

# SEPTEMBER

## PAPER - I

# 2014

DEFENCE ACCOUNTS DEPARTMENT

SAS Examination - Part I

## SAS-I

Subject : Paper I - Organization and Fundamentals of Audit and Accounts  
(Theory - Without Books)

Time : 3 Hours

Max. Marks : 100

Answer Sheet

Section I

Ans 3. (a) Yes. The employee may make a written request subject to approval by the appointing authority. No fresh officer of appointment on promotion shall be made in such cases for a period of One Year from the date of refusal of first promotion. (OM Part - I, Para- 140).

(b) (i) CDA (AF) [ OM Part - I, Para - 14]

(ii) PCDA (O) [ OM Part - I, Para-13]

(c) (i) CDA (Army) Meerut [ OM Part - I, Para 500]

(ii) PCDA (O), Pune [ OM Part - I, Para 500]

(iii) PCDA Bangalore [ OM Part - I, Para 500]

(iv) PCDA (R&D), New Delhi [ OM Part - I, Para 500]

(d) Part - I Office Order will record all orders relating to the procedure and internal working of the office, and will be maintained as a permanent record. [OM Part - I, Para 491]

Ans 4. (a) Article 148 of the Constitution provides that the Comptroller and Auditor-General shall only be removed from office like a Judge of the Supreme Court. [Swamy's Introduction to Indian Govt. Accounts & Audit, Chapter - 2, Para 2.2]

(b) As required under Article 151 of the Constitution, the Comptroller and Auditor General is to submit his reports containing the results of audit to Legislatures like Parliament in case of Central Government and Legislative Assembly in case of State Government. [Swamy's Introduction to Indian Govt. Accounts & Audit, Chapter - 2, Para 2.18]

(c) Yes. Section Officer in DAD can waive of Audit objections of the value of Rs. 100 and below. [OM Part - I, Para 526 (vii)]

(d) Without vouchers, the LAO cannot carry out the linking and credit verification of stores. [OM Part -II, Vol- I, Para 525]

## Section - II

Ans 3: 1.

(a) Yes. It is possible under Rule 19 of CCS CCA Rules containing special procedure in certain cases like criminal charge, special circumstances, and security of state where inquiry can be dispensed with. (Rule 19, CCS CCA Rules]

(b) 45 days from the date of receipt of order by appellant. (Rule 25, CCS CCA Rules]

(c) The statement of imputation of misconduct is prepared in support of each Article of charge. It contains all relevant facts, list of documents and list of witnesses. (Rule 14, Para 3(ii), CCS CCA Rules]

(d) Yes. It is the correct action on the part of ACDA -in-Charge. Conduct Rules, no joint representations by Government servants are only individual representation is acceptable. [Rule 3 GOI Decision No. 21, Conduct Rules]

Ans 4: 3.

(a) As per Rule 14 , GOI Decision 19 of CCS CCA Rules, the lawyer is not permitted as defence assistant unless the presenting officer is a legal practitioner.

(b) As per Rule 11(viii & ix), Removal from service is not a disqualification for future employment under the Government. Dismissal from service which shall ordinarily be a disqualification for future employment under the Government. [CCS CCA]

(c) A review petition happens when a new material or evidence is available which was not available earlier. [Rule 29-A\ of CCS CCA Rules]

(d) It is minor penalty as per Rule 11 (ii) of CCS CCA Rules.

Ans 5: 4.

(a) It can be denied under Section 8 (j) of RTI Act.[RTI Act] as it affects privacy of individual.

(b) As per Section 8 GOI Decision - (3) : file noting can be disclosed except file noting containing information exempt from disclosure under Section 8 of the Act. [RTI Act].

(c) As per Section 19 (3) of RTI Act, a second appeal against Appellate Authority can be made with the CIC.

(d) CIC shall impose a penalty of two hundred and fifty rupees each day till application is received or information is furnished. However, the total amount of such penalty shall not exceed twenty five thousand rupees. [Section 20 of RTI Act].



### Section III

✓ 1. (a) All the revenues and receipts of Central Government are credited to this Fund and all the expenditures of Central Government are authorised from this Fund. [Defence Account Code, Para – 13]

(b) Complete accounts of the Central Government and of each of the State Government with the Reserve Bank are maintained by the Central Accounts Section of the Reserve Bank of India, Nagpur. [DAC, Para -17]

(c) The Appropriation Accounts of Defence Services are prepared by the Secretary (Defence Finance) and signed by the Defence Secretary. [DAC, Para 23]

(d) A four digit code has been allotted to the Major Head, the first digit indicates whether the Major Head is a Receipt Head or a Revenue Expenditure Head or a Capital Expenditure Head or Loan Head. [DAC. Para 29 (b)]

2. (a) The Sectors, Major Heads, Minor Heads, Sub-Heads and Detailed Heads together constitute a five tier arrangement of the classification structure of Governments Accounts. [DAC, Para 30 (a)(ii)]

(b) The Detailed Heads will be opened by the CGDA with the concurrence of Ministry of Defence (Finance) (Budget) and in consultation with DGADS. [DAC, Para 30 (c)(iii)]

(c) (i) Revenue

(ii) Revenue

(iii) Capital

(iv) Capital

5. (a) LAO at his level cannot waive it. PCDA/CDA can do so under the delegation of powers of GOI. [Defence Audit Code Vol I & II, Para 5 (Appendix - 5)]

(b) No document bearing an erasure can be accepted and payment on such documents shall be refused and a fresh document called for. [Receipt and Payment Rules, Para 52, Note – 3]

(c) Its purpose is to ensure that no Appropriation in Accounts for the year has been incurred without the sanction of the Competent Financial Authority. [Def. Audit Code Vol I & II, Para 540]

(d) The CGDA cannot be overruled by the Ministry of Defence on a question of rules or procedure in relation to defence expenditure without the concurrence of the Comptroller and Auditor General of India and the Secretary (Defence/Finance)/ Financial Adviser Defence Services. [Def. Audit Code Vol I & II, Appendix – 3 Para - 14]

Ans 9-6 (a) Under double entry system, every transaction, requires two entries in the books, one against the party or account giving and the other against the party or account receiving. [Swamy's Introduction to Indian Govt. Accounts and Audit, Chapter – 6, Para 6.3]

Ans-9 (b) (i) Manufacturing Account, (ii) Trading Account (iii) Profit and Loss Accounts (iv) the Balance Sheet. [Swamy's Introduction to Indian Govt. Accounts and Audit, Chapter – 6, Para 6.18 (g)]

(c) Part I - Consolidated Fund

Part II - Contingency Fund

Part III - Public Account

[Swamy's Introduction to Indian Govt. Accounts and Audit, Chapter – 7, Para 7.4]

(d) Under this scheme, Accounts and Finance will form an integral part of Administrative Ministries. [Swamy's Introduction to Indian Govt. Accounts and Audit, Chapter – 8, Para 8.4]

Ans 10 7. (a) The fundamental object of audit is to secure real value for the tax payer's money. [Swamy's Introduction to Indian Govt. Accounts and Audit, Chapter – 15, Para 15.5]

(b) Government officers are permitted to hold permanent advances in terms of Rule 90 of the General Financial Rules, 1963 subject to recoupment on presentation of bills. [Receipts and Payments Rules, Rule 31]

(c) Expenditure is as per the Financial Rules, Regulations and orders of C.F.A with delegated power. [Chapter -6, Para 16.1, Introduction to Indian Govt. Accounts and Audit]

(d) Economy, Efficiency and Effectiveness. [Swamy's Introduction to Indian Govt. Accounts and Audit, Chapter – 17, Para 17.2]

Ans 11 8. (a) (i) Major Head 2076 – Defence Services – Army  
Minor Head 105 – Transportation.

(ii) Major Head 2077 – Defence Services – Navy  
Minor Head 111 – Works

(iii) Major Head 4076 – Capital Outlay on Defence Services

(iv) Receipt Major Head 0076 - Defence Services - Army

[Classification Handbook Defence Services Receipts & Charges]



(b)

Major Head	Description	Punching Medium					
		Code Head	Receipts		Code Head	Charges	
			(+)	(-)		(+)	(-)
0020	Deductions of direct taxes from payments to contractors/Sub-contractors under Section 194-C of the Income Tax Act 1961	Cheques and Bills(CB)	9740		Service Heads	10000	
		Collection including deductions (00/002/00)	200				
		Primary Education Cess (00/002/05)	40				
		Secondary & Higher Education Cess (00/002/06)	20				
		Total	10000			10000	

[Pamphlet of Revenue Debt and Remittance Heads with Code Numbers Edition 2010, Appendix -D, Page No. 245]

#### Section – IV

*Ans 12.1* (a) Physical verification of stock may be carried out at any time by an officer of the Defence Accounts Department whenever such verification is considered necessary. [Financial Regulations Part – I, Volume – I, Rule – 30]

(b) No. GE shall take previous written consent of the Principal Controller/Controller of Defence Accounts for expenditure. [Financial Regulations Part – I, Volume – I, Rule – 34]

(c) C.O. may deny such information if it is not permitted under the Defence Services Regulations. In case audit officer demands the information, CO may approach his higher authorities. [Financial Regulations Part – I, Volume – I, Rule – 36]

(d) The powers authorised in Financial Regulations are personal and cannot delegated to any subordinate officer. [Financial Regulations Part – I, Volume – I, Rule – 63]

*Ans 13.2* (a) The revised estimate is prepared in reviewing the original estimate figures in the light of the progress of the actual expenditure and other factors affecting the budget estimates for the year. [Financial Regulations Part – I, Volume – I, Rule – 90]

(b) This is a final estimate for the year and is based on the latest known actual and the likely expenditure during the remaining period of the year. [Financial Regulations Part – I, Volume – I, Rule – 91 (d)]

(c) Represents obligatory charges and unavoidable commitments. Pay and Allowances is one example. [Financial Regulations Part – I, Volume – I, Rule – 107]

(d) Supplementary grants arise if original sanctioned budget is insufficient or any amount is required for any new service during the year. [Financial Regulations Part – I, Volume – I, Rule – 121]

3. (a) Purchase order should not be split up to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the orders. [Financial Regulations Part – I, Volume – I, Rule – 133]

(b) Yes. Purchase may be made other than lowest tenderer provided the reasons are recorded for the same. [Financial Regulations Part – I, Volume – I, Rule – 134]

(c) It is not in order. If the disallowance disturbs a long existing practice, orders of the Government of India may have to be taken. [Financial Regulations Part – I, Volume – I, Rule – 175]

(d) He will issue order recorded in writing containing a gist of the objection of IFA/CDA and reasons for overruling the advice. A copy of the order overruling the financial advice will be endorsed to the next higher CFA and the IFA. [FR Part I, Vol-II, Appendix – II, Para – 9]

5. (a) Bid Security : To safeguard against a bidder's withdrawing or altering his bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money Deposit) is to be obtained from the bidders. [Financial Regulations Part – I, Volume – I, Rule – 243. Note 4.7.2]

(b) As per FR Part – II, Rule 43, if a voucher is missing a certificate is furnished for the loss and a record is kept for avoiding the possibility of double payment.

(c) In this case, the Armed Forces Hospital at Mumbai has referred the person; it falls under audit jurisdiction of PCDA (SC). Hence PCDA (SC) will audit and make the payment to the Hospital. [FR Part – II, Rule 56]

(d) Yes. It shall be deducted as per IT Rule of GOI. Advance of pay drawn outside India shall be treated as if it has been drawn in India. [FR Part – II, Rule 21]

6. (a) Yes. It is subject to audit. Quarterly accounts are submitted to CDA for audit [FR Part – II, Para 7, Appendix – I]

(b) It is not correct. All claims to personal entitlements from the Grant should be submitted for pre-audit before making any payments. [FR Part – II, Appendix – I, Para 8 (ii)]

(c) Yes. They are permissible. [FR Part – II, Appendix – I, Annexure – A, Sl. No. 3&6]

(d) Budget under Field Practice and Training Grant can be allotted for the purpose. [FR Part – II, Appendix – 2, Para 2(e)]



MODEL ANSWERS

S.A.S EXAMINATION –PART I

September, 2014

PAPER II – ORGANISATION AND FUNDAMENTALS OF AUDIT AND ACCOUNTS  
(PRACTICAL- WITH BOOK)

Ans.1. (a) Action of Admin (Pay) section is incorrect. If the pay of any Gazetted Officer is attached by the orders of the Civil Court, the fact must immediately be reported to the CGDA together with the explanation of the officer.

(b) JCDA is the Competent Authority and PCDA/CDA Appellate Authority

(c) Certificate of Service may be granted to Non Gazetted Personnel on application.

(d) If a Principal Controller/Controller decides to relax audit temporarily in a matter which concerns his own office or his subordinate offices, he should invariably refer the case to C.G.D.A for obtaining prior concurrence.

Ans.3. (a) i) D.G.B.R. FULL POWERS

ii) C.E.'s FULL POWERS

iii) CDR TF's 50 LACS

iv) OC RCC's/BCC' 15 LACS

(b) i) Advance of pay & allowances

ii) Arrears of Pay and Allowances

iii) PRMO

iv) Leave advance

v) Advance of pay on permanent posting

vi) Arrear of special pay

vii) Tuition fee and festival advance

(c) i) M-Section

ii) Stores Contract Section

iii) Stores Audit Section

iv) Transportation Section

Ans.5. (a) Absence of officials from duty without proper permission or when on duty in office, they have left the office without proper permission or while in office they have refused to perform the duty assigned to them is subversive of discipline. In cases of such absence from work, the leave sanctioning authority may order that the days on which the work is not performed may be treated as dies non i.e. they will neither count as service nor be construed as break in service

(b) i) False

ii) False

iii) True

iv) True

- (c) As per CCS (CCA) Rules 1965, the powers to revise means, the powers to revise the orders of the subordinate authorities and it does not embrace the original authority with the power to review its own order. Therefore it is not within the competence of the Disciplinary Authority to cancel its own order

Ans 6 ✓ (a) The action of AO GE is correct, no government servant shall, except with the previous sanction of the government, give evidence in connection with any enquiry conducted by any person, committee or authority.

(b) President of India reserves the right of withholding a pension either in full or part or withdrawing a pension either in full or part whether permanently or for specified period and of ordering a recovery from a pension of whole or part of any pecuniary loss caused to the government if any departmental or judicial proceedings, the pensioner is found guilty of grave misconduct or negligence during the period of his service, including service rendered upon re employment after retirement

(c) Every Government servant shall on his first appointment to any service or post submit a return of his assets and liabilities, in such form as may be prescribed by the Government, giving the full particulars regarding –

i) the immovable property inherited by him, or owned or acquired by him or held by him on lease or mortgage, either in his own name or in the name of any member of his family or in the name of any other person;

(ii) shares, debentures and cash including bank deposits inherited by him or similarly owned, acquired, or held by him;

(iii) other movable property inherited by him or similarly owned, acquired or held by him; and

iv) debts and other liabilities incurred by him directly or indirectly.

