 - Defence Services, Air Force (Major Head - 2078)

Demand No. 24 - Defence Ordnance Factories ( Major Head - 2079)

Demand No. 25 - Defence Services, Research & Development  
(Major Head - 2080)

Demand No. 26 - Capital Outlay on Defence Services ( Major Head - 4076)

**(Para 3.18 & 3.19 of IGGA, Appx C to Defence Service Estimates. )**

## Section -II (IFA System)

Ques.1 Special Financial Powers to Army Commanders has been given for procurement of Stores of Ordnance origin for CI Ops /IS Duties /Siachen Glacier/ aid to civil authorities. Please state the items which cannot be procured out of these Special Financial Powers ? How much is the allotment made out of Army Commander Special Financial Powers under Head 110(C) to GoC in Cs Northern, Eastern & Western Commands.

(10 Marks)

Ans.1 The List of Items not to be procured out of Army Commander Special Financial Powers is as under:-

(a) Computers, peripherals, ancillaries etc procurable under the IT head, Minor Head 110(H) will not be procured under the special financial powers.

(b) Medical stores and equipment will not be procured except as provided for procurement out of minor head 800(B) under Army Commander Special Financial Power.

(c) Items classified to be of capital nature, expenditure whereon is comparable to Major Head 4076, Sub Major Head 01- Army will not be procured.

The amount allotted out of Army Commander Special Financial powers under Minor Head 110(C) is as follows:

Northern Command	--- Rs. 100 Crores
Eastern Command	--- Rs. 50 Crores
Western Command	--- Rs 9 Crores.

**(Note 12 of Schedule XXI (A&B), Note 1(a) to Schedule XXI (A) & Note 1 to Schedule XXI (B) of GoI, MoD letter No. A/89591/FP-1974/D(GS-1) dt. 26.07.2006)**

Ques.2 What is the procedure for execution of projects out of Tele Adm. Grant(TAG) under delegated financial powers?

(10 Marks)

Ans.2 The sponsoring/formation will initiate the statement of case for the project included in the Priority Procurement Plan(PPP) for the particular year. The Statement of case will include the details of the project, existing arrangements, benefits likely to accrue with implementation of the project showing the estimated cost of expenditure based on LPP/market survey/budgetary quote duly indicating the CFA based on estimated cost. The QRS for the project should be vetted by the competent technical authority. The file for the proposal will be submitted to the concerned IFA for obtaining the concurrence for acceptance of necessity. After obtaining the concurrence of IFA for acceptance of necessity, the proposal will be put up to appropriate CFA in terms of powers delegated vide Schedule XX to GoI, MoD letter dt. 26.07.2006 for obtaining approval of AON. The draft tender enquiry (DTE) will also be prepared incorporating all the General/standard terms and conditions as per DPM/GFR/SOP(TAG). The

Bids for the project will be invited on two bid system i.e Technical bid and Commercial bid. The DTE for the project needs to be vetted by the IFA before issue.

After vetting of DTE by IFA, the tender enquiry is issued to registered dealers or an advertisement is being published in the newspapers based on the tendering process i.e. LTE/OTE.

On submission of bids the vendors, the technical bids are opened. TEC evaluates the bids and submits their report to CFA for acceptance. After acceptance of TEC report by CFA, the commercial bids of technically qualified bidders is opened by a tender opening board. The Tender Opening Board prepares the CST. The CST is vetted by IFA/rep of IFA.

After that the PNC/CNC for the project is convened. The proposal is submitted to IFA office for financial concurrence based on recommendations of PNC/CNC. The proposal is submitted to appropriate CFA after financial concurrence of IFA for Expenditure angle sanction.

The supply order is issued to the firm after sanction is issued by the CFA. After, delivery of the stores, the contingent bills for the project is submitted to the paying authority for their further necessary action.

**(Authority: SOP for TAG)**

- Ques.3 (a) What would be the criteria for determining the CFA in a works proposal which includes both authorized and special items of works ?  
(4 Marks)
- (b) What is the time limit for approval of urgent works initiated under Go Ahead sanction in terms of provisions of Defence Works Procedure ?  
(3 Marks)
- (c) What is the financial limit upto which Stn. Cdr. can sanction a work proposal in consultation with IFA/CDA ?  
(3 Marks)

Ans.3 (a) In determining the CFA, in a case where the project includes both authorized and special items of work the criterion shall not be the financial powers for the authorized items of work alone. In such a case, therefore, if the estimated cost of the total of the special items of work exceeds the financial powers of the CFA for those items, the administrative approval shall be issued by the CFA under whose powers the items of special items of work fall.

(b) The urgent works initiated under Go - Ahead sanction in terms of provisions of the Defence Works Procedure will be subsequently got approved under appropriate CFA Powers within a period of six months.

(c) The Stn Cdr has not been delegated any Power to sanction the work proposal in consultation with IFA/CDA. He has inherent powers to the tune of Rs 5 Lakhs for authorized work and Rs 50,000 for special works.

**(Authority: Note 3,6 & Sl No. 6,7 to Schedule XVIII of GoI, MoD letter No. A/89591/FP-1/1974/D(GS-1) dt. 26.07.2006)**

- Ques.4 (a) What are the criteria for classification of an item to be procured as capital in nature?  
(4 Marks)
- (b) What are the powers presently delegated to service Hqrs. for procurement of an item capital in nature and who can exercise those powers in Army, Air Force & Navy respectively ?  
(4 Marks)
- (c) Whether the above delegated financial powers for capital can be exercised with IFA consultation or otherwise ?  
(2 Marks)

- Ans.4 (a) The item to be classified as capital in nature must meet the following twin criteria:  
(i) The cost of the equipment should be more than Rs 10 Lakhs, and  
(ii) The life span of the equipment should be more than 7 years.
- (b) The powers delegated to services HQrs for Capital Procurement is Rs 50 Crores and same is exercised by Vice Chief of Army Staff in Army, Vice Chief of Naval Staff in Navy & Deputy Chief of Air Staff in Air Force.
- (c) These powers should be exercised in consultation with their accredited IFAs only.  
**(Authority: (a)(b)(c): Schedule XXIII to RDFP- 2006(Army) as amended, Schedule 1 to RDFP- 2006 (Air Force) as amended & Annexure 9 to RDFP - 2006 (Navy) as amended by GoI, MoD letter No. 470 /Dir(Acq) /07 dte. 28.07.2008**

- Ques.5. (a) What is the financial limit above which purchases in Army will be made on the advice of TPC involving IFA or his rep as a member ?  
(3 Marks)
- (b) What would be the composition of such TPC and sanction level of that procurement ?  
(3 Marks)
- (c) Whether the requirement of TPCs also applies to procurement of equipments made against DGS&D Rate Contracts or other Rate Contracts finalized by various authorities and who will be Direct Demanding Officer (DDOs) in these cases for placement of supply order against rate contracts.  
(4 Marks)

- Ans.5 (a) All purchase in Army exceeding Rs 5 Lakhs in value will be made on the advice of the Tender Purchase Committee to be constituted by the CFA and will include the IFA or his rep as a member. The composition of the TPCs in conformity with the foregoing will be specified in relevant SOPs /AIs
- (b) The general composition of the TPC/PNC will be as under:-  
(i) Rep of CFA,  
(ii) Technical Rep,  
(iii) User Rep &  
(iv) Rep of IFA  
(v) Any other co-opted member, if required.

Further, the TPC/PNC will only be a recommendatory body for Procurements which will be sanctioned at the next higher level by the CFAs in the Services (with or without IFA concurrence as per delegation of Financial powers. )

- (c) The requirement of TPCs does not apply to procurement of equipments/items made against DGS&D Rate Contracts or Rate Contracts finalized by the nominated Services authorities or DGAFMS under their delegated powers. All CFAs delegated financial powers to incur expenditure as indicated in various schedules will be direct demanding officers for placement of orders against DGS&D rate contracts to the extent of the respective financial powers and in respect of the items for which the financial powers and in respect of the items for which the financial powers have been delegated.

**Authority: (a)(b)(c): Para 6 & 7 of GoI, MoD letter No. A/89591/FP-1/1974/D(GS-1) letter dt. 26.07.2006**

### SECTION-III (ELEMENTS OF LAW)

Ques.1 Who is liable to be punished under Minimum Wages Act and what are the penalties under the Minimum Wages Act, 1948 ?

(10 Marks)

Ans.1 An employer who (i) pays to any employee less than the minimum rates of wages fixed for that employee's class of work, or less than the amount due to him under the provision of this Act; or (ii) contravenes any rule or order made under Minimum Wages Act, is liable to punished under Minimum Wages Act.

Any employer who falls into above criteria, shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to five hundred rupees, or with both, provided that in imposing any fine for an offence under this section the court shall take into consideration the amount of any compensation already awarded against the accused in any proceedings.

(Authority: Section 22 , Minimum Wages Act -1948)

Ques2. Define negotiable instrument. Explain in brief the kinds of negotiable instruments ? Also explain the meaning of "Holder in due course."

(10 Marks)

Ans.2 A " Negotiable Instrument" means a promissory note, bill of exchange or cheque payable either to order to bearer.

**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.

**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.

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

**Holder in due Course:** The " 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 indorse 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.

(Authority: 13(1) , 4,5,6,9 of Negotiable Instruments Act, 1881.)

Ques.3 (a) What are the categories on which Administrative Act, 1985 does not apply ?

(5 Marks)

(b) As per Administrative Tribunals Act, 1985, what is the jurisdiction of Central Administrative Tribunal ?

(5 Marks)

Ans.3 (a) The provisions of Administrative Tribunal Act, does not apply to:-

(i) Any member of the naval, military or air force or of any other armed forces of the Union.

