

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

**October, 2004**

**Subject: ‘C’ – Paper V – Precis 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.
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**Q.1.** Prepare a précis of the correspondences marked I to V below and make a summary of points. (50 Marks)

**I**

Minutes of TPC-I Meeting held on 2.5.2002 at 14.00 hrs in the office of the Sr. General Manager, AFK.

The following were present:

Factory side

1. Sr. General Manager
2. Addl. General Manager, Member/Purchase
3. Addl. General Manager, Member/Quality
4. Joint General Manager, Member/Secretary

Finance side

CFA, KGF/Member Finance

**Business Transacted:**

Vendor Selection List – Procurement of Fuze DA 162: Inclusion of Vendor names.

**Preamble:**

2. The LTE for Fuze 162 to the tune of 2,74,968 nos. with option for 25%, 50% and 100% was floated on 5.4.02 to 6 established sources known to AFK. The opening date for the LTE was fixed as 16.4.02. The vendor selection list (VSL) was got approved by the TPC level I at AFK. Subsequent to the issue of LTE, on 8.4.02, AFK received two letters, one from M/s Priya Preci-Comp, Nagpur and the other from M/s Shanti Arm-Tech., Nagpur both dated 8.4.02, requesting to issue tender enquiry to them since they have also become “Established Source” for Fuze 162 by supplying two developmental orders each to Ordnance Factory, Chanda. The matter was verified by AFK from O.F.Chanda through official correspondence, including their performance status. On the basis of O.F. Chanda report inclusion of these two firms in the VSL was initiated for approval of TPC level members and the tender opening date was postponed to 24.4.02. Though all other TPC members concurred

the proposal on circulation, observations were made by Member/Finance which were suitably replied by AFK emphasizing that inclusion of these two sources may bring better competitiveness and the information of these two established sources came to knowledge prior to the opening of the LTE. The tender opening was deferred to 30.4.02 which was again postponed asking the firms to wait for the due date for opening to be intimated shortly.

3. The case was brought to the TPC level meeting for discussion on 2.5.02. Member/Finance expressed that we have already got six vendors and in his opinion adding these two vendors is not going to change the competition scenario and therefore suggested that the proposal to consider additional two firms may be dropped.

4. TPC deliberated the issue. Member/Purchase intimated that with his experience he apprehends that ignoring these two firms at this stage when tenders are not opened will draw criticism from higher formations. CFA, KGF opined that it would not be proper to add more firms and ask for their quotations when the existing forms are already in cartel and there appears every chance of these two firms joining the cartel. Thus there appears a very remote chance of getting competitive rates by adding these two firms at this point in time. Chairman/TPC agreed with the CFA's proposal. Therefore, TPC decided to drop the proposal for including two more vendors and ratified the earlier VSL for issuing TE to six firms only.

**DECISION:**

5. (a) Drop the proposal for inclusion of two more vendors.
- (b) Earlier VSL for issuing tenders to six vendors stands.

**II**

**FAX**

From: ORDNANCE FACTORY BOARD  
(MM DIVISION), KOLKATA

To : AMMUNITION FACTORY, KIRKEE

OFB No.001/MISC/MM/DP/TE dated 8.5.02. KIND ATTENTION SR GM. Refer fy. Proposal under letter No.3253/200060/E/L/D dated 6.5.02 regarding procurement of fuze percussion DA No.162 MK 8 (M-2) QTY. 274968 (134 lots). TPC/OFB has considered and approved that tenders may be issued to M/s.Priya Preci-Comp., Nagpur and M/s. Shanti Arm-Tech., Nagpur also. Kind regards.

**Sd/-**

**Deputy Director (MM)**

For Director General, Ordnance Factories

Copy to: CFA, KGF, Kirkee - for information and necessary action.

### III

CFA/KGF/Procure/2002-03  
Office of CFA, KGF,  
Kirkee Pune,  
Dated: 16.5.2002

The General Manager,  
AFK, Kirkee.

Sub: Procurement of fuze percussion DA No.162 mk 8 (m-2)qty.274968 (134 lots).

Ref: OFB Fax No.001/MISC/MM/DP/TE dated 8.5.02.

CFA stated that notwithstanding the OFB's decision communicated in their No.001/MISC/MM/DP/TE dated 8.5.02, it will not be correct to issue tenders to the two firms viz. M/s. Priya Preci-Comp Pvt. Ltd., Nagpur and M/s. Shanti Arms Pvt. Ltd., Nagpur. Agreeing to such a course of action in the instant case would open the floodgate for such similar action in future in view of the following infirmities:-

(i) Six firms were initially given TE on 6.4.02 with the tender opening date as 16.4.02. The two firms M/s. Priya Preci Comp. Pvt. Ltd., Nagpur and M/s. Shanti Arms Pvt. Ltd., Nagpur approached the GM AFK on 8.4.02 with a request to issue TE to them on the ground that they have supplied to OF, Chanda. The matter was got confirmed from OF, Chanda and the file put up to the CFA who in his decision of 16.4.02 stated that it was rather late in the day to include these two firms. Subsequently the matter was discussed in the TPC on 2.5.02 where it was decided not to issue tenders to these firms on the ground that such requests by the firms at a belated hour cannot be agreed to. More so when the firms have not established themselves in this factory, i.e. AFK, but elsewhere. Such postponement of opening date of tender at the eleventh hour without giving adequate time to the other firms should not be done since this is in violation of the extant DGS&D subject orders. Further, this will set a bad precedent whereby firms in future can act in a similar fashion whereby the procurement process has to be postponed. No extant subject orders state that firms on representation have to be willy nilly included in the VSL on the ground that they have supplied to other sister factories or by the same token to other Government (State as well as Central) organizations. Customer always reserves the right to seek tender from firms in consonance with the Government orders.

(ii) Though on the basis of estimated cost the final approval lies with the OFB as per the delegation of financial powers it is not understood if in such cases OFB must issue directions to its subordinate office to include or delete the names of firms to be tendered out. As per the practice prevalent, for all PV items, a list of established firms is drawn up by the Ordnance Factories on the basis of the database available with them of the past suppliers and the same decided. This case appears to be an exception. The undersigned could not lay his hands on any such orders that empower higher authority to issue directives to a subordinate office especially on a matter as sensitive as procurement.

(iii) As in common knowledge, these two firms form a part of the Nagpur Group of firms and invariably always in the past have quoted the same rate as others from the same group. One hence does not envisage any competition worth its name whereby this would fetch a more competitive rate, and that these two firms shall not form a part of the same cartel. More in a case as this where there already exist six firms to whom tenders have already been sent out.

(iv) The item being of defence use, such action needlessly delay procurement which always is clamoured to be urgent and cannot be delayed, though in this case a month has gone by in order to accommodate these two firms in the VSL. The repercussion of such delay is not known at this juncture.

2. In view of the foregoing, the under signed humbly regrets that he is unable to agree with the recommendation to tender out to these two firms; he laments that his conscience does not permit him to agree with the OFB's directive.

Sd/-  
CFA, KGF

#### IV

Minutes of TPC-I Meeting held on 13.6.02 at 15.00 hours in the office of the Sr.General Manager, AFK:

The following were present:

##### Factory side

1. Sr. General Manager
2. Addl. General Manager, Member/Purchase
3. Addl. General Manager, Member/Quality
4. Joint General Manager, Member/Secretary

##### Finance side

CFA, KGF/Member Finance

#### **Business Transacted:**

Vendor Selection List – Procurement of Fuze DA 162: Inclusion of Vendor names.

#### **Preamble:**

#### **Details of the firms on whom tender issued:**

Sl. No.	Name of the firm	Quantity Received/ Not received	Remarks
1	Shanti Arms Tech, Nagpur	Participated	L1
2	Sandeep Metalcraft, Nagpur	Participated	L1
3	Priya Preci Com., Nagpur	Participated	L1
4	Hyderabad Precision Mfg., Hyderabad	Participated	L1
5	Tirupati Industries, Kolkata	Participated	L1
6	Ashoka Industries, Kolkata	Participated	L1

7	Naveen Tools Mfg. Co. Kolkata	Participated	L1
8	Asha Industries, Kolkata	Participated	L1

**Rate Quoted by the Lowest Offerer:**

All the firms have quoted the same rate as under:

Basic: Rs.305.82 inclusive of ED & ST

ED: Inclusive

ST: Inclusive

FOR: AFK against OEC

Payment terms: 95% + 5%

**Last Paid Rate:**

The following orders were placed with the approval of OFB as under:

Shanti : Basic Rs.250.13 + ED 32% + ST 5.4%

Sandeep : Basic Rs.253.50 + ED 32% + ST 4%

Ashoka : Basic Rs.253.50 + ED 32% + ST 4%

Naveen : Basic Rs.253.50 + ED 32% + ST 4%

HPM : Basic Rs.253.50 + ED 32% + ST 4%

Tirupati : Basic Rs.253.50 + ED 32% + ST 4%

Asha : Basic Rs.253.50 + ED 32% + ST 4%

**User's recommendations:**

“All the vendors being L1 are recommended”

**Price reasonableness:**

Considering the current ED as 16% and comparing it with last paid rate, the working comes to Rs.25.49 basic+ED 16%+st 4% = Rs.305 each AIR. The basic cost at which the previous orders were placed is appended above. Almost the firms have maintained the same basic.

**Any other points:**

(i) M/s Priya Preci-Comp. and M/s Shanti Arms-Tech have not supplied to AFK. These firms were supplying to OF, Chanda. This has come to the notice of this factory immediately after issuing tenders. Necessary performance report was obtained from OF, Chanda. The tenders have been issued to these two firms also. This issue of tender has also the endorsement of OFB conveyed vide their 001/MISC/MM/DP/TE dated 8.5.02. The VSL including M/s. Shanti Arm-Tech and M/s.Priya Preci-Comp. was not concurred by Member/Finance of TPC-I at AFK vide his remarks enclosed with TPC-I minutes dated 2.5.02.

(ii) The total value of the tendered quantity 274968 Nos. is Rs.8,40,90,713 approximately which is beyond the financial powers of General Manager & hence the case to be forwarded to OFB for their purchase sanction.

### **Discussions:**

(i) The VSL was approved initially for 6 firms who are regularly supplying to AFK. Based on the request from M/s. Priya Preci-Comp. and Shanti Arm-Tech and after getting the relevant data from OF, Chanda, the inclusion of these two firms has been extensively discussed in earlier TPC meetings and at one stage it was decided not to consider. However, as per the insistence of the OFB, the matter was again discussed and tenders were issued to these two firms also for which member/Finance has expressed his dissent.

(ii) CFA reiterated his views expressed in the TPC minutes of 2.5.02 and in the letter dated 16.5.02 addressed to GM, AFK. His dissenting note is attached to this minute in Appendix 'A'. He felt that by inclusion of the names of M/s. Shanti Arms Pvt. Ltd., Nagpur and M/s. Priya Preci-Comp, Nagpur against the decision of the TPC-I held on 2.5.02 but at the instance of the OFB, no tangible benefit accrued to the State. On the contrary, a six firm cartel has grown into an eight firm cartel. This is so because the very purpose for which inclusion of the two additional firms was proposed, i.e. bring in better competitiveness, has not paid off and the apprehension of the CFA communicated vide his note referred to above stands vindicated. CFA felt that his views are more valid and relevant today than before.

(iii) In view of the above and in view of what was stated by CFA vide his dissenting note referred to above and enclosed herewith, he regretted his inability to re-recommend the case to OFB for finalization.

(iv) Though we have gone for a large quantity, these established suppliers have not reduced the rate and instead formed a cartel.

### **Recommendations:**

As the value of the case exceeds the GM's financial powers, forward the case to OFB for placement of orders on the firms after taking into consideration their past performance and CFA's observations at para 4 supra and in the dissenting note at Appendix 'A' given below.

### **Appendix 'A'**

#### **To the Minutes of TPC-I Meeting held on 13.6.2002 at 15.00 hrs in the office of the Sr. General Manager, AFK**

CFA reiterated his views as expressed in TPC-I Minutes of 2.5.02 and also communicated in a separate letter of 16<sup>th</sup> May, 2002 to GM, AFK. In continuation of the same, it is felt that by inclusion of the names of M/s. Shanti Arms Pvt. Ltd., Nagpur and M/s. Priya Preci-Comp, Nagpur against the decision of the TPC-I held on 2.5.02 but at the instance of OFB, the procurement procedure has been vitiated. This is so because the very

purpose for which inclusion of firms were proposed by AFK (i.e. “bring better competitiveness”) has not paid off and the apprehension of the CFA that adding these two vendors is not going to change the competition scenario has come true. Instead adding two more firms to the cartel has made the existing cartel stronger thereby leading to an act against the provision of para 28.4.1(a) which states that “Source Development will be necessary...(a) when it is apprehended that the established sources have formed a group and quoted to the disadvantage of Govt”.

In view of the above, CFA regretted his inability to recommend the finalization of the procurement action initiated for the following reasons:-

(i) The procurement action has been vitiated by the last minute inclusion of the two firms, viz., M/s.Shanti Arms Pvt. Ltd., Nagpur and M/s. Priya Preci-Comp., Nagpur as brought out above and in the dissenting note at the time of VSL.

(ii) Since the cartel formation has been further strengthened by inclusion of the additional two firms, viz., M/s. Shanti Arms Pvt. Ltd., Nagpur and M/s. Priya Preci-Comp., Nagpur and the fact that eight firms have formed cartel who survive largely on supplies made to Ordnance factories over the last many years, warrants action as per extant Government orders to ensure future competition. The scenario is worse compounded by the fact that quantity in the instant procurement case is fairly large.

(iii) It is essential that source development action through advertised tender may be resorted to, to discourage firms from forming cartels.

Sd/-  
CFA, KGF

V  
FAX

**From : ORDNANCE FACTORY BOARD  
(MM DIVISION), KOLKATA**

**To : AMMUNITION FACTORY, KIRKEE**

1707/FP/MM/DP/1390 DT 12.8.02. KIND ATTENTION SR GM. REFER FY. PROPOSAL UNDER LETTER NO.3253/200060/E/L/D DT. 6.7.02 REGARDING PROCUREMENT OF FUZE PERCUSSION DA NO.162 MK 2(M-2) QTY.274968 (134 LOTS).TPC/OFB HAS CONSIDERED AND APPROVED PLACEMENT OF ORDERS ON (1) M/S SANDEEP METAL CRAFT, NAGPUR (2) M/S. SHANTI ARMS TECH, NAGPUR (3) M/S.PRIYA PRECI, NAGPUR (4) M/S. ASHOKA INDUSTRIES, KOLKATA (5) M/S. NAVEEN TOOLS, KOLKATA (6) M/S. HYDERABAD PRECISION, HYDERABAD (7) M/S. TIRUPATI INDUSTRIES, KOLKATA & (8) M/S. ASHA INDUSTRIES, KOLKATA FOR QTY. 17 LOTS (34884 NOS.) ON EACH FIRM AT THE SAME RATE OF RS.305.82 EACH (ALL INCLUSIVE) F.O.R. AFK BASIS WITH PROVISION OF 23% OPTION CLAUSE AGAINST EACH SUPPLY ORDER AND THE OPTIONCLAUSE WILL BE OPERATED WITH PRIOR APPROVAL OF OFB. THE TOTAL QTY. HAS BEEN COVERED FOR 136 LOTS

(279072 NOS.) AND THEREFORE 23% OPTION CLAUSE HAVE BEEN PROVIDED. IN RESPECT OF M/S. SANDEEP METAL CRAFT THE PRICE IS INCLUSIVE OF 16% ED AND 5.4% ST. IN RESPECT OF M/S. SHANTI ARMS TECH PRICE IS INCLUSIVE OF ED-NIL OTHER FIRMS THE PRICE IS INCLUSIVE OF ED @ 16% AND ST @ 4%. THE ALL INCLUSIVE PRICE WILL BE FIRM AND FIXED. ANY INCREASE OVER THAT INDICATED ABOVE SHALL BE ABSORBED BY THE FIRMS. KIND REGARDS.

Sd/-  
Dy. Director/MM  
For Director General, Ordnance Factories

## **Answer**

### **A QUESTIONABLE PROCUREMENT**

The case pertains to procurement of Fuze DA 162 OF 274968 Nos. for AFK. Limited Tender Enquiry (LTE) was floated to six established firms on 5.4.2002 as per approval of Vendor Selection List (VSL) with 16.4.2002 as the tender opening date. Two firms namely M/s. Priya Preci and Shanti Arms, both from Nagpur, requested GM, AFK on 8.4.2002 to give them the tenders since they too were established suppliers on the strength of their supply to OF, Chanda. GM, AFK postponed the tender opening to 16<sup>th</sup> April, 02 and again initiated VSL for inclusion of these two firms. Though all members approved, the CFA, KGF demurred and raised certain observations. The tender opening dates were repeatedly postponed first to 30<sup>th</sup> April, 02 and then to an indefinite date and the issue of inviting the two aforementioned firms to tender was discussed in the TPC meeting Level-I on 2.5.02. CFA, KGF again expressed his reservation about the two firms' inclusion; this was agreed to by GM, AFK, and decision was taken to drop the proposal to include two firms by the TPC.

OFB vide their fax dated 8.5.2002 in response to AFK's letter of 6.5.02 communicated to AFK (with copy to CFA, KGF) the OFB/TPC 's decision to invite the two firms to tender. Whereupon CFA, KGF in his letter dated 16.5.02 to GM, AFK wrote that inviting the two firms (M/s Priya Preci and Shanti Arms) would be incorrect for the following reasons.

- i. The firms are sought to be included in the last moment, after tenders have been invited, on the strength of they being established suppliers to another factory; no subject order enjoins their inclusion since customer reserves the right to seek tenders as per Government orders. He further stated that postponement of the tender opening dates for such reasons and at the eleventh hour is violative of the DGS&D orders.
- ii. OFB is clearly not within its power to issue directives to a subordinate authority to include/delete firms for the purpose of inviting tenders (a delicate issue), even though based on the estimated cost, the final approval of the instant case lay with them.



- iii. Based on past experiences, these two firms form a part of the Nagpur Group of firms as it were, and there was no hope for more competition being generated with their inclusion; they would perhaps even join the cartel.
- iv. Defence procurement almost deemed emergent has been wantonly delayed.

He hence conveyed his regrets to agree with OFB's decision lamenting that his conscience came in the way.

Notwithstanding the reservations of CFA, KGF, the TPC Level I met at AFK on 13.6.02 to decide the case. It appears the two firms were invited to tender as per OFB's decision and thus eight firms in all quoted for the item. All the firms quoted the same rate of Rs.305.82 (inclusive of ED& ST) and same payment terms, thus forming a cartel. CFA, KGF in a dissenting note appended to the minutes of the TPC reiterated his earlier reservations about the inclusion of the two firms. He regretted his inability to recommend the case in view of the following.

- i) Last minute inclusion of the two firms had vitiated procurement action.
- ii) The cartel of six has now been converted into a cartel of eight firms (who depend on ordnance factories for survival) for such a large procurement and this warrants action as per Government orders to generate competition.
- iii) Source development through advertised tenders be resorted to.

The TPC recommended that since the value exceeds the GM's financial powers, the case be sent up to OFB to take a decision based on the firms' past performance and CFA's observation at Appendix 'A' to the minutes.