Ans. 8 ✓ (a)

i) Vice Chief of air staff

ii). Deputy Chief of air staff

iii) Air officer in charge of administration

iv) Air officer in charge of maintenance

(b) 1st April to 31<sup>st</sup> March

(c) Ministry of Finance

(d) The Appropriation Accounts are prepared by Secretary Defence Finance)/FADS



Ans. 9.

(a) Cash assignment is a letter of credit in favour of a Disbursing Officer authorising a particular Treasury Officer or the Bank to make payments demanded by him up to the limits specified therein.

(b) Security Deposits are tendered in the form of cash, Government securities, State or Municipal Debentures, Port Trust Bonds, Bank Deposit, Receipts or Savings Bank Pass Books.

(c) Earnest money deposits, Civil Court Deposits and personal deposits paid into a Military Treasure Chest will be credited to the Head "Treasure Chest Deposits".

(d). Expenditure debitable to locally controlled heads incurred by one Controller on behalf of another (excepting the expenditure relating to MES which will continue to be passed on through Defence Exchange Account) will be finally brought to account against the relevant service head by the Controller incurring the expenditure.

Ans 10.

(a) i) Sanction Audit i.e audit of orders of allotments of funds and re-appropriation

ii) Expenditure Audit i.e. audit of expenditure against the allotments

(b) i) If any specific appropriation has been made for a particular object of expenditure, all expenditure on it will be audit against such appropriation

ii) If a lump sum appropriation is made for group of items of expenditure, the total expenditure thereon will be audit against the lump sum appropriation

(c) The scale audit is conducted to see that the effective (paid) strength of Army Officers in a unit/formation as shown in nominal roll is within the number authorised in the relative peace/war/interim establishment, and that the number of officer paid in different ranks in each unit agrees with the number shown in nominal roll

Ans. 11

(a) i) Payments on acquaintance roll

ii) To lump sum to ship and establishment

iii) Payments of personal claims grants, etc

iv) Contingent and misc expenditure

v) Payments authorised by PCDA (Navy) after pre audit for disbursements

The payments from cash accounts are subject to post audit by PCDA (Navy), unless the claims have been pre audited by his office and their payments authorised through cash accounts

b) i) False

ii) True

iii) False

iv) True

Ans 12 (a)

i) Class 2

ii) Class 4

iii) Class 5

iv) Class 9

(b) Government of India

(c) The payments made in exceptional circumstances in anticipation of the receipt of the sanction of the appropriate authority or of additional allotments of the funds to cover the expenditure are known as provisional payments.

(d) In no circumstances will a provisional payment be made on an undertaking by the individual concerned that he will refund the amount if required to do so.

Ans 14 (a)

The main unit of classification in accounts is the major head which is divided into minor heads, each of which has a number of subordinate heads, generally known as sub-heads. The sub-heads are further divided into detailed heads. Sometimes major heads may be divided into sub-major heads before their further division, into Minor heads.

(b) On the expenditure side of the accounts particularly in respect of heads of accounts within the Consolidated Fund, detailed heads are primarily meant for itemized control over expenditure and indicate the object or nature of expenditure on a scheme or activity or organization in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-aid', 'Loans', 'Investments'.

(c) Departmentalisation of accounts was stated in the year 1976.

(d) Government accounts are kept in following three parts:

Part I- Consolidated Fund of India

Part II- Contingency Fund of India

Part III- Public Accounts

Ans 15. a) Pre Category Code- 9

b) Minor Head 110-Stores, Sub-Head-G and detailed code head 432/01

c) Code No-00

d) Punching Medium

Code Head	+ Rt	-Rt	Code Head	+ Ch	-Ch
			Service Head		5000
			00/20/87	5000	



Ans 11 ✓ Ans 16. a) The primary function of the audit is to verify the accuracy and completeness of accounts. No, it is not the function of audit to interfere with the administrative application of rule and orders

b) No, it is irregular to make payments in contravention to definite Govt Orders.

c) No, before admitting the bill an audit officer will satisfy himself that the signature it bears are genuine,

d) The Date of Birth for attaining superannuation will be 16-2-1956

Ans 12 ✓ Ans. 17. (a) Field Imprest are advances of public money issued in bulk to certain officers termed as Field Imprest Holders for making payments to JCOs, ORs and NCs(E) as also civilians working in operational areas. Miscellaneous expenses of units are also met from this Imprest. Sanction for the Field Imprest can be accorded by Commanders of Corps/Area/Independent Sub-Area and Sub-Area and Brigade.

(b) An LPC is a document issued showing the date and time (FN or AN) of relief, the date of birth (in the case civilians) the date up to which pay and allowances have been adjusted, the pay and allowances to which he is entitled, fund deduction and advances if any, which may have been paid. Individuals liable to pay I.T. and the I.T. statement showing the rate of I.T. and the recoveries made up to date during each month of the financial year is attached.

(c) The Technical Training and Instructional Equipment Grant (TTIEG) is a Grant made to Signal Officer-in-Chief to enable him to exercise control over the training of the Corps of Signals who in turn makes allotment to Chief Signal officer, Commands and other Formations. Expenditure from this grant is incurred for provision, fabrication and maintenance of instructional equipment and training aids for training in technical categories

Ans 13 ✓ Ans 20. (a) When the value of the excess /short supply does not exceed 5% of the original value.

(b) Sanction of Government of India is required for further extension of a contract, the original period of which plus extension exceeds three years.

(c) If a contractor dies his legal representative, even though a minor, is bound by the terms of contract

(d) i) The period of Short Term Agreement should not exceed six months

ii) The value of such agreement should not normally exceed Rupees one lakh only in each individual case

iii) Contract concluding authority Deputy Director of Military Farm, Command

iv) Short Term Agreement Exceeding Rupees one lakh by Director, Military Farms

v) Short Term Agreement with unregistered contractors'/ dealers in exceptional circumstances.

Ans 21 (a) The 'Vote on Account' normally covers the requirements for the month of April only. The purpose of a 'Vote on Account' is to keep the Govt. Functioning pending the voting of the Demands for Grants for the full year. Expenditure on new services should not, therefore, be incurred before the grants for the full year are voted and the connected Appropriation Bills enacted.

(b) Sanction of the Government of India is required for re-appropriation to meet expenditure on any new activity.

(c) It will be regarded as loss of Public Money

(d) (i) Executive

ii) LAOs/CDA

Ans. 22 (a) Fee is a recurring or non-recurring payment to a Govt. servant from a source other than the Consolidated Fund of India or Consolidated Fund of a State/UT, whether made directly to the Govt. servant or indirectly through the intermediary of Govt.

Honorarium is a recurring or non-recurring payment made to a Govt. servant from the revenue of the Govt. under whom he is employed, as remuneration for special work of an occasional (or intermittent) character.

(b) Security deposits will not be taken from jails, municipalities or other Govt. concerns.

(c) A sanction for any fresh expenditure which has not been acted on for a year lapses unless it is specifically renewed.

Ans 23. (a) This is a final estimate for the year and will be based on the latest known actuals and the likely expenditure during the remaining period of the year. It is on the basis of this estimate that necessary re-appropriation and/or surrenders are formally sanctioned by the Ministry of Defence (Finance).

(b) The Controllers of Defence Accounts are entrusted with the duty of keeping a watch on the progress of expenditure against sanctioned allotments and to bring to the notice of the allottees and the immediate higher authorities, cases in which the progress of expenditure is in the opinion of the Accounts Authorities abnormally heavy or unusually low.

(c) It is the responsibility of the authorities to whom allotments are made to watch the progress of expenditure and to see that expenditure does not exceed the allotment.



## STATEMENT OF AUTHORITIES

### S.A.S EXAMINATION –PART I

September, 2014

#### PAPER II – ORGANISATION AND FUNDAMENTALS OF AUDIT AND ACCOUNTS (PRACTICAL- WITH BOOK)

ms 1/77 Ans 1.

- (a) Auth: Para 487 of OM Part I
- (b) Auth: Para 331 OM Part I, and Schedule B Chap. VI of OM Part I
- (c) Auth: Para 481 OM Part I
- (d) Auth: Para 62 OM Part I and Para 42 Defence Audit Code)

Ans.2.

- (a) Auth Section 18 (1) of C&AG (Duties, Powers and Conditions of Service) Act 1971
- (b) Auth- Para 1 of DSR (Regulation for Army Part 1) Chapter 1
- (c) Auth- Para 8(a) of DSR (Regulation for Army Part 1) Chapter 1

ms 2 Ans.3.

- (a) Auth: Para 214 of OM Part XIII VOL-1
- (b) Auth: Para 85 of OM Pt.XIII VOL-1
- (c) i) Auth-Para 480 of OM PART II Vol. I
- ii) Auth-Para 512 of OM PART II Vol. I
- iii) Auth-Para 536-A of OM PART II Vol. I
- iv) Auth-Para 644 of OM PART II Vol. I

ms 3 Ans.5.

- (a) Auth: Sr no 6 of GoI Instruction under Rule 11 of CCS (CCA) Rules, 1965.
- (b) i) Auth-Rule 11(iii) of CCS(CCA) Rules, 1965.
- ii) Auth-Explanation (ii) Rule 11 of CCS(CCA) Rules, 1965.
- iii) Auth-Rule 11(vii) of CCS (CCA) Rules, 1965.
- iv) Auth-Rule 11(ii) of CCS (CCA) Rules, 1965.
- (c) Auth: Sr no 3 of Govt of India's instruction under Rule 29 of CCS (CCA) Rules, 1965.

ms 4 Ans 6.

- (a) Auth: Rule 11 Central Civil Services (conduct) Rules, 1964
- (b) Auth- Chapter 9 GOI Instruction No.1 of CCS(CCA) Rules 1965
- (c) Auth: Rule 18 Central Civil Services (conduct) Rules, 1964

ms 5 Ans. 8.

- (a) i) Auth: Para 6.1 Defence Service Estimate
- ii). Auth: Para 6.1 Defence Service Estimate
- iii) Auth: Para 6.1 Defence Service Estimate
- iv) Auth: Para 6.1 Defence Service Estimate
- (b) Auth :Para 25 Defence Account Code
- (c) Auth: Para 21(VI) Defence Account Code
- (d) Auth: Para 23 of Def Account Code & Para 532 of Defence Audit Code

Ans. 9.

- (a) Auth: Para 194 Defence Account Code
- (b) Auth: Para 203 Defence Account Code
- (c) Auth: Para 207 Defence Account Code
- (d) Auth: Note 1 below Para 109 Defence Account Code

Ans 10.

- (a) Auth: Para 91 Defence Audit Code
- (b) Auth: Para 93 Defence Audit Code
- (c) Auth: Para 154 Defence Audit Code

Ans. 11

- (a) Para 462 of Defence Audit Code
- (b) (i) Auth: Note 3 below Para 555 Defence Audit Code  
(ii) Auth: Note 4 below Para 555 Defence Audit Code  
(iii) Auth: Note 10 below Para 555 Defence Audit Code  
(iv) Auth: Note 6 below Para 555 Defence Audit Code

Ans 12.

- (a) Auth: Para 135, Defence Account Code
- (b) Auth: Para 192 Defence Account Code
- (c) Auth: Para 53 Defence Audit Code
- (d) Auth: Para 58 Defence Audit Code

Ans. 14.

- (a) Auth: Para 7.6 (a) A Introduction to Indian Government Accounts and Audit
- (b) Auth: 7.6 (c) A Introduction to Indian Government Accounts and Audit
- (c) Auth 8.4 A Introduction to Indian Government Accounts and Audit
- (d) Auth 7.4 A Introduction to Indian Government Accounts and Audit

Ans 16.

- (a) Auth: Para 15 & 16 Defence Audit Code
- (b) Auth: Para 50 Defence Audit Code
- (c) Auth: Para 66 Defence Audit Code
- (d) Auth: Note below Para 195 Defence Audit Code

Ans. 17.

- (a) Auth: Appendix 26(1) & (2) FR Part II
- (b) Auth: Rule 76(2) & (3) F.R. Part II
- (c) Auth: Appendix 3, FR Part II

Ans 20.

- (a) Auth: Note below Rule 248 F R Part-I Vol -I
- (b) Auth: Rule 246 (iv) F R Part-I Vol -I
- (c) Auth: Rule 236 F R Part-I Vol -I
- (d) Auth: Rule 232(h) (i) to (v) F R Part-I Vol -I

Ans 21.

- (a) Auth: Note below Reg. 109, F R Part-I Vol -I
- (b) Auth. Rule 118(XI)(C), FR Part. I Vol. I
- (c) Auth: Rule 164 (d), FR Part I Vol. I
- (d) Auth: Rule 163 (i) & (ii), FR Part I Vol. I



Ans. 15

mp15

- (a) Auth. Rule 271 FR Part I Vol.I & Definition Para 2 of FR Part I Vol.I
- (b) Auth: Note under Rule 203 FR Part I Vol.I
- (c) Auth: Rule 70 FR Part I Vol.I

Ans. 16

Ans 16

- (a) Auth: Rule 91 (d) FR Part I Vol.I
- (b) Auth: Rule 114 FR Part I Vol.I
- (c) Auth: Rule 112 FR Part I Vol.I

Q.6.

Model Answers to Paper – III - Accountancy

Section – I

Q.1.

Preparation of Trial Balance based on the Ledger Balances extracted from the Books of Mr. Accountant.