(ii) Any officer or servant of the Supreme Court or of any High Court (or Courts subordinate thereto)

(iii) Any person appointed to the Secretarial Staff of either House of Parliament or to the Secretarial Staff of any State Legislature or a House thereof or, in the case of Union Territory having a Legislature, of that Legislature.

(b) The Central Administrative Tribunal shall exercise, on and from the appointed day, all the jurisdiction , powers and authority 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 appointed to any civil service of the Union or any civil post under the union or

(iii) a civilian appointed to any defence service 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 of 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 whose services have 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 Govt for such appointment.

Ques4. In terms of Indian Contract Act, 1872, what agreements are contracts ? Who are competent to enter into contract ?

(10 Marks)

Ans. 4. All agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void.

Nothing herein contained shall effect any law in force in India, and not hereby expressly repealed, by which any contract is required to be made in writing or in the presence of witnesses, or any law relating to the registration of documents.

Every person is competent to contract who is of the age of majority according to the law to which he is subject, and who is of sound mind and is not disqualified from contracting any law to which he is subject.

**(Authority: Section 10, 11 of Indian Contract Act, 1872)**

Ques5. Explain the main features of sale and agreement to sell as per the Sales of Goods Act, 1930. Also, explain how contract of sale is made ?

(10 Marks)

Ans. 5. The main features of sale and agreement to sell as per the Sales of Goods Act, 1930 are as follows:-

- (i) A contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a price. There may be a contract of sale between one part owner and another.
- (ii) A contract of sale may be absolute or conditional.
- (iii) Where under a contract of sale the property in the goods is transferred from the seller to the buyer, the contract is called a sale, but where the transfer of the property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled, the contract is called an agreement to sell.
- (iv) An agreement to sell becomes a sale when the time elapses or the conditions are fulfilled subject to which the property in the goods is to be transferred.

Contract of Sale how made: A contract of sale is made by an offer to buy or sell goods for a price and the acceptance of such offer. The contract may provide for the immediate delivery of the goods or immediate payment of the price or both, or for the delivery or payment by installments, or that the delivery or payment or both shall be postponed.

Subject to the provisions of any law for the time being in force, a contract of sale may be made in writing or by word of mouth, or partly in writing and partly by word of mouth or may be implied from the conduct of the parties.

**(Authority: Section 4 & 5 of the Sales of Goods Act, 1930)**

**DEFENCE ACCOUNTS DEPARTMENT**  
**S.A.S EXAMINATION- PART -II (NEW SYLLABUS)**

**NOVEMBER, 2009**

**PAPER-VIII ( QUALIFYING PAPER)**

**SUBJECT : OFFICE COMMUNICATION**

**Time Allowed: 3 Hours**

**Max. Marks: 150**

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Notes:

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 precis 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).
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Ques1. Make a precis of the letters placed at APPENDIX - I to VI. Also suggest a suitable title and give a summary of points. (40 Marks)

**Appendix - I to Appendix - VI to Question No. -1**

**Office of the CGDA, West Block-V, R.K. Puram, New Delhi - 110066**

**Pr. IFA Wing**

Sub: Local procurement by Ordnance Units.

Local purchase of Ordnance Stores authorized in the inventory of Ordnance echelons is carried out from local registered suppliers to meet the urgent requirement of unit/formations after taking NAC from mother depots. The financial powers of Ord as well as other CFAs are laid down in Schedule - XII of the Delegation of Financial Powers (Army) 2006. A difference of opinion has occurred between Army HQ, DGOS and this office in regard to the exercise of financial powers delegated to OC DOU/OMC/ADOS HQ Arty Div for local purchase of ordnance stores under Sl. No. 41 of Schedule XII(C). The issue is discussed blow for suitable clarification by the Ministry.

2. Bills on account of local purchase of ord stores submitted by 33 Armd DOU, 16 and 24 Inf DOU have been objected to by PCDA(SWC) with the following observations.

- (i) Supply orders have been placed for more than Rs. 50,000 viz beyond the financial powers of CO DOU as laid down in Schedule XII(C). Therefore, ex- post facto sanction of next higher CFA is required.
- (ii) Repeat orders have been placed more than once and in excess of 50% of the quantity in the original supply order and also in cases where option clause has been incorporated. This being in contravention of Para 5.11 of DPM 2006, sanction of GOC - in - C is required as per Rule 178 FR Pt.I being a procedural lapse.

3. As regards placing of repeat order, mentioned at Sl. (ii) above, the objection of PCDA(SWC) has been accepted by DGOS, who has stated that necessary instructions in this regard will be issued to the units concerned.

As regards the issue listed at Sl.(i) above, the views of Army authorities are as under:

The financial powers of CO DOU are subject to the ceiling of Rs. 50,000 per item per day. As the items in one supply order are of different nature, the condition of Rs. 50,000 per item day has not been breached. Therefore, the purchase is well within the powers of CO DOU.

(ii) It has been contended by the DGOS that as per remarks given against item No. 34(a) of Sch. XII of MoD letter No. A/89591/FP-I/1974/2006/D(GS-I) dated 26th July, 2006 to the effect that the monetary limit will apply to purchases made per single item at any one time, the powers have to be considered with reference to a single transaction of a particular item. This would in effect mean that a single transaction of a particular item on a particular day should not exceed the defined financial powers of CFA. Accordingly a bill containing details of more than one item and adding up to an amount exceeding the defined. CFA powers for a transaction per item per day should not be construed as a bill exceeding the CFA;s powers so long as the amount of each item included thin is within the ceiling of delegated power.

4. With reference to above, it may be mentioned that the said remarks in Sch. XII are specifically for purchase under Sl. 34(a) of Sch. XII (C) viz. for OC AFMSDs and are not for other items of the Schedule. No such specific remarks have been annotated against Sl. 41 of Sch. XII(C) under which powers have been delegated to OC DOU. Further, according to Para 13 of MoD letter date 26-7-2006 *ibid*, the financial powers contained in the schedule, are in respect of each transaction and may cover one or more items within the financial powers specified. Therefore, the powers delegated to Ord CFAs under Sl. No. 41 of Schedule XII(C), would be in respect of each transaction . Further, vide note below SL No. 6 to 12 of Schedule XII(C), a transaction has been defied as "The value of all orders placed on supplier on a particular date of all the articles based on that day or anticipated number of days requirements. Where more than one supplier is involved, the transactions with each

supplier will be treated as single transaction. If, however, the purchase of one item of ration scale is to be made from more than one supplier, the aggregate value of all orders of that items, placed on a particular date will be taken together for the determination of the CFA". Further, in accordance with Para 12 of the detailed guidelines for exercise of delegated financial powers (referred to in Para 4 of the Government letter dated 26-7-2006 and reproduced as Appendix thereto) the monetary limit which has been set in each case extends to each separate sanction.

5. In this context DGOS vide letter dated 6th September, 2007 *ibid* has mentioned that local purchase procedure followed is in terms of DGOS Technical Instructions 014 and 038. According to DGOS TI 014 (para -3) and 038 [para 3(a)], financial powers of the officers for local purchase will be for any one article or a number of similar articles purchased at the same time. In our view, DGOS Technical instructions being in the shape of Standard Operating Procedure based on specific Government orders/instructions, these are to be updated to be in consonance with latest Government orders on delegation of financial powers. Accordingly, this office is of the view that as the financial powers delegated under MoD letter dated 26-7-2006 *ibid*, are being invoked for procurement of stores, the extant conditions governing the exercise of the financial powers as per para 13 of the letter *ibid*, are to be followed unless otherwise specified.

6. The above position was clarified to DGOS with the advice to take up the case with MoD for insertion of specific remarks against Sl. No. 41 of Schedule XII(C) specifying that the procedure as per DGOS Technical instructions (014 & 038) will be followed and specifically the monetary limit will apply with reference to purchases made per single item at any one time and not for each purchase transaction.

7. DGOS vide letter No. A/28324/OS-IB Dated 27-12-07 has not accepted our advice. It has been mentioned in Para 2 of letter *ibid* that the financial powers of Ordnance as well as other CFAs for local purchase of stores as laid down in Schedule XII refers to purchase of any one items or any number of similar items purchased at one time as mentioned in Rule 147 of FR Pt. I Vol. Hence, it has been contended that the view of Pr. IFA that this clause in remarks column against Sl. No. 34(a) is applicable to AFMSD CFAs and not to Ord CFAs at Sl. No. 41, is not correct.

8. In the above context, it may be pointed out that wherever the revised/enhanced powers are to be exercised as per the existing instructions/orders, a specific mention to such orders/instructions has been made in the relevant schedules. For example notes under various serials in Sch. XII(A), XII(D), XIII(B), XIV(C), XX and XXII etc. refer wherein references to existing procedures as per different Army Instructions/Govt. letters have been made for exercise of the revised powers given in the schedules to Government letter of July 2006. No such specific reference for continuation of the existing procedure prescribed under DGOS Technical instructions has however, been made against Sl. No. 41 in Sch. XII(C) of Delegation of Financial Powers. As pointed out by the DGOS, Rule 147 FR Pt. I Vol. I provides that the delegated powers contained in Schedule XII thereof in case of local purchase of stores are for purchase of any one article or any number of similar articles purchased at one time. However, the financial powers contained in the revised Schedule XII, as per Delegation of Financial Powers, July 2006, are in respect of each transaction and cover procurement of one or more items within the financial powers specified.

Accordingly the provisions of Rule 147 FR Pt. Vol. I, it is considered are no more applicable with the issue of revised orders under para 13 of MOD letter No. A /89591/FP-I/1974/2006/D(GS-I) Dated 26-7-2006. In this connection para 4 of the Government letter ibid also clarifies that the exercise of financial powers will be governed by existing orders and instructions on the subject as amended by Government from time to time, and instructions/guidelines contained in the Appendix thereto as also those given in the notes in the schedules.

