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Model Answer

SAS PART -II Examination

February, 2008

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DEFENCE ACCOUNTS DEPARTMENT

S.A.S. EXAMINATION -PART-II

(SECOND & LAST SPECIAL CHANCE)

FEBRUARY, 2008

SUBJECT 'C'- PAPER-V- PRCECIS 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 precis proper.**

1. Enclosed at Annexure is a short preamble bringing out some new steps towards budgetary control. Summarize the points and make a precis of the extract entitling it as well.
(50 Marks)

ANNEXURE TO QUESTION NO.1

For ensuring better budgetary control, a significant step has been taken in the preparation of the Defence Services Estimates(DSE) for the year 2003-2004 Vol. II of the DSE has been prepared for internal use of the Services/Departments/MoD(Fin). This is the result of the recommendation of a Study Group set up under the chairmanship of the Secretary (Defence Finance). This group was constituted on the recommendation of Group of Ministries (GoM) on reforming the national security system.

For the first time, the DSE has been printed in two volumes, one(DSE Vol.I) showing details of demands for grants for getting approval of the Parliament and another (DSE Vol.II) for internal use, with a view to ensuring better budgetary control.

Normally, a two volume presentation of the budget would mean that Vol.II contains more details than Vol.I . A look at Vol.II of the DSE would show that, indeed, there are much more details in this volume than in Vol.I in that budgetary allocations have been shown under various detailed heads of expenditure which were never shown before. Allocations have also been shown directorate-wise, command-wise ordnance factory-wise etc.

Apart from the details, a closer look would show that a different philosophy of budgetary control makes its appearance in the DSE Vol. II presentation, as compared to the DSE Vol.I. From certain concepts used in budgetary allocation, it seems that a management orientation to budgetary control has been brought in. Various administrative and executive authorities subordinate to the MoD are now expected to be actively involved in managing budgets allotted to them, with a view to achieving the value for money for the amount allotted for expenditure. From the presentation of the budget in Vol.II, it appears that lower echelons are no longer to be just passive participants in budget formulation and execution.

Probably a realization has come that budgetary control does not mean only watching expenditure against budgetary allotments. If it also means achievement of planned objectives by the managers responsible for resource management, then a beginning has been made to give management orientation to the defence budget.

Though it has made its formal appearance in the budget documents now, what is important to record, however, is that this initiative is not new. A fairly determined attempt was made both by the ministry and the Services to introduce management orientation to budgeting in defence in the first half of the 1990s. As we shall discuss below, these initiatives somehow petered out in the second half of the 1990s particularly after 1997.

The DSE Vol.II revives some of the initiatives earlier taken in adopting a management - oriented budget in defence. Therefore, in properly appreciating the importance of the steps taken, we have to go into some more details about the earlier steps taken in this regard. We have also to examine why these did not have sufficient impact on defence budget management.

Explaining the necessity of Vol.II, in the foreword, the Secretary (Defence Finance) states, " With the issue of DSE Vol.II, it is expected that better monitoring of progress of expenditure vis-a-vis budgetary allocations, enhanced accountability and transparency would be achieved."

How is the concept of " accountability" to be interpreted ? Accountability cannot only mean limiting the spending to what is allotted under a Budget head. This concept made its appearance for the first time in the General Financial Rules(GFR), which lay down basic principles, rules and regulations for conducting financial transactions of the Government of India. This is a basic book to which reference is made by all competent financial authorities and finance officers for any clarification of doubts regarding finance matters and is treated as a most authoritative source. The GFR contain a set of basic principles called standards of financial propriety or canons of financial propriety, which should guide a competent financial authority in the discharge of his functions, particularly in the sanctioning or expenditure. These are not rules but basic principles to determine whether a certain action can be questioned from the propriety angle. The DSE (Appendix-B) also refers to these canons which should be used in scrutinizing a major expenditure proposal to see "whether the proposal is really necessary; whether the same results could not be obtained otherwise with greater economy; whether the expenditure involved is justified in the circumstances, whether the individual items are in furtherance of the general government policy; whether the canons of financial propriety have been observed."

The way it is put, it would seem that the above questions would be asked only by finance officers of Defence(Finance) in scrutinizing various expenditure proposals, "the objective being safeguarding economy, efficiency and propriety in public finance." In exercising his duty in seeking justification for a proposal, it is stated that a finance officer, "may even challenge the necessity for spending so much money or on such a scale to secure a given object."

When the earlier initiative were taken to introduce management orientation in defence budgeting, it was felt that such questions should really be asked by the managers themselves before formulating a proposal, as ultimately they are responsible and accountable for the results to be achieved in spending money from public funds. Safeguarding of economy, efficiency and propriety is as much a management function as a finance function. Whether an expenditure involved was justified in the prevalent circumstances and whether an individual item was in furtherance of government policy relating to defence, is primarily to be ensured by the executive authorities. Finance officers may help them, by their extensive knowledge of finance matters, in discharge of the executive functions. But the basic accountability to see that the objectives are met in an economical and efficient manner is to be that of the executive officer. The first principle of the canons of financial propriety is, "Every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money." It can only be ensured by a competent financial authority, who is an executive authority, exercising his delegated powers for incurring an expenditure. The second principle of the canons of financial propriety, that the expenditure should not be more than what the occasion demands, can also be ensured by the executive authorities who have professional knowledge of the technical details and can exercise their judgement in the exercise of their powers. In defence, the judgement of high ranking military officers about the propriety of various expenditure is of vital significance.

What is of relevance is to note that in 1989, to the five canons of financial propriety, a sixth one was added by an amendment. This specifically relates to "the responsibility and accountability of every authority delegated with financial powers," thus, recognizing a basic principle advocated by various reformers of public expenditure management in recent years.

The earlier initiatives mentioned above, recognizing the thrust towards responsibility and accountability of the executive authorities, brought in certain concepts in the management of the defence budget which have been incorporated now in DSE Vol.II

What is important to remember is that in operationalising this concept of accountability, one is not talking only in respect of any particular expenditure but of the whole process of budgetary management which should relate input to output by proper planning and management budget, where expenditure would be incurred to meet well defined objectives at various levels at which specific budgets are allotted in a decentralized budget management system.

It is in this background that one can appreciate the features of the DSE Vol.II which is a very significant step towards better budgetary control.

The following are the basic features of the second volume of the DSE(mentioned in the foreword itself) which are of relevance for budgetary control purposes:

- (a) Budget allocations have been reflected upto sub-head/detailed head level. A number of new sub-head/detailed heads have been opened for budgetary allocation purposes.
- (b) Budget allocations has been shown directorate-wise, for those heads of account which are centrally controlled, and command-wise for those heads of account, which are controlled locally.
- (c) Factory-wise/laboratory-wise budgetary allocations have been reflected in respect of DGOF and Defence services- Research and Development.
- (d) Budget holder-wise summary sheets have been introduced in respect of the three services "giving correlation between the budget holder and the accounting heads, he is responsible for."

The following questions arise immediately. How would budget allocation detailed head-wise help in better budgetary control? Would it not only be an accounting device for recording expenditure under various code heads of account and, thus, be useful only for statistical purpose ?

This is one set of questions, and the answers depend on how we actually use these detailed heads of expenditure, before or at the time of formulation of the budget.

The other and more important point relates to the new concept of "budget holder". Where did it come from and how does it help in budgetary control ? The more important question is, how does this concept of budget holder lead to "enhanced accountability" which is stated to be one to the purposes in preparing the DSE Vol. I II ?

What is the significance of establishing, " the correlation between the budget holder and the accounting heads he is responsible for ?

For getting the necessary background and for proper appreciation of the significance of the features of DSE Vol.II and the points and questions mentioned above, a reference is required to be made to the report of the Task Force on Review and Rationalization of Accounting Classification of Receipts and Expenditure and Budgetary Control of Defence Services(henceforth to be referred to as Task Force Report), which was set up by the MoD on 15th July 1991 and which submitted its report to the Government in April 1992.

The main terms of reference of the Task Force were to "identify the requirements of the Ministry of Defence, Service Headquarters and Subordinate Formations in regard to accounting classification as an effective tool for budget

formulation and its revision, expenditure control and decision - making , keeping in view the various programmes/activities/projects, etc. as well as the need of Authority and Responsibility Centres of the concerned organizations."

Apart from going into the necessity for establishing Authority and Responsibility Centres in the concerned organisations for better budgetary control, the Task Force was also asked to "make specific recommendation for charges, if any, in Budgetary Classification, required to overcome the existing gaps/deficiencies in meeting the optimum requirements for effective expenditure control and timely reviews/corrections/diversion of resource."

Among other things, the Task Force was asked to "examine any other related aspects to improve budgetary formulation and decision making in the Ministry of Defence, Service Headquarters and Subordinate Formations."

One point becomes obvious. Any revision in accounting and budget classification is intimately linked with reform in the budgetary process in regard to budget formulation, budgetary decision- making, and budgetary control.

ANS.1.

TITLE - EFFECTIVE MONITORING OF BUDGETARY CONTROL OF DEFENCE SERVICES

SUMMARY OF POINTS :

- A Study Group was set up under the Chairmanship of the Secretary (Defence Finance) on recommendation of Group of Ministries(GoM) on reforming the national security system for ensuring effective budgetary control.
- In pursuance of the recommendation, for the first time Defence Service Estimates (DSE) for the year 2003 -04 has been printed in two volumes, one (DSE Vol.I) showing details of demands for grant for getting approval of the Parliament and another (DSE Vol.II) for internal use with a view to ensure better budgetary control.
- The DSE stressed upon the canons of financial propriety as specified in general financial rule which are to be adhered by a CFA which accordingly sanction an expenditure.
- It also emphasized upon the active association of finance officer of (Defence Finance) and executive/administrative authorities and also stressed upon the concept of accountability to whole process of budgetary management, their by not confining it to any particular expenditure.
- In this background subhead/directorate -wise /factory -wise /Laboratory - wise allocation have been made in respect of defence budget in DSE Vol.II.
- For proper appreciation of the significance of the feature of DSE Vol.II, a reference is to be made to the report of the Task Force set up on 15th July 1991 by MoD on Review and Rationalization of Accounting Classification of Receipts and Expenditure and Budgetary Control of Defence Services.

PRECIS:

On recommendation of Group of Ministries(GoM) on reforming the national security system a Study Group was set up under the Chairman's Ship of the Secretary (Defence Finance) for ensuring effective budgetary control. In pursuance of the recommendation of Study Group a significant step has been taken in the preparation of the Defence Service Estimate (DSE) for the year 2003-04. For the first time DSE has been printed in two volumes, one (DSE Vol.I) showing details of demands for grant for getting approval of the Parliament and another (DSE Vol.II) for internal use with a view to ensure better budgetary control.

An analysis of the DSE would reveal that management orientation to budgetary control has been brought in DSE Vol.II for effective management orientation to the budgetary control. Various administrative and executive authorities are now expected to actively involved in management of the allocated budget. This concept is only revival of some of the initiative earlier taken in first half in the 1990s which somehow petered out after 1997.

The Defence Services Estimate-Volume -II (DSE) has been printed to revive some of the initiative earlier taken in adopting a management-oriented budget in defence, in order to achieve better monitoring of progress of expenditure vis-a -vis budgetary allocation and enhanced accountability and transparency. In past with the initiation of introduction of management orientation in defence budgeting it was felt that the Manager/Executive Officers are first require to seek justification of proposal themselves as ultimately they are responsible and accountable for the objectives to be achieved in spending money from public fund. The DSE (Appendix -B) stressed upon the cannons of financial propriety as specified in General Financial Rule which are required to be adhered by a CFA. Accordingly the Manager/Executive Officer before formulating a proposal should exercise the same vigilance in respect of expenditure incurred from Govt. revenue as a person of ordinary prudence would exercised in respect of the expenditure of it own. Further it should also be ensured that expenditure should not be more then the occasion demands, as CFA's have professional knowledge of technical details and can exercise their judgment while exercising their financial power. In addition to the vigilance exercised by the executives, finance officer may help them by their extensive knowledge of finance matter in discharge of the executive functions. It may be mentioned here that in 1989, to the five cannons of financial propriety, a sixth one which specifically relates to " the responsibility and accountability of every authority delegated with financial power was added by an amendment.

All the above initiatives enforcing the responsibility and accountability on the executive authority have been taken care of in DSE Vol.II. It was further stressed upon that while the concept of accountability is not be confined to any particular expenditure but to whole process of budgetary management . This is because safeguarding of economy, efficiency and propriety is as much a management function as a finance function.

In this background the following are the basic features of the second volume of the DSE which are of relevance for budgetary control purposes:-

- a. Budget allocations have been reflected upto sub-head/detailed head level. A number of new sub-head/detailed heads have been opened for budgetary allocation purposes.
- b. Budget allocations has been shown directorate-wise, for those heads of account which are centrally controlled, and command-wise for those heads of account, which are controlled locally.
- c. Factory-wise/laboratory-wise budgetary allocations have been reflected in respect of DGOF and Defence services- Research and Development.
- d. Budget holder-wise summary sheets have been introduced in respect of the three services "giving correlation between the budget holder and the accounting heads, he is responsible for."

Further for proper appreciation of the significance of the feature as mentioned above of DSE Vol.II, a reference is required to be made to the report of the Task Force on Review and Rationalization of Accounting Classification of Receipts and Expenditure and Budgetary Control of Defence Services which was set up on 15th July 1991 by MoD. The task force was also required to suggest for changes, if any, in Budgetary Classification, required to overcome the existing gaps/deficiencies in meeting the optimum requirements for effective expenditure control and timely reviews/corrections/diversion of resources.