OFB vide its fax dated 12.8.02 to AFK communicated that as per decision taken by OFB/TPC, orders may be placed on all the eight firms for a quantity of 17 lots (34884 Nos.) at the all inclusive rate (Basic +ED+ ST) of Rs.305.82 each that shall be firm and fixed. Further 23% Option clause against each supplier was to be kept to be operated with prior approval of OFB.

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### **Summary of Points:**

1. Limited Tender Enquiry (LTE) was floated to six established firms on 5.4.2002 as per approval of Vendor Selection List (VSL).
2. 16.4.02 was the tender opening date.
3. Two firms namely M/s. Priya Preci and Shanti Arms, both from Nagpur requested GM, AFK on 8.4.2002 to give them the tenders since they too were established suppliers on the strength of their supply to OF, Chanda.
4. GM, AFK postponed the tender opening to 16.4.02 and again initiated VSL for inclusion of these two firms.
5. Though all members approved, the CFA, KGF demurred and raised certain observations.

6. The tender opening dates were repeatedly postponed first to 30.4.02 and then to an indefinite date.
7. The issue of inviting the two aforementioned firms to tender was discussed in the TPC Meeting Level-I on 2.5.02.
8. CFA, KGF again expressed his reservation about the two firms' inclusion; this was agreed to by GM, AFK, and decision taken to drop the proposal.
9. OFB vide their fax dated 8.5.02 in response to AFK's letter of 6.5.02 communicated to AFK (with copy to CFA, KGF) the OFB/TPC's decision to invite the two firms to tender.
10. CFA, KGF in his letter dated 16.5.02 to GM, AFK wrote that inviting the two firms (M/s. Priya Preci and Shanti Arms) to tender would be incorrect for four reasons and conveyed his regrets to agree with OFB's decision.
11. TPC Level I again met at AFK on 13.6.02 to decide the case. All the eight firms quoted the same rate of Rs.305.82 (inclusive of ED&ST) and same payment terms, thus forming a cartel.
12. CFA, KGF in a dissenting note appended to the minutes of the TPC reiterated his earlier reservations about the inclusion of the two firms and regretted his inability to recommend the case and instead suggested that source development through advertised tenders be resorted to.
13. The TPC though recommended that the case be sent up to OFB to take a final decision.
14. OFB vide its fax dated 12.8.02 to AFK communicated that as per decision taken by OFB/TPC, orders may be placed on all the eight firms for a quantity of 17 lots (34884 Nos.) at the all inclusive rate of Rs.305.82 each.

Qn.2. You are working as SO(A) in the administration section of a CDA Office. Put up a draft D.O. letter from your CDA to Joint CGDA(Admin) bringing out the requirement of additional funds under office contingency for various activities your office proposes to undertake in the current financial year to give the office a facelift. The justification for additional funds may be brought out clearly. (50 Marks)

### **Answer**

**ABC, IDAS  
Controller**

**D.O.No.AN/Cont/2004-05  
Office of the CDA(XYZ)  
Dated the .....**

Dear

This is regarding allotment of additional fund under "Office Contingency" for our office.

2. As you are aware, there are many fronts in the office that have unfortunately not been attended to in the past several years which I propose to address in the current fiscal. One such is replacement of the wooden cupboards with steel ones. Another are that needs to be

looked into immediately concerns clean/cool drinking water which as of date cannot be provided to the staff/officers because the water coolers are out of order and aquaguards have not yet been installed. Yet a third area that cries out for attention is providing desert coolers in the office. I hardly need to emphasize the urgency of these items.

3. a. Wooden Cupboards were purchased for this office sometime around 1960. They have outlived their utility. Almost all the cupboards are damaged and the numerous holes in them facilitate rats to enter and destroy previous records/files. But we have no choice in storing our documents. I personally feel that we need to immediately purchase about 100 steel almirahs, each costing about Rs.5000/-. This would cost about Rs.5 lakhs.

b. Similarly, as referred in para 2, all the water coolers are non-functional. They too need repair and replacement; even few new ones have to be purchased. Plus there are no water purifiers in the form of aquaguard. I plan to install about 10 aquaguards. The total estimated cost for these items would work out to Rs.4 lakhs.

c. Almost a close item of the former that needs looking into concerns installation of desert coolers. You would be amazed to know that this office that is located in an area where the summer temperature climbs up to 42-43 degree Celsius and has a fairly dry climate has no desert coolers at all. I propose to procure about 40 desert coolers before the next summer. This would work out to about Rs.2 lakhs.

d. Further there are plenty other areas that need to be looked after – almost immediately.

4. May I request you to kindly allot atleast another Rs.10 lakhs immediately so that the above urgent item of works are attended to. I shall be grateful for your positive response.

Yours truly,

(ABC)

Shri AK, IDAS  
Joint CGDA(AN)  
Office of the CGDA,  
West Block-V, RK Puram,  
New Delhi-110 066.

**Qn.3.** Government of India, Ministry of Finance, Department of Expenditure vide their letter No.105/2004-IC dated 1.3.04 has conveyed sanction for merger of 50% of Dearness Allowance/Dearness Relief with Pay/Pension to Central Government Employees w.e.f. 1.4.04. Various PCsDA/CsDA have raised points of doubt on the following subjects:

- (i) Whether Dearness Pay is to be treated as Basic Pay for the purpose of payment of Non-practising Allowance (NPA)?
- (ii) Whether Dearness Pay is to be considered for ceiling limit of Rs.29,500 as per Govt. of India decision 2 below Rule 9 of FR. In certain cases Basic Pay + Dearness pay exceeds the limit of Rs.29,500. How is NPA to be regulated in such cases?

- (iii) CCA/Tribal Area Allowance/Special Compensatory (Hill)/Special Compensatory (RL) Allowance are at present paid based on pay range of basic pay. When Dearness Pay is added, the pay range gets changed. In such an event whether these allowances can be paid based on the new slabs arrived at by adding DP or the existing pay range alone has to be followed pending receipt of amendment of existing pay range?

Consider that you are working as a Section Officer (A) in the Headquarters office. Put up an office note bringing out the above issues and seeking a decision on the subject.

(50 Marks)

## **Answer**

### **OFFICE NOTE**

**Sub: Clarification on the various doubts raised by PCsDA/CsDA on the applicability of Govt. of India, Ministry of Finance, Deptt. Of Expenditure letter No.105/1/2004-IC dated 1.3.04 conveying sanction for merger of 50% of Dearness Allowance/Dearness Relief with Pay/Pension to Central Govt. employees w.e.f. 1.4.04.**

Govt. of India, Ministry of Finance, Deptt. Of Expenditure vide their letter No.105/1/2004-IC dated 1.3.04 has conveyed sanction for merger of 50% of Dearness Allowance/Dearness Relief with Pay/Pension to Central Govt. employees w.e.f. 1.4.04. The same was circulated to all our offices vide this office circular of even no. dated 15.3.04.

2. We have received communications from several PCsDA/CsDA (placed below from PUC 'A' to 'J') raising various points of doubt on the subject. The important issues concerns:

(i) Whether Dearness Pay is to be treated as Basic Pay for the purpose of payment of Non-practicing allowance (NPA)?

(ii) Whether Dearness Pay is to be considered for ceiling limit of Rs.29,500 as per GoI decision 2 below Rule 9 of FR. In certain cases Basic Pay + Dearness Pay exceeds the limit of Rs.29500. How is NPA to be regulated in such cases?

(iii) CCA/Tribal Area Allowance/Special Compensatory (Hill)/Special Compensatory (RL) Allowance are at present paid based on pay range of basic pay. When Dearness Pay is added, the pay range gets changed. In such an event whether these allowances can be paid based on the new slabs arrived at by adding DP or the existing pay range alone has to be followed pending receipt of amendment of existing pay range?

3. (i) As regards the issue raised at para 2(i), it is felt that Dearness pay being a part of pay must be counted with Basic Pay for the purpose of calculation/payment of Non-Practicing Allowance (NPA) after 1.4.2004. The payment of NPA thus may be made on the Basic Pay as well as on Dearness pay.

(ii) Apropos of the second issue, it may be said that the ceiling that pay plus NPA does not exceed Rs.29,500 per month as per Government of India decision 2 below Rule 9(21) of FR is only applicable when Basic Pay + NPA exceeds Rs.29,00 ceiling. In addition, Dearness Allowance was paid on Basic Pay + Stagnation increment + NPA prior to 1.4.2004. Now that Dearness pay forms part of Basic pay, it is our considered view that the ceiling limit needs to be revised. A decision may be taken to refer the matter to Ministry of Defence for clarification.

(iii) As regards the third issue, CCA/Tribal Area Allowance/Special Compensatory (Hill)/Special compensatory (RL) Allowance was being paid based on the pay range (Basic pay + Stagnation Increment + NPA) prior to 1.4.04. It is felt that the Dearness Pay w.e.f. 1.4.04 shall not count with Basic pay for purpose of calculation/payment of these allowances. But the issue is not free from doubt as per the extant subject orders. A decision may have to be taken so that the same is communicated to the various PCsDA/CsDA.

Submitted for orders.

Sd/-  
Section Officer(A)

Sr. AO  
ACGDA

**Q.4.** Government of India, Ministry of Civil Aviation, New Delhi OM No.AV.18050/24/94-ACIA (Vol.II) dated 13.1.2004 reads as follows:

**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 1.10.2002 on the subject notified above stipulating that government servants who are entitled to travel by air under the Supplementary Rules may be permitted to travel by a private airlines, 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. It was also desired therein that Ministries/Departments of GOI should adhere to the instructions on the subject and in case circumstances warrant, Ministry of Civil Aviation may be approached for necessary relaxation.

2. It has now been decided that the power to give relaxation in cases where travel by private airlines by the officials becomes absolutely necessary may be delegated to the concerned Ministries/Department. The relaxation may be approved by the Secretary of the Ministry on the recommendation of the F.A. concerned.

3. Ministries/Departments are, however, requested to ensure that the instructions on the subject should be scrupulously followed and travel by private airlines may not be resorted to as a matter of routine.

Sd/-  
Director

Government of India, Ministry of Civil Aviation, New Delhi OM No.AV.18050/24/ 94-ACIA dated 13.6.2004 reads thus:

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

In continuation of this Ministry's OM No. AV.18050/24/ 94-ACIA (Vol.II) dated 13.1.2004 regarding revised guidelines for air travel by government servants, the undersigned is directed to clarify that eligible Government officials may travel by private airlines in case direct point to point connectivity is not available on Indian Airlines/Alliance Air and the same is available on private airlines.

Sd/-  
Director

Explain the orders with illustrations in the form of a circular so that the same is uniformly made applicable in all the concerned sections of your CDA office. (50 Marks)

**Answer**

Government of India, Ministry of Civil Aviation OM No.AV.18050/24/ 94-ACIA dated 3.6.2004 and OM No.AV.18050/24/ 94-ACIA (Vol.II) dated 13.1.2004 are reproduced as Annexure 'A' and 'B' to this circular for information, guidance and for taking necessary action.

Salient Features:-

1. Eligible officers can travel by private airlines in case direct point-to-point connectivity is not available on Indian Airlines/Alliance Air but the same is available on private airlines.
2. Direct point-to-point connectivity implies that one can travel from one station to another without changing flights at in-between station(s). The implication of this clarification is explained through examples as given below.

Example No.1:

There is no direct flight between Pune and Hyderabad by Indian Airlines/Alliance Air. Indian Airlines flights are available via Mumbai. However, officer will have to change the flight at Mumbai, whereas an officer can travel directly from Pune to Hyderabad by a private airlines ( in this case Sahara Airways) and reach Hyderabad without changing flights. Thus entitled officers can travel by private airlines between Pune and Hyderabad.

Example No.2:

If an officer has to travel by Indian Airlines from Pune to Chennai, he has to get down at Bangalore and board another flight for Chennai. Hence there is no direct point-to-point

connectivity by Indian Airlines between Pune and Chennai. Whereas by private airlines, officer can reach Chennai without change of flight at Bangalore. Hence, there is a point-to-point connectivity for journey by private airlines between Pune and Chennai. Therefore, entitled officers can travel by private airlines between Pune and Chennai.

**DEFENCE ACCOUNTS DEPARTMENT**

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

**October, 2004**

**SUBJECT 'D'- 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'**

**Q.1** The Trial Balance of M/s Mani & Co on 31st December, 2003 is given below. You are required to prepare Trading Account, Profit and Loss Account for the year ending 31st December, 2003 and Balance Sheet on that day after taking into account the given adjustments:

**TRIAL BALANCE**

<b>Particulars</b>	<b>Dr. Rs.</b>	<b>Particulars</b>	<b>Cr. Rs.</b>
Purchase	98000	Capital	70,000
Patent Rights	4000	Provident Fund	7,000
Building	1,00,000	Creditors	45,000
Stock(01-01-2003)	15,000	Bank Loan	12,000
Printing and Stationery	1,750	Sales	1,58,000
Sundry Debtors	35,000	Reserver for doubtful debts	250
Wages and Salaries	11,000	Purchase returns	3,500
Audit Fees	700		
Sundry expenses	3,500		
Furniture and Fixtures	8,000		
10% Investment(Purchase date 30-06-03)	10,000		
Cash	4,000		
Provident Fund contribution	800		
Carriage Inwards	1,300		
Trade Expenses	2,700		
	<b>2,95,750</b>		<b>2,95,750</b>



Adjustments:

1. Closing stock is valued at cost Rs. 15,000 while its market price is Rs. 18,000
2. On 31st December 2003 the stock of stationery was Rs. 500
3. Reserve for bad and doubtful debts at 5% of debtors
4. Depreciate building at 5% and patents at 10%
5. Interest on capital is to be provided at 5%
6. Goods worth Rs. 10,000 were destroyed by fire. The insurance company admitted a claim for Rs. 8,000.

**Ans.1.**

### TRADING

Dr.			Cr.		
Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To opening stock		15,000	Sales		1,58,000
To Purchase	98,000		By Goods destroyed by fire		10,000
Less: Return	3,500	94,500	By closing stock		15,000
To wages and salaries		11,000			
To carriage inwards		1,300			
To gross profit c/d		61,200			
		<b>1,83,000</b>			<b>1,83,000</b>
<b>PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2003</b>					
To printing & stationery	1750		By gross profit b/d		61,200
Less: stock of unused	500	1250	By interest on investment due		500
To Audit fees		700			
To sundry expenses		3,500			
To trade expenses		2,700			
To PF contribution		800			
To depreciation					
Building	5000				
	400	5,400			
To RBDD account					
Bad debts	0				
Add: new reserve	1750				
	<b>1750</b>				
Less: Old reserve	2,50	1,500			
To loss by fire accounts		2,000			
To net profit		43,850			
		<b>61,700</b>			<b>61,700</b>

### **Profit & Loss appropriation account for the year ended 31st December, 2003**

Dr.	Rs.	Cr.	Rs.
To interest on capital account	3,500		43,850
To net profit transferred	40,350		
	<b>43,850</b>		<b>43,850</b>

**BALANCE SHEET AS AT 31st DECEMBER, 2003**

<b>Liabilities</b>		<b>Amt. Rs.</b>	<b>Asset</b>		<b>Amt. Rs.</b>
Capital	70,000		Patent rights	4000	
Interest on capital	3500		Less: depreciation	400	3600
Net profit	40350	<b>1,13,850</b>	Buildings	100000	
			Less: depreciation	5000	95,000
Provident Fund		7,000	Sundry debtors	35000	
Creditors		45,000	Less: new reserve	1750	33,250
Bank Loan		12,000	Furniture & fixtures		8,000
			10% investments	10,000	
			Add: interest accrued	500	10,500
			Cash		4,000
			Insurance claim receivable		8,000
			Closing stock		15,000
			Stock of unused stationery		500
		<b>1,77,850</b>			<b>1,77,850</b>

**Working notes**

Interest accrued on investments:

$10000 \times 5\% \times 6/12 = \text{Rs } 500$  (for 6 months)

Interest on capital:

$70000 \times 5\% = \text{Rs } 3500$

Closing stock is considered at Rs. 15,000/(which is lesser than Rs 18,000)

Stock of used stationery to be deducted from printing & stationery and shown as asset

**Section - 'B'**

Question 1(a) The following is the Trial Balance of R & Co. showing debit total of Rs. 3,18,200 and credit total of Rs. 3,76,200. You are required to ascertain the correct total of Trial Balance after pointing out errors causing the disagreement:

**Trial Balance as on 31-12-2003**

<b>Head of account</b>	<b>Debit (Rs.)</b>	<b>Credit (Rs.)</b>
Capital		1,00,000
Cash in hand	1,200	
Bills payable	22,000	
Bills receivable		20,000
Purchases	1,20,000	
Opening stock	35,000	
Creditors	24,000	
Sales		2,00,200
Bad debts reserve	1,000	

Debtors		50,000
Plant & Machinery	60,000	
Furniture	15,000	
Rent & Taxes	5,000	
Drawing	5,000	
Wages	10,000	
Income Tax		6,000
Salaries	20,000	
	<b>3,18,200</b>	<b>3,76,200</b>

**Ans.1(a)**

Transaction	Dr.(Rs.)	Cr.(Rs.)
Total as per trial balance	318200	376200
Bills payable being credit balance but shown as debit balance	<u>-22000</u>	<u>+22000</u>
	<b>296200</b>	<b>398200</b>
Bills receivable being debit balance but shown as credit balance	<u>+ 20000</u>	<u>- 20000</u>
	316200	378200
Creditors being credit balance shown as debit balance	<u>- 24000</u>	<u>+24000</u>
	292200	402200
Bad debt reserve being credit balance shown as debit balance	<u>- 1000</u>	<u>+1000</u>
	291200	403200
Debtors being debit balance shown as credit balance	<u>+ 50000</u>	<u>- 50000</u>
	341200	353200
Income tax being debit balance shown as credit balance	<u>+ 6000</u>	<u>- 6000</u>
	<b>347200</b>	<b>347200</b>

Redrafted Trial Balance as at 31st December, 2003

Head of account	Dr.(Rs)	Cr.(Rs)
Capital		1,00,000
Cash in hand	1,200	
Bills payable		22,000
Bill receivable	20,000	
Purchases	1,20,000	
Opening stock	35,000	
Creditors		24,000
Sales		2,00,200
Bad debts reserve		1,000
Debtors	50,000	
Plant & Machinery	60,000	

Furniture	15,000	
Rent & Taxes	5,000	
Drawings	5,000	
Wages	10,000	
Income Tax	6,000	
Salaries	20,000	
	<b>3,47,200</b>	<b>3,47,200</b>

(b) Choose the correct answer

I. Income and expenditure account records transaction of:

1. Capital nature only
2. Revenue nature only
3. Both revenue and capital
4. None of the above

II. In single entry system, it is not possible to prepare:

1. Trial balance
2. Balance sheet
3. Receipt and payment account
4. Account sales

III. Depreciation is charged on:

1. Capital
2. Scrap value
3. Fixed assets
4. Stock value

IV. Cost of Goodwill is chargeable to:

1. Capital
2. Revenue

**Ans. (b)**

- I. 2 Revenue nature only
- II. 1 Trial balance
- III. 3 Fixed assets
- IV. 1 Capital

**Question.2(a)** From the following particulars, prepare a Bank Reconciliation Statement showing the balance as per Cash Book on 31st March, 2004.

