

**Defence Accounts Department**  
**S.A.S. Examination – Part II**

**January-February, 2006**

**Paper V – Précis Writing and Letter Drafting**

Time Allowed: 3 Hours

Total Marks : 150

Note:-

- (1) Question No.1 is COMPULSORY. Answer any TWO of the other three questions.  
(2) In Question No.1, 15 marks are assigned for the title and summary of points and 35 marks for the précis proper.

**Q.1.** Make a précis of the material given in APPENDIX-1. Also suggest a suitable title and give a summary of points. **(50 Marks)**

**APPENDIX-1**

**I**

Letter No.6/F&A/Budget/304/2004-05/150 dated 15 Apr 2005 from DGM(Fin & A/cS), Canteen Stores Department, Mumbai (under Ministry of Defence) to the Assistant Financial Adviser (MO), Ministry of Defence (Fin), New Delhi, with copy to CDA(CSD) Mumbai.

Sub: Monitoring of budgeted expenditure and receipts of CSD for Mar 2005.

The budget report for monitoring of budgeted expenditure and receipts for Mar 2005 is enclosed.

Encl.: As above.

ENCLOSURE TO I (APPENDIX-I)

**CANTEEN STORES DEPARTMENT (PRELIMINARY)**

**MONTHLY RETURNS OF EXPENSES (RUPEES IN THOUSANDS)**

Head of Accounts	M.A. 2004-05	Prop. Upto MAR 05	Actual Expenses MAR 05	Variation (+) Exps (-) Savgs	Expenses Controlled	HO/Depot
1	2	3	4	5	6	7
<b>MH 2075</b>						
Salaries	346000	346000	344030	-1970	F&A/P&A	HO/Depots
Wages	1200	1200	1100	-100	F&A/P&A	HO
Overtime	1350	1350	1144	-206	F&A	HO/Depots
Medical Treatment	5000	5000	4446	-554		

Pensionary Charges	75000	75000	73703	-1297	F&A	HO/Depots
Domestic Travel Expenses	13000	13000	11832	-1168	F&A/P&A	HO
Office Expenses	54000	54000	46060	-7940	F&A/P&A	HO
Rent, Rate & Taxes	1200	1200	821	-379	E&W/F&A	HO/Depots
Supplies & Materials	52983100	52983100	49270405	-3712695	GS/LIF/F&A	HO/Depots
Minor Work	21000	21000	15867	-5133	E&W/F&A	HO/Depots
Professional Services	41700	41700	33778	-7922	EDP/F&A	HO
Contributions (GIA)	1019900	1019900	1022678	2778		
Interest	925550	925550	925550	-		
Other Charges	1660000	1660000	1647935	-12065	F&A	HO/Depots
Major Work	10000	10000	4029	-5971	E&W	HO/Depots
Total MH 2075	57158000	57158000	53403378	-3754622		
MH 4075						
Major Work					E&W	HO/Depots
Land & Bldg/	17500	17500	1607	-15893		
MH 4216						
Construction	13000	13000	11112	-1888	E&W	HO/Depots
MH 7615						
Loan to URC	20280	20280	15730	-4550	AGM(Secy)/F&A	HO
MH 7610						
House Bldg.	5000	5000	4518	-482	P&A	HO
Advance						
Motor Car	60	60	0	-60	P&A	HO
PC Adv.	-	-	-	-		
Motor Cycle	500	500	244	-256	P&A	HO/Depots
Scooter	-	-	-	-		
Bicycle Adv.	250	250	131	-119	P&A	HO/Depots
Other Adv.	40	40	21	-19	P&A	HO/Depots
Total	57214630	57214630	53436740	-3777800		

Sale upto 10.3.05	60000000	60000000	43501971	-16498029	F&A	HO/Depots
Invoice value of Sales comp. by telex upto 31.3.05	60000000	60000000	48234138	-11765862	F&A/MS	HO/Depots

NOTE: Depots upto 1<sup>st</sup> week of Mar 2005 and HO upto 31<sup>st</sup> Mar 05 have been compiled. Invoice value of sales as on 31.3.05 have been compiled/indicated separately.

## II

AFA(MO/E), MoD(Fin) ID No.1(8)/MO/2004-05 dated May 9. 2005 addressed to DGM (F&A), CSD with copy to CDA(CSD), Mumbai.

Sub: Monitoring of budgeted expenditure and receipts of CSD for Mar 2005.

Ref: DGM(F&A), CSD letter No.6/F&A/Budget/304/2004-05/150 DATED 15.4.05.

It is observed from the figures incorporated in your subject report that invoice value of sales comp by telex upto 31.3.2005 has been shown as Rs.6000,00,00 thousand i.e. Rs. 6000 crore, whereas the CSD sales receipt as compiled by CDA(CSD) and EDP Centre of CGDA upto 31.3.2005 is to the tune of Rs.3979.99 crore only which shown a noticeable shortfall. This abnormal shortfall in sales receipts will certainly invite adverse comments from higher authorities as it would seriously affect the net position in MoD(Civil) budget by causing the revenue expenditure in net term to shoot up.

2. CSD is therefore requested to look into the matter promptly to effect a thorough reconciliation with CGDA's compilation and intimate the factual position to this Division forthwith for further appraisal.

## III

Letter No.6/F&A/Budget/304/2004-05/154 dated 10.05.2005 from DGM(F&A), CSD, Mumbai to the AFA(MO), MoD(Fin), New Delhi, with copy to CDA(CSD), Mumbai.

Sub: Monitoring of budgeted expenditure and receipts of CSD for Mar 2005.

Reference MoD(Fin) ID No.1(8)/MO/2004-05 dated 9.5.05 pointing out vast variation between the sales target and the actuals as compiled by the CDA(CSD) through EDP Centre of CGDA.

2. The discrepancy pointed out by you has been examined and the following comments are offered:

(a) The sales receipt of Rs.3979.99 crore as compiled by CDA(CSD) is based on Receipts and Payment Account for the month of Feb, 2005.

(b) Actual sales as on Mar 31, 2005, as may be seen from the budget report forwarded to you vide our ID No.6/F&A/CB/Budget/304/2004-05/150 dated 15.4.05 is Rs.4823.41 crore.

(c) Rs.6000 crore quoted by you is the sales target fixed by MoD in the RE 2004-05.

(d) The shortfall in sales is due to unrealistic sales target fixed by the Ministry of Finance coupled with a variety of factors like distribution of smart cards and monetary limits imposed on sales by URC to avoid leakage of CSD stores outside, withdrawal of sales tax concession by Karnataka, Delhi and Punjab states, steep increase in excise duty levies by various state governments leading to reduced sale.

(e) The high sales target had been fixed in relation to the quantum of Supplies and Material (S&M) budget, without due cognizance to the fact that in the S&M budget for the year there

was a substantial additional allotment made to clear outstanding payments liability to sundry creditors. (Rs.938 crore).

3. We hope that the above clarifications will meet your requirement.

#### IV

DFA(MO/E), MoD(Fin) ID No.1(8)/MO/2004-05/642 dated 25.5.05 addressed to DGM(F&A), CSD with copy to CDA(CSD) Mumbai.

Sub: Monitoring of budgeted expenditure and receipts of CSD for Mar, 2005.

Ref: Your letter No.6/F&A/Budget/304/2004-05/154 dated 10.5.05 on the above subject.

The clarifications furnished in your letter under reference have been gone through. The reasons/circumstances cited by you to justify the abnormal shortfall in sale receipts do not appear convincing nor based on facts and may cause adverse comments both from Audit and PAC. It is therefore requested that a detailed explanatory note by giving full facts and figures in support of the reasoning may be prepared and furnished to this Division with the comments of CDA(CSD) and vetted by your IFA at the earliest.

Letter No.6/F&A/Budget/304/2004-05/958 dated 16.6.05 from DGM(F&A), CSD to the DFA(MO), MoD(Fin), New Delhi with copy to CDA(CSD) Mumbai.

Sub: Monitoring of budgeted expenditure and receipts of CSD for Mar 2005.

Reference your ID No.MoD(Fin) 1(8)MMO/2004-05/642 dated 25.5.05.

2. The CSD has achieved sales of Rs.4823.41 crore as against the sales target of Rs.6000 crore for the year 2004-05. It would be appreciated that the sales target has been fixed very high with no relation to past years' trends of sale receipts. This was essentially done in order to allocate higher supplies and materials (S&M) budget in order to clear outstanding dues to suppliers because of insufficient budget in the past. The last ten years profile of S&M budget and sales target is given below:-

Year	Sales Target	Growth %	S&M Budget	Growth %	Excess Sales (2) Over Budget (4)
1	2	3	4	5	6
1995-96	1754.59	10.34	1593.69	09.61	10.09
1996-97	1976.88	12.67	1790.65	12.35	10.40
1997-98	2349.43	18.84	2159.60	20.60	08.79
1998-99	2767.47	17.79	2443.82	13.16	13.24
1999-00	2968.75	07.28	2591.54	06.04	14.56
2000-01	3391.42	14.23	2978.58	14.93	13.80
2001-02	3737.06	10.19	3276.41	09.99	14.06
2002-03	4150.00	11.04	3615.36	10.34	14.79
2003-04	4459.34	07.45	3839.64	06.20	16.14
2004-05	6000.00	34.55	5298.31	37.99	13.24

It is evident from the above that CSD sales targets have been fixed at an average growth of 10 to 12% and there has been consistent mismatch between S&M budget vis-à-vis sales achieved. It must be noted that the department charges weighted average profit of 7% only. Hence, the requirement of S&M budget is always 7 to 8% less than sales achieved. Since there were insufficient fund allocations in the past and outstanding sundry creditors of Rs.938 crore were to be cleared, a substantial additional budget allocation to the tune of Rs.839.88 crore was made in S&M budget for 2004-05. Obviously therefore, part of the budget necessarily used for financing outstanding payments was not available for purchasing goods for sale. Hence the high sales target could never have been achieved.

4. The following reasons have also contributed to reduced sale of canteen goods:

(a) **WITHDRAWAL OF SALES TAX CONCESSION BY KARNATAKA AND PUNJAB GOVERNMENTS.**

The decision of the state governments to withdraw the concession to CSD has resulted in loss of sales to the tune of Rs.80 crore in Karnataka and Rs.30 crore in Punjab.

(b) **INTRODUCTION OF SMART CARDS IMPOSING MONETARY LIMITS.**

The restriction imposed by the URCs (Unit Run Canteens) on purchasing capacity has reduced the sale of AFD (Against Firm Demand) items to the tune of 8% approximately, i.e Rs.64 crore.

(c) **STEEP INCREASE IN EXCISE DUTY ON LIQUOR SALES BY VARIOUS STATE GOVERNMENTS LIKE A.P., KARNATAKA, KERALA AND DELHI.**

Sale of liquor, an important contributor to the sales target achievement, has shown drastic downward trend in the above states due to heavy increase in ED, resulting in loss of sale of Rs.60 crore.

(d) **ADVERSE MEDIA PUBLICITY ON PILFERAGE/LEAKAGE FROM URCs LEADING TO IMPOSITION OF STRICT NORMS.**

Although the media exposure related to Central/Western region, impact was felt on URC sales all over India and the sales potential of URCs has been badly affected. The loss of sale cannot yet be quantified.

(e) **LOSS OF SALE DUE TO IMPLEMENTATION OF VAT AND WITHDRAWAL OF EXEMPTION FROM VAT.**

With the decision of the central government to implement VAT and apprehension of non-availability of exemption for CSD from state governments, many URCs have reduced off-take from CSD Depots to avoid possible loss.

5. The fairly serious setback to our sale expectations caused by the above external factors has also led to reduced purchases by CSD and consequent under-utilisation of S&M budget. This is the reason behind the substantial surrender of funds to the tune of Rs.254.77 crore under the S&M head (Modified Appropriation amount of Rs.5298.31 crore minus finally compiled actual expenditure of Rs.5034.54) which has been separately reported in our recent Appropriation statement for 2004-05. However, notwithstanding the adverse factors, the department has achieved a sales growth of 7.64%, i.e. Rs.4823.41 crore in 2004-05 as against the sale of Rs.4480.99 crore in 2003-04. In fact, this is a modest improvement

over last year's (2003-04) sales growth of 5.21%, the 2002-03 sales figure having been Rs.4259.20 crore.

6. Therefore the shortfall in CSD sales receipts should be seen in the light of the above factors. In fact there is some ground for satisfaction that the higher allocation has helped in clearing the heavy backlog of outstanding creditors.

Sd/  
Dy. G.M.(F&A)

CC: CDA&IFA(CSD)-With the request to forward your considered comments on the above as required by MoD(Fin).

## VI

DO letter No.A/3/Budget/2005-06 dated July 11, 2005 from CDA&IFA(CSD) to the Secretary (Defence Finance), New Delhi.

You may kindly recall our discussion in your chamber on June 23, 2005, when you had asked us to carry out an analysis of the Supplies and Material budget of CSD for 2004-05 in relation to the position of clearance of outstanding liabilities as well as achievement of sales targets.

2. We have made an objective analysis on the lines desired by you and all the background information available with us. I enclose a detailed note for your kind perusal.

Encl. As above.

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N.B. Please see attached enclosure

### **ENCLOSURE to VI (APPENDIX-1)**

Office of the CDA & IFA(CSD), Mumbai

Sub: Review of CSD budget for Supplies and Materials in relation to the twin criteria of achievement of sales targets and clearance of outstanding liabilities.

An analysis of the Budget of CSD under "Supplies and Materials" (Major Head 2075) has been carried out with reference to the Actual Expenditure under this head of account along with analysis of sales-receipt targets fixed by the MoD(Fin) vis-à-vis the actual sales achieved for the last five years. The main aspects of the analysis and the findings thereon are detailed below.

2. It is observed (Annexure-A) that the actual expenditure under the Head “Supplies and Materials” (Major Head 2075) for the 2000-2001, 2001-2002, 2002-2003 has marginally exceeded the Budgeted allotment. During the year 2003-04 there has been a marginal surrender. However for the year 2004-05 there is a substantial surrender under the “Supply and Material” budget head, to the extent of Rs.254.76 Cr.

<b>ENHANCED ‘S&amp;M’ BUDGET IN 2004-2005 – ITS LINKAGE WITH OUTSTANDING LIABILITIES/CREDITORS</b>
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2.1. Further analysis carried out reveals that during the year 2004-05 a sum of Rs.4464.00 Cr. was provided in the BE 2004-05 whereas in the RE stage a sum of Rs.5303.88 Cr. was provided which was subsequently amended to Rs.5298.31 Cr. in the Modified Appropriation. **The enhanced budget provisions during the year under this head of account was for the express purpose of payment of Rs.839.88 Cr. For clearing outstanding liabilities towards Sundry Creditors** vide MoD(Finance) letter No.3(4)/04-QB-2004 dt. 7.2.05. Additional allocation for clearance of outstanding liability towards creditors was requested by the CSD at the RE stage projection. A sum of Rs.938.37 Cr. was exhibited in the annual accounts of the CSD for the year 2003-04 as liabilities against outstanding creditors. These outstanding liabilities of Rs.938.37 Cr. reflected in the Annual Accounts for the year 2003-04 are comprised of the following:

(a) Liabilities towards Outstanding Creditors provided during the year	Rs.888.96 Cr.
(b) Liabilities towards Outstanding Creditors provided during the previous year	Rs. 28.47 Cr.
(c) Purchase ledger credit balance, which represents the amount of credit notes payable to suppliers	Rs. 21.44 Cr.
Total	Rs.938.87 Cr.

<b>POSITION OF CLEARANCE OF OUTSTANDING LIABILITIES ACTUALLY ACHIEVED</b>
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2.2 CSD’s Annual Accounts for 2004-05 are yet to be received/audited by us. In the absence of firm/audited figures of outstanding liabilities, an attempt has been made to ascertain the broad level of clearance of **outstanding liabilities** achieved in 2004-05 vis-à-vis the expectation of clearance inherent in the additional allotment. The statement of outstanding creditors is presently under finalization by CSD. The figures that we could obtain from CSD HO at this stage indicate that CSD has been able to achieve clearance of a substantial quantum (Rs.900 Cr. approximately) of the bills outstanding upto the year 2003-04, leaving a balance of only Rs.15.95 Cr. As on 31.3.2005 out of the old outstanding creditors/liabilities of Rs.917.43 Cr. (i.e. Rs.888.96 Cr. + Rs.28.47 Cr. shown at (a) and (b) of the table at Para 2.1 above). It is further learnt that a sum of Rs.224.05 Crs. is outstanding as on 31.3.2005 as outstanding creditors for the year 2004-2005. This non-clearance of outstanding bills to the tune of Rs.224.05 Cr. at the closing stage of the year 2004-05 may conceivably be on account of delay/time-lag in receipt of the certified bills

from the CSD Depots referred to in Para 2.1 above. The position of liabilities as on 31.3.05 is given below:-

(a) Liabilities towards Outstanding Creditors provided during the year 2004-05	Rs.224.05 Cr.
(b) Liabilities towards Outstanding Creditors provided during the previous year	Rs. 15.95 Cr.
(c) Purchase ledger credit balance, which represents the amount of credit notes payable to suppliers	The amount outstanding is being worked out by CSD.

3. An analysis was carried out in respect of the sales target fixed by the MoD(Fin) and the **actual sales** realized by the CSD during the last 5 years. The analysis (Annexure-B) reveals that though the Sales targets fixed by the MoD(Fin) were achieved during the year 2001-02, 2002-03 and 2003-04, simultaneously the outstanding creditors for goods supplied, also increased at an alarming rate. It can be observed from the data given at Annexure-B that during 2003-04 the amount against outstanding creditors (as exhibited in the annual accounts) was Rs.938.37 Cr., an increase of 44.08% over the previous year's amount of Rs.651.61 Cr.

#### ‘S&M’ BUDGET VIS-À-VIS SALES TARGETS

3.1. Further analysis (Annexure-C) carried out with reference to the percentage growth in the sales target as well as the Supplies & Materials budget reveals that due to the allotment of additional budget to the tune of Rs.839.88 Cr. the “S&M” Budget registered a substantial growth of 37.99%. Although the increase in the S&M Budget was primarily due to allotment of additional amount for the purpose of clearance of outstanding liabilities, the sales target for the year 2004-05 was also fixed at an ambitious growth rate of 34.55% over the previous year. **Thus the fixing of sales target for the year 2004-05 at a much higher level without taking into account the reasons for enhancement in the S&M budget, in addition to the reasons mentioned in para 2.2 above, may have resulted in the target of sales receipts not being achieved.**

3.2 Weighted average profit of CSD generally remains within 6.5% to 7% (weighted averaging is necessary as different items in CSD range carry different profit margins). As the department charges weighted average profit of 7% only, requirement of Supplies and Materials budget is generally 7% to 8% less than sales achieved. Hence the sales target should ideally be pegged realistically at a notch above 7%, say at 8% over the “S&M” budget, which would have been challenging but practically attainable. However an analysis (Annexure-D) of the Supplies and Materials budget with reference to the sales target set for the past 5 years reveals that the Sales targets were pegged at 16.03% over the Supplies and Material budget during 2003-04. It can also be observed that there has been a steady increase in the targeted percentage of sales with reference to the Supplies and Material budget over the past years.

3.3 As the weighted average profit of the CSD was optimally around 7%, the fixing of **super-optimal sales target (much above the Supplies and Material Budget) as shown**



in Annexure-D, resulted in budgetary support being insufficient for achieving the targeted sales. As a result thereof and also in order to avoid denials, stores were procured by CSD from the suppliers on credit leading to the steady increase in outstanding creditors over the years.

#### ANNEXURE-A

<b>SUPPLIES &amp; MATEIRALS BUDGET (Rs.)</b>				
<b>YEAR</b>	<b>BE</b>	<b>RE</b>	<b>MA</b>	<b>ACTUAL EXPENDITURE</b>
2000-01	2973,22,00,000	2976,99,00,000	2976,99,00,000	2978,58,00,000
2001-02	3270,54,00,000	3270,54,00,000	3276,41,13,000	3277,87,00,000
2002-03	3597,59,00,000	3597,67,00,000	3615,36,16,000	3615,40,00,000
2003-04	3590,72,00,000	3842,06,00,000	3839,64,00,000	3836,81,00,000
2004-05	4464,00,00,000	5303,88,00,000	5298,31,00,000	5043,53,77,398(P)
				(P = Provisional)

#### ANNEXURE-B

<b>SALES TARGET (Rs.)</b>				
<b>YEAR</b>	<b>BE</b>	<b>RE</b>	<b>MA</b>	<b>ACTUAL SALES ACHIEVED (Rs.)</b>
2000-01	3385,31,00,000	3389,60,00,000	3391,42,00,000	3372,25,00,000
2001-02	3723,84,00,000	3726,86,00,000	3737,06,00,000	3742,30,00,000
2002-03	4099,49,00,000	4139,55,00,000	4150,00,00,000	4259,20,00,000
2003-04	4427,51,00,000	4459,34,00,000	4455,34,00,000	4480,99,00,000
2004-05	5162,01,00,000	6000,00,00,000	6000,00,00,000	4823,41,00,000(P)
				(P = Provisional)

#### OUTSTANDING CREDITORS

<b>YEAR</b>	<b>(Rs.Cr.)</b>	<b>% GROWTH</b>
2000-01	392.02	
2001-02	508.03	29.59
2002-03	651.61	28.26
2003-04	938.87	44.08
2004-05		

#### ANNEXURE-C

YEAR	SALES TARGET (Rs.Cr.)	% GROWTH	S&M BUDGET (RS. Cr.)	% GROWTH
2000-01	3391.42	14.23	2976.99	14.93
2001-02	3737.06	10.19	3276.41	9.99
2002-03	4150.00	11.04	3615.36	10.34
2003-04	4459.34	7.45	3839.64	6.20
2004-05	6000.00	34.55	5298.31	37.99

#### ANNEXURE-D

YEAR	SALES TARGET (Rs.Cr.)	S&M BUDGET (Rs. Cr.)	% OF SALES TARGET ON S&M BUDGET (RS. Cr.)
2000-01	3391.42	2976.99	13.92
2001-02	3737.06	3276.41	14.06
2002-03	4150.00	3615.36	14.79
2003-04	4455.34	3839.64	16.03
2004-05	6000.00	5298.31	13.24

#### VII

**DO letter No.A/3/Budget/2005-06 dated 15.7.2005 from CDA(CSD) to the GM(CSD), Mumbai**

You may recall our recent discussion when I had mentioned about an analysis of the supplies and material budget of the CSD in relation to the position of outstanding liabilities as well as achievement of sales target, which was undertaken by us pursuant to instruction from the Secretary (Defence Finance).

2. The said analytical exercise has been carried out. I enclose a copy of the detailed note/review\* which has been sent to the Secretary (Defence Finance) for your perusal. I hope the informed point of view of the CSD in regard to this critical aspect of budgetary management has been adequately and objectively projected in the report. I shall be grateful to know of your opinion in this regard.