In view of the above analysis it is evident that any revision in accounting and budget classification is intrinsically associated with reform in the budgetary process in regard to budget formulation, budgetary decision-making, and budgetary control.

2. A new command has been set up by the Government and is in the process of its formation. As part of this process, it is necessary to provide for both integrated financial advise as well as local functions from the CsDA located closest to these units which exercise delegated financial powers.

Draft a letter from the Command Headquarters to the CGDA requesting CGDA to issue necessary directions to the local CsDA.

2. Ans.

No. -----
Office of the Command
Headquarters
Dated:

To
The CGDA

Subject: Provision of local audit and IFA coverage to unit of command 'X' by co-located CsDA.

As per extent order the local audit functions and IFA coverage to units/formations of a particulars Command Headquarters are being provided by different controllers organizations. The subject practice has proven very effective in providing prompt IFA services and audit of already established Commands and their lodger units/formations.

2. However it may be mentioned here that recently in accordance with Govt. Orders keeping in view of the Strategic necessity a new Command has just been established in X area. Since the command is newly established, its various lodger units and formations are still under the course of mobilization and are lacking even in basic amenities/facilities for which detailed requirements are being worked out. It is considered that in case the existing practices is followed for the IFA coverage and audit of the subject Command HQrs, a great difficulty will be experienced in complying with the target date set up by Govt as a considerable time may be consumed in getting IFA concurrence for procurement of equipment etc from controllers organization which is distantly located. Further, it may also adversely affect the objective for which the Command is being established.

3. Taking all these factors in to account this HQrs, is of the view that in case the CsDA located closet to these Units which exercise delegated financial powers provides both integrated financial advice as well as local audit functions, it will facilitate in expediting the setting up of Command and its lodger Units/Formations. Once the Command and its lodger Units start functioning normally the existing practice of providing local audit functions and IFA coverage to units/formations of a particulars Command Headquarters by different controllers organizations may be resorted.

4. In view of the above it is requested that the CsDA located closet to the Units of Formations of HQrs. Command may be directed to provide both integrated financial advice as well as local audit function upto 31 -12-2008, by the time the command will be fully operational to meet its objectives

XXX

3. As part of internal audit, you have noticed that there are vast areas of land that are leased for a very long time, since 1911, to two clubs that are now earning huge revenues from this land. Draft an internal audit paragraph, not exceeding two pages, to bring to CGDA's notice this anomaly and suggestions as to how the Army authorities could take up the matter for revision of rentals from the land with these clubs.

Ans.3 :

No. AT/1/10234/AP
Office of the

Subject: Internal Audit Para - Draft Proposal for revision of rentals on leased defence land.

During the process of scrutiny of Audit Reports submitted by various Controller's organisation, it has come to notice that vast areas of defence land are leased to two Army clubs namely MILITARY GOLF CLUB and COUNTRY POLO CLUB since 1911 and no revision of rent has been carried out. At the time of inception of these clubs, the subject facility was to be utilized by Military personnel only, as such rent fixed while granting initial lease to these clubs during British regime was meager. Details showing the area of land leased & the earning from the leased land by the two club separately is appended in Appendix '-A'

After Independence of India, Indian Army has made remarkable achievement in bringing out the best out of the leased land. In this process Military golf club has been re-oriented and raised its standard to a great height matching national & international standard. Necessary infrastructure has been built and the clubhouse has been equipped with all advanced sports gears. Further, Country Polo Club has also been re-oriented and all facilities for conduct of the game has been generated. Resultantly both the club have made reputation in sports arena of national and international level competition. Accordingly various national level games are being conducted by Defence as well as civil authorities with good amount of hiring charges for using clubs ground & club-house facilities. The detailed study of the record of hiring reveals that during recent years, the civil authorities who have utilised these services are professional bodies, who have earned a substantial profit from sponsors etc while organising international events at these venues. Details of earnings from the hiring charges received by said two clubs during last twenty years are shown in Appendix '-B'.

As may be seen from the details of hiring charges, annual earnings of club Authorities have raised remarkably from 1987 to 2007. It is felt that since the various facilities are created from public funds, a part of revenue generated by these clubs is also required to be remitted to Govt. Exchequer. Since rent of these clubs have not been revised after initial fixation in 1911 it is quite clear that a very meager amount has been received by the government against leasing the vast area of government land. Details of amount deposited to Government account for last 20 years have been worked out and shown in Appendix 'C'.

It is revealed that annual income generated by the stated two clubs out of leased defence land and the earning of the Union Government by way of rents of lease is quite of different magnitude. The anomaly in this respect understandably is due to non-revision of rents from the land from time to time after initial rent fixed in 1911.

Taking into account the above anomaly and to have a realistic approach on financial gain, the Army authority may take up the matter at appropriate level for revision of rent from the leased defence land supporting their proposal with the details as shown in Appendix 'A' 'B' 'C' and if required, with working out more details of income out of the leased defence land in conformity with that of civil authority in NCR. It is expected that such revision of rent may yield quite a good amount of money in government amount which is approximately 40-50 lakhs annually. Tentative revised rent and expected annual earnings from rent has been worked out and shown in Appendix - 'D' which is purely exemplary and not exhaustive.

CGDA may kindly approve the above proposal for incorporating the subject internal audit draft para.

Submitted.

ABC
SO(A)

AO(AT-1)

4. Complaints have been received by a visiting CDA about huge pendencies of TA bills of civilians in an Area Accounts Office under this CDA's jurisdiction. You are accompanying the CDA on this visit and while interacting with the Senior Army Executives, the CDA has asked you to put up a draft to the local ACDA directing him to redress this grievances immediately. Please draft such a letter for your CDA.
(50 Marks)

4. Ans.

No.-----

To

Shri X.
Addl.CDA i/c
Area Accounts Office

Subject: Huge pendencies of TA claims in respect of civilians

During recent inspection of Area Account Office and interaction with service authority it has been brought to my notice that a large number of TA bills of civilians are pending for clearances. When the pendency of the claim was verified with control chart it revealed that the position stated by executives stands correct. This is a matter of grave concern and requires your immediate personnel attention.

2. In view of the above it is directed that special drive be undertaken by all the officials of the section concerned for expeditious clearance of the bills pending, so that no bills are outstanding for more than one week. Further due care should be taken during audit of the bills that all the claim are admitted strictly in accordance with provision of TA regulation.

3. It is further enjoined upon that any negligence in timely clearance of bills shall be viewed seriously and action shall be taken against the concerned officials. A compliance report along with remedial actions taken to avoid recurrence of such pendency may be submitted to undersigned by 31st March, 2009 positively.

X YZ
CDA

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DEFENCE ACCOUNTS DEPARTMENT

S.A.S. EXAMINATION-PART-II

(SECOND AND LAST SPECIAL CHANCE)

FEBRUARY, 2008

SUBJECT: 'D' PAPER VI-BOOK KEEPING WITH ELEMENTS OF COST ACCOUNTING

Time Allowed: 3 Hours

Total Marks: 150

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'

Ques.1. From the following Trial Balance, you are required to prepare Trading and Profit and Loss Account for the year ending 31st March, 2001 and a balance sheet as on that date:

(50 Marks)

	Rs.		Rs.
Opening Stock	25,000	Sales	7,00,000
Furniture	16,000	Creditors	60,000
Purchases	5,55,300	Bank Overdraft	50,000
Carriage Inwards	4,700	Provision for bad and doubtful debts	2,100
Bad Debts	1,800	Discount	500
Wages	52,000	Capital	2,00,000
Debtors	80,000	Purchase Returns	20,000
Sales Returns	15,000		

Rent	22,000		
Miscellaneous Expenses	3,400		
Salaries	60,000		
Cash	8,900		
Drawings	14,000		
Buildings	1,60,000		
Advertising	10,000		
Interest on Bank Overdraft	4,500		
Total	10,32,600		10,32,600

Adjustments:

- (1) Closing stock is valued at Rs. 36,000.
- (2) Rent is paid @ Rs. 2,000 per month.
- (3) Salaries Rs. 8,000 and interest in bank overdraft Rs. 2,500 is outstanding.
- (4) Private purchases amounting to Rs. 5,000 have been debited to Purchases A/c.
- (5) Make a provision for Bad and doubtful debts at 5% on debtors.
- (6) A new sign board costing Rs. 4,000 is included in advertising.
- (7) Depreciate furniture and fittings by 10%.

Ans.1.

TRADING AND PROFIT AND LOSS ACCOUNT

Dr.

Cr.

Particulars	Rs.	Particulars	Rs.
To opening stock	25,000		
To purchases 5,55,300		By sales 7,00,000	
Less: Purchase return <u>20,000</u>		Less: Sales returns 15,000	6,85,000
5,35,300		By closing stock	36,000
Less: Private purchases <u>5,000</u> (transferred to Drawing A/c)	5,30,300		
To carriage inwards	4,700		
To wages	52,000		
To gross profit c/d	1,09,000		
	7,21,000		7,21,000
To bad debts 1800		By gross profit b/d	1,09,000
Add: New provision for bad and doubtful debts <u>4,000</u>		By discount	500
5,800		By net loss transferred to Capital A/c	4,600

Less: Old provision for Bad and doubtful Debts	<u>2100</u>	3,700		
To Rent	22,000			
Add: Outstanding	2,000	24,000		
Misc. expenses		3400		
To salaries	60,000			
Add: outstanding	8,000	68,000		
To Advertising	10,000			
Less: signboard (Fittings)	<u>4,000</u>	6,000		
To interest on bank Overdraft	4500			
Add: Outstanding	2500	7,000		
To depreciation on furniture & Fittings(signboard)	1600 400	2000		
		1,14,100		1,14,100

BALANCE SHEET

Liabilities		Rs.	Assets		Rs.
Bank overdraft	50,000		Cash		8900
Add: interest outstanding	2500	52,500			
Creditors		60,000	Debtors	80,000	
			Less: New provision for Bad and doubtful debts	4,000	76,000
Outstanding rent		2,000	Closing stocks		36,000
Outstanding salaries		8,000	Furniture	16,000	
			Less: Depreciation	1600	14,400
			Fittings(Signboard)	4,000	
			Less: Depreciation	400	3600
Capital	2,00,000		Buildings		1,60,000
Less: Net loss	<u>4600</u>				
	1,95,400				
Less: Drawings (Rs. 14,000+Private Purchase Rs 5,000)	19,000	1,76,400			
		2,98,900			2,98,900

SECTION-'B'

Ques.1. What is meant by "books of original entry ?" Name any four such books. Analyze and record the Journal entries relating to transactions given below:

(3+4+9+9 =25 Marks)

TR No	DATE	PARTICULARS
1.	01-04-2006	Mr. Anil started business by investing Rs. 4,00,000.
2.	01-04-2006	Deposited Rs. 3,00,000 in the bank account opened in the name of business.
3.	03-04-2006	Purchased furniture for Rs. 48,000 payment made by cheque.
4.	08-04-2006	Purchased goods costing Rs. 76,000 against payment made by cheque.
5.	10-04-2006	Purchased goods from Reliance Traders on account (on credit) for Rs. 56,000.
6.	12-04-2006	Sold goods to M/s Ram Lal for Rs. 18,000(costing Rs. 14,200) on account (on credit).
7.	15-04-2006	Paid to Reliance Traders Rs. 36,000 by cheque.
8.	18-04-2006	Goods sold for Rs. 23,800 (costing Rs. 19,000) on cash.
9.	22-04-2006	Received cheque for Rs. 18,000 from Ram Lal.
10.	26-04-2006	Paid the balance amount(Rs. 20,000) to M/s Reliance Traders by cheque.

Ans.1

The book in which the transaction is recorded for the first time is called journal or book of original entry. The source document is required to record the transaction in the journal.

Books of original entry are as under:

1. Journal
2. Cash book
3. Purchase book
4. Sales book
5. Purchase returns book
6. Sales return book
7. Bills receivable book
8. Bills payable book

ANALYSIS OF TRANSACTION

Transaction 1:

This increases cash (asset) and Anil's capital(owner's equity) by Rs. 4,00,000.

Transaction 2:

This increases cash at bank(asset) and decreases cash (asset) by Rs. 3,00,000.

Transaction 3:

This increases furniture(asset) and decreases cash (asset) by Rs. 48,000

Transaction 4:

This increases inventory(asset) and decreases cash at bank (asset) by Rs. 76,000.

Transaction 5:

This increases inventory(asset) and creditors(liabilities) by Rs. 56,000

Transaction 6:

This increases sales (revenue) by Rs. 18,000 and debtors(asset) by Rs. 18,000. On further analysis, cost of goods sold (expenses) increases by Rs. 14,200 profit by Rs. 3800 and debtors(asset) by Rs. 18,000.

Transaction 7:

This increases cash at bank (asset) and creditor(liability) by Rs. 36,000.

Transaction 8:

This increases cash (asset) by Rs 23,800 decreases inventory(asset) by Rs. 19,000 and increases profit(owner's equity) by Rs. 4800.

Transaction 9:

This increases cash at bank (asset) by Rs. 18,000 and debtors(asset) by Rs. 18,000.

Transaction 10:

This decreases cash at bank(asset) by Rs. 20,000 and liability(creditors) by Rs. 20,000.