**Amount inRs.**

(a) Balance as per Pass Book	8,000
(b) Cheques deposited but not credited by the Bank	1,000
(c) Cheques issued but not presented for payment	500
(d) Cheques deposited into bank without recording in the Cash Book	600
(e) Cheque issued to Creditors without recording in the Cash Book	700

(f)	Dividend collected by the Bank not recorded in Cash Book	100
(g)	Debtors directly deposited into bank not recorded in Cash Book	2,000
(h)	Debit side of the Cash Book was undercast by	1,000
(i)	Bank charges debited in the Pass Book not recorded in the Cash Book	50
(j)	Bank met a Bill Payable for Rs. 1,000 on 30-03-04 under advice to firm on 02-04-04	
(k)	Bill for Rs 2,000 discounted for Rs 1,900 returned dishonored by Bank, noting charges	10
(l)	Bill for Rs 1,000 discounted with Bank is entered in Cash Book without recording discount charges.	100

**Q.2. Ans.**

		<b>Amount in Rs.</b>
Balance as per Pass Book		8,000
<b>Add:</b>		
Cheque deposited but not credited by the Bank	1000	
Cheque issued to Creditors without recording in the Cash Book	700	
Bank charges debited in the Pass Book not recorded in the Cash Book	50	
Bank met a Bill Payable not recorded in Cash Book	1,000	
Bill discounted and dishonored by Bank, not entered in cash Book	2,010	
Bill discounted with Bank without recording discount charges	<u>100</u>	<u>4,860</u>
		<b>12,600</b>
<b>Less:</b>		
Cheques issued but not presented for payment	500	
Cheques deposited into bank without recording in the Cash Book	600	
Dividend collected by the Bank not recorded in Cash Book	100	
Debtors directly deposited into bank not recorded in Cash Book	2,000	
Debit side of the cashbook was undercast by	<u>1,000</u>	<u>4,200</u>
		<b>8,600</b>

- (B) Where do the following items appear in Balance Sheet: Asset side or Liability side ?
- Closing stock
  - Outstanding expenses
  - Outstanding income
  - Expenses paid in advance
  - Income received in advance

Ans. (B)

i.	Closing Stock	Asset side
ii.	Outstanding expenses	Liability side
iii.	Outstanding income	Asset side
iv.	Expenses paid in advance	Asset side
v.	Income received in advance	Liability side

(C) Why is it necessary to provide depreciation ?

- **To ascertain true profit or loss**

A loss in the value of asset contributes earning of profit. Hence depreciation to be considered as an expense and charged to P & L account.

- **To represent true financial position**

Balance sheet to exhibit true and fair financial position. Fixed asset must be shown at their proper value. Depreciation enables to present the fixed asset at their true value.

- **Replacement of fixed assets**

The loss of money value of the asset must be made out of the revenue of each year. The loss may be spread over to the working life of the asset if depreciation is allowed, replacement of asset becomes easily possible.

**Q. 3 (a)** On 1st January, 2003, the Bad Debt Reserve was Rs. 2400. The Bad Debts during the year amounted to Rs. 1700. The Debtors at 31st December, 2003 are Rs. 58,000 and a new reserve of 5% is required. Make the necessary Journal entries, prepare the Ledger Account and Balanced Sheet.

(b) What does Trial Balance help to detect ?

(c) How would each of the following classified ? Capital Expenditure or Revenue Expenditure

- Spent Rs. 20,000 for remodeling the Factory. The value of Factory enhanced by Rs. 15,000
- A sum of Rs. 2500 paid for installation of a machine costing Rs. 2,000
- An old machine costing Rs. 3,000(WDV Rs 1,800) was sold for Rs. 1,000
- Purchase of Patent rights Rs. 4,000 and renewal fee for the next year Rs. 400
- A sum of Rs. 2,000 spent on a machine comprising of Rs. 400 for replacement of worn out parts and Rs. 1600 for addition of new devices.

**Ans 3(a).**

Journal Entries

2003 Dec, 31	Reserve for Doubtful Debts	Dr.	1700	
	To Bad debts			1700
	(Being transfer of bad debts during the year)			
	Profit & Loss Account	Dr.	2200*	
	To Reserve for Doubtful Debts			2200
	(Being additional provision made to bring reserve to 5% on 58000) * (2900-700)			

Bad Debts account

2003 Dec.,31	To Sundry Debtors 1700	2003 Dec, 31	To Reserve for DD 1700	
2003 Dec., 31	To Bad Debts 1700	2003 Dec, 31	By Balance b/f 2400	
	To balance c/d 2900		By P & L account <u>2200</u>	
	<b>4600</b>		<b>4600</b>	

Profit and Loss account

To Bad debts	1700
To reserve for doubtful debts	<u>2900</u>
	<b>4600</b>
Less old reserve	2400
	2200

Balance sheet Asset Side

Sundry debtors	58000	
Less 5% for doubtful debts	2900	55100

**(b) Ans.**

- Omission to post an entry from subsidiary books
- Posting a wrong amount to ledger account
- Posting an amount on the wrong side of a ledger account
- Errors in casting subsidiary records or ledger account
- Errors in balancing any ledger
- Omission of a balance of any account in trial balance

**(c) Ans.**

- Spent Rs. 20,000/- for remodeling the Factory. The value of Factory enhanced by Rs. 15,000/- capital Rs. 5000/- revenue.
- A sum of Rs. 2,500/- paid for installation of a machine costing Rs. 2,000/-
- An old machine costing Rs. 3,000/- (WDV Rs 1,800/-) was sold for Rs 1,000/- Rs 800 loss revenue
- Purchase of Patent rights Rs. 4,000/- and renewal fee for the next year Rs. 400/-  
Rs. 4000/- patent rights capital

Rs. 400/- renewal fee revenue

- v. A sum of Rs. 2,000 spent on a machine comprising of Rs. 400/- for replacement of worn.

Rs. 400/- worn out parts revenue

Rs. 1600/- addition of new device capital

**Q. 4.** (a) What are the different methods of providing Depreciation ?

(b) What do you understand by the term 'Discounting of Bill' ?

(c) Journalise the following transactions:

- i. Started business with a capital of Rs. 75,000
- ii. Opened a Bank Account with SBI for Rs. 20,000
- iii. Paid Commission to Shri Poddar for Rs. 3,000
- iv. Purchased Goods from Shri K.L.N. Rao & Co. for cash Rs. 10,000
- v. Paid rent out of own resources Rs. 2500

(e) What errors does a Trial Balance fails to disclose ?

**Ans.** (a) Fixed installment method  
Reducing balancing method  
Annuity System  
Depreciation fund method  
Insurance policy method  
Revaluation method

(b) If the holder of the bill wants the amount before maturity, he can discount it with the bank. The bank accepts the bill and advances cash against the bill. The bank advances the amount after the amount of discounting the amount of discount depends on prevailing interest rate and period of the bill. The bank receives the amount on of the bill on maturity date from the drawee.

**Ans.** (c)

i.	Cash account	Dr.	Rs. 75,000	
	To Capital account			75,000
	(The business started with cash)			
ii.	Bank Account	Dr.	20,000	
	To cash account			20,000
	(Cash deposited into bank)			
iii.	Commission	Dr.	3,000	
	To Cash account			3,000
	(Commission paid in cash)			



iv	Purchase account To Cash account (Goods purchased on cash)	Dr.	10,000	10,000
v	Rent account To capital Account (Paid rent from own resources)	Dr.	2500	2500

Ans. (d)

- Error of omission
- Wrong entries in any original record
- Errors of principles
- Compensating errors
- Posting to wrong head of account

### **SECTION 'C'**

**Q.1.(a)** The following is the statement showing the cost of production of an article:

Materials	100.00
Wages	75.00
Prime Cost	175.00
Works overheads	55.00
Work cost	230.00
Office overheads	20.00
<b>Total cost</b>	<b>250.00</b>

100 units were manufactured out of which 90 are sold @ Rs. 300.00. Assuming no difference between expenses charged and actual expenses, reconcile the results, between financial and cost accounts, if in financial books closing stock is valued at works cost. There was no opening stock.

- (b) Make a comparative summary of merits and demerits of time rate system and piece rate system of wage payment.
- (c) Give two examples each of Selling expenses and Distribution expenses.
- (d) Give very short answer:
- i. What is method of costing followed in Darning Industry ?
  - ii. What are two important factors for fixing EOQ ?
  - iii. Given

Receipt	01/06/04	80 Kg @ Rs. 5 per Kg
	01/06/04	
	10/06/04	
	10/06/04	
Issues	02/06/04	60 kg
	02/06/04	
	11/06/04	
	11/06/04	

(i) What is the value of 40 units of closing stock under(i) FIFO and (ii) LIFO ?

**Ans. (a)** Profit as per cost accounts

Total cost of production 100 units @ Rs. 250	25,000
Sale: 90 units @ Rs. 300/-	27,000
Value of closing stock 10 units @ Rs. 250	2,500
<b>Profit</b>	<b>4,500</b>

Trading and profit and Loss account

To materials	10,000	By sales	27,000
To wages	7,500	By closing stock 10 units @ Rs. 230/-	2,300
To works expenses	5,500		
To gross profit c/d	6,300		
To office expenses	<u>29,300</u>		<u>29,300</u>
To net profit	2,000	By gross profit b/d	6,300
	<u>4,300</u>		
	<b>6,300</b>		<b>6,300</b>

### Reconciliation

Profit as per Cost Account	Rs 2,500
Less difference in value of closing stock	Rs 200
Profit as per Financial Account	Rs 4,300

b. Comparative summary Time rate system and wage rate system.

TIME RATE	PEICE RATE SYSTEM
* Related to hours of work	Output given
* Does not encourage efficiency in working	Promotes efficiency

* Does not require any special supervision or inspection to ensure quality	Require careful supervision and inspection
* Individual efficiency neither recognized or rewarded	Results with higher wages
* Could not help in reducing cost	Help in reducing cost
* The benefit of extra production goes to employer	Goes both to employer and employee
* Simple to calculate and easy to understand	Basic rate has to be carefully fixed, to avoid any possible loss due to management due to higher pricing
* No direct bearing on wastage of material	Likely to result in higher wastage, if not properly supervised
* More of idle time	Idle time automatically controlled

**c. Selling and distribution overheads**

Selling overheads: any 2 from

- \* Sales office expense
- \* Salesmen salary and commission
- \* Show room expenses
- \* Advertisement charges
- \* Fancy packing to attract sales
- \* Samples and free gifts
- \* After sales service expenses
- \* Demonstration and technical advice to potential customer etc

Distribution overheads: any 2 from

- \* Warehouse rent
- \* Warehouse staff salaries
- \* Expenses on delivery van and truck
- \* Expenses on special packing for bulk transport like crates, bales, chests etc
- \* Losses in warehouse stocks, finished goods
- \* Cost of repairing & reconditioning of empties and containers

**d. Short Answers:**

- i. Process costing
- ii. Cost of ordering, cost of carrying stock

- iii. FIFO Rs. 240  
LIFO Rs. 220

**Q.2 (a) The four basic factors, which an issue pricing method should satisfy are:**

- i. The issue price should recover the purchase cost of materials.
- ii. The issue price must reflect the current market price.
- iii. The issue price should not cause any significant variation in costs from period to period and
- iv. The issue price should not necessitate heavy adjustments in value at the year end stock verification.

**Complete the following table by putting 'Yes' or 'No' against each method indicating whether criteria is/are satisfied:**

Method	Recovers cost	Reflects market price	Eliminate variation	Avoids years end adjustments
FIFO				
LIFO				
Average Rate				

**Ans. (a)**

Method	Recovers cost	Reflect market price	Eliminates variation	Avoids year end adjustments
FIFO	Yes	No	No	Yes
LIFO	Yes	Yes	No	No
Average Rate	Yes	Yes	Yes	Yes

(b) Calculate from the following data the machine hour rate of machine M 1204:

Cost of machine	105000.00
Estimated scrap value	5000.00
Effective working hours	20000
Monthly running time	150 Hours
Fortnightly amount payable under Annual Maintenance	500.00
Monthly standing charges	500.00
Power used by machine	5 units per hour at 50 paise per unit

**Ans. (b)**

Machine Hour Rate

Depreciation per machine hour

$$\frac{1,05,000-5,000}{20,000} = \text{Rs } 5/-$$

Expense for the monthly period of 150 hours:

Depreciation	150*5	=	750.00
Repair cost	500*2	=	1,000.00
Monthly standing charges		=	500.00
Power	5*150*.50	=	<u>375.00</u>
			<b>2,625.00</b>
Machine Hour Rate	=	$\frac{2625}{150}$	= Rs. 17.50

(c) Write short notes on:

- i. Absorption
- ii. EOQ

**Ans. (c)**

**Absorption:** allotment of overheads to cost unit. The total amount of overhead absorbed should be more or less equal to actual factory expense

#### Criteria

Time taken by various jobs

Distinction between work done by skilled workers and that by unskilled workers

Work done by manual labours and work done on machine

#### Methods

% On material basis

% On prime wage basis

% On prime cost basis

% On combination of material and wage basis

**EOQ:** The optimum quantity to be ordered at one time to enable to earn proper discounts and advantage of bulk transport, without involving heavy payment of interest and blocking of Capital

$$EOQ = \sqrt{\frac{2CO}{I}}$$

Where C = Consumption of articles ( in units) during the year

O = Cost of placing order including the cost of receiving goods

I = Interest payment per unit per year

(d) Write very short answer:

- i. Which method of costing is used in mass production industries
- ii. On which side of the process account, the following item will appear:
  - (i) Material Cost
  - (ii) Labour cost
- iii. What is the common method of accounting for scrap ?

**Ans.(d) Short answer:**

- i. Process costing
- ii. Debit side
- iii. Sales value credited to P&L account as miscellaneous income

**Q. 3.** With reference to the information given below, draft the store ledger records showing quantities & value of receipts, issue and balances in hand under LIFO method. What is the value of consumption and value of closing stock ?

**Cotton Yarn coarse**

**unit**

**kilo**

Date	Transactions	Qty	Rate	Value
Jan, 2004			Rs.	Rs.
1st	Balance	500	20	10,000
3rd	Issue	300		
6th	Purchase	800	22	17,600
8th	Issues	400		
12th	Issues	300		
14th	Purchase	400	25	10,000
20th	Issues	600		
24th	Purchase	500	28	14,000
25th	Issues	300		
28th	Issues	100		

**Ans(a)**

**With reference to the information given below, draft the store ledger records showing**

**Date**

**Purchase**

**Issues**

**Balance**

	Qty	Rate	Value	Qty	Rate	Value	Qty	Rate	Value
Jan, 2004									
1st	Balance						500	20	1000

3rd				300	20	6000	200	20	4000
6th	800	22	17600				200	20	
							800	22	21600
8th				400	22	8800			12800
12th				300	22	6600			6200
14th	400	25	10000				200	20	
							100	22	
							400	25	16200
20th				400	25				
				100	22				
				100	20	14200	100	20	2000
24th	500	28	14000				100	20	
							500	28	16000
25th				300	28	8400	100	20	
							200	28	7600
28th				100	28	2800	100	20	
							100	28	4800

**Value of consumption: 46800**

**Value of closing stock 4800**

- (b) Distinguish between:  
Fixed overheads and variable overheads.

**Ans.(b)**

<b>Fixed overhead</b>	<b>Variable overheads</b>
* Tend to be unaffected by variations in volume output	Direct vary with the variations in volume of output
* Remain constant for a period	Remain constant for a unit
* Called 'period' expense	Called 'volume' expense
* Eg: rent depreciation supervisors salary	Tools, consumable stores, repairs to machinery

(c) Write very short answer:

- i. Why income tax is not included in the costing ?
- ii. What is the effect of increase in the fixed cost on the break-even point ?

**Ans.(c)**

- i. Income tax is an appropriation of profit and as such not included in costing books
- ii. Will raise the break even point

(d) Match the following:

- |                           |                      |
|---------------------------|----------------------|
| 1. Transport organization | a. Multiple costing  |
| 2. Colliery               | b. Output costing    |
| 3. Printing Press         | c. Operating costing |
| 4. Building               | d. Job costing       |
|                           | e. Process costing   |
|                           | f. Contract costing  |

**Ans. (d)**

- |                           |   |                      |
|---------------------------|---|----------------------|
| 1. Transport organization | → | a. Multiple costing  |
| 2. Colliery               | → | b. Output costing    |
| 3. Printing Press         | → | c. Operating costing |
| 4. Building               | → | d. Job costing       |
|                           | → | e. Process costing   |
|                           | → | f. Contract costing  |

**Q.4.(a)** With reference to following information in respect of a manufacturing concern prepare a cost sheet showing Prime cost, works expenses( i.e. 'Factory on cost'), works cost and total cost:

	Rs.
Stock at the beginning	1,05,000
Purchases	3,90,000
Carriage inwards	17,500
Depreciation Plant and Machinery	1,00,000
Depreciation office furniture	3,250
Direct expenses	26,000
Directors fee	30,000
Fuel and power	25,000
Indirect wages	50,000
Insurance	9,000
Labour	2,39,000
Office salaries	66,000



Repairs machinery	57,000
Rent office building	9,000
Rent and taxes factory	20,000
Stationary Factory	10,500
Stationery office	8,750
Sundry expenses	27,000
Stock at the end	1,50,000

**Ans(4)(a).**

Stock at the beginning	Rs 105000	
Purchases	390000	
Less: stock at the end	150000	
Materials used		345000
Labour		239000
Direct expenses		26000
<b>Prime cost</b>		<b>610000</b>
<b>Factory expenses/factory on cost/works expenses</b>		
Fuel and power	25000	
Carriage inwards	17500	
Indirect wages	50000	
Depreciation Plant and machinery	100000	
Repairs machinery	57000	
Rent and taxes Factory	20000	
Insurance	90000	
Stationery Factory	10500	289000
<b>Works Cost</b>		<b>899000</b>
<b>Office expenses/Office cost</b>		
Directors fee	30000	
Office salaries	66000	
Rent office building	9000	
Sundry expense	27000	

Stationery office	8750	
Depreciation office furniture	3250	
<b>Total cost/cost of production</b>		<b><u>144000</u> 1043000</b>

(b) Write very short Answer:

- i. What is the method of costing followed in steel industry ?
- ii. Classify the overhead 'office rent' by function and variability.
- iii. What is the effect on break-even point when selling price is increased ?

**Ans.(b)**

- i. Process costing
- ii. Administrative overhead, fixed variable
- iii. Decrease

(c) Choose the Correct Answer:

- i. Product cost under marginal costing includes:
  - a. Prime cost only
  - b. Prime cost and variable overhead
  - c. Prime cost and fixed overhead
- ii. Which of the following items does not get included in financial books:
  - a. Heavy donations
  - b. Interest on capital
  - c. Notional rent
  - d. All of these
- iii. When sales are at Rs. 80,000 and PV ratio is at 80%, the amount of variable cost is:
  - a. Rs. 64,000
  - b. 16,000
  - c. 48,000
  - d. Cannot be known

**Ans.(c)**

- i. (a) Prime cost only
- ii. (b) Notional rent
- iii. (b) Rs. 16,000/-

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

**October, 2004**

**Subject: ‘E’ – REGULATIONS – Paper VII – PRACTICAL**  
**(WITH BOOKS)**

Time Allowed: 3 Hours

Total Marks : 100

Note:-

- (1) Only TWELVE questions should be attempted – EIGHT from Section I and FOUR from Sections II, III, IV or V as the case may be as specified in Note (2).
  - (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 question 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 to ALL CANDIDATES)**

- Q.1. What will be the rate of Family Pension respecting a Defence Civilian in each of the following circumstances?**
- (a) Death due to natural causes at the age of 70 years. (2 Marks)
  - (b) Death while in service after putting in 10 years continuous service. (2 Marks)
  - (c) Death due to accident in the performance of duties. (2 Marks)
  - (d) Death due to acts of violence by anti-social elements while in service though not in performance of duties. (2 Marks)

- Ans:**
- (a) Normal rate of family pension @ Rs.30% of the pay last drawn subject to a minimum of Rs.1275 p.m and a maximum of Rs.9000 p.m.  
(Auth: GoI, Min. of P, PG&P, OM No.45/10/98-P&PW(A) dt. 17.12.1998)
  - (b) Enhanced rate of Family pension @ 50% of the pay last drawn or twice the amount of normal rate of family pension, whichever is less.  
(Auth: GoI, Min. of P, PG&P, OM No.45/10/98-P&PW(A) dt. 17.12.1998)

- (c) Extraordinary family pension @ 60% of the basic pay subject to a minimum of Rs.2500/-.