3. I may also mention that the 2004-05 figures shown in the report in respect of actual expenditure on supplies and material (Annexure-A) and figures of sales and outstanding creditors (Annexure-B) may still undergo minor adjustments in as much as the Annual Accounts for 2004-05 are yet to be finalized. As regards, the outstanding liability position, we have incorporated the progressive position as on 22.6.05 of the report after obtaining the advance figures from the Fin & A/cs wing of CSD HQrs. It would be of interest to keep all these figures updated to cater for any supplementary that may be asked by Ministry in this regard. I shall be grateful if the same could be done under intimation to us.

\* Please refer enclosure to VI ante.

## VIII

**DO letter No.3(4)/QB-2004 dated 22.7.2005 from Addl. FA&JS, MoD(Fin) to GM(CSD), Mumbai**

Please find enclosed a note on review of CSD budget\* for Supplies and Materials in relation to the twin criteria of achievement of sales targets and clearance of outstanding liabilities submitted by CDA(CSD) to Secretary (Defence Finance)

I shall be grateful if you kindly furnish your comments urgently.

\* Please refer enclosure to VI ante.

## IX

**DO letter No.6/F&A/Budget/304/2005-06/1919 dated 2.8.2005 from GM(CSD) to Addl. FA&JS, MoD(Fin).**

Please refer to your DO letter No.3(4)/QB-2004 dated 22.7.05.

2. I agree with the analysis carried out by CDA(CSD) of the CSD budget under the head "Supplies and Materials" (under Major Head 2075).
3. As rightly brought out by CDA(CSD), the surrender of Rs.254.76 crore under the Head Supplies and Materials in the year 2004-05 was mainly due to the reasons mentioned in para 2.2 of CDA(CSD)'s analysis forwarded vide his DO letter No.A/3/Budget/2005-06 dated 15.7.05. In fact, by utilising the enhanced RE budgetary provision of Rs.839.88 crore as well as the normal budget allocation (BE) of the current year, the Department was able to clear outstanding liabilities of approximately Rs.900 crore (out of the total outstanding liability of Rs.938.37 crore). It must also be noted that the total outstanding liability of Rs.938.37 crore was due to accumulation over the past several years. This one time excess allotment of funds has thus greatly enhanced the satisfaction level of the suppliers and consequently the supply position. The balance outstanding of approximately Rs.203.45 crore as on 31.3.05 could not be cleared mainly on account of delay in reconciliation of bills and awaiting of documents/clarifications from suppliers.
4. The CDA(CSD)'s further analysis brought out in paras 3.2 and 3.3 is also valid and has in fact been stressed by this Department time and again. In fact, the accrual of a large outstanding liability is mainly the result of overambitious pegging of the sales target vis-à-vis the budgetary allotment under the S&M head during the earlier years. As rightly brought out by CDA(SD), the pegging of sales target at about 8% above the S&M budget would indeed be realistic as well as challenging, particularly in the context of the present post-VAT scenario, as also in the context of the scaling down of liquor quota by the QMG's Branch, Army HQ.

CC. CDA(CSD), Mumbai:-

With reference to your DO letter No.A/3/Budget/2005-06 dated 15.7.05

## **Answer**

### **Title:**

Review of utilization of CSD budget for Supplies and Materials for 1904-05 vis-à-vis the related criteria of liquidation of outstanding liabilities and achievement of sales receipt target and recommendation of a normative linkage between S&M budget and sales targets.

### **Summary of Points:**

- ◆ On receipt of CSD's budget report for March 2005, MoD(Fin) called for the reasons behind large shortfall in sales receipts.
- ◆ CSD pointed out that sales target had been fixed very high in tandem with S&M budget, ignoring the fact that a substantial additional allotment under S&M was made to clear outstanding liabilities.
- ◆ According to CSD, there were other factors such as withdrawal of sales tax concession etc. leading to drop in sales and even to substantial surrender of funds due to reduced purchase.
- ◆ Pursuant to his discussion with Secretary (Defence Finance), CDA(CSD) submitted a review report on CSD budget vis-à-vis sales targets and clearance of outstanding sundry creditors.
- ◆ CDA(CSD)'s report brought out that the planned clearance of large backlog (Rs.900 crore) of liabilities factored in the 2004-05 S&M budget had been actually achieved and noted the various current factors leading to reduction in sales and related surrender (Rs.254.77 crore) of funds under S&M budget.
- ◆ CDA's report also contained five year trend analyses of S&M budget, sales targets and outstanding liabilities. These revealed that in the past unrealistically high sales targets, much above the optimum profit level of 7% over S&M budget, were achieved only at the cost of an alarming rise in outstanding creditors.
- ◆ CDA's report recommended scaling down of 2005-06 S&M budget at the RE stage in tune with progress of expenditure coupled with a corresponding rationalized reduction in sales target to the realistic but challenging level of 8% above the modified S&M budget.
- ◆ GM(CSD) conveyed his agreement with the analytical findings reached by CDA(CSD) and endorsed the recommendation that a sales target pegged at 8% above the S&M budget will be realistic and challenging.

## PRECIS

In course of monitoring of expenditure and receipts based on CSD's budget report for March, 2005, MoD(Fin) called for the reasons behind large shortfall in sale receipts. In reply, DGM(F&A), CSD pointed out that sales target for 2004-05 had been fixed very high (ostensibly in tandem with a substantial hike in Supplies and Materials budget), with no relation to previous years' trend of sale receipts, whereas the higher S&M budget was primarily intended to clear past accrual of outstanding liabilities in the form of dues to suppliers. According to CSD, there were other external factors such as withdrawal of sales tax concession by certain state governments, introduction of smart cards imposing monetary limits on ex-CSD purchases, increase in excise duty on liquor in some states etc., leading to drop in sales and even substantial surrender of funds to the tune of Rs.254.77 crore under S&M budget head in 2004-05. Notwithstanding these adverse factors, CSD had achieved an annual sale growth of 7.64% in 2004-05, a modest improvement over the growth of only 5.21% registered in 2003-04. On the whole, CSD contended, there was ground for satisfaction that the higher budget had helped in clearing the heavy backlog of outstanding creditors.

Thereafter, pursuant to discussion with the Secretary (Def Fin), CDA(CSD) submitted a detailed note following a review of CSD budget in relation to the twin criteria of sales targets and outstanding liabilities. This review took note of the fact that a significant part, amounting to Rs.839.88 crore, of the enhanced RE/MA (2004-05) budget provision was for the express purpose of clearance of outstanding liabilities towards sundry creditors and that a substantial clearance (Rs.900 crore, approximately) of such liabilities had actually been achieved by 31.3.2005. Referring to the surrender of funds under the 2004-05 S&M budget, CDA's report noted the external factors, such as withdrawal of sales tax concession etc. cited by CSD, which had caused drop in sales and related surrender of funds.

CDA(CSD)'s review also included a quick estimate of the updated position of outstanding liabilities as of June, 2005, indicating an amount of Rs.33.91 crore only as the total outstanding creditors as on 22.6.05. Moreover, a five-year trend analysis revealed that though sales targets were achieved during the years 2001-02, 2002-03 and 2003-04, simultaneously outstanding creditors increased at an alarming rate, culminating in a phenomenal rise of 44.08% in 2003-04 (Rs.938.87 crore over the preceding year's amount of Rs.651.61 crore).

Further analysis showed that although bulk of the increase (37.99%) in S&M budget in 2004-05 was meant for payment against outstanding liabilities, the sales target for the year was also fixed with an ambitious growth rate of 34.55%. This ambitious budgetary expectation also contributed to the slippage in sale receipts. The CDA's review further brought out a normative inter-relationship between S&M budget and achievable sales based on a normal level of weighted average profit of 7%. Hence a sales target fixed a notch above 7%, say at 8%, above the S&M budget would be realistic and also challenging. However, trend analysis of the percentage of sales targets over S&M budget revealed a steady increase, from 13.92% in 2000-01 to 16.03% in 2003-04. Such super optimal target setting resulted in budgetary support being inadequate for achieving targeted sales,

thereby compelling CSD to resort to credit purchase and causing a steady rise in outstanding creditors.

As regards S&M budget and sales target for BE 2005-06, CDA's report pointed out that sales target (Rs.5915.39 core) was fixed at 11.82% above S&M budget (Rs.5290 crore). Moreover sales have been affected by introduction of VAT w.e.f. April, 2005, while on the other hand S&M budget had to finance the clearance of inescapable year-end liabilities of 2004-05. Hence keeping in mind the inter-relationship between S&M budget, profit % and sales target, CDA recommended that both S&M budget and sales target may need suitable modification at the RE 2005-06 stage, involving appropriate scaling down of budget based on expenditure trend, coupled with corresponding reduction of sales target to the realistic but challenging level of 8% above the reduced S&M budget.

MoD(Fin) called for the comments of GM(CSD) on CDA's review. While conveying agreement with the CDA's analysis, GM(CSD) stressed the point that the one time excess allotment of Rs.839.88 crore in 2004-05 has enabled CSD to clear outstanding liabilities to the tune of Rs.900 crore, thereby enhancing supplier satisfaction and consequently supply position. As against the quick estimate of outstanding creditors as of June 2005 shown in CDA's report, GM(CSD) furnished the firmed up position indicating a total liability of only Rs.25.70 core as outstanding on 31.5.05.

The GM(CSD) further confirmed the validity of CDA(CSD)'s trend analysis of S&M budget vis-à-vis sales targets and stressed the practical reality that accrual of large outstanding liability has been mainly the result of over-ambitious pegging of sales target vis-à-vis S&M budget allotments during previous years. In conclusion, GM(CSD) endorsed the CDA's recommendation that pegging sales target at about 8% above the S&M budget would be realistic as well as challenging, especially in the context of the current post-VAT scenario as also the scaling down of liquor quota by the QMG's Branch of Army Headquarters.

**Qn.2.** A reference was received in the Audit wing of CGDA's office from a regional CDA regarding differing practices adopted by different PCDA/CDA offices in providing IFA and payment service to units/formations located within their regional audit jurisdiction but falling under the administrative control of another Army Command. The relevant reference is reproduced in Appendix-2

After due examination in the Head quarters office it was decided that in the interest of prompt and effective IFA coverage, such coverage should be extended by the regional PCDA/ CDA having audit and payment jurisdiction over the concerned units/formations till they can be provided with dedicated IFAs.

Make out a draft instructional circular to be issued by Jt. CGDA(Systems) to all PCsDA/CsDA/IFAs, under intimation to the Army HQrs, laying down the uniform practice to be followed in such cases.

**(50 Marks)**

## APPENDIX-2

**Letter No.IFA/S/C/I.T/22 Inf. Div. from Jt. CDA in CDA(Army), Meerut to Dy. CGDA (Audit), office of the CGDA, New Delhi.**

Subject: IFA concurrence to units/formations under the administrative control of Western Command but located as lodger formations/units in areas of Central Command under the audit jurisdiction of CDA(Army) Meerut.

Reference: Hqrs. office fax message No.AT/IX/9061/IX dated 2.8.04.

With reference to the problems mentioned by the Addl. DG Movement, Army HQrs, it may be stated that this office had been providing IFA cover to 22 Inf. Div since the said formation is located in the part of Central Command area falling under the audit jurisdiction of this office notwithstanding the fact that the said formation is under the overall command and control of 2 Corps under Western Command, IFA to the CFA of which is PCDA(WC) Chandigarh.

2. However, an instance had come to our notice at the fag end of the last financial year 2003-04 where the said formation had floated two proposals on the same account – one to PCDA(WC) Chandigarh and the other to this office. Hence it was considered appropriate to advise the said formation to forward their proposals to PCDA(WC) Chandigarh only w.e.f. financial year 2004-05.

3. In the above context, it is pertinent to mention that there are certain units/formations viz. 9 Inf Div, 22 Inf Div and 14 Inf Div under the command and control of Western Command which are located in the part of the area of Central Command falling under the audit jurisdiction of this office. Even though these formations are under the control of 2 Corps C/o 56 APO and 11 Corps C/o 56 APO under the overall command and control of Western Command, Chandimandir to which the IFA is supposed to be PCDA(WC) Chandigarh, they have been approaching this office with proposals for IFA Concurrence. On the other hand, certain units/formations viz. 23 Inf Div C/o 56 APO, 4 Inf Div C/o 56 APO and 33 Armoured Div C/o 56 APO which are under 1 Corps C/o 56APO (to which this office is supposed to provide IFA cover), fall under the audit/payment jurisdiction of CDA Patna, PCDA(CC) Lucknow and PCDA(WC) Chandigarh respectively. Even though these formations are not located in the area covered under audit and payment jurisdiction of this office they have also been approaching this office with their proposals for IFA cover as the same is not being made available to them by the aforesaid concerned auditing/paying CDA/PCDA on the ground that they are under the control of HQrs. 1 Corps. In the given situation, while we have been providing IFA cover to the units/formations which otherwise are under the command and control of Western Command (since they are located in our area), the IFA cover is not available to those units and formations of HQrs/Corps from other IFAs/PCsDA in whose audit/payment jurisdiction they are located as mentioned above and hence to such units/formations also we have been providing IFA cover.

4. In view of the position explained above, HQrs office may like to take a view as to who should provide IFA cover to units and formations whose location is overlapping as mentioned above so as to avoid problems of the nature expressed by 22 Inf. Div regarding availability of IFA support.

CDA has seen.

### **Answer**

**NO.AT/IX/.....**

Office of the CGDA,  
West Block-V, R.K.Puram,  
New Delhi-110 066.  
Date.....

To

All PCsDA/CsDA/IFAs

**Subject:** Discharge of IFA and audit/payment functions by regional PCsDA/CsDA in case of units/formations under the administrative control of one Army Command but located in areas falling under another Command.

We have recently received a reference from one regional CDA requesting for clarification as to which PCDA/CDA office should provide IFA coverage to Divisions/Formations falling under the regional audit/payment jurisdiction of one Army CDA, although the said divisions/formations fall under the overall command and control of a different Army Corps/Command for which another regional PCDA/CDA provides IFA cover.

2. In this connection, it has also been brought to our notice that in a few cases certain regional PCDA/CDA offices have advised such units/formations involving overlapping locational/jurisdictional features to approach a different Army CDA office for finance cover on the perceived logic that the units/formations in question are under the control of a different Corps/Command.

3. The matter has been examined and it has been decided by the competent authority that there should be uniformity in practice in dealing with such cases in a manner consistent with the need to provide effective and prompt IFA service to the affected lodger units/formations. To that end it is hereby clarified that PCsDA/CsDA should provide necessary IFA cover in respect of units/formations located within their audit/payment jurisdiction, irrespective of the location of the HQrs of such units/formations, till the time dedicated IFAs are positioned for such units/formations.

Jt. CGDA(Systems)



Copy to:

1. Addl. DG Movement  
Army HQrs., Sena Bhawan,  
New Delhi.

For information w.r.t his No. dated.....

2. Principal IFA, New Delhi

For kind information.

3. CDA(Army)  
Meerut

W.r.t his letter No.IFA/S/C/IT/22 Inf Div  
dated.....

**Qn.3.** Several representations have been received in the HQrs office that Service officers be allowed to travel by private airlines between Pune and Kolkata/Chennai, which are not directly connected by Indian Airlines or Vayudoot/Alliance Air services.

The extant instructions from the Department of Civil Aviation, reproduced in APPENDIX-3, permit air travel by private airlines only between stations not connected at all by IA/Vayudoot/Alliance Air.

During examination of the case, a doubt arises that despite being not directly connected, Pune and Kolkata/Chennai could be linked by IA flights through Bombay/Bangalore respectively, though such indirect travel might cost more.

Prepare a draft U.O. Note from ACGDA(AT) to AFA, Ministry of Defence (Fin/Q), New Delhi requesting that the position may be clarified in consultation with the concerned nodal Ministry. (50 Marks)

### **APPENDIX-3**

#### **I**

#### **Extract of Government of India, Ministry of Civil Aviation & Tourism (Department of Civil Aviation)**

**OM No.AV.18050/24/94-ACIA dated 10.5.94**

**Sub: Air travel by Government Servants.**

The undersigned is directed to refer to Ministry of Finance, Department of Expenditure O.M.No.19024/4/92-E.IV dt. 3.2.93 and 8.3.94 on the above subject. The matter has been reviewed and it has been decided that Government servants who are entitled to travel by air under the Supplementary Rules may be permitted to travel by a private airline, only in cases where the station to which he/she has to go on official duty is not connected at all by Indian Airlines/Vayudoot.

Sd/-  
Under Secretary

## **II**

**Extract of Government of India, Ministry of Civil Aviation & Tourism  
(Department of Civil Aviation)  
OM No.AV.18050/24/94-ACIA dated 12.3.97**

**Sub: Air travel by Government Servants.**

The undersigned is directed to refer to the instructions issued vide this Ministry's O.M. of even number dated 10.5.94 on the above subject and to say it has come to the notice of this Ministry that Government servants have been traveling frequently by private airlines even on the sectors where there are flights of Indian Airlines/Vayudoot/Alliance Air and subsequently approaching this Ministry for relaxation. A serious view has been taken where Government servants have violated these instructions.

It is therefore reiterated that the instructions on the subject should be scrupulously followed by all the Ministries and Departments of the Government of India.

Sd/-  
Under Secretary

## **III**

**DO Letter No. AV.18050/24/94-ACIA dated 25.10.99 from Secretary, Ministry of Civil Aviation to Secretary (Def Fin) and other Secretaries in Government of India**

You are aware that clear instructions have been issued with regard to air travel by Government servants vide Ministry of Civil Aviation & Tourism O.M. of even number dated 10.5.94 to the effect that Government servants entitled to travel by air may be permitted to travel by a private airline, only in cases where the station to which he/she has to go on official duty is not connected at all by Indian Airlines/Vayudoot. Subsequently, it had come to our notice that Government officials have been traveling frequently by private airlines even on such sectors where there were/are flights of Indian Airlines/Alliance Air and approach our Ministry for relaxation. Taking a serious view of violation of these instructions, they were reiterated vide O.M. of even number dated 12.3.97 for scrupulous compliance.

I would urge you to kindly ensure that these instructions are followed in letter and spirit by the officials of your Ministry/Department/Attached and Subordinate Offices.

## Answer

### OFFICE OF THE C.G.D.A., RK PURAM, NEW DELHI – 110 066

#### **Sub: Air travel by Government Servants.**

Reference is invited to Ministry of Civil Aviation and Tourism (Department of Civil Aviation) New Delhi OMs dated 10.5.94 and 12.3.97, placed opposite as Encl. 1 and 2 respectively. In terms of these OMs, Government servants entitled to travel by air may be permitted to travel by a private airline, only in cases where the station to which he/she has to go on official duty is not connected “**at all**” by Indian Airlines/Vayudoot/Alliance Air.

2. A more recent reiteration of the above-mentioned Government instructions may be seen in Secretary, Ministry of Civil Aviation DO letter No.AV/18050/24/94-ACIA dated 25.10.99, placed opposite at Encl. 3. Therein it has been enjoined to ensure that the aforesaid standing instructions, intended for scrupulous compliance, “**are followed in letter and spirit**” by all officials of our Ministry/Departments/Attached and Subordinate Offices.

3. Our Controllers have been regulating TA claims strictly within the confines of the above instruction. Recently, however, we have received representations from several service officers that their claims for travel by private airlines from Pune to Kolkata/Chennai and back should be admitted in audit since Indian Airlines/Alliance Air do not operate any direct flights between these stations.

4. During our examination of the case, we made further inquiries and found that though there are no direct flights operated by the said Government carriers between Pune and Kolkata/Chennai, yet these stations are connected through Bombay and Bangalore respectively by the Indian Airlines. Hence, at least in the literal sense, it cannot be said that these stations are not connected “**at all**” by the Indian Airlines. On the other hand of course, such indirect travel may cost the exchequer more, as a direct flight through private airlines should any day be much more economical.

5. As the point at issue is not entirely free from doubt, we would request MoD(fin) to clarify the position regarding admissibility of air travel by private airlines between the stations not directly connected by Indian Airlines or its sister Government carriers, in consultation with the Ministry of Civil Aviation for guidance of all concerned.

6. Addl. CGDA has been consulted.

A.C.G.D.A.(AT)

A.F.A (Fin/Q)  
M.O.D (Fin)  
South Block,  
New Delhi.

**Q.4.** A number of objections have been raised recently in local audit regarding slipshod cash management in Lab X, a newly raised DRDO establishment. The major shortcomings observed include delay in entering transactions in cash book, non-authentication of entries in cash book, absence of separate cash books for public fund, imprest and cash assignment accounts, non-observance of daily closing and monthly balancing requirements, non-preparation of bank reconciliation statements, absence of independent monthly surprise checks, practice of retaining heavy cash balances in hand over long periods etc.

The situation is viewed with concern by the CDA(R&D) who decides to take up the matter with the Lab authorities before possible issue of a formal MFAI report. Assuming you are the AO-in-charge of the FA/Audit section, put up a draft DO letter from the CDA to the Lab Director drawing his personal attention to the unsatisfactory state of affairs, advising corrective measures and calling for a time-bound reply. **(50 Marks)**

## **Answer**

.....IDAS  
CDA(R&D)

D.O.No.FA/.....  
Office of the CDA(R&D)  
.....  
Dated.....

Dear

This is regarding certain disturbing trends revealed in local audit and cash inspection reports rendered by your LAO(R&D) which, to my mind, need your personal attention for urgent redressal action. In this context, you may please refer to correspondence resting with the AO(R&D)'s letter No..... dated..... addressed to your Lab requesting for early reply to the objections raised during the preceding half-year's cash inspection conducted in your Establishment. Although more than two months have elapsed, I find that reply is still awaited from your end. Therefore, you may like to look into the matter and advise the concerned officials to attach more importance to audit objections relating to Government cash.

2. I find from the LAO's report that too many loopholes have been left in your Lab's cash management systems which can potentially lead to serious irregularities. Considering yours is a newly raised establishment, proper systems need to be set or else things may go from bad to worse. Given below is a list of the major shortcomings observed, alongside the relevant systemic observances required. These "Dos and Don'ts" should, I trust, help you and your officers as an aid to proper cash management.

Sl.No.	Shortcomings observed	Systemic observances required
(i)	Non-authentication of entries in cash book	Ensure each entry in cash book bears the initials of the cash officer so as to enforce strict control and accountability.
(ii)	Non-observance of daily closing and monthly balancing requirements	Ensure timely closing and balancing of cash book, showing cash in hand and cash at bank.