9. In view of above, the matter is referred to MoD(Fin) for confirmation that in that in absence of a specific mention against Sl. No. 41 of Schedule XII(C), the monetary limit will apply to purchases of any number of similar items purchased at one time and that the exercise of delegated powers on 'per item' basis is not in order. Alternatively, necessary amendment to the Delegation of Financial Powers will have to be issued by adding a note against Sl. No. 41 to the effect that these powers are for each item in case the provision contained in DGOS TI 014 and 038 referred to above, is to be continued.

Pr. IFA has seen.

Sd/-

Jt. CGDA(IFA)

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Shri Amit Cowshish, IDAS,  
Addl. FA & JS  
Min. of FA & JS  
Min. of Defence (Fin.)  
South Block, New Delhi -11  
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UO No. PIFA/Gen Corr./IFA(Army/O) Vol. II dated 31-1-2008

Copy to :

- (1) PCDA(SWC)  
Khatipura Road, Jaipur..... In continuation of this office letter No. even dated 4-10-2007. Copy of DGOS letter dated 27-12-2007 referred to above is enclosed.
- (2) Jt. CGDA AT-I (Local) ..... Do.....
- (3) DGOS, MGO Branch,  
IHQ of MoD (Army),  
New Delhi - 110011

For information, please.

Sd/-

Jt. CGDA(IFA)

**Ministry of Defence (Finance)**

Sub: Local Procurement by Ordnance Units.

Office of the CGDA had sought confirmation vide U.O. No. PIFA/Gen. Corres./IFA(Army/O) Vol.II dated 31-01-2008 that in the absence of a specific mention against Sl. No. 41 of Schedule XII (C) of the Ministry of Defence letter No. A/89591/FP-1/1974/2006/D (GS-I) dated 26th July 2006, the monetary limit mentioned therein would apply to purchases, of any number of similar items purchased at one time and that the exercise of delegated powers on per item basis is not in order. It had also been suggested that in the event the powers are to be exercised on per item basis, the aforesaid Government letter would need to be amended by adding a note against Sl. No. 41 to the effect that these powers are for each item, as mentioned in DGOs TI 014 and 038.

2. The matter has been examined in the light of the relevant orders and the correspondence exchanged between CGDA's office and DGOs. As per Sl. No. 41 of the aforesaid Government letter, OC DOU/OMC/ADOs. HQ Arty. Div. can exercise powers upto Rs. 50,000 and Rs. 14,000 in respect of local purchase and cash purchase of stores respectively. These powers are exercisable without consultation with the IFA. There is no other stipulation in the remarks column against Sl. No. 41. However, Para 13 of the aforesaid Government letter provides that the financial powers contained in the schedules are in respect of each transaction and may cover procurement of one or more items within the financial powers specified. The said Para further provides that the purchase order would not be split in order to bring them within the delegated financial powers of a lower CFA and that the exercise of the financial powers would be subject to availability of funds in the sanctioned budgetary allotment under the relevant Budget head. This would evidently imply that each transaction, irrespective of whether it is in respect of one item or more than one time, should be within the financial limit of the delegated powers.

3. Even Para 147 of Financial Regulations Part - I Vol. I provides that an officer's financial powers in the matter of local purchase of stores extends to the limits up to which power to purchase any one article, or any number of similar articles purchased at one time, are laid down in Schedule XII of Appendix II Part I Army. Para 3 of DGOS IT No. 014 (Revised) as well as Para 3(a) of DGOS TI 038 (Issue 1) provides that the officers, specified in the said paras, will exercise financial powers detailed below in respect of local purchase of any one article or a number of articles purchased at the same time. Prima facie, these provisions cannot be interpreted so as to mean that the existing powers can be exercised in respect of each item separately even when a number of items are being purchased at the same time, and probably through the same supply order. However, it would appear from MGO Branch letter No. A/28324/OS - I B dated 27th December 2007 addressed to Principal IFA that the practice so far has been to exercise the powers with reference to each item separately, even when a number of items are purchased at the same time and under the same supply order.

4. The powers of local purchase as laid down in FR are not new. The DGOS Technical instructions, which are being relied, upon by MGO's Branch to justify exercise of powers with reference to each item separately, are also not new. In fact, the provision of FR and Technical instruction are the same and in the absence of any remarks in the Government letter of 26th July 2006, these very provisions are being cited by MGO's Branch to argue that the powers are exercisable in respect of each item separately. Therefore, it would be desirable to ascertain how these are exercisable in respect of each item separately. Therefore, it would be desirable to ascertain how these powers were being exercised in the past, as also what stand is being taken by other Regional Controllers. This is important, as it may not be appropriate to decide the issue in a manner that restricts the extent of powers being exercised by the CFAs for the past several decades. CGDA;s officer may please ascertain the position in this regard from the Controllers and clarify as any final decision in teh matter must take into account the position as it obtains on the ground.

Sd/-

Addl. FA(A) & JS

Jt. CGDA(IFA)

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MoD(Fin) ID No. 1188/Addl FA(A) dated 1st May, 2008

**Office of the CGDA, West Block - V, R.K. Puram, New Delhi- 110066  
Pr. IFA Wing**

Subject: Local Procurement by Ordnance Units.

Reference: This Office UO NO. even dated 31-1-2008 addressed to Shri Amit Cowshish, Addl. FA(A) & JS and copy endorsed to AT Wing among others.

A Copy of MoD(Finance) ID No. 1188/Addl FA(A) dated 1-5-2008 in response to this office reference cited above is enclosed herewith.

2. Before taking final decision in the matter, MoD(Fin.) vide Para 4 of letter ibid, desires to ascertain how these powers were being exercised in the past, as also what stand is being taken by other Regional controllers. It is therefore requested that the position in this regard may kindly be provided by AT wing for taking up the matter further with the MoD(Fin.)

Pr. IFA has seen.

Sd/-

Dy. IFA

Jt. CGDA(AT-I)

No. PIFA/Gen Corr/IFA (A/)/Vo;.II dated 11th June, 08

**Office of the CGDA, West Block - V, R.K. Puram, New Delhi- 110066**

Subject: Local Purchase by Ordnance Units.

Reference: Your UO No. PIFA/Gen Corr/IFA (A/O) Vol-II dt. 11-6-2008

The practice being followed by various Regional Controllers have been obtained. It is seen that divergent practice are being followed by Regional Controller's offices with various interpretations. PCDA(NC) Jammu, PCDA(WC) Chandigarh, CDA Guwahati and CDA Jabalpur are regulating financial powers with reference to an item, or group of similar items, purchased at the same time, whereas PCDA(CC) Lucknow, PCDA (SWC), Jaipur, CDA(Army) Meerut, CDA Patna and CDA Secunderabad are regulating powers on per transaction basis.

In this connection Audit Wing of HQrs. have further stated that:

- (i) The contention of DGOS that financial powers are applicable for purchase of single item at any one time on the basis of remarks under note 34(a) of schedule XII of MoD letter of July 2006 is not tenable. as these remarks apply only to Serial No. 34(a) viz. Medical Stores.
- (ii) Para 13 of Govt. letter of July 2006 promulgating the delegation of financial powers provide for inclusion of more than one item in a transaction, specifying that the transaction, with one or more items, cannot exceed the financial powers of the competent authority.
- (iii) As per Note 5 of Schedule XII(C) it is laid down that limit for direct purchased apply to the value of each article or class of similar articles purchased at any one time. These provisions have apparent contradiction with Para 13.

Since divergent practice being followed in the filed are not uniform and there seems to be room for genuine confusion among interpretations of different provisions of the Govt. letter. Accordingly it is felt MoD(Fin) will have to take a fresh look at this issue to determine one standard approach.

Sd/  
Dy. CGDA(AT)

Pr. IFA Wing (local)  
UO No. AT /IX/9047- 2007(PC) Dated 17/2/2009

**Office of the CGDA, West Block - V, R.K. Puram, New Delhi- 110066**

**Pr. IFA Wing**

Subject: Local Purchase by Ordnance Units.

Reference: This Office letter of even no. dated 31-1-2008 and 11-6-2008 and your ID No. 1188/Addl. FA(A) dated 1-5-2008

The position in regard to practice followed in various offices or Regional Controllers for local purchase Ordnance Stores under Sch. XII of delegation of financial power dt. 26-07-2006 to decided the term CFA in ibid schedule was called for as for directions vide MoD (Fin) ID No. dt. 01-05-2008.

2. The practice being followed by various Regional Controllers have been obtained. It is seen that divergent practice are being followed by Regional Controller's officers with various interpretations. PCDA(NC) Jammu, PCDA(WC) Chandigarh, CDA Guwahati and CDA Jabalpur are regulating financial powers with reference to an item, or group of similar items, purchased at the same time, whereas PCDA(CC) Lucknow, PCDA(SWC), Jaipur CDA(Army) Meerut, CDA Patna and CDA Secunderabad are regulating powers on per transaction basis.