**(Auth: CCS (EP) Rules as amended by Dept. of P&PW OM No.45/22/97-P&PW© dt. 3.2.2000)**

- (d) Liberalized pensionary award i.e. family pension equal to last pay drawn until re-marriage/death.

**(Auth: GoI, Min. of P, PG&P, letter No.45/55/97-P&PW(C) dt. 11.9.1998)**

**Q.2** (a) Is payment of pension permissible to be made to a representative of the pensioner? If yes, state the circumstances.

(4 Marks)

- (b) Is there a provision for a pensioner not resident in India to draw his pension in India? If yes, state the conditions.

(4 Marks)

**Ans.** (a) Yes. In the case of severely wounded and infirm pensioners and female pensioners who are not accounted to appear in public. Also, in the case of a Gorkha pensioner living in Nepal. In their cases, personal attendance is not necessary and payment can be made to a representative on production of (a) p.c. (b) Life certificate once in 6 months (c) written authority signed by pensioner.

**(Auth: Rule 73(b) PRA Pt.II)**

- (b) Yes. He can draw his pension through a duly authorized agent possessing a valid power of Attorney who must either produce a Life certificate on each occasion or execute a bond to produce the certificate once a year and to refund overpayments.

**(Auth: Rule 54(b) PRA Pt.II)**

**Q.3** Please state how the following cases are to be dealt with:

- (a) A pensioner invalidated out of service re-enrols himself without disclosing the fact.

(4 Marks)

- (b) A widow after re-marriage furnishes false certificate of continued widowhood signed by pensioner.

(4 Marks)

**Ans:** (a) Disability pension if any, paid after the date of re-enrolment shall be recovered as under:

(i) If he is effective, from his pay and allowances and

(ii) If he is non-effective, from the fresh award of disability pension if any, sanctioned on the termination of his re-enrolment.

**(Auth: Rule 98 PRA Pt.II)**

- (b) It shall be referred to the competent authority for orders as to the manner in which the sum fraudulently drawn by the alleged widow shall be recovered from the pensioners who signed the false certificate.

**(Auth: Rule 101 PRA Pt.II)**

**Q.4.** (a) When is a Commissioned Officer/PBOR paid Constant Attendance Allowance and at what rate?

(4 Marks)

- (b) Distinguish between Invalid Pension & Invalid Gratuity. (4 Marks)

- Ans:** (a) A constant attendance allowance may be granted to an officer/PBOR who is awarded disability pension for 100% disablement if in the opinion of the invaliding officer or resurvey medical board subject to acceptance by the PSA, he/she needs the services of a constant attendant for attest a period of 3 months and the necessity arises solely from the condition of the accepted disability.

The CAA is admissible @ Rs.600 p.m irrespective of the Rank.

**(Auth: Rule 63 (officers)/189(PBOR) of PRA Pt.I as amended by GoI MoD  
Ir. No.PC1(2)/97/d(Pen-C) dt.16.5.2001)**

- (b) Invalid pension/Gratuity is awarded where the officer/PBOR is invalided out of service on account of a disability which is neither attributable to nor aggravated by service or if attributable, the disability is assessed at less than 20%.

The minimum period of qualifying service required for invalid pension is 10 years. For less than 10 years actual qualifying service invalid gratuity is admissible.

**(Auth: Rule 71&72(officers)/197&198(PBOR) of PRA Pt.I)**

**Q.5. Please comment:**

- (a) Under orders of the QMG transfer of fund is carried out from a major work-in-progress to a new major work costing Rs.5 lakhs which is administratively approved. The new work is not included in the year's work programme.

(3 Marks)

- (b) The cost of a project costing Rs.1 lakh is reduced because of the accepted contracts amount to Rs.70,000 only. The CWE within whose technical powers the work falls retains the balance to cover variations in cost due to technical reasons.

(5 Marks)

- Ans:** (a) The transfer of funds is permissible and covered under rules.

**(Auth: Rule 189(a), RMES)**

- (b) The action of CWE is not in order. The approved amount for the project will be reduced by Rs.15000/- under intimation to the CDA. He can retain only Rs.15000/- being 15% to cover variations in cost due to technical reasons.

**(Auth: Rule 193, RMES)**

**Q.6. Is it necessary to associate the CDA in the following cases dealt with by the MES authorities?**

- (a) Payment of advance of Rs.3 lakhs to the State Water Supply and Sewerage Board towards cost of laying water lines for newly constructed quarters.

(2 Marks)

- (b) Taking up a case with the E-m-C for remission of departmental charges on a deposit work costing Rs.1,000.

(2 Marks)

- (c) Reduction of compensation recoverable from a contractor as per conditions of form of contract by a CWE. The contract was concluded by GE.

(2 Marks)

- (d) Settlement of a dispute on the terms and conditions of a contract involving

payment of Rs.5,000 by a C.E.

(2 Marks)

**Ans:** (a) The concurrence of CDA is necessary to make the advance payment.  
(Auth: Rule 298(a) (ii) RMES)

(b) The proposal for remission of departmental charges has to be submitted through the CDA to the E in C who will decide in consultation with the Financial authorities.

(Auth: Rule 312 RMES)

(c) The concurrence of CDA in such cases is not necessary.

(Auth: Rule 494 RMES)

(d) The CE may settle based on equity but with the concurrence of the CDA.

(Auth: Rule 495 RMES)

**Q.7.** On the refusal by a contractor to submit/sign the final bill prepared by the MES, the sum due to the contractor is credited to Sector-K-Deposit by debit to the work concerned. The contractor subsequently attains a decree from Court. Please state how the payment and the related accounting adjustments are to be dealt with.

(8 Marks)

**Ans:** The entire expenditure in satisfaction of the court decree will be charged on the Consolidated Fund irrespective of the fact that a part of the amount might already have been voted out of the consolidated fund and kept as a Deposit in the Public Account. Consequently, the amount kept as a deposit in the Public Account will be retransferred to the Consolidated Fund. The adjustment should be carried out in the accounts of the year in which the payment is made by reversing the adjustment initially carried out (i.e. minus crediting the Deposit Head and minus charging the work head). The entire decretal amount should be charged to the work head against the allotment made under the charged expenditure.

(Auth: Rule 475 RMES read together with Rule 581(C) RMES)

**Q.8.** Please state, if the following is in order citing reasons in support of your answer:

(a) In a case of loss of stores pertaining to M.T. accidents, the C.F.A. proceeds to write off loss based on findings of Court of Inquiry although the case is pending before the Motor Accident Tribunal.

(4 Marks)

(b) The C.F.A. writes off loss exceeding Rs.1,000 in value dispensing with Court of Inquiry in respect of loss of stores at Mumbai Port after landing from the ship. The claim in this regard is accepted by Port Authorities to their maximum liability.

(4 Marks)

**Ans:** (a) This is in order. No loss statement will be pending on account of the outcome of Court/Tribunal judgments to avoid withholding of finalization of loss cases for an indefinite period.

(Auth: Sub Para 3, Rule 160 F.R. Pt.I Vol.I)

(b) The holding of court of Inquiry is not normally necessary in such cases even if the loss/damage exceed Rs.1000/-.

(Auth: Rule 165(d) F.R Pt.I Vol.I)

**Q.9. Please comment:**

- (a) The C.F.A. proceeds to enforce recovery of pay and allowances (including deferred pay) of a P.B.O.R. who at the time of proceeding on leave pending discharge drew the entire amount of leave pay (including deferred pay) due to him on the date of discharge but died before expiry of the leave. (4 Marks)
- (b) The Scientific Advisor to the R.M. passes an order remitting overpayment on account of traveling allowance to a Scientist 'B' challenged in audit 12 months after the date of payment. The amount involved in this case is Rs.650. (4 Marks)

**Ans:** (a) Not in order. The amount of pay and allowances (including deferred pay) overdrawn shall be treated as written off.

(Auth: Note 6 below Rule 179 F.R Pt.I Vol.I)

- (b) Not in order. Such overpayment will be regularized under orders of the Govt. of India.

(Auth: Note below Rule 181 read together with Rule 61 F.R Pt.I Vol.I)

**Q.10. How will you decide the following?**

- (a) A Firm applies for issue of a duplicate receipt issued to them for money received on Govt. account alleging that the original has been lost by them and now required to be shown to their Auditors. (4 Marks)
- (b) The following receipts are received without being stamped with revenue stamp: (4 Marks)

(i) Receipt for pay by a Sepoy engaged as Security Assistant in a DRDO Lab. The appointment is tenable by a civilian.

(ii) Receipt for advance paid to M.T.Driver of Army for Rs.500 for payment of fine awarded by a Civil Court.

**Ans:** (a) This is not permitted. A certificate may be given that on the specified date, a certain sum on a certain account was received from the firm.

(Auth: Rule 44 F.R Pt.II)

- (b) (i) When a soldier holds an appointment which is open to a person not enrolled, he is not held to be serving in the capacity of a soldier for being exempted from receipts.
- (ii) This does not come under the exemption from receipts and hence chargeable with stamp duty under the general rules.

(Auth: Note 4 below clause (d) of Rule 48(2) & clause (g) of Rule 48(3) of F.R Pt.II)

**Q.11. Please comment on the following:**

- (a) A Govt. servant posted at Delhi goes on tour to Mumbai for 45 days. He stays at Pune and travels to & fro between Mumbai & Pune. In his TA claim, he claims DA at the rate applicable for Mumbai. (2 Marks)
- (b) A Govt. servant returned to Hqrs. on the same day after tour to an expensive locality. He claims DA at expensive locality rate. (2 Marks)
- (c) A Govt. servant avails Restricted Holiday while on tour and claims DA for that day. (2 Marks)
- (d) A Govt. servant transferred from Station 'X' to Station 'Y' claims DA for his widowed daughter residing with him stating she is dependent on him. (2 Marks)

- Ans:**
- (a) He is entitled to DA as admissible for Bombay on all the days he performed official duties at Bombay. On Sundays/Holidays when he would have stayed at Pune, no DA is admissible as he was not actually present at the place of duty. (Auth: G.I.O.(2) below S.R.72)
  - (b) He is eligible only for DA at ordinary rates since he returned to HQrs on the same day. (Auth: G.I.O.(3) below S.R.51)
  - (c) He is not entitled to DA during R.H on tour. (Auth: G.I.O.(1) below S.R.72)
  - (d) The claim is in order since 'family' for the purpose of TA includes widowed daughter residing with and wholly dependent on the Govt. servant. (Auth: G.I.O.(1) below S.R.2(8))

**Q. 12. Please comment:**

- (a) An officer travels by Deccan Air from Station 'X' to 'Y' and claims LTC restricted to rail fare by Shatabdi Express. (4 Marks)
- (b) A Major serving in Peace Station Kolkata which is his Home Town also claims LTC in respect of wife and children from New Delhi to Kolkata. The family stays at New Delhi for their personal reasons. (4 Marks)

- Ans:**
- (a) No reimbursement is allowed for journey by private airlines. (Auth: CGDA No.AT/IV/4455-VII dt.19.7.2002)
  - (b) Since leave station/Home Town and duty station happen to be the same, no LTC is admissible under either rule 177(A) or (B) of Travel Regulations.



## **SECTION II**

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

- Q.1.** An Army officer on his retirement is re-employed as per particulars given below. You are required to fix his pay on re-employment.

Date of retirement	:	1.8.2001
Date of re-employment	:	28.9.2001
Pre-retirement Pay	:	Rs.17350+Rs.450 stagnation increment
Re-employed Rank	:	Capt.
Revised pension	:	Rs.9900/-

(9 Marks)

<b>Ans:</b>	(a) Maximum permissible pay on re-employment (Maximum of pay scale Lt.Col(T.S.))	} Rs.17100
	(b) Pre-retirement pay (Rs.17350+Rs.450)	Rs.17800
	(c) Protection of pay (Ignorable portion of pension)	Rs.17800 (-) <u>Rs.17100</u> Rs. 700
	(d) Deductible pension (Revised pension minus Ignorable portion of pension)	} Rs. 9900 (-) <u>Rs. 700</u> Rs. 9200
	Hence pay fixed on re-employment	Rs.17100 <u>Rs. 9200</u> Rs. 7900
	<u>Plus</u> Rank pay (on re-employed Rank	Rs. 400
	<u>Plus</u> Revised pension as per entitlement	Rs. 9900

**(Auth: GoI, MoD Lr. No.1(1)/2000/D(Pay/Services) dt. 31.1.2002)**

- Q.2.** (a) Are Gallantry Awards subject to Income Tax in the case of Officers? (2 Marks)
- (b) Can public dues be recovered from monetary allowance for Gallantry Awards payable to NOK of a deceased officer? (2 Marks)
- (c) What is the maximum deductible from the pay and allowances of an officer towards maintenance allowance to wife and children under the Army Act? What is the definition of Pay for this purpose? (5 Marks)

**Ans:** (a) Gallantry Awards are exempt from Income Tax.

**(Auth: A.O.46/79)**

(b) Recovery of public dues is permissible.

(c) The amount of Maintenance Allowance will not exceed 33% of the pay and allowances.

Pay and allowances for this purpose will include:

(i) Basic Pay (including stagnation increment)

(ii) Rank Pay

(iii) Dearness Allowance

(iv) Tech Allowance

**(Auth: A.O.2/2001 & ADG, D&V, AG's Br. AHQrs Lr.No.79333/AG/DV-1(P) dt.17.10.2003)**

**Q.3.** (a) A NCO was in receipt of Good Service Pay at the 1<sup>st</sup> Rate what will be his entitlements on 1.1.96 and on 1.1.98?

(4 Marks)

(b) A Sepoy enrolled on 10.10.85 was not granted regular promotion. When is the first financial upgradation under the ACP scheme due to him? Is he eligible for a second upgradation and if yes, from which date?

(5 Marks)

**Ans:** (a) Rs.16 as on 1.1.96 and Rs.32 as on 1.1.98

**(Auth: GoI No.1(26)/97/III/D/Pay/Services dt.21.7.2000)**

(b) First ACP is due on 7.8.2003 i.e. the date of issue of Govt. letter; Second ACP date is 10.10.2005 i.e. without completion of 10 years from the date of first ACP.

**(Auth: GoI No.14(1)/99-d(AG) dt.7.8.2003)**

**Q.4.** A Sepoy was drawing Rs.3380 in the time scale of pay Rs.3050-55-3875 with date of increment as 1 May. He was promoted as Naik Gp 'B' w.e.f. 1.5.1997. Fix his pay on promotion in the Naik Gp 'B' Scale of pay of Rs.3250-70-4300 and state his next date of increment.

(9 Marks)

<b>Ans:</b>	Sepoy's pay as on 1.5.1997	Rs.3380
Add	Increment w.e.f. 1.5.97 (as Sepoy)	<u>Rs. 55</u>
		Rs.3435
	On promotion	
Add	1 increment in the lower scale	<u>Rs. 55</u>
	National pay as on 1.5.97	Rs.3490
	Stage above the national pay in Pay scale of Naik Gp 'B'	Rs.3530

Hence pay on promotion will be fixed at Rs.3530

Next Date of increment is 1.5.1998

**(Auth: Rule 25(A)(a), P&A Regs(ORs))**

**Q.5.** (a) A JCO was drawing the maximum in the pre-revised scale for more than one year as on 1.1.1996. He was fitted in the revised scale of pay. What will be the date of next increment in the revised scale?  
(3 Marks)

(b) A Recruit was enrolled on 5.4.1996 and attested on 27.12.1996. If the date of musturation is 2.11.1996, fix the increment date.  
(3 Marks)

(c) An OR is re-mustered from a lower to a higher group and his pay is fixed at the next higher stage in the new scale. When is increment admissible to him?  
(3 Marks)

**Ans:** (a) The next increment will be allowed in the revised scale w.e.f. 1.1.1996.  
(Auth: Para 11 of A.I.1/s/98)

(b) Increment is due w.e.f. 2.11.1997

(c) Increment will be admissible on completion of 12 months service from the date of re-mustering.

(Auth: Rule 26, P&A Regs (ORs))

**Q.6.** (a) An officer dismissed from service after putting in 15 years applies for encashment of 225 days leave.  
(3 Marks)

(b) Encashment of 60 days leave is claimed in respect of SSC officer who died in service with less than 5 years of service.  
(3 Marks)

(c) An officer who reports for duty on 31<sup>st</sup> December of the year of commissioning claims accumulation of annual leave for encashment in that year.  
(3 Marks)

**Ans:** (a) Encashment of leave is not admissible to officers dismissed from service.  
(Auth: CGDA Lr. No.AT/I/1312/X dt.3.2.1999)

(b) SSC Officers who die in service with less than 5 years of service are not entitled for any encashment of leave.  
(Auth: CGDA Lr. No.AT/I/1312/XI dt.26.3.2003)

(c) The officer will not be entitled to accumulation of annual leave for encashment in the year of commission.  
(Auth: AHQ Lr. No.B/32238/AG/PS-2(B) DT.3.4.1998)

### SECTION III (Factories Portion)

- Q.1.** (a) How is the increment effected in the wages of IEs? How is the correctness of Increment Certificates ensured by the Account Office?  
(4 Marks)
- (b) What are the conditions governing the employment of casual IEs in Ordnance Factories?  
(3 Marks)
- (c) There are 1800 IEs in an Ordnance Factory. How and by whom will it be ensured that their strength is within the prescribed limits?  
(2 Marks)

**Ans:** (a) Increment certificates are submitted to the Accounts Office by the Management duly completed and signed in the revised form IAFA(456) as and when they are due. Periods of all kinds of leave except EOL taken otherwise than on Medical Certificate will count for increment. Absence from duty lasting for less than a day during the periods of strike/token strike, treated as dies non will not affect the qualifying service for the purpose of grant of increment. Where, however, the period of strike lasts for one full day or more, the increment will be deferred by the number of full days of absence. For the purpose of arriving at the date of next increment in the time scale of the individual, total of all such period, as do not count for increment in that time scale, shall be added to the normal date of increment.

Check on Increment Certificate ensured by the Account Office:

- i. It should be seen that Increment certificates have been signed by the competent authority.
- ii. The increment of progressive salaries have been earned to qualifying service as detailed by the administrative authorities in Increment Certificates.
- iii. Lien Certificates issued by leave sanctioning authority are rendered along with the Periodical Increment Certificates (PIC) of those who proceed on leave while on officiating appointment.

**(Auth: Para 241 of OM Part VI, Vol.I)**

(b) **Ans:** Conditions governing the employment of casual IEs

- i. Men will be recruited in this category only when it is clearly anticipated that they are not likely to be required for more than 6 months.
- ii. It should be clearly stipulated in their terms of appointment that their services will be liable to termination at any time without notice during the first 6 months.