(iii)	Non-preparation of bank reconciliation statements	See that bank reconciliation statement is prepared and endorsed in cash book every month
(iv)	Absence of independent monthly surprise checks of cash	Depute a senior officer for surprise check of cash accounts on monthly basis. Cash in hand should be counted and tallied with cash book balance during these surprise checks.
(v)	Absence of separate cash books for public fund, imprest and cash assignment accounts	Maintain separate cash books for different accounts.
(vi)	Delay in entering transactions in cash book	Do not allow completion of cash book to fall in arrears. Cash book is meant to be kept concurrently and not constructed afterwards. Hence ensure simultaneous entries in cash book as and when transactions take place.
(vii)	Practice of retaining heavy cash balances in hand over long periods	Do not allow heavy balances as cash in hand for long periods. Apart from custodial risks, this may also lead to unauthorized use of cash.

3. In view of the serious nature of the deficiencies and especially as the objections pertain to the sensitive area of cash management, we may be constrained to incorporate these audit findings in the forthcoming Major Financial and Audit Irregularities (MFAI) report to the SA to RM. I would, however, like to receive your feedback regarding the corrective actions taken at your end within a month's time, failing which we shall initiate the MFAI report without further delay. This may therefore be kindly accorded priority.

With regards,

Yours sincerely,

Dr.....  
Director,  
Lab X,  
.....

**DEFENCE ACCOUNTS DEPARTMENT**

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

**January-February, 2006**

**PAPER-VI-BOOK KEEPING WITH ELEMENTS OF COST ACCOUNTING**

**TIME ALLOWED: 3 HOURS**

**TOTAL MARKS: 150**

**NOTES:- Only FIVE questions should be attempted- ONE from Section 'A' and not more than TWO each from Section 'B' and Section 'C'. Question in Section 'A' is COMPULSORY and carries 50 marks. Other questions carry 25 marks each.**

**Section-'A'**

- 1 Mr. Sinha carries out retail business and his trial balance as on 31st March, 2000 was as follows:

**TRIAL BALANCE**

	<b>Rs</b>	<b>Rs</b>
Purchase	565625	
Sales		706650
Return Inwards	4250	
Return outwards		3120
Provision for doubtful debts		5200
Sundry debtors	38200	
Sundry Creditors		25526
Bills payable (Promissory notes to be paid)		8950
Stock (at the beginning of the year)	56725	
Wages	20137	
Salaries	18575	
Furniture	15075	
Alterations to shop	4500	
Postage, stationery, Insurance, etc.	13226	
Heating and lighting	2350	
Trade Expenses	10314	
Rent, rates and taxes	13517	
Bad debts	525	
Loan at 15% to A. Seth. 1st December, 1999	3000	
Investments(at cost)	11500	
Dividends from Investments		1825
Unexpired Insurance	524	
Cash on hand and at bank	15752	

Bills receivable(amount receivable on promissory notes)	19070	
Capital Account		77000
Drawing Account	16000	
Outstanding wages		2019
Rent accrued but not paid		750
Depreciation of furniture	1675	
Additions to furniture	500	
	<b>831040</b>	<b>831040</b>

**Prepare the trading and profit and loss Account as on 31st March, 2000 and balance sheet as on that date having regard to the following information:**

- (i) Sundry debtors include an item of Rs. 250 for goods supplied to the proprietor and an item of Rs. 600 due from a customer who has become insolvent.
- (ii) Provision for doubtful debts is to be maintained at 5% of the sundry debtors.
- (iii) One fifth of the alterations to the shop has to written off.
- (iv) Goods of the value of Rs. 1000 have been destroyed by fire and the insurance company has admitted the claim for Rs. 700 only.
- (v) Bills receivable include a dishonoured Promissory note for Rs. 2650
- (vi) Stock at the end of the year was Rs. 60520
- (vii) Intimation from the bank that a customer's cheque for Rs. 1000 had been dishonoured is still to be entered in the books.

**(50 Marks)**

**Answer to Question 1.**

(Point to note: Since Depreciation, Prepaid Insurance, Rent Accrued and Outstanding Wages all appear in the Trial Balance: therefore double entry in this respect has been completed already. Hence Furniture and the liabilities in respect of rent and wages will appear in the balance sheet without any adjustment.)

**Mr. Sinha**

**Trading and Profit and Loss Account for the year ended 31st March, 2000**

Dr.		Cr.	
	Rs.		Rs.
To stock on 1st April 1999	56,725	By Sales	706650
To Purchase	5,65,625	Less: Return Inwards	<u>4250</u>
Less: Return outwards	<u>3120</u>	By Goods destroyed by Fire (1)	1000
To wages	20137	By stock on 31st March, 2000	60520
To Gross Profit - transferred to Profit	124553		

and Loss Account			
	<b>763920</b>		<b>763920</b>
To salaries	18575	By Gross profit- transferred from trading account	124553
To Postage, stationary, insurance etc.	13226	By Dividends from Investments	1825
To Rent, Rates and Taxes	13517	By interest accrued on loan to A. Seth(2)	150
To Trade expenses	10314	By Provision for doubtful debts	
To Hearing and lighting	2350	Existing	5200
To depreciation on Furniture	1675	Less: Bad debts	<u>1125</u>
To Alterations to shop	900		<b>4075</b>
To Loss by fire, unrecovered	300	Less: Provision required (3)	<u>2050</u>
To Net Profit transferred to Capital Account	67696		2025
	<b>128553</b>		<b>128553</b>

Notes:

1. Goods destroyed by fire, Rs. 1,000 are credited to the trading account. Out of this, Rs. 700 are recoverable from the insurers and Rs 300 is a loss which is debited to the profit and loss account.
2. Four months interest on the loan to A. Seth is due.
3. Sundry Debtors Total Rs. 41,000 as follows:

	Rs.	Rs.
Trial Balance Figure		38,200
Less: to be transferred to Drawings Account	250	
Written off as bad debt	600	<u>850</u>
		<b>37350</b>
Add: Dishonoured Promissory note ( deducted from bills receivable		2650
Dishonoured cheque (deducted from bank)		1000
		<b>41000</b>



**BALANCE SHEET OF SINHA as on 31st March, 2000**

<b>Liabilities</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>	<b>Rs.</b>
Sundry Creditors		25,526	<b><u>Current Assets</u></b>		
Bills payable		8950	Cash on hand and at bank		14752
Outstanding wages		2019	Bills receivable		16420
Rent accrued but not paid		750	Investments		11500
Capital: Balance on 1st April 1999	77,000		Sundry Debtors	41000	
Add: net profit for the year	<u>67,696</u>		Less: Provision for doubtful debts	<u>2050</u>	38950
	<b>144696</b>		Loan to A. Seth	3000	
Less: drawing	<u>16250</u>	128446	Add: Interest accrued	<u>150</u>	3150
			Stock at end		60520
			Amount due from insurance company		700
			Unexpired insurance		524
			<b><u>Fixed Assets</u></b>		
			Furniture	16750	
			Add: Additions	<u>500</u>	
				17250	
			Less: Depreciation	<u>1675</u>	15,575
			Alterations to shop	4,500	
			Less: written off	900	3600
<b>Total</b>		<b>1,65,691</b>	<b>Total</b>		<b>1,65,691</b>

**SECTION-B**

1.(a) What is meant by a Trial Balance ? (3 Marks)

Ans. A trial balance may be defined as a summary of balances of all accounts, both debit and credit, extracted from the ledger and cash and bank balances taken from the cash book. The trial balance is prepared at the end of a chosen period which may either be monthly, quarterly half yearly or annually, or as and when required. In fact, all business periodically tabulate all the debit and credit balances separately in a statement known as trial balance to see whether the total of debit balances agrees with the total of credit balances or not. In case there is a difference, the correctness of the balances brought forward from the respective accounts has to be checked.

1(b) What are the objectives of preparing a trial balances ? (7 Marks)

Ans. A trial balance is prepared to fulfill the following objectives:

1. To check whether all debits and the corresponding credits are properly recorded in the ledger or not. When totals of all the debits and credits in the trial balance are equal, it indicates that the posting and balancing of ledger accounts is arithmetically accurate.
2. To locate errors. Whenever the trial balance does not tally, it indicates that errors have crept in at the stage of recording, posting, balancing or transfer of balances. These errors are then located and rectified and then a corrected trial balance is prepared.
3. To provide a basis for the preparation of financial statements, including balance sheets, as balances of all the accounts appear in the trial balance.

1(c) Pass Journal Entries to rectify the following errors:

**(10x1½=15 Marks)**

- (i) A sum of Rs. 12,000 paid to Sumesh was debited to Suresh.
- (ii) Repairs of a machine amounting to Rs. 1,745 were debited to machinery account.
- (iii) A bill receivable for Rs. 15,000 accepted by Mishra Bros. was recorded in bills payable book.
- (iv) A credit sale of goods in trade for Rs. 15,870 to Suraj was recorded in the sales book Rs. 18570.
- (v) Goods sold to Ramu for Rs. 2140 were returned by him but no entry was passed in the book.
- (vi) Goods costing Rs. 800 taken by the proprietor for a birthday gift to his daughter were not recorded in the books of account.
- (vii) A sum of Rs. 1300 was received from Anand, a customer, against the amount previously written off as a bad debt; the amount received was credited to Anand.
- (viii) Goods invoiced at Rs. 1870 to Mohit were returned by the customer. The return was recorded in Returns Outward Book as Rs. 1780.
- (ix) Carriage Outwards, Rs. 100 was posted to Carriage Inwards account.
- (x) A purchase amounting to Rs. 1000 made for Harish, a staff member, was recorded in Purchase Book.

**Answer to Question 1(c)****JOURNAL**

Sl.No.	Particulars	JF	Dr.(Rs.)	Cr.(Rs.)
(i)	Sumesh Dr. To Suresh  (Amount paid to Sumesh wrongly debited to Suresh earlier. error being rectified now)		12,000	12,000
(ii)	Repairs Account Dr. To Machinery Account  (Repairs to a machine wrongly debited to machinery account. error now rectified)		1745	1745
(iii)	Bills Receivable Account Dr. Bills payable Account Dr. To Mishra Bros  (Acceptance received from Mishra Bros wrongly recorded in bills payable book. error now rectified)		15,000 15,000	30,000
(iv)	Sales Account Dr. To Suraj  (Credit sale for Rs. 15870 to Suraj wrongly recorded in sales book as Rs. 18570, adjustment to rectify the error now made)		27,00	2700
(v)	Sales Returns Account Dr. To Ramu  (Sales return by Ramu for Rs. 2140 not recorded earlier, being recorded now)		2140	2140
(vi)	Drawings Account Dr. To Purchase Account  (Goods taken away by the Proprietor for personal use not recorded earlier, being recorded now)		800	800

(vii)	Anand Dr. To Bad Debts Recovered Account  (Recovery of a bad debt credited to payer's account: error being rectified now)		1300	1300
(viii)	Returns Inward Account Dr. Returns Outward Account Dr. To Mohit (Goods invoiced at Rs. 1870 returned by Mohit, a customer recorded in returns outward book as Rs. 1780 ; error being rectified now)		1870 1780	3650
(ix)	Carriage Outward Account Dr. To Carriage inward Account  (Carriage outward wrongly posted to Carriage inward account, error being rectified now)		100	100
(x)	Harish Dr. To Purchases Account  (Purchase made for Harish, a staff member, entered in purchases book: error now rectified)		1000	1000

- 2 (a) Why is it necessary to prepare Bank Reconciliation Statement ?  
(3 Marks)
- (b) What are the common reasons for difference between the balance shown in the bank pass book and the bank balance shown by the cash book ?  
(7 Marks)
- (c) On 31st March, 2000, the cash book of Messer's Verma showed a balance of Rs. 2,760 at the bank. They had sent cheques amounting to Rs. 90,000 to the bank before 31st March, but it appears from the pass book that cheques worth only Rs. 84,000 had been credited before that date. Similarly, out of cheques for Rs.85,000 issued during the month of March, cheques for Rs. 2,500 were presented in April, the remaining having been paid in March itself.

The pass book also showed the following payments:

- (i) Rs. 3,320 premium (on the joint Life Policy) according to standing instructions; and
- (ii) Rs. 5,000 against a promissory note as per instructions.

The pass book showed that the bank had collected Rs. 6,000 as interest on Govt. Securities. The bank had charged interest of Rs. 50 and Rs. 20 by way of Bank Charges. There was no entry in the cash book for the payments, receipts, interests etc.

It was found that the total of the credit bank column in the cash book on 20th March was Rs. 110 short.

Prepare the Bank reconciliation statement as on 31st March, 2000.

**(15 Marks)**

- Ans (a) A bank gives to each of its customers every month, or more frequently, a copy of the customer's account as it appears in the bank's own ledger. If it takes the form of loose sheets, it is known as Bank statement; on the other hand, if it is a bound book, it is known as Bank Pass Book. Because the entries in the customer's own Cash Book are made at one time, and the entries by the Bank in its record at another time, it commonly happens that the bank balance shown at any particular date in the pass book or the Bank Statement does not agree with the balance of cash at the bank as shown by the customer's cash book. It is necessary therefore, for a firm to prepare a statement showing precisely how the inevitable discrepancy between the two bank balances, is accounted for. Such a statement is known as Bank Reconciliation Statement. Thus a Bank Reconciliation Statement is prepared to reconcile and explain the causes of disagreement between the bank balance as per the cash book and the same as per pass book or bank statement as on a particular date.
- (b) There are several reasons for the discrepancy between the two balances, the most common being the following:
- (a) Outstation cheques paid into the bank, but not yet cleared.
  - (b) Cheques issued, but not yet presented for payment.
  - (c) Cheques received and entered in the bank column of the cash book, but omitted to be paid into the bank.
  - (d) Interest on deposit accounts credited in the bank statement, but not entered in the cash book.
  - (e) Bank charges and interest on overdraft debited in the bank statement, but not yet recorded in the cash book.
  - (f) Dishonoured bills and cheques debited in the bank statement, but not yet brought into account in the cash book.
  - (g) Amounts directly paid into the bank by debtors and not yet entered in the cash book.

- (h) Payments and remittances by bank under standing order, debited in the bank statement but not recorded in the cash book.
- (i) Incomes collected and credited by the bank under standing orders, but not yet recorded in the cash book. e.g. insurance claims, dividends, rents, interest on securities etc.

Ans (c) **BANK RECONCILIATION STATEMENT AS ON 31ST MARCH, 2000**

	Plus Rs.	Minus Rs.
Balance as per cash book	2,760	
Cheques paid in but not yet credited by bank		6000
Cheques issued but yet not presented	2500	
Payment made by the bank, entered in the pass book but not yet entered in the cash book		8320
Interest on govt. securities, entered in the pass book but not yet entered in the cash book	6000	
Interest and bank charges, charged by the bank, entered in the Pass book but not yet entered in the cash book		70
Error in totaling the bank column (credit) on 20th March		110
Overdraft as per pass book	3240	
	<b>14,500</b>	<b>14,500</b>

Minus items being more than the plus items, the difference denotes that at the bank an overdraft is being shown against M/s Verma

If the balances at Bank as per Cash Book is properly corrected, it will be Rs.260 thus-

	Plus (Rs.)	Minus (Rs.)
Balance as already shown		2760
Add: Interest collected by bank		6000
		8760
Less: Payment made by bank-		
Premium	3320	
Promissory note	5000	
Correction for wrong totaling	110	
Interest	50	
Bank charges	20	8500
		260
The Bank Reconciliation statement will then appear as follows:		
	Plus (Rs.)	Minus Rs.)
Balance as per cash book		260

Add: Cheques issued but yet not presented	2500
	<b>2,760</b>
Less: Cheques paid in but not yet credited by bank	6000
Overdraft as per pass book	3240

**Note: Out of cheques worth Rs. 90,000 deposited, Rs. 84,000 worth have been cleared in the month of March itself: hence only Rs. 6,000 worth of cheques remain to be cleared.**

- 3 (a) What factors cause depreciation of an asset ? What is the necessity of providing for depreciation ?

**(9 Marks)**

- (b) Write a critical note on Reserves and Reserve Funds.

**(6Marks)**

- (c) A firm purchased machinery on 1st June, 1995 for Rs. 50,000. Depreciation is written off at the rate of 10 percent per annum. The firm closes its books on 31st March every year. Prepare Machinery Account under Straight Line Method and Written Down Value Method separately.

**(10 Marks)**

- Ans (a) Following factors cause depreciation:

(1) Wear and tear to actual use;

(2) Efflux of time - mere passage of time will cause a fall in the value of an asset even if it is not used;

(3) Obsolescence- a new invention or a permanent change in demand may render the asset will become useless;

(4) Accident; and

(5) Fall in market price.

Notwithstanding a few exceptions like land, antiques, old paintings etc, all other assets depreciate. Though current assets may also lose value, the term depreciation is used only in respect of fixed assets and is usually confined to the fall in value caused by factors(1) and (2) mentioned above.

One peculiar thing about depreciation is that it is not visible like other expenses till the very end. In case of other expenses, the expenditure is patent and hence everybody provides for such expenses before one says, " This is the profit that I have earned this year". Not so with depreciation. Some people, therefore, do not deduct depreciation from the gross earnings to ascertain the net profit. This is dangerous.

Provision for depreciation is necessary primarily because of three factors. These are:

- (i) The cost of a fixed asset keeps declining throughout the period it is in use. In other words, it means that the cost of a fixed asset gets used up during the period of its use. This decline in the value of asset has to be treated as cost or expense and debited to the Profit and Loss Account, otherwise and profit will not be correctly assessed.
  - (ii) To continue to show the fixed assets at their original worth in the balance sheet will be over-estimate the value of the assets possessed by the firm when really, due to wear and tear and efflux of time, the value of the assets is much less. Depreciation therefore, must be accounted for in order to present the assets at their proper value.
  - (iii) The amounts debited in the Profit and Loss Account are retained in the business (no payment is made like for other expenses). These are available for replacement of the asset when its life is over. Funds would not be collected for this purpose without accounting for depreciation.
- (b) Reserves or Reserve Funds mean amounts set aside out of profits(as ascertained by the Profit and Loss Account) or other surpluses which are not meant to cover any liability, contingency commitment or depreciation in the value of assets. Reserves or Reserve Funds therefore constitute amounts which belong to the proprietors over and above the capital contributed by them. If amounts equal to reserve are invested in outside securities, the reserve will be named " Reserve Fund ", If there are no specific investments, it cannot be called a Reserve Fund but merely a Reserve. The amount to be transferred to Reserve (or Reserve Fund) is debited to Profit and Loss Appropriation Account. Examples of Reserves are General Reserve, Capital Reserve, Dividend Equalization Reserve, Contingency reserve etc. The purpose of all these reserves is to enable the firm to tide over a difficult financial period and not to meet any particular contingency.

**Ans. 3 (c)**

**Machinery Account**

Dr.					Cr.				
Date	Particulars	LF	Straight Line Method	Written Down Value Method	Date	Particulars	LF	Straight Line Method	Written Down Value Method
1995 June 1	To Bank		Rs. 50,000	50,000	1996 March. 31	By Depreciation By Balance c/d		Rs. 3750 46,250	Rs. 3750 46,250
			<b>50,000</b>	<b>50,000</b>				<b>50,000</b>	<b>50,000</b>



1996 April, 1	To Balance b/d		46.250	46.250	1997 March. 31	By Depreciation By Balance c/d		5000 41,250	4625 41625
			<b>46,250</b>	<b>46,250</b>				<b>46,250</b>	<b>46,250</b>
1997 April. 1	To Balance b/d		41.250	41.625	1998 March. 31	By Depreciation By Balance c/d		5000 36,250	4163 37,462
			<b>41,250</b>	<b>41,625</b>				<b>41,250</b>	<b>41,625</b>
1998 April, 1	To Balance b/d		36.250	37.462	1999 March. 31	By Depreciation By Balance c/d		5000 31,250	3746 33,716
			<b>36,250</b>	<b>37,462</b>				<b>36,250</b>	<b>37,462</b>
1999 April. 1	To Balance b/d		31,250	33,716	2000 March. 31	By Depreciation By Balance c/d		5000 26250	3372 30,344
			<b>31,250</b>	<b>33,716</b>				<b>31,250</b>	<b>33,716</b>
2000 April. 1	To Balance b/d		26,250	30,344					

- 4 (a) Why is the Cash Book defined as a journal-cum-ledger ? Explain briefly the advantages of using the cash book as a journal-cum-ledger. (10 Marks)
- (b) D.Sen a stationery dealer, requires you to write his Cash Book with cash and bank columns from the following transactions, and balance the Cash Book on 7th September,1997.

- Sept. 1 Opening cash balance Rs. 150  
 1 Opening bank balance Rs. 10,370  
 1 Sold stationary for cash Rs. 460  
 2 Received from B.Sen Rs. 380 in cash being rent for the month of August, 1997  
 2 Purchased stationery from K.Kar by cheque Rs. 1,500 and paid carriage on purchase by cash Rs. 25.  
 3 Sold goods for Rs. 1,900 and payment therefore received Rs. 1,400 by cheque and balance by cash. The cheque was deposited in the bank.  
 4 Withdrawn from bank Rs. 3,500  
 4 Lent to P. Guha Rs. 4,000 in cash  
 4 R. Gupta paid Rs. 1,500 for sale of stationery to him  
 5 Deposited cash into the bank Rs. 1,600  
 7 Paid wages Rs. 50.

**(15 Marks)**

- Ans (a) The Cash Book is unique in accounting in that it plays a dual role. It is a book of original entry or journal as well as a ledger account, account bound separately for the sake of convenience.

The Cash Book is a part and parcel of the journal due to the following reasons:

(1) For the sake of convenience, the journal is divided into various subsidiary books or books of original entry and the cash book is one of those.

(2) All cash transactions are first recorded in the cash book chronologically as they occur and ledger accounts are posted therefrom. Thus, it acts as a subsidiary to the ledger.

(3) The analysis of the cash transactions under 'debit' and 'credit' is made in the cash book.

Thus, all the functions of the journal, so far as cash transactions are concerned, are performed by the cash book. We can, therefore, say that the cash book is primarily a book of original entry or journal.

The cash book is a part of the ledger also due to the following reasons:

(1) It contains a condensed and classified record of all cash transactions.

(2) The ruling of cash book does not differ from that of ledger.

(3) The recording of transactions in the cash book takes the shape of a ledger account. As receipts of cash are entered on the debit side and payments of cash on the credit side, it is not necessary to open a separate account for cash in ledger.

(4) The cash book is balanced like other ledger accounts.

Thus, we may conclude that the cash book performs both the functions of a subsidiary book and ledger.

There are following advantages in using a Cash Book as a journal-cum-ledger:

- (1) It prevents duplication of work in entering cash transactions in the journal and then posting them into the ledger.
- (2) Both cash and bank transactions can be recorded in the Cash Book.
- (3) It enables the trader find out the daily cash and bank balances without the usual delay for posting from the journal.
- (4) As the Cash Account is split up from the ledger, it prevents the size of the ledger from becoming too voluminous.
- (5) It serves as a book of original entry. It serves the purpose of the ledger also so far as the Cash and Bank Accounts are concerned.
- (6) In any business, cash and bank transactions constitute a major portion of the entries and, therefore, the Cash Book is very useful and results in economy of time and labour.