Particulars	Debit (Rs.)	Credit (Rs.)
Capital		3,00,000
Drawings	14,000	
Stock as on 1/4/13	2,20,000	
Purchases	2,80,000	
Sales		4,60,000
Bills Receivable	30,000	
Bills Payable		40,000
Returns Inward	5,000	
Returns Outward		4,500
Plant & Machinery	1,00,000	
Goodwill	25,000	
Loose Tools	20,000	
Cash in Hand	3,000	
Cash at Bank	10,000	
Furniture	75,000	
Sundry Debtors	1,25,000	
Sundry Creditors		1,30,000
Commission		28,000
Salaries	11,000	
Wages	17,000	
Office Expenses	3,500	
Insurance	5,000	
Advertisement	9,000	
General Expenses	4,000	
Factory Rent	6,000	
Total	9,62,500	9,62,500



Trading and Profit & Loss Account for the year ended 31/3/2014 :

Dr.			Cr.		
Particulars	Amount (Rs.)	Amount (Rs.)	Particulars	Amount (Rs.)	Amount (Rs.)
To Opening Stock		2,20,000	By Sales	4,60,000	4,55,000
			Less Sales Return	5,000	
To Purchases	2,80,000	2,69,000	By goods destroyed by fire		9,000
Less Returns	4,500				
Less Purchase of Furniture	5,000				
Less Goods distributed as free sample	1,500				
To Wages	17,000	14,000	By Closing Stock		1,20,000
Less installation charges of Plant & Machinery	3,000				
To Factory Rent		6,000			
To Gross Profit c/d		75,000			
Total		5,84,000	Total		5,84,000

Profit & Loss Account

Dr.			Cr.		
Particulars	Amount (Rs.)	Amount (Rs.)	Particulars	Amount (Rs.)	Amount (Rs.)
To Salaries	11,000		By Gross Profit b/d		75,000
Add Outstanding Salary	1,000	12,000			
To Office Expenses	3,500		By Commission	28,000	
Add Outstanding Office Expenses	500	4,000	Less Commission received in advance	3,000	25,000
To Insurance	5,000				
Less Prepaid Insurance	1,000	4,000			
To Advertisement	9,000				
Add Samples distributed	1,500				
Less Prepaid advertisement charges	6,000	4,500			
To General Expenses		4,000			
To Depreciation					
Plant & Machinery	5,150				
Loose Tools	3,000	8,150			
To Loss due to fire		5,000			
To bad debts	8,000				
Add Provision for bad debts	5,850	13,850			
To Net Profit transferred to Capital Account		44,500			
Total		1,00,000			1,00,000

Balance Sheet as on 31/3/2014

Liabilities	Amount (Rs.)	Amount (Rs.)	Assets	Amount (Rs.)	Amount (Rs.)
Capital	3,00,000		Closing Stock		1,20,000
Add Net Profit	44,500				
Less Drawings	14,000	3,30,500			
Creditors		1,30,000	Bills Receivable		30,000
Bills Payable		40,000	Plant & Machinery	1,00,000	
			Add Wages for installation	3,000	
			Less Depreciation	5,150	97,850
Outstanding Expenses			Loose Tools	20,000	
Salary	1000		Less Depreciation	3,000	17,000
Office Expenses	500	1,500			
Commission received in advance		3,000	Furniture	75,000	
			Add Purchases	5,000	80,000
			Sundry Debtors	1,25,000	
			Less Bad Debts	8,000	
			Less Provision for Bad Debts @ 5%	5,850	1,11,150
			Goodwill		25,000
			Cash in hand		3,000
			Cash at bank		10,000
			Prepaid insurance		1,000
			Prepaid advertisement charges		6,000
			Insurance claim on fire accident		4,000
Total		5,05,000	Total		5,05,000



## Section II – Costing

my 27/2/2020 Q.3(a)  
(a)  
The main reason for disagreement between financial accounts and cost accounts is that some transactions are recorded exclusively either in the financial accounts or in the cost accounts. For eg. following items are recorded only in the financial accounts :

- (i) Amounts transferred to accumulated Profit reserve such as General Reserve
- (ii) Dividend paid to preference shareholders and equity shareholders
- (iii) Creation of additional provision for depreciation on plant and machinery
- (iv) Losses on sale of fixed assets such as plant and machinery
- (v) Penalties payable
- (vi) Dividend received from shares of other companies
- (vii) Appreciation of fixed assets

Similarly certain items are recorded exclusively in the cost accounts such as -

- (i) Notional rent of premises if owned by the firm itself
- (ii) Notional interest on owner's capital contribution
- (iii) Certain fixed asset may have been fully depreciated in so far as the book value is concerned. However, it may still continue to be in use due to its physical condition and hence, depreciation continues to be charged.

Another reason for difference is different bases of valuation adopted in cost and financial records. For eg.

- (i) In cost accounts raw material inventory is charged on the basis of different methods for the purpose of pricing such as LIFO, FIFO, weighted average, standard cost etc. However, the raw material inventory is shown in financial accounts on the basis of cost or market price whichever is lower.
- (ii) Finished goods inventory is valued for cost accounting purpose at prime cost or factory cost only whereas in financial accounts the cost or the market price whichever is lower is adopted.
- (iii) In the financial books depreciation is charged on the basis of straight line method or reducing balance method. On the other hand, in cost accounts machine hour rate or output basis are normally recognised as the ideal method of charging depreciation.

### Reconciliation of financial and cost accounts

The difference arising between cost and financial accounts as enumerated above needs to be reconciled to establish the arithmetical accuracy of both sets of books. The reconciliation of the financial results shown by the two systems of accounting is done in the form of a reconciliation statement. In a typical reconciliation statement, profit or loss as per cost accounts is taken as the beginning point from which the expenses reducing profits in financial books but not recorded in cost books are subtracted. Thereafter incomes augmenting profits in financial books but not credited in cost books such as interest and dividend received are added and overheads unabsorbed are subtracted. Similar treatment is accorded to various other items such as overheads, work-in-progress, depreciation, etc. The end result of the exercise results in complete reconciliation of profits exhibited in cost accounts with those reported in the financial accounts.

Q.3. (b)

**Marginal Accounting** is a technique of cost ascertainment in terms of marginal cost defined as those costs which arise due to a change in volume of production, i.e. variable costs. For example, if an extra unit of output is produced, the cost which would be incurred for production of this extra unit will only be marginal (variable cost) cost since fixed costs remain constant. The fixed costs are accounted for in the profits for the period in which they arise. This technique is employed to ascertain the effect of change in volume/product mix and profit.

The marginal costing is used for calculation of :

- (i) **P/V ratio** - which is the profit volume ratio. It helps to identify the level of quantity to be produced to obtain the desired profit. It also helps in calculation of the variable component in the cost.
- (ii) **Break-Even Point** - When the total sales volume = the total cost incurred the break-even point is attained, a position where there is no profit and no loss. B.E.P helps management to identify the quantity to be produced attain profits.
- (iii) **Make or buy decisions** - The situation where the management has to decide whether to produce the product or to buy the product from the market. Marginal costing helps in taking such decisions

Q.3. (c)

#### **Economic order quantity -**

While purchasing raw materials or finished goods, the questions confronting the management are as to how much inventory should be bought in one lot under one order on each replenishment or should be quantity to be purchased be large or small etc. The determination of the appropriate quantity to be purchased in each lot to replenish stock as a solution to the order quantity problem necessitates a resolution of conflicting goals. Buying in large quantities will ensure smooth operations but will involve higher carrying costs. On the other hand, small orders would reduce the carrying cost but the ordering costs will be more. Thus, the optimum level of inventory is the Economic Order Quantity and it is defined as that level of inventory order that minimises the total cost associated with inventory management. This also refers to the level of inventory at which the total cost of inventory comprising acquisition/ordering/set-up costs and carrying costs are minimum.

#### **The determination of Economic Order Quantity -**

1.	Cost of items purchased each year	12,000	12,000	12,000	12,000	12,000
2.	Order Size (units)	12,000	6,000	3,000	1,200	600
3.	No. of orders	1	2	4	10	20
4.	Average inventory (units)	6,000	3,000	1,500	600	300
5.	Total carrying cost	6,000	3,000	1,500	600	300
6.	Total ordering cost	60	120	240	600	1,200
7.	Total cost (carrying + ordering cost)	6,060	3,120	1,740	<u>1,200</u>	1,500



Working Notes-

Total carrying costs = Average Inventory x Carrying costs/unit

Total Ordering Costs = Number of Orders x cost per order

Hence, EOQ is 1200 units as it has min total cost

The mathematical approach for the calculation of EOQ is as follows :

$\sqrt{2 AO / C}$  where A = Annual demand, O = Ordering cost & C = Carrying cost

$= \sqrt{2 \times 12000 \times 60 / 1} = 1200$  units

The mathematical approach and the calculation sheet give the same result. At EOQ the total ordering cost = total carrying cost.

Q.4. (a)

Time Rate or Time Wage System is the most popular method of wage payment. Known by various other names such as time work, day work, day wages and day rate, the payment is made on the basis of attendance. Wages are paid to the workers on time basis irrespective of the quantum of production, at a specified wage rate. The wage rate may be fixed on hourly, daily, weekly, fortnightly, or monthly basis. Calculation of wages under this method of wage payment takes into account: (i) the time spent by the worker and, (ii) the wage rate per unit of time fixed. The formula is:

Wages = Time spent x Wage rate per unit of time

For example, if a worker gets Rs.10 per hour, he works for 8 hours per day and has been present for duty on 25 days during the month, his wages for the month on the basis of time rate system will be:

$(25 \times 8)$  hours x Rs.10 = Rs. 2,000

Thus the worker is paid on the basis of time and not on his performance or quantity of output.

### Suitability of Time Rate System

The system may prove to be quite ideal in the following cases:

- (i) Where quality of production is relatively more important than quantity, e.g., tool room, testing and inspection, etc.
- (ii) Where it is difficult to measure the performance precisely, e.g., the performance of indirect workers, night watchman, gate-keepers, maintenance and repair work, etc.
- (iii) Where output of the worker is beyond his control, e.g., where his speed of work is restricted by the speed of machines or conveyor belts, or where his work is dependent upon the work done by other workers.
- (iv) Where close supervision of work is possible.

(v) Where the nature of work is such that there is no basis for incentive plan, e.g., night watchman.

(vi) Where production is intermittent on account of delays, power shut-down, etc.

### **Piece rate system**

This system is also known as payment by results. When wages are paid on that basis of the output of the workers without considering the time taken in performing work, it is termed as piece wage.

Thus under this system, the workers are paid on basis of quantity of work done, i.e., per unit of output, per article, per job, commodity, etc. For computing total remuneration of workers, a pre-determined rate unit of output is multiplied by the total units produced. The rate is fixed with the of time and motion studies. The formula for wage computation under this system is:

$$\text{Wages} = \text{Number of units produced} \times \text{Rate of wage per unit}$$

For example, a worker produces 8 units in one day and the rate of wages per unit is 10. The total wages for the day would be:  $8 \times \text{Rs. } 10 = \text{Rs. } 80$

### **Suitability of Piece Rate System**

Piece rate system of payment of wages is considered suitable:

- (i) Where the quantity of work done can be precisely measured and standardized.
- (ii) Where the work is of repetitive nature.
- (iii) Where it is possible to fix a fair and acceptable piece rate.
- (iv) Where the productivity is closely related to skill and efforts.
- (v) Where the quality of goods can be controlled.
- (vi) Where time cards are maintained for ensuring regularity and punctuality of workers and uninterrupted flow of production.
- (vii) Where materials, tools and machines are readily available to cope with the possible increase in production.



Q.4. (b)

### Break-Even Analysis in management

Break-even analysis is used as an important planning and controlling technique. Breakeven charts and break-even analysis have become widespread and they are extensively employed by executives in organisations, investment agencies, labour unions, and government agencies. Break-even analysis has become useful in price determination and expense control in several organisations.

Break-even analysis produces flexible projections of the impact of the output rate upon expenses receipts, and profits assuming other things equal. In this way it provides an important bridge between business behaviour and theory of firm.

Most importantly, break-even analysis, also known as cost-volume-profit relationship, is designed to assist planning and decision making by predicting the net effect of change in cost, volume, price, and the level of activity on the profits of the company".

According to ICMA, London, break-even analysis is the summary of the operating costs of the whole part of the activities of an undertaking for a specific period. Breakeven chart is a convenient way of demonstrating the profitability or otherwise of an undertaking at various levels of activity. Break-even point indicates the point at which the profit or loss to a firm is zero. It is also called no-profit-no loss point.

Q.4. (c)

### Calculation of Profit/Volume Ratio (P/V) Ratio based on given information

P/V Ratio = Change in profits/Change in sales

The profit for year 1 = 75,000

For year 2 = 1,70,000

P/V Ratio =  $1,70,000 - 75,000 / 7,50,000 - 5,00,000$

=  $95,000 / 2,50,000$

= 38 %

If the P/V Ratio is 38% then the variable cost is  $100 - 38 = 62\%$

Considering the value of variable cost in year 1, the calculations are as follows :

Sales	-	5,00,000
(-) Variable cost	-	3,10,000
(62% of 5,00,000)		-----
Contribution	-	1,90,000
(-) Fixed cost	-	1,15,000 (1,90,000 - 75,000)
		-----
Profit	-	75,000 (given)
		=====

#### Calculation of Break Even Point (B.E.P)

$$\begin{aligned}\text{B.E.P.} &= \text{Fixed Cost divided by P/V ratio} \\ &= 1,15,000 / 38\% \\ &= 3,02,631\end{aligned}$$

#### Calculation of estimated sales when the forecasted profit is Rs. 3,20,000

$$\begin{aligned}\text{Estimated sales} &= (\text{Forecasted profit} + \text{Fixed cost}) \text{ divided by P/V ratio} \\ &= 3,20,000 + 1,15,000 / 38\% \\ &= 11,44,736\end{aligned}$$

Q.5. (a) (i)

**Opportunity cost** - Opportunity cost is the value of the best alternative forgone, in a situation in which a choice needs to be made between several mutually exclusive alternatives given limited resources. Assuming the best choice is made, it is the "cost" incurred by not enjoying the benefit that would be had by taking the second best choice available. The New Oxford American Dictionary defines it as "the loss of potential gain from other alternatives when one alternative is chosen". Opportunity cost is a key concept in economics, and has been described as expressing "the basic relationship between scarcity and choice". The notion of opportunity cost plays a crucial part in ensuring that scarce resources are used efficiently. Thus, opportunity costs are not restricted to monetary or financial costs: the real cost of output forgone, lost time, pleasure or any other benefit that provides utility should also be considered opportunity costs.

The concept seems a simple one, useful when applied to making everyday decisions about how best to spend limited time or money. However, even professional economists have forgotten or had difficulty in applying it.

Q.5. (a) (ii)

**Cost Audit** - Cost audit is defined as the verification of correctness of cost accounts and checking of the cost accounting plan that is adhered to. The ICWA of India defines statutory cost audit in specific operational terms as a system of audit introduced by Government of India for review, examination and appraisal of the cost accounting records and attendant information required to be maintained by the specific industries. The cost audit report contains the independent opinion as to whether the cost records as prescribed by law have maintained or not whether the cost statements give a true and fair view of the cost of production of the product under audit.



Q.5. (a) (iii)

**Machine hour rate** - Under this method, machine hours are used as a basis for determining overhead absorption rate. It is the cost of operating the machine for one hour. This method is suitable for industries where major portion of the production is performed by the machines.

Separate rate is computed for each machine or for a group of identical machines. Machine hour rate is determined by dividing the amount of overheads concerning the machine by the number of effective machine hours.

#### **Computation of Machine Hour Rate**

The machine is treated as a small department or cost center to apportion various expenses to the machines just as the expenses charged to bigger departments.

While computing machine hour rate, the fixed and variable expenses need to be segregated to yield a better result. Even if the machine is idle, it does not have any impact on the fixed overheads, whereas it has a significant effect on the variable expenses. Because of these reasons we need to compute Machine Hour Rate in a systematic manner.

#### **Steps for Computation of Machine Hour Rate**

Step-1: The standing charges are estimated for a given period (year, month or week) for every machine and the total standing charges are divided by the total number of effective working hours of the machine to arrive at the hourly rate of standing charges.