JOURNAL

DATE	PARTICULARS	DEBIT AMOUNT	CREDIT AMOUNT
01.04.2006	Cash A/c Dr. Anil's capital A/c (Anil invested capital in the firm)	4,00,000	4,00,000
01.04.2006	Bank A/c Dr. Cash A/c (Cash deposited in newly opened bank account)	3,00,000	3,00,000
03.04.2006	Furniture A/c Dr. Bank A/c (Furniture purchased and payment made by cheque)	48,000	48,000
07.04.2006	Inventory A/c Dr. Bank A/c (Inventory purchased on payment by cheque)	76,000	76,000
10.04.2006	Inventory A/c Dr. Reliance traders A/c (Inventory purchased from reliance traders on credit)	56,000	56,000
12.04.2006	Ram Lal's A/c Dr. Sales A/c (Sold goods to Ram Lal on credit)	18,000	18,000

12.04.2006	Cost of goods sold A/c Inventory A/c (Cost of goods sold transferred to inventory)	Dr.	14,200	14,200
15.04.2006	M/s Reliance traders Bank A/c (Cheque given to M/s Reliance traders)	Dr.	36,000	36,000
18.04.2006	Cash A/c Sales A/c (Goods sold for cash)	Dr.	23,000	23,000
18.04.2006	Cost of goods sold A/c Inventory A/c (Cost of goods sold transferred to inventory)	Dr.	19,800	19,800
22.04.2006	Bank A/c M/s Ram Lal A/c (Received cheque from Ram Lal)	Dr.	18,000	18,000
26.04.2006	M/s Reliance traders A/c Bank A/c (Cheque given to M/s Reliance traders)	Dr.	20,000	20,000
	TOTAL		10,29,000	10,29,000

Ques.2. What are the causes of difference between 'pass book of bank account' and 'bank column of cash book'? What is the utility of bank reconciliation statement? What is the impact of latest banking technologies like RTGS, CBS etc(which ensure almost immediate clearing of cheques and updating of database relating to bank account) on the bank reconciliation statement? Name two controller offices of DAD where these banking technologies are being used for electric transmission of value ?

(25 Marks)

Ans.2. Causes of difference between 'Passbook of Bank A/c' and Bank column of cash book'

1. Cheques issued but not yet presented for payment cash book is debited immediately while issuing cheque to a party. However the party deposits the cheque in the bank after a few days and accordingly debit in bank account is made after a time-lag, resulting in variation of two balances.

2. Cheques paid into bank but not yet collected when a firm deposits a cheque with bank, it credits the bank column, but bank will credit the firm's account only after clearing which takes a few days. This would cause variation between two balances.

3. Interest credited by bank. Interest is credited by bank on the balances available, but not generally communicated to account holder. This causes variation.

4. Interest and expenses charged by bank

Bank charges interest on overdrafts and commission etc for services rendered by bank. Bank charges are debited from customer account but not communicated simultaneously. This causes variation.

5. Credits by the bank without knowledge of the firm

Direct credit of dividend/ interest on investment made by customer firm, without simultaneous Communication to firm by bank causes variation in two balances.

6. Direct deposits made by Parties

Debtors of the firm may directly pay to bank A/c of the firm, and this is communicated by Bank to firm immediately, leading to variation.

7. Dishonor of a bill discounted/cheques deposited with bank

Direct payments (like insurance premium, electricity, telephone bills etc) made by bank on instructions of the firm, without simultaneous communication to firm, causes variation.

9. Manual and other errors and omissions both by the bank and the client firm.

IMPORTANCE OF BANK RECONCILIATION STATEMENT (BRS)

Reasons for difference between cash book balance and pass book balance are required to be identified. This can be done only through the reconciliation statement. In the absence of the reconciliation statement, customer cannot be sure of the correctness of the bank balance depicted by the cash book. Hence periodic preparation of the reconciliation statement is essential for depicting the correct status of the account.

Impact of latest banking technologies on the BRS

In the latest banking technologies like RTGS, CBS, etc, there is no necessity for drawing and presentation of cheque in the bank, as transfer of funds between two accounts takes place electronically. In such transactions, debits in one account are simultaneous with the credit in the payee's account irrespective of distances involved between payer and the payee. Elimination of cheque and postal agency from the system ensures simultaneous entries in the cash book of the payer and pass book/statement of his bank account. Further availability of net banking facilities to the customer enables him to see the latest status of all debits and credits (with narrations in support of this) on the pc screen of his computer. With the availability of almost real time information to the customer and electronic transfer of funds between two accounts, importance of BRS has come down significantly. However from the accounting angle it is still necessary to prepare BRS, as some reasons for differences between cash book balance and pass book balance like human errors in posting still remains despite operation of electronic systems. Further as electronic systems are not yet fully extended to the entire banking system of the country, BRS continues to be necessary, though somewhat reduced in importance.

Names of controllers offices where latest banking technologies are in operation

- A- PCDA HQ NEW DELHI
- B- CDA (FUNDS) MEERUT CANTT
- C- CDA (ARMY) MEERUT CANTT
- D- CDA JABALPUR
- E- CDA(O) PUNE

Ques.3. Attempt any FOUR of the following:

- (a) Distinguish between a bill of exchange and a promissory note.
(6.25 Marks)
- (b) Explain two methods for working out of depreciation on fixed assets.
(6.25 Marks)
- (c) Explain differences between 'provision' and 'reserves'. What are various types of provisions and reserves ?
(4.25 + 2 = 6.25 Marks)
- (d) Distinguish between 'capital' 'revenue ' and 'deferred revenue' expenditure. Give two examples of each category.
(4.25 + 2 = 6.25 Marks)
- (e) What do you understand by 'GAAP' ? Explain in short four basic assumptions/cornerstones of the accounting i.e. accounting entity, money measurement, going concern, accounting period.
(2.25+4 = 6.25)

Ans. 3(a)

Distinction between bill of exchange and Promissory note

SL. No.	BASIS	BILL OF EXCHANGE	PROMISSORY NOTE
1	Drawer	Drawn by the creditor	Drawn by the Debtor
2	Order/Promise	Contains an Order to make payment	Contains a promise to make Payment
3	Parties	Three parties viz. the Drawer, Acceptor, Payee	Two Parties Drawer/maker who signs and the payee
4	Acceptance	Requires acceptance by drawee or someone else on his behalf	Does not require any acceptance
5	Payee	Drawer and payee can be the same party	Drawer cannot be payee of it
6	Liability	Liability of drawer secondary and liability of acceptor primary	Liability of drawee is primary
7	Notice	In case of dis-honour due notice of dishonour to be given by holder to drawer	No notice needs to be given in case of dis-honour
8	No of copies	One copy of a bill of exchange is prepared in case of a local bill and three copies are prepared in case of a foreign bill.	Only one copy is prepared in both the cases
9	Revenue Stamps	Stamps are not required to be fixed on the bills of exchange payable on demand otherwise stamps would be necessary.	Stamps have to be fixed on all types of promissory notes

Ans. 3(b) METHOD OF DEPRECIATION

1. Straight line method

In this method a fixed and equal amount is charged as depreciation in every accounting period during the life-time of an asset. This reduces the original cost of the asset to its scrap value at the end of its serviceable life.

Following formula is used

$$\text{Depreciation Amount} = \frac{\text{Acquisition cost of asset} - \text{Estimated scrap value}}{\text{Estimated life of the asset}}$$

This is earliest and most widely used methods of calculating depreciation. It is also called fixed installment method. If depreciation amount and corresponding time period is plotted on a graph, it generates a straight line.

2. **Written down value method**

Under this method, depreciation is charged on the book value of the asset. Since book value keeps on reducing by annual charge of depreciation, It is also known as reducing balance method. This involves application of a fixed percentage of the book value of asset in every accounting period. Thus the rate of dep. remains fixed but dep. Amount goes on reducing with passage of time. Under this large amount is recovered as dep. in the earlier years as compared to later years.

Ans. 3(c)

DIFFERENCE BETWEEN PROVISIONS AND RESERVES

PURPOSE: Whereas a provision is created for meeting some specific and known liability, reserve is meant for meeting future legal obligations or investment requirements, not precisely known.

MODE OF CREATION: Whereas a provision is a compulsory charge against profit and loss account of the year and is to be created even when profits are not expected, a reserve is always created out of profits or already existing surplus viz contingency reserve.

PRESENTATION IN BALANCE SHEET: Whereas a provision is presentation as a deduction from the item for which it has been created on the asset side of the balance sheet or as a liability after current liabilities as part of external equities, reserves are listed always on the liability side of the balance sheet.

UTILISATION: Whereas provisions can be used only for the purpose for which they were created, reserves are available for generalized and bonafide requirements of business.

INTER TRANSFERS: Whereas provisions cannot be transferred to any reserve, reserves can be transferred to provisions.

IDENTIFICATION WITH OPERATIONS: Whereas provisions are used for meeting liabilities arising within the business, reserves can be invested outside the business.

DEMONSTRATION EFFECT: Whereas provisions indicate meticulous management, reserves build up a positive image of the organization /management.

VARIOUS TYPES OF PROVISIONS

- A- Provisions for doubtful debts
- B- Provisions for depreciation
- C- Provisions for repairs
- D- Provisions for discount on debtors
- E- Provision for taxation/legal damages

VARIOUS TYPES OF RESERVES

- A- Capital reserve
- B- General reserve
- C- Contingency reserve
- D- Dividend equalization reserve
- E- Debenture redemption fund

Ans. 3(d)

DISTINCTION BETWEEN CAPITAL AND REVENUE EXPENDITURE

Whereas all revenue items are included in the profit and loss account, all items of capital expenditure form part of the balance sheet.

Whereas capital is defined as wealth/fixed assets, with long life and are utilized for production of more value, such extra wealth/value is known as revenue or profit. Whereas all expenditure incurred in creation of permanent assets or for improvement of existing assets for generating revenue income is called capital expenditure, all expenditure incurred in conduct of the business and expenditure on repairs, replacement of existing assets which do not enhance earning capacity, are covered under revenue expenditure.

Where heavy expenditure of a revenue nature is incurred whose benefit is likely to extend beyond the year in which it takes place it is classified neither as capital or revenue but as deferred revenue expenditure.

Example of three categories -

Revenue:

- A. Cost of raw materials and stores consumed for manufacturing
- B. Wages paid to workers
- C. All expenses incurred for conduct of business such as rent, salary, wages, insurance, and advertising.
- D. Interest on loans borrowed for business
- E. Maintenance of electric lights and fans/office vehicles
- F. Loss from wear and tear and obsolescence of assets utilized in business.

CAPITAL

- A. Cost of land and buildings
- B. Cost of plant and machinery
- C. Cost of trademarks, patents, copyrights etc.
- D. Cost of goodwill
- E. Cost of additions and extensions of existing assets
- F. Cost of improvements to existing assets to enhance revenue earning capacity

DEFERRED REVENUE EXPENDITURE

- A. Preliminary expenses for raising business
- B. Brokerage on shares and cost of issue of debentures
- C. Cost of removal of business to a more convenient locality
- D. Advertising expenses for popularizing a new product/brand
- E. Exceptional repairs like over-hauling of the entire plant.

Ans. 3(e)

MEANING OF GAAP:

Generally accepted accounting principles(GAAP) are the set of rules and practices followed for recording transactions in books of accounts and preparing financial statement.

It provides as set of guidelines followed by accounting profession for preparing and reporting financial information to various stake holders.

Guidelines are categorized into basic assumptions, principles and modifying principles.

Basic Assumptions

Assumptions have been developed over a period of time and considered as cornerstones of the foundation of accounting. The four basic assumptions are accounting entry, money measurement, going concern and accounting period.

ACCOUNTING ENTITY: Accounting entity assumption, states that the activities of a business entity be kept separate from its owners and all other entities.

MONEY MEASUREMENT: Money measurement assumption requires use of money as a unit of measurement that is the currency of the country where the organization is to report its operations.

GOING CONCERN: This assumption states that the business will have an indefinite life unless there is evidence to the contrary.

ACCOUNTING PERIOD ASSUMPTION: This assumption permits the accountant to divide the lifespan of the business enterprise into different time period known as accounting period for the purpose of preparing financial statements.

Ques.4. Attempt any TEN of the following 'Fill in the blanks' (each carries 2.5 marks):

- (1) Companies must prepare financial statements at least yearly due to the assumption.
- (2) The principle requires that the same accounting method should be used from one accounting period to the next.
- (3) Recognition of expenses in the same period as associated revenues is known as the..... principle.
- (4) Transactions between owner and business are recorded due to assumption.
- (5) The source documents provide information about the nature of the and the involved it.
- (6) Accounting equation is a statement of between the debits and the credits.
- (7) When cash book is maintained the transactions of cash are not recorded in the
- (8) Assets are always equal to liabilities plus +.....
- (9) Process of transferring entries from books of original entry to the ledger is called.....
- (10) Errors of principle affect the trial balance.
- (11) The equality of and of the trial balance does not mean that the individual accounts are also
- (12) A suspense account facilitates the of financial statements even when the has not tallied.
- (13) Depreciation represents a in the value of fixed assets.
- (14) Capital reserves are those which are generally not distributed as
- (15) Purpose of reserve is generally to the financial position of a business enterprise.
- (16) A bill of exchange is a instrument.
- (17) There are parties to a bill of exchange.
- (18) There are parties to promissory note.
- (19) A promissory note does not require
- (20) Days of grace are added in the terms of the bill to calculate the date of its maturity.

Ans. 4(1)Companies must prepare financial statements at least yearly due to the **periodicity** assumption.

- (2) The **consistency** principle requires that the same accounting method should be used from one accounting period to the next.
- (3) Recognition of expenses in the same period as associated revenues is known as the **matching** principle.
- (4) Transactions between owner and business are recorded due to **Accounting entity** assumption.