**4(b) Ans.**

Dr.						Cr.					
Date	Particulars	V. No.	L. F.	Cash Rs.	Bank Rs.	Date	Particulars	V. No.	L. F.	Cash Rs.	Bank Rs.
<b>1997 Sept. 1</b>	To Balance b/f			150	10,370	<b>1997 Sept. 2</b>	By purchase (purchase of goods by cheque)				1500
1	To Sales (Cash sales)			460		2	By Carriage Inward (paid for carriage on purchase)			25	
2	To Rent (rent received for August, 97)			380		4	By cash		C		3500
3	To Sales (cash and cheque received for			500	1400	4	By loan to P Guha (Loan advanced in			4000	

	sale of goods and the cheque deposited)						cash )				
4	To Bank		C	3500		5	By Bank		C	1600	
4	To Sales (Cash sale)			1500		7	Wages (paid for wages)			50	
5	To cash		C		1600	7	By Balance c/d			815	8370
				<b>6490</b>	<b>13,370</b>					<b>6490</b>	<b>13370</b>
<b>1997 Sept. 8</b>	To Balance b/d			815	8,370						

**Note: The cash book is of a stationery dealer. Hence, sale of stationery has been credited to Sales A/c and purchase of stationery of Purchase A/c.**

### SECTION-C

#### Quest. 1

(a) What are various elements of cost into which direct and indirect expenditure can be classified ? Explain the terms Prime Cost, Works Cost and Cost of Production with reference to these elements.

**(6+6=12 Marks)**

(b) Prepare a cost sheet showing Prime Cost, Works Expenses, Works Cost and Total Cost on the basis of the following information:

**(13 Marks)**

	<b>Rs.</b>
Raw Material used	2,10,000
Repairs to Plant & Machinery	7,600
Rents & Rates, Factory	20,000
Loss on sale of Company's property	5,000
Travelling Expenses	6,600
Productive Wages	1,55,000
Depreciation on Plant & Machinery	9,000
Depreciation on office furniture & equipments	1,500
Director's fee	10,000
Manager's Salary ( 3/4th Factory, 1/4th Office)	16,000
Utilities Factory	3,100
Utilities Office	1,500
General Expenses	8,500
Preliminary Expenses	20,200
Carriage Inwards on material purchased	6,900
Dividends paid	10,500
Rents & Rates, Office	5,000
Written off Goodwill	16,000

## Answer

1. (a) Direct expenditure consists of three elements. These are: Direct Material, Direct Labour, and Direct Expenses or Charges. Indirect expenditure is usually classified into:

- \* Works or Factory Expenses, i.e. indirect expenses incurred for production of goods and services.
- \* Office & Administrative Expenses, i.e. expenses incurred for general administration ; and
- \* Selling and Distributive Expenses, i.e. Expenses incurred for effective sales.
- \* Prime Cost is defined as the total of direct elements of cost, i.e. direct material plus direct labour plus direct expenses.
- \* Works Cost is the aggregation of prime cost and works expenses.
- \* Cost of Production of Office Cost is the sum of works cost and office expenses.

## Ans. (b)

### Cost Sheet

Material used (Direct)		2,10,000	
Productive Wages (Direct)		1,55,000	
		<b>3,65,000</b>	<b>Prime Cost</b>
Repairs to Plant & Machinery	7,600		
Rents & Rates, Factory	20,000		
Depreciation on Plant & Machinery	9,000		
Utilities, Factory	3,100		
Carriage Inwards on materials purchased	6,900		
Manager's Salary (3/4th Share)	12,000	<b>58,600</b>	<b>Works Expenses</b>
		<b>4,23,600</b>	<b>Works Cost</b>
Rents & Rates, Office	5,000		
Travelling Expenses	6,600		
Depreciation on office furniture	1,500		
Director's Fee	10,000		
Utilities, Office	1,500		
Manager's Salary(1/4th Share)	4,000		
General Expenses	8,500	<b>37,100</b>	
		<b>4,60,700</b>	<b>Total Cost</b>

**Quest.-2**

For the year ending 31.12.2000, the books of M/s Khanna Ltd. contain the following figures. Prepare a cost sheet showing the per unit cost under elements of Prime Cost, Production Overhead. Administration Overhead and Selling and Distribution Overhead. Also work out the Profit/Loss per unit.

**(25 Marks)**

	Rs.
Direct Material	24,00,000
Direct Labour	5,00,000
Depreciation of Factory building	15,000
Branch Office expenses	40,000
Depreciation of Office Building	8,000
Depreciation of Staff Cars	12,000
Insurance:	
Staff Cars	1,500
Office building	1,200
Factory building	1,500
Delivery Van maintenance & running expenses	10,000
Salaries(including Sales Manager Rs. 25,000, Factory Chief Engineer Rs. 25,000)	3,00,000
Finished goods warehouse expenses	20,000
Electricity(including Rs. 4,000 for Administrative Office)	40,000
Advertisement	20,000
Sundry factory expenses	3,40,000
Sales Promotion	5,000
Office Administrative expenses	50,000
Expenses for participation in Industrial Exhibition	10,000
Sales	42,00,000
Units produced	10,000

**Ans. 2**

**Cost Sheet of M/S Khanna Ltd.**  
**Units produced 10,000 period ended 31st Dec, 2000**

Items	Cost for 10,000 units		Cost per unit	
	Rs.	Rs.	Rs.	Rs.
Direct Material		24,00,000		240.00
Direct Wages		5,00,000		50.00
<b>Prime Cost</b>		<b>29,00,000</b>		<b>290.00</b>
<b>Production Overhead:</b>				
Depreciation on factory building	15,000		1.50	
Insurance of factory building	1,500		0.15	
Salary of Factory Chief	25,000		2.50	

Engineer				
Electricity(Factory)	36,000		3.60	
Sundry Factory Expenses	3,40,000	<b>4,17,500</b>	34.00	41.75
<b>Administrative Overhead</b>				
Depreciation of Office building	8,000		0.80	
Depreciation of Staff Car	12,000		1.20	
Insurance of Office Building	1,200		0.12	
Insurance of Staff Car	1,500		0.15	
Electricity for Admn. Office	4,000		0.40	
Office Admin. Expenses	50,000		5.00	
Salaries	2,50,000	<b>3,26,700</b>	25.00	32.67
<b>Selling &amp; Distribution Overhead</b>				
Branch Office Expenses	40,000		4.00	
Delivery Van Expenses	10,000		1.00	
Salary of Sales Manager	25,000		2.50	
Finished goods Warehouse Expenses	20,000		2.00	
Advertisement	20,000		2.00	
Sales Promotion	5,000		0.50	
Exhibition expenses	10,000	<b>1,30,000</b>	1.00	13.00
Total Cost		37,74,200		377.42
Total Sales		42,00,000		420.00
Total Profit		<b>4,25,800</b>		<b>42.58</b>

- 3 (a) Distinguish between fixed overhead costs and variable overhead costs.  
(10 Marks)
- (b) What is meant by Standard Cost ? How does it differ from actual cost and what are its advantages over the latter of management purposes ?  
(5+10=15 Marks)

Ans. (a) There are certain expenses which are not affected by a change in the level of output e.g., rent of factory building, salaries of office staff. Such expenses are known as fixed or constant expenses. On the other hand there are certain other expenses which change almost proportionately with change in the level of output e.g, consumption of electric power, stores, productive wages etc. Such expenses are known as variable expenses. Fixed expenses remain constant per unit of time. Variable expenses remain constant per unit of output.

The distinction between fixed and variable expenses helps not only in estimating the expenses but in controlling them also.



- (b) Standard Cost- Budgeting covers the entire activity. To ensure that total expenditure does not exceed the budgeted figure it will be necessary to control expenditure on each unit of output or activity. Standard Costing seeks to ensure this. What is done is that costs of each article or service are determined before hand on somewhat idealistic basis; then actual costs are constantly compared with the predetermined costs, discrepancies (known as variances) are noted and reasons for them are ascertained. Thus, the exact reason for variance, loss or gain will be known and the necessary steps can be taken. We will appreciate that a system of standard costing is an essential part of budgeting control.

While comparing standard costs with actuals the following limitations should be kept in mind.

- (a) Conditions might have changed thus rendering standard cost unrealistic. For instance the quality of available materials may have changed.
- (b) Standards fixed on too realistic a basis will not be practicable.
- (c) A particular department may be lacking in prompt and efficient service thus affecting the work of other departments.
- (d) In certain cases, fixation of standards may be either undesirable or not feasible. Goods requiring artistic work are an instance.

#### Q.4

A firm which closes its books on 31st March each year, purchased plant and machinery on 1st July, 1995 for Rs. 10,00,000. Depreciation is charged at the rate of 10%. Prepare the plant & machinery account for five years under the fixed installment method and reducing balance methods separately.

(25 Marks)

#### Ans. 4

#### Plant & Machinery Account Fixed Installation Method

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
1995 July, 1	To Bank	10,00,000	1996 March, 31	By Dep.	75,000
				By bal. c/d	9,25,000
		10,00,000			10,00,000
1996 April, 1	To bal.b/d	9,25,000	1997 March, 31	By Dep.	1,00,000
		9,25,000		By bal.c/d	8,25,000
					9,25,000
1997 April, 1	To bal.b/d	8,25,000	1998 March, 31	By Dep.	1,00,000
		8,25,000		By bal.c/c	7,25,000
					8,25,000

1998 April,1	To bal. b/d	7,25,000	1999 March, 31	By Dep. By bal.c/d	1,00,000
		7,25,000			625,000
1999 April,1	To bal. b/d	6,25,000	2000 March, 31	By Dep. By bal.c/d	7,25,000
		6,25,000			1,00,000
2000 April,1	To bal. b/d	5,25,000			5,25,000
					6,25,000

**Plant and Machinery Account Reducing Balance Method**

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
1995 July, 1	To Bank	10,00,000	1996 March,31	By Dep. By bal. c/d	75,000
		10,00,000			9,25,000
1996 April,1	To bal.b/d	9,25,000	1997 March,31	By Dep. By bal. c/d	<b>10,00,000</b>
		9,25,000			92,500
1997 April,1	To bal.b/d	8,32,500	1998 March,31	By Dep. By bal.c/c	8,32,500
		8,32,500			<b>9,25,000</b>
1998 April,1	To bal.b/d	7,49,250	1999 March,31	By Dep. By bal. c/d	83,250
		7,49,250			7,49,250
1999 April,1	To bal. b/d	6,74,325	2000 March,31	By Dep. By bal.c/d	<b>8,32,500</b>
		6,74,325			74,925
2000 April,1	To bal. b/d	6,06,892			6,74,325
					<b>7,49,250</b>
2000 April,1	To bal. b/d	6,06,892			67,433
					6,06,892
2000 April,1	To bal. b/d	6,06,892			<b>6,74,325</b>

**DEFENCE ACCOUNTS DEPARTMENT**  
**S.A.S. EXAMINATION -PART-II**

**JANUARY-FEBRUARY, 2006**

**REGULATIONS- PAPER-VII PRACTICAL (WITH BOOKS)**

**TIME ALLOWED: 3 HOURS**

**TOTAL MARKS: 100**

NOTES:

- (1) Only TWELVE questions should be attempted - EIGHT from Section-I and FOUR from Section-II,III, IV or V as the case may be as specified in Note(2) below:
- (2) Candidates permitted to answer questions from Factories, Air Force and Navy portions should answer any FOUR alternative questions from Sections III, IV or V respectively. The remaining candidates should answer any FOUR alternative questions from section II.
- (3) Each question in Section I carries 8 marks. Questions in Sections II, III, IV and V carry 9 marks each.
- (4) Reasons must be given in support of the answers and wherever applicable, authority must be quoted in support of the answers.

**SECTION-I**  
**(Common for all Candidates)**

**Q. 1** Write short note on:

- |   |                  |
|---|------------------|
| (a) Constant Attendance Allowance           | <b>(2 Marks)</b> |
| (b) Liberalised Dependent Pension(Officers) | <b>(2 Marks)</b> |
| (c) Rounding off of Pensionary Awards       | <b>(2 Marks)</b> |
| (d) Compassionate Allowance                 | <b>(2 Marks)</b> |

**Ans. (a)** This allowance @ Rs.600/- p.m. irrespective of rank may be granted to an officer/PBOR if the invaliding/resurvey medical board feel that the officer/PBOR suffered 100% disablement and needs an attendant for at least three months, the necessity arising solely from the accepted disability. If the disablement is due to the officer's/PBOR's negligence or misconduct the allowance may be reduced by the competent authority(Regulation 51 for officers/Regulation 175 for PBOR). This allowance is inadmissible for the periods spent as an inmate or in- patient in a Government institution or hospital (Appendix III)

**(Authority: Regulation 63(for Officers), 189 (for PBOR) and Appendix III thereto- Pension Regulations for the Army(1961))**

- (b) Where an officer of the armed forces (including MNS. TA. ECOs/SSCO's dies as a bachelor/spinster or a widower/spinster without children, Dependent Pension (liberalised) is admissible to the parents/eligible brothers and sisters (in the absence of parents, subject to age limit and marriage) of the deceased officer without reference to their pecuniary circumstances. Parents @ 75% of Liberalised Family Pension(LFP), single parent @ 60% of LFP, and in absence of parent 60% of LFP to dependent brother(s)/sister(s). The officer should have died under the circumstances mentioned in para 4.1 'D' & 'E' of the Government letter dated 31.1.2001. That is Category 'D' - death or disability due to acts of violence by terrorists etc. and Category E death or disability as a result of enemy action etc.

**(Authority: Para 6.4 & 4.1 'D' & 'E' Government of India, Ministry of Defence letter No. 1(2)/97/D(Pen-C) dated 31.01.2001)**

- (c) The amount of Pensionary awards admissible as per the letter is to be rounded off to the next higher rupee by the Pension Sanctioning Authorities.

**(Authority: Para 14, Government of India, Ministry of Defence letter No. 1(2)/97/D(Pen-C) dated 31.01.2001)**

- (d) A Government servant relieved from service on dismissal or removal shall forfeit his pension and gratuity. However the authority competent to dismiss or remove the government servant may with special consideration sanction compassionate allowance not exceeding two thirds of pension or gratuity or both which would have been admissible if he had retired on compensation pension.(i.e. when a post is abolished and the individual refuses to accept a lower post). The Compassionate allowance so granted will not be less than Rs.1275/- plus 50% as dearness pension.

**(Authority: Rule 41 of CCS(Pension Rules)**

**Q.2** Calculate the superannuation pension and commuted value of pension payable to an Accounts Officer of the DAD whose service particulars are as under:

**(8 Marks)**

Post Held:	Accounts Officer		
Date of Birth	13.05.1945		
Date of Appointment	17.04.1965		
Date of Superannuation	31.05.2005		
Non-Qualifying Service	Nil		
Last Basic Pay Details	From 01.04.2004	Rs. 10250/-	
	From 01.04.2005	Rs. 10500/-	
<b>Purchase Value</b>	<b>9.81%</b>		

**Ans.** **Suggested Answer:**  
Calculation.

	Days	Months	Years
Total Qualifying Service	12	01	40

	<b>Basic Pay</b>	<b>Dearness Pay</b>	<b>Total</b>
01.08.04 to 31.03.05	10250/-	5125/-	15375X8 = 123000
01.04.05 to 31.05.05	10500/-	5250/-	15750X2 = 31500
			<b>Grand Total = 154500</b>
			10 months average = 15450/-

Pension = (Average Emoluments/2) X (Qualifying Service/33)  
(15450/2) X (33/33) = Rs. 7725/-

Commutation of Pension 7725 X 40% = 3090  
Commutated Value of Pension X 12 X Purchase Value  
**3090X12X9.81= Rs. 363755/-**

**(Auth: Rule 33,34,49 CCS Pension Rules)**

- Q.3** (a) A civilian who is governed by CCS (Pension Rules) is dismissed from service but re-instated on appeal. Will his past service (prior to dismissal) count as qualifying service for purposes of pension ? If so under what circumstances.  
**(2 Marks)**
- (b) Under what circumstances will the period of suspension of a Government servant governed by the CCS (Pension Rules) pending enquiry into his conduct count as qualifying service ?  
**(2 Marks)**
- (c) A re-employed DAD employee fails to exercise his option to count his former Military Service as qualifying service towards civil pension within three months from the date of confirmation in DAD. Can his Military service be counted as qualifying service for civil pension. ?  
**(4 Marks)**

- Ans** (a) It will count as qualifying service for Pension if the period of interruption in service between the date of dismissal and the date of re-instatement is regularised as duty or leave by a specific order by the authority which passed the order of re-instatement.  
**(Authority: Rule 25(1) (2) of the CCS (Pension) Rules 1972)**
- (b) Time passed by a Government servant under suspension pending inquiry shall count as qualifying service where on conclusion of such inquiry he has been fully exonerated or the suspension is held to be wholly unjustified.  
**(Authority: Rule 23 of the CCS (Pension) Rules 1972)**
- (c) As the employee has not exercised his option within the stipulated period of 3 months from the day of confirmation in the DAD, he shall be deemed to have opted to continue to draw military pension. His former military service shall not count as qualifying service for civil pension.

**(Authority: Para 19(2) (b) read with 19(1) (a) of the CCS(Pension) Rules 1972)**

- Q. 4** (a) Enumerate the Pensionary awards of : **(4 Marks)**
- (i) A PBOR of a TA unit when the degree of disablement is reassessed at less than 20%.
- (ii) A commissioned officer, when the degree of disablement is reassessed at less than 20%.
- (b) Can a competent authority reduce the quantum of disability pension if the disability of an officer is wholly due to his/her serious negligence ? Name the competent authority, if any.

**(4 Marks)**

- Ans** (a) (i) If the disability is reassessed at less than 20% he shall cease to draw the disability element of disability pension from the date it falls below 20% He shall however continue to draw the service element of disability pension.

**(Authority: Regulation 329(2) of Pension Regulation for the Army - 1961 Part-I)**

(ii) If a Commissioned Officer who was initially granted disability pension but whose disability is reassessed at below 20% subsequently shall cease to draw disability element of disability pension from the date it falls below 20%. He shall however continue to draw the service element of disability pension.

**(Authority: Regulation 61 (2) of Pension Regulations for the Army 1961 Part-I)**

- (b) If the disability of a Commissioned Officer is wholly or partly due to his/her serious negligence or misconduct, the amount of disability pension may be reduced at the discretion of the Ministry of Defence.

**(Regulation 51 of Pension Regulations for the Army 1961& Serial No.3 of Table III referred to in Rule 18 of Pension Regulations for Army 1961 Part-I)**

- Q. 5** Write short notes:

- (5.1) Furniture Rate List **(2 Marks)**
- (5.2) Minor Works **(2 Marks)**
- (5.3) Major Works under the Revenue Head **(4 Marks)**

- Ans.** (5.1) This is an annually updated list (IAFW-2307) showing the value of each article held on charge based on which estimates, budget demands and barrack damages are made.

**(Authority: Para 669 Regulations for the MES(RMES))**

- (5.2) All works costing less than Rs. one lakh both new and those in progress.

**(Authority: Appendix-'A' Para 8, Defence Works Procedure 1986)**

- (5.3) Major works under Revenue Head are those costing between Rs. One and Two lakhs, and special repairs to buildings and installations.

**(Authority: Appendix 'A' 2(b) Defence Works Procedure 1986)**

**Q. 6** Quote authority and briefly comment on the following:

- (a) What are the conditions under which a military building can be re-appropriated for rent free use as a place of worship. ?

**(2 Marks)**

- (b) A CWE has fixed MRP for disposal of the assets under the powers vested in him under Table 'B' to RMES (Item 6 (a)). In the process of auction the highest bid is less than 8% of the MRP as fixed. Who is the competent authority to sanction acceptance of the bid ?

**(3 Marks)**

- (c) E-in-C has accorded sanction for disposal (through auction) of stores within his financial powers to the extent of below 10% of the MRP without financial concurrence and also without recording reasons for acceptance of bids below MRP. Comment.

**(3 Marks)**

**Ans** (a) Re-appropriation of available military buildings for rent free use as a place of worship can be done provided Government is not faced with a demand for new construction at a future date, no structural alterations are involved, buildings be relinquished when required for some other purpose, is never dedicated/consecrated & the religious body will never acquire any permanent rights to the building.

**(Authority: Para 156 RMES)**

- (b) The Chief Engineer may sanction the same since he has full powers in this respect for disposals up to 10% below MRP of lower engineer authorities.

**(Authority: Para 167 RMES)**

- (c) Financial concurrence of Ministry of Defence (Finance) was required. Government sanction to regularise the same is required after following due process of inquiry.

**(Authority: Para 167 Sub-para 2 RMES)**

**Q. 7** A Project has been abandoned midway due to defective designs. What action is required to be taken by the MES authorities and by the AAO GE ?

**(8 Marks)**

**Ans.** If a project is abandoned midway due to a defective design, the entire expenditure incurred on the project is termed as infructuous expenditure. MES authorities should get such expenditure formally sanctioned as loss by the CFA vide Rule 161 FR Part I Vol.I and Appx. II Part-I (Army) Sch. VI of FR Part-I Vol.II (as amended by GOI. Min. of Defence letter no. A/89591/FP-I/693/2002/D(GS-I) dated 22/04/2002. Receipts from the disposal of stores or other assets sold or utilised elsewhere should be credited to the project in order to arrive at the net amount of the loss.

On the part of the AAO GE he should ensure that the accounts of the project are completed immediately and the infructuous expenditure regularised by the CFA.

(Auth: Para 607 RMES (for MES Authorities) & Para 377 RMES (for the AAO GE))

**Q. 8** Comment on the following :

- (a) An officer who is in charge of Government money(functioning as a cash officer) proceeds on three days casual leave without handing over cash to the officer who is asked to officiate.  
(3 Marks)
- (b) Will it make any difference if the said officer holds Government stores also ?  
(2 Marks)
- (c) What action is required to be taken if an officer in charge of Government property is admitted to hospital before the officer taking over command arrives ?  
(3 Marks)

**Ans.** (a) In cases of absence exceeding 7 days both Stores and cash need to be handed/taken over and in case of absence of less than 7 days handing/taking over of cash would still be necessary ?

(Authority: Note under Rule 31 FR Part-I Vol.II)

- (b) In cases of absence exceeding 7 days both Stores and cash need to be handed/taken over.

(Authority: Note under Rule 31 FR Part Vol.II)

- (c) In such a case the senior-most officer will take over or empower another officer to take over both cash and stores until the successor officer arrives. If necessary a board of officers will be assembled for stock taking and thereafter charge handed over to the senior most or designated officer.