Step-2: The machine expenses of each machine are treated separately in order to compute the hourly rate. Each machine expense of a machine is calculated either by allocation or by apportionment.

Step-3: The aggregate of the standing charges per hour and hourly rate of all the individual machine expenses is calculated to arrive at the simple Machine Hour Rate. When the machine operator's wages added to the simple machine hour rate, it is known as Comprehensive Machine Hour Rate.

$$\text{Comprehensive M.H.R.} = \text{Simple M.H.R.} + \text{Machine operator's wages}$$

While computing machine hour rate some of the overheads may require to be apportioned for the desired machine cost center.

Q.5. (b)

The process costing system is the procedure of determining the average unit cost in situations in which the product passes through more than one stage of the manufacturing process. Thus, it is used when identical units are produced through an on-going series of uniform production steps. The process costing system is applied where the output is homogeneous, production is continuous and there is feasibility of segmentation of the manufacturing operations into clearly identifiable processes or departments. Accordingly, process costing is appropriate for industries such as chemicals, food processing, petroleum refining, steel manufacturing etc. In process costing, the materials needed for output cannot be utilised below that required for the optimum performance of the process plant and therefore, the inventory generally tends to be higher as compared to job costing. Further, in process costing Overheads tend to be higher as fixed costs are necessarily to be incurred even though the plant may not be running to its full efficiency. Therefore, it is advisable to carry out the production on a mass scale and continuous basis.

Q.5. (c)

#### Process I Account

Particulars	Units	Amount (Rs.)	Particulars	Units	Amount (Rs.)
To raw materials	10,000	6,000	By normal loss $(0.10 \times 10,000)$	1,000	200
To other direct raw materials		8,500	By Process II (transferred @ Rs. 2.50 per unit : Rs. 22,500/9,000)	9,200	23,000
To direct wages		4,000			
To direct expenses		1,200			
To manufacturing overheads $[0.75 \times (\text{Rs. } 16,500/\text{Rs. } 22,000 \text{ of wages})]$		3,000			
To abnormal gain $(9,200 - 9,000, \text{ normal output})$	200	500			
	10,200	23,200		10,200	23,200

#### Process II Account

Particulars	Units	Amount (Rs.)	Particulars	Units	Amount (Rs.)
To output transferred from process I	9,200	23,000	By normal loss $(0.05 \times 9,200)$	460	230
To direct raw materials		9,500	By Process III (transferred @ Rs. 5 : Rs. 43,700/8,740)	8,700	43,500
To direct wages		6,000	By abnormal loss $(8,740 \text{ normal output} - 8,700)$	40	200
To direct expenses					
To manufacturing overheads $(0.75 \times \text{Rs. } 6,000)$		4,500			
	9,200	43,930		9,200	43,930



### Process III Account

Particulars	Units	Amount (Rs.)	Particulars	Units	Amount (Rs.)
To output transferred from process II	8,700	43,500	By normal loss (8,700 x 0.10)	870	870
To direct material		5,500	By finished stock A/c (final output transferred @ Rs. 9 per unit)	7,900	71,100
To direct wages		12,000			
To direct expenses		1,340			
To manufactured overhead (0.75 x Rs. 12,000)		9,000			
To abnormal gain (7,900 - 7,830, normal output)	70	630			
	8,770	71,970		8,770	71,970

### Abnormal Loss Account

Particulars	Units	Amount (Rs.)	Particulars	Units	Amount (Rs.)
To process II	40	200	By sale proceeds of scrap @ Rs. 0.50 per unit	40	20
			By profit @ loss A/c (loss transferred)		180
	40	200		40	200

### Abnormal Gain Account

Particulars	Units	Amount (Rs.)	Particulars	Units	Amount (Rs.)
To normal loss Process I	200	40	By process I A/c	200	500
Process II	70	70			
To profit and loss account (profit transferred)		1,020	By process III A/c	70	630
Total	270	1,130		270	1,130

Q.6 (a) (i)

**FIFO** – The FIFO method of valuation of inventory is based on the assumption that the inventory is consumed in chronological order i.e. the items received first are consumed first and their valuation is also done accordingly. In this method it is possible to calculate the cost of sales each month and at the same time determine a known inventory cost rate for the succeeding period.

The **LIFO** method of valuation of inventory is based on the assumption that the inventory received last is consumed first. In this method the cost of goods sold and the value of closing inventory can be determined only after the final lot of inventory for the year has been received. The FIFO method is generally followed in those industries where the inventory has limited shelf life and should be consumed before its expiry such as food processing industry.

(ii)

**Fixed costs** - Fixed costs are costs associated with those inputs which do not vary with change in volume of output or activity within a specified range of activity or output for a given budget period. Fixed costs, thus, remain constant whether activity increases or decreases within a relevant range. For eg. the rent of factory or office premises, property insurance, senior executives salaries, lease payments, depreciation, etc. remain the same whether there is an increase or decrease in the volume of activity. Since fixed costs are unaffected by volume changes, any increase in volume implies that the costs will be allocated to a greater number of units and as a result fixed costs per unit will become progressively smaller as volume increases.

**Variable costs** - Costs that tend to vary in direct proportion or in one to one relationship to a change in production activity, sales activity or some other measure of volume are referred to as variable costs within relevant range for a given budget period. Material costs, direct labour costs and certain supplies and consumables are examples of variable cost. The cost of these inputs increases/decreases in proportion to the increase/decrease in volume. However, depending upon the industry there are numerous other costs which are neither perfectly fixed nor perfectly variable in relation to volume changes. Examples of this kind of cost are telephone, power, repairs and maintenance, etc. While fixed charges like monthly rent for telephone or meter rent for power is a fixed cost, the actual billed amount based on usage per month which also depends on extent of activities in the industry determine the total cost on these elements.

(iii)

**ABC Analysis** - The ABC Analysis is a classification technique to identify various items of inventory for purposes of inventory control and helps in classification of different types of inventories to determine the type and degree of control required for each. This technique is based on the assumption that a firm should not exercise the same degree of control on all items of inventory. It should rather keep more rigorous control on items that are most costly and/or slowest turning, while items that are less expensive should be given less control effort. Accordingly, on the basis of the cost involved the various inventory items are categorised into three classes, A, B & C. The items included in group A involve the largest investment. Therefore, the inventory control should be most rigorous and intensive and most sophisticated inventory control techniques should be applied to these items. Typically value wise this category may be 80% but representing only 20% numbers of the inventory items. On the other hand the group C consists of items of inventory which involve relatively small investments although the number of items may be fairly large. These items warrant the minimum attention. The group B stands midway between these two categories as it deserves less attention than A but more than C.



Ans a(iv)(iv)

**Reorder Point and Safety Stock** – Reorder point can be defined as that inventory level which should be equal to the consumption during the lead time. Thus, it is the level of inventory at which an order should be placed for replenishing the current stock of inventory. In other words, reorder point may be defined as that level of inventory when a fresh order should be placed with the suppliers for procuring additional inventory equal to the Economic Order Quantity. The demand for inventory may fluctuate from time to time depending upon a number of situations like higher demand or some factors beyond control like floods, strikes, transportation bottlenecks etc. Therefore, the precise demand for inventory cannot be anticipated with certainty.

The **Safety Stock** is defined as minimum additional inventory to serve to serve as safety margin/buffer/cushion to meet unanticipated increase in usage resulting from unexpected fluctuations in the demands for inventory. This helps the firm to keep the sufficient additional inventory to guard against stock out situations.

Q.6. (b)

**Apportionment of Overheads of Service Departments to Production Departments**

Particulars	Service departments				Production departments		
	P (Rs.)	Q (Rs.)	R (Rs.)	S (Rs.)	X (Rs.)	Y (Rs.)	Z (Rs.)
Factory overhead costs	45,000	75,000	1,05,000	30,000	1,93,000	64,000	83,000
Distribution of factory overhead of Department P (in the ratio of no. of employees)	(45,000)	5,000	4,000	5,000	10,000	12,500	8,500
Distribution of factory overhead of Department Q, Rs.80,000 (in the ratio of direct labour- hours)	--	(80,000)	24,000	12,000	16,000	12,000	16,000
Distribution of factory overheads of Department R, Rs.1,33,000 (in the ratio of area used)	--	--	(1,33,000)	19,000	57,000	28,500	28,500
Distribution of factory overheads of Department S, Rs.66,000 (in the ratio of direct labour-hours)	--	--	--	(66,000)	24,000	18,000	24,000
Total cost					3,00,000	1,35,000	1,60,000
(b) Divided by direct labour-hours					75	45	40
Overhead recovery rate per hour (Total cost/DLH)					4,000	3,000	4,000



Compulsory  
Q.10 (a)

In order to float a company, a businessman needs to submit the following documents along with the requisite fee to the registrar of companies :

- Ans 6(a)
- (i) The Memorandum of Association containing six clauses viz. the name of the company with "Limited" as the last word, the state in which the registered office is to be situated, the objects of the company, the statement about the liability of the members being limited, the amount of authorised share capital and its division into shares and the declaration of association.
  - (ii) The Article of Association which contains the rules and regulations for the conduct of the company's business.
  - (iii) The agreement if any which the company proposes to enter into with any individual for appointment as its Managing Director or whole time Director or Manager.
  - (iv) In the case of a public company limited by shares, a list of Directors who have agreed to become the first Directors of the company and their written consent to act as Directors and take up qualification shares if any. This requirement does not apply to a private company.
  - (v) A declaration that all the requirements of the Company's Act and other formalities relating to registration have been complied with. It has to be signed by any of the persons such as an Advocate of a High Court or Supreme Court, an Attorney or a Pleader entitled to appear before High Court, a Secretary or a Chartered Accountant or a person named in the Articles of the company as a Director, Manager or Secretary of the company.
  - (vi) Notice of the address of the registered office of the company. However, this notice may be given later also within 30 days after registration.

After submission of above documents, the Registrar of Companies will issue the Certificate of Incorporation if he is satisfied that the requirements of the Company's Act have been complied with. Thereafter, the company comes into existence.

Q.10. (b)

Ans 6(b)

There are two types of registered companies, private companies and public companies. A private company is a company which has a minimum paid-up capital of Rs. 1,00,000 or such higher paid-up capital as may be prescribed by the Central Government and which by its Articles of Association (i.e. bye-laws of the company) meets the following conditions :

- (i) Restricts the right of its members to transfer shares
- (ii) Limits the number of its members to 50 (excluding employees who are members and ex-employees who continue to be members)
- (iii) Prohibits any invitation to the public to subscribe for any shares or debentures of the company
- (iv) Prohibits any invitation or acceptance of deposits from persons other than its members and directors

A public company means a company which is not a private company and has a minimum paid-up capital of Rs. 5,00,000 or such higher paid-up capital as may be prescribed. A private company which is a subsidiary of a company which is not a private company is also a public company.

### Distinction between a public company and a private company

1. The minimum number of persons required to form a private company is 2 whereas in the case of public company it is 7.
2. The maximum number of shareholders in a private company is 50 whereas there is no restriction on the number of members in a public company.
3. In case of public company shares are freely transferable
4. A private company need not hold a statutory meeting or file with the registrar of companies, a statutory report

Q.10. (c)

**Preference shares** are those which carry a preferential right as to the payment of dividend during the life time of the company and a preferential right to the return of capital when the company is wound up. These shares carry a right of dividend at a fixed rate before any dividend can be paid on equity shares. The fixed rate of dividend payable is declared at the time of issue of such shares. A preference share can be either cumulative or non-cumulative, redeemable or irredeemable, participating or non-participating and convertible or non-convertible. The holders of cumulative preference shares are entitled to recover the arrears of preference dividend before any dividend is paid on equity shares. The holders of convertible preference shares enjoy the right to get these converted into equity shares according to the terms of issue.

Shares without the privileges attached with preference shares are equity shares. The balance of profits remaining after appropriating preference dividend can be distributed among the equity shareholders as dividend. In case of winding up of the company, the payment is first made to creditors of the company. Thereafter, the preference share capital is returned. Whatever remains thereafter belongs to equity shareholders for distribution.

Q.11. (a)

### Rectification of errors and the Suspense A/c

Sr. No.	Particulars	Debit Amount (Rs.)	Credit Amount (Rs.)
1.	Suspense A/c Dr. To Sumesh A/c (For rectification of short credit of amount posted)	500	500
2.	Sales A/c Dr. To Suspense A/c (For rectification of the overcast amount)	1,000	1,000
3.	Suspense A/c Dr. To Purchase A/c (For rectification of wrong c/f)	90	90
4.	Machinery A/c Dr. To Carriage inwards A/c (For rectification of wrong debit)	780	780
5.	Suspense A/c Dr. To Purchases Returns A/c (For rectification of omission of credit)	3,100	3,100



6.	Drawings A/c To Purchase A/c (For rectification of omission)	Dr.	300	300
7.	Suspense A/c To Painting A/c (For rectification of excess debit)	Dr.	90	90
8.	Dixit A/c To Sham A/c To Suspense A/c (For rectification of wrong adjustment)	Dr.	8,250	5,470 2,780

### Suspense Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Sumesh A/c	500	By Sham A/c	2,780
To Purchase A/c	90	By Sales A/c	1,000
To Purchase Returns A/c	3,100		
To Painting A/c	90		
Total	3,780		3,780

Q.11. (b)

### Bank Reconciliation Statement

A statement which is prepared to reconcile the differences between the balance shown by bank column of Cash Book and balance shown by bank Pass book and also showing causes of disagreement of these two balances.

A BRS is required :-

- (i) To detect the mistakes/errors and omissions made either in the Pass Book or in the Cash Book.
- (ii) To explain any delay in the collection of cheques
- (iii) To reduce the chances of fraud by the staff handling cash

### Reasons for differences

The differences in two balances arises from the following 3 causes :

- (i) Difference due to timings -
  - (a) Cheque issued but not yet presented for payment
  - (b) Cheques deposited or paid into bank but not yet collected or cleared by bank
- (ii) Transactions recorded by bank but not known to the account holder -
  - (a) Interest, Commission, Bank charges, etc. debited by the bank
  - (b) Interest, Dividend, etc. collected and credited by bank
  - (c) Direct payments by the bank
  - (d) Amount directly deposited into the bank by the debtors
  - (e) Dishonour of bills/cheques deposited into the bank

- (iii) Errors while recording the transactions –
- Overcast/undercast of the totals
  - Carry forward of previous balances in the current page
  - Omissions of some transactions while recording the transactions

Q.12. (a)

### Computation of subscription for the year 2012

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To outstanding subscription	9,500	By advance subscription	2,800
To income and expenditure	44,000	By bank	48,900
To advance subscription	5,200	By outstanding subscription	7,000
Total	58,700	Total	58,700

Working Note :

Subscription received during the current year	48,900
Add Outstanding subscriptions at the end of current year	7,000
Advance subscriptions in the beginning of the current year	2,800
Less Outstanding subscriptions in the beginning of the current year	9,500
Advance subscriptions at the end of the current year	5,200
Subscriptions income to be credited to Income and Expenditure A/c	44,000

Q.12. (b)

### City Club Receipts and Payment Account for the year ended 31<sup>st</sup> March, 2013

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To cash in hand and bank (Opening balance)	23,000	By Purchase of provisions	38,000
To Subscription	10,000	By Salaries	10,000
To Donation	35,000	By Printing & Stationery	4,000
To Entrance fee	5,000	By General Expenses	3,000
To sale of provisions	35,000	By Equipment purchased	6,500
		By cash in hand and at bank (Closing balance)	46,500
Total	1,08,000	Total	1,08,000



Working notes

1. Payment to creditors for provisions

2.