3. In this connection Audit Wing of HQrs. have further stated that :

- (i) The contention of DGOS that financial powers are applicable for purchase of single item at any one time on the basis of remarks under note 34(a) of schedule XII of MoD letter dated 26-7-2006 is not tenable, as these remarks apply only to Serial No. 34(a) viz. Medical Stores.
- (ii) Para 13 of Govt. letter of delegation dated 26 July 2006 promulgating the delegation of financial powers provide for inclusion of more than one item in a transaction, with one or more items, cannot exceed the financial powers of the competent authority.
- (iii) As per Note 5 of Schedule XII(C) it is laid down the limit for direct purchase apply to the value of each article or class of similar articles purchased at any one time. These provisions have apparent contradiction with Para 13 of mentioned Govt. letter dated 26 July, 2006

4. Keeping in view, the above MoD (Fin) is requested to confirm whether in the absence of a specific mention against Sl. No. 35 to 41 Schedule XII(C), the monetary limits will apply to purchase of an item or any number of similar items at one time. Alternatively, in case the provision contained in DGOS Tech instruction 014 and 038 is to be continue necessary amendments to the delegation of financial powers may be

considered for issue by adding astrik against Sl. No. 35 - 41 to the effect that these powers are for each time item.

Pr. IFA has seen.

Sd/  
Dy. Jt. CGDA(IFA)

Sh. Amit Cowshish, IDAS  
JS & Addl. FA  
Min. of Defence (Fin.)  
South Block, New Delhi

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No. PIFA/Gen Corr/IFA(O) /Vol. -II dated 27-3-09

**Office of the CGDA, West Block - V, R.K. Puram, New Delhi- 110066**

**Pr. IFA Wing**

PIFA/Gen. Corr/IFA(O)/Vol.II

Instruction No. of 2009  
Dated 26-5-2009

To

All PCsDA/CsDA/IFAs(Dedicated and Nominated)/RTC

Subject: Local Purchase of Ordnance Stores.

**Local Purchase of Ordnance Stores**

A view was taken by DGOS regarding local purchase of Ordnance Stores by various depot CFAs that the powers delegated vide Sl. No. 41 of Schedule XII(C) have to be considered in the light of single transaction of particular item. DGOS TI No. 14 & 038 stipulates that financial powers will be for LP of any one article or a number of similar articles purchased at the same time. Further as per Note 5 under Schedule XII(C) the limit for direct purchase applies to the value of each article or class of similar articles purchased at any one time. However, Para 13 of Gol, MoD letter dt. 26-07-2006 stipulates that the financial powers contained in the Schedules are in respect of each transaction and may cover procurement of one or more items within the financial powers specified. Thus the provisions of DGOS TI and Note 5 under Schedule XII(C) have apparent contradictions with Para 13 of Govt. letter on revised Delegation of Financial Powers dt. 26.07.2006

2. Hence, the matter was referred to MoD (Fin.) for clarification. MoD(Fin) vide ID No. 1655/Addl. FA(A)/09 dt. 08-05-2009 that considering the rule positions stipulated in Rule 147 of FR Pt.- I, 1983 & Note (i) and (ii) thereunder and Note (4) under Schedule XII(C) to Gol, MoD letter dt. 26-07-2006, the monetary limits at Sl. No. 35 - 41 of Schedule XII(C) will apply to purchase of an item or any number of similar items at one time.

Sd/-

Jt. CGDA(IFA)

Ans. 1

**Title:- Local Purchase of Stores - Clarification on**

**Summary Points**

- 1- A view was taken by DGOS that financial power delegated vide Sl. No 41 of Sch XII(C) relates to purchases made per single item at any one time.
- 2- DGOS TI 014 & 038 stipulates that financial powers will be for LP of any one article or number of similar articles purchased at the same time.
- 3- Para -13 of Govt letter dated 26th July 2006 stipulates that financial powers contained in the Schedule are in respect of each transaction.
- 4- Thus, these provisions have apparent contradiction with Para 13 of Govt. letter.
- 5- Pr. IFA were of the view that DGOS TI 014 & 038 are in the shape of SOP and require to be updated on the basis of revised delegation of financial powers.
- 6- Pr. IFA advised DGOS to take up the matter with MoD for insertion of specific remarks against Sl. No. 41 of Sch XII(C) as per provisions of DGOS TI 014 & 038, which was not agreed to by DGOS.
- 7- DGOS also not agreed with the views of Pr. IFA that remarks against Sl. No. 34(a) of Govt, letter are applicable to AFMSDs only.
- 8- The matter was referred to MoD(Fin) by Pr. IFA for clarification.
- 9- MoD has mentioned that neither the FR nor DGOS Technical Instructions are new, as such the practice being followed in the past by Regional Controllers may be obtained.
- 10- After ascertaining the views of Regional Controllers it is revealed that they \were following the divergent practice.
- 11- Pr. IFA intimated the same to MoD(Fin) duly mentioning the views of Audit Wing.
- 12- MoD clarified that the monetary limits at Sl. No. 35-41 of Schedule XII(C) will apply to purchase of an item or any number of similar items at one time.

## PRECIS

A local purchase bill submitted by 33 Armed DOU was objected by PCDA(SWC) on the ground that the bill of Rs. 50, 000/- is beyond the financial power of CO DOU, as per Schedule XII(C) of MoD letter dated 26th July, 2006. Army authorities were of the view that financial power of CO, DOU are subject to the ceiling of Rs. 50,000/- per item per day. DGOS contended that as per remarks given against item NO. 34(a) of the Sch XII of MoD letter dated 26th July, 2006, monetary limit will apply to purchase made per single item at any one time. Accordingly, a bill containing detail of more than one item and adding up to an amount exceeding the defined CFA power for a transaction per item per day should not be construed as a bill exceeding CFA's power. Pr. IFA were of the view that remarks against Sl. No. 34(a) of Sch XII is applicable to OCs, AFMSD only and no such remarks are mentioned against Sl. No. 41 of Sch XII under which powers have been delegated to CO DOU. Further, according to Para -13 of MoD letter dated 26th July, 2006, financial powers contained in the schedule are in respect of each transaction and may cover one or more items. Therefore, the financial powers delegated to Ordnance CFAs under Sl. No. 41 of Sch XII(C) would be for each transaction and not for single item at any one time.

DGOS vide letter dated 6/9/2007 has mentioned that local purchase procedure is being followed in terms of DGOS Technical Instruction No. 014 & 038, which state that financial powers of the CFAs are for any one article or a number of similar articles purchased at the same time. Pr. IFA were of the view that the above instructions are in shape of SOP based on specific Govt Orders/ Instructions and thus require to be updated keeping in view of latest delegation of financial powers under MoD letter dated 26th July, 2006. Therefore, DGOS was advised to take up the matter with MoD for insertion of specific remarks against Sl. No. 41 of Sch XII(C) as per DGOS TI 014 & 038 but the same was not agreed to by DGOS. They have mentioned that financial powers delegated under Sch-XII refers to purchase of any one item or any number of similar items purchased at one time as mentioned in Rule-147 FR Pt. -I DGOS has also not agreed with the views of Pr. IFA that remarks against Sl. No. 34(a) of Govt. letter ibid are applicable to AFMSDs and not to Ord CFAs at Sl No. 41.

Accordingly the matter was referred to MoD(Fin) by Pr. IFA for confirmation that in the absence of a specific mention against Sl. No. 41 of Sch. XII(C), the monetary limit will apply to purchases of any number of similar items purchased at one time and that the exercise of delegated powers on per item basis is not in order. Alternatively necessary amendment to the Delegation of Financial Powers will have to be issued by adding a note against Sl. No 41 to the effect that these powers are for each item in case the provisions contained in DGOS TI 014 &038 is to be continued.

The case was examined by MoD(Fin) and they have mentioned that there is no stipulation in the remark column against Sl. No. 41, however, Para -13 of MoD letter provides that financial powers contained in the Schedule are in respect of each transaction and may cover procurement of one or more items. MoD has further mentioned that Para - 147 of FR Pt. I provides local purchase of stores upto financial power limits to purchase any one article or any number of similar articles purchased at

one time. The same provisions are also contained in DGOS TI 014 & 038. These provisions can not be interpreted so as to mean that existing powers can be exercised in respect of each item separately even when a number of items are being purchased at the same time through the same supply order. However, it would appear from MGO letter 27th Dec, 2007, that the practice so far has been to exercise the powers wrt each item separately, even when a number of items are purchased at the same time and under the same supply order. MoD further mentioned that provisions under FR & DGOS Technical Instructions are not new and in fact provisions in both are same but in the absence of any remarks in MoD letter dated 26th July 2006, these very provisions are being cited by MGO's Branch to argue that the powers are exercisable in respect of each item separately. Therefore, MoD has mentioned that it would be desirable to ascertain how these powers were being exercised in the past and what stand is being taken by other Regional Controllers. As such, Pr. IFA was requested to obtain the practice being followed by the Controller this regards.

Accordingly, Pr. IFA took up the matter with Audit Section of CGDA for obtaining the practice being followed by other Regional Controllers. After ascertaining the views of the Regional Controllers, Audit Wing have mentioned that these offices are following divergent practice. They have further stated that (i) remarks under note 34(a) of Sch XII are applicable to Medical Stores only (ii) Para - 13 of Govt. letter of July 2006 specifies that the transaction with one or more items, can not exceed the financial power of the CFA and (iii) as per Note-5 of Schedule XII(C) the limit for direct purchase apply to the value of each article or class of similar articles purchased at any one time. Thus, there is apparent contradiction of these provisions with Para -3 and, therefore, MoD will have to take a fresh look at this issue to determine one standard approach.

Accordingly, the practice being followed by the various Regional Controllers were apprised to MoD(Fin) by Pr. IFA vide their UO dated 27th March 09 duly intimating the above views of Audit Wing. Pr. IFA has requested MoD to confirm whether in the absence of a specific mention against Sl. No. 35 of 41 Schedule XII(C), the monetary limit will apply to purchase an item or any number of similar items at one time. In case, the provisions contained in DGOS TI 014 & 038 are to be continued , necessary amendments at Sl. No. 35-41 of delegation of financial powers may be considered.