(Authority: Rule 32 FR Part-I Vol.II)

**Q. 9** Quote authority and write briefly on the following:

- (a) Can audit authorities ask the administrative authorities to keep them informed of the disciplinary action taken in the case of loss ?  
(2 Marks)
- (b) Which class of expenditure involving expenditure from the budget grant of a future year may be sanctioned by an officer possessing financial powers ?  
(2 Marks)
- (c) Which authority is competent to sanction the following re-appropriations of budgetary grants:  
(4 Marks)

- (i) Savings due to non-expenditure of funds for a specific purpose.



- (ii) An error in budget estimates
- (iii) Expenditure on a new activity
- (iv) To meet unforeseen expenditure on account of court decrees.

**Ans.** (a) Sufficient facts should be given to satisfy audit that whatever action was reasonable or possible has been taken.

**(Authority: Rule 38 Financial Regulations Part-I Volume-I)**

- (b) No sanction may be given by an officer possessing financial powers under the FRs which will involve expenditure from the budget grant of a future year, except as separately provided for in the Regulations of the M.E.S. (restricted to annual ceilings of budget allocation) and as referred to in Appendix II to Volume II of the Financial Regulations.

**(Authority: Rule 56 Financial Regulations Part-I Volume I)**

- (c) (i) Sanction of Government of India required

**(Authority: FR Rule 118 (xi) (a))**

- (ii) Sanction of Government of India required

**(Authority: FR Rule 118(xi)(b))**

- (iii) Sanction of Government of India required

**(Authority: FR Rule 118 (xi)(c))**

- (iv) No re-appropriations are permissible between funds allotted for "Charged" items of expenditure in terms of Articles 112(3) of the Constitution and "Voted" items of expenditure.

**(FR Rule 118(viii))**

**Q. 10** Define

- |     |                     |                  |
|-----|---------------------|------------------|
| (a) | Overseas Pay        | <b>(2 Marks)</b> |
| (b) | Foreign Service     | <b>(2 Marks)</b> |
| (c) | Lien                | <b>(2 Marks)</b> |
| (d) | Traveling Allowance | <b>(2 Marks)</b> |

**Ans.** (a) Overseas Pay is the pay granted to a Government servant in consideration of the fact that he is serving in a country other than the country of his domicile.

**(Auth: Rule 9 (20) Fundamental Rules)**

- (b) Foreign Service is that in which a Government servant receives his pay with the sanction of Government from any source other than the Consolidated Fund of India. Consolidated Fund of a State or Consolidated Fund of a Union Territory.

**( Authority: Rule 9 (7) Fundamental Rules)**

- (c) Lien is the title of a Government servant to hold on regular basis either immediately or on termination of a period(s) of absence a post including a tenure post to which he has been appointed on a regular basis or on which he is not on probation. Provided the title to hold a regular post shall be subject to the condition that the junior-most person in the grade will be liable to be reverted to the grade if the number of persons so entitled is more than the number of posts available in the grade.

**(Authority: Rule 9(13) Fundamental Rules)**

- (d) Travelling allowance means an allowance granted to a Government servant to cover the expenses which he incurs in travelling in the interests of the public service. It includes allowances granted for the maintenance of conveyance, horses and tents.

**(Authority: Rule 9 (32) Fundamental Rules)**

**Q.11.** What is the "Next below rule" ?

**(8 Marks)**

Ans. When an officer in a post whether within the cadre of his service or not, is for any reason prevented from officiating in his turn in post of a higher scale or grade borne on the cadre of the service to which he belongs, he may be authorised by special order of the appropriate authority proforma officiating promotion into such scale or grade. If that be more advantageous to him, on each occasion on which the officer immediately junior to him in the cadre of his service (or if that officer has been passed over by reason of inefficiency or unsuitability or because he is on leave or serving outside the ordinary line or forgoes officiating promotion of his own volition to that scale or grade, then the officer next junior to him so passed over) draws officiating pay in the said or some higher scale or grade within the cadre.

Provided further that except in cases covered by any special order not more than one officer(either the senior most fit officer in a series of adjacent officers outside the ordinary line, or if such an officer either forgoes the benefit of his own violation or does not require the benefit by virtue of his holding a post outside the ordinary line which secures him at least equivalent benefits in respect of pay and pension than the next below in the series) may be authorised to draw the pay of the higher scale or grade in respect of any one officiating vacancy within the cadre filled by his junior under this rule.

**(Authority: Rule 22(34) Fundamental Rules)**

**Q.12** (a) Shri AB a Senior Auditor performing the duties of cashier in a Controller's office committed a fraud as a result of which he was placed under suspension pending enquiry. The individual applied for and was sanctioned 25 days earned leave by the Accounts Officer(Admin.) on compassionate grounds as the individual had to attend

to his ailing father. Was this in order?

**(3 Marks)**

- (b) What is the maximum limit up to which "leave not due" may be sanctioned to a Government servant due for retirement ? What are the conditions that govern such a sanction ?

**(5 Marks)**

Ans. (a) Not in order. Leave shall be granted to a Government servant whom a competent punishing authority has decided to dismiss, remove or compulsory retire from Government service. Leave may not be granted to a Government servant under suspension.

**(Authority: Rule 17, CCS(Leave Rules) 1972. Rule 55 Fundamental Rules, GOI. Dept. of Pers & Trg. OM no. 11013/8/2000-Estt. A dated 07.07.2000)**

- (b) Leave not due may be granted to a permanent Government servant, limited to 360 days during entire service on medical certification subject to the under-mentioned conditions:

(a) the authority competent to grant leave is satisfied that there is a reasonable prospect of the Government servant returning to duty on its expiry.

(b) leave not due shall be limited to half pay leave he is likely to earn thereafter.

(c) LND shall be debited against the HPL the Government servant may subsequently earn.

Where a Government servant who has been granted LND resigns from service or at his request is permitted to retire voluntarily without returning to duty, the LND shall be cancelled, his resignation or retirement taking effect from the date on which such leave had commenced and the leave salary shall be recovered.

Where a Government servant who having availed of LND returns to duty but resigns or retires from service before he has earned such leave, he shall refund the leave salary to the extent the leave has not been earned subsequently.

Exception (i) No leave salary is recoverable under the above provision if the retirement is by reason of ill health incapacitating the Government servant for further service or in the event of his demise.

(ii) No leave salary is recoverable if the Government servant is compulsorily retired prematurely under Rule 48 (10)(b) of CCS(Pension) Rules 1972 or is retired under Fundamental Rules 56(J) or 56(L).

**( Authority: Rule 31 (i) of CCS (leave) Rules, 1972)**

## **SECTION-II**

**(For candidates other than those from PC of A (Fys), PCDA(Navy) and PCDA(Air Force) Organisations)**

**Q.1** (a) What is deferred pay and when can the same be disbursed to an individual ?  
(5 Marks)

(b) What are the rates of monetary allowances per month for the following Gallantry Awards:  
(4 Marks)

Param Vir Chakra  
Kirti Chakra  
Shaurya Chakra

**Ans** (a) Deferred pay is what its name implies i.e. a part of an individual's entitlement of which the payment is deferred. Deferred pay may be disbursed on the occurrence of the following events:

On promotion as a JCO, On grant of Commission as an Officer, On transfer to the Reserve , On termination of service including dismissal or on proceeding on leave pending discharge.

**(Auth: Rule-61, Pay and Allowances Regulations for JCO's, OR's & NC's (E))**

(b)

Param Vir Chakra	Rs. 1500/- p.m.
Kirti Chakra	Rs. 1050/- p.m.
Shaurya Chakra	Rs. 750/- p.m.

**(Auth: Rule, 235 Pay and Allowances Regulations for JCO's OR's & NC's (E) as amended vide GOI, Ministry of Defence NO. 3(8)/98/D Ceremonial date 18.03.1999)**

**Q.2** (a) What is acting allowance ? When is it admissible and under what circumstances ?  
(5 Marks)

(b) When a JCO officiates in a post tenable by a Major/Captain, what are the rates admissible to him ?  
(4 Marks)

**Ans.** (a) Acting Allowance is admissible to JCO's (Other than those holding Honorary Ranks as Commissioned Officers) when appointed with the approval of the Brigade Commander or higher in officers' vacancies arising out of a shortage of officers, but not caused by leave, temporary duty or course of instruction. It is admissible only so long as the JCO performs the duty and is treated as pay for the purpose of dearness

allowance and compensatory allowance (city/hill).

**(Auth: Rule 106, Pay and Allowances Regulations for JCO's, OR's & NC's (E))**

- (b) Rs. 300/- for Captains vacancy and Rs. 400/- for Majors vacancy. If the post is tenable by a Major or Captain, the officiating allowance will be Rs. 300/- only.

**(Auth: GOI Min. of Defence No. 3(4) 97/D(Pay Services) dated 08.01.1998)**

- Q.3** (a) Briefly describe the circumstances under which the pay & allowances of an OR is forfeited.

**(6 Marks)**

- (b) Sepoy Z was under close arrest for 7 days from 03-07-2000 to 09-07-2000. Will his pay and allowances be forfeited ?

**(3 Marks)**

- Ans.** (a) A person subject to the Army Act, 1950, will forfeit his pay and allowances(including expatriation allowance) for every day of:

Desertion, Absence without leave, absence as a prisoner of war the period between recovery from the enemy and dismissal from the service in the case of a recovered prisoner of war through a court of enquiry convened for the same and the convening officer decides the same, imprisonment awarded by a criminal court, imprisonment or field punishment awarded by a court martial, confinement leading to conviction by a criminal court or court martial, sickness in hospital certified by the Medical Officer attending to him as being caused by an offence committed by him.

**(Auth: Rule-51, Pay and Allowances Regulations for JCO's, ORs & NCs(E))**

- (b) For persons below NCOs rank, " Close arrest" is the same as "confinement". As such the Sepoy will forfeit his pay and allowances for every day of 'close arrest'.

**(Auth: Note below 52(f) Pay and Allowances Regulations for JCO's ORs & NC's (E))**

- Q.4** (a) When does an acting rank become a paid acting rank in respect of a Commissioned Officer ?

**(2 Marks)**

- (b) Will an officer holding acting rank at the time he is captured by the enemy continue to hold that rank and if so under what conditions ?

**(3 Marks)**

- (c) How does the family of a Commissioned officer who is taken as a prisoner of war able to sustain themselves ?

**(4 Marks)**

- Ans.** (a) Acting Rank will become paid acting rank after 21 consecutive days of duty in the appointment of the higher rank though the grant of pay will then be retrospective. Acting rank will not be converted into paid acting rank unless it is held by an officer on the 22nd day.

**(Auth: Para 1 of Appx 'A' to SAI 1/S/74)**

- (b) Yes; an officer holding acting rank at the time he is captured by the enemy will continue to hold that rank as long as he is a prisoner of war but no part of the period during which he is prisoner of war will reckon towards the 21 day period necessary to qualify him for pay of an acting rank.

**(Auth: Para-6(a) of Appx. 'A' to SAI 1/S/74)**

- (c) Pay and Allowances as admissible will be credited to the IRLA by CDA(O), from which monthly allotments, if the officer was making one before the causality, will continue to be payable for the period for which pay is admissible. If no family allotment was in effect, fresh allotment may be made under the orders of the authorities prescribed under the Army Act and Rules.

**(Auth: Notes(1)(2) below Rule 55, Pay and Allowances Regulations (Officers) Army)**

**Q.5** Write short notes on ( as they relate to Commissioned Officers) :

- |   |                  |
|---|------------------|
| (a) Hostel Subsidy                                    | <b>(3 Marks)</b> |
| (b) Admissibility of Pay and Allowances during trial. | <b>(3 Marks)</b> |
| (c) Personal Computer Advance.                        | <b>(3 Marks)</b> |

**Ans.** (a) Hostel Subsidy: Officers who on account of their transfer are obliged to keep their children in a hostel of a residential school away from their duty station will be entitled to this subsidy @ Rs. 300/- p.m. per child under the same conditions as are applicable to civilian Government servants. This concession is admissible up to 3 children born up to 31/12/1987 and shall be restricted only to 2 children born thereafter. This is not admissible to a child for whom Children's Education Allowance is drawn by the officer.

**(Auth: Rule-182 Pay & Allowances Regulations(Officers) Army, A.O. 15/90)**

- (b) The Chief of Army Staff may direct that the whole or any part of the pay and allowances of such an officer who is under trial shall be withheld, pending result of the trial in order to give effect to the provisions of Rule 528(a).

**(Auth: Rule 529, Pay and Allowances Regulations (Officers) Army)**

- (c) . Officers drawing basic pay (including rank pay) of Rs.10500/- p.m., are eligible for a PC advance. The amount of advance of Rs.80,000/- or the anticipated price of a computer ( excluding customs duty, if any) whichever is less on the first occasion and Rs.75,000/- on the second occasion. Repayment of principal is not more than 150 installments. Simple interest as prescribed by Government from time to time as charged for a motor car advance is levied.

**(Auth: GOI, Min of Defence letter no. 29317/Qmov/Coord/1879/D(Mov) 98 Dt 17.7.98)**

**Q.6** (a) What is the maximum quantum of leave encashment admissible to a Commissioned Officer who has expired while in service after putting in 23 years of service?

**(3 Marks)**

(b) What is the pay and other allowances admissible to a Commissioned Officer while on study leave ? **(3 Marks)**

(c) Show the rate of pay admissible to a Commissioned Officer in the circumstances mentioned below:

**(3 Marks)**

He proceeds on sick leave for a period of 8 months in 2005. He has already availed 30 days annual leave for the year 2005 before commencement of sick leave.

**Ans.** (a) 300 days.

**(Auth: Rule 214, Pay and Allowances Regulations(Officers) Army read with GOI, Min of Defence letters no. 14(2)/98/D (AG)-II dated 20/03/98 and letters no. 14(2)/98/D(AG)-III dated 20/03/98)**

(b) During the period of study leave an officer will receive full pay of the rank held (acting or substantive) and all allowances including City Compensatory Allowance. In addition he will be entitled to the study allowance as per Rule 195.

**(Auth: Rule 211 (a) Pay and Allowances Regulations(Officers) Army)**

(c) He will receive full pay of rank held under the rules in force for a period of 5 months and for the remaining 3 months, he will receive furlough rates of pay.

**(Auth: Rule 207 (b) Pay and Allowance Regulations(Officers) Army)**

**Section -III**  
**(Factories Portion)**

**Q.1** (a) Name five items of expenditure which do not figure in Financial Accounts but figure in Cost Accounts.

**(5 Marks)**

(b) Explain the following code 01/00019/46.

**(4 Marks)**

- Ans.** (a)
- Superannuation charge
  - Assessed rent of rent free quarters
  - Cost of central accounts and administration
  - Departmental charges on MES works
  - Medical and surgical stores

**(Authority: 840 OM Part -VI Vol-II)**

- (b) First 2 digits (01) represent indirect series  
Next 5 digits (00019) denote main work order number which consists  
First digit (0) for control  
Second digit indicates whether the amount booked is debit (0) or credit (1)  
Last 2 digits (46) denote section for which the expenditure is incurred

**(Authority: Syllabus of work orders chapter 1 Para 1)**

**Q.2** (a) Which sections of the Branch Accounts Offices deal with Pricing and post audit of estimates and how it is done ?

**(5 Marks)**

(b) An extract was placed under objection. However the GM issued a warrant and a cost card was also opened by the Accounts. Please comment.

**(4 Marks)**

- Ans.** (a)
- Labour section does pricing and post audit of labour operation and rates with reference to original sheets of piece work rates
  - Material section verifies/prices the material rate with latest average rate
  - Costing section levies variable and FOH at annual budget rate and verifies the following

- ◆ Summary of value under Labour with appropriate levy of DA
- ◆ Rejection percentage with minimum and maximum assessed UAR %

**(Authority: 601 OM Part VI Vol-II)**

(b) The action by the GM and AO is incorrect. The AO should expeditiously take up the matter with the GM or the OFB through PCA. The OFB will, if necessary, be requested to instruct the Factory not to proceed with the extract which has been objected to until the objection has been settled.

**(Authority: 605 OM Part VI Vol-II)**



**Q.3** (a) A building costing Rs 15000000/- was taken on charge on April, 2000. Calculate the residual value and depreciation cost.

**(5 Marks)**

(b) In which Statement of the Annual Accounts the following find place ?

**(4 Marks)**

A- Profit on sale of old machine

B- Superannuation charges

C- Transportation charges

D- Unclaimed wages

**Ans.** (a) Normal life of the Building 60 years  
Residual value  $15000000/61 = 245901.64$   
Depreciation Cost = Remaining Amt/60  
 $= 14754098/60 = 245901.64$

**(Authority: 800(i) OM Part VI Vol-II)**

(b) A- Debit item 4 j of Production A/c & credit item 1 g  
B- Debit side 4 a of production A/c  
C- Debit side of 4 b of production A/c  
D- Credit side a iii of Annual production A/c

**(Authority: PCA No. AA/82/2004-05 dt 22 Dec, 2004)**

**Q.4** Distinguish between manufacturing warrant and material warrant.

**(9 Marks)**

**Ans.** Manufacturing warrant is an authorized document based on which a particular production shop carries out the labour/machinery operation, issued by Planning control group. It contains the original authority for doing the work, drawings and estimates prepared there, the description and quantity of work done, the work orders/warrant number allotted to the job and rate to be paid for each operation.

Material warrant is a document/authority based on which a production shop draws specific quantity of material to carry out the job specified in the manufacturing warrant. It also contains particulars like work order No. warrant No., estimates as indicated in the manufacturing warrant etc.

**(Authority: 621 OM Part-VI Vol-II)& Appendix B item no. 22 & 24 FAR)**

**Q.5** Are the following actions correct ? Please comment

(a) GM of a Factory draws from the Stockpile to meet the requirement of production.

**(3 Marks)**

(b) GM agreed for spot payment an item costing Rs.11 lakhs  
(3 Marks)

(c) OFB allows price differential of 10% in respect of a contract placed on different sources.  
(3 Marks)

**Ans.** (a) Incorrect. Stockpile items are strategic items of store which are very difficult to procure. Reserve of such store is built up separately to meet the demand of production. No Stock-Pile items should be used by factory without prior approval of the OFB/DGOF.

(Authority: 337, 515(ii) OM Part -VI Vol-I)

(b) Not in order. GM has powers up to Rs 10 lakhs only.  
(Authority: OFB No. 387/BS dated 25/07/96 referred to in delegation of powers)

(c) Not in order. OFB may allow at their discretion price differential only up to 5% with the concurrence of Member (Finance).

(Authority: 368(d) OM Part-VI Vol-I)

**Q.6.** You are assisting the CFA for attending TPC. Prepare the checklist.  
(9 Marks)

**Ans.** Cannons of financial propriety are observed. The quantity ordered is in conformity with quantity of net requirement for the provisioning period as shown in the Material Planning Sheet. The SHIS may be carefully examined to ensure that the same has been correctly prepared and audited by LAO. If it is a case of Open Tender whether utmost publicity has been given through proper advertisement; if it is a case of Limited Tender, if the tender has been given to all the established source.

The adequacy or otherwise of completion, whether all established past suppliers including the last were covered by the tender enquiry, in case the competition is inadequate, whether there is a scope for retendering consistent with required delivery schedule.

The rate tendered compare favourably with he last paid rate.

Terms of delivery have been specified and are related to rate of consumption.

In case the item in question is proposed to be procured is of proprietary nature, necessary certificate has been rendered by the competent authority and kept in file.

The comparatives statement of tenders have been correctly prepared.

The deliverydates offered in the tenders are in tune with the requirement projected by the factory management.

The payment terms are as per the normal terms and conditions under the extant subject orders.

Any special conditions specified in any of the tenders may need to be highlighted.

**(Authority: 358 OM Part-VI Vol-I)**

## **Paper-VII**

### **SECTION-IV (Air Force)**

- Q.1** (a) Whose sanction is necessary for recovery of penal deduction from pay and allowance of an officer for maintenance of his wife ?  
(3 Marks)
- (b) Who is empowered to make the payment of rewards to private individuals for the rescue of IAF flying personnel ?  
(3 Marks)
- (c) Is parachute pay payable to an airman, who was drawing it, but is taken Prisoner of War ?  
(3 Marks)

- Ans.** (a) Sanction of Govt. of India  
(Authority: Para 578(e) of P&A Regulations)
- (b) The District Magistrates are empowered to make such payments within the scales specified without prior reference to air force authorities but after payment they will notify the appropriate IAF authority.  
(Authority: P&A Regulation Para 390)
- (c) The airman will be eligible for the continued issue of Parachute Pay when he is taken Prisoner of War.  
Authority: P&A Regulation Para 259)

**Q.2** Comment on the followings:

- (a) Sqn. Ldr. Murthy overstayed CL beyond the normal entitlement at a time. The overstayal has been regularised by Command HQ.  
(3 Marks)
- (b) Casual leave of Flt. Lt. Pandey, a Medical Officer at SSQ under the control of Command HQrs. has been sanctioned by O.C. Unit.  
(3 Marks)
- (c) Wing Commander Verma a member of the Indian Institute of Public Administration (IIPA) posted at Srinagar was granted 8 days of Special Casual Leave to attend the meeting of IIPA.  
(3 Marks)

- Ans.** (a) This needs to be regularised by air HQrs. only and regularisation by Command

HQrs. is wrong.

**(Authority: Rule 6 C Leave Rules)**

- (b) This is in order

**(Auth: I (iii) b of appendix-I to Leave Rules)**

- (c) The grant of leave is in order, as the officers who are members of 11 PA and serving outside Delhi, can be granted at the most special C.L. of six working days plus the minimum period required for journey, to attend meetings of the institute and return.

**Q.3** Are officiating appointments made in the following circumstances in order:

- (i) When Group Captain Rajesh proceeds on temporary duty for 12 weeks. **(3 Marks)**
- (ii) When he proceeds on a course of 6 weeks duration **(3 Marks)**
- (iii) When he is on sick list concession. **(3 Marks)**

**Ans.** (i) Yes, the period of temporary duty being more than 10 weeks and less than six months, the officiating appointment is in order.

**(Rule 65(I))**

- (ii) No, the period of the course being less than 10 weeks, it is incorrect **(Rule 65(I))**

- (iii) The officiating appointments are not permissible during sick list concession **(Rule 65(III))**

**Q.4** Would you admit the following in audit:

- (a) Squadron Leader Pawan has been sanctioned part of Annual Leave of 40 days for the year 2000 commencing from 1st January, 2000. **(3 Marks)**

- (b) Master Warrant Officer Patel was on sick list concession during 25-12-1999 to 10-1-2000. Subsequently he was sanctioned 60 days Annual Leave for the year 2000 with effect from 11-1-2000 **(3 Marks)**

- (c) Junior Warrant Officer Arora has been sanctioned 35 days balance of Annual Leave for the year 1999 from 1-2-2000 **(3 Marks)**

**Ans.** (a) No, sanction of Annual Leave for the year 2000 from 1st January, 2000 is

irregular since he has not performed actual duty during the year 2000.