- iii. During the period of employment not exceeding 6 months, these men will be governed by the following conditions:
  1. They will be paid the same monthly rates of pay as are prescribed for the corresponding category of regular IEs and their pay will be met from regular pay or works head of accounts.
  2. Leave and Holiday will be admissible as for other regular IEs.
- iv. If for any reason the appointment is continued beyond 6 months, the individual will not be discharged and re-employed from the same date. Instead, he will be allowed to continue in service without any break and will be treated as regular IE from the date of his original employment as casual IE.

**(Auth: Para 249 of OM Part VI, Vol.I)**

- (c) The overall strength of IEs in each factory for each grade of labour for each trade will be fixed by the OFB and intimated to the branch Accounts Office. Any increase/decrease in strength as approved by it will also be intimated.

The Accounts Office will check the actual strength with the sanctioned strength on receipt of Fy. Order intimating promotions, reversions etc. and bring to the notice of Management any variation noticed by them for regularization.

A register will be maintained for this purpose with the objective to ensure that authorized strength for each trade/grade is not exceeded as a result of promotions/transfer from other Factories and establishments.

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

**Q.2.**

An IE with basic pay of Rs.6,000 works in Section 'X' partly as a Piece Worker (PW) and partly as a Day worker (PW) in August having 4 Sundays and 5 Saturdays. He attends his duty from his factory accommodation which is at a distance of 800 meters from his work place and does not take any leave in the entire month. From the details as given below, find out his emoluments for the month.

(DA @ 40%, HRA @ 15%, CCA @ Rs.150, TA @ 150 is admissible for his pay)

	As a Day worker	As a Piece worker
Attendance	12 days	15 days
Overtime (OT)	26 Hours	24 Hours
Overtime Bonus (OTB)	22 Hours	20 Hours
Piece Work Earning (PWE)		Rs.1500
Time Wages (TW)		Rs.950

(9 Marks)

**Ans:**

Basic pay	Rs.6000/-
DA @ 40%	RS.2400/-
PWE	Rs.1500/-
TW	Rs. 950/-
CCA	Rs. 150/-
HRA	Not admissible to him as he is residing in Fy. Accommodation
TA	Not admissible to him as the distance of his work

place from his residence is less than 1 Km.

$$\begin{aligned}\text{Total OT hours} & 26+24 = 50 \text{ hrs} \\ \text{OT Pay} & (\text{Pay} \times \text{OT hrs})/200 = (6000 \times 50)/200 \\ & \text{Rs.1500/-}\end{aligned}$$

$$\begin{aligned}\text{Rate of OTB(PW)} & \{ \text{Pay}(1+1/4)+2(\text{DA}+\text{CCA}) \}/200 \\ & \{ 6000+1500+5100 \}/200 \\ & 12600/200 \\ & \text{Rs.63 per hour}\end{aligned}$$

$$\text{Amount of OTB(PW)} \text{ Rs.63} \times \text{No. of OTB hrs} = \text{Rs.63} \times 20 = \text{Rs.1260/-}$$

$$\text{Rate of OTB(DW)} \quad \{ \text{Pay} + 2(\text{DA}+\text{CCA}) \}/200 = (6000+5100)/200$$

$$\begin{aligned}\text{Amount of OTB(DW)} \text{ Rs.55.50} \times \text{No. of OTB hrs} &= \text{Rs.55.50} \times 22 \\ &= \text{Rs.1221/-}\end{aligned}$$

The IE is also entitled to be paid Departmental Overtime (DOT) for the period the works as a Day worker. The formula for calculating DOT is given below:

$$\begin{aligned}\text{DOT(DW)} &= \text{OT(DW)} - \text{OTB(DW)} \\ &= 26-22 = 4 \text{ hrs.}\end{aligned}$$

$$\text{Rate of DOT} = (\text{DA}+\text{CCA})/200 = 2550/200 = \text{Rs.12.75 per hr.}$$

$$\begin{aligned}\text{Amount of DOT} &= \text{Rs.12.75} \times 4 = \text{Rs.51/-} \\ \text{Profit} &= \text{PWE} - \text{TW} = \text{Rs.1500} - \text{Rs.950} = \text{Rs.550/-}\end{aligned}$$

$$\begin{aligned}\text{Total Emoluments} &= \text{Basic pay} + \text{DA} + \text{CCA} + \text{OT} + \text{OTB(PW)} + \\ &\text{OTB(DW)} \\ &\quad + \text{DOT} + \text{Profit} \\ &= 6000+2400+150+1500+1260+1221+51+550 \\ &= \text{Rs.12,132/-}\end{aligned}$$

$$\text{Ans. Total Emoluments} = \text{Rs.13,132/-}$$

**(Auth: Para 146 to 151 and Para 207 of OM Part VI, Vol.I)**

- Q.3.** (a) What is the difference between Finished Semi and Unfinished Semi? (1 Mark)
- (b) Describe the procedure for pricing of Semi Statements. (3 Marks)
- (c)
- Ans:** (a) Finished Semi: This is made in the Form IAF(Fac) – 53. This is a list showing the finished items of manufacturing which have passed inspection but could not be dispatched by the factory on 31<sup>st</sup> March.

Unfinished Semi: This is made in the Form IAFO 1706. This is a list showing the items of work in an unfinished stage available in the shops on 31<sup>st</sup> March.

(Auth: Sl.No.39&40 appendix 'B' page 65 of FAR)

(b) Ans: Pricing of Semi Statement

a. At the end of the year, actual stock will be taken by the factory of the unused material and part finished work, full lists being made of all the articles found, showing the stage of manufacture each has reached and the Extract and Work order and Warrant against which the manufacturing has been undertaken. The lists will be forwarded to the Accounts Officer who will, as far as practicable, verify that the quantities of unused stock and part finished work agree with the quantities that should exist in accordance with the accounting records.

b. When there have been no articles finished on a work order, the whole expenditure represents semi-manufacture and the items in the list pertaining to such order need not be valued in detail.

c. In cases where rejections have taken place in the course of manufacture and NRRs/NRMs/Replacement Warrants have been issued, the replacement expenditure that has been booked, should, in addition to the original cost, be distributed between the finished and the unfinished articles in the same proportion in which the original cost is distributed except in cases where it is definitely known or ascertained that the replacement cost solely relates either to the one or to the other.

d. the value of semi manufacture under each work order and warrant will be posted in an abstract and also credited in the relevant cost card under each element of cost. A Master summary will be prepared showing the value of work in progress under each element of cost, work order wise.

e. The total represents the value of WIP as on 31<sup>st</sup> March.

(Auth: Para 48(a) FAR and Paras 713 to 714 of OM Part VI, Vol.II)

(c) From the following data, find out the unit cost of an article produced during 2002-03.

	Direct Labour	Direct Material	VOH	FOH
Opening Semi	Rs.7000	Rs.4000	100%	200%
Expenditure incurred in manufacture	Rs.28000	Rs.32000	100%	200%
Closing Semi	Rs.5000	Rs.4000	100%	200%

(5 Marks)

**Ans:**

	Direct Labour	Direct Material	VOH	FOH	Total Cost
Opening Semi	7000	4000	7000	14000	32000
Current Expdr.	28000	32000	28000	56000	144000
Total Expdr.	35000	36000	35000	70000	176000
Less Closing Expdr.	5000	4000	5000	10000	24000
<b>Total</b>	<b>30000</b>	<b>32000</b>	<b>30000</b>	<b>60000</b>	<b>152000</b>

Cost of 800 articles = Rs.1,52,000/-

Since the rejection is within the specified limits there is no abnormal rejection in the case.

Cost of production of 760 (800-40) articles = Rs.152000

Cost of production of 1 article =  $152000/760 = \text{Rs.}200/-$

Cost per unit = Rs.200/-

**(Auth: Paras 628,679 of OM Part VI, Vol.II)**

- Q.4.** (a) How is the expenditure incurred on development of new item in an Ordnance Factory accounted for? (5 Marks)
- (b) How is the Store Accounts reflected in the Principal Ledger? (4 Marks)

- Ans:** (a) Development expenditure may be divided into three broad stages:
- (a) Manufacture of a pilot batch by experimentation and/or general engineering methods.
  - (b) Establishment of manufacture on batch/bulk production basis having scope for improvements in technique and manufacturing methods.
  - (c) Final establishment of manufacture by standardisation of technique and manufacturing methods for bulk production.

Separate warrants will be issued by Management for each stage of Development as stated above so that the Development expenditure at each stage is identified.

Stores which are successfully priced at the stages (a) and (b) above will be priced at the unit cost from stage (c) plus a portion of the Development expenditure or at other ad-hoc rates decided upon in consultation with the management. After pricing, the amount will be transferred to the sub-turn work order by credit to the development work.

The net expenditure incurred in stages (a) and (b) after taking credit for the value of successful production as stated above will be absorbed in the Cost of



Production for the store ensuring that the whole expenditure is absorbed in 7 years.

The amount of developmental charges remaining unabsorbed against the development series of work orders at the close of the year, will be carried forward in the accounts as “Unfinished Semi” for absorption in future production.

(Auth: Sl.No.7 to appendix ‘A’ page No. 158 of OM Part VI, Vol.II)

Ans. (b)

DR	CR
To Capital Outlay Account: Stores in stock on 1 <sup>st</sup> April	By sale of store Accounts:- Sale of stores during the year (Surplus, obsolete & waste stores)
To Customs Duty Account:- Customs Duty allocated to the cost of stores	By Issues of Store on Payment Account:- Stores issued on payment during the year
To stores cash purchase account: Cost of stores purchased	By overhead expenses account: Indirect stores issued to shops less returned
To store supplied by other Fys account:- Stores received from other factories during the year	By Overhead expenses account: a) Miscellaneous issue of stores b) Loss of stores in transit c) Loss of stores on charge due to:- i) Theft fraud etc. ii) Deficiencies in actual balances not caused by theft fraud etc. iii) Deterioration due to defective storage iv) Other causes  d) Loss on Sale of stores e) Stores adjustment
To Overhead expenses account: a) Miscellaneous receipts b) Surplus at Stock taking c) Profit on sale of stores d) Store adjustments	By work-in-progress account: a) Direct stores issued to shop less returned. b) Issues to other than Defence Deptt., Pvt. Bodies, firms and contractors for manufacture of garments or fabrication of stores.
To manufacture for Factory's own stock account: Value of receipts into stock from own factory manufacture	By Capital Assets account: Transfer from stock to capital
To Capital Assets Account:	By Capital Assets Account Stock pile:

Transfer from Capital to Stock	Transfer from Stock to Capital Stock pile
To Capital Asset Account Stock pile: Transfer from Capital stock pile to stock	By Capital Outlay Account: a) Stores transferred to other Defence Departments b) Stores transferred to other factories c) Issues to salvage (under PSA code No.108)
To Capital Outlay Account: a) Stores transferred from other Defence Departments b) Testing charges allocated to the cost of stores c) Salvages received from external stores (under PSA code 120) d) (i) Ocean freight allocated to cost of stores but not shown in invoice. (ii) Incidental charges on dollar purchase allocated to cost of stores not shown in the voice.	By Balance Account:- Balance of stores in stock on 31 <sup>st</sup> March.
<b>TOTAL</b>	<b>TOTAL</b>

**(Auth: Sl.No.V Annexure 'A' to para 840 Pg 78 of OM Part VI, Vol.II)**

- Q.5.** (a) What are the different systems of tendering adopted in Ordnance Factories?  
(2 Marks)
- (b) A TE for Rs.80,000 square meter of a particular store was floated by an ordnance Factory. The lowest quotation was received from M/s 'X' @ Rs.165 per square meter for full tendered quantity. The lowest rate as above is lowest than the last paid rate of Rs.185 per square meter for the store. At what level of TPC will the case be finalized and what will be the TPC's composition? If the tendered quantity were 15000 square meter only, what would have been the composition of TPC to finalise the case?  
(5 Marks)
- (c) Is it true that TPC is mandatory for all purchases? Explain.  
(2 Marks)

**Ans:** (a) The system of tendering adopted are:  
 (i) Open tender by advertisement.  
 (ii) Limited tender  
 (iii) Single tender of propriety articles and small orders not exceeding Rs.1000/- in value.  
 (iv) Purchase by negotiation.

**(Auth: Para 359 of OM Part VI, Vol.I)**

(b) Ans: Lowest rate received = Rs.165/- per sq.m  
 Tendered quantity = 80,000 sq.m

Value of the case = Rs.165 X 80,000 = Rs.1,32,00,000/-  
(Rs.1.32 Cr.)

Since the value of the case is beyond Rs.1 crore, it will be finalized at OFB TPC-I level.

Composition of Level-I TPC at OFB

Chairman : DGOF  
Members : (i) Member/P&MM  
(ii) Member of concerned operating division  
(iii) Member/Finance  
  
Secretary : DDG/SP

If the tendered quantity in the above case had been 15000 sq.m only:

The value of case = Rs.165 X 15000 = Rs. 24,75,000/- I.e Rs.24.75 lakhs

Since the value of the case is now above Rs.20 lakhs only, it can be finalized by the Level-I TPC at the Factory itself.

Composition of Level-I TPC at Factory:

Chairman : General Manager  
Members : (i) Jt. C of A(Fys) or D C of A(Fys)  
(ii) Manager (User)  
(iii) Manager (Procurement)  
(iv) Other concerned officers  
**(Auth: Paras 360 and 362 of OM Part VI, Vol.I)**

(c) No TPC is necessary for the following:

- (i) For purchases below Rs.50,000/- in value.
- (ii) For purchase of canalized items where both the price and the source of supply are determined by Govt. and Semi Govt. Agencies.
- (iii) For purchase of stores, sub-assemblies, components etc. from collaborators under collaborating agencies.

**(Auth: Paras 360 and 365 of OM Part VI, Vol.I)**

**Q.6.** (a) A Supply Order for 10000 numbers of a particular store was placed on Firm 'x' @ Rs.150 per number. The Firm supplied 10450 numbers of the subject store which were accepted by the factory. What modifications would be necessary in such a situation?

(4 Marks)

- (b) What do you understand by the term “Provisional payments”? On what conditions can the above payments be authorized? In one case requiring provisional payment, there is a difference of opinion between the GM and the AO of the factory. What action can be taken by the GM in such a situation?

(5 Marks)

**Ans:** (a) Original value of the Supply Order = Quantity on SO X Rate of SO  
= 10000 X 150 = Rs. 15,00,000/-

Excess store received and accepted by the factory = 450 numbers

Excess value of stores = Rs.150 X 450 = Rs.67,500/-

% of the value of excess store over the original value of the SO  
= (Excess value of store/Original value of SO) X 100  
= (67500/1500000) X 100  
= 4.5%

OR

5% of the original SO value = (5 X 1500000)/100  
= Rs.75000/-

Which is more than value of excess supply i.e. Rs.67,500/-

**Since the value of excess supply is below the 5% level as prescribed in regulations, no modification to the contract is necessary.**

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

- (b) **Provisional Payments:** Payments made in exceptional circumstances in anticipation of the receipt of the sanction of appropriate authority or of additional funds to cover the expenditure are known as ‘Provisional payments’.

General Manager / DDGOF, OFB HQrs. are competent to authorize provisional payments with the approval of Accounts Officer concerned, Jt. C of A/Dy. C of A/Asst. C of A (Fys) respectively.

Cases may arise where sanction of appropriate authority exists and funds are available yet final payment cannot be made to the parties concerned to the parties concerned on account of lack of documentation or for lack of time for verification of the particulars or for the completion of audit requirements.

Provisional payments will not be authorized when there is no authority. In the case of lack of funds, it should be ensured that the funds would be forthcoming from the OFB. When 3<sup>rd</sup> party payments are involved and there is a definite legal liability to pay. Payment should not be withheld but each case should be decided on its merit and on the strength of legal aspects of the claims, legal advisers being consulted in doubtful cases.

**Difference of opinion between the GM and AO:** In rare cases, where the GM does not agree with the views of the AO, he may authorize provisional payments on his own responsibility and report such cases to the Member concerned with a copy to the Member (Finance). Responsibility of watching clearance of provisional payment cases vests with the GM.

**(Auth: Paras 374 to 378 of OM Part VI, Vol.I)**

## SECTION IV (Air Force Portion)

**Q.1. Comment on the following:**

- (a) Flying Officer Madhav who was granted ante-date of commission duly published in Gazette of India, was allowed to carry back his pay prior to the date of commissioning taking into account the antedate period.

(3 Marks)

- (b) Sqn. Ldr.A.V.Singh was given subsidy for the purpose of children's books when he was on furlough.

(3 Marks)

- (c) A re-employed officer was receiving his pension in addition to his re-employed pay and allowances.

(3 Marks)

**Ans:** (a) The grant of ante-date of commission does not carry back pay prior to the date of commission. Hence the carry back of his pay allowed to flying officer Madhav is not in order.

(Auth: Rule 51 P&A Reg. AF)

- (b) The pay with reference to which the subsidy for the purchase of books given to Sqn. Ldr. Singh on furlough, will be the pay payable to him at the time of proceeding on leave.

(Auth: Rule 103 note-2 P&A Reg.)

- (c) An officer who is in receipt of pension will cease to draw the same during the period of re-employment.

(Auth: Rule 62 P&A Reg. (AF))

**Q.2.** (a) Separation allowance is granted to a divorced officer serving in field who is appointed as legal custodian of his children. Comment.

(3 Marks)

- (b) An officer who was on furlough was granted higher substantive rank. What is his entitlement to pay and allowances?

(3 Marks)

- (c) An airman who is a resident of Andaman and Nicobar Islands was kept waiting at Port Blair, while returning from leave, till he was put on coastal vessel. The period of waiting was treated as duty. Comment.

(3 Marks)

**Ans:** (a) It is in order. The separation allowance is payable to the divorced officer serving in field as he was appointed as legal custodian.

(Auth: Rule 185 P&A Reg. AF)

- (b) In case, an officer is granted higher substantive rank during the period of furlough, he will receive 50% of the pay of that rank from the appropriate date, if it is more favourable than 50% of the pay of the rank held at the time of proceeding on leave.

(Auth: Rule 216 note P&A Reg. AF)

- (c) Yes. It is in order. The period of waiting at Port Blair till he was put on the Coastal vessel while proceeding to or returning from leave is treated as duty.

**(Auth: Rule 4 Exception III leave rules Vol.III)**

- Q.3.** (a) Flt. Lt. Mohanty who was on A.L from 26.12.03 to 20.2.04 was recalled to duty on 10.2.04 and granted balance of unavailed leave on completion of duty and the same was debited against his AL entitlement of 2004. Comment.

(4 Marks)

- (b) Flt. Cadet Abraham who was granted AL for 30 days prior to assuming duty in the unit to which he is posted, was again granted 60 days AL in the same year by the OC of the unit. Comment.

(3 Marks)

- (c) What is the casual leave entitlement of (i) an officer (ii) an airman?

(2 Marks)

- Ans:** (a) Granted to Flt. Lt. Mohanty on completion of duty, consequent of recall to duty, from AL for the year 2004 is not in order. When an officer proceeds on AL, a part of which falls in the next calendar year and recalled to duty, the balance leave granted on completion of the duty will not prejudice his AL entitlement for the latter year.