Opening Balance	8,000
Add Purchases during the year	40,000
Total	48,000
Less Closing balance	10,000
Total	38,000

3. Subscriptions

As per income & expenditure statement	25,000
Add Subscriptions for previous year	5,000
Total	30,000
Less Subscriptions for current year	20,000
Total	10,000

4. Equipment purchased

Closing balance of equipment	15,000
Add Depreciation written off	1,500
Total	16,500
Less Opening balance of Equipment	10,000
Total	6,500

Q.13. (a)

The objective of making **provision for depreciation** in respect of fixed assets :

1. Ascertainment of true profits: the amount invested for purchase of assets should be charged over a period of time during which the asset will be serviceable. This will enable one to ascertain the true profits of a company.
2. Presentation of true financial position: a true state of affairs of the concern can be shown only when the assets are correctly valued and shown in the balance sheet. The correct valuation of assets in turn depends on the correct calculation of depreciation.
3. Replacement of assets: assets have to be replaced once their serviceable period is over. Depreciation helps to retain certain amount of profits so that new assets can be purchased to replace the old ones.

The various methods of depreciation are :

- (1) Straight line method-where a suitable percentage of original cost is written off each year
- (2) Reducing balance method- where fixed percentage is written off from the book value in a particular year.
- (3) Annuity method- Which takes into account the interest lost in the asset acquisition.
- (4) Depreciation fund method- where the amount depreciated is put in a sinking fund or reserve which can be used subsequently to purchase the asset.
- (5) Insurance Policy method- where depreciated amount is invested in insurance policy
- (6) Revaluation method- where depreciation is charged on the basis of revaluated asset at the end of the year.
- (7) Depletion method- based on the depletion in the resources such as in the case of mines.
- (8) Machine hour rate method-based on the usage of machines
- (9) Repairs provision method- used for providing aggregate of depreciation and maintenance cost by means of periodic charges.



Ans 9(b)

Q.13. (b)

Machinery A/c showing the Depreciation calculations for the years 2010 to 2013

Dr.			Cr.		
Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
1/4/2010	To Bank	3,70,000	31/3/2011	By Depreciation @ 10%	40,000
	Add Installation charges	30,000		By balance c/d	3,60,000
		4,00,000			4,00,000
1/4/2011	To balance b/d	3,60,000	31/3/2012	By Depreciation @ 15% on 3,60,000	54,000
1/10/2011	To Bank (purchase of new machine)	1,00,000		By Depreciation @ 15% on 1,00,000 for 6 months	7,500
				By closing balance c/d	3,98,500
		4,60,000			4,60,000
1/4/2012	To Balance b/d (3,06,000 + 92,500)	3,98,500	1/10/2012	By Bank (Sale)	2,80,000
1/10/2012	To Bank (purchase of new machine)	2,50,000		By Depreciation @ 15% on 3,06,000 for 6 months	22,950
				By Profit & Loss A/c (Loss on Sale)	3,050
			31/3/2013	By Depreciation @ 15% on 92,500	13,875
				By Depreciation @ 15% on 2,50,000 for 6 months	18,750
				By Balance b/d (78,625 + 2,31,250)	3,09,875
		6,48,500			6,48,500

Ans 10(a)  
Q.16. (a)

**Statement of Affairs as on 1<sup>st</sup> April, 2011**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bills payable	20,000	Machine	1,50,000
Creditors	33,100	Stocks	1,20,000
Capital Account (Balancing figure)	3,50,000	Debtors	66,000
		Cash in hand and at bank	67,100
<b>Total</b>	<b>4,03,100</b>	<b>Total</b>	<b>4,03,100</b>

**Statement of Affairs as on 31<sup>st</sup> March, 2012**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	Amount (Rs.)
Creditors	87,000	Machine	1,50,000	
		Less Depreciation @ 8%	12,000	1,38,000
Capital Account (Balancing figure)	4,60,040	Motorcycle	1,20,000	
		Less Depreciation @ 10%	12,000	1,08,000
		Stocks		1,34,000
		Debtors	93,200	
		Less Bad debts	4,000	
		Less provision for Bad debts	4,460	84,740
		Bank balance as per Cash book		52,300
		Cash in hand		30,000
<b>Total</b>	<b>5,47,040</b>	<b>Total</b>		<b>5,47,040</b>

**Statement of Profit earned during the year ended 31<sup>st</sup> March, 2012**

Capital as on 31 <sup>st</sup> March, 2012	4,60,040
Add Drawings made during the year	45,000
<b>Total</b>	<b>5,05,000</b>
Less Capital as on 1 <sup>st</sup> April, 2011	3,50,000
<b>Profit earned during the year</b>	<b>1,55,040</b>

Working note

Calculation of Bank balance as per Cash Book

Balance as per bank statement	-	Rs. 59,300
Less cheque issued but not yet presented	-	Rs. 7,000
		-----
<b>Balance</b>	-	<b>Rs. 52,300</b>
		=====

Ans 10(b)(i)  
Q.16. (b) (i)

Ratios can be classified into four broad groups :

- (i) Liquidity ratios
- (ii) Capital structure/leverage ratios
- (iii) Profitability ratios and
- (iv) Activity ratios



- (i) **Liquidity ratios** – Liquidity ratios are based on the adequate liquidity or the liquidity positions of current assets and liabilities.
- (ii) **Capital structure/leverage ratios** – Capital structure/leverage ratios are based on the Earning Before Interest and Tax (EBIT), Earnings Per Share (EPS) and the total value of the company (Equity, Debenture, Preference Shares)
- (iii) **Profitability ratios** - Profitability ratios are based on the gross profit, cost of goods sold and the sales value
- (iv) **Activity ratios/turnover ratios** - Activity ratios/turnover ratios are based on the level of stock in hand, Debtors, Creditors

ms/10(b) (iv)  
Q.16. (b) (ii)

Current ratio = Current assets / current liabilities = 2.5 (given)

Net working capital = Current assets – current liabilities = 3,00,000 (given)

Therefore

$$2.5 \text{ C/L} - 1 \text{ C/L} = 3,00,000$$

$$1.5 \text{ C/L} = 3,00,000$$

$$\text{Current Liability (C/L)} = 3,00,000 / 1.5 = 2,00,000$$

$$\text{Current Asset (C/A)} = 2.5 \text{ C/L} = 5,00,000$$

$$\begin{aligned} \text{Quick ratio} &= \text{C/A} - \text{Stock} / \text{Current liability} \\ &= 1.5 \text{ (given)} \end{aligned}$$

$$5,00,000 - \text{Stock} / 2,00,000 = 1.5$$

$$\text{i.e. Stock} = 5,00,000 - 3,00,000$$

$$\text{Stock} = 2,00,000$$

Stock turnover ratio = Cost of goods sold / average inventory\* = 4 (given)

\* In the absence of information, average inventory is considered as the given stock value.

$$\begin{aligned} \text{Cost of goods sold} &= 4 \times 2,00,000 \\ &= 8,00,000 \end{aligned}$$

The gross profit ratio is 20% (given)

It means out of sales of 100, 80% is contributed towards cost of goods sold.

$$80\% \text{ value} = 8,00,000$$

$$\text{So sales} = 8,00,000 / 80\%$$

$$\text{Sales} = 10,00,000$$

**SUBJECT : PAPER-IV- Service Regulations**  
**(PRACTICAL WITH-BOOKS)**  
**SECTION-I (PAY & ALLOWANCES-CIVIL)**  
**(Common to All)**

**Statement of Authorities and Model Answers**

Question Number	Authority & Model Answer
1 (a) <i>Ans-1</i> <i>1(a)</i>	<b>Rule 57 of GFR, 2005</b> No. Expenditure in respect of a 'New Service' shall not be incurred during a financial year not contemplated in the Annual Budget for the year except after obtaining a supplementary grant or appropriation or an advance from the contingency fund during that year.
(b) <i>1(b)</i>	<b>Rule 146 of GFR, 2005</b> Not in order. Purchase of goods costing above Rs 25,000/- shall be made on the recommendations of duly constituted local purchase committee nominated by head of the department.
(c) <i>1(c)</i>	<b>Rule 152 of GFR, 2005</b> 'Two bid System' consists two types of bid viz., a 'technical bid' comprising all technical details alongwith commercial terms & conditions and a 'financial bid' consists of item-wise price for the items mentioned in the technical bid. This system is followed for purchasing high value plant, machinery etc., of a complex and technical nature.
3(a) <i>Ans-2</i> <i>3(a)</i>	<b>GOI, Order No 2 under Rule 34 of SR (FRSR Part-II)</b> A Central Govt Officer drawing a grade pay of Rs 7,600/- is entitled to travel by Executive class in Shatabdi trains for journeys on tour.
(b) <i>1(2)(b)</i>	<b>Sub Para 2(a) of GOI, Order No 3 under Rule 36 of SR (FRSR Part-II)</b> Yes. A Govt Servant accompanying the foreign delegation on a journey by rail can travel in a higher class of accommodation than that to which he is normally entitled where it is considered absolutely necessary for the Govt servant to accompany the foreign delegation. This, however, is subject to the prior sanction of the administrative Ministry concerned.
(c) <i>1(2)(c)</i>	<b>Para 7 of Rule 48-B of SR (FRSR Part-II)</b> The action of the department of the deceased public servant is not in order. The expenditure on Air-lifting of the body through a commercial flight on the wishes of the family shall be met by the Govt.
(d) <i>1(2)(d)</i>	<b>GOI, Order No 2 under Rule 165 of SR (FRSR Part-II)</b> The TA claim submitted by the officer for the journey under taken to attend a social function by the President can not be admitted as such functions should not be regarded as public duty.



Ans-3

✓ 4(a)

Ans 3(a)

**Para 1 of Rule 43-AA of CCS (Leave) Rules, 1972 (FRSR Part-III)**

Yes. A male Govt servant is eligible for grant of paternity leave for child adoption if he is having less than two surviving children and on valid adoption of a child below the age of one year. Such leave shall be availed within a period of six months from the date of valid adoption. The quantum of leave in such case is 15 days.

(b)

11 3(b)

**Para 1 (a) of Rule 38-A of CCS (Leave) Rules, 1972 (FRSR Part-III)**

The Clerk is not eligible for grant of encashment of Earned Leave along with LTC since he is not fulfilling the condition that a balance of atleast thirty days of Earned Leave shall be available to the credit of a Govt servant.

(c)

11 3(c)

**Note under Rule 62 of CCS (Leave) Rules, 1972 (FRSR Part-III)**

The Comptroller and Auditor General of India is empowered to grant the cost of fees paid for the study in exceptional circumstances to those Govt servants serving in the Indian audit and accounts department without obtaining the sanction of the President. Hence, the grant for cost of fee paid in the instant case is in order.

(d)

Ans 3(d)

**Sub Para 1 (b) of Para 4 of Appendix-III of CCS (Leave) Rules, 1972 (FRSR Part-III)**

A Govt servant is not eligible for grant of 10 days of special casual leave for participating in the tracking expedition even if it is approved by Indian mountaineering federation in the same calendar year as he has already exceeded the overall limit of 30 days of special casual leave that can be sanctioned to an individual Govt servant for one calendar year.

7(a)(i)

Ans 4(a)

**Note 4 under Rule 2 (B) (e) (B) (ii) of CS(MA) Rules, 1944**

As per extant orders under CS(MA) Rules, no fees should be charged by the Medical Officer who is in receipt of NPA for the professional services even if rendered after the hospital hours to a central Govt employee or his family members. Hence, re-imbursment is not admissible in the instant case.

(ii)

Ans 4(ii)

**Note 1 of GOI, Min of Health OM No S 14011/7/74-MC dt 04-12-1975 : Medical Attendance Rules (Page 11).**

Re-imbursment of Rs 150/- towards Massage treatment in the instant case is admissible under CS(MA) Rules based on the certificate of the AMA.

(b)

✓ 4(b)

**Para (8) of GOI OM No 14025/24/74/MC dt 04-8-1975 : CS(MA) Rules, 1944**

Yes. A medical officer under the employ of a department and declared as AMA for its staff and their families stationed at a particular place can be treated as AMA for himself and his family members where there is one and only one AMA.

(c)

Ans 4(c)

**GOI Decision (1) under Rule 5 of CS (MA) Rules, 1944 / GOI MH OM No F-17 (VIII)-35/57-H. I dt 18-06-1957.**

No. Even though the fees paid to the specialist for testing eye sight for glasses is reimbursable, the cost of spectacles is not reimbursable.

Ans-4



Ans-5

8(a)

Ans 5(a)

OM No 48/2/65-Ests (A) dated : 02-04-1965 : CCS (LTC) Rules, 1988  
GOI Decision No (4) under Rule (3) of Chapter XX, CCS (LTC) Rules, 1988

Yes. LTC is admissible if a female Govt servant proceeds to her home town availing LTC and gets married in her home town, her newly married husband becomes eligible for LTC for the journey performed by him from the home town to the headquarters of the female Govt servant.

(b)

5(b)

**GOI Decision below Para 9 of CCS (LTC) Rules, 1988, Chapter XX**

Yes. LTC is admissible in the instant case to the family members who performed journey to home town in Karnataka and to other family member who performed journey to Dehradun as decided by Min of Personnel, Public grievances and pension (DOP&T).

(c)

5(c)

**DOP&T OM No 31011/6/2002-Estt (A) dt 30-07-2002 : CCS (LTC) Rules, 1988, and also Sub Para (11) of Para 12, P.64 of Chapter XX of CCS (LTC) Rules**

Yes. LTC is admissible to the Govt servants who travelled by buses hired by State Tourism Development Corporation provided, the State Tourism Development Corporation certify that the journey has actually been performed by the Govt servants and their family members.

10 (a)

Ans-6

Ans 6(a)

**OM No 1/17015/4/89-H III dt : 28-02-1989 / GOI Order No (3) under Rule 5 (6) (b) (2) [Page- 53] of HBA Rules (2008 Edition)**

It has been clarified by the Govt that since stamp-duty is a state subject, central Govt employees are to be governed by the rule formulated by the concerned state Govt. Hence, stamp-duty has to be born by the loanee Govt servant and reimbursement is not admissible.