- (5) The source documents provide information about the nature of the **Transaction** and the **amount** involved in it.
- (6) Accounting equation is a statement of **equality** between the debits and the credits.
- (7) When cash book is maintained the transactions, of cash are not recorded in the **Journal**.
- (8) Assets are always equal to liabilities plus **owner's equity**.
- (9) Process of transferring entries from books of original entry to the ledger is called **Posting**.
- (10) Errors of principle **do not** affect the trial balance.
- (11) The equality of **debit** and **credit** of the trial balance does not mean that the individual accounts are also **accurate**.
- (12) A suspense account facilitates the **preparation** of financial statements even when the **trial balance** has not tallied.
- (13) Depreciation represents a **Diminution** in the value of fixed assets.
- (14) Capital reserves are those which are generally not distributed as **Dividends**.
- (15) Purpose of reserve is generally to **strengthen** the financial position of a business enterprise.
- (16) A bill of exchange is a **Negotiable** instrument.
- (17) There are **Three** parties to a bill of exchange.
- (18) There are **Two** parties to a promissory note.
- (19) A promissory note does not require **acceptance**.
- (20) **Three** days of grace are added in the terms of the bill to calculate the date of its maturity.

SECTION-'C'

Ques.1. From the following figures prepare a Production Account for the financial year ending on 31-03-2007, assuming stock of finished goods at the end of period to be valued at cost, showing:-

(25 Marks)

- (1) The value of materials consumed
- (2) Cost of Production
- (3) Cost of stock hold
- (4) Profit on stock sold; and
- (5) Profit for the period

	At 1st April, 2006	At 31st March, 2007
	Rs.	Rs.
Stock-		
Raw materials	2,00,000	2,47,000
Finished Goods	1,43,000	84,000
Work-in-Progress	62,000	69,000
Transactions during financial year 2006-07		
Purchases of Raw materials	1,76,000	
Wages		
Direct wages	1,40,000	
Indirect wages	5,000	
Work Charges	74,000	
Administration expenses	26,000	
Selling expenses	30,000	
Sales	5,68,000	

Ans. 1.

PRODUCTION ACCOUNT

	Rs.		
To Stock of raw materials, 1st April, 2006	2,00,000	By sales	5,68,000
To Purchases	1,76,000		
	3,76,000		
Less: Stock of raw material, 31st March 2007	2,47,000		
(a) Raw Materials consumed	1,29,000		
To Wages- Direct	1,40,000		
Prime Cost	2,69,000		
To Works charges	74,000		
To Indirect Wages	5,000		
	3,48,000		
To work-in- progress, 1st April, 2006	62,000		
	4,10,000		
Less Work-in-progress, 31st March 2007	69,000		
Works cost	= 3,41,000		

To administration expenses	<u>26,000</u>		
(b) Cost of Production	= 3,67,000		
To Stock of finished goods, 1st April, 2006	<u>1,43,000</u>		
	5,10,000		
Less stock of finished goods, 31st March, 2007	84,000		
(c) Cost of stock sold	4,26,000		
(d) Profit on stock sold c/d	1,42,000		
	5,68,000		5,68,000
To selling expenses	30,000		
(e) Profit for period	1,12,000	By Profit on Stock sold B/D	1,42,000
	1,42,000		1,42,000

Ques 2.

(a) Explain distinction between determination of wages based on 'Time Rate System and Piece Rate system'.

(10 Marks)

(b) Explain the term 'economic order quantity'. Is this concept applied in our Ordnance Factories? Are our ordnance factories getting orders from defence services for their operations at full of their capacity ? If no, explain briefly reasons for this.

(2+2+2+2 = 8 Marks)

(c) How overtime wages are treated in cost accounts ?

(3 Marks)

(d) Which method of wages payment(time/piece rate) would you adopt in the following situations and why ?

1. When a collective effort of a group of individuals is necessary for completion of a job ?
2. When skilled personnel are engaged in tasks requiring high quality work ?
3. Where quantity of work can be readily measured, inspected and counted ?
4. Where work is of repetitive nature and there is need to increase production ?

(1+1+1+1 = 4 Marks)

Ans. 2(a)

Distinction between Time Rate Wage System and Piece Rate Wage System

Time rate wage system and piece rate wage system can be distinguished as follows:

Basis of Distinction	Time Rate Wage System	Piece Rate Wage System
1. Basis of Payment	A worker is paid at a fixed rate per hour, per day or per month for the time devoted by him.	A worker is paid at a fixed rate per unit produced or job completed.
2. Linkage between Performance and Reward	There is no linkage between performance and reward. Both efficient and inefficient workers get the same amount of wages so long as they spend equal time on the job.	The linkage between performance and reward motivates the people to produce more and earn more.
3. Quality of work	High	Low
4. Wastage of materials/ machinery	Low	High
5. Supervision	Close supervision required	Close supervision not required
6. Attitude of trade unions	Low	High
7. Attitude of trade unions	Positive	Negative
8. Security and insecurity	Provides sense of security	Relatively insecure
9. Usefulness	Useful where workers have to do a variety of dissimilar jobs or where tasks cannot be readily measured inspected and counted.	Useful where worker performs jobs of repetitive nature or where tasks can be readily measured, counted and inspected.
10. Assurance	Assured of wages for time period ir-respective of level of output.	No such assurance

Ans. 2(b)

ECONOMIC ORDER QUANTITY

Re-order quantity is the quantity for which order is placed when the stock reaches re-order level. It is known as EOQ when it is most economical to order this quantity. EOQ is that quantity of Inventory at which total of ordering costs and carrying costs is minimum. At EOQ the ordering costs are equal to carrying costs. EOQ is determined after considering following factors:

A. Ordering cost- This includes following components:

1. Cost of placing an order,
2. Cost of transportation
3. Cost of receiving goods,
4. Cost of Inspecting goods.

There is an inverse relation order size and ordering cost.

B. Carrying costs- It covers following components:

1. Cost of storage space,
2. Cost of handling materials,
3. Cost of Insurance
4. Cost of obsolescence
5. Cost of store staff

There is positive relation between order size and carrying cost.

Larger the order larger the carrying cost.

EOQ inventory control technique solves one of the major problems of inventory management viz; the order quantity problem by answering to the question: 'How much inventory should be ordered at a particular point of time ?

This concept of EOQ is not applicable to army ordnance corps as they do not maintain any cost accounting system. As for ordnance factories, although they have a cost accounting system in place, captive nature of their production process, making them to work according to orders placed on them by defence services and fluctuating nature of orders placed on them, makes it difficult for them to implement EOQ as an inventory control technique. As such AOC and ordnance factories do not follow EOQ system. Our ordnance factories are not getting sufficient orders from defence services to ensure full capacity utilization. This is primarily due to fluctuating nature of orders for war like and non scaled. Items, lack of strong technology upgradation due to non-availability of any in house R&D base, high rate of obsolescence particularly of electronic stores, etc.

Ans. 2(c)

ACCOUNTING TREATMENT OF OVERTIME WAGES IN COST ACCOUNTS

Circumstances	Treatment of Overtime Wages
(A) When it is desired at customer's request to complete the work within specified time.	It should be charged directly to work or job concerned
(B) When it is required to increase the output as per general production program	It should be treated as production over-head
(C) When it is required to make up any short fall in production due to abnormal conditions such as flood earthquake, breakdown of machinery.	It should be charged to Profit and loss accounts.
(D) When it is required to meet seasonal demand	It should be treated as production over-head.
(E) When it is required to increase the output to meet additional market demand.	It should be treated as production over-head.

Ans. 2(d)

Situation	Suitable wage Rate	Reason
(A) When a collective effort of a group of individual is necessary for completion of job.	Time Rate	Because this system is more suitable when it is difficult to measure precisely the output of individual workers.
(B) When skilled personnel are engaged in tasks requiring high quality work.	Time Rate	Because high quality work is required, i.e, workers are not in a hurry to complete their work to get more wages.
(C) Where quality of work can be readily measured, inspected & counted.	Piece Rate	Because quantity of work is measurable and it is easy to differentiate between efficient and non-efficient workers.
(D) Where work is of repetitive nature of there & is need to increase production.	Piece Rate	Because there is a need to increase the production and work is of a repetitive nature and no supervision and no skilled personnel is required. Further, quality is not so important.

Ques.3. Attempt any TWO of the following:

(a) Explain difference between direct and indirect labour with suitable examples. Is the cost of indirect labour included in the prime cost ?

(10+2.5 Marks)

(b) Distinguish between direct and indirect material with the help of suitable examples. Is the cost of electricity included in the direct material ?

(10 + 2.5 Marks)

(c) What are the bases of classification of overheads(indicate outlines only). Briefly explain administration and selling overheads with one example each..

(6.5 +6.5 Marks)

Ans.3 (a)

Distinction between direct and indirect labour

Basis of distinction	Direct labour	Indirect labour
1. Identification	It can be readily identified with a specific job, contract or work order.	It cannot readily be identified with a specific job, contract or work order.
2. Treatment of cost	Direct labour cost is directly charged to the specific job, contract or work order and forms part of prime cost.	Indirect labour cost cannot directly be charged to the specific job, contract or work order and is treated as part of over-heads which are absorbed on some suitable basis.
3. Variability	It varies directly with the volume of output.	It may or may not vary directly with the volume of output.
4. Examples	A weaver in weaving unit, carpenter in furniture unit, tailor in readymade wear shop	Labour employed in personnel department, pay roll department, repairs and maintenance department.

Cost of indirect labour is not included in the prime cost.

Ans. 3(b)

Direct materials are those materials which can be easily identified with and can be directly allocated to a particular product, job or process. As against this indirect materials are those materials which cannot easily be identified with and cannot be allocated directly to a particular product, job or process. Examples of

direct materials are Timber in furniture , cloth in garments, milk in ice-cream, paper in books, gold in jewellery, brick and cement in building construction. Examples of indirect material are Stores used for maintaining machines such as grease and oil, cotton waste etc, materials of small value like nails used in furniture, thread used in stitching garments.

Cost of electricity is not included in the direct material.

Ans. 3(c)

Classification of overheads is done on following basis:-

1. BY FUNCTION -

- PRODUCTION OVERHEADS
- ADMINISTRATION OVERHEADS
- SELLING OVERHEADS
- DISTRIBUTION OVERHEADS

2. BY BEHAVIOUR-

- FIXED OVERHEADS
- VARIABLE OVERHEADS
- SEMI- VARIABLE OVERHEADS

3. BY ELEMENT-

- INDIRECT MATERIALS
- INDIRECT LABOUR
- INDIRECT EXPENSES

Administration overheads are those costs which are not related directly to production, selling, distribution, R&D activity or function. These represent aggregate of material labour cost and expenses incurred by administration for general management of organization. These costs are in the nature of indirect costs. Examples- cost of printing, postage and stationery used in administration department, salary of managing director and other board members, remuneration of cost and financial auditors, rent rates and taxes of office buildings, telephone expenses, lighting, heating and cleaning expenses of administration section. Selling overheads cover the cost of seeking to create and stimulate demand. This is the cost of promoting sales and retailing customers. This is aggregate of material, labour, cost and expenses incurred by sales department. All these costs are indirect costs. Examples-commission to selling agents, cost of catalogues, list prices, etc, advertising bad debts, debt collection charges, sales man traveling expenses, entertainment expenses on customer, etc.

Ques.4. What is distinction between cost and financial accounting ? What are two major limitations of financial accounting and how these are overcome by cost accounting ? Do we have systems of cost accounting in organizations providing specialized service in army like ASC(Food+transportation service) ; MES(buildings and road constructions/maintenance, water and electricity provider); EME (repair

and maintenance of equipments and vehicles); Signals(communications). Do the agencies (with suitable examples) providing similar service in civil economy, maintain some sort of cost accounts to maintain their competitiveness and efficiency ?.

(10+7+4+4 = 25 Marks)

Ans.4

Distinction between cost and financial accounting.

Basis of distinction	Financial Accounting	Cost Accounting
1. Objective	Provide information about overall financial performance and financial position.	Ascertain cost, to control cost, to provide information for decision making.
2. Analysis of costs and profits	Overall profit/loss	Detailed cost and profits for each product process, job, contract, etc.
3. Emphasis- control/ reporting	On reporting	On control
4. Decision making	Of limited use	Facilitate decision making
5. Responsibility fixation	Do not offer any effective help	Effectively help in responsibility fixation.
6. Focus on present/ future	On historical data	On present and future data
7. General vs. Special reports	General	Special
8. Legal requirements	Companies Act and the income tax act	Voluntary
9. Transactions recorded	External	External and internal
10. Persons interested	Whole world	Internal management
11. Format of presenting information	Uniform	Different formats
12. Access	Anybody	Outsiders have no access
13. Monetary/non monetary information	Only monetary	Monetary and physical

Major limitation of financial accounting	How these are overcome by cost accounting
1. Not provide information for forecasting and planning.	Technique of budgeting.
2. Not provide information for decision - making	Technique of marginal costing
3. Not provide information for control and assessment	Techniques of budgeting and standard costing.