**(Auth: Rule 7-A Note 1 below (ii) of Leave Rules)**

- (b) It is not in order. The AL granted after completion of training by the OC of the Training Institute will be commuted against the AL entitlement for the year in which he performs duty on expiry of that leave. Therefore, Flt. Cadet Abraham is entitled to balance 30 days AL only.

**(Auth: Rule 19 note Leave Rules)**

- (c) The C.L. entitlement of an AF officer and an airman are 20 days & 30 days respectively.

**(Auth: Rule 18(a) & 38(a) - Leave Rules)**

- Q.4. Offer your comments:**

- (a) An airman while undergoing training as a Flt. Cadet was allowed to draw the pay and allowances of a flying officer.

(3 Marks)

- (b) A Warrant Officer with 4 years of service in that rank, serving in HQ SWAC was given an officiating appointment of Sqn. Ldr. in a vacancy caused due to leave.

(3 Marks)

- (c) Hair cutting/hair cleaning allowance was continued to an airman during his sick leave.

(3 Marks)

- Ans:** (a) The airman while undergoing training as Flt. Cadet is entitled to draw pay & allowances appropriate to his substantive rank/classification as airman. Hence the drawal of P&A that are admissible to a flying officer is not correct.

**(Auth: Rule 233 P&A Reg.)**

- (b) The officiating appointment given is not in order for the following reasons:-
- (i) A WO can't officiate as Sqn. Ldr.
  - (ii) Officiating appointment can't be given in HQ of a Command.
  - (iii) Officiating appointment can be in a vacancy caused due to shortage of officers but not caused by leave.

**(Auth: Rule 274, 275(iii) P&A Reg.)**

- (c) Hair cutting/Hair cleaning allowance is admissible to an airman during such leave. Hence it is in order.

**(Auth: Rule 336 P&A Reg.)**

**Q.5.** (a) Shorthand allowance was admitted to Sgt. Kuruvilla, a qualified stenographer serving in a concessional area. Is it correct?

(3 Marks)

- (b) Flt. Lt. Kumar was summoned by a Court of law as a witness to depose about facts, which came to his knowledge in his private capacity. The period of absence was treated as duty. Comment.

(3 Marks)

- (c) A W.O. who was permitted to live out with his family was staying without his family for a period of 6 months. What is his CILQ entitlement?

(3 Marks)

**Ans:** (a) It is admissible to the airmen of and below the rank of Corporal when they are appointed as stenographers against the authorized vacancies and fulfilling other conditions. In this case, though Sgt. Kuruvilla is a qualified stenographer as he is holding the rank above the prescribed level for stenographer it is not in order.

**(Auth: Rule 372 P&A Reg.)**

- (b) No. If an officer is summoned as a witness to depose about facts, which came to his knowledge in his private capacity, the period of absence is to be treated as natural leave, casual or annual leave whichever may be due to him and not as duty.

**(Auth: Rule 7A note 3 Leave rules)**

- (c) Married W.Os who are permitted to live out with their families under private arrangement, will be entitled to CILQ but if the family is not staying with the W.O for a period exceeding 3 months, the CILQ is admitted at  $\frac{2}{3}$ rd of the prescribed rate.

**(Auth: Rule 448 A-(i) P&A Reg.)**

**Q.6.** (a) An officer who was permitted to make his own arrangement for accommodation has bought the furniture items and submitted a claim for compensation. Is it admissible?

(3 Marks)

- (b) Flying pay was denied to an officer of the flying branch who is otherwise eligible for flying pay, while serving in a civil post tenable by such officers. Comment.

(3 Marks)

- (c) Col. Mohan on his secondment from Army to Airforce for the first time for a limited period of 3 years was denied the outfit allowance appropriate to AF. Comment.

(3 Marks)

- Ans: (a) When MES are unable to issue any furniture items to an officer and he buys own set he will not be entitled to get a reimbursement from the govt.  
(Auth: Note to Rule 445(b) P&A Reg.)
- (b) The officer is entitled to flying pay as he is serving in a civil post tenable by such officers. The action taken is not in order.  
(Auth: Rule 136 note(1) P&A Reg.)
- (c) If the secondment is for a limited period of less than 4 years no outfit allowance appropriate to AF is paid and the officer is required to wear the uniform of Army. Hence the action taken is in order.  
(Auth: Rule 156-a(ii) P&A Reg.)



## **SECTION V**

### **(Navy Portion)**

- Q.1.** (a) What is Submarine Pay? To whom it is admissible?  
(3 Marks)
- (b) Whether Submarine Pay and Submarine Allowance are admissible concurrently?  
(3 Marks)
- (c) Lt. CDR 'X' remained medically unfit temporarily for a period of 95 days, however, he remained in the Submarine Branch. Comment on the admissibility or otherwise of Submarine Pay to the officer.  
(3 Marks)

**Ans:** (a) Submarine pay is admissible to officers qualified for service in a submarine and appointed as part of crew or spare crew. Also admissible to those officers who are otherwise qualified for submarine service and hold appointments which require them as part of their normal duties to go to sea in submarine from time to time.

**(Auth: Reg 105 A of P&A Regs (Navy) Part-I)**

- (b) Not admissible.

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

- (c) Admissible.

**(Auth: Reg 105 A(3) of P&A Regs (Navy) Part-I – Note there under)**

**Q.2. Comment on the admissibility or otherwise of Compensatory (City) Allowance under the following conditions:-**

- (a) An officer serving afloat on board of a Bombay based ship, living ashore during the time the ship undergoes refit, repairs, etc.  
(3 Marks)

- (b) An officer on sick leave upto four months at a time.  
(3 Marks)

- (c) During temporary duty exceeding three months.  
(3 Marks)

**Ans:** (a) Admissible at full rates.

**(Auth: Reg 23(A)(II) of P&A Regs (Navy) Part-I)**

- (b) Compensatory City Allowance continues to be admissible during period of absence on sick leave up to four months inclusive of the period of annual leave, if any.

**(Auth: Reg 25(a)(ii) of P&A Regs (Navy) Part-I)**

- (c) Not admissible during temporary duty exceeding three months.

**(Auth: Reg 25(c) of P&A Regs (Navy) Part-I)**

**Q.3.** (a) What is Test Pilot Allowance?

(3 Marks)

- (b) When is disturbance allowance admissible to a Naval Officer?

(3 Marks)

- (c) What is retaining fee in case of sailors?

(3 Marks)

**Ans:** This allowance is admissible to test pilots while they are on posted strength, posted supernumerary strength or attached to the units carrying out test flying duties.

**(Auth: Reg 104 A of P&A Regs (Navy) Part-I)**

- (b) Married officers proceeding Ex-India or returning to India from abroad, provided their families move with them or later join within six months are entitled to Disturbance Allowance.

**(Auth: Reg 43 of P&A Regs (Navy) Part-I)**

- (c) Sailors having diving qualifications and borne on the authorized cadre of the category of divers are entitled to get retaining fee.

**(Auth: Reg 149 of P&A Regs (Navy) Part-I)**

**Q.4.** (a) How many days special casual leave may be allowed to a Naval Personnel in any one Calendar year for participating in sports eventy?

(3 Marks)

- (b) A Naval Officer was granted 07 days casual leave to be followed by special casual leave of 15 days. Comment.

(3 Marks)

- (c) Who is the competent authority to grant special casual leave to a sailor?

(3 Marks)

**Ans:** (a) 30 days.

**(Auth: Rule 48(1) of NO(S) 3/84)**

- (b) Action not in order as combining special casual leave with ordinary casual leave is not permissible.

**(Auth: Rule 48(1) of NO(S) 3/84)**

- (c) Only Chief of Naval Staff, Administrative Authority or such other officer not below the rank of a Director as may be authorized by CAS, can sanction special casual leave.

**(Auth: Item 1(b)(i) of Annx 1 of \ NO(S) 3/84)**

- Q.5. (a) Under what conditions a short service commissioned officer shall be required to refund the cost of training? Will the refund also include interest on pay and allowances received by him during training?

(5 Marks)

- (b) A Naval Officer is living in government accommodation provided by MES. However, MES being unable to provide furniture as per his entitlement, he buys his own. Whether he shall be entitled for any rebate/reimbursement on this count?

(4 Marks)

- Ans:** (a) If an officer granted Short Service Commission, voluntarily withdraws from initial training or resigns during the probationary period, he shall be required to refund the cost of training, in whole or in part as may be determined by Govt. Cost of refund would also include pay and allowances received plus interest.

(Auth: Reg 263 of P&A Regs (Navy) Part-I)

- (b) No, the officer is not entitled for any rebate or re-imbursement for expenditure on purchase of furniture.

(Auth: Reg 198, Explanation-2 thereunder, of P&A Regs (Navy) Part-I)

6. (a) Name competent authorities in following cases for sailors for regularization of excess grant of annual leave due to misinterpretation of regulations:-

- (i) Period upto 60 days
- (ii) Period in excess of 60 days

(4 Marks)

- (b) What is the maximum limit of sick leave that can be granted to a sailor?

(2 Marks)

- (c) A Gorkha sailor is forced to overstay his annual leave by a period of 74 days due to his sickness and he gets treatment at home. If his Commanding Officer is satisfied with the bonafides of the case, what maximum period of overstay, he may treat as sick leave?

(3 Marks)

- Ans:** (a) (i) FOC-in-C concerned  
(ii) Govt. of India

(Auth: Rule 33(6)(a) &(b) of NO(S) 3/84)

- (b) There is no limit provided there is a reasonable prospect of individual becoming fit for duty.

(Auth: Rule 35(1) of NO(S) 3/84)

- (c) 60 days.

(Auth: Rule 35(4)(i) of NO(S) 3/84)

**DEFENCE ACCOUNTS DEPARTMENT**

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

**OCTOBER, 2004**

**SUBJECT 'E'- REGULATIONS- PAPER-VIII PRACTICAL (WITHOUT 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 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.
- (3) 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 are the elements that constitute disability pension of a PBOR ? What are the necessary conditions for its grant. (4 Marks)
- (b) Comment upon the entitlement(or otherwise) to disability pension in the following cases:  
(i) Naik 'X' with a disability aggravated by Defence Service and assessed at 60%, is discharged at his own request.  
(ii) Havildar 'Y' retired from service with normal service pension. He is found to be suffering from a disease which is accepted as attributable to his Defence Service, eight years after retirement. (2+2 Marks)

- Ans** (a) Disability pension consists of service element and disability element.  
It is granted to an individual who is invalided out of service on account of a disability which is accepted as attributable to or aggravated by Defence Service in non- battle casualty cases and the disability is assessed at 20% or more.
- (b) (i) Since Naik 'X' is discharged at his own request, he is not eligible for grant of disability pension even though the disability is 60% and has been aggravated by Defence Service.  
(ii) An Individual who is retired from service, otherwise than at his own request, with a pension, but who, within a period of 10 years from the date of retirement which is accepted as attributable to his Defence Service, may, at the discretion of the competent authority in addition to his retiring pension be granted a disability element with effect from such date as may be decided upon in the circumstances of the case.

Havildar 'Y' is accordingly, entitled to the grant of a disability pension at the discretion of the competent authority.

**Q.2.** (a) Under what circumstances would an Army pensioner be required to be examined by a medical board for grant of commutation of pension ?

(4 Marks)

- (b) What is the percentage of basic pension that is taken into account for commutation of pension in respect of :  
 (i) a Commissioned Officer  
 (ii) a PBOR

(2+2 Marks)

**Ans** (a) In cases where one applies after one year after release retirement/ discharge/ invalidment, or whose application is received by the Pension Sanctioning Authority after the expiry of one year from the date of release/retirement/discharge/invalidment, the commutation of pension is subject to ones being declared fit by a Commutation medical board and its findings will be taken into account for commutation purpose.

- (b) (i) 43% of basic pension in case of commissioned officers  
 (ii) 45% of basic pension in case of PBORs.

**Q. 3.** Calculate the service pension for a Subedar, group 'Y' on the basis of the following data: (8 Marks)

Particulars	Subedar 'Y'
Date of birth	10-8-1953
Date of enrolment	10-8-1971
Date of discharge	31-8-1999
Qualifying Service	28 Years 22 days
Non-qualifying service	Nil
Pay Scale	Rs. 6600-170-9320
Pay Last Drawn	Rs. 6770

**Ans.** Pension is calculated accordingly to the undermentioned formula:

$$\text{Pension} = \frac{(\text{Maximum of pay scale of rank and group}) \times (\text{Qualifying Service} + 5 \text{ Years} \times \text{Weightage})}{2 \times 33}$$

$$= \frac{9320 \times 33}{2 \times 33} = \text{Rs. 4660/- pension p.m. w.e.f. 1.9.1999}$$

**Q.4.** Following data for a Defence Civilian is given:

Date of retirement	31-10-2001
Qualifying Service	31½
Pay Drawn	
From 1-7-2000	9500/-
From 1-7-2001	9700/-
Rate of DA	45% w.e.f. 1-7-2001

- (a) Calculate his pension on retirement (4 Marks)  
 (b) Calculate his retirement gratuity (3 Marks)

**Ans.** (a) Pension Calculation

Pay drawn from 01.01.2001 to 30.06.2001 = Rs. 9500/- p.m.

Pay drawn from 01.07.2001 to 31.10.2001 = Rs. 9700/- p.m.

Average emoluments for the last 10 months service

$$= \frac{(9500 \times 6) + (9700 \times 4)}{10} = \text{Rs. } 9580/-$$

Pension for maximum qualifying service of 33 years

= 50% of Average emoluments

$$= \frac{9580 \times 50}{100} = 4790/- \text{ p.m.}$$

Pension for 31½ years of Qualifying service

$$= \text{Rs. } \frac{4790 \times 31\frac{1}{2}}{33} = \text{Rs. } 4572.27$$

Rounded off to Rs. 4573/- p.m.

In addition to pension, dearness relief is also admissible.

(b) Calculation of Retirement gratuity:

Last Pay = Rs. 9700/-

Rate of DA = 45%(w.e.f. 01.07.2001)

Emoluments for retirement gratuity

$$= 9700 + 4365 = 14065$$

Retirement gratuity for 31½ years service

$$= \frac{14065 \times 63}{4}$$

$$= \text{Rs. } 2,21,523.75$$

$$= \text{Rs. } 2,21,524 \text{ (Rounded)}$$

**Q.5.** (a) Acceptance of necessity " is one of the four main stages in the project for an original work. What are the other three ? Explain what these four stages mean. (4 Marks)

(b) Explain any one circumstance under which an MES Officer can commence work without waiting for Administrative Approval for the work. How and to whom will he report such action. ? (4 Marks)

**Ans.** (a) There are four main stages in the project for an original work. These are:

- (i) **Acceptance of necessity:** Which means the concurrence of the competent financial authority to the expenditure proposed;
- (ii) **Administrative approval:** Means sanction by CFA to the execution of an original work at a stated cost;
- (iii) **Appropriation of funds:** means the allotment of a particular sum of money to meet expenditure on a specified work and;

- (iv) **Technical Sanction:** Which is issued by competent engineer authority, and which mean no more than a guarantee that proposals are structurally sound, and that the estimates are accurately calculated and based on adequate data.
- (b) In case of imminent danger to buildings etc. or of a breakdown of a supply from an installation, where delay would be seriously detrimental to the public service, the local MES officer will take steps to protect government property or the inhabitants etc, but he must at once report the facts of the case and the reasons for his action to superior engineer authority, local military commander and the CDA concerned stating the liability he is incurring.

**(DWP, Para 12)**

**Q.6.** Comment upon the following:

- (a) An M.E.S. Chief Engineer approves construction of an inspection house at one of his worksites for the use of MES personnel inspecting works. (4 Marks)
- (b) Overtime is authorised to an industrial MES worker who has repaired a pipeline working continuously for 12 hours on a particular day of the week, but has worked for 36 hours only during that week as a whole. (4 Marks)

**Ans** (a) The establishment of MES Inspection houses requires the prior approval of the E-in-C. Hence, a Chief Engineer cannot approve construction of the inspection house.

**(Authority: RMES 74)**

- (b) Overtime can be paid for work in excess of nine hours on any day, or 48 hours in a week, overtime is payable at the rates prescribed in the factories act. Since one of the two conditions is satisfied, overtime is payable in the instant case

**(RMES 95(b))**

**Q.7.** (a) What are "agency works" ? Distinguish these from "deposit works"

(4 Marks)

- (b) Are departmental charges levied in both the above types of works ? What expenses are these charges expected to cover ? Can they be waived ?

(4 Marks)

**Ans** (a) Agency services are those services carried out by the MES for other Ministries of the Central Government or for State Governments, Union Territories.

Administrative approval to the estimated expenditure will be accorded by the authority concerned. Funds will be allotted or guaranteed by the authority concerned.

Works for state government/union territories(except those in respect of the N.C.C., require the approval of the government of India.

Deposit works on the other hand, are those which are executed from funds received from non-government sources. These are executed with the prior consent of various commanders (Brigade Dir. Command or COAS Levels), unless general approval is accorded by them for works upto Rs. 2,50,000.

Funds to meet in full the estimated cost of the work including departmental charges must be paid before any liability is incurred, unless payment in instalments is authorised by GOI.

**(Para 301, 305, RMES)**

- (b) Departmental charges are levied in both agency and Deposit works. These are intended to cover:
- (a) Cost of normal MES supervising establishment, including storage and incidental charges
  - (b) Use of T & P normally held by MES
  - (c) Audit and any other charge that may be prescribed by the G of I , i.e. pensionary charge.

In special cases, E in C, with the concurrence of the financial authorities, may reduce or remit departmental charges on a deposit work costing upto Rs. 2000.

**(Para 310, 312, RMES)**

- Q.8.** (a) Can the Ministry of Defence overrule the CGDA on a question of rule or procedure in relation to Defence Service expenditure ? (4 Marks)
- (b) What is the procedure for recovery of overpayments that have not been challenged by audit within 12 months from the date of payment ? (4 Marks)

Ans. (a) No, The CGDA cannot be overruled by the Ministry of Defence on a question of rule or procedure in relation to Defence Service Expenditure without the concurrence of the C & AG and the Ministry of Finance.

**(Rule 175, FR Pt.I Vol-I)**

- (b) In such cases, the Controller of Defence Accounts will call upon the individual concerned through the competent financial Authority to show cause why recovery should not be enforced. On receipt of the individual's reply the CFA will decide whether the amount should be written off or whether the recovery should be effected, and will inform the CDA and the individual concerned accordingly. In cases where the CFA remits an overpayment, his reason for doing so must be recorded.

**(Rule 179, FR Pt.I, Vol-I)**

- Q.9.** (a) What is meant by " reappropriation of funds" ? Name any two categories of authorities other (4 Marks)
- (b) Comment upon the following:
- (i) QMG re-appropriates 25% of the savings out of funds placed at his disposal from one sub-head at his disposal to another sub-head within the same minor head.
  - (ii) Excess receipts from issue of stores to other departments by the AOC are re-appropriated towards expenditure on issue of stores to Army units by the concerned authority at the AHQ.

(2+2 Marks)

Ans. (a) Reappropriation of funds means the transfer of funds from one primary unit of appropriation to another such unit within a grant, under some conditions.

Other than the GOI, officers of

- (i) Central Controlling authorities
- (ii) Command Headquarters
- (iii) Independent Area Headquarters
- (iv) IAF Commands, and
- (v) Independent stations

Can exercise powers of re-appropriation

**(116-117 FR-I, Vol-I)**



- (b) (i) QMG can re-appropriate only upto 10% of the budget provision between subheads under the same minor head. Ministry of Defence sanction would be required in this case

**(118(iii), FR-I Vol-I)**

(ii) Re-appropriation are permissible only between expenditure heads. Thus, excess receipts from issues of stores cannot be re-appropriated towards excess expenditure on issue of stores to Army units.