**(Rule 9(a) Leave Rules-IAF)**

- (b) Since he was on sick list concession he will be treated as having performed the actual duty during the year 2000 and is in order.

**(Rule- 9 (a) Leave Rules)**

- (c) Annual leave may be taken in instalments within the same year. As such the grant of balance/part of Annual Leave for the year 1999 during 2000 is irregular.

**(Rule 9(c) Leave Rules)**

**Q.5** (i) What is Training Camp Allowance ? To whom it is payable ?

**(3 Marks)**

- (ii) How is the leave on invalidment regulated in the case of Air Force Officers?

**(3 Marks)**

**Ans.** (i) Training Camp Allowance is an allowance paid to the officers of the regular IAF who are on the permanent staff of the Units of Senior and Junior Divisions of NCC/ACC during the period of training in these corps or term end camps. The allowance is also payable to those regular officers of the IAF who are so detailed

**(Rule 136 P&A Regulations Air Force)**

- (ii) Leave on invalidment is admissible only to officers whose sickness is attributable to military service and who are retained in M.H. on being placed under medical category " Ap.Bp" may be granted leave on invalidment upto a period of 8 months commencing from the first day of absence from duty on account of the disability. Annual leave is not affected by this kind of leave. In the case of officers suffering from T.B. in an M.H. period of leave of 8 months may be extended up to surgical finality.

**(Rule 23 Leave Rules Air Force)**

**Q.6** How will you regulate the following in audit:

- (a) Compensation claim for theft of Rs.200 of an airman living in a Mess.

**(3 Marks)**

- (b) Claim of compensation by Indian Oil Corporation for damages to office building in a Flying Accident.

**(3 Marks)**

- (c) Corporal Sharma's personal clothing items got destroyed. On what grounds can compensation be claimed ?

**(3 Marks)**

**Ans.** (a) Not admissible

**(Rule 440, Pay & Allowances Regulations)**

- (b) Claim to be decided on merits  
**(Rule 454, Pay & Allowances Regulations)**
- (c) If the destruction was caused by enemy action, insurgency or accident or in the performance of duty.  
**(Rule 419, Pay & Allowances Regulations)**

## SECTION-V

### (NAVY PORTION)

- Q.1** (a) Under what circumstances can the pay of a Navy Officer from the last pay day until the day of his dismissal be forfeited?

**(3 Marks)**

- (b) Under what situations the pay of the rank and allowances of a Navy Officer can be discontinued ?

**(6 Marks)**

- Ans.** (a) In terms of explanation to regulation 9 of Pay & Allowances Regulations for Navy Part-I when an officer is dismissed with disgrace, the pay accrued to him from the last pay day until the day of his dismissal can be forfeited under section 81(c) of the Navy Act, 1957.

**(Authority: Explanation to Reg 9 of P & A Regs (Navy) Part-I)**

- (b) This can be done under following situations:

(a) In case of the death of an officer, following the date of his death

(b) In case of retirement or resignation of an officer, from the date of such retirement or resignation

(c) For the period of any absence from duty without leave

(d) In the case of an officer who is dismissed, removed from service or suspended for absence without leave, the rank pay and allowances can be discontinued from the day following the day on which the decision relating to such dismissal, removal or suspension is communicated to such officer.

**(Authority: Regulation 9 of P&A Regulation for Navy Part-I)**

- Q.2** Under what conditions is the diving pay (dip money) admissible to sailors ? Is diving pay also admissible to officers ? If so, what are the conditions of admissibility ?

**(9 Marks)**

- Ans.** Diving pay is admissible to qualified sailors when diving in any approved apparatus either for diving operations carried out or when diving for practice with the authority of the commanding officer. Diving pay is also admissible to qualified officers including any officer who has successfully completed a course at a diving school and whose duties necessitate his going under water or pressure, using any approved diving apparatus during diving operations or during diving practices under the authority of CO.

**(Authority: Reg. 148 and 48 of P & A Regs(Navy) Part-I)**

- Q.3.** (a) Are the officers of Army Medical Corps and Army Dental Corps eligible for hard lying money and CCA during their period of secondment to Indian



Navy?

**(5 Marks)**

- (b) Does the service rendered by AMC/ADC officers in the Navy count towards increments of pay ?

**(4 Marks)**

**Ans.** (a) Yes, the Army Medical Corps and Army Dental Corps officers are eligible for hard lying money and CCA during the period of their secondment to Indian Navy.

**(Authority: Regulation 2, Appx.1(Para 1(c)(i) &(ii) of P & A Regs(Navy) Part-I)**

- (b) Yes, the service rendered by AMC/ADC officers in the Navy count towards increments of pay under the same conditions as if the officers had remained in the AMC or ADC, as the case may be.

**(Authority: Reg 2, Appendix-1(Para 1(b) of P&A Regs(Navy) Part-I)**

- Q.4** (a) Write a short note on the lower and higher rate of Ration Allowance to the sailors.

**(9 Marks)**

**Ans** (a) Where the government is in a position to supply free ration but the sailor for his own convenience prefers to draw allowance in lieu thereof, the lower rate of ration allowance is admissible. Also where owing to sickness or other disability the sailor is unable to consume normal ration and no ration articles are drawn by him, the lower rate of ration allowance shall be admissible. However in cases where it is not possible or economical or convenient for the government to supply free rations to the sailor or where the sailor prefers to draw ration allowance, because of the distance of his residence from the ship or establishment being more than the prescribed distance, a higher rate of ration allowance is admissible.

**(Authority: Reg. 162 P&A Reg(Navy) Part-I)**

- Q. 5** What are the names of Gallantry Awards ? How is the award regulated after the death of the recipient or in case the award is given posthumously ?

**(9 Marks)**

**Ans.** The gallantry awards are (i) Param vir Chakra (ii) Ashok chakra (iii) Mahavir Chakra (iv) Kirti Chakra (v) Vir Chakra (vi) Shaurya Chakra

The award amount/allowance at the prescribed rates per month is admissible to the recipient of the award and on his death, to his lawfully married widow, which she will continue to receive till her re-marriage or death. The payment of the allowance shall, however, continue to be made to a widow who re marries the late husband's brother and lives a communal life with the living heir eligible for family pension.

When the award is made posthumously to a bachelor the monetary allowance

shall be paid to his father or mother and in case the posthumous awardee is widower, the allowance shall be paid to his son below 18 years or unmarried daughter as the case may be.

**(Authority: Rule 191 P&A Regs(Navy) Part-I)**

- Q.6** (a) What is the difference between Sick leave and Sick List Concession in case of regular naval officers ?

**(4 Marks)**

- (b) Captain Rakesh's service were utilized as a coach in the Head Quarters Western Naval Command hockey team which participated in a sports event of national importance. Is special casual leave admissible for his absence from headquarters ? Comment.

**(3 Marks)**

- (c) Leave Rules for Navy were sought to be applied to an officer of Army Medical Corps on deputation to Indian Navy ? Comment.

**(2 Marks)**

- Ans** (a) Sick leave is dealt with in Regulation 21 of the Navy Leave Rules 1970 which states that sick leave is admissible to naval offices for a period upto six months in the first instance which shall include any annual leave due. On the other hand sick list concession is admissible to officers falling sick while on duty on casual leave and is admissible for a period of 30 days or less.

**(Authority Regs 21 and 22 of Navy Leave Regulations)**

- (b) Captain Rakesh is entitled to special casual leave for his absence as the period of absence from duty of service personnel whose services are utilized in connection with coaching of teams is treated as special casual leave, subject to prescribed conditions.

**(Authority: Rule 48 of Navy Leave Rules)**

- (c) Officers of Army Medical Corps when seconded to Indian Navy are to be governed by " Leave Rules for the services-Vol-I Army" as applicable to corresponding officers of Army

**(Authority: Rule 45 of Navy Leave Rules)**

**DEFENCE ACCOUNTS DEPARTMENT**

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

**JANUARY-FEBRUARY, 2006**

**REGULATIONS- PAPER-VIII PRACTICAL (WITHOUT BOOKS)**

**TIME ALLOWED: 3 HOURS**

**TOTAL MARKS: 100**

NOTES:

- (5) Only TWELVE questions should be attempted - EIGHT from Section-I and FOUR from Section-II,III, IV or V as the case may be as specified in Note(2) below:
- (6) Candidates permitted to answer questions relating to Factories, Air Force and Navy portions should answer any FOUR alternate questions in Sections III, IV or V respectively. The other candidates should answer any FOUR alternate questions from section II.
- (7) Each question in Section I carries 8 marks. Questions in Sections II, III, IV and V carry 9 marks each.

**SECTION-I**

**(Common for all Candidates)**

**Q.1** (a) What do you understand by Ordinary Family Pension and Special Family Pension?

**(3 Marks)**

(b) What is the mechanism available to Ex-servicemen/Family Pensioners in the Ministry of Defence for appeal against pension sanctions ? How much weightage is given to the advice of the medical Authority for dealing with disability pension appeals ?

**(5 Marks)**

**Ans.** (a) Ordinary Family Pension is payable when a service person dies on account of causes which are neither attributable to nor aggravated by military service. Whereas special family pension is payable when the service person dies due to causes attributable or aggravated by military service.

Ordinary Family Pension is payable to widow/s or dependant children of a service person while special family pension is payable to widow only in case of officers and to eligible family members in case of PBORs.

Death Gratuity and family gratuity(if death occurs in action or in certain other specified circumstances) is payable in addition to special family pension while these are not payable in case of ordinary family pension.

Rates of ordinary family pension are lower than the rates for special family pension.

- (b) Where a entitlement is denied to the pensioner by the pension sanctioning authority on initial consideration of the claim, the claimant has a right of appeal against the decision on entitlement and assessment.

In Ministry of Defence there are two appellate bodies where a pensioner can appeal. These are (i) Defence Minister's Appellate Committee on Pensions which deals with second or the final appeal on a claim for disability and pensionary awards. This committee consists of RM, RURM, Chiefs of Staff of Army, Navy and Air force, Defence Secretary, FA(DS), DGAFMS and JAG of the three services.

(ii) Appellate Committee for First Appeals deals with claims for disability and pensionary awards on 1st appeals. This committee consists of DS pensions, Director (Personnel Services of three services), DDG Pension of DGAFMS and DFA(Pensions)

Medical Authority- Assessment of disablement and entitlement in case of disabilities other than Injuries are primarily medical issues and accordingly full weightage is given to the medical authorities in assessment of all disabilities. Views on such medical issues shall be given by the appropriate medical authorities as under:-

- (i) Medical Board shall give findings and recommendations on entitlement and assessment in case of all disabilities. They are however, not statutory bodies and their recommendations can be reviewed and revised by the higher medical authority, viz. DGAFMS.
- (ii) DDG(Pensions), Office of the DGAFMS shall be the medical authority dealing with medical issues at first appeal stage of the claim.
- (iii) DGAFMS will be final medical authority for giving views on medical issues at final stage to the DMACP.

**Q.2** (a) How would the disability pension of a service personnel be regulated when the accepted degree of disablement is reassessed subsequently to be below 20%.

**(3 Marks)**

- (b) Can the disability element of Pension be sanctioned to a retired service person if the disability manifests itself after his retirement?

**(3 Marks)**

(c) What is Constant Attendance Allowance ?

**(2 Marks)**

- Ans.** (a) An individual who was initially granted disability pension but whose disability is re-assessed at below 20% subsequently shall cease to draw disability element of disability pension from the date it falls below 20%. He shall, however, continue to draw the service element of disability pension.
- (b) Officer who is retired/discharged from service, otherwise than at his own request, with a pension or gratuity, but who, within a period of ten years from the date of retirement/discharge, is found to be suffering from a disease which is accepted as attributable, to his military service may, at the discretion of the competent authority, be granted, in addition to his pension/gratuity, disability element at the rate appropriate to the accepted degree of disablement and the rank last held, with effect from such date as may be decided upon in the circumstances of the case.
- (c) A constant Attendance Allowance at the rate of Rs.300/- p.m. may be granted to an individual who is awarded a disability pension as for 100 percent disablement, if in the opinion of the invaliding or a resurvey medical board he needs the services of a constant attendance for at least a period of three months, and the necessity arises solely from the condition of the accepted disability or disabilities.

The allowance may also be granted if the accepted degree of disablement of an individual is assessed at 100 percent, but a reduced award is made under Regulation 175, provided the remaining conditions for the grant of the allowance are fulfilled.

Constant attendance Allowance will not be payable for any period during which the pensioner is an inmate or inpatient of a Govt Institution or Hospital.

**Q.3** (a) What is a life certificate ? In which month of a year is life certificate required to be given to the Pension Disbursing Authority to draw regular monthly pension? **(2 Marks)**

(b) How are overpayments of pension treated if challenged in audit within 12 months from date of retirement ?

**(3 Marks)**

(c) Comment whether PCDA(P) is authorised to write-off overpayment of pension. **(3 Marks)**

**Ans.** (a) It is a certificate from a competent designated authority which is required to be submitted during November every year by a pensioner/family pensioner before Pension Disbursing Authority regarding his/her survival.

(b) Overpayment of pension if challenged in audit within 12 months from the date

of payment would be treated as follows:

If pension is payable to a person, further payments shall be made at the correct rate and the overpayment recovered in installments of one third of the pension. If the circumstances leading to overpayment disclose fraud or grave misconduct, and in the opinion of the PCDA(P) warrant the stoppage of the pension is full or recovery of overpayments in installments of more than one third of the pension, a report shall be submitted (through the CGDA in cases of pensions drawn outside India) to the competent authority, who shall decide each case on its merits and communicate his decision of the PCDA(P). Further adjustment as may be necessary will be carried out by the PCDA(P) on receipt of such orders.

If no pension is admissible payment shall cease immediately the error is detected and a report of the circumstances leading to the overpayment shall be submitted (through the CGDA in cases of pensions drawn outside India) to the competent authority.

- (c) Overpayments of pension not due to an error in law (including a misinterpretation of regulations and orders) which are, from any cause, irrecoverable may be written off by the PCDA(P) unto an amount not exceeding Rs.250/- each case.

In order to save time and trouble over relatively unimportant items, the CDA(Pensions) may, waive any audit objection on the payment of pension upto a limit of Rs.125/- in each case, brief reasons being recorded of the circumstances which, in his opinion, justify the waiver.

**Q.4** (a) Define Original Works. What are 4 main stages in the project for an original work?

**(4 Marks)**

- (b) A Command Chief Engineer re-appropriated to building resulting in increasing scales by 4.5% of the authorised area. Is it in order?

**(2 Marks)**

- (c) Distinguish between Revenue Works and Construction Works.

**(2 Marks)**

**Ans.** (a) Original works comprise the construction of buildings and Defence works and their internal fixtures together with the necessary services such as roads, E/M service, water supply, furniture, drainage, ranges etc. as well as purchases and additions. Reconstruction of buildings and roads, widening of roads, widening of roads, alterations necessitated by administrative reasons, works necessary to bring into use buildings and services newly purchased or previously abandoned or rendered unusable by extraordinary causes such as storm, fire or earthquake, also fall in the category of original works.

The purchase and installation of static plant and machinery and the provision of furniture are treated as original works for the purpose of these orders.

### **Original works**

There are four main stages in the project for an original work, viz.

- (i) Acceptance of necessity
- (ii) Administrative approval
- (iii) Appropriation of funds
- (iv) Technical sanction

**Acceptance of necessity** means the concurrence of competent financial authority to the expenditure proposed.

**Administrative approval** means sanction by competent financial authority to the execution of an original work at a stated cost.

**Appropriation of funds** means the allotment of a particular sum of money to meet expenditure on a specified work.

**Technical sanction** which is issued by competent engineer authority, amounts to no more than a guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data.

- (b) Yes, re appropriation involving increase in scales or introducing a new practice requires the sanction of the government of India. Minor increases in scales upto 5 percent of the authorized area, which are inevitably due to constructional reasons, will not, however, require Government sanction. Therefore the action of the Command CE of re appropriation resulting in increase in scales by 4.5% are acceptable in audit.
- (c) **Revenue works** - include provision of funds made for meeting expenditure on works (chargeable to revenue budget), maintenance of military building , roads, water supply, electric and other installations and furniture , hire charges of land and buildings including compensation and for procurement of tools, plants, machinery and engineering stores required for works, maintenance, etc. The pay and allowances of work charged establishment are also debited to revenue works and installations concerned.

**Construction works** - on the other hand, provide for expenditure on major works costing more than Rs.2 lakhs and which are of capital nature. The provision of funds is made for accommodation for service personnel, for stores at ordinance supply and other depots and also for technical buildings, hospitals, training and other educational establishment, extension and strengthening of existing runways and taxi tracks and construction of new runways, taxi tracks,

etc. This expenditure is met from Defence Capital Budget.

**Q.5.** (a) Discuss various forms of contracts that can be concluded by the MES. **(5 Marks)**

(b) Differentiate between Cash Assignment and Imprest authorised to MES officers. **(3 Marks)**

**Ans.** (a) The various forms of contract authorized for use by the MES are enumerated below;

**(a) Lump Sum Contracts**

Lump Sum Contract (IAFW-2159) will generally be used for all original works and maintenance services which are excluded from Term Contracts.

**(b) Measurement Contracts**

(i) **Term Contract(IAFW-2821)** is used for minor works and maintenance services required to be carried out from time to time during the period or term specified in the contract. No reference is however made to the value of the work. It is expressed in terms of a percentage above or below the rates given in the MES Standard Schedule of Rates (SSR) applicable to the zone.

(ii) **Percentage Rate Contract(IAFW-1779)** is intended to be used, under certain circumstances, as an alternative to the Lump Sum form of contract. It is expressed in terms of a percentage above or below the rate given in the SSR for the zone.

(iii) **Item Rate Contract ( IAFW-1779)** is suitable in cases where large quantities of work involving a small number of items, have to be carried out but the exact quantities of work required are not known, eg; roads, runways or large scale renewal of floors. The contract contains Schedule of items together with the approximate quantity and specification for each item. The contractor is required to quote his rate against each item and to work out the total sum based upon quantities given and rates quoted.

(iv) **Rate Contract for Supply of Materials or Furniture ( IAFW-1815R)** is used for the supply of furniture, stores petty stores for office use, etc. The items of supply may be divided into groups and a separate contract concluded for each.

Contracts may be concluded for divisions, sub-divisions or stations separately or collectively as required and may be of six months' or one year's duration at the discretion of the CWE.



(v) **Tender and Contract for Piece Work**(IAFW-1780) may be for any work costing not more than Rs.5,000 for which only the rate of payment and the period for which the contract is to operate are agreed to without reference to the total quantity of work to be done during the laid period. The contract is useful for such works as rescanning of chairs, restringing of charpoys, rethreading of tyres, supply of any single item of stores, etc.

(vi) **Tender and Contract for Specific Jobs**(IAFW-1780A) may be used for any works costing not more than Rs.10,000 for which the total quantity as also the period for completion is known. It is useful for execution of minor works, periodical services and for repairs to plant and machinery.

(vii) **Contract for handling and/or conveyance of stores of any description** (IAFW-2320-Revised 1964). This form will be used for loading, unloading, removal, stacking, preservation, conveyance etc. of stores of any description. The conveyance portion of the form will be used only when Army Service Corps are unable or unwilling to carry out the conveyance of materials on behalf of the MES.

(viii) **Agreement for the Appointment of Auctioneers for Disposal of Surplus Buildings**(IAFW-2353) is concluded by the CWE for a District and the CE for a Command in accordance with their financial powers.

(ix) **Lump Sum Tender and Contract for Sale of Building Demolition, Removal and Clearance of site** (IAFW-2353) is used when reasonable bids cannot be secured at an auction or reauction.

- (b) Cash assignment means arranging funds with treasuries/banks by CsDA for use by DDOs of Defence who are allowed to draw funds by cheques for their disbursements. Cash assignments are within the limits of budget provision. Imp rest, on the other hand, mean cash assignment in the nature of a permanent advance placed at the disposal of officers incurring expenditure such as local purchase of petty stores, local repairs by civilian firms, Contingent or postal charges and payments for casual labour on daily rates of pay paid through muster rolls which is accounted for in contingent bills and reimbursed once a month or more frequently as required.

**Q.6.** Write short notes on the following:

- |                              |           |
|------------------------------|-----------|
| (a) Approximate Estimates    | (2 Marks) |
| (b) Rent Assessment Ledger   | (2 Marks) |
| (c) In fructuous Expenditure | (2 Marks) |
| (d) Barrack Services         | (2 Marks) |

- Ans.** (a) An Approximate Estimate is required for the purpose of administrative approval and will be based on plinth area, cube, or unit rates for any similar works carried out. Approximate costs may be given for such items of work, details of which are not fully known at the time of preparation of the estimate, or for items for which no previous rates exist.

When necessary, separate provision will be made in an Approximate Estimate for charges in respect of special establishment and special T&P.

- (b) IAFW-2239. Rent Assessment Ledger- Maintained by the UA and contains a record of the assessed rent of the accommodation, internal electrical installation and furniture, in respect of each building which is rentable, whether Government-owned, hired, leased or appropriated. Rent of tenants will be recorded separately.
- (c) Infructuous expenditure in works is caused by the abandonment's or curtailment of a project, or by change of plan or design or by defective design or construction or by premature termination of a contract; or any other cause should be formally sanctioned as a loss by the CFA.
- (d) Barrack Services broadly comprise the functions in connection with:
- (a) Hiring of lands and building
  - (b) Quarters
  - (c) Payment of rents, rates and taxes
  - (d) Furniture
  - (e) Recovery of rent and allied charges

Definite rules and procedures have been laid down in MES Regulations for actioning above mentioned barrack services.

- Q.7** (a) Indicate three mechanisms available to Defence Finance for exercising budgetary control over Defence Expenditure.

**(3 Marks)**

- (b) State the Canons of Financial Propriety that are observed in according financial concurrence to an expenditure proposal.

**(3 Marks)**

- (c) Can expenditure on 'New Services' be authorized during the Vote on Account period ? And why ?

**(2 Marks)**

- Ans.** (a) The three mechanisms available with Defence Finance for exercising budgetary control towards defence expenditure are:

- (i) Initial distribution of budget grants;

- (ii) Watching expenditure against allotments and
  - (iii) Re- appropriations.
- (b) The canons of financial propriety those shall be observed by the executive seeking financial concurrence to an expenditure proposal are:
- (i) Every public officer should exercise the same vigilance in respect of expenditure incurrent from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.
  - (ii) No authority should exercise its power of sanctioning expenditure to pass an order which will be indirectly or directly to its own advantage.
  - (iii) The amount of allowances such as traveling allowances, granted to meet expenditure of a particular type, should be so regulated that an allowance is not on the whole a source of profit to the recipient.
  - (iv) Government revenues should not be utilized for the benefit of a particular person or section of the community unless-
    - (a) the amount of expenditure involved is insignificant, or
    - (b) a claim for the amount could be enforced in a court of law, or
    - (c) the expenditure is in pursuance of a recognized policy or custom.
  - (c) The expenditure on 'new services' cannot be authorized during the vote on account period. This is because the Vote on Account normally covers the requirements for the months of April & May only. The purpose of a 'Vote on Account' is to keep the Government 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 connected Appropriation Bills enacted.