(b)

6(b)

**C&AG No 31-Audit I/I-90/I-91 (7) dt 16-01-1991/Proviso to GOI Order No (9) under Rule 8 of HBA Rules (2008 Edition)**

In such cases, the mortgaged property shall be re-conveyed to one of the legal heirs of the deceased loanee, provided other legal heirs if any shall submit affidavit to the effect that they have no objection if the mortgaged property is re-conveyed to a particular legal heir. This condition however is to avoid legal complication at a later stage.

(c)

6(c)

**GOI, DOP&T OM No 19017/2192-Estt (A) dt : 19-05-1993/Sub Para VIII of Para (15) under Rule 9 of HBA Rules (P 127 of 2008 Edition).**

The prescribed non-encumbrance certificate need not be insisted upon by the head of the departments in such cases. It is enough if the applicant produces a certificate to the effect that the land in which the house/flat has been constructed is un-encumbered.



**SUBJECT : PAPER-IV- Service Regulations**  
**(PRACTICAL WITH-BOOKS)**  
**SECTION-II (PROVIDENT FUND AND PENSION)**  
**(Common to All)**

**Statement of Authorities and Model Answers**

Question Number	Authority & Model Answer
<p>Ans-1</p> <p>✓ 1(a) Mx (a)</p>	<p><b>Rule 5 (4) of GPF (CS) Rules, 1960</b>  The change of nomination in the instant case can be accepted, provided, he shall along with such notice or separately, send a fresh nomination made in accordance with the provisions of GPF Rules.</p>
<p>✓ (b) " 1(b)</p>	<p><b>GOI Decision No (3) under Rule 5 of GPF (CS) Rules, 1960</b>  Yes. A subscriber of GPF can effect the changes in the nomination previously made while in service even after the date of his retirement so long as the amount at the credit of the subscriber is not actually paid provided the revised nomination is made &amp; notified as per provisions of Provident Fund Rules.</p>
<p>(c)(i) " 1(cu)</p>	<p><b>GOI Decision No (2) under Rule 16 of GPF (CS) Rules 1960</b>  The 'betrothal ceremony' and 'marriage ceremony' shall be treated as separate purposes for the purpose of Rule 16(I) of GPF (CS) Rules. Hence, in the instant case, withdrawal is permitted for both the ceremonies.</p>
<p>(ii) " 1(iii)</p>	<p><b>GOI Decision No (4) under Rule 16 of GPF (CS) Rules 1960</b>  The provisions of GPF (CS) Rules, 1960 does not permit final withdrawal for acquiring more than one house. Hence, in the instant case the subscriber's application for purchase of a ready built flat is not admissible.</p>
<p>Ans-2</p> <p>✓ 3(a) Mx 2(a)</p>	<p><b>Rule 8 (1) (a) &amp; (b) of CCS (Pension) Rules 1972</b>  Future good conduct is an implied condition for every grant of pension and its continuance under CCS (Pension) Rules, 1972. Hence, the pension of Shri 'A' who has been convicted in a criminal case can be withheld by the appointing authority by an order in writing who can withhold or withdraw a pension or a part thereof.</p>
<p>(b) " 2(b)</p>	<p><b>Rule 10 (1) of CCS (Pension) Rules, 1972</b>  Yes. As per CCS (Pension) Rules, 1972 members of central service group 'A' shall obtain the previous sanction of Govt to take up a commercial employment within one year by submitting an application in form-25.</p>
<p>(c) " 2(c)</p>	<p><b>Rule 26 (2) of CCS (Pension) Rules, 1972</b>  Under the provision of CCS (Pension) Rules, 1972 resignation from a service or post shall not entail forfeiture of past service if it has been submitted to take up with another appointment under the Govt with proper permission. As such, in the instant case, Shri 'C' is not eligible for any benefits for his past service in DAD.</p>



Ans-3

4(a)

✓  
my 3(a)

**Rule 56 of Pension Regulations for Army Part-I**

As per pension regulations for the Army, if a pensioner who refuses so to appear before a resurvey medical board for reassessment of his disability, the 'disability element' of his pension shall be suspended from the date of such refusal. Accordingly, in the instant case the 'disability element' of his pension shall be suspended from the date of such refusal. He shall however continue to draw service element.

(b)

✓  
my 3(b)

**Rule 102 of pension Regulation for Army Part-I**

In the instant case, the widow of a 'Major' on desertion by her second husband is eligible for restoration of family pension provided, she is otherwise qualified, and her pecuniary circumstances are found justified in the opinion of President for restoration of family pension.

(c)

✓  
3(c)

**Rule 224 of Regulations for Army. Part-I.**

As per pension regulations for the Army, the recruits and young soldiers are eligible for grant of special family awards. However, the rates are as applicable to Sepoys of the lowest group.

6(a)

Ans-4

✓  
my 4(a)

**Rule 68 (i) & (ii) of Pension Regulations for Army Part-II**

In respect of 'Lt Col' the area commander concerned/Independent Sub Area Commander and in respect of a PBOR the Record office concerned shall initiate action to arrange re-assessment medical board at least 3 months and 4 months respectively prior to the date of expiry of the current award.

(b)

✓  
1 4(b)

**Rule 79 (b) of Pension Regulation for Army Part-II**

Ex Nb Sub 'T' shall make a request to his Pension Disbursing Authority directly for transfer of payment of his pension and hence PCDA (Pension) has no role to play in this case.

(c)

✓  
1 4(c)

**Rule 82 of Pension Regulations for Army Part-II**

Yes. In the instant case Ex Naik 'K' shall intimate the change of nationality to the Pension Disbursing Authority as well as PCDA (P) for updation of his pension on change of his nationality as applicable to the NRI pensioners.

8(a)

✓  
my 5(a)

**Para 5 (a) of GOI order No 21 of New Pension Scheme (Page-49)**

PAO will allot PPAN number in respect of new entrants with effect from 01-04-2008 by following the procedure already prescribed for the Interim period.

(b)

✓  
my 5(b)

**Para 6 of GOI order No 21 of New pension scheme (Page-52)**

The details required to be indicated in LPC under NPS are PRAN number (PPAN number until PRAN is allotted) and the month upto which the contributions have been recovered/drawn in case of transfer of a Govt Servant from one office to another.

(c)

✓  
1 5(c)

**Para 21 of Annexure-IB of new pension scheme**

According to the provisions of NPS, it is mandatory on the part of CDDOs to indicate the details such as 'Unique Transaction ID' and the 'CDDO Registration Number' in the remarks column of RTGS/NEFT application forms.



**SUBJECT : PAPER-IV- Service Regulations**  
**(PRACTICAL WITH-BOOKS)**  
**SECTION-III (PAY & ALLOWANCES OF SERVICES (ARMY)**  
**(Common to All)**

**Statement of Authorities and Model Answers**

Question Number	Authority & Model Answer
<p><u>Ans-1</u></p> <p>2(a) ✓ Ans 1(a)</p>	<p><b>Rule 75 of Pay &amp; Allces Regulations (Officers) Army, 1954</b>  Officers who have completed two or more years of commissioned service and whose pay is governed by Rule 72 are eligible for Qualification Grant.</p>
<p>(b) ✓ 1(b)</p>	<p><b>Rule 39 of Pay &amp; Allces Regulations (Officers) Army.</b>  No. The service rendered in a brevet/local rank will not count towards increase in pay given for length of service in that rank.</p>
<p>(c) ✓ 1(c)</p>	<p><b>Rule 105 of Pay &amp; Allces Regulations (Officers) Army.</b>  Yes. As per provisions of P&amp;A Regulations of Army officers, Parachute Allowance shall continue to be admissible during Annual Leave of a Army Officer.</p>
<p>(d) ✓ Ans 1(d)</p>	<p><b>Para 3 of Rule 173 of Pay &amp; Allces Regulations (Officers) Army, 1954.</b>  Yes. High Altitude/Uncongenial Climate Allowance is admissible during Casual Leave as per the provisions of P&amp;A Regulation of Army Officers.</p>
<p><u>Ans-2</u></p> <p>5(a) ✓ Ans 2(a)</p>	<p><b>Rule 19 of DSR- Pay &amp; Allces Regulations for ORs.</b>  As per Pay &amp; Allowances Regulation for ORs the pay of a PBOR commences from the date of his enrolment on the authority of Part-II orders published thereon.</p>
<p>(b) ✓ 2(b)</p>	<p><b>Rule 60 (a) (i) of DSR- Pay &amp; Allces Regulations for ORs.</b>  A PBOR is required to put in a minimum number of twenty four sorties per year. For this purpose a year will be from 1<sup>st</sup> October to 30<sup>th</sup> September as provided under Pay &amp; Allowances Regulations for ORs.</p>
<p>(c) ✓ 2(c)</p>	<p><b>Rule 90-A of DSR- Pay &amp; Allces Regulations for ORs.</b>  Yes. Parachute pay will continue to be admissible when a PBOR is proceeding on a course of instruction for a period of 10 weeks or more provided, the PBOR returns to the parachute duties on conclusion of the course as per the provisions of Pay &amp; Allowance Regulations for ORs.</p>
<p>(d) ✓ 2(d)</p>	<p><b>Rule 176 of DSR- Pay &amp; Allces Regulations for ORs.</b>  No. Ration Allowance is not admissible in addition to daily Allowance as per Pay &amp; Allowances Regulations for ORs.</p>



Ans-3

6(a) ✓ m 3(a)	<b>Second Proviso to Rule 10 of Leave Rules for services, Vol-I Army</b> The period of Casual Leave of the Army Personnel extending to the next year the period falling in the latter year shall be debited against the Casual Leave entitlement of that year.
(b) 3(b)	<b>Note under Rule 21 of Leave Rules for Services, Vol-I Army.</b> The Sick Leave of a Major who is on Casual Leave shall be reckoned from the date of falling sick. However, the period of casual Leave availed prior to the date of falling sick will not be vitiated.
(c) 3(c)	<b>Rule 23 of Leave Rules for services, Vol-I Army.</b> The quantum of unavailed Annual Leave that is admissible to a an Army Officer who has put in 21 years of service, is 265 days. However, this is subject to the condition that he is allowed to accumulate not more than 30 days in a calendar year as provided under Leave Rules for services.

Ans-4

(d) 3(d)	<b>First Proviso of Sub Para (d) under Rule 29 of Leave Rules for services Vol-I Army.</b> The certificate on completion of approved studies overseas by an AMC officer is forwarded by the officer to the accredited representative of the GOI in the overseas who in turn arrange for its transmission to DGAFFMS.
7(a) ✓ 4(a) my	<b>Rule 61 of Leave Rules for the services Vol-I Army.</b> The following kinds and quantum of Leave are admissible to Military Nursing Officers (Local) : (a) Casual Leave - 10 days during the calendar year. (b) Annual Leave - One month during each calendar year. (c) Sick Leave - One month for every year of service.
(b) 11 4(b)	<b>Rule 73 (b) of Leave Rules for the services Vol-I Army.</b> Male service personnel of Army whose wives undergo tubectomy/salpingectomy operation after MTP are entitled for Special Casual Leave for a period of seven days.
(c) ✓ 11 4(c)	<b>Rule 74 of Leave Rules for the services Vol-I Army.</b> Army officers serving out side Delhi who are members of the Indian Institute of Public Administration, are eligible for grant of Special Casual Leave, for a period six working days in each calendar year plus the minimum period required for the journey to enable them to attend such meetings and return.
(d) ✓ 4(d)	<b>Rule 71 (i) of Leave Rules for Services Vol-I Army.</b> Casual Leave can be granted to the Army personnel sent abroad on deputation under special circumstances at the discretion of Heads of Missions subject to the condition that such grant should not have the effect of extending the period of deputation.



Ans-5

9(a) ✓ ms 5(a)	<b>Note below Rule 16 (ii) (b) of Travel Regulations (1991 Edition)</b> No. TA to a member added to the family after the date of transfer of the individual is not admissible as per Travel Regulations.
(b) 15(b)	<b>Note 6 under Rule 40 of Travel Regulations (1991 Edition)</b> The Commandant of National Defence College exercises the powers to authorize journeys within India in respect of staff and students of National Defence College.
(c) 15(c)	<b>Note under Rule 56 of Travel Regulations (1991 Edition)</b> Move for a authorized course of instruction at an outstation for a period of beyond 180 days shall be classified as permanent. Hence, in the instant case, the move of 'Col K' whose course duration at an outstation for a period of 190 days shall be classified as permanent.
(d) 5(d)	<b>Rule 67 (c) (i) (a) of Travel Regulations (1991 Edition)</b> In the instant case the single officer who is transferred to another station beyond a distance of 20 Kms is entitled to a composite transfer grant equal to 80% of one month pay in the pay band, grade pay, MSP & NPA where applicable wef 01-09-2008 as per Travel Regulations.
10(a) ✓ ms 6(a)	<b>Para 96 of OM Part-IX (Officers) (2013 Edition)</b> The PCDA (O) Account Number contains three compartments which contain code number of the section of Ledger wing-II, Task number of the ledger wing-II and the account number proper allotted to each Army Officer. This number is subject to change whenever an officer is transferred from one unit/task of ledger wing-II to another unit/task of ledger wing-II.
(b) 116(b)	<b>Para 135 of OM Part-IX (Officers) (2013 Edition)</b> The Part-II Order authorizing an Army officer to attend a course of Instruction shall contain the information with regard to particulars of the course, its duration and the date on which the officer is relieved. It shall serve the purpose of audit of such part-II order to see whether the course is an authorized one.
(c) 16(c)	<b>Note under Para 174 (iv) of OM Part-IX (Officers) (2013 Edition)</b> While auditing the claim of 'Maj X' for payment of HA/UCA it shall be ascertained from 'T' Wing of PCDA (O) locally that Daily Allowance has not been paid to him for the period for which the HA/UCA is claimed. This way correctness of the self certificate of the officer is cross- checked.

Ans-6

DEFENCE ACCOUNTS DEPARTMENT  
SAS EXAMINATION, PART-I

Subject:- PAPER-IV – SERVICE REGULATIONS  
PRACTICAL – WITH BOOKS, SECTION-III/OPTIONAL,  
SUB-SECTION – B – AIR FORCE

1 mo 1  
2(a) What ~~does~~ GCB Pay ?

Good Conduct Badge Pay.

Q-1  
2(b). Why is GCB granted? Upto what rank in Air Force GCB is given ?

Ans-1

It is granted to maintain high degree of discipline, good conduct and professional competence. It is admissible to all Airmen upto and including the rank of JWO.

(Auth: Rule 276 of P&A Reg of Indian Air Force).

2 (C) When an Airmen is entitle to get GCB & how many times?

- Ans. (a) 1<sup>st</sup> GCB after 4 years completion of service  
(b) 2<sup>nd</sup> GCB after 8 years completion of service.  
(c) 3<sup>rd</sup> GCB after 12 years completion of service.