The above issue was examined by MoD. Pr. IFA vide their Instruction No. 7 dated 26/5/09 circulated the decision of MoD(Fin) to all concerned clarifying that considering the rule position stipulated in Rule 147 FR Pt. I & Note (i) and (ii) there under and Note (4) under Sch XII (C) to Govt. letter date 26th July 2006, the monetary limit at Sl. No. 35 - 41 of Sch. XII (C) will apply to purchase of an item or any number of similar item at one time.

2. Shri X a Defence Civilian was admitted to an non - CGHS recognized private hospital in Pune for treatment of Osteoporosis even though a Govt. Hospital and few CGHS recognized hospitals which provide treatment for Osteoporosis were located nearby. The individual justified his treatment in the private hospital in Pune on grounds of emergency and cited this as the ground for not taking prior permission from the Head of the Department/CGHS dispensary. On a reference to Dy. Director, CGHS, it was clarified by him that the disease was not of an emergent nature and the hospital was also not a CGHS recognized hospital. The medical claim of the individual for Rs. 20000 was disallowed by CDA's office on the ground that the ailment was not emergent as advised by the Dy. Director, CGHS and the individual had not availed treatment from the Government/CGHS recognized hospitals available nearby. Against this order, the individual has filed an OA No. XXX/2008 in CAT, Mumbai for reimbursement of his medical claim alongwith penal interest.

As the dealing SO(A), please prepare a draft counter affidavit, based on the facts on the mentioned above.

(40 Marks)

Ans. BEFORE THE CENTRAL ADMINISTRATIVE TRIBUNAL, MUMBAI  
COUNTER AFFIDAVIT

(On behalf of the Respondents)

in

OA. No. XXX of 2008

IN THE MATTER OF:

SHRI ..... APPLICANT

VERSUS

UNION OF INDIA & OTHERS ..... RESPONDENTS

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

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

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

REPLY ON MERITS:

2- The contention of the applicant that he is entitled to the reimbursement of the full amount of Rs. 20,000/- by way of medical expenses is not tenable and hence denied. The disease of osteoporosis as ascertained from the Dy Director, CGHS is not of emergent nature and hence taking treatment in a private hospital on grounds of emergency is not justified, particularly when a few other Govt. hospitals and CGHS recognized hospitals which provide treatment for the same disease are also located in the vicinity of that area. In fact, the individual did not follow any of the procedure for getting his case referred to an appropriate hospital and instead took the treatment in a private unrecognized hospital on his own and hence the medical reimbursement is not admissible under Medical Treatment Rules of the Central Govt. The OA, therefore, deserves dismissal on above grounds.

PRAYER:

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

RESPONDENT

THROUGH

(GOVT COUNSEL)

Station Mumbai  
Dated, 2009

VERIFICATION:

Verification at Mumbai on this ..... day of ..... 2009 that the contents of the paragraph 1 and 2 are true and correct to the best of my knowledge and the remaining is believe to be correct as per legal advice received.

RESPONDENT

3. Shri 'X' Sr. Auditor serving in a DAD Sub Office, after obtaining the due approval of Head of the Department, underwent an open heart surgery at Escort Heart Institute and Research Centre Limited, New Delhi at an estimated cost of Rs. 2.0 lakhs. An advance of Rs. 1,94,400 was granted to the individual. The individual submitted a final bill for Rs. 2,65,000. Out of this , Rs. 1,68,160 were admitted. There were some more bills submitted by the individual and after adjustment of which, a sum of Rs. 24,940 were due from the individual. The office issued an order to recover the balance dues in monthly installment @ Rs. 2,000 from his salary of Rs. 4,695.

Aggrieved by this, the individual filed a civil writ petition bearing No. XXXX/2002 in the Delhi High Court seeking direction to the Deptt. for reimbursement of the medical expensed in full as the hospital was recognized hospital under CGHS, and also for stoppage of monthly deduction from his salary.

The case was decided on 12-5-2008 in favour the petitioner and the Hon'ble Court directed the respondent to pay medical expenses in full, less amount already paid. The Court has also directed to give the credit of Rs. 6,000 deducted from his salary. The Hon'ble Court has also directed that out of total assessed cost of Rs. 10,000, Rs. 5000 should be paid to the petitioner and rest amount of Rs. 5,000 will be deposited with Delhi High Court Legal Service Committee in view of the fact that the respondent continue to act contrary to the judgment delivered by the court and unnecessary burden the docket of the Court and causes un convenience to its employees/patients. The orders of the Hon'ble of the Hon'ble Court were to be implemented within two months from the date of the order.

Draft a UO Note, from HQrs Office, to Ministry of Defence (Fin) requesting to examine the matter and accord their approval for implementation of the orders of the Hon'ble Court or otherwise.

(35 Marks)

Ans.

**OFFICE OF THE CONTROLLER GENERAL OF DEFENCE ACCOUNTS  
WEST BLOCK-V, R.K. PURAM, NEW DELHI - 110066**

Sub: Implementation of Delhi High Court Judgment order dated 12/5/2008 in WP No. XXXX filed by Sh. 'X' Sr. Auditor.

The case under consideration is regarding implementation of Delhi High Court Judgement Order dated 12/5/2008 for reimbursement of medical expenses incurred by Sh. 'X', Sr. Auditor for open heart surgery at Escort Heart Institute & Research Centre Limited, New Delhi.

The facts of the case in brief are as under.

2- Sh. 'X' Sr. Auditor, serving in the office of Dy. CDA(XX), underwent medical treatment for open heart surgery at Escort Heart Institute & Research Centre Limited, New Delhi after obtaining the due approval from the Head of the Department .

3- The medical expenses likely to be incurred for open heart surgery were initially estimated to Rs. 2.0 lakhs and an advance to the tune of Rs. 1,94,400/- was granted to the individual. Finally the total expenses amounting to Rs. 2,65,000/- was incurred during the said operation whereas the Department had approved only Rs. 1,68,160/-. There was some further amount also passed and the balance amount due from the individual was stated to be Rs. 24,940/-

4- Consequently, the office passed an order to recover the above dues in monthly installment @ Rs. 2000/- from his salary of Rs. 4,695/-

5- The individual filed a civil writ petition bearing No. XXXX/2002 in Delhi High Court seeking direction to the respondent for reimbursement of full amount incurred towards medical expenses since the said hospital is a recognized hospital under CGHS and prayed for further relief by stoppage of monthly deduction from his meager salary. However, an Interim relief was granted in favour of the petitioner against deduction of the amount.

6- The case has been decided on 12/5/2008. The Hon'ble High Court has directed the respondent to pay the full medical expenses of the petitioner as per the bill raised by the Escort Hospital amounting to Rs. 2,65,000/- less the amount already paid of Rs. 1,94,400. The petitioner should also be given the credit for the deduction from salary made to the extent of Rs. 6000/- which should be reimbursed to the petitioner. The needful is required to be done within a maximum period of two months wef 12/5/2008.

7- It is also directed by the Hon'ble Court that out of total assessed cost of Rs. 10,000/-, Rs. 5000/- should be paid to the petitioner and the rest amount of Rs. 5000/- will be deposited with the Delhi High Court Legal Service Committee in view of the fact that the respondent continue to act contrary to the judgment delivered by the Hon'ble Court and unnecessary burden the docket of the Hon'ble Court and causes inconvenience to its employees/patients.

8- Ministry of Defence (Finance), DAD Coord is requested to Kindly examine the matter and accord their approval for implementation of Delhi High Court Orders dated 12/2/2008 or otherwise.

-----Sd-----  
Dy. CGDA

Ministry of Defence (Finance)  
DAD Coord, South Block,  
New Delhi

-----  
UO NO. AN/XXXXXXXXXX/Court Case/X Dated ..... /6/2008

Ques.4. Shri 'X' a Senior Auditor working in a DAD office in New Delhi met with a railway accident while commuting between Delhi and Meerut via Train Shuttle Service. As a result of the accident, his left leg was amputated and he also sustained serious crush injuries in right leg and ankle. Shri 'X' Sr. Auditor who had been serving in Delhi for the last 4 years is to superannuate in the year 2012. He represented to CGDA, through proper channel, for his transfer to Meerut on the ground of his disability.

Draft a DO letter from the PCDA, New Delhi to Jt. CGDA(Admin.) recommending the case of Shri 'X' for a posting to Meerut on compassionate grounds.

(35 Marks)

Ans.4.

**Smt. AAA, IDAS  
Principal CDA**

**DO No 59014/XXX/AN....  
O/o PCDA  
Place  
Date**

Dear

I am forwarding herewith an application, submitted by Sh. 'X', Sr. Auditor, A/c No..... serving in this office since 5/9/2006 regarding his transfer to Meerut on compassionate ground.

2- Shri 'X' is a resident of Meerut and has been commuting daily between Meerut and Delhi by train. The individual met with an accident on 9/9/2008 while returning from Delhi and he sustained grievous injuries. As a result thereof, his left leg had to be amputated upto his knee. He also sustained serious crush injuries in the right leg and ankle.

3- The individual has now become a physically challenged person due to the accident and is not in position to commute to Delhi. Moreover, only three more years are left in his service, his date of retirement being 30/4/2012.

4- Taking into consideration all these facts and the physical/medical condition of the individual, I strongly recommend his case for a posting to Meerut. I, therefore, request you to kindly consider his case sympathetically at an early date.

With....

Encl - as above

yours

( )

Shri....., IDAS  
Jt. CGDA(AN)  
Office of the CGDA  
West Block -V,  
R.K. Puram,  
**New Delhi - 110066**

5. In one of the Controller's organization in Delhi, it was noticed by the Controller that applications for leave on medical grounds submitted by employees (Gazetted or Non Gazetted ) were supported with medical certificates and fitness certificates given by the Registered Medical Practitioners (RMP), which was contrary to the provisions contained in Rules 19 CCS (Leave ) Rules - 1972 (Appendix -'A')

Draft a circular from Dy. CDA(AN) to all officers in charge of the Sections drawing attention to these lapses and advise them to ensure strict compliance of the laid down rules while dealing with such cases.