There is no well defined system of cost accounting in organizations of army like ASC, MES, EME, SIGNALS. Agencies providing similar service in civil economy maintain well defined systems of cost accounting for effective management control

over their operations and for maintaining their competitiveness and efficiency. Some examples are given below:

1.	Buildings and road construction/maintenance	Municipal corporations
2.	Repair and maintenance of equipment and vehicles	System of job costing is followed in many automobile majors like Maruti, Telco, etc.
3.	Communication (telephonic and electronic)	Airtel, Reliance Communication.
4.	Food and transportation service	Chain of food stores like Mc Donalds, Nirulas etc. Major transports like transport corporation of India, container corporation of India, GATI, BALMER LAWRIE, maintain some sort of cost accounts for services provided by them

DEFENCE ACCOUNTS DEPARTMENT

S.A.S. EXAMINATION -PART-II

(SECOND & LAST SPECIAL CHANCE)

FEBRUARY, 2008

SUBJECT 'E'- REGULATIONS- PAPER VII -PRACTICAL

(WITH BOOKS)

TIME ALLOWED: 3 HOURS

TOTAL MARKS: 100

Note:-

- (3) 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)
- (4) Candidates permitted to answer questions from Factories, Air force and Navy portions should answer any FOUR alternative questions from Sections III, IV or V respectively. The remaining candidates should answer any FOUR alternative questions from Section II
- (5) Each question in Section I carries 8 marks. Questions in Sections II, III, IV and V carry 9 marks each.
- (4) Reasons must be given in support of the answers and wherever applicable, authority must be quoted in support of the answers.

SECTION-I

(Common for ALL Candidates)

- Ques.1. Comment on the following:
- (a) Deficiency of service in the rank of NCO was condoned by the Competent Authority.
(2 Marks)
 - (b) A widow has remarried but her pension was not discontinued.
(2 Marks)
 - (c) A pensioner did not appear before a re-survey medical board but continued to draw pension.
(2 Marks)
 - (d) Pension disbursing officer made payment of pension even through the lady pensioner failed to appear in person for identification.
(2 Marks)
- Ans.1.
- (a) A competent authority may condone a deficiency of service in a particular rank not exceeding three months, except on voluntary retirement.
(Auth:- Pension Regulations Part-I, Regl. 134)
 - (b) Ordinary or special family pension granted to the widow of a

deceased officer shall be discontinued under the following circumstances:

- (a) If she proves unworthy of it; or
- (b) If she remarries

Note: Condition in clause (b) will not apply to widow in receipt of special family pension who remarries her deceased husband's real brother and continues to live a communal life with and/or contributes to the support or the other dependents of the deceased husband.

(Auth: Pension Regulations Part-I, Regl. 98)

- (c) In case a pensioner who has been asked under any rule or order to appear before a re-survey medical board, for re-assessment of his disability, refuses to do so, the disability element of his pension shall be suspended from the date of such refusal. He shall, however, continue to draw service element.

(Auth: Pension Regulations Part I, Regl. 188)

- (d) A pensioner must take payment in person after the pension disbursing officer has satisfied himself as to his identity.

A pensioner specially exempted by the State Government or Administration from appearing in person, a female not accustomed to appear in public or a pensioner who is unable to appear in consequence of bodily illness or infirmity, may receive his or her pension through a representative upon the production of a life certificate signed by a responsible officer of Government or by some other well-known and trustworthy person.

(Auth: Pension Regulations Part II, Regl.66(b))

- Ques.2.
- (a) A civilian employee was dismissed from service due to conviction in a murder case. He has submitted a representation for grant of pension. How is his case to be dealt with ?
(4 Marks)
 - (b) When can departmental proceedings be initiated against a retired DAD employee and whose sanction would be required ?
(4 Marks)

- Ans.2
- (a) A Government servant who is dismissed or removed from service shall forfeit his pension and gratuity:

Provided that the authority competent to dismiss or remove him from service may, if the case is deserving of special consideration, sanction a Compassionate Allowance not exceeding two-thirds of pension or gratuity or both which would have been admissible to him if he had retired on compensation pension.

(Auth: CCS Pension Rules, Rule 41)

- (b) The departmental proceedings, if not instituted while the Government servant was in service, whether before his retirement, or during his re-employment,-
 - (i) shall not be instituted save with the sanction of the President,
 - (ii) shall not be in respect of any even which took place more than four years before such institution, and

(iii) shall be conducted by such authority and in such place as the President may direct and in accordance with the procedure applicable to departmental proceedings in which and order of dismissal from service could be made in relation to the Government servant during his service.

(Disc. proceedings could be initiated only if misconduct is grave in nature)

Auth: CCS Pension Rules, Rule 9(2)(b)

Ques.3. (a) A defence pensioner, who retired from service in January, 2000 submitted application for payment of gratuity on 24.10.2007. Mention the relevant regulations to be kept in view while processing the case.

(4 Marks)

(b) Under what circumstances a widow of an officer can be given provisional payment of family gratuity and how the amount is to be adjusted ?

(4 Marks)

Ans. 3. (a) Cases where the application for the payment of gratuity is submitted by the claimant after the expiry of five years from the date of which the claim originally fell due shall be submitted for orders of the Government.

(Case is 7 yrs old)

(Auth: - Pension Regulations Part-II, Regl. 91(c))

(b) The competent authority may make provisional payment of family gratuity of an amount equivalent to 75 percent of the family gratuity immediately on receipt of the prescribed report accompanied by the relevant documents to the widow of an officer or to the family of a Junior Commissioned Officer, Other Rank or Non Combatant (Enrolled) who is killed while on flying duty in an aircraft or while being carried on duty in an aircraft under proper authority.

The provisional payment of family gratuity will be adjusted in accordance with regulation 32.

(Auth: - Pension Regulations Part-II , Regl. 29 (a) 32(a))

Ques 4. (a) What are the conditions from grant of disability pension ? How is the case of individual placed in lower medical category to be regulated ?

(4 Marks)

(b) A Colonel (TS) applied for premature retirement w.e.f. 15.08.2007. Calculate his service pension on the basis of following information: (i) DOB: 30.03.1954 (ii) Date of Commission: 15.06.1975 (iii) Basic Pay: Rs. 17,350 (since September, 2006) (iv) DP: Rs. 9,475 (v) Rank Pay: Rs. 1,600.

The officer has applied for maximum commutation of pension as per extant instruction. What will be the residual pension per month ?

(4 Marks)

- Ans. 4. (a) Unless otherwise specifically provided a disability pension consisting of service element and disability element may be granted to an individual who is invalided out of service on account of a disability which is attributable to or aggravated by military service in non- battle casualty and is assessed at 20 percent or over.

The Question whether a disability is attributable to or aggravated by military service shall be determined under the rule in Appendix II.

Individuals who are placed in a lower medical category (other than 'E') permanently and who are discharged because no alternative employment in their own trade/category suitable to their low medical category could be provided or who are unwilling to accept the alternative employment or who having retained in alternative appointment are discharged before completion of their engagement, shall be deemed to have been invalided from service for the purpose of the entitlement rules laid down in Appendix II to these Regulations.

(Auth: Pension Regulations Part-I, Regl. 173, 173(a))

- (b) Reckonable emoluments for service pension for commissioned officer- AVG PAY + RANK PAY + DP for last 10 months:

Rs. 17350+ 1600 + 9475 = 28425

Qualifying Service [Actual service + weightage]

(32 yrs 2 months + 5 years) = restricted to 33 years.

SERVICE PENSION for 33 Yrs.

50% of Rs 28425 = 14213

Service pension Rs. 14213/-

Max. Commutation of pension permissible = 43% of pension

(43% of 14213 = 6111)

Residual pension - [service pension - commutation amt]

Rs 14213-6111= Rs. 8102/-

(Auth: Rule 3(5), & 29 Pension Regn ARMY Pt.I)

- Ques.5. (a) What are 'Special Repairs' ? A proposal amounting to Rs. 40.00 lacs for replacement of incandescent lamps/Tube lights for the whole OTM accommodation at the station under Special Repairs has recommended for concurrence by the Station Commander. What aspects are to be kept in view while processing the case for AON vetting ?

(4 Marks)

- (b) What is purpose for maintaining a Measurement Book(MB). How it is different from PSMB ?

(4 Marks)

- Ans.5. (a) Special Repairs i.e., replacements & renewals costing more than Rs. 50,000/- each to buildings, furniture etc. and special repairs to roads.

The replacement of a fitment or portion of a building by one of a better class is an original work, if the existing fitment or portion of the building is still serviceable; but is a maintenance service if it is worn out and requires replacement in any case.

(Auth:- MESR, Para 221(2), 227)

- (b) Measurements are recorded in the Measurement Book(IAFW-2261) which contains detailed rules on the subject. The standard conditions of MES contracts contain provisions regarding the procedure to be followed when a contractor objects to any measurements.

The Measurement Book is the basis of all accounts of measured work and of materials, received which have to be measured or counted. It provides a complete record of works performed under a contract and will therefore include all items having a financial value, so that the final amount due under a contract may be computed. It will also be used for recording measurements of extensive services carried out by DEL, such as road work, pipe laying or electric wiring.

As a measurement book may have to be produced as evidence in a court of law or before an arbitrator, entries therein must be indelibly recorded, properly described, agreed and signed by the parties concerned, on the site at the completion of each day's measurements.

PSMB:

The GE shall maintain and keep up-to-date the Periodical Services Measurement Books(PSMB) IAFW-2265, in respect of all permanent buildings, etc., in his Division. These PSMBs will form the basis of bills of quantities for such services, as also the basis of payment for any periodical services executed by the TC. These comprise the external and internal painting, lettering, lime washing, distempering, staining, tarring and oiling of buildings, etc., required from time to time to keep them in serviceable condition.

(Auth: MESR, Para 229 & 230)

- Ques.6. (a) What are the instructions for maintenance of Construction accounts and what is the role of AAOGE in its maintenance ?
(4 Marks)
- (b) Distinguish between 'Term contract' and Item Rate Contract'
(4 Marks)

- Ans.6. (a) A Construction Account will be maintained on IAFW-2242 by the SDO concerned for each work or service. In it will be recorded the amounts sanctioned and allotments received and a day-to-day running account of the expenditure and liabilities incurred and credits expected.

The Primary account will be booked in loose leaf foils which are grouped together by detailed heads of the budget concerned. From these, Abstracts will be prepared monthly on IAFW-2242-C.

Detailed instructions for the maintenance of Construction Accounts and Abstracts are laid down in Appendix L.

The Abstracts will be summarized monthly to show the total expenditure and liabilities booked against;

- (a) major works individually;
- (b) minor works collectively;
- (c) minor heads of maintenance(detailed heads when required);
and
- (d) other standing Charges.

This will be carried out on the Expenditure Return(IAFW-2251), copies of which will be forwarded to the CWE and the CDA after check by the AAOGE. The CWE will combine the returns for his district and forward a consolidated return to the CE on the same form. Similarly the CE will send a consolidated return for his Command to the E in C.

The AAO GE will check the correctness of expenditure entries in the Construction Account against original vouchers in his possession, and endorse a monthly certificate of reconciliation on the Accounts.

(Auth: - MESR, Para 531 & 532)

- (b) **Term Contract(IAFW-1821)** is used for minor works and maintenance services required to be carried out from time to time during the period or term specified in the contract. No reference is however made to the value of the work. It is expressed in terms of a percentage above or below the rates given in MES. Standard Schedule of Rates (SSR) applicable to the zone.

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

(Auth: MESR, Para 403 B(1) and (3)

- Ques.7. (a) Mention the circumstances in which Transfer Entries from the accounts of a work-in- progress are made. How can reduction in the charges booked in construction account of a work be effected ?

(4 Marks)

- (b) Under which provision is the MES authorized to execute works for other Ministries of the Central Government and what are the conditions the other departments have to fulfil before MES takes up the work ?

(4 Marks)

- Ans.7. (a) Transfer entries are intended to transfer an item of receipt or expenditure from the accounts of a work in progress, or from one budget head, to the accounts of another work or budget head. They are necessary in order;

- (a) to correct an error in allocation;
- (b) to distribute the expenditure on a work over all the accounts affected in cases where a joint work in which two or more parties are interested, is taken to the accounts of one party.
- (c) To adjust by debit or credit to the appropriate head of accounts for Sub-Head G-MES Advances or Head K-Deposits;
- (d) To bring to account the payment to contractors of amounts due on closed accounts and head in deposit under Head K-Deposits;
- (e) To bring to account certain classes of transactions which do not pass through the Cash Book, such as:-
 - (i) Treasury receipts received from private individuals in connection with payments made direct into the treasury and payments to or receipts from other departments, etc. which do not appear in the Cash Book.
 - (ii) Revenue receipt not recovered in cash.
 - (iii) Amounts debited or credited to Remittance heads.
 - (iv) Percentage charges leviable under rules on account of establishment, tools and plant and workshop charges.
 - (v) Items which have ceased to be chargeable against Construction Account for the work.
 - (vi) Remittance transactions advised by the CDA or direct by another Division or department concerned, if the corresponding debit or credit has not already appeared in accounts.

In case of correction involving a reduction in the charges booked in the Construction Account of a work, the full particulars of the vouchers and folios, together with the circumstances under which the charges in question were originally wrongly allocated will be specified.

(Auth: MESR, Para 527)

- (b) Agency services are those services carried out by the MES for other Ministries of the Central government or for State Governments, Union Territories (except those in respect of the NCC) require the approval of the G of I.

Administrative approval to the estimated expenditure will be accorded and funds allotted or guaranteed by the authority concerned. The MES will then be responsible for design and specification and for execution in accordance with these Regulations.

(Auth: MESR, Para 301)

Ques.8. (a) A CO of ASC, SD submitted SOC stating that during the year 2006-2007 an expenditure of Rs. 38,50,000 was incurred on CHT Contract against the contract value of Rs. 26,00,000, which was sanctioned by GOC, 12 Corps. What action should be advised to regularize the excess expenditure ?

(3 Marks)

(b) Due to increase in troop strength on account of exercise in the area, the supply depot accepted supplies of fresh items in excess of contract value as a result expenditure of Rs. 24,62, 727 was incurred against the original value of contract i.e. Rs. 23, 56, 677. The CO, Supply Depot. ASC obtained approval of CFA, who had sanctioned the contract originally, for making payment. Comment on the action of the CO, Supply Depot, ASC.