(Auth: Rule 276 of P&A Reg of Indian Air Force).

1 mo 2  
2(a) What is Qualification Pay? What are the conditions to regulate grant of Qualification pay?

Ans. 2

Officers of the rank of Wing Commander and below who have completed two or more years of commissioned service, will be eligible for qualification pay or grant at the rates and under the conditions mentioned.

Q2  
An officer can draw only one rate of qualification pay, if he is in possession of qualifications entitling him to qualification pay both at the higher and the lower rates, he will draw only the higher rate of qualification pay. An officer who has drawn a lump sum



grant in respect of a qualification and who subsequently acquires a new qualification entitling him to a qualification pay or grant, will commence to draw the qualification pay or the new lump sum grant, as the case may be, on the expiry of a period of two years from the date on which he drew the previous grant. An officer who acquires a qualification recognised for higher rate of qualification pay within two years of the drawal of lower rate of qualification grant will be allowed to draw the difference between the higher and lower rate of qualification pay till the expiry of a period of two years after the drawal of qualification grant and higher rate of qualification pay thereafter. The date of acquisition of a particular qualification will be the date of successful completion of the course, or declaration of result of the diploma or degree examination or date of conferment of membership or associate membership, as the case may be. Qualification pay will also cease to be admissible in respect of a qualification from the date of issue of orders downgrading it to a qualification for which only a lump sum grant is admissible, and no protection of such qualification pay will thereafter be admissible. In this case the amount if any, by which the total of the qualification pay drawn for the qualification falls short of the lump sum grant attached to the qualification or its downgrading will become admissible as a grant to the officer. Whenever new qualifications carrying qualification pay are included in the list of eligible qualifications, the entitlement to qualification pay will commence from the date of issue of the relevant orders, irrespective of when the new qualification was acquired by the entitled persons in the past. If new qualifications with entitlement for a qualification grant are added to the list in future, the grant will be admissible only to those who acquire such qualifications after the issue of the relevant orders.

**(Auth: Rule 174 & 175 of P&A Reg of Indian Air Force).**

**4(b)**

- i. Can an officer of the rank of Air Commodore, be given Qualification Pay?
- ii. As Qualification pay is to be treated as pay for all purposes, whether it can be taken into account for purpose of pay fixation?
- iii. Whether qualification pay can be granted for a qualification which was the minimum required for the entry of that officer in commissioned rank?

**Ans.**

- (i) No, qualification Pay is granted to officers of the rank of Wing Commander and below.

**(Auth: Rule 174 of P&A Reg of Indian Air Force).**

- (ii) Qualification pay will be treated as pay for all purposes but not for the purpose of pay fixation. Fixed rates for qualification pay are prescribed.

(Auth: Rule 177 of P&A Reg of Indian Air Force).

(iii) No. An officer will not be eligible for qualification pay or grant in respect of:

- (a) Any qualification which was the minimum required for the entry of that officer in commissioned rank; or
- (b) any qualification acquired before being commissioned in consideration of which a concession in the form of ante -date of seniority, accelerated promotion or special rate of pay or allowance, is given

(Auth: Rule 176 of P&A Reg of Indian Air Force).

4(c) Distinguish between the term Qualification pay & Qualification Grant?

Ans.

Qualification Pay is paid an officer on a monthly rate whereas, Qualification Grant is a lump sum one time grant admissible to the officer after acquiring one of the recognized qualifications.

(Auth: Rule 175 of P&A Reg of Indian Air Force).

3 Write short notes on;

Ans-3

- (a) Cessation of Pay and Forfeiture of Pay,
- (b) What are the rates and conditions under which entertainment allowance is admissible?
- (c) What are the current rates of Gallantry decorations in Indian Air Force? Date from which the award will be admissible?
- (d) Funeral allowance

Ans.

(a) **Cessation** of pay is the discontinuance of pay and allowances of rank in following conditions;

- (i) On the day after the death of an officer;
- (ii) On the day from which an officer retires or resigns;
- (iii) During any absence from duty without leave;
- (iv) The following that on which the decision is communicated to an officer
- (v) who is cashiered, dismissed, removed from the service, suspended for absence without leave, or whose commission is cancelled.



(vi) From the date of transfer to the reserve.

When an officer is required to retire on attaining a specified age or on completion of the prescribed tenure/tenures in an appointment,, the retirement will have effect from and including the day on which he attains that age or from the day following that on which he completes the prescribed tenure, as the case may be.

The pay and allowances of an officer may be **forfeited**,

(i) for every day while he is in custody or under suspension from duty on a charge for an offence for which he is afterwards convicted by a criminal court or a court-martial or by an officer exercising authority under section 86 of the Air Force Act 1950.

(In the case of an officer subject to Air Force Act 1950, who is in custody or under suspension from duty on a charge for an offence, the Chief of the Air Staff may direct that the whole or any part of the pay and allowances of the officer shall be withheld pending the result of his trial on the charge against him in order to give effect to the above provisions).

(ii) as ordered by a court-martial or an officer exercising authority under Section 86 of Air Force Act 1950, to be forfeited or stopped' and

(iii) as ordered by the Central Government, if the officer is found by a court of inquiry constituted by the Chief of the Air Staff in this behalf, to have deserted to the enemy, or while in enemy hands, to have served with, or under the orders of, the enemy or in any manner to have aided the enemy, or to have allowed himself to be taken prisoner by the enemy through want of due precaution or through disobedience of order or willful neglect of duty, or having been taken prisoner by the enemy, have failed to rejoin his service when it was possible to do so.

When the conduct of any officer subject to the Air Force Act 1950, when being taken prisoner by, or while in the hands of the enemy, is to be inquired into under the Air Force Act 1950, or any other law, the Chief of the Air Staff or any officer authorised by him may order that the whole or any part of the pay and allowances of such officer shall be withheld pending the result of such inquiry.

(Auth: Rule, 14,15 and 577-578 of. P&A Reg ,of Indian Air Force).

(b) What are the rates and conditions under which entertainment allowance is admissible?

Ans.

Entertainment allowance will be admissible to officers, holding the under mentioned ranks at the rate shown against each:-

Rank	Rate of allowance Per month (Rs)
Air Chief and Vice Chief	3000/-
Air Marshal	2400/-
Air Vice Marshal	1800/-
Air Commodore	1500/-

The allowance is entitled only to officers who are in receipt of the same as per their appointment as per Pay and Allowances Regulation Air Force. The allowance is only admissible for the actual period for which the qualifying appointment is held. The allowance is admissible to the permanent incumbent of the post during leave/temporary duty when he is held against it, and will be stopped from the date he is struck off the qualifying post.

**(Auth: Rule, 115 P&A Reg ,of Indian Air Force , Read with Gol MoD Letter No. 1/55/2008-D(Pay/Services ) dated 4<sup>th</sup> Nov 2008).**

**(C) What are Gallantry decorations in Indian Air Force and what are there current rates. From which date the award is admissible.**

**Ans.**

The rates of monetary allowances per month attached to gallantry decorations are as under:-

i.	Param vir Chakra	Rs. 3000/-
ii.	Askok Charka	Rs.2800/-
iii.	Maha Vir Chakra	Rs.2400/-
iv.	Kirti Chakras	Rs.2100/-
v.	Vir Chakra	Rs. 1700/-
vi.	Shaurya Charra	Rs.1500/-

Each Bar to the decoration will carry the same amount of monetary allowance as admissible to the original award.

The allowance will be admissible with effect from the date of act for which the decoration is granted.



(Auth: Rule 406 to 412, P&A Reg ,of Indian Air Force read with Gol. MoD. letter No 7(32)/2007/D(AG) dated 14 May 2008.)

(d) ~~Funeral Expenses to airmen,~~

~~Ans.~~

The funeral expenses of airmen who die while serving, whatever be the cause of the death, will be regulated by the following rules. Where a service funeral is provided, the total expenses there will be charge against the State. In cases where relatives of the deceased airmen desires to make their own arrangements for the funeral, they will be granted the actual cost of the funeral, subject to the following maxima Rs. 60000/- wef 1-1-2014 . The expenses should be kept as low as possible by utilising a service mechanical transport vehicle or trailer for the conveyance of the coffin irrespective of whether arrangements for the funeral are made by the Air Force or any other body. The funeral expenses in the event of death of an airman while serving in a mission/post abroad will be met by Government in full. In the case of death of a member of the family of an airman, Government 's liability will, however, be limited to the difference between the actual funeral expenses and the cost of appropriate funeral; in India which has been assessed as Rs. 6000/-

(Auth: Rule,331 to 334 P&A Reg ,of Indian Air Force read with Gol. MoD. letter No 1/55/2008-D(Pay /Services) dated 4<sup>th</sup> Nov 2008).

mo 4  
Q4  
6(a) What are the different kind of leave that can be sanctioned to an Airmen?

Ans.

- Ans-4
- (i) Casual Leave
  - (ii) Annual Leave
  - (iii) Furlough
  - (iv) Sick Leave
  - (v) Terminal Leave in case of officer holding short service commission.
- Q4

( Rule 3 of Leave Rule for the services Vol -111, Air Force)

6(b) How is the entitlement of furlough leave calculated in case of officers of

**Indian Air Force?**

**Ans**

The period of leave admissible as furlough is two months in a block of three calendar years from the year of commission

**( Rule 20 of Leave Rule for the services Vol -111, Air Force)**

**6(C) Can an officer avail LTC during furlough leave?**

**Ans.**

Yes, an officer can avail LTC under Rule 177 of Travel Regulation.

**( Rule 177 of Travel Regulations)**

**6(d) What are the leave entitlements of Indian Air Force Personnel serving in Indian Embassies or Mission Abroad? Can furlough leave be sanctioned to such officer, if yes on how many occasions and under whose authority?**

**Ans.**

Indian Air Force Personnel (Officer and Airmen) serving in Indian Embassies or Mission abroad will continue to be governed by the Leave Rule for the services Vol - 111, Air Force.

In exceptional cases , on compassionate or other grounds where the annual leave to the credit of an officer is not adequate , furlough may be granted , restricted to only once during the officers service in a particular country and with the sanction of Government.

**(Rule 51 of Leave Rule for the services Vol -111, Air Force )**

**5(a) What is sick leave concession?**

**Ans.**

Ans-5 When an officer falls sick while on duty or on casual leave taken by itself would be retained on the sick list for a period of 30 days or less which period would be treated as on duty, provided the sickness is due to causes beyond the officer's control. This would be called "Sick Lest Concession". This concession will not be admissible if the period of sickness exceeds 30 days. In such cases the entire period will be treated as sick leave.

**( Rule 22 of Leave Rule for the services Vol -111, Air Force )**

**(b) Which categories of commissioned officer are entitled for Terminal Leave?**

**What is the entitlement?**

**Ans.**



Terminal Leave is authorised only to SSC Officers employed for minimum of 3 years . Leave , maximum of 28 days in year of termination of engagement is entitled .It commenced from the date on which tenure of SSC expired. It can be combined with Annual Leave.

**( Rule 25 of Leave Rule for the services Vol -111, Air Force )**

**(c) What is the maximum limit upto which leave can be encashed by a SSC Officer after the end of first tenure and on completion of second tenure? Whether the entitlement of terminal leave is affected when the maximum permissible annual leave is encashed?**

**Ans.**

The accumulation and encashment of leave will be limited to the number of days of annual leave at the credit of the Defence Forces personnel ,on release ,irrespective of the number of years of service rendered, subject to a limit of 300 days and a maximum of 30 days to be accumulated in a calendar year, provided that nothing given herein shall restrict/contravene provisions for leave encashment issued in conjunction with LTC.

The benefits of terminal leave will remain unaffected, and SSC Officer on release will continue to be granted .

The benefit of encashment of leave to SSC Officers will be admissible either at the end of tenure of SSC as also after second tenure, where this occurs after a break, such that the overall limit of 300 days during the entire service is not exceeded.

**( Rule 25(B, (a) to (c) of Leave Rule for the services Vol -111, Air Force )**

10. **Comment on the entitlement and the other checks to be enforced in following case of officer availing LTC;**

86 (a)  
Ans-6 (a) Lt Col. 'X' is serving at a peace station 'D'. During the period of Annual leave for the year 2013, he desires to proceed with his wife to his home town, 'K' by rail which is not more than 1450 Kms from 'D'. Comments on his entitlements, in following cases ;

- i. In the year in which he chooses to avail of the concession under Rule 177 (A) TR.
- ii. In the year in which the officer chooses to avail of the concession under Rule 177 (B) TR.

Ans.

- i. In the year in which he chooses to avail of the concession under Rule 177 (A) TR. He and his wife will be entitled to free railway warrant to and fro journeys. If railway warrant is not issued/used and the journey is performed under own arrangement by other authorised modes of transport, entitlement will be actual expenditure limited to the cost of warrant with the sanction of controlling officer vide Rule 47 TR. The return journey of the officer should be completed within leave period and that of his wife within six months from the date of commencement of her onward journey. Before issuing the warrant(s) it would be ensured by the authority issuing the warrant(s) that-

- (i) The officer and/or his wife has not availed of the concession admissible under Rule 177 (A) TR earlier during the block year in question.
- (ii) 'K' is the home station of the officer as recorded in his service documents and
- (iii) The officer and/or his wife has not availed of the concession admissible under Rule 177 (B) TR earlier in the Calendar year 2013.

- ii. In the year in which the officer chooses to avail of the concession under Rule 177 (B) TR.

The Officer will be entitled to free railway warrant for to and fro journeys. The wife will be entitled on cash TA viz. actual expenditure limited to fare of entitled class by rail.

The return journey of the officer should be completed within leave period and that of his wife within six months from the date of commencement of her onward journey. Before issuing the warrant(s) it would be ensured by the authority issuing the warrant(s) that-

- (i) The officer and/or his wife has not availed of the concession admissible under Rule 177 (A) TR earlier during the block year in question.



- (ii) 'K' is the home station of the officer as recorded in his service documents and
- (iii) The officer and/or his wife has not availed of the concession admissible under Rule 177 (B) TR earlier in the Calendar year 2013.

6(b)  
(b) . Maj. 'X' proceeds to his home town with his wife and son. The distance from duty station 'P' to 'H' (Home Town) is more than 1450 Kms.

- (i) In the year in which the officer chooses to avail of the concession under Rule 177 (A) TR.
- (ii) In the year in which the officer chooses to avail of the concession under Rule 177 (B) TR.

Ans.

(i) In the year in which the officer chooses to avail of the concession under Rule 177 (A) TR.

Officer, wife and son will be entitled for free railway warrant for to and fro journey. If warrant is not used and the journey is performed under own arrangements by other authorised modes of transport, actual expenditure limited to cost of warrant will be reimbursed.

(ii) In the year in which the officer chooses to avail of the concession under Rule 177 (B) TR.