**Q.8** (a) What are the duties of a Commanding Officer regarding maintaining accounts of his Units/Ship/Establishment ?

**(3 Marks)**

(b) What is the mechanism available for accounting services rendered or supplies made by Army to Air Force ?

**(3 Marks)**

(c) Under what circumstances, pay and allowances can be paid before the end of a month?

**(2 Marks)**

**Ans** (a) The duties of Commanding Officer regarding maintaining accounts of

units/ship/establishment are that he should ensure that the accounts are kept in conformity with the regulations and rules for the distribution of pay are strictly observed. In the event of transfer of Command, the Officer taking over charge shall satisfy himself that:-

- (i) The cash payments during the month as shown in the cash book agree with the entries in the acquaintance rolls and the pay books or are supported by receipts and vouchers where necessary.
  - (ii) the amounts of money and stores handed over agree with the balances shown in the cash or store accounts.
  - (iii) The amount of permanent advances given to meet contingent expenses has been accounted for and one copy of the transfer certificate together with the required copies of specimen of his signature are sent to the CDA concerned soon after taking over.
- (b) When supplies are made by the Army to the Air Force and vice-versa, the relevant vouchers priced and duly en faced " Inter-Services Adjustments-Issues to Air force" will be sent to the LAO, who will in turn forward them to the CsDA concerned for adjustment. When services are rendered or supplies are made by the MES to the Air Force, two copies of priced vouchers will be sent by the Executive(SDO) to the UAMES who will classify the vouchers under the relevant heads of account(Army, Navy or Air Force) and adjust them in his accounts. Departmental, charges(at the prescribed rate covering the cost of supervisory establishment, tools and plant and audit and accounts charges and pensionary charges) on the cost of Air Force works executed by the MES will be levied by the MES. No inter-departmental adjustments will be made in respect of the Capital cost of shared works-the entire cost of these being debited to the MES.
- (c) Pay and allowance are ordinarily payable in arrears on the last working day of the month except those for the month of March which will be payable on the first working day of April. Out in the following cases, the salary may be paid before the end of the month viz:
- (i) When an individual proceeds on leave (other than casual leave) lasting beyond the end of the month;
  - (ii) When an individual is transferred to the payment of another audit officer ;
  - (iii) When an individual quits Government service or is transferred to foreign service
  - (iv) The remittance of family allotment in respect of service personnel including officers, where admissible may be made on or after the twentieth of a month from the pay for that month before it falls due;
  - (v) When an individual is transferred from one ship or appointment to another;

- (vi) When an officer is appointed to a shore or port appointment
- (vii) When an individual is transferred from an afloat or shore appointment to a civil appointment under another department or local Government or vice-versa; and
- (viii) When he is proceeding on long leave or otherwise leaving the ship/appointment under circumstances which will not enable him to obtain his pay at the end of the month in the usual way.

**Q.9** (a) Brigadier 'X' travelled with his family on LTC from Chennai to Port Blair by a private airline. How would his LTC claim be regulated ?

**(2 Marks)**

(b) An Army Officer has been transferred from New Delhi to a non-military station. He has sent his family to his declared place of residence at Jaipur. How would his transfer TA claim be regulated ?

**(3 Marks)**

(c) Havildar 'X' travelled from his duty station to Bangalore for medical treatment of his wife because of non-availability of requisite medical facilities at his duty station. How would his travel claim be regulated ?

**(3 Marks)**

**Ans** (a) Chennai and Port Blair are connected by Indian Airlines. As per the prevailing travel regulations, if two stations are connected by Indian Airlines or Alliance Airlines, LTC cannot be availed by private airline on that route. Brig 'X' availing of LTC with family by private airlines on this route would therefore be treated as travel by an unauthorized mode and his claim for this route will not be acceptable in audit.

(b) The transfer TA claim in respect of the Army officer transferred from Delhi to non-military station and where he is sending his family to his declared place of residence at Jaipur, would be treated as follows:

- (i) Officer would be authorized to receive transfer TA to non-military station
- (ii) His family would be authorized to receive TA for journey between Delhi and Jaipur and expense for transfer of household goods and vehicle if any within the authorized limits between Delhi and Jaipur.

(iii) CTG

(c) Conveyance is admissible to service personnel and their families when in the absence of the requisite medical facilities at the duty station, they move to another station to undergo medical examination. In view of the above conveyance claims to Hav. 'X' would be acceptable in audit in respect of his travel from duty station to Bangalore for medical treatment of his wife because

of absence of requisite medical facilities at his duty station.

**Q.10** (a) Indicate 5 casualties each published under Part-I Orders and Part-II Orders by the Army.

**(3 Marks)**

(b) What is the equivalent rank of Lt. Col. in Indian Navy and in Indian Air Force ?  
**(1 Mark)**

(c) Who conducts the audit of Regimental Funds ? What is the role of CDA in the Audit of Regimental Funds ?

**(4 Marks)**

**Ans** (a) Five casualties each published under Part-I Orders and Part-II Orders by Army are as follows:-

(i) Part -I Orders will be issued on matters concerning administration, training, maneuvers, parades and matters which do not affect a soldier's pay, service or documents, eg.:

Daily routine and administration

Orderly officer

Guards and duties

Warning for duties

Discipline (excluding individual disciplinary cases)

Damage- general charges

Audit Boards

Training and operational instructions

Appointment to local unpaid rank

Health

Equipment

Supplies

Grant of local ranks where no extra pay is admissible

Act of gallantry ( also published in Part -II Orders)

Parades, Divine service (daily or special )

Physical training and organized games

Part II Orders will be issued on matters affecting soldier's pay, service and records eg:-

Promotions and appointments

Transfers, postings, attachments, and extra regimental employments

Relinquishments of acting rank or paid lance appointments

Hospital admission and discharge

Reclassification or medical category

All Red Ink Entire

Other punishments affecting pay, rank or seniority  
 Moves into or out of Concessional Areas  
 Alterations in the Kindred Roll  
 All other matters affecting pay and allowances, other than those claimed on a Contingent bill  
 Arrivals at and departures from Re-enforcement and Transit Camps or units acting as such.

- (b) The equivalent of Lt. Col in Indian Navy is Commander and in Indian Air Force Wing Commander.
- (c) The audit of regimental funds will be carried out by Station Audit Board and not by Defence Accounts Department. Div/area or brigade/sub area commanders may, however, call upon the CDA concerned to inspect and report upon the regimental fund accounts of any particular unit. The responsibility of the CDA ceases with the submission of his report to the div/area or brigade/sub-area commander who will take any further action as necessary.

**Q.11** Write short notes on the following:

- (a) Honorary Commission **(2 Marks)**
- (b) Secondment **(2 Marks)**
- (c) Competent Authority for amending DSR **(2 Marks)**
- (d) Statutory complaints **(2 Marks)**

**Ans** (a) JCOs who have rendered specially distinguished service, and who are serving, in the Regular Army, may be granted commissions as honorary officers in the rank of Captain or Lieutenant.

Nomination for the grant of commissions as honorary officers and for promotion to captain of JCOs holding the commission of honorary officer with the rank of Lieutenant will be made by the Chief of the Army Staff.

The ratio of honorary commissions for each Republic Day and Independence Day will be:

- (i) Hon Capts - 1 for every 4 Hony Lieuts.
- (ii) Hon Lieuts- 12 for every 1000 JCOs.

- (b) Employment outside the Regular Army including ancillary Corps or Service eg, Defence Security Corps, National Cadet Corps and Territorial Army when not embodied.

- (c) The Defence Services Regulations are issued under the authority of Government of India. Therefore any amendment to DSR can also be carried out only with the approval of the competent authority i.e. The Government of India, Ministry of Defence.
- (d) These are made under the provisions of Army Act Sections 26 and 27 by the following:-
  - (i) Any person subject to the Army Act other than an officer who deems himself wronged by any superior or other officer.
  - (ii) Any officer who deems himself wronged by his commanding officer or any other superior office.

An officer has the right to complain to the Central Government. PBORs can complain to the COAS in the first instance. In case they are not satisfied with the decision of COAS, they may complain to the Central Government whose decision shall be final. This right can be exercised only once. A second complaint to these authorities will be allowed only if fresh facts and circumstances have come to light necessitating reconsideration of the case.

All statutory complaints will be made through proper channel as given and copies will not be forwarded direct to higher authorities. If the final decision on the statutory complaint is not taken within a period of six months from the date such a complaint is submitted to the immediate superior, the applicant will have a right to represent direct to Army Headquarter or the Central Government, as the case may be, after informing his commanding officer.

**Q.12** (a) Distinguish between:

- (i) Internal Audit and Test Audit **(2 Marks)**
- (ii) Integrated Finance and Associate Finance **(2 Marks)**

(b) Please comment on the following:

- (i) GOC in C of an Army Command has further delegated his financial powers to Second-in-Command. **(2 Marks)**

- (ii) Lower powers have been delegated to sanction write-off of losses of stores due to theft, fraud and gross neglect than powers for write-off of losses not due to theft, fraud and gross neglect. **(2 Marks)**

**Ans** (a) (i) **Internal Audit** is carried out by Defence Accounts Department on the Defence expenditure in the form of pre-audit or post audit of transactions. The DAD



carries out the bills for supplies and services, for construction and repair works, pay and allowances, miscellaneous charges, pensions etc. The DAD is also responsible for audit of cash and store accounts kept by various units and formations. The **test audit** on the other hand is the statutory audit exercised by the C&AG. C&AG's audit is over above the internal audit exercised by the DAD in respect of the three services, Ordnance factories, DRDO and others.

- (ii) Integrated Finance Role is performed by FA(DS) and his officers with reference to the powers delegated to Ministry of Defence and Service HQrs. IFAs placed within Defence Accounts Department also perform Integrated Finance function in respect of Service HQrs, Commands, and other formations. FA(DS) and his officers, on the other hand, also function as associate finance of Ministry of Finance with reference to the matters beyond the powers delegated to the Ministry of Defence.
- (b) (i) The financial powers delegated to the GOC-in-C of an Army Command cannot be sub-delegated by him to his 2nd in Command because such powers are personal to the GOC-in- C (Rule 65 FR Part-I).
- (c) (ii) It is true that lower powers have been delegated to sanction write off of losses of stores due to theft, fraud and gross neglected than powers not due to theft, fraud and gross neglect. This is because in case of losses due to theft, fraud and gross neglect detailed investigations are required to be carried out and corrective measures are required to be put in place to avoid recurrence of such losses and recurrence of such failure of system. To plug loopholes in the system, higher competent authority is expected to exercise financial power and put in place corrective measures for system at large.

## SECTION-II

**(For candidates other than those from PC of A(Fys), PCDA(Navy) and PCDA(AF) Organisation)**

- Q.1 (a) How would the pay of an officer holding Acting Rank be regulated when he proceeds to attend a Course of Instruction of 11 weeks duration?  
(3 Marks)
- (b) GOC in C Southern Command approved officiating promotion to the rank of Major for Capt. X. How would this order be regulated in audit?  
(3 Marks)
- (c) What is the responsibility of CDA(O) towards Income Tax deduction of Army Officers?  
(3 Marks)

Ans.(a) The pay of an officer holding acting rank would be regulated as follows when he proceeds to attend a course of instruction of 11 weeks duration:

If he has held the acting rank continuously for a period of three months before vacating the appointment or proceedings on course, he will continue to retain the acting rank for the course period. On the other hand, if he has not held the acting rank continuously for a period of 3 months he will not be allowed to retain the acting rank for the course period and his pay and allowances would be regulated accordingly.

- (b) As per the Special Army Order No. 4/S/2000, officiating promotion as per para 87 and 90 of DSR- Regulation for the Army- Vol-I may be granted when an officer officiates in an appointment in the higher rank for a minimum period of 30 days. Accordingly, GOC-in-C of a command has been authorized to approve officiating promotion upto the rank of Major. Accordingly, the order of approving officiating promotion to the rank of Major for a Col X by GOC-in-C of Southern Command is acceptable in audit, if other conditions are fulfilled.
- (c) Like all DDOs, CDA(O) is also responsible for deduction of Income Tax from the pay and allowances of the Army officers from their IRLAs as per the Income Tax Act, 1961 as modified from time to time. It is important that Income tax is deducted based on assessed income on more or less equal monthly installments. For the purpose CDA(O) seeks declaration of savings from Army officers by 30th June each year and proof of such savings are required to be forwarded to CDA(O) by Army officers as early as possible but not later than 15th December each year.

CDA(O) like all DDOs files annual income tax return with the Income Tax Department based on the Tax Deducted at Source in respect of the Army

officers. From current financial year such returns of Income Tax are required to be filed with the Income Tax Department electronically at the end of each quarter giving relevant details PAN of the Army officers, etc.

- Q. 2 (a) A married officer, without dependant children, was occupying Govt. accommodation. Unfortunately his wife dies. He retains Govt. accommodation for 4 months after the death of his wife. How would the rent and allied charges be regulated in audit ?

**(3 Marks)**

- (b) Col X with date of birth 29-10-1945 and date of retirement 31-10-1997 was sanctioned retiring pension of Rs. 9158 per month. He is entitled to maximum commutable pension. Commutation value applicable is 12.35. What would be the capitalized sum admissible to him in case of average life ?

**(3 Marks)**

- (c) During last year of his service before superannuation, Col X applied for 80% withdrawal from DSOP Fund without assigning any reason. How would you process his application ?

**(3 Marks)**

- Ans. (a) Vide AO 10/S/86, after the death of the wife of an officer, with no dependent children, an officer is authorized to retain Govt. accommodation for a period of 4 months from the date of death of his wife. In view of the above, for retention of Govt. accommodation for 4 months after the death of his wife, the rent and allied charges for the house retained by the officer would be regulated at normal rates.

- (b) Rank and name of the officer - Col. X  
Date of Birth - 20.10.1945  
Date of Retirement - 31.10.97(AN)

Nature and amount of pension sanctioned - Retiring pension say @  
Rs. 9158 pm

Age next birthday - 53 years

Commutation value applicable vide AI 85/71 - 12.35

### **Calculations:**

Maximum commutable pension 43% - Rs. 3937.94

Capitalised sum admissible in the case of average life

$3937 \times 12 \times 12.35 = \text{Rs. } 583603/-$

(vide Reg. 344 PRA Part I (1961))

- (c) Vide MOD letter dated 6/2/91, an officer can withdraw from the DSOP Fund without assigning any reason up to 90% of the DSOP Fund amount at his credit within 12 months from the date of his retirement on superannuation. This facility can be availed only once.

In view of the above, application of Col X for withdrawing 80% of his DSOPF credit during last year of his service before superannuation would be admitted in audit if Col X has applied for the same for the first time during that last year.

Q.3 Describe IRLA system of Pay Accounting for PBORs. What is the role of non-EDP Sections in a Computerized PAO (ORs) ?

(5+4=9 Marks)

Ans. **IRLA System**

Individual Running Ledger Account is maintained for each Army Jawan from his date of enrolment. It comprises of 4 parts as follows:

Part-I	Service Particulars
Part-II	Deductions
Part-III	Audit Cage
Part- IV	Accounting sheet

Part I deals with service Particulars such as promotion, reversion, classification, mustering, non - qualifying service, postings etc;

Part-II deals with Deductions such as Loans and Advance, AFPP Fund subscription, PLI and other installment recoveries.

Part-III deals with Audit Cage such as recurring pay and other allowances

Part-IV deals with Accounting Sheet with details of credits and debits on recurring & non-recurring elements closed once in a quarter.

The pay of a PBOR in a particular rank is according to the group and the class to which he belongs. Classification pay is also treated as pay for all purposes. Recurring payments are determined wrt audit cage of IRLA based on Sheet roll data.

Payments are made to the Jawans on an as required basis as advance subject to availability of credit. Advances are paid from the Field Imp rest of the unit. The Advances are paid through Acquaintance Rolls, and their signatures obtained in token of having received it. Other occurrences for non-recurring payments are made wrt occurrence reported in DO Part II. The DOs Part-II are prepared and issued as Unit DOs II and Corps Orders by Record Office. DOs II are audited for certificates by the PAO centrally and processed & audited on computer at

the EDP Centre. The DOs II are incorporated as credits and the Acquaintance rolls as debits.

Quarterly Statement of Accounts and IRLA are generated on Computer under PBORs Pay System.

The Role of the manual groups in a computerized PAO(ORs) is as follows:

- 1.1 Though all the internal functions of the PAO are entirely manual, the IRLA is computerized. This has been achieved through an EDP Centric computerization of the IRLA.
- 1.2 The IRLAs are computerized in the COBOL/UNIX platform in a batch-processing mode. At present the PAO functions are being performed by TWO AGENCIES- manual groups in PAO and EDP. There is NIL automation of internal functioning of a PAO Office. The Quarterly Statement of Accounts/IRLAs of the PBOR are however computerized.
- 1.3 The PAO is the source of various inputs to EDP computerized system. While internally PAOs continue to function manually, they either schedule certain original documents to the EDP Centre, or transcribe some others for data entry and subsequent validation. In respect of the various documents affording credit or debit to the individual through the IRLA, manual groups prepare batches along with control totals, feed the Data entry groups, do edit list checking, feed corrections till batches are cleaned, in respect of documents like DO Part II orders, ACRs etc. As regards other documents e.g. contingent bills, claims, etc. transcription sheets are prepared and similar exercise as in case of DO part II orders, etc is carried out.
- 1.4 Other manual actions by a PAO in respect of various documents are as follows:

Data Sent to PAO		Entity		Manual action by the PAO.
DO II		UNIT		Monthly Statements
ACR				Acknowledgement to Imprest accounts
Cont Bills/Claims				Payment authorities
Cash requisitions				Cheque
Imprest accounts				
Vouchers paid out of Imprest				
Post discharge claims				
FS documents				Tender memo

FAO/FSMO		RECORD OFFICE		Cheque for FAMO/FSMO
Contingent bills				
DO II				
FS Documents		DEPOT COY/REGT CENTRE		Payment authority
New PLI Proposal/Policy & Changes		APS Directorate		PLI Recovery Schedules
Loan demand intimations		AGIF Directorate		Recovery schedule
				AGIF Sub recovery Statement.
Hospital Stoppage Rolls		Military Hospital		Acknowledgement
LF Bills, Barrack damages, et.		AAO BSO		Acknowledgement
Acquittance rolls		CDA Navy & CDA AF		Acknowledgement
Payment authorities		PCOA(Fys) Kolkata		Acknowledgement
ACRs & Form 10 (F-O)		Other PAOs		Acknowledgement to ACR, F-10 & IRLAs
IRLAs				IRLAs
Acknowledgement to ACRs F-10 & IRLAs				ACRs and Form 10 (F-10)
Payment authorities		Main office of CDA		Acknowledgement

- 1.5 At the time of super-annuation of the PBOR, his Pay and Fund Accounts are reviewed with reference to his Service Details available in the Record Office in the form of his Sheet Roll, and his final Settlement is done manually in the PAO. At this all due adjustments are sought to be taken care of and final terminal benefits released to the PBOR.
- 1.6 In the eventuality of some occurrence still remaining unadjusted for want of a document or clarification, it is left as Final Query by the PBOR with the Non Effective Group of the PAO to be finalized by them manually later.
- 1.7 In addition in case of the following categories of personnel, pay and fund accounts will continue to be maintained manually.
- TA Personnel
  - IRLAs of Army personnel whose pay and allowance are not governed by Pay and Allowance Regulations(ORs)
  - Non-Gazetted civilian personnel (either permanent or temporary)

Centrally controlled by Respective Record office who proceed to field or operational area.

- Religious teachers and direct JCOs who are not yet allotted Army Numbers.
- Service Personnel posted to IMTRAT and project DANTAK Bhutan.

1.8 All the rejections and the MIS Reports are received in the PAO and are actioned upon for inclusion in the subsequent Quarter Closing. All transactions made by the PAO during the quarter whether pertaining to Credits or debits based either on an internal review of the System or on the observations raised by the PBOR, are scheduled to the Computer Centre in batches periodically, and processed quarterly.

Q.4 (a) What are the reckonable emoluments in respect of PBORs for assessing the rate of Compensatory(City) Allowance ?

**(3 Marks)**

(b) On what basis bonus can be credited in the IRLA of a PBOR ?

**(2 Marks)**

(c) What are the conditions for restoration of GS Pay to PBORs ?

**(4 Marks)**

Ans. (a) Reckonable emoluments in respect of PBORs for assessing the rate of Compensatory (City) Allowance:

Compensatory(city) Allowance is admissible to PBORs at 100% of the rates in cities and localities including hill stations where the allowance is admissible to civilians Government servants paid from the Defence Service Estimates and under the same conditions as are applicable from time to time to the latter.

The reckonable emoluments for the purpose of assessing the rate of Compensatory (City) Allowance are:

- (i) Rank Pay
- (ii) Rank/Appointment pay
- (iii) Good Service Pay
- (iv) Classification Pay
- (v) Personal Pay

Parachute pay and any other allowance, eg. Expatriation allowance, will not be taken into account for purpose of computation of this compensatory allowance.

(b) Bonus can be credited in the IRLAs of PBORs at the rate of 43.75 paise per quarter on each complete sum of Rs. 50/- of the credit balance in the IRLA as it stood at the end of each quarter less the net pay and allowances for the last

month of the quarter. Sums of the less than Rs. 50/- in the balance will be disregarded.

In the case of individuals, who become casualties, bonus will be credited upto the last day of the quarter preceding that in which their accounts are finally closed.

(c) Good Service Pay may be restored as follows:-

(a) First rate if forfeited, or the forfeited rate next higher than the rate held immediately prior to restoration, after the Non-Commissioned Officer has, in the opinion of the Commanding Officer zealously and efficiently performed the duties of his rank for one year without a red ink entry, other than the entry relating to the forfeiture of good service pay, provided that when the forfeiture was by specific award of the Commanding Officer, it may be restored after such period, being not less than three months, as the Commanding officer may determine having regard to the reason for the forfeiture and the subsequent zeal, efficiency and conduct of the Non-Commissioned Officer.

(b) A further forfeiture rate after an additional year of Zealous and efficient service without a red ink entry.

(c) All rates forfeited may be restored to the Non-Commissioned Officer on his return to ordinary duty, from the date on which he is considered by the medical officer to have regained his physical efficiency or from any later date, at the discretion of the Commanding Officer.

The period of approved service required for the restoration of good service pay will count from the date of termination of the sentence, if imprisonment was awarded, otherwise from the date of sentence or award.