(3 Marks)

(c) MGASC proposed to conclude a wheat grinding contract for some Supply Depots for the period 01.10.2007 to 31.03.2008. Is it permissible and if so, whose sanction would be required ?

(2 Marks)

Ans.8. (a) The revised value of contract is now 38.50 i.e. 48.07% over and above the contract value of Rs.26.00 lakhs which was sanctioned by GOC. The expenditure incurred on CHT contracts is in excess of 5% OF ORIGINAL VALUE of the contract thus it involves modification of contract. As per delegation of Financial Powers (Schedule XIII(B)) the sanction of GOC -in- C would be REQUIRED.

(Auth: Financial Regulations Part-I, Vol.I Para 248 & Delegation of Financial Powers (Schedule XIII(B))

(b) The value of the contract has exceeded 4.5% over and above the contract value. As per not below Para 247 of FR Part I " Acceptance of supplies in excess/short of the quantity ordered will not be held to be a modification in the conditions of a contract provided that the value of the excess/short supply does not exceed 5% of the original value" Thus the action of The CO, SD to obtain the approval of CFA who sanctioned the contract originally for making payment was in order.

(Auth: Financial Regulations Part I, Vol.I Para 248)

(c) Sanction of the GOC-in-Chief Command is necessary prior to the concluding of a contract for less than twelve months in the case of the ASC contracts.

In view of the above, sanction of GOC -in- C would be required to conclude the wheat grinding contract for six months(1/10/2007 to 31/3/2008)

(Auth: Financial Regulations Part I, Vol.I Para 246(ii))

Ques.9. (a) GE office forwarded a medical reimbursement claim of one MES employee to CDA for payment. The Medical claim submitted by MES employee is not traceable in CDA. What needs to be done to allow payment to the MES employee ?

(3 Marks)

(b) The office of CDA(O) recovered arrears of licence fee etc. in full in the ledger account of an officer, as a result pay for the month of October, 2007 was not released to the officer. Comment on the action of the office of CDA(O).

(3 Marks)

(c) Fine was imposed on persons subject to Army Act as punishment. How will the recovery be effected ?

(3 Marks)

Ans.9. (a) If a voucher required to support a charge is not forthcoming a certificate in the following terms shall be furnished or entered on the documents supporting the charge:-

"Certified that(here enter the missing document) has been lost, and to avoid the possibility of a double charge being made, a note has been made in(here enter in which document) on record in my office."

(Auth: Financial Regulations Part II, Rule 43)

(b) Arrears of license fee etc. charges due to delay in receipt of license fee bills, shall be recovered IN FULL in the ledger accounts. However, if arrear charges recoverable owing to errors in assessment exceed one-third of the officer's emoluments, recoveries shall be effected in installments if so authorized by the competent authority under Rule 183 F.R. Part-I Volume I

(Auth: Financial Regulations Part II, Rule 112 (i))

(c) Fine imposed on persons subject to the Army Act as punishment in accordance with Para-443 of Regulations for the Army Volume I Revised Edition 1987 will be notified in the Units/Formations D.Os. Part-II. The amount of fines, as calculated from the details furnished in D.Os. Part II, will be debited in the I.R.L.A. of the individual concerned by the P.A.O. (Ors). For collective fines on Units see Rule 337 F.R. Pt.I Volume I.

(Auth: Financial Regulations Part- II, Rule 138)

Ques.10. (a) Distinguish between Field Cashier and Field Imprest Holder.

(3 Marks)

(b) Who conducts the surprise check of Field Imprest and what is the duration of surprise check? Mention the competent authority, which can condone the irregularity of non conduct of surprise check of Field Imprest.

(3 Marks)

(c) When a military officer is not available, who can be appointed as Imprest Holder ?

(2 Marks)

Ans.10. (a) **Role of Field Cashier**

Bulk supply of funds to Imprest Holders:- The Field Cashier will be responsible for supplying funds in bulk to all authorized field Imprest Holders (i.e.officers who have been notified as such

Force/Corps/Divisional/L of C Area orders) on presentation by them of Cash Requisitions of I.A.F.F. 1036.

Payments to officers: - The Field Cashier will pay advances of pay to individual officers on presentation by them of Advance of Pay Books in I.A.F.F. 1034 up to maximum monthly limit as endorsed on the Advance of Pay Books(I.A.F.F.-1034)

The Field Cashier will also make such other payments to officers as may be specifically authorized by the C.D.A.(Officers) or as directed by the Formation Commander in very exceptional cases when communication with CDA(Officers) is impracticable.

Role of Field Imprest Holder

Field Imprest are advances of public money issued in bulk to certain officers termed "Field Imprest Holders" for (i) making payments to JCOs, Ors and NCs(E), (ii) making payments to Civilians serving in operational areas and (iii) meeting such miscellaneous expenditure of units and formations as are authorized to be met there from. Imprests are allotted on specific authority and the advances for the Imprests are drawn from Field Cashiers where such functionaries exist, or from the Regional Controllers of Defence Accounts.

(Auth: Financial Regulations Part II, Appx. 27 Para 2 & and Appx. 26 Para 1)

- (b) Headquarters formations will depute Field Officers at least once in three months to conduct surprise check of cash balances in the Field Imprest of each unit under their Command. The result of the surprise check will be recorded in the Cash account book (I.A.F.A. 125) and also in both copies of the Imprest Account (I.A.F.A 821). Irregularities, if any, will at once be reported to the appropriate higher authority endorsing a copy thereof to the CDA(Ors) and the PAO concerned.

Non conduct of quarterly surprise checks of Field Imprest requires condonation under the orders of Army Headquarters. During active operations GOs-C in C Command are empowered to condone such irregularity. However, if in a subsequent check any irregularity or discrepancy is revealed the case will be referred to Army headquarters with full details for condonation or any other action considered necessary.

(Auth: Financial Regulation Part II, Para 37 of APPENDIX 26)

- (c) Where a military officer is not available, a Civilian Gazetted Officer may be appointed as Imprest Holder but not a JCO unless he himself is the Commanding Officer of the unit. As far as possible such a unit will be attached to a larger unit for payment purposes. In exceptional circumstances where the exclusion of JCO is not practicable as selected JCO not below the rank of a Subedar may be specifically authorized by name by the Army Commander to act as Imprest Holder.

(Auth: Financial Regulations Part-II, Appx. 26 Rule-4)

- Ques.11. (a) Explain the principle of 'one of one' under NBR. (3 Marks)
- (b) A proposal for grant of honorarium to the staff dealing with Parliament questions; calculation of income tax and for work done in clearance drive was not approved by the Head of the Office. Please comment. (3 Marks)
- (c) The Sub Area Commander accorded move sanction by route other than the shortest or cheapest. Please comment. (2 Marks)

- Ans.11. (a) It has been noticed that in some instance claims have been supported for the protection of more than once officer in respect of a single officiating appointment in cases where a consecutive series of two or more officers in a cadre are on deputation to posts outside the regular line, and the officer next below them is promoted to officiate in a higher post in the cadre. In order to eliminate any doubt in the mater, it has been decided that one officer and one officer only, namely, the most senior fit officer who is not debarred by the conditions prescribed for the application of the rules should be allowed the benefit under the 'Next Below Rule'.

The protection under the 'Next Below Rule' in respect of any one vacancy occurring in the regular line may go to the next senior most fit officer serving outside the cadre who is not independently protected in respect of pay, increment or pension by belonging to one or other of these types.

(Auth: G.I. M.F., OM. No. F.2(2)-Ests. III DT 9th May 1949/FR 22 Note(34))

- (b) In terms of the provisions of FR 46(b), the Central Government may grant or permit a Government servant to receive an honorarium as remuneration for work performed which is occasional or intermittent in character and either so laborious or of such special merit as to justify a special reward.

Ministries/Departments should not grant honorarium for the items of work of a routine nature which form part of the duties and responsibilities of a Government servant.

Illustrative List of items for which honorarium should not be paid

1. Dealing with Parliament questions.
2. Calculation of Income Tax.
3. Performing work relating to clearance drives.

(Decision of HOO was in order)

(Auth: G.I., Dept. of Per. & Trg., O.M. No. 17011/3/97-Estt.(Allowances), dt. 17th July, 1998/FR 46 Note 2)

- (c) A competent authority may for special reasons which should be recorded, permit mileage allowance to be calculated on a route

other than the shortest or cheapest, provided that the journey is actually performed by such route.

Provisions of the above rule will apply to all modes of travel viz., by rail, road, sea or air. Subject to other conditions laid down therein and provided it is in the interest of public service, an authority competent to sanction moves by specific mode may authorize travel by route other than the shortest or cheapest in that mode.

However, an individual who actually travels by a longer route on which reservation of the entitled class of rail accommodation is available, may be permitted by the competent authority to claim traveling allowance by the route actually used provided the adoption of the longer route actually results in saving of public time as compared to the delayed availability or non-availability of such reservation on the shortest route and also safeguard the interest of the Government.

(Auth: TR Rule 40 (A))

- Ques.12. (a) An Army Officer left Delhi for Rewari by train at 9.30 A.M. in connection with recruitment work and returned to his HQ by 9.00 P.M. same day. How much daily allowance will be admissible to the officer and why ?
(2 Marks)
- (b) Payment of Cash Allowance made for spouse of an Army Officer for visit to UK is it in order. ?
(2 Marks)
- (c) What time limits have been prescribed for preferring claims for moves of tour and LTC for service personnel ?
(2 Marks)
- (d) A service personnel submitted adjustment TA claim in time but did not utilize the advance in full. How his claim will be regulated ?
(2 Marks)

- Ans.12. (a) If an officer and/or other entitled person leaves his HQ by rail and /or returns to it by rail, he shall be entitled to daily allowance as under:

If his absence from HQ exceeds six hours but not exceed twelve hours he shall be entitled to 50% of the cash allowance as prescribed by the Govt. from time to time.

(Auth: TR Rule 268 (a) (iii) 2)

- (b) Cash allowance at the full rate shall also be applicable to the spouse of the officers as prescribed for officers themselves for journey on duty in various countries when the wife of the officer accompanies him for tour abroad with the approval of the government of India.
(Auth: TR Rule 268(d))
- (c) The claim for moves of transfer, tour and LTC when TA advance is drawn for the journey are to be preferred within the following time limits.

Tour

Within 15 days of issue of DO Order Part II/Gen Form/PORs of Army/ Navy/ Air Force personnel promulgating regularization of the move.

LTC

Within one month of the completion of journey.

(Auth: Rule 17-A(2))

- (d) In cases where the advance is not utilized fully but the adjustment bill is submitted in time, interest may be charged at the rate prescribed for advance for purchase of conveyance (other than motor car) plus 2½ % on the unutilized portion of the advance from the date of drawal of advance to the date of refund of advance.

(Auth: Rule 17-A 3(a))

SECTION-II

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

- Ques.1. (a) How a soldier will draw Leave Ration Allowance when extension of leave is sanctioned ?
(3 Marks)
- (b) Mention the conditions when Civilian Clothing Allowance will be admissible to Territorial Army personnel.
(3 Marks)
- (c) Mention the circumstances in which Higher Rate of Ration Allowance can be sanctioned to other ranks.
(3 Marks)
- Ans.1. (a) Leave ration allowance will be drawn in full prior to proceeding on leave. Ration allowance due for any sanctioned period of extension of leave will be drawn by the soldier on return to his duty station.
(P&A Regulations (ORs) Regn 175)
- (b) The Civilian Clothing (Mufti) Allowance- The allowance is admissible to personnel of the Territorial Army when employed on the permanent administrative or instructional staff of TA Units or embodied for service for period exceeding six months.
(P&A Regulations(ORs) Regn 185(2))
- (c) Higher Rate of Ration Allowance
- (1) When, owing to sickness or other disability, the individual is unable to consume his normal ration and no ration articles are drawn for him.
 - (2) When it is-
Not possible or economical to Government to supply free rations;
 - (3) Possible to supply free rations but the distance between the individual's place of residence and unit ration stand or retail shop ASC is more than 3.02 K.M. by road and the individual prefers to draw ration allowance.
(P & A Regulations (ORs) Regn 172(b&c)
- Ques.2. (a) A NCO was promoted to a substantive rank in a vacancy caused by reduction, ordered by sentence of Court-martial but subsequently the proceedings of court-martial were annulled. In such a situation what will be fate of NCO promoted against the vacancy ?
(3 Marks)
- (b) Mention the conditions for grant of CILQ to a Naik(married) at duty station.
(3 Marks)
- (c) What is the procedure for making payment of CILQ to other ranks for the first time ?
(3 Marks)

- Ans.2. (a) The promotion or appointment erroneously made to a higher rank, whether substantive, or acting in excess of the authorized establishment shall be cancelled with effect from the date of issue of the Part II orders in which the cancellation is recorded and the pay thereof shall be discontinued from the date. For the period prior to cancellation, the promotion or appointment will be treated for all purposes as an appointment to paid acting rank. But if an individual has been promoted to a substantive rank in a vacancy caused by reduction, ordered either summarily or by sentence of court-martial, and the reduction is rescinded or the sentence remitted and the proceedings of the court -martial annulled, the individual so promoted will retain his rank and remain a paid supernumerary until absorbed. He will be absorbed in the first vacancy.

(P&A Regulations(ORs) Regn 49)

- (b) Married Personnel below officers rank will be entitled to CILQ at the duty Station rate if they are within the authorized percentage(s) of married establishment [90%] as given in Rule 281 above and they have been permitted to live out with their families.