(35 Marks)

EXTRACT OF RULE 19 OF CCS (LEAVE RULES)

(APPENDIX - 'A' to Q. No. 5)

**Grant of leave on medical certificate to Gazetted and non- Gazetted Government servants.**

An application for leave on medical certificate made by:

(i) A Gazetted Government servant, shall be accompanied by a Medical Certificate in Form 3 given by a doctor in a Central Government Health Scheme Dispensary if such a Government servant is a Central Government Health Scheme beneficiary or by a Government Hospital or by an Authorised Medical Attendant if he is not a Central Government Health Scheme beneficiary and by an Authorized Doctor of the private hospital recognized under Central Government Health Scheme or Central Services (Medical Attendance) Rules, 1944, in case of hospitalization or indoor specialized treatment in respect of any particular kind of disease like heart disease , cancer, etc. for the treatment of which the concerned hospital has been recognized by the Ministry of Health and Family Welfare.

Provided that the Gazetted Government servant who is a Central Government Health Scheme beneficiary, if at the time of illness, is away from Central Government Health Scheme or proceeds on duty outside the Headquarters will produce Medical Certificate or Fitness Certificate in Form 3 and Form, as the case may be, given by an Authorized Medical Attendant.

(ii) A non- Gazetted Government servant, shall be accompanied by a Medical Certificate in Form 4 given by a Central Government Health Scheme Dispensary if such a Government servant is a Central Government Health Scheme beneficiary or by Government Hospital or by an Authorized Medical attendant if he is not a Central Government Health Scheme beneficiary ; and by an Authorized Doctor of the private hospital, recognized under Central Government Health Scheme or Central Services (Medical Attendance) Rules, 1944, in case of hospitalization or indoor specialized treatment duly approved by the competent Authority in respect of particular kind of disease like health disease, cancer, etc. for the treatment of which the concerned hospital has been recognized by the Ministry of Health and Family Welfare.

Provided that the non- Gazetted Government servant who is a Central Government Health Scheme beneficiary, if at the time of illness is away from Central Government health Scheme area or proceeds on duty outside the Headquarters will produce Medical Certificate or Fitness Certificate in Form 4 or Form 5 as the case may, be given by an Authorized Medical Attendant available within a radius of eight Km from his residence or place of temporary stay outside his HQrs and also in the circumstances when the he finds it difficult to obtain Medical certificate or Fitness certificate from a Doctor in a Central Government Health Scheme Dispensary or an Authorized Medical Attendant.

Ans.

**CIRCULAR**

No.AN/XXXX/Vol  
O/o The CDA  
New Delhi  
Date

To,

The office in charge  
Section

**Sub: GRANT OF LEAVE ON MEDICAL CERTIFICATE TO GOVT SERVANTS GAZETTED & NON GAZETTED.**

Agreeably to provision contained in Rule 19, CCS(Leave) Rules, 1972, an application for leave on medical grounds made by a Govt. servant (Gazetted and non Gazetted) who is a CGHS beneficiary, shall be accompanied by a medical certificate in form 3 or 4 given by a doctor in Central Government Health Scheme Dispensary or by a Govt. Hospital or by an AMA recognized under CS(MA) Rule, 1942, if he is not a CGHS beneficiary. Further, if a Gazetted Govt. servant who is a CGHS beneficiary, if at the time of illness, is away from CGHS area or proceeds on duty outside the Headquarters will produce Medical Certificate in Form-3 and Form-5 as the case may be given by an authorized Medical Certificate. However, in case of a non Gazetted Govt servant who is a CGHS beneficiary & if at the time of illness is away from CGHS area, will produce MC or FC in Form 4 & 5 as the case may be, issued by an AMA or an RMP if there is no AMA available within a radius of 8 Kms from his residence or place or duty.

It has, however, been observed that Gazetted and non Gazette Govt servants who are CGHS beneficiaries and if at time of illness are away from CGHS area, are not submitting MC/FC in Form 3 & 5 respectively as mentioned above. They are submitting MC/FC issued by Doctors other than CGHS or AMA for regularization of leave as a matter of course, which is contrary to the provisions contained in Rules.

I have, therefore, been directed by the Competent Authority to direct all officers- in charge of the Sections to ensure that MC/FC submitted by the individuals satisfy the provisions of rules laid down above for regularization of leave on medical grounds. It may be brought to the notice of all staff and officers that henceforth MC/FC for regularization of leave for medical reasons are submitted on proper proforma and strictly as per provisions of the leave Rules, failing which their request for regularization of leave on medical grounds shall not be accepted.

(--Sd--)  
Dy. CDA(Admin)

6. Electricity bills for the office portion of the Official Residence of C-in-C, SFC, located at No. 4, Sunehari Bagh Road, New Delhi, were received for payment in one Controller's office from Director (Works), Agrami HQr, SFC, Delhi Cantt. The expenditure is debitable to Major Head 2077 (Navy Minor Head 112 JS, Code Head 695/11 and has been sanctioned by the MA/C in C in consultation with IFA.

On scrutiny of the bills for the office vis- a vis the residential portion of Official Residence of C- in - C, it was observed that average monthly expenditure on electricity bill for the last four months viz. Dec. 2008 to March 2009 for residential portion is about Rs. 1077, whereas the expenditure on office portion is a staggering Rs. 7432 (Appendix -'A' ). The bills were returned to Director of Works seeking clarification on the above (Appendix -'B')

Draft an Office Note seeking orders from PCDA that the reply submitted by Agrami HQ, SFC (Appendix -'C') is inadequate and that bills may be admitted in audit till points raised regarding (i) area of office portion, (ii) area of residence, and (iii) list of electric appliances fitted in office portion etc. are clarified.

(35 Marks)

#### APPENDIX 'A' 'B' AND 'C' TO QUESTION NO.,6

(Appendix 'A')

<b>Details of Electricity Bills:</b>		
<b>Month of Bill</b>	<b>Payment made by the office or Residential portion</b>	<b>Payment made from Public - Fund for office portion</b>
December 2008	Nil	Rs. 5827
January, 2009	Rs. 3588 ¼For 12/2008 & 1/2009)	12717
February 2009	Rs. 327	Nil
March 2009	Rs. 393	Rs. 11184 (For 2/2009 & 3/2009)
<b>Total</b>	<b>Rs. 4308</b>	<b>29728</b>

**(Appendix - 'B')**

Agrami HQ SFC  
Delhi Cantt.  
New Delhi - 110010  
Dt. 24 June, 2009

SFC/1004/1/C- in - C  
DCDA  
Office of the PCDA  
New Delhi - 110011

Payment of Electricity Bills in respect of Office portion of the Residential Accommodation of C-in- C, SFC

1. Refer of your letter No. 22023/1/2K/Nodal/CPWD dated 03 Jun, 09
2. 4 Sunehari Bagh is nominated as the official residence of Commander - in - Chief (C-in-C) of Strategic Forces Command(SFC) (equivalent to the Vice Chiefs of the services) since 2003. The entire Command House is divided into three portions i.e. residential , official (external security area and offices) and servant quarters and three separate electricity bills are received and payment is made accordingly.
3. CFA has accorded a sanction to pay the electrical bills of the official portion (external security area and offices) of the residence under the Major Head 2077 (Navy), Minor Head 112 JS, Code Head 695/11 on the lines of the payment made for the official portions of Vice Chiefs and CISC's official residences. To regularize the proper electrical consumption of each portion, separate electronic meters have been installed by NDMC. The official portion includes the external area which has the security lights covering the area of appx. 1100sq. yards. C-in-C. SFC also travels extensively on temporary duties on an average of 7-10 days in a month. During these days the residential portion is used only for maintenance and clearing purpose thus having no electrical consumption almost for ¼ of the month. It is also emphasized that the official portion is very frequently visited by the senior officers of Tri services and HQ SFC during the late hours and the week ends.
4. The electricity bills are charged as per the electrical consumption (readings ) of each meter. Further to this, the servant quarter's electricity bill of appx. Rs. 1500 is also cleared by C - in -C on monthly basis.
5. In view of the above, you are requested to reconcile and make the payment of the official bill for the month of June 09 as per the enclosed contingent bill.

Lt. Col  
DA to C in C

**Office of the Principal Controller of Defence Accounts**

No. 22023/1/2K/Nodal/CPWD

Dated: 03.06.09

To,

Director (Work)  
Agrami HQ SFC  
Delhi Cantt. 110010

**Sub: Payment of Electricity Bills in respect of Office portion of the Residential Accommodation of C-in-C, SFC.**

This office is responsible for payment of electricity tariff bills, in respect of the office portion of the residential accommodation of C -in- C, SFC at No. 4 Sunehari Bagh Road, New Delhi

2. However, during scrutiny of the electricity bills before payment, for the office portion vis- a- vis the residential portion at No. Sunehari Bagh Road, New Delhi, It has been observed that whereas the average monthly expenditure on payment of electricity bills for the last four months (Dec. 2008 to March 2009) for the residential portion is around Rs. 1077 , the expenditure on the office portion is a staggering Rs. 7432. This office is of the view that, the expenditure on the office portion and the residential portion at No. 4 Sunehari Bagh Road, New Delhi should have been exactly the opposite amounts indicated above.