Q.5 (a) How would the Siachen Allowance be regulated if a PBOR stays out of Siachen Area for 12 days due to being placed on sick list ? Will this allowance be admissible along with HAUCA ?

**(3 Marks)**

(b) State the conditions which need to be fulfilled for admitting Hostel Subsidy to a PBOR.

**(3 Marks)**

(c) Write a short note on Parachute Pay.

**(3 Marks)**

Ans. (a) Vide Rule 196 of Pay and Allowances Regulations (ORs), the Siachin Allowance will continue to be admitted to a personnel who is absent from the Siachin Area for a maximum period of 14 days due to being placed on the sick list and/or on being on casual leave and/or on being on Temporary duty



provided he returns to the Siachin Area. In the instant case, since the PBOR would be away for 12 days being on Sick list, he would continue to draw Siachin Allowance during the Sick list period as well.

High Altitude (uncongenial climate) allowance will not be admissible along with the Siachin Allowance.

(b) The following conditions need to be fulfilled for admitting Hostel Subsidy to a PBOR:

(i) A service personnel shall be eligible to the grant of a Subsidy at the rate of Rs. 150/- per month per child if because of his transfer he is obliged to keep his children in the hostel of a residential School away from the Station at which he is posted and/or is residing.

(ii) However, if the date of admission to the Hostel is earlier than the date of transfer, and if such admission is made in anticipation of the transfer, the Hostel subsidy may be made from the effective date of transfer. The Hostel Subsidy shall be payable upto 10 plus 2 stage in States and Union Territories, where the pattern of 10 plus 2 plus 3 has been adopted and upto Higher Secondary and Senior Secondary stage in other States and Union Territories irrespective of the fact that the child study in a Kendriya Vidyalaya or any other recognized school.

(iii) The Hostel subsidy shall not be admissible in respect of a child for whom Children Education Allowance is drawn by a service personnel.

Note: Where Schools have no facilities beyond class X in Science stream, Hostel subsidy would be admissible provided other conditions are satisfied.

(c) Operational parachutists holding such appointments authorized in the War/Peace Establishment of their units will receive parachute pay in addition to the normal pay and allowances of rank.

For continuance of Para Pay, the PBORs should attend in each training year 1st July to 30th June a parachute refresher course including a minimum of two jumps. Exemption from the requirement will be granted by the Brigade Commanders in the case of personnel of Air-borne unit located in field areas who cannot be spared to attend refresher training due to exigencies of service. Personnel who jump during tactical airborne exercises would be deemed to have complied with this requirement in that training year 1st July to 30th June. Exemption from attending the parachute refresher course may also be granted by Brigade Commander if the inability of an individual to do so is due to lack of training facilities, in case of illness of the individual concerned, exemption will be subject to the condition that he completes the refresher course of the previous year, within 91 days after the close of the financial year.

Individuals who go on courses of instructions lasting over a year and who cannot attend the refresher course including a minimum of two jumps during a training year, will also be granted Para Pay provided they complete the refresher course of the previous year 91 days from the date of return from the course.

- Q.6 (a) What is the date of commencement and termination of leave ? **(5 Marks)**
- (b) How would the travel time and balance period of leave be regularized in case a service personnel is recalled from leave ? **(4 Marks)**

Ans. (a) **Date of commencement and termination of leave**

Leave will commence on the date an individual is struck off duty if relieve in the forenoon, or from the following day if relieved in afternoon.

Leave will terminate on the day preceding that of rejoining if an individual rejoins in the forenoon, or on the date of rejoining if he rejoins in the afternoon.

Exceptions: (i) Leave of Gorkha officers whose homes are in Nepal will begin and end respectively on the date of crossing the Nepal Border. Leave of officers having homes in Sikkim and those domiciled in Bhutan will begin and end on the date of crossing Sikkim/Bhutan border.

(iii) The annual or accumulated annual leave of Gorkha PBORs who are domiciled in Nepal and PBORs having homes in Sikkim and those who are nationals of Bhutan , in the year of a block of two years in which they are not entitled to additional leave will commence and terminate as under:

(a) Personnel domiciled in Nepal and those having homes in Sikkim:

On the dates of crossing of Nepal/Sikkim border. Nationals of Bhutan:

On the date of leaving and arriving respectively at the following stations:

**BANARHAT & HASHIMARA** - for personnel from **WEST BHUTAN**

(iv) Leave of individuals serving in Andaman and Nicobar Groups of Islands and having their homes in the Mainland will commence and terminate on reporting at Embarkation Headquarters Calcutta/Madras. The period of travel between the mainland and Islands and vice versa will be treated as duty.

Note 1: The Concession of prefixing and suffixing of holidays to leave is not admissible in the case of Gorkha personnel whose leave begins/ends on the date of crossing the Nepal/Sikkim/Bhutan border under exceptions (i) and (ii) above

and in the case of those PBORs who are eligible for additional leave. This concession is also not admissible in those cases where any other special concession in regard to the commencement/termination of leave is sanctioned under the orders of the Government issued from time to time.

Note-2: Restricted holidays will be treated as recognized holidays for the purpose of prefixing or suffixing to leave.

**(b) Recall from leave**

Individuals recalled from leave will return to duty immediately. Recall orders will be issued by the appropriate leave sanctioning authority.

The travel time from the leave station to the duty station will be viewed as having been spent on duty.

Note.1 : When an individual proceeds on annual leave, a portion of which falls in the next calendar year, and is recalled to duty, the balance of leave granted on completion of the duty will not prejudice his annual leave entitlement for the latter year.

Note.2: Personnel summoned, while on leave, to attend Courts of law whether criminal or civil or by properly constituted authority holding a departmental enquiry in India (i) to give evidence regarding facts which came to their knowledge in discharge of their public duties and (ii) to produce official documents in a civil suit, when they are so authorized by their commanding officers will neither be given any extra leave for such attendance nor will their leave be considered to have been interrupted by such attendance.

**SECTION-III**  
**(Factories Portion)**

- Q.1** (a) How is PW rate fixed ? **(2 Marks)**
- (b) What is the Agreement Form of Labour ? **(3 Marks)**
- (c) Who maintain Absentee Payment Register and how it is audited ? **(4 Marks)**

**Ans.** (a) For fixation of piece work rate, the work will be split into different operations and the trade, grade of labour the minimum rate of grade of employee of each of this operation and the actual money for each of these operations is determined. Piece work rates can be fixed only after Time and motion study and watching progress of performance for some period.

- (b) The Accounts Office will make out an agreement form of labour in duplicate, in which total amount passed will be entered section wise. This will be forwarded to General Manager of the factory who will return one copy duly, completed to show the amount actually paid and un-disbursed wages, fines, license fees etc, recovered income tax, provident fund and other recoveries. All supporting schedules and documents will also be forwarded along with the agreement form of labour. Accounts office will reconcile the deduction shown in the agreement form of labour with the dc.

**(Authority: 214 OM Part VI Vol-I)**

- (c) Absentee payment register are maintained separately for each section for each month in the loose leaf form in the factory. All un-disbursed amounts on regular pay day are noted in this and also payment there from. When all the payments completed the a Absentee payment sheet will be removed from the register and attached with the last page of the Acquaintance roll.

Accounts office audits  
Entries correctly made from the ac rolls

The totals of column of 'amount due' on every sheet are written both in words and figures. The register to be initialed by the Auditor against each payment attested by the Fy office. Grand total agrees with the amount shown as 'un-disbursed wages' in the agreement form of labour.

**(Authority: 219 OM Part VI Vol-I)**

- Q.2** (a) What is the Manufacturing Statement A&B ? **(3 Marks)**

(b) How is pricing of issues done for the following:

(i) To own factory stock (3 Marks)

(ii) To Army (3 Marks)

**Ans.** (a) Manufacturing statement A indicates the value of issues under different heads required to be completed by 25 of the month that which relates for posting in the Principal Ledger Manufacturing statement B shows miscellaneous receipts such as recovery of L fee, sale of store not held on stock charge is to be prepared by 25th of the following it relates for the posting in Principle Ledger.

(Authority: 672 OM Part-VI Vol-II)

(b) To own factory stock

(i) These issues are valued at actual cost of p as shown in the cost cards. In case completed cost cards are not available in time the vouchers will be provisionally priced at estimated rates noted in the cost cards and adjusted subsequently with reference to actual cost.

(Authority: 670(3) OM Part-VI Vol-II)

Issues to Army

(ii) Issue Vouchers will be priced with reference to OFB firm price list and straightaway debited to relevant service head

(Authority: 670(1) OM Part-VI Vol-II)

**Q.3.** Explain the role played by the Accounts Office in Inventory Control in Ordnance Factories. (9 Marks)

**Ans.** Inventory control in ordnance Factories covers the following aspects:

- (i) Provisioning
- (ii) Storage
- (iii) Usage
- (iv) Physical verification
- (v) Inventory Control
- (vi) Disposal of scrap
- (vii) Proper Accounting of material

The accounts office is closely involved in the system of inventory control beginning with the acceptance of necessity, placement of order, examination of quotations through TEC/TPC, control on utilization of material by posting the demand and return notes in material warrants, review of slow moving, non moving items for disposal/transfer, review of stock holding etc.

(Authority: Paras 330, 349, 355, 435, 437 & 450 of OM Part-VI Vol-II)

**Q.4.** Write short notes on:

- (a) Provisional Payments (3 Marks)
- (b) SHIS (3 Marks)
- (c) Outstanding Assets & Liabilities (3 Marks)

**Ans** (a) Provisional Payments

\* Pay and Allowances pending receipt of LPC as per para 280.

\* In exceptional circumstances in anticipation of the receipt of sanction of appropriate authority or additional funds to cover the expenditure as per Para 375.

\* On account of lack of documentation as per para 376.

\* GM is competent to authorize provisional payment with the approval of the AO in charge concerned as per Para 374.

\* Where GM does not agree with the views of AO, he may authorize provisional payment on his own responsibility and report such cases to Member(Finance).

**(Authority: Paras 378 of OM Part-VI Vol-I)**

- (b) This is a document on which the store holder represents his inability to supply a store, when the stock has gone below a fixed limit, so that arrangement may be made for replenishment. It shows stock in hand, dues, average consumption liabilities in sight and requirement to meet liabilities.

**(Authority: Para 349 of OM Part-VI Vol-I)**

- (c) Linking payments with receipt vouchers. Unlinked items represents payments made for which receipt vouchers are awaited. These are called "outstanding assets".

Linking of Receipt vouchers with payments made. Where the unlinked vouchers represents stores received for which payments are to be made. These are called outstanding liabilities.

**(Authority: 496 OM Part-VI Vol-I)**

**Q.5.** (a) How are capital assets in a factory classified ?

**(3 Marks)**

- (b) What is the objective of maintenance of schedule register of M series and B

series voucher in the Accounts Office ?

**(3 Marks)**

- (c) How is the time spent by workers for receiving medical treatment during working hour treated in case of injuries/sickness attributable to work ?

**(3 Marks)**

**Ans.** (a) Capital Assets are classified under three main heads-

- (i) Buildings
- (ii) Machinery
- (iii) Other items

The items falling under building are industrial building (inside factory premises) and non-industrial building viz, office outside Factory premises like hospital /MI room, staff club, residential building etc.

Machinery may include conventional lathe, sophisticated CNC machines, and furnaces. Other items are water, compressed air lines, filter units, roads, electrical installations, etc.

**(Authority: Para 731-734 OM Part -VI Vol-II)**

- (b) Schedule of M series vouchers is maintained for buildings and machinery/receipts and issue. The object is to ensure that receipt of all 'B' and 'M' series vouchers prepared by the factory are accounted for and also to find out the value of issues to various factories etc in respect of capital assets of the Factory. Agreement between the figures of office registers and schedule will be finally effected before the capital assets accounts of the year is finally closed.

**(Authority: Para 750 OM Part-VI Vol-II)**

- (c) The time spent in dispensary/Ambulance room within the Factory premises will be treated as duty.

The time spent in dispensary /hospital outside the Factory premises will be treated as special leave with wages.

**Q.6** Describe how the receipt of following types of materials is documented :

**(9 Marks)**

- (a) Stock pile stores
- (b) Inventory stores
- (c) Miscellaneous Receipt
- (d) Loan items
- (e) Receipts from surplus found at stock taking
- (f) Plant and Machinery.

**Ans.** (a) Stock pile stores - Through R series vouchers

- (b) Inventory stores - Through I series vouchers
- (c) Miscellaneous Receipt - Through Certified Receipt Vouchers
- (d) Loan items - Through Nominal Vouchers(489)
- (e) Receipts from surplus found at stock taking.- Through Surplus voucher(Factory-45
- (f) Plant and Machinery - Through **M** series vouchers



**SECTION-IV**  
**(AIR FORCE PORTION)**

**Q.1** (a) Sergeant Prakash is under arrest but not in confinement. What will be the effect on his pay and allowances ?

**(4 Marks)**

(b) Warrant Officer Jadhav was officiating in the vacancy of Squadron Leader Ramesh who went on a course of instruction for 90 days. Comment on Warrant Officer Jadhav's entitlement to acting allowances.

**(5 Marks)**

**Ans.** (a) There will be no forfeiture of pay and allowances since he is under arrest but not in confinement.

**(Rule- 257 P&A Regulation)**

(b) Firstly, a W.O. cannot officiate in the vacancy of a Sqn. Ldr. Secondly, no one can officiate in the vacancy created due to absence of an officer who has gone on a course of instruction. Hence, W.O. Jadhav cannot officiate and will not be entitled to any acting allowance.

**(Rule 274 P&A Regulations)**

**Q.2** (a) How would the pay and allowance of an officer who was absent for 60 days without leave be admitted and under whose approval ?

**(4 Marks)**

(b) Sqn Ldr Kumar was reported POW. There was no family allotment in issue. What will be the status of his pay and allowances ? Would any family allotment be payable to his family ?

**(5 Marks)**

**Ans.** (a) Pay and allowances due to the officer for every day he absents himself without leave, is liable for penal deduction, unless a satisfactory expiation has been given to his commanding officer and has been approved by the Central Government.

**(Rule 57 P&A Regulations)**

(b) The officer will continue to receive full pay and allowances appropriate to his rank, including paid acting rank, which will remain credited to his IRLA. However, the pay he receives from the enemy, while in captivity, will be adjusted against it.

Since no family allotment was in issue, fresh allotment would be required to be made under the orders of the authorities prescribed in the Air Force Act, at the

expense of the State.

**(Rule 64 and Note 1 and 2 below P&A Regs.)**

**Q.3** (a) How much Annual Leave would be granted to a Gorkha airman domiciled in Nepal who is going on accumulated Annual Leave in the second year ?  
**(5 Marks)**

(b) MWO Mishra was on Annual Leave from 15.5.97 to 30.6.97. JWO Jadhav was granted acting promotion from 8.6.97 in his place. Comment.  
**(4 Marks)**

**Ans.** (a) The Gorkha airman would be granted 120 days accumulated AL in the second year reduced by the period of AL taken for adjustment of sick leave or for regularization of OSL/excess grant of leave in the preceding year provided it does not exceed 30 days. No benefit of accumulation would accrue if AL taken during the preceding year is in excess of 30 days.  
**(Leave Rules 39(h))**

(b) Grant of acting promotion of the JWO during the MWO's AL is incorrect, as no acting promotion can be granted in place of a person on AL.  
**(Leave Rules 39(d))**

**Q.4** (a) What is the entitlement of an officer for encashment of accumulated Annual Leave on retirement at his own request before completion of 20 years of service?  
**(5 Marks)**

(b) Who decides about the fixation of pay of a retired officer on re-employment ? Does the officer continue to draw pension ?  
**(4 Marks)**

**Ans.** (a) Officers proceeding on retirement before completion of 20 years of service are entitled for encashment of Accumulated Annual Leave up to 105 days.  
**(Rule 24-B Leave Rules IAF)**

(b) Govt. of India is the authority to decide fixation of pay of a retired officer on his reemployment. The officer on reemployment will cease to draw pension the day he gets reemployment as also during the period of his reemployment he will not get any pension.

**(Note below Rule 62 P&A Reg. IAF)**

**Q.5** (a) How are erroneous promotion of officers and airmen coming to notice regulated?  
**(5 Marks)**

(b) What is the effect of grant of ante-date in the case of an Air Force Officer ?  
**(4 Marks)**

**Ans. (a)** In respect of officers, the pay of higher substantive rank to which the officer is erroneously promoted will be discontinued from the date on which the order rescinding the promotion reaches the HQrs. Office of the Unit/Formation (if the officer is present) otherwise from the date of the order. In respect of Airmen, the promotion or appointment erroneously made to a higher rank (whether substantive or acting) is cancelled with the effect from the date of issue of POR notifying the cancellation and pay thereof shall be discontinued from the date.

**(Rule 26 and 253 P&A Regulations Air Force)**

(b) The grant of ante-date of commission does not carry back pay prior to the date of commission. The period of ante-dating is treated as qualifying service for regulating the rates of pay of the officer.

**(Rule 51 P&A Regulations Air Force)**

**Q.6 (a)** Wing Commander Prasad volunteers for and undergoes a training course at the Himalayan Mountaineering Institute, while holding the acting rank of Wing Commander. What will be its effect on his pay and allowances and acting rank?

**(5 Marks)**

(b) How does an award of forfeiture of service for the purpose of increased pay, by a sentence of Court Martial under Sec. 73 of Air Force Act affect the pay of an officer ?

**(4 Marks)**

**Ans. (a)** Wing Commander Prasad's undergoing voluntary training course at Himalayan Mountaineering Institute will not have effect on his pay and allowance and rank as the period including the journey period will be treated as duty.

**(Note below para 11(i) P&A Reg)**

(b) The award has no retrospective effect nor does it have an effect on the rate of pay the officer is in receipt of. It only affects future increments subsequent to the award.

**(Para 43(i) P&A Reg)**

**SECTION-V**  
**(NAVY PORTION)**

- Q.1** An officer, who has taken a motor car advance from Government intends to sell the car before completion of the repayment of the advance and proposes not to utilize the sale proceeds for repayment of the outstanding advance. Under what circumstances can the competent authority permit the course of action proposed by the officer ?  
**(9 Marks)**

**Ans.** When a vehicle is sold before completion of repayment of the government loan, the sale proceeds must be utilized, so far as may be necessary, to the repayment of the outstanding balance of loan or advance, provided that if the vehicle has been sold only in order that another may be purchased, the sanctioning authority may permit an officer to utilize the sale proceeds towards such purchase subject to the following conditions:

- (a) The outstanding advance should not exceed the cost of new vehicle;
- (b) The outstanding advance shall continue to be repaid at the rate previously fixed; and
- (c) The new vehicle shall be insured and mortgaged to Central govt. as required under rules

**(Authority: Reg 242 (3) of P&A Reg for Navy Part-I)**

- Q.2** (a) Under what circumstances can a navy officer be permitted to hire furniture ?  
**(3 Marks)**
- (b) Can officers be permitted to hire garages ? If so, what are the conditions under which this can be allowed ?  
**(3 Marks)**
- (c) When can the CILQ (Compensation in Lieu of Quarters) be admissible to sailors ?  
**(3 Marks)**

- Ans.** (a) When an officer is living in Govt. accommodation owned or hired by MES, or is permitted to arrange for his own accommodation, he shall be provided with furniture as per scales. However, when this is not practicable he may be permitted with the approval of MES to hire furniture within authorized scales.  
**(Authority: Reg. 198 P&A Reg Navy Part-I)**
- (b) Yes, officers can be permitted to hire garage when the station commander is unable to provide garage to officers who actually maintain cars and for whom garages are authorised as part of their residences. The station commander has to certify that garage could not be provided and no cheaper arrangement was

possible. The above facility of hire of garage, however does not apply to officers posted in Delhi.

**(Authority: Reg 199 P&A (Navy) Part -I)**

- (c) When family quarters are not provided for sailors at their duty station but they are entitled thereto or if accommodation inferior to the authorised one is provided, CILQ is admissible.

**(Authority: Reg. 200 P & A Reg(Navy) Part-I)**

**Q.3** (a) Is submarine allowance admissible to all naval officers ? If not, to whom and for what purposes is this allowance payable ?

**(4 Marks)**

- (b) Is the above allowance admissible even during the absence of officers from the submarine ?

**(5 Marks)**

**Ans.** (a) No the allowance is not admissible to all officers. Submarine allowance is admissible only to a commander. Lt. Cdr. and Lieutenant if they are attached for training to or for exercises in a submarine.

**(Reg 105(1) of P&A Navy Part-I)**

- (b) No the submarine allowance is not admissible for the period of absence from a submarine for more than 3 consecutive days. Further, even if the absence from the submarine is not more than 3 consecutive days but the absence is nevertheless for more than fourteen days is a month, the submarine allowance shall not be admissible for such absence.

**(Reg 105(2) of P&A Reg Navy Part-I)**

**Q.4** When is navigation allowance payable to the officers and sailors ? Where are the charges on account of navigation allowances debitable ?

**(9 Marks)**

**Ans.** Officers and sailors of the Navy, when they are employed in taking vessels built or refitted for other departments in the naval dockyard, to their destinations, may, subject to competent approval, be granted navigation allowance at the prescribed rates.

The charges on account of navigation allowance are debitable to the department for which the vessel was built or refitted.

**(Authority: Reg 186 of P&A Regulation for Navy and explanation 3 thereof)**

**Q.5** Is compassionate Leave admissible to Regular Officers of Navy ? What is the limit of compassionate leave for sailors and under what conditions can this leave be granted ?

**(9 Marks)**

**Ans** Compassionate leave is not admissible to regular officers. This leave,

however, is admissible to sailors in compassionate cases where the current year's annual leave has already been availed of. Compassionate leave may be granted upto a maximum of thirty days which shall be debited to next year's annual leave entitlement.

The above concession is admissible to sailors on regular engagement except in the case of those whose service are likely to be terminated during the current leave year.

**(Authority: Rule 4 and 36 of Navy Leave Regulations 1970)**

- Q.6 (a) How is the casual leave sanctioned to an officer treated, in cases where the maximum amount of casual leave admissible in a year is exceeded as a result of overstayal by the officer ?

**(5 Marks)**

- (b) Lt. Cdr. Tiwari was recalled from/during sick leave sanctioned to him for 20 days on account of urgent office work. Comment.

**(4 Marks)**

- Ans. (a) In cases where the maximum amount of casual leave admissible in a year is exceeded as a result of overstayal by the individual the entire spell of extension or overstayal is to be treated as annual leave or furlough for that year, if due

**(Authority: Rule 8(1)(b) of Navy Leave Regulations)**

- (b) No person who has been granted sick leave can return to duty until he has been passed fit by the competent medical authority, besides receiving permission from the leave sanctioning authority. In this case the person has been recalled during his sick leave presumably without the certification of competent medical Authority. Hence the action of recalling from sick leave is wrong.

**(Authority: Regulation 16 Navy Leave Regulation)**