The percentage of Authorized Married Establishment(AME) for the purpose of grant of CILQ are indicated as below:-

(A) JCO	100 Percent
(B) Havildar	95 Percent
(C) Naiks	90 Percent
(D) Sepoys	50 Percent
(E) Non-Combatants(E)	100 Percent

The CILQ will be admissible at the appropriate rates and subject to the prescribed conditions irrespective of the facts whether the family is residing at the duty station or not. Married personnel above the age of 25 years will be entitled to CILQ within the percentages prescribed above if they have not been provided with Government owned or hired accommodation.

(P&A Regulations(ORs) Para 284(1) Para 281)

- (c) Compensation in lieu of quarters will be notified in quarterly Part II Orders by units and will be sent to the concerned Pay Accounts Officers(ORs) for crediting the amount in the IRLAs of the individuals. The payment of CILQ will be made to the individuals out of imprest after notifying the casualty in Part-II orders. The Part II Orders will be supported by the following documents:-

(a) Casualty notified for the first time:-

(i) Sanction of the Station Commander in original authorizing the individual to make private arrangements for accommodation, government accommodation not being available.

(ii) A certificate from the individual that extra expenditure to the extent of the claim has actually been incurred by him in making private arrangements. In the case of a JCO the Part II Orders will also indicate whether the individual is married and whether he is living with his family or not.

(P&A Regulations(ORs) Para 296)

- Ques.3. (a) What is the eligibility condition for grant of Qualification Pay to army officers ?
(3 Marks)
- (b) Why an officer of AMC holding appointment within DGAFMS Research Pool cannot be sanctioned Qualification Pay ?
(3 Marks)
- (c) What is the criteria for admissibility of Qualification Pay to Nursing officers ?
(3 Marks)

- Ans.3. (a) Officers of the rank of Lieut. Colonel and below who have completed two or more years of commissioned service and whose pay is governed by Rule 72, are eligible for qualification pay/grant under the conditions and at the rates mentioned in the following rules.

An officer can draw only one rate of qualification pay. If he is in possession of qualification entitling him to qualification pay both at the higher and the lower rates, he will draw only the higher rate of qualification pay.

An officer who has drawn a lump sum grant in respect of a qualification and who subsequently acquires a new qualification entitling him to a qualification pay /grant will commence to draw the qualification pay or will be allowed to draw the new lump sum grant, as the case may be, on the expiry of a period of two years from the date of which he drew the previous grant.

(P&A Regulations(O) Para 75, 76)

- (b) An officer of the Army Medical Corps in receipt of specialist pay under Rule 88-89 is not entitled to qualification pay in addition. Such officers up to and including the rank of Brigadier will be entitled to specialist pay when holding:-
(i) appointments, within the "Pool of specialists for Medical Services" or "DGAFMS Research Pool" sanctioned by the Government of India from time to time.

(P&A Regulations(O) Para 78, 89)

- (c) Nursing Officers of and below the rank of Colonel who have completed two or more years of service as Nursing Officers and are in possession of one or more qualifications will receive Nursing Officers qualification pay.

(P&A Regulations(O) Para 82)

- Ques.4. (a) What is the criteria for payment of Hostel Subsidy to an army officer ?
(3 Marks)

(b) An officer got his son admitted in hostel on 01-07-2007 in anticipation of his transfer. The transfer orders were received on 15-09-2007 and he was relieved on 30-09-2007(AN). Mention the date from which he will be entitled for hostel subsidy and why?

(3 Marks)

(c) A claim for Children Education Allowance for third child submitted by an Army officer was disallowed by the CDA. Please comment.

(3 Marks)

Ans.4. (a) Officers who on account of their transfer are obliged to keep their children in an hostel of a residential school away from the station at which they are posted and /or residing, will be entitled to Hostel subsidy@ Rs. 300/- per month per child under the conditions as are applicable to Civilian Govt. employees with reference to orders issued time to time.

The concession will be available up to three children born up to 31st Dec. 1987 and shall be restricted to only two children born thereafter.

The Hostel subsidy shall not be admissible in respect of a child for whom Children's Education Allowance is drawn by an officer.

(P&A Regulations(O) Para 182, Note 2 & 4)

(b) If the date of admission to the hostel is earlier than the date of transfer and if such admission is made in anticipation of transfer the hostel subsidy may be paid from the effective date of transfer. (effective date of transfer 30/9/2007)

(P&A Regulations(O) Para 182, Note 3)

(c) The Children Education Allowance concession will be available to three children born up to 31.12.87 and shall be restricted only to two children born thereafter. Provided that where an officer claims Children Education Allowance in r/o some of his children and hostel subsidy in r/o other children, the total number of children in respect of whom this Allowance or subsidy is drawn shall not exceed two.

(P&A Regulations(O) Para 175, Note 2)

Ques.5. (a) The Separation allowance of an officer was stopped by CDA(O) after he was reported prisoner of war. Please comment.

(3 Marks)

(b) What is Special Outfit Allowance and to which it is admissible?

(3 Marks)

(c) An Infantry officer was transferred to another Regiment at his own request. Whether compensation for out of pocket expenses on account of alteration of uniform will be admissible to him?

(3 Marks)

- Ans.5. (a) An officer who is reported prisoner of war will be entitled to receive full pay allowances appropriate to his rank(including paid acting rank), subject to adjustment in respect of the pay he receives from the enemy while in captivity. Separation Allowance if in issue prior to capture will continue.
(Separation Allowance cannot be stopped)
(Auth: P&A Regulations(O) Para 55)
- (b) Special outfit/Uniform Allowance
- (a) A special non- recurring uniform allowance of Rs. 500 is admissible to commissioned officers, on the personal staff of the "Chief of the Army Staff" with a view to assist them to obtain the special uniform which they are required to wear.
- (b) This allowance is admissible only to those who likely to complete two years in the appointments specified here-under.
- (i) The Military Assistant to the "Chief of the Army Staff"
(ii) The Deputy Military Assistant to the " Chief of the Army Staff"
(iii) The Aides de-camp to the "Chief of the Army Staff."
(Auth: P&A Regulation(O) Para 241)
- (c) Compensation for out of pocket expenses in connection with change of or alteration of uniform and equipment will be admissible to an officer transferred to another Regiment/Corps in the interests of the service. This does not include cases of transfer at an officer's own request or when he has been found unsuitable for retention in the Regiment/Corps to which he belongs.
(Auth: P&A Regulations(O) Para 359)
- Ques.6. (a) How many Special Casual Leave can be allowed to a service personnel? Is it permissible to combine it with Casual leave and regular leave?
(3 Marks)
- (b) How many leave are admissible as 'Furlough' to an army officer and how it can be availed ?
(3 Marks)
- (c) A Short Service Commission officer on termination of his engagement was granted 30 days Leave with full pay in addition to annual leave. Is it in order?
(3 Marks)
- Ans.6. (a) Special casual leave may be allowed for a period not exceeding 30 days in any one calendar year. The period of absence in excess of 30 days should be regulated under the normal rules. For this purpose, the personnel may, as a special case, be permitted to combine special casual leave either with casual leave or regular leave as the person concerned may desire; however combination of special casual leave with both casual leave and regular leave at one time is not permissible.
(Auth: Leave Rules for Service Vol. I Para - 72 (A))

- (b) The period of leave admissible as furlough is two months for every three calendar years, which will be non-accumulative. This is a lump-sum provision and can be availed of at any time after the commencement of the 3 years cycle.

Furlough may also be availed of in installments within each cycle of 3 years. For calculation of the broken periods, 30 days will be reckoned as a month.

Furlough may be granted by itself or may be combined with annual leave, but when it is so combined, the annual leave portion must be taken first.

(Auth: Leave Rules for Services Vol.I Para 19(a),(b) and (c))

- (c) Officers granted short Service Commissions for an initial period of three years or more will, on the termination of their engagements, be entitled to 28 days leave on full pay in addition to the annual leave or the balance thereof to which they may be entitled in the year in which their engagement terminates.
(30 days leave not in order)

(Auth: Leave Rules for Services Vol.I Para 51)

SECTION -III (Factories Portion)

- Ques.1. (a) What is Incentive Bonus and to whom it is paid ? (3 Marks)
- (b) Write short notes on the following: (3x2=6)
- (i) Hospital stoppage
 - (ii) Trade Test

- Ans.1. (a) Incentive bonus is paid to all maintenance workers other than unskilled workers employed on maintenance work in factory premises.

Workers attached to production sections will be paid bonus at 50% of piece work profit earned by piece workers of relevant production section. Workers not attached to production section will be paid incentive bonus at 50% of the average piece work earned by piece workers in the whole factory.

Maintenance workers in production sections where piece work does not exit, are also eligible for incentive bonus@ 50% of average piece work profit of the factory as a whole.

(Auth: Para 155 of OM Part VI)

- (b) (i) **Hospital stoppages:**
In case where hospital stoppage are recoverable, hospital stoppage roll will be prepared by in IAFA 55 and sent by the medical authorities to the audit officer(Disbursing officer in case of IEs) for effecting recovery form the pay bill of the individual concerned. The recovery in respect of IEs will be effected through their acquittance rolls and the credit there for accounted in the relevant disbursement certificate. While verifying the details of the disbursement certificates, the recovery for hospital stoppage should be checked by the Accounts office with the relevant hospital stoppage roll. The credit for hospital stoppage should be accounted for as miscellaneous receipt in the financial accounts.

(Auth: Para 251 of OM Part VI)

- (ii) **Trade Test:**
Promotion to a higher grade in the same trade or transfer to a different grade as also appointment as a tradesman will be subject to passing the prescribed trade test. For this purpose a trade test board will conduct test as per the details of specifications approved by the DGOF for each trade & Grade.

Labour representative from IEs also appointed for this purpose as observer will be treated as on duty for the time spent by them in the meetings of the board held during the normal working hours. If the normal working hours are exceeded during a trade test board meeting the time spent will be treated as over time and OT

allowances as admissible under departmental rules governing OT pay admissible in normal rate.

The pay of the workman for the period he undergoes trade test or act as an observer will be charged to W.O. 01/00010/00.

(Auth: Para 286-288 of OM Part VI)

Ques.2. (a) What is a civil trade order? How is the minimum and maximum price fixed in respect of such order?

(3 Marks)

(b) From the following data concerning a civil trade order, determine the profit/loss for the order and comment on the need for regularization, if required.

(i) Estimate

Direct Labour	Rs. 150
Direct Material	Rs. 1000
VOH(percentage)	300%
FOH(percentage)	150%
Special Packing	Rs. 250

(ii) OFB decided to include only 50% of the total OH in the quotation.

(iii) Actual cost (In Rupees)

Direct Labour	130
Direct Material	1100
VOH	260
FOH	130
Special packing	280

(6 Marks)

Ans.2. (a) The general policy of the Government is to utilize the spare capacity if available in factories after meeting the Services demand for the manufacture of stores etc for sale to other Non Military departments or Indenters(including Central & State Government, Public Bodies, Local Bodies, Municipalities, Foreign govt etc) which is called civil trade. The OFB/GM is authorized to fix the quotation price with out prior concurrence of accounts office as per the orders issued by MOD/OFB from time to time. However accounts office later does audit checks of the accuracy of pricing with reference to estimate as well as actual cost plus existing Government orders and instructions issued on the subject from time to time.

The minimum price for civil trade will be DL + DM and full VOH plus cost of such staff as may have to be specially retained or detailed for such work. However in some cases minimum price is also DL+DM+ as much of variable & fixed over over head charges as market can bear.

Present power of GM delegated to fix the minimum price for civil trade is full power for quoting prime cost i.e. DL+DM costs plus up to 20% of total VOH & FOH subject to the provision of MOD letter issued from time to time on the subject.

(b) Estimates as per the data given (In Rupees.)

Direct Labour	150
Direct Material	1000
VOH (300%)	450
FOH (150%)	225
Special Packing	250
Total Cost	2075

Actual cost as per details given (in Rupees.)

Direct Labour	130
Direct Material	1100
VOH	260
FOH	130
Special Packing	280
Total Cost	1900

Cost as per OFB decision: (in Rupees.)

Direct Labour	150
Direct Material	1000
50% of VOH	225
50% of FOH	112.50
Special Packing	250

Total cost for civil trade 1737.50

From the above it is seen that the difference between the actual cost and that in the quotation for civil trade is Rs. 1900- Rs. 1737.50 = 162.50

Therefore total loss comes to Rs. 162.50 but in this case no regularization of loss is required being a civil trade order.

(Auth: Para 99-102 of OM Part VI.)/OFB letter No 63/ct/i dt 06-10-80.)

Ques.3. (a) What is a standard estimate ? How it is different from spot estimates?
(3 Marks)

(b) Work out the cost per unit of an ordnance factory item from the data given below. How much amount would be required to be kept out of production account?

Quantity Manufactured	120 Nos
Passed for in Inspection	100 Nos
Opening semis	DL-Rs. 5000; DM-Rs.6,000; VOH-150%; FOH- 175%
Cost of production	DL-Rs. 25000; DM-Rs.30,000; VOH-150%; FOH- 175%
Closing semis	DL-Rs. 7,000; DM-Rs. 5,000; VOH-150%; 175%
Special Tool Charges	Rs. 5,000
Normal Rejection Percentage	5% to 10%

(6 Marks)

Ans.3. (a) Standard estimates contain the list of standard quantities of material and the approved labour charges authorized manufacture of a single unit or units of a product. In certain ordnance factory these are called rate forms. These estimates are prepared by the factory after proper time & motion studies and with due allowances for wastage & rejections affording credit for any standard recoveries etc.