In view of the above, it is requested that the matter be examined further. The area of the office portion in the residence may be indicated along with the authority for the same. Also, the lost of electrical fittings /appliances in the office portion may be furnished. It may also please be indicated whether separate meters have been installed for the residential and office portions. If not, the basis /method of apportioning the expenses may be indicated.

4. An early action in the matte is requested as the payment for the next cycle will be made only after a reply has been received from your office.

Pr. CDA has seen.

Sd/-  
Dy. Controller of Defence Accounts

Ans.

**OFFICE NOTE**

**No. 22023/I/2K**

**Date 7/09**

Sub: Audit of Electricity bills for the office portion of residential accommodation of C- in-C, SFC

Agrami HQrs, SFC, Delhi Cantt is making payment of electricity bills in respect of office portion of the official residence of C-in-C, SFC located at No. 4 Sunehari Bagh Road, New Delhi, out of Major Head 2077(Navy), Minor Head 112J, Code Head 695/11. The allotment of fund for the expenditure are being placed at the disposal of HQrs SFC by HQrs. IDS. The expenditure has been sanctioned by MA/C-in-C consultation with their IFA.

2. During examination of electricity bills in respect of office portion of the official residence, submitted by Director(Works), it is noticed that average expenditure on electricity bills on residential portion for the last 4 months is around Rs. 1077/- whereas average expenditure of electricity bill on office portion is Rs. 7432/-. The payment made on the residence portion by the officer and payment made from the public Fund for the office portion during the last 4 months is placed below for perusal please.

Month of bill	Payment made by the office for Residential Portion	Payment made from Public Fund for Office Portion
December 2008	Nil	Rs. 5827/-
January 2009	Rs. 3588/- (For 12/2008 & 1/2009)	Rs. 12717/-
February 2009	Rs. 327/-	Nil
March 2009	Rs. 393/-	Rs. 11184(For 2/2009 & 3/2009)
Total	Rs. 4308/-	Rs. 29728

3. From the detail mentioned above, the expenditure incurred on payment of electricity bills of the residential portion does not, prima facie, seem to be logically correct. Factually the expenditure on electricity bills of the residential portion should be higher than that of official portion. As the expenditure of electricity bills of the official portion is to be borne by the Govt. The case was taken up with Director (Works), Agrami, HQSFC, Delhi Cantt vide this office letter of even NO. dated 03/06/09 to ascertain the following points before admitting the bills in audit:

- (i) Area of office portion in the official residence and the authority in support of the same.
- (ii) A list of electrical billing & appliances in the office portion.

- (iii) Whether separate meters are installed for residential & office portion. If not, basis/method of apportioning the expenses.

4. In response to this, the reply submitted by Director (Works ) vide their letter date 24/6/09 is placed below for perusal please. From the detail mentioned into the said letter it is found that the reply is incomplete on the following grounds:

- (i) The area of office portion together with the numbers of room in the residential accommodation has not been indicated.
- (ii) The list of electric appliances /fittings in the office portion has also not been furnished.
- (iii) The electricity consumption for residential portion is stated to be nil for almost  $\frac{1}{4}$  of the month due to frequent travel of C- in-C but the reason for not applying the same condition with official portion, has not been clarified by Director(Works).

Director (Work), vide their letter cited above, has also mentioned that the servant quarter's electricity bill of appx Rs. 1000/- to Rs. 1500/- is also being cleared by C-in-C on monthly basis. However, copies of electricity bills of the servant quarters has not been furnished/enclosed.

5. In view of the above, if agreed to, it is proposed that the matter should again be taken up with the Director(Works ) for seeking clarifications on the points mentioned in Para-4 above, before admitting the bills for electricity submitted by that office in audit.

Submitted please.

AAO

GO

PCDA



0	1 bit
1	1 bit
0110	1 nibble or 4 bit
01101011	1 byte or octet or bit

Bytes:- byte is made of eight bits.

Word:- A group of bites representing data or instruction that from the basic information unit of computer is called Word. A Word may be formed using two or more bytes.

Nibble:- The most common four bytes combination is known as nibble.

Ques.2 Name five: (2x5=10 Marks)

- (a) Output Device
- (b) Storage Device

Ans.2 (a) 1. MONITOR  
2. PRINTER  
3. PLOTTER  
4. CODER  
5. ROBOTIC STRUCTURES

- (b) 1. FLOPPY DISKS  
2. HARD DISK  
3. ZIP DRIVE  
4. CD/DVD  
5. Flash Drives

Ques.3 Select the correct answers for the following: (2x5=10 Marks)

- (a) In a floppy disk which is write-protected:
  - (i) New data can be recorded over previously stored data.
  - (ii) New data can be recorded only on vacant track and sectors.
  - (iii) New data cannot be written.
  - (iv) Old data cannot be read.
- (b) Rearranging of data in a sequence is called:
  - (i) Updating
  - (ii) Editing
  - (iii) Batching
  - (iv) Sorting
- (c) Which of the following unit of a computer is responsible for addition, subtracting, multiplication and division?
  - (i) Control Unit

- (ii) Working Storage
  - (iii) Arithmetic and Logical Unit
  - (iv) None of these
- (d) Data items are generally classified into which type of Codes:
- (i) Numeric
  - (ii) Alphanumeric
  - (iii) Character
  - (iv) All of these
- (e) Which of the following is not a hardware:
- (i) Magnetic Tape
  - (ii) Floppy drive
  - (iii) Keyboard
  - (iv) Mouse
  - (v) Program

- Ans.3
- (a) c. New data cannot be written.
  - (b) d. Sorting
  - (c) c. Arithmetic and logical Unit
  - (d) d. All the above
  - (e) e. Program

Ques.4. Expand the Following:

(2x5=10 Marks)

- (i) FTP
- (ii) HTTP
- (iii) WWW
- (iv) MPLS
- (v) VPN

- Ans:4
- (i) File Transfer Protocol
  - (ii) Hyper Text Transfer Protocol
  - (iii) World Wide Web
  - (iv) Multiple Protocol Label Switching
  - (v) Virtual Private Network

Ques.5. (a) How will you enable or disable the Windows Firewall?  
(5 Marks)

(b) How will you see the RAM size of Your PC?  
(5 Marks)

Ans.5 (a) Following steps will be taken to enable or disable the Windows Firewall -

1. Click on start
2. Click on settings
3. Click on Control Panel
4. In the Control Panel select Windows Firewall
5. Select the General Tab in the Windows Firewall
6. Select on for enabling and off for disabling the Windows Firewall

(b) Following steps will be taken to find out the RAM size of the PC.

1. Click on start
2. Click on settings
3. Click on Control Panel
4. In the Control Panel select Systems
5. Select the General Tab in the Systems
6. Here RAM size of the PC will be displayed at the end.

Ques.6. (a) What is recycle bin in the Windows OS? Can you store a file directly in the recycle bin?  
(5 Marks)

(b) How will you find all the word documents stored in your PC?  
(5 Marks)

Ans.6 (a) Whenever a file, or folder, or shortcut is being deleted from Windows disk drive it isn't completely erased from the disk; instead, the system moves it into the Recycling bin. To retrieve something that has been mistakenly deleted, simple double click on the Recycle Bin, find the item, and move it somewhere out of the trash can. Recycling bin can be emptied by right clicking on it and selecting the "Empty Recycle Bin" item. Be aware that once the Recycling Bin is emptied, there is not Much can be done to retrieve the files that used to be in there.

We can't store a file directly in Recycle Bin.

- (b) Following steps will be taken to find all the word documents stored in PC:-
1. Click on Start
  2. Click on Search
  3. Click on "For Files and Folders"
  4. In the search window click on "All files and folders"
  5. Type \*.doc in the text box
  6. Click on the search button

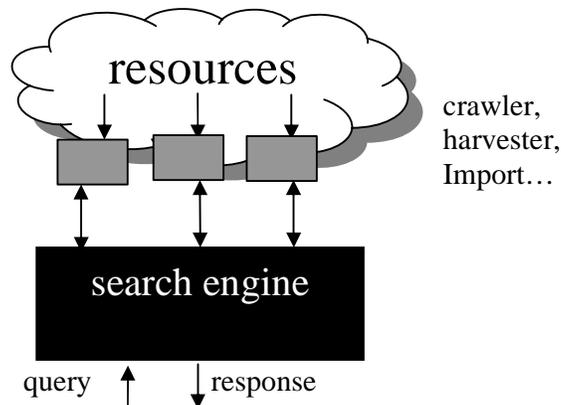
Ques.7 What is a Search Engine? Mention three Popular Search Engines being used over Internet.

(10 Marks)

Ans.7 A search engine is an information retrieval system designed to help find information stored on a computer system. The search results are usually presented in a list and are commonly called hits. Search engines help to minimize the time required to find relevant information.

The most public, visible form of a search engine is a Web search engine which searches for information on the World Wide Web.

Search engines provide an interface to a group of items that enables users to specify criteria about an item of interest and have the engine find the matching items. The criteria are referred to as a search query. In the case of text search engines, the search query is typically expressed as a set of words that identify the desired concept that one or more documents may contain. There are several styles of search query syntax that vary in strictness. Some text search engines require users to enter two or three words; other search engines may enable users to specify entire documents, pictures, sounds, and various forms of natural language. Some search engines apply improvements to search queries to increase the likelihood of providing a quality set of items through a process known as query expansion.



The list of items that meet the criteria specified by the query is typically sorted, or ranked. Ranking items by relevance (from highest

to lowest) reduces the time required to find the desired information. Boolean search engines typically only return items which match exactly without regard to order.

To provide a set of matching items that are sorted according to some criteria quickly, a search engine will typically collect metadata about the group of items under consideration beforehand through a process referred to as indexing. Alternatively, the search engine may store a copy of each item in a cache so that users can see the state of the item at the time it was indexed or for archive purposes or to make repetitive processes work more efficiently and quickly.