**(118,FR-I, Vol-I(vii))**

**Q.10** (a) What is the maximum continuous period for which a government servant may be granted leave ?

(2 Marks)

(b) How is " Earned Leave" calculated for civilian government employees ? How are fractions of a day dealt with while calculating Earned Leave ?

(3 Marks)

(c) Explain the term "Leave Not Due". How many days of "Leave Not Due" can be given to government servant during his career ?

(3 Marks)

**Ans.** (a) Five years, unless the President, in view of the exceptional circumstances of the case determines otherwise.

**(Rule 12, FRSR Swamy Leave Rule)**

(b) Earned leave shall be credited to the leave account at the rate of 2½ days for each completed Calendar month of service, which he is likely to render in a half year of the calender year in which he is appointed.

While affording credit of earned leave, fractions of a day shall be rounded off to the nearest day.

**(Rule 27(1) and (4) Swamy's FRSR (Leave) Rules)**

(c) Leave not due may be granted to a permanent/Quasi-permanent government employee, other than a military officer, who does not have leave due to him. This is limited to 360 days in the entire service of the employee and is granted on medical certificate, where the authority competent to grant leave is satisfied that there is reasonable prospect of the employee returning to duty on its expiry.

**(Rule 31, Swamys FRSR, Leave Rules)**

**Q.11** Shri 'K' performs temporary duty and claims DA as under; Please regulate his DA claim on the basis of following information:-

Rate of DA

Ordinary Rs. 105

Hotel Rs. 200

Period of Absence

From 1000 hours on 19.11. 2003  
to 2100 hours on 25.11.2003

Period of stay in Hotel

From 1830 hours on 19.11.2003 to 1700  
hours on 24.11.2003

Lodging charges paid

Rs. 100 per day for five days.

(8 Marks)

**Ans.** Calculation of DA :-

No. of DA's admissible for the Total period of absence

7.0

For stay in Hotel	5.0
Ordinary rates	2.0
DA for stay in Hotel:	
Ordinary rate	Rs. 105.00
Less 10%	<u>10.50</u>
	94.50
Add lodging charges	<u>100.00</u>
Total(a)	<b>194.50</b>

(a) is less than the maximum admissible rate of Rs. 200 and hence is allowed.

5 DAs @ Rs. 194.50	= 972.50
2 DAs @ Rs. 105.00	= <u>210.00</u>
Total DA admissible	= <b>1,182.50</b>

**Q.12.** Comment upon the LTC entitlement in the following cases : For the LTC four year block 2002-2005

- (a) A Government Servant travels in 2003 but his family travels in 2004 (2 Marks)
- (b) Family members of the above employee travel from Delhi to Chennai whereas the employee travels from Delhi to Nagpur. (2 Marks)
- (c) The employee, who draws a basic pay of Rs. 15000, travels by air to Nagpur on LTC in the above instance. (4 Marks)

- Ans.**
- (a) LTC can be availed for self and family separately on different occasion, even in different calendar years, but of the same block. Hence LTC is admissible provided the return journey of self and family respectively is completed within 6 months of completion of onward journey.
  - (b) Members of the family can visit either the same place as that visited by the government servant or different places. The intended place of visit should be declared before commencement of the journey.
  - (c) As his pay is less than Rs. 18400 the officer will not be entitled to air fare. His claim will be restricted to his eligibility by the entitled class of accommodation by rail or road, as the case may be.

## SECTION-II

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

- Q.1.**
- (a) What is the extent of annual leave admissible to regular Army Officers during a calendar year ? When the completion of annual leave spills over to the next year, what effect will it have on the Annual Leave entitlement of that ( the next) year ? (3 Marks)
  - (b) How many days of Annual Leave can be accumulated by an Army Officer for the purpose of leave encashment, every day ? (3 Marks)
  - (c) Explain " **Sick List Concession**" admissible to an Army Officer. (3 Marks)

- Ans.** (a) For regular Army officers, annual leave admissible in each calendar year is 60 days. Leave granted towards the end of a year and extending to the next year will be reckoned against entitlement for the year in which the leave commenced, and hence, will not affect the entitlement of the next year.
- (b) Upto 30 days of annual leave can be accumulated by an officer for leave encashment provided of course, that the total leave so accumulated does not exceed the leave encashment ceiling.
- (c) Sick list Concession is not a kind of leave. It is admissible when an officer falling sick while on duty or on casual leave is retained on the sick list for a period of 30 days or less, provided:
- (i) Sickness is caused due to causes beyond the individual's control
  - (ii) It stands by itself, unconnected with any kind of sick leave.

- Q.2.** (a) What is "Specialist Pay" ? (3 Marks)
- (b) To whom is it admissible ? (3 Marks)
- (c) Will Specialist Pay be admissible in the following situations:
- (i) Officers not performing specialist duties even though their names are included in the "pool of specialists for medical services."
  - (ii) Specialists in transit from one specialist appointment to another specialist appointment. (3 Marks)

- Ans.** (a) Officers of the AMC/ADC who possess the necessary qualifications and who, in the opinion of the DGAFMS have sufficient experience and standing, may be granted the status of a graded or clasified specialists, in particular disciplines.
- (b) Further, such specialists will draw specialist pay when they either:
- (i) fill a port in the "Pool of Specialists" maintained by the DGAFMS
- Or
- (ii) hold an appointment authorised as a specialist of Medical/Non-Medical units or formation HQrs, as specified by the Government from time to time.
- (c) (i) Yes.
- (ii) During transit from one specialist appointment to another, specialist pay is not admissible.

- Q.3.** Comment on the admissibility or otherwise of free rations in the following case:
- (a) An Army Officer is serving on deputation to a civil department at Dehradun. Is he entitled to draw free rations from a supply depot near his place of duty ? (3 Marks)
- (b) The above officer is deputed from the civil department to a training course at a non-military station. Can he draw ration allowance in lieu of free rations ? (3 Marks)
- (c) Who will bear the expenditure on the free ration - Army or the deputation department ? (3 Marks)

- Ans.** (a) Officers on deputation to civil departments are entitled to free issue of ration in kind if they can be conveniently attached to a unit nearest to the place of duty, and provide they are drawing service rate of pay.

**(P & A Regs Army 174-A)**

- (b) Such officers as are in receipt of ration in kind are entitled to receive ration allowance when deputed to notified non-military stations where drawing facilities are not available.

**(174-B(vi) ibid)**

- (c) The expenditure incurred for the value of free ration issued in kind or monetary allowance paid in lieu thereof shall be borne by the deputation department.

**(Note II ibid)**

- Q.4.** (a) Under what circumstances is a PBOR entitled to hostel subsidy for his children ?  
(3 Marks)
- (b) Can hostel subsidy be drawn in respect of a child for whom Children Education Allowance is being drawn ?  
(3 Marks)
- (c) A PBOR, in anticipation of his transfer, admits his children in a hostel at his home town in June, 2003. He is transferred in September, 2003. Can he draw hostel subsidy for his children for the period from June, 2003 to his posting in September, 2003 ?  
(3 Marks)

**Ans.** (a) A PBOR will be eligible for grant of hostel subsidy 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 or is residing.

Hostel subsidy is payable upto 10+2 Stage or Senior Secondary/higher secondary stage.

- (b) No. Hostel subsidy may not be drawn in respect of a child for whom CEA is drawn by the PBOR.
- (c) No, Hostel subsidy will be payable only from the date of transfer.

**(Rule 168, P&A Regs(Ors))**

- Q.5.** (a) Under what circumstances are PBOR entitled to "higher rate " of Ration Allowance ?  
(3 Marks)
- (b) To what extent is special compensatory ( Remote Locality) Allowance admissible in the following circumstances  
(3+3 Marks)

- (i) in stations where Full Field Service Concessions are available
- (ii) During leave and joining time

**Ans.** (a) Higher rate of ration allowance is admissible when:

(i) Owing to sickness or other disability, the individual is unable to consume his normal ration and no ration articles are drawn for him.

(ii) When it is not possible or economical to government to supply free rations

(iii) It is possible to supply free rations, but the distance between the individual's place of residence and ration stand/ASC retail shop is more than 3.02 km. by road and the individual chooses to draw ration allowance.

- (b) (i) **Special Compensatory** ( Remote Locality) allowance is not admissible in stations where full field service concession is available.

(ii) The allowance will be regulated during leave/Joining time in the same manner as City Compensatory Allowance.

**(Rule 193, P&A Reg(ORs))**

- Q.6.** (a) Under what conditions will personnel be entitled to CILQ when their families are not residing at the duty station ?  
(6 Marks)

- (b) Will compensation in lieu of conservancy be payable in addition to CILQ for such

personnel as are not posted to field stations and whose families are not residing at the duty station.

(3 Marks)

- Ans.** (a) (i) If the married accommodation is not available at the duty station for allotment to the individual and family stays at another station, CILQ will be paid at "other town" rates.  
(ii) Personnel posted to field service areas, if he was in receipt of CILQ at the time of his posting.  
(iii) JCOs/ORs/NCSE posted to Field Service areas and who are permitted to arrange private accommodation for their families at the old duty station.
- (b) Normally, compensation in lieu of conservancy is not payable to person whose families are not residing at the duty station. However, in case they are posted to field areas and where private accommodation has been retained by the family at these stations, the two allowances are concurrently admissible.

**(284 P&A Regs ORs)**

### SECTION -III

#### (FACTORIES PORTION)

- Q.1** (a) What are the maximum working hours of a factory worker in a week as per the Factories Act, 1948 ?  
(1 Marks)
- (b) What is Saturday Bonus and what is its effect on the pay of Piece Workers and Day Workers ?  
(3 Marks)
- (c) If a workman is present for 3 hours and 6 hours respectively on two Saturdays, how will his attendance be booked for both the days ?  
(2 Marks)
- (d) If a shift worker is present for 4½ hours on a week day, how will his attendance be booked ? What will be the booking in case of Saturday ?  
(2 Marks)
- (e) If in case an individual absents himself for the entire week, what effect would it have on his Saturday Bonus ?  
(1 Marks)

- Ans.**(a) Under the Factories Act 1948, the maximum working hours of a Factory worker in a week are 48 Hours.
- (b) The difference between the maximum working hours of a Factory worker under the Factories Act, 1948 i.e. hours and the normal working hours in Ordnance and Clothing Factories which are 44¾ hours per week, excluding interval for recess, i.e. 48-44¾ = 3¼ hours is called Saturday Bonus. Saturday Bonus increases the period of normal attendance by 3¼ hours per week.

In the case of Piece Workers, the grant of Saturday bonus does not involve any payment, but their normal time wages are increased on a pro-rata basis.

In case of Day Workers, the grant of Saturday bonus involves extra payment for hours not worked. It is included in the time wages and booked to the Work Orders upon which the day workers concerned are engaged during the week.

- (c) Present on Saturday for 3 hours
- Booking of Attendance: Attendance = 3X4= 12 quarters

(where 1 quarter = 15 minutes & 1 hour = 4 quarters).

Saturday Bonus admissible:  $3\frac{1}{4}$  hours =  $3 \times 4 + 1 = 13$  quarters

∴ Total Attendance =  $12 + 13 = 25$  Quarters.

As per Wages Act 1936, deduction for absence =  $1/32$  of a normal day's pay.

∴ Attendance to be booked =  $25/32$ .

Similarly: For presence of 6 hours on another Saturday,

Attendance =  $6 \times 4 = 24$  quarters

Saturdays Bonus = 13 quarters

∴ Saturday Bonus = 13 quarters

∴ Total Attendance =  $24 + 13 = 37$  quarters

∴ **Attendance to be booked =  $37/32$  hours =  $15/32$  hours**

- (d) In case of Shift Workers, total working hours on a week day are  $7\frac{1}{2}$  hours and  $7\frac{1}{4}$  hours on Saturday. Therefore, they get  $\frac{1}{2}$  hour extra pay on week days and  $\frac{3}{4}$  hours extra pay on Saturdays.

∴ In their case the attendance will be booked as under:

Present for	Booking on Week days	Booking on Saturday
$4\frac{1}{2}$ hours	Attendance = $9/2 \times 4 = 18$ quarters	Attendance = $9/2 \times 4 = 18$ quarters
	Bonus = $1/2 \times 4 = 2$ quarters	Bonus = $1/3 \times 4 = 3$ quarters
	Total Attendance = 20 quarters	Total Attendance = 21 quarters
	Booking of Attendance = $20/32$	Booking of Attendance = $21/32$

- (e) If an individual absents himself for the entire week, Saturday Bonus will not be admissible to him for that week.

**(Authority: Para 120, 125 to 126 of OM Part VI Vol-I)**

- Q.2** (a) What is the daily rate of pay of a Piece Worker ? On what basis is his amount of Profit calculated ?  
(2 Marks)
- (b) An individual PW is present for the entire month of July and earns 50 hours of OT. His output hours as per his PW Card are 200 hours. Find his input hours, Notional Time Wages and Amount of Profit for the month. (July had 4 Sundays & 5 Saturdays )  
(7 Marks)

**Ans (a)** The daily rate of pay of a Piece Worker in Ordnance Factories is calculated as per the following formula:

$$\text{Daily Rate} = \frac{1}{(N-S)} \times \text{Basic Monthly Pay}$$

Where N : Number of days in the month  
S : Number of Sundays in the month.

In case of a Piece Worker, the amount of profit is calculated on the basis of 'Notional Time Wage' determined on the basis of minimum of his scale of pay.

(b) Number of Days in the month, N= 30

Number of Saturdays, ST = 4

Number of Sundays, S = 4

$$\therefore N-S = 26$$

Output Hours = 200

OT Hours = 50

$$\begin{aligned} \therefore \text{Total Input Hours} &= \{(N-S-ST) \times 8 + (ST \times 4\frac{3}{4})\} + \text{OT Hrs.} \\ &= \{(26-4) \times 8 + (4 \times 19/4)\} + 50 \\ &= \{176+19\} + 50 \\ &= 245 \text{ Hrs.} \end{aligned}$$

**$\therefore$  Total Input Hours = 245 Hrs.**

$$\begin{aligned} \text{Profit \%} &= \{ \text{Output Hours/Input Hours} - 1 \} \times 100 \\ &= \{ 200/245 - 1 \} \times 100 \\ &= (196/245) \times 100 \\ &= 80\% \end{aligned}$$

(This will be restricted to 75% because the maximum amount of profit admissible to a PW is 75% only)

$$\text{Amount of Profit} = (\text{Total Time Wage} \times \text{Profit \%})/100$$

$$\text{Total Time Wages} = \text{Notional Time Wage} + \text{OT Pay}$$

$$\begin{aligned} \text{Notional Time Wage} &= \left\{ \frac{\text{Minimum of Scale of Pay}}{N-S} \right\} \times \text{Days present} \\ &= (4000/26) \times 26 = \text{Rs. 4000/-} \end{aligned}$$

$$\begin{aligned} \text{OT Pay} &= (\text{Minimum of Scale of Pay}/200) \times \text{OT hours worked} \\ &= (4000/200) \times 50 = \text{Rs. 1000/-} \end{aligned}$$

$$\text{Total Time Wages} = \text{Rs. 4000} + \text{Rs. 1000} = \text{Rs. 5000/-}$$

$$\text{Amount of Profit} = (5000 \times 75) / 100 = \text{Rs. 3750/-}$$

**(Authority: Paras 147, 149 of OM Part VI Vol.I and OFB No. 834/PWCR/A/A dt. 7/3/2000)**

- Q.3** (a) What is the objective of reconciliation of Cost and Financial Accounts ? (1 Marks)
- (b) How is the reconciliation between Cost and Financial Accounts effected ? (5 Marks)
- (c) Name 3 items each which appear in Financial Accounts but not in Cost Accounts and vice-versa. (3 Marks)

**Ans** (a) The objective behind reconciling Cost Accounts with Financial Account is to ensure that the data included in the former is correct as per financial data and that no item of expenditure has been left out.

- (b) Reconciliation between Cost and Financial Accounts is effected as indicated below:  
Financial Head

(a) Pay and Allowances of IEs as per Financial compilation for any year.

Add

(b) Pay and allowance for March of the current year to be paid in April of the ensuing year.

(c) Undisbursed wages remaining unpaid on 31st March of the current year.

(d) Unclaimed wages lapsed to the Govt.

(e) Labour Charges incurred on Minor Maintenance work.

(f) Labour Charges on Departmental Capital Work.

(g) Labour Charges on work debitable to " I & M " grant.

Total (X)

Substract

(a) Pay and Allowances of IEs for March of the previous year paid in April of the current year.

(b) Undisbursed wages remaining unpaid on 31st March of the previous year.

Total (Y)

(X-Y ) represents Net total which should agree with the total of direct and indirect labour.

- (c) Items appearing in Cost Accounts but not in Financial Accounts:

Superannuation charges, assessed rent of rent free quarters, cost of central accounts and administration, departmental charges on MES works, medical and surgical stores etc.

Items appearing in Financial Accounts but not in Cost Accounts:

Expenditure on training schemes, abnormal profit or loss on sale of stores, cost of care and custody of surplus stock, cost of abnormal rejection and other infructuous expenditure as decided by the PCOA (Fys) to be kept out of production form time to time.

**(Authority: Para 836, 838, 840 of OM Part VI Vol-II)**



- Q.4** (a) How the man-hours required for production are assessed in Ordnance Factories ?  
(5 Marks)
- (b) What do you understand by the term " Cost Centre" ? What are the criteria for deciding Cost Centre ?

(4 Marks)

**Ans (a) Formula for assessment of Man-hours required for Production:**

- (i) Estimated man- hours for the production of Principal Item of manufacture during the year as per standard estimated (taking into account the effect of NRRs).
  - (ii) Add estimated man-hours required for non-principal items by applying ratio which the direct labour content of the principal items bear to that of non-principal items.
  - (iii) Add estimated man- hours employed on increased semi-manufacture.(To be assessed by some suitable manner)
  - (iv) Less 1/5th of the total of (i) and (ii) above to cater for 25% incentive included in PW rates.
  - (v) Total man-hour for Direct Labour =  
Total of (i), (ii) and (iii) Minus (iv), Where necessary.
  - (vi) Add estimated man-hours required for indirect labour.
  - (vii) Add 15% of total of (v) and (vi) to cater for estimated absenteeism.
  - (viii) Total man-hours required for both Indirect and Direct Labour = (v) + (vi) + (vii)
- (b) **Cost Centre-** Cost Centre is a distinct, clearly defined and well-knit unit of endeavour for which the direct cost and indirect expenses are capable of being determined by measurement or objective assessment.

**Criteria for deciding Cost Centre**

- (i) Diversity of dis- similarities of items manufactured involving various use of labour equipment supervision etc. which calls for differential application on overheads.
- (ii) Identification of functional responsibility for the purpose of management and cost control.
- (iii) Number of Cost centres should be such as to provided optimum control, commensurate with the cost and Management Accounting efforts.
- (iv) Changes to cost centres should not normally be made more frequently than once in a year.

**(Authority: Paras 537, 538, 544 of OM Part VI Vol-I)**

- Q.5** (a) What do you understand by Monthly Average Ledger Rate(MALR) ? What type of issues are priced on the basis of MALR ?  
(3 Marks)
- (b) What will be MALR in the following case at the end of the month in case of a factory where computerised PSLs are not being maintained ?