Officer, wife and son will be entitled for form 'D' . 60% of rail fare of entitled class for 1450 Kms each way will be reimbursed. In case Form D is not issued/used and journey is performed by rail/other modes of transport, entitlement will be full fare by entitled class up to 1450 Kms and 40% of entitled class fare for remaining distance.

6(c)  
(C). An officer desires to proceed with his wife to a station other than the home station, which is more than 1450 Kms from HQrs and chooses to avail of LTC under Rule 177 (B) TR.

Ans.

Officer and wife will be entitled for issue of: From 'D' will be issued. 60% of rail fare of entitled class for 1450 Kms each way will be reimbursed. In case Form D is not issued/used and journey is performed by rail/other modes of transport, entitlement will be full fare by entitled class up to 1450 Kms and 40% of entitled class fare for remaining distance.

Ans-1

1. (a)

Q 1 (a)

The entertainment grant is non-commulative and the unexpended balance shall lapse to govt at the end of financial year. Hence the action of audit is correct.

Authority: Reg. 8(3) P&A Regulations (NAVY) Part II

1. (b)

Q 1 (b)

Officers are not entitled for the prize money towards proficiency in musketry, Rifle, pistol and light machine gun firing. The action of the competent authority and ship office is not in order.

Authority: Reg. 18(2), P&A Regs (NAVY) part II.

1. (c)

Q 1 (c)

The welfare and amenities grant shall be admissible to sailors, excluding boys and apprentices under training of the Indian Navy whether serving afloat or ashore.

Objective: Cash grants shall be admissible to provide the amenities of sports gear, indoor games and literature & musical instruments and other amenities that help well being and morale of the sailors.



which are not supplied by govt and which the sailors can not themselves provide.

Limitations : (i) Expensive items such as air coolers and water coolers shall not be provided out of this grant.

(ii) Expenditure on feasts in celebration of various religious festivals is not authorised.

Authority: Reg. 9, 10 P&A Regs (Navy), Part II.

2. ✓ (a)

Ans. 2

Q2(a)

The advance will be recovered in such number of instalments as would enable recovery of the advance and interest there on being completed by the time of the issue of the last pay to him before retirement, starting immediately from the first pay after drawal of advance, if the officer is due to retire within five years.

Authority : 243 (1) (a) P&A Regs (Navy)  
Part I.

2. ✓ (b)

Q2(b)

As the officer is removed from service before repayment of the advance drawn by him, the administrative authority who is responsible for relieving him his duties shall before such relief, seize the car and the claim of the govt in r/o the amount of advance

outstanding shall be settled in terms of mortgage deed.

Authority: Reg. 243 (5) P&A Regs (Navy)  
Part I.

1/ (2) (c) In case of officers serving on temporary engagements, the advance shall be recovered within three years of the date of sanction thereof or before the date of termination of their engagement, whichever is earlier.

Authority: Reg. 249 P&A Regs. (Navy)  
part I.

1/ 5 (a) (i) The officer will draw pay while attending authorised course of instruction.

Ans-3 3 a (iv) Authority: Reg. 8 (b), P&A Regs. (Navy), Part I.

5 (a) (ii): No. The officer will not get pay for the period of any absence from duty without leave.

3 a (iv) Authority: Reg. 9 (c), P&A Regs (Navy), Part I.

5 (a) (iii): Yes, the officer will get pay on appointment to additional post.

3 a (iv) Authority: Reg. 8 (f), P&A Regs (Navy) Part I.

3 a (iv) 5 (a) (iv): Yes. The officer will get pay and allowances while on sick list concession.

Authority: Reg. 8 (c), P&A Regs (Navy) Part I.

3 a (v) 5 (a) (v): The officer will not get pay from the day on which he resigns or retires.

Authority: Reg. 9 (b), P&A Regs. (Navy) Part I.



3(b)(b) : The action of H. cdr in the present case is not in order. An officer shall not claim a higher rank pay before promotion to such higher rank.

Authority: Reg. 13, P&A regs (Navy) Part I.

3(c) 5(c) : The pay of a sailor shall be discontinued from the date following that of transfer to reserve list, or to the pension establishment or on discharge (including due to death.)

Authority: 134, P&A Regs (Navy), Part I.

6(a) : No. Leave pending retirement is not admissible to short service commissioned officers.

Ans-4

Authority: Para 4(b) Navy leave Regulations -1970

Ans 2(6) 6(b) : Sailors are not entitled to furlough leave and the sanction of the CO is not correct.

Authority: Para 4(c), Navy leave regulations -1970.

Ans 4(c) 6(c) : Restricted holiday shall be treated as recognised holiday and as such they shall be prefixed or suffixed to leave.

Authority: Explanation II to Reg. 6(2)(ii) Navy leave regulations -1970

Ans 4(d) 6(d) : If an individual is granted casual leave at the end of the year, extending to the next year, the period falling in the latter year shall be debited to the casual leave entitlement of that year.

Authority: Reg. 12(3), Navy leave regulations

5 (a)

COP is - the competent authority to sanction the extension of lien.

Ans-5

Ans (b),

9 (b)

Authority: Item No 1 Appendix XI, Rule 16 TR

The action of audit office is not in order. As per appendix IV, ASD, Naval Dockyard, Visakhapatnam is exempted from countersignature of the controlling authority.

Authority: Rule 7 of TR, Sl. 14 of Appendix IV.

1. 9 (c)

Even the govt accommodation is provided within one km from place of work to the physically handicapped personnel, they are entitled to draw transport allowance at normal rates.

Ans (d)

9 (d)

Authority: Rule 230-A, TR 1991 Sl. No 2 (Table below).

The action of the paying authority is not in order, as the officer was not on leave for full calendar month.

Ans (a)

10 (a)

Authority: Rule 230-B (vii) Travel Regulations.

The grant of LTC in the first year of commissioned service will be subject to the condition the officer had not already availed LTC as a cadet/midshipman in the same year.

Ans-6.

Ans (b)

10 (b)

Authority: Note under Rule 177 B(i) of TR 1991.

LTC can be combined with transfer or tour.

Authority: Rule 190, Sl. No (viii), other conditions governing LTC.



m (10) (c)

Ans. 6(c)

Home town should be declared on entry of service, and normally be treated as final. In exceptional circumstances, HOD may authorise a change, once during the entire service, second change is not in order.

Authority: Rule 19D (a), (b) and (c) under heading home town LTC., TR 1991.

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# SECTION III (FACTORY) (D)

Model Answer

## FACTORY (D)

Ans 1(a).  
✓ 1. a)

Calculation as per Manual system

$$\text{Average Ledger Rate} = \frac{V1 + V2}{Q1 + Q2}$$

$$V1 = 2000 \times 4.5 = 9000$$

$$V2 = 400 \times 4.5 = 1800$$

$$B3 = 3200 \times 5 = 16000$$

$$Q1 = 2000$$

$$Q2 = 400$$

$$Q3 = 3200$$

$$\text{Therefore ALR} = \frac{9000 + 1800 + 16000}{2000 + 400 + 3200}$$

$$= 26800 / 5600 = 4.79$$

Athy: Para-421 OM Part VI, Vol-I

Calculation on computerized system;

Ordinance factories where computerized PSLs are maintained. Average Ledger Rate is work out after posting of every receipt voucher instead of a month.

Details;

$$1.1.14 \text{ Balance } 2000 \times 4.5 = 9000$$

$$2.1.14 \text{ Return Note } 400 \times 4.5 = 1800 \text{ (9000 + 1800) / (2000 + 400)}$$

$$3.1.14 \text{ Issue voucher } 800 \times 4.5 = (-) 3600$$

$$\text{i.e. Balance } (2400 - 800) = 1600 \times 4.5 = 7200$$

$$8.1.14 \text{ Receipt Voucher } 3200 = (7200 + 16000) / (1600 + 3200)$$

$$= 23200 / 4800 = 4.83$$

$$13.1.14 \text{ Demand Note } 2800 \times 4.83 = (-) 13524$$



Balance available as on 13.1.14 is 2000kg@4.83, Value Rs.9660

ALR	Qty	Value
4.5	2000	9000
4.5	2400	10800
4.5	1600	7200
4.83	4800	23184
4.83	2000	9660

Athy: Note under Para-421 OM Part VI, Vol-I

b) The main steps in the manual system where Store Holders Inability sheets are floated Material planning sheets under computerized system are:-

Manual system	Computerized system
1. Requirements of materials are worked out with reference to the production programme and standard estimates.	Basis is the same. Data is centrally maintained D.P. section. No posting is made in the ledger sheet is circulated to concerned factories/Accounts offices
2. The stock as on a particular date may be checked with ledger and bin card balances.	The stock as per Bin card as on a particular date is obtained from the factory and this is kept up to dated with reference to date received in from of punched cards and office copies of demands, A/Ts etc.
3. Dues in represented by S.O., A.T.s & I.F.D. are noted in the ledger by factory staff. Progress of supplies is also noted.	Supplies received are noted from punched cards portion of dues is updated by computer.

Athy: Para-351 OM Part VI, Vol-I

c) Strategic items of stores which are very difficult to procure in case of failure of normal supplies, are classified as stock pile items

No Stock - pile items should be used by factories without prior approval of the OFB/DGOF.

Athy: Para 514 & 515(ii) OM Part VI, Vol-I

2. a) Any overtime worked by a shop or a section as a whole irrespective of the period involved or overtime worked by any individual exceeding 14 calendar days (including Sundays and gazette holidays) at a time is classified as systematic overtime.

The General Manager is competent to sanction systematic overtime in terms of instructions issued by the OFB from time to time.

Athy: Para-189 & 190 OM Part VI, Vol-I

ms 2(h) ✓  
b) When any surplus is found in respect of items not borne in Priced Stock ledger or Deposit Stock ledger the above procedure will be followed with the only exception that Certified Receipt Voucher (CRV) on IAFZ-2096 will be prepared instead of Discrepancy Voucher on IAF Fac)-145.

Athy: Para-428 Note 1 OM Part VI, Vol-I

ms 2(c) ✓  
c) A test check of the postings of Demand and Return notes on Warrants is carried out monthly by a Section Officer not belonging to the Material section nominated by the Accounts Officer. The selection is made by the Accounts Officer from the Material Abstract for the month. In carrying out his test check, the Section Officer should specially verify the nomenclature of stores and the unit thereof shown on the demand/Return Notes with that noted as the Material Warrant. As soon as the check is over, the result thereof with particulars of Demand and Return Notes subjected to test check will be submitted to the Accounts Officer for approval in Register maintained for this purpose. Any discrepancy noticed should be pursued till the objection is finally settled.

Athy: 480 OM Part VI, Vol-I

11- ✓  
3 a) Idle time payment can be made under the following conditions;

- Ans-3
- (i) High humidity hindering certain operations in explosive factories or unfavourable weather conditions hindering specialized optical work depending on sun light.
  - (ii) Plant, furnace and transport.
  - (iii) Temporary shortage of material.
  - (iv) Failure of power supply.
  - (v) Temporary shortage of work in highly specialized sections such as instrument repair and optical sections.

Idle time payment for causes other than those enumerated above should be covered by separate Govt. Sanction.

~~ms 2(h)~~  
Athy: Para-160 OM Part VI, Vol-I

Number, nomenclature of material and estimated cost under different elements of cost will be filled in. Opening of the cost card will be authorized by the Section Officer. In the case of warrants by the Section Officer. In the case of warrants which are carried forward from the



Ans. - 3(b)

b) Accounts Office maintains the attendance record in Form IAF(Fac) 74,74A,74B. The record may be opened yearly, half yearly or monthly basis showing names, ticket nos., trades, grades, and rates of pay of industrial employees. Separate records should be prepared for the various shops or sections showing ticket numbers serially like muster rolls. On receipt of master rolls from the gate office, the entries for the day will be checked with reference to the separate statement or casualty memos received from the shops and the late memos received from gate office. Previous day's balances will be checked with reference to have passes, OT Memos etc. Discrepancies are sorted out with gate office/shops. Change in mater roll on account of retirement/promotion etc. are also watched with reference to relevant records.

Athy: Para-136-140 OM Part VI, Vol-I

mo 3(c)!

c) The period of strike/token strike resorted to by industrial employees is to regarded as "Dies-non".

It is neither counts as service nor as break in service.

Athy: None under Para-147© OM Part VI, Vol-I

a) In case of factories manufacturing common items of production. Comparison of cost is made under the different elements of cost with a view to effective economy and cost reduction.

Ans-4

If any downward revisions are carried out, this should be brought to the notice of other factories so that similar revision can be made by them. Upward revision of estimates are not to be normally undertaken without consulting other Ordnance Factories and with the approval of the OFB.

Athy: Para-109 OM Part VI, Vol-I

b) Guarantee Pay is admissible to industrial employees of unskilled, semiskilled and skilled grade when their piece work earnings during the period of their duty falls below the actual basic time wages applicable for that period.

Guarantee pay = (Time wages + Overtime Pay) - (Earnings + Overtime Bonus)

Notional time wages of the IEs =  $P \times \text{Attendance} / N - 5$

$$= 7100 \times 9 / 30 - 4$$

$$= 2458$$

O.T. Pay =  $P \times \text{OT hours} / 200$

$$= 7100 \times 8 / 200$$

$$= 284$$

P.W. earnings = 855

O.T.B. = 300

Guarantee Pay=(Time wages+Overtime pay)-(Earnings+Overetime Bonus)

=(2458+284)-(855+300)

=Rs.1587

Athy: Para-154 & Note (b) under para 154 OM Part VI, Vol-I

70% of normal rates.

Ans-5

Athy: Para-114 (ii) (b) TR

ii) Full daily allowance will be admissible for the first 180 days of continuous halts at places outside the government servant's headquarters during tour/temporary transfer. Beyond this period no daily allowance will be admissible and in such cases the appropriate course would be to issue necessary transfer order.

Athy: Para-144 (viii) TR

iii) No.

Athy: Para-144 (v) TR

iv) When an individual on temporary duty is provided with free boarding and lodging.

Athy: Para-144 (iv) TR

v) The DA will, however, be admissible at ordinary rates as given in Table 'A' of Rule 60 for the entire period spent in journey, including the period of enforced halt.

a) If both husband and wife are Government employees they have options to declare separate home towns independently. Both of them may claim the LTC in respect of the members of their respective families subject to the condition that if husband or wife avails the family as a member of the family of the other, he or she will not be entitled for claiming the LTC for self independently. Similarly, the children shall be eligible for the benefit in one particular block as members of the family of one of the parents only.

Ans-6

Athy: Para-190 (h) TR

b) A reemployed employee can avail LTC after retirement after completing one year of service on the date of journey.

Athy: Para-190 (i) TR

c) LTC concession is admissible to the family of the suspended employee.

Athy: Para-190 (iii) TR

d) If journey is conducted by two different modes of transport, the entitlement shall be calculated proportionately for each/actual mode of journey/distance covered with reference to distance by the shortest route.

Athy: Para-190 TR Other conditions governing LTC