Popular Search Engines:

1. Google Search
2. Yahoo Search
3. MSN Search.

Ques.8                      What measures would you suggest as preventive measures to make your system secure in a Network?  
(10 Marks)

Ans.8                      Following preventive measures may be taken for securing the system in a networked environment:

- Physical Security: To ensure that the access to the system is not given to the unauthorized persons.
- Environment Security: To ensure safety from the disasters like Fire, Water, Short circuit of power sources
- Access Security:
  - Boot password policy
  - The user id and password policy to open the system
  - Time out password may also be provided
  - The log for the system log in are to be regularly checked.
- Application security:
  - Authentic software usage
  - Anti Virus
  - Anti-spam
  - Anti-phishing
  - Windows firewall
- Disaster Management
  - Regular backups in external media
  - Proper storage of backup media

**Defence Accounts Department**  
**S.A.S. Examination – Part II (New Syllabus)**  
**NOVEMBER, 2009**

PAPER IX - PRACTICAL PORTION

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 NUMBR 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 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.
- 

Ques.1. Type the following text:

**Business Excellence Model Details:-**

**Criterion 1: Leadership**

How leaders develop and facilitate the achievement of the mission and vision, develop values required for long-term success and implement these via appropriate actions and behaviors, and are personally involved in ensuring the organisation's management system is developed and implemented.

Sub criteria:

- (1) Leaders develop the mission, vision and values, and are role models of a culture of excellence.
- (2) Leaders are personally involved in ensuring the organization's

management system is developed implemented and continuously improved.

(3) Leaders are involved with customers, partners and representatives of society.

(4) Leaders motivate, support and recognize the organisation's people.

## **Criterion 2: Policy & Strategy**

How the organization implements its mission and vision via a clear stakeholder-focussed strategy, supported by relevant policies, plans, objectives targets and processes.

Sub criteria:

(1) Policy and strategy are based on the present and future needs and expectations of stakeholders.

(2) Policy and strategy are based on information and performance measurement, research, learning and creativity related activities.

(3) Policy and strategy are deployed, reviewed and updated.

(4) Policy and strategy are developed through a framework of key processes.

(5) Policy and strategy are communicated and implemented.

Apply the following formatting to the text typed above:

(i) The Heading should be Times New Roman 18 Points, Bold, double Underlined and Centred. .

(ii) Space after the Heading should be 24 points

(iii) Rest of the document should be Verdana with 12 points.

(iv) All paragraphs to be fully justified.

(v) In each paragraph first line should be indented by 0.5 cm.

(vi) The document should be on 1.5 spacing.

(vii) The sub-heading "Criterion 1 and Criterion 2) should be Times New Roman 14 points, Left Aligned and single underlined.

(viii) Sub-Criteria to be Bold Verdana with 10 points and left aligned.

(ix) 1,2,3,4 etc numbering to be replaced with suitable bullets.

(x) The bullet should be positioned at 0.5 cm indent and for text position tab should be 0.75 cm and indent should be 0.75 cm.

(xi) The document should be set on an A4 size paper with 1.25", 1.25", 1" and 1" Left, Right, Top and Bottom margins.

(xii) Save the document as Answer "1.doc".

Ans.

## **Business Excellence Model Details**

### **Criterion 1: Leadership**

How leaders develop and facilitate the achievement of the mission and vision, develop values required for long-term success and implement these via appropriate actions and behaviors, and are personally involved in ensuring the organisation's management system is developed and implemented.

#### **Sub criteria:**

- Leaders develop the mission, vision and values, and are role models of a culture of excellence.
- Leaders are personally involved in ensuring the organisation's management system is developed implemented and continuously improved.
- Leaders are involved with customers, partners and representatives of society.
- Leaders motivate, support and recognize the organisation's people.

### **Criterion 2: Policy & Strategy**

How the organization implements its mission and vision via a clear stakeholder-focused strategy, supported by relevant policies, plans, objectives targets and processes.

#### **Sub criteria:**

- Policy and strategy are based on the present and future needs and expectations of stakeholders.
- Policy and strategy are based on information and performance measurement, research, learning and creativity related activities.

- Policy and strategy are deployed, reviewed and updated.
- Policy and strategy are developed through a framework of key processes.
- Policy and strategy are communicated and implemented.

**Ques.2** Make a presentation utilizing the following data:

Lab Director	:	10 lakh
Chief Controller	:	50 lakh
SA to RM	:	15cr
Raksha Mantri	:	50 cr
Finance Minister	:	100 cr
CCS(CC on Security)	:	200 cr

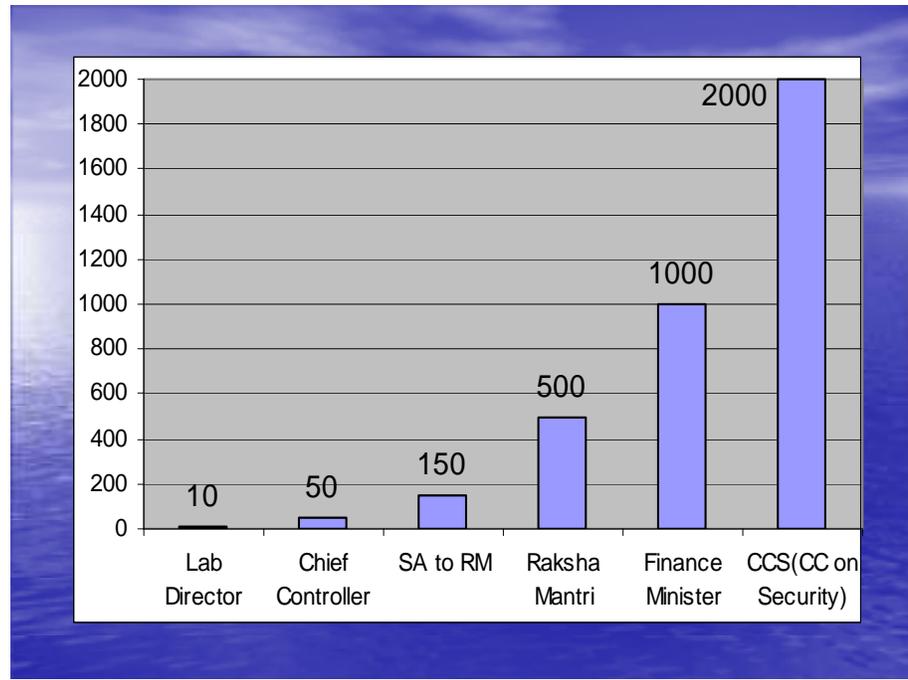
Do the following in the presentation:

- The Title of the Presentation should be "Financial Powers for Project Sanction".
- Second Slide should carry the table as depicted above.
- Third slide should have a bar diagram reflecting the table x-axis should be functionary name and y-axis should be financial power in lakh.
- Apply slide Design of your choice.
- Save the presentation as Answer 2.ppt.

Ans.

## Financial Powers for Project Sanction

Lab Director	10 lakh
Chief Controller	50 lakh
SA to RM	15 cr
Raksha Mantri	50 cr
Finance Minister	100 cr
CCS(CC on Security)	200 cr



Ques.3. (a) Make the following Spread Sheet:

Sl. No.	Month	Basic Pay	Grade Pay	DA	Gross Pay	GPF Subscription	Net Pay
1	Apr	12200	5400			2000	
2	May	12200	5400			2000	
3	Jun	12200	5400			2000	
4	Jul		5400			2000	
5	Aug		5400			2000	
6	Sep		5400			2000	
7	Oct		5400			2000	
8	Nov		5400			2000	
9	Dec		5400			2000	
10	Jan		5400			2000	
11	Feb		5400			2000	
12	Mar		5400			2000	
13	Total						

Do the following utilizing the in built formulae functions/your own formulae function relating to the data above:

(i) Calculate the DA @ of 26% of the sum of column C and D at the Column E for first three months.

(ii) Calculate the Basic Pay for the months July onward by accruing increment @ of 3% of the Basic Pay + Grade Pay.

- (iii) Round of the New Basic Pay to the nearest figure of 10.
- (iv) There is an increase of 3% in DA from the month of July. Calculate the DA at the Column E for remaining months.
- (v) Round off the DA to the nearest rupees.
- (vi) Calculate the Gross Pay at the column F for all the months by adding the Columns C, D and E.
- (vii) Calculate the net pay at column H by deducting GPF Subscription from the Gross Pay.
- (viii) Calculate the Total Basic Pay, Grade Pay, DA , Gross Pay, GPF Subscription and Net Pay At the Row 13.
- (ix) Make the heading row and total row Bold.
- (x) Save the document as Answer "3.xls".

Ans.

Sl. No.	Month	Basic Pay	Grade Pay	DA	Gross Pay	GPF Subscription	Net Pay
1	Apr	12200	5400	4576	22176	2000	20176
2	May	12200	5400	4576	22176	2000	20176
3	Jun	12200	5400	4576	22176	2000	20176
4	Jul	12730	5400	4714	22844	2000	20844
5	Aug	12730	5400	4714	22844	2000	20844
6	Sep	12730	5400	4714	22844	2000	20844
7	Oct	12730	5400	4714	22844	2000	20844
8	Nov	12730	5400	4714	22844	2000	20844
9	Dec	12730	5400	4714	22844	2000	20844
10	Jan	12730	5400	4714	22844	2000	20844
11	Feb	12730	5400	4714	22844	2000	20844
12	Mar	12730	5400	4714	22844	2000	20844
	<b>Total</b>	<b>151170</b>	<b>64800</b>	<b>56154</b>	<b>272124</b>	<b>24000</b>	<b>248124</b>