Opening Balance as on 1-4-1992	500
MALR	3.00

Receipt Vr. No. 12-S dated 3-4-1992	300 Nos. for Rs. 1000/-
Demand Note No. 806 dated 5-4-1992	200 Nos.
Issue Vr. No. 46-S dated 7-4-1992	100 Nos
Receipt Vr. No. 13-S dated 10-4-1992	400 Nos. for Rs. 1400/-
Demand Note No. 1236-S dated 25-4-1992	500 Nos.

(6 Marks)

Ans. (a) Monthly Average Ledger Rate - This is a rate, worked out in respect of each ledger folio, which is adopted for pricing of issues during the next month. The rate is based on the total value of receipts during the month as per receipt vouchers plus the opening value, divided by total quantity of receipts during the month plus the opening quantity.

If:

VR is the value of receipts during the month

VO is the opening value

QR is the quantity of receipts during the month

QO is the opening quantity

Then,

$$\text{MALR} = \frac{\text{VR} + \text{VO}}{\text{QR} + \text{QO}}$$

**Following types of issues are priced on the basis of MALR:**

1. All issues to shops on Demand Notes
2. Issues to other Factories on Issue Vouchers or Stock Transfer Notes.
3. Issues on payment to Air Force, Navy and R&D Organisation
4. Issues on payment to MES and other branches of Defence Departments.

(b) **Solution:**

**Nomenclature**  
Quantity (Nos)

**Folio Number**  
Value(Rs.)

Vr. No.	Date	Opening Balance	Receipts	Issues	Closing Balance	Average Ledger Rate	Opening Balance	Receipt	Issues
	1.4.92	500				3.00	1500		
12-S (Rt)	3.4.92		300		800			1000	
806-S (Dn)	5.4.92	800		200	600		2500		600
46-S (Iss)	7.4.92	600		100	500		1900		300
13-S (Rt)	10.4.92	500	400		900		1600	1400	
1236-S (Dn)	25.4.92	900		500	400		3000		1500

Total: 700 2400

$$\begin{aligned} \therefore \text{MALR at the end of the month} &= \frac{\text{VR} + \text{VO}}{\text{QR} + \text{Qo}} = \frac{1500 + 2400}{500 + 700} \\ &= \frac{3900}{1200} = 3.25 \end{aligned}$$

**Ans. Rs. 3.25**

**(Authority: Paras 421, 422 of OM Part VI Vol-I)**

**Q.6** Write Short Notes on:

- (a) Non - Recurring Rates. (3 Marks)
- (b) Write-off of Capital Assets (3 Marks)
- (c) Non-Effective Folios. (3 Marks)

**Ans (a) Non- Recurring Rates**

Ordinarily all types of rates are provided for in the standard estimates. But in exceptional cases when alteration to a job is taken up or put in operation, some addition to labour rates and/ or material (over and above the provisions in the standard estimates) may be sanctioned through non-recurring rate forms for the purpose of covering some sundry job of a non-recurring nature requiring to bring the material to correct size or shape or to rectify defective forgings or castings or for similar jobs of non-recurring nature. The use of such non-recurring rates should be restricted to the absolute minimum and can be resorted to only for special reasons to be recorded in writing for the scrutiny of the Accounts Officer in Audit.

**(Authority: Para 32(d) of FAR & Paras 629 & 634 of OM Part VI, Vol-I)**

**(b) Write off of Capital Assets**

In the case of Capital Assets other than the Plant And machinery lost or discarded by sale , by break up or by transfer to other Defence formations, the residual book value on the 1st April less proportionate depreciation for the period in use, in the year in which they are lost or discarded is written off the books. In the case of inter-sectional transfer of Capital Assets, depreciation is charged to the section in which the asset is upto the end of the month in which the transfer takes place and thereafter to the section to which it is transferred. The break-up of any capital asset requires the sanction of OFB. In the case of break-up of unserviceable fans, telephones or any other capital assets of similar nature replaced at the expense of the Renewal/Replacement, OFB's sanction is not necessary the break-up of the original assets, exists at the time of break-up.

In case of Plant and Machinery, the value of Capital Asset once formed cannot be reduced until it is washed away by natural calamities, accidents or if the services of the machine is no longer required. In that event only The Assets can be discarded, sold out, transferred to other Ordnance Factories and may appear in the Credit side of the Capital Account with its original value

**(Authority: Para 785 of OM Part VI, Vol.II)**

**(c) Non- Effective Folios**

Ledger Folios which contain entries more than three years old and record "NIL" balance both in quantity and value continuously for three years or more should be removed from the current volumes and filed separately for future reference. Corresponding bin card should also be removed. These folios and bin cards are termed as "Non-Effective Folios". Such Non-Effective Folios should be reviewed at the end of each financial year and ledger folios and bin cards older than 10 years should be viewed as dead and destroyed unless reference to these old ledger sheets/bin cards is necessary for settling discrepancies, disputes etc. at the time of destruction. The list of Non- Effective Folios and Bin Cards removed is furnished to the OFB SV group and A.O.

**(Authority: Notes 2 and 3 under Para 428 of OM Part VI, Vol.I)**

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

**Q.1** (a) State any three occasions in which the pay and allowances of an AF Officer are discontinued.

(3 Marks)

(b) How the pay is regulated in the following cases when erroneous promotion granted is rescinded ?

- (i) An AF Officer                      (ii) An Airman

(3x2 Marks)

**Ans** (a) The pay and allowance of an officer will be discontinued:

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

**(P & A Regs. AF, Rule -14)**

(b) The pay of higher substantive rank to which an officer is erroneously promoted will be discontinued from the date on which the orders rescinding the promotion reach the headquarters of the unit/formation if he is present on duty, otherwise from the date of the order.

**(P & A Regs. AF, Rule-26)**

The promotion of an airman erroneously made to a higher rank, whether substantive or acting in excess of the authorised establishment, shall be cancelled with effect from the date of issue of the POR in which the cancellation is recorded and pay there of shall be discontinued from that date.

**(P & A Regs. AF, Rule-253)**

**Q.2** (a) What is the entitlement of dearness allowance of an AF Officer on deputation abroad ?

(4 Marks)

(b) What is disturbance allowance ? Is there any difference in the disturbance allowance admissible to married officers and single officers ?

(5 Marks)

**Ans** (a) Officers on deputation out of India will be entitled to dearness allowance at full rates during the first 6 months from the commencement of deputation abroad and thereafter at half the rates for a further period not exceeding 6 months when the deputation is to any one country and the period of deputation does not exceed 12 months. In the case of deputation to USA and Canada officers who are not allowed to take families at Govt. cost will be admitted DA during their stay at full rate.

Dearness allowance during the period following the first 6 months is admissible only if the officers concerned are married and have their families in India. The DA during this period will be payable in India to the family of the officer and shall not be drawn by the officer in the country to which he is deputed.

**(P & A Regs. AF, Rule-96)**

(b) The disturbance allowance is granted to an officer who is more than 25 years of age and proceeding abroad on duty from India or other station in India or returning to India from abroad, provided the officers move in India with families at Govt. employees or are joined by their families within 6 months of the date of the move of the officer. In

the case of married officers whose families do not accompany them to their places of duty abroad, and in the case of the single officers, the disturbance allowance will be admissible at the same rate which they would have got as transfer grant on their transfer within India, otherwise there is no difference in the disturbance allowance rates

**(P & A Regs. AF, Rule 111 & 112)**

- Q.3** (a) What is expatriation allowance ? Is it admissible during the leave spent in India ?  
(5 Marks)
- (b) What are the circumstances in which the pay and allowances of an AF Officer are forfeited ?

(4 Marks)

- Ans** (a) Expatriation allowance is payable to the officers & airmen when serving in India. In the case of officers it is payable from the date of disembarkation to the date of evaluation. In the case of airman it is admissible from the date on which they quit the duty station.

It is not admissible to the officers/airmen on countries in conjunction with Daily allowance or compensatory allowance or foreign allowance or halting allowance or special overseas rates of pay. Expatriation allowance is not admissible during leave spent in India.

It is payable during A.C. or that portion of AL included in the sick leave which is spent in India - In India provided he continues to be borne on the strength of the overseas unit/formation.

**(P & A Regs. AF, Rule 119-125 & 316-320)**

- (b) The pay & allowance of an officer are forfeited
- (i) for every day while he is in custody or under suspension from duty on a charge for an offence for which he is afterwards connected;
  - (ii) as ordered by a court-martial or an officer under section 86 of AF Act-1950,
  - (iii) as ordered by the central govt. if the officer is found by a court of inquiry constituted by the CAS in this behalf to have deserted to the enemy or while in enemy hands, to have served with, or under the orders of the enemy or in any manner to have aided the enemy or to have allowed himself to be taken prisoner by the enemy through want of due precaution or through disobedience of orders or wilful neglect of duty or having been taken prisoner by the enemy, to have failed to rejoin his service when it is possible to do so.

**(P & A Regs. AF, Rule-16)**

- Q.4** (a) What is conservancy allowance ?  
(4 Marks)
- (b) Is conservancy allowance admissible during absence on temporary duty and annual leave ? If yes, what are the conditions to be fulfilled. ?

(5 Marks)

- Ans** (a) Airmen including M.W.Os and W.Os. are entitled to free conservancy which includes provision of services of sweeper & water carrier, where these services can't be provided in kind an allowance in lieu is admissible. The allowance will be fixed by OC station after ascertaining from the local board/municipality. In cases in stations where these services can't be obtained within the specified rate, Station Commanders in consultation with the Regional CDA may fix the rates as per the norms laid down. An element in a/c of services of water carrier will not be admissible where piped water supply exists in the quarter.

**(P & A Regs. AF, Rule 301, 302)**

- (b) Yes, it is admissible at the discretion of OC unit subject to following conditions.
- (i) expenditure incurred is not less than the amount claimed.
  - (ii) The airman was drawing it while at duty immediately before proceeding on leave or on duty.
  - (iii) During his absence he retains the house which he hired while at duty that the house was not sublet.
  - (iv) His CO certifies that an equivalent amount of expenditure has been incurred on house rent at the station of duty during the period of absence on when on duty.

**(P & A Regs. AF, Rule 303 (a) to(d))**

- Q.5** (a) What is qualification pay and to whom it is admissible ? (5 Marks)
- (b) How the qualification Pay of an officer who has acquired a higher qualification within in a year of receipt of lumpsum grant for a lower qualification is regulated ? (3 Marks)
- (c) Is qualification pay treated as pay for calculation of dearness allowance ? (1 Marks)

**Ans.** (a) Officers of the rank of Wing Commander & below who have completed more than 2 years of commission service are eligible for qualification pay or grant at the rates specified from time to time for qualifications notified in the list of eligible qualifications notified in the list of eligible qualifications. An officer can draw only one rate of qualification pay/grant at a time.

An officer will not be eligible for qualification pay/grant in respect of any qualification which was the min. required for entry of that officer in commissioned rank.

Any qualification acquired before being commissioned in consideration of which a concession in the form of ante date of seniority accelerated promotion or special rate of pay is given.

**(P & A Regs. AF, Rule 174, 175, 176)**

- (b) When an officer who has drawn a lump-sum grant in respect of a qualification acquires a new higher qualification within in a year which entitles him a higher qualification pay, he gets the higher qualification pay as the enquiry of a period of 2 years from the date on which he drew the previous grant.

**(P & A Regs. AF, Rule 175(2))**

- (c) Yes, the qualification pay is treated as pay for calculation of DA.

**(P & A Regs. AF, Rule 90(i))**

- Q.6** (a) What is furlough and to whom it is admissible ? (3 Marks)
- (b) What is the difference between sick leave and sick list concession ? (3 Marks)
- (c) What is compassionate leave and to whom it is admissible ? (3 Marks)

**Ans** (a) Furlough is a type of leave granted to an officer which is 2 months for every three calendar years which will be non-accumulative. The same can be granted by itself or in continuation of AL. It can be availed of in instalments within in each cycle of 3 years. 30 days will be set aside as a matter.

**(Para 10(a) & 20 Leave Rules)**

- (b) Sick leave on MC will be admissible for a period upto 6 months in the first instance which will include AL due, while such leave is treated leave, sick list concession is treated as duty.

Sick leave can be granted for both attributable and non-attributable diseases whereas sick list concession is granted to officers sickness which is due to causes beyond the officer control.

**(Para 21 & 22 Leave Rules)**

- (c) In compassionate cases, leave not due may be granted to airman upto a maximum of 30 days which will be debited to the next years AL entitlement. The leave not due then granted on compassionate grounds is known as compassionate leave.

**(Para 42 Leave Rules)**

## SECTION-V

### (NAVY PORTION)

- Q.1** (a) Lt. CDR 'X' was erroneously promoted to the rank of Commander and orders rescinding the promotion were issued on April 23, 2004. Orders rescinding promotion were received on ship in which the officer was serving on May, 07, 2004. From which date the pay of higher substantive rank shall be discontinued in the following cases:  
(i) When 'X' is present on duty  
(ii) When 'X' is not present on duty.

(3 Marks)

- (b) Can Chief of Naval Staff direct withholding of an officer's increment at his discretion ? Explain

(6 Marks)

- Ans** (a) (i) Pay of higher substantive rank shall be discontinued from the date on which orders rescinding promotion reach the ship.  
(ii) In this case, pay of higher substantive rank shall be discontinued from the date or orders.

**(Authority: Reg 14 of P & A Regs(Navy) Part-I)**

- (b) CNS, at his discretion, can direct withholding of increment in respect of an officer whose efficiency or competency, in his opinion is moderate or inferior for a period of 3, 6, 9, or 12 months from the date such increment falls due. CNS at the time of imposing penalty, shall issue orders in writing.

**(Authority: Reg 19 of P & A Regs (Navy) Part-I)**

- Q.2** (a) For how long dearness allowance is admissible to an officer on terminal leave ?

- (i) he proceeds abroad on study leave.  
(ii) he avails study leave in India.

(3 Marks)

- (b) CDR 'X' has proceeded on study leave. What is his entitlement to dearness allowance if:

- (i) he proceeds abroad on study leave  
(ii) he avails study leave in India.

(3 Marks)

- (c) An officer is drawing following components as pay:  
(i) Basic Pay; (ii) Rank Pay (iii) Stagnation Increment; (iv) Non-practising Allowance  
Which of the above components shall be considered for computing Dearness Allowance ?

(3 Marks)

- Ans** (a) During first four months.

**(Authority: Reg 31(1) of P & A Regs(Navy) Part-I)**

- (b) Not entitled for any dearness allowance in any of above two situations.

**(Authority: Reg 31(2) of P&A Regs(Navy) Part-I)**

- (c) All the above components shall be considered for computing Dearness allowance.

**(Authority: Reg 35(1) of P & A Regs(Navy) Part-I)**

- Q.3** Discuss the eligibility of an officer to "disturbance allowance" under the following circumstances:-

- (a) When the family of an officer moving ex-India moves to a selected place of residence in India.

(3 Marks)

- (b) An officer who is a widower, moving ex-India.

(3 Marks)



- (c) An unmarried officer of 24 years of age, moving ex-India.

(3 Marks)

**Ans** (a) Officer is admissible to disturbance allowance at the same rate, at which he would have got transfer grant on his transfer within India.

**(Authority: Reg 44 of P & A Regs(Navy) Part-I)**

- (b) Officer shall be admissible disturbance allowance at the same rates as in respect of married officer-married officers include widowers also.

**(Authority: Reg 47 of P & A Regs( Navy) Part-I)**

- (c) Unmarried officers, even if below 25 years of age would be admissible for this allowance as there is no restriction of age for unmarried officers.

**(Authority: Reg 44 read with explanation below Reg 46 of P&A(Navy) Part-I)**

**Q.4** (a) Under what conditions following rates of Ration Allowances are admissible:

- (i) Lower Rate

(3 Marks)

- (ii) Higher Rate

(3 Marks)

- (iii) Special Rate

(3 Marks)

- (b) What is sea duty allowance? Is it admissible concurrently with expatriation allowance ?

(3 Marks)

**Ans** (a) (i) **Lower rate:** Where Govt is in a position to supply free rations but sailor, for his own convenience, prefers to draw an allowance in lieu thereof.

**(Auth: Regs (a) of P&A Regs(Navy) Part-I)**

- (ii) **Higher Rate:** Where owing to sickness or other disability the sailor is unable to consume normal ration and no ration articles are drawn for him.

**(Authority: Regs 162(b) of P & A Regs(Navy) Part-I)**

- (iii) **Special Rate:**

- (a) When travelling by rail/road on leave.

- (b) When travelling by rail/road on duty.

**(Authority: Reg 53 of P&A Regs(Navy) Part-I Explanation there under)**

- (b) Sea duty allowance is admissible to all sailors serving afloat, including those attached on temp duty, during the periods their ships are actually away from the base ports.

**(Auth: Reg 72(c) of P&A Regs(Navy) Part-I)**

Sea duty allowance and expatriation allowance are not admissible concurrently.

**(Auth: Reg 53 of P&A Regs(Navy) Part-I Explanation there under)**

**Q.5** (a) (i) What is the maximum amount of Casual Leave admissible in a year to regular officers ?

- (ii) What is maximum number of days of which casual leave may be granted to an officer under normal circumstances ?

- (iii) Under what conditions whole casual leave admissible in a year can be granted to an officer ?

(2 Marks each)

- (b) What is Sick List Concession ?

(3 Marks)

- Ans** (a) (i) 20 days  
(ii) 10 days  
(iii) In very exceptional circumstances, whole casual leave of 20 days may be granted at one time at the discretion of leave sanctioning authority provided:  
(a) There is no annual leave at credit or annual leave at credit is not sufficient to cover the period required.  
(b) The officer has to proceed to a station which involves journey by rail or by rail and road of not less than three days from the duty station.

**(Authority: Rule 18 of No(S) of 3/1984)**

- (b) An officer falling sick while on duty or on casual leave taken by itself would be retained on the sick list for a period of 30 days or less, which period would be treated as on duty if it stood by itself unconnected with any kind of sick leave provided the sickness is due to causes beyond his control. This concession is called Sick List Concession which shall not be admissible if the period of sickness exceeds 30 days and in such cases the entire period shall be treated as sick leave.

**(Authority: Rule 22 of No(S) of 3/1984)**

**6 Comment on the following:**

- (a) Concession for prefixing or suffixing of holidays to leave shall not be admissible to Gorkha Personnel as their leave commences or terminates on the date of crossing border.  
(3 Marks)
- (b) Concession of prefixing or suffixing of holidays to leave will be admissible to sailors proceeding to or From J&K.  
(3 Marks)
- (c) Restricted holidays shall not be treated as recognized holidays where such holidays are prefixed or suffixed to leave.  
(3 Marks)

- Ans** (a) This is correct as their leave commences or terminates on the date of crossing border of Nepal, Sikkim or Bhutan.

**(Authority: Explanation -I under Rule 6(2) of NO(S) 3 of 1984)**

- (b) This is not in order as their leave commences or terminates at the transit camp Pathankot.

**(Authority: Explanation -II under Rule 6(2) of NO(S) 3/1984)**

- (c) No, Restricted holidays shall be treated as recognised holidays where such holidays are prefixed or suffixed to leave.

**(Authority: Explanation -III under Rule 6(2) of NO(S) 3/1984)**