Spot estimates or supplementary work order draft are prepared by factory when works are of casual nature involving small value and Standard estimates are not prepared for this works. The procedure for preparation of this is same as estimate.

(Auth: Para 601-603 of OM Part-VI & SI-41 of Appendix-B of FAR.)

Ans. (b)

	Direct Labour	Direct Material	VOH	FOH	Tools Charges	Amount in Rupees. Total Cost.
A. Opening Semis.	5000	6000	7500	8750	-	27,250
B. Current Year Production	25,000	30,000	37,500	43,750	5000	1,41,250
C. Closing semis.	7000	5000	10,500	12,250	-	34,750
Total = (A+B+C)	23,000	31,000	34,500	40,250	5000	1,33,750

Cost of 120 number of Articles = Rs. 1,33,750.

Cost per unit Article = $1,33,750/120 = 1114.58$

As per standard estimate, Normal Rejection = 10%

Therefore Abnormal Rejection beyond 10% will be kept out of production.

(rejected 20 nos. - Allowed rejection 12 nos.) = 8 nos.) As per old method.

Cost of abnormal rejection to be kept out of Production = Rs. $1114.58 \times 8 = \text{Rs. } 8916.64$

Note: However at present, rejection percentage is calculated on quantity accepted rather than quantity produced.

(Auth: Para 628, 629 & 679 OM Part VI.)

Ques.4 (a) (i) What is Renewal and Reserve Fund?

(2 Marks)

(ii) How Proforma Block Register is maintained?
(2 Marks)

(iii) How the charging of expenditure under Renewal & Reserve Fund is done?

(3 Marks)

(b) What mechanism is available to watch the speedy commissioning of new machines & disposal of old machines in ordnance factories?

(2 Marks)

Ans.4. (a) (i) The Renewal Reserve Fund(RR Fund) in Ordnance factory is approved by government created for meeting expenditure related to replacement of large number of old plant & machinery on like to like basis which have completed their life and become obsolete, uneconomical, ineffective for use in Production. This fund is financed entirely from Revenue Head.

(ii) The Pro-forma Capital Block Register for machineries procured through RR Fund should be separately maintained. In this Pro-forma block register depreciation of each year works out with reference to modified formula which will result in no reduction of original book value. This register will facilitate in future procurement of machinery on like to like basis.

(iii) The entire of RR expenditure in a year will be charged to cost of production as over head. Branch accounts office will calculate the depreciation in the usual manner as explained in Para 762 of OM Part VI and then book to work order No-02/00042/00 and work order No 02/10042/00 in respect of depreciation here in after called as renewal Reserved Fund equivalent to depreciation of Plant & Machinery under Renewal & Replacement. This will be intimated to annual accounts section of main office to work out the difference between the amount transferred to RR fund and the sum total of the above two work orders. This difference will be distributed by the accounts section to all factories as a part of "CA" charges on the prorata flash value of production of that year.

(Auth: Para 762 & 817 of OM Part VI.)

(b) Suspense section of the block register contains the details of all new machines procured and awaiting installation and commissioning which is reviewed once in every quarter and matter reported to GM to ascertain the reason for non utilization and urge them to take action towards its installation.

Similarly when value of the old machine after depreciation becomes "NIL" these are transferred from block register to suspense block register to watch the action by the management for their timely disposal which is with in 6 months after the installation of new machine.

(Auth: Para 781-784 of OM Part VI)

Ques.5. (a) You are required to work out the cost of a product manufactured in an ordnance factory. Which elements of cost you will look for ?

(2 Marks)

- (b) Name the main primary documents required in the Branch Accounts Office for filling in the cost card?
(1 Mark)
- (c) Which sections in the Branch Accounts Office are concerned with the pricing and post audit of estimates ? What actions are taken by them ?
(3 Marks)
- (d) Name the Main Accounts figuring in the Consolidated Store Accounts Accounts and Consolidated Production Accounts rendered by Branch Accounts Office in connection with Annual Accounts?
(3 Marks)

Ans.5. (a) Cost of a product consist of direct labour, direct material, variable overhead, fixed over head and other charges. These are called element of cost and I shall look for them.

(Auth: Para 41 of OM Part VI)

(b) The main primary documents required in Branch Accounts Offices for filling in the cost card are the day work card, piece work card, demand notes, return notes, receipt voucher, issue voucher and transfer voucher.

(Auth: Para 42 of OM Part VI)

(c) The labour section, Material section and costing section are concerned with the pricing and post of estimate. The labour section will verify the labour portions and rate with reference to original sheets of piece work rate etc. The material section will price the material with ref to the latest average ledger rate etc. The costing section will levy variable and fixed over heads at an annual fixed budgeted percentage basis.

(Auth: Para 601 of OM Part VI.)

- (d) The Main Account figuring in the consolidated Store Accounts are:
- (i) Consolidated store account
 - (ii) Consolidated priced store account.
 - (iii) Statement showing analysis of stock balance, category wise
 - (iv) Statement showing increase decrease in stock----- as on 31st March.
 - (v) Statement showing details of misc. receipts and issues from stock.
 - (vi) Statement of surplus obsolete and waste stores and scraps disposed off during the year.

The consolidated production accounts consist of the following main accounts:

- (i) Production accounts.
- (ii) Finished stock accounts.
- (iii) Capital accounts
- (iv) Statement of Asset and liabilities as on 31st March.

(Auth: Annual Accounts Section of OM Part VI Vol. III)

Ques.6. AF, Kirkee has issued a TE on 15-6-2006, for procurement of three numbers of Vertical Trubine Pumps. The sanctioned cost of this was based on a B.Q. from M/s. Ruso Agro Project, Pune dated 14-6-2004 for Rs.

26.40 lakhs. In the present tender, two firms are found technically acceptable by TEC. The Prices & other Commercial terms and conditions quoted by the firms are as follows:

Sl. No.	Description of items	M/s. Hitech, Mumbai	M/s Ruso Agro, Pune
1.	Basic price of pumps (3 nos)	24,90,000	8,97,000
2.	Motor	Included in basic	12,57,000
3.	Starter	Included in basic	5,97,000
4.	Packing & Forwarding	2%	Included
5.	Excise duty	Not applicable	Inclusive @ 8.2% for pump and @ 16.32% on pump accessories and motor, starter
6.	VAT/CST	Sales tax @ 4%	VAT @ 4% on pump and 12.5% on motor and starter
7.	Freight Charges	50,000	Free of cost
8.	Erection and commissioning	60,000	Free of cost
9.	Spares for 2 yrs.	63,000 plus sales tax @ 4%	24,000(sales tax included)
10.	Terms of delivery	FOR AFK	FOR AFK

Prepare a CST, Rank L-1 vendor and find out the Total value of the Order stating the reasonability of price quoted by L-1 firm and put up a suitable brief giving your views to Controller of Finance and Accounts (Fys), who will attend this TPC meeting with GM.

(9 Marks)

Ans.(6)

The CST can be prepared as follows:-

Sl. No.	Description of items.	M/S Hi Tech, Mumbai	M/S Ruso Agro, Pune.
1	Basic price of pump.	24,90,000	8,97,000
2	Motor	Included in sl. 1 above	12,57,000
3	Starter	Included in sl 1 above)	5,97,000
4	Packing & Forwarding.	49,800 (2%)	Included in sl 1 above
5	Excise duty.	NIL	NIL
6	VAT/CST	1,01,592	VAT on pump-35,880 VAT on motor & starter- 2,31,750
7	Freight Charges	50,000	NIL

8	Erection & Commissioning.	60,000	NIL
9	TOTAL	27,51,392(L1)	30,18,630(L2)
10	Spares for 2 years.	63,000, plus 4% Tax = 65,520	24,000
11	TOTAL COST OF LI-FIRM	28,16,912	30,42,630

From the above it is seen that M/S Hi Tech MUMBAI is the Lowest Bidder(L1) and the Total value of order including spares comes to Rs. 28,16,912/-. As the B.Q. Price taken for similar scope of machine in June 2004 was Rs. 26.40 lakhs, considering the simple normal 5% inflations per annum for 2 Years, the present value on the basis of B.Q. could be to the extent of Rs. 29.04 lakhs, which is comparable to the present offer of L1.

Therefore COFA(Fys.) may recommend to GM in the TPC for placement of order on L1 firm, which incidentally also based on competitive tendering.

(Auth: Para 737 of OM Part VI)

Section-IV(Air Force)

Ques.1. (a) Wing Cdr. Ashim Kapoor has applied for two month LPR with full Pay and Allowances. He has also been permitted to accept private employment with M/s JP Associates during LPR. How would you regulate his Pay and Allowances ?

(5 Marks)

(b) Wing Cdr. Riju Kochhar was on Furlough from 10-07-2007. On 01-08-2007, he was granted higher substantive rank. Would that have any effect on his Rank Pay?

(4 Marks)

Ans.1. (a) The leave admissible to the officer would be restricted to Furlough rates of Pay. Dearness allowance will not be payable on the rates so admissible.

(Auth: Note below Rule 217(b) P&A Regulation)

(b) The Officer would receive 50% of the pay of the higher substantive Rank from 01.08.2007 as it would be more favorable than 50% of the Rank Pay he was receiving when he proceeded on furlough.

(Auth: Note below Rule 216 P&A Regulation)

Ques.2. (a) Define 'Sick-list Concession'. What is the maximum extent of it?

(3 Marks)

(b) What is the entitlement of terminal leave for a SSC officer? Is it in addition to his AL ?

(3 Marks)

(c) Would benefit of encashment of leave be available to a SSC Officer at the end of his second tenure after a break?

(3 Marks)

Ans.2. (a) An Officer falling sick while on duty or on casual leave, would be retained on the sick list for a period of thirty days or less, the period being treated on duty, if it is not connected with any kind of sick leave and the sickness is due to causes beyond the officer's control. This is called the Sick-list concession. If the period exceeds 30 days, it would be treated as sick leave.

(Auth: Rule 22 of Leave Rules (AF))

(b) An SSC Officer on termination of his engagement will be entitled to 28 days terminal leave on full Pay, provided he has completed 3 years of service. This is in addition to Annual Leave.

(Auth: Rule 25 of Leave Rules (AF))

(c) Benefit of encashment of leave will not be admissible at the end of second tenure of SSC Officer which commence after a break of first tenure.

(Auth: Note under Rule 25B(b) of Leave Rule(AF))

Ques.3. (a) What would be the entitlement of leave pending invalidment of an individual being discharged due to invalidment (other than TB), who had no leave other than CL in the preceding year ?

(5 Marks)

(b) JWO Rajbir Singh Rana has taken 21 days compassionate leave. How would it be regularized ?

(4 Marks)

Ans.3. (a) Leave pending invalidment will be granted as under:

(i) 30 days when leave pending invalidment commences on or before 31st March of the year;

(ii) 60 days when leave pending invalidment commences on or after 1st April of the year.

(Auth: Note under 41(A) (b))

(b) In compassionate leave, not due is granted. The 21 days compassionate leave granted will be debited from individual's next year annual leave entitlement.

(Auth: Rule 42 Leave Rules(AF))

Ques.4. (a) Whose sanction is required for recovery of penal deduction from Pay and Allowances of an officer for maintenance of his wife ?

(4 Marks)

(b) Who is empowered to make the payment of rewards of private individual(s) for the rescue of IAF flying personnel?

(3 Marks)

(c) In parachute pay payable to an airman, who was drawing it, but is taken prisoner of War ?

(3 Marks)

Ans.4. (a) Sanction of Government of India/By order of the Central Government.

(Auth: Para 578 e P&A Regulations)

(b) The district Magistrate empowered to make such payments within the scales specified without prior reference to Air Force Authorities but the after the payment they will notify the appropriate Air Force Authorities.

(Auth: Para 390 P&A Regulations, IAF)

(c) The airman will be eligible for the continued issue of parachute pay when he is taken Prisoner to War.

(Auth: Rule 350(v) P&A Regulations)

Ques.5. (a) What will be the gains of an MWO holding appointment against the vacancy of a Sqn. Ldr.?

(3 Marks)

(b) What are the circumstances governing officiating appointments?

(3 Marks)

(c) Can an officiating appointment be made when an officer proceeds on a course of six weeks duration ?

(3 Marks)

Ans.5. (a) Acting Allowance. An MWO holding appointment of Sqn. Ldr. will get an acting allowance of Rs. 200/- pm when officiating in the vacancy of Sqn. Ldr.

(Auth: Rule 274(1) P&A Regulations, CS No. 770/VII/91))

(b) MWO's and WO's other than those holding honorary commissions will receive acting allowance when appointed with the prior approval of the unit commanders not below the rank of Group Captain or an officer of the rank of Group Captain controlling that unit, in officer's vacancies in Ground duty branches in units other than Command HQrs. and Air HQrs. arising as a result of shortage of officers but not due to leave, temporary duty or on courses of Instructions.

(Auth: Rule 274 P&A Regulations IAF)

(c) Officiating appointments in the present case cannot be made in terms of Rule position barring such appointments on accounts of leave, temporary duty or courses of Instruction.

(Auth: Rule 274 P&A Regulations IAF)

Ques.6. (a) Comment on the admissibility of the following:

(2+2=4 Marks)

Claim for Compensation

(i) For loss of Mess Property in fire.

(ii) Due to flying accident to the building of Civil Aviation Department.

(b) Distinguish between Disturbance Allowance and Expatriation Allowance.

(5 Marks)

Ans.6. (a) (i) Compensation is not admissible for the loss of mess property by fire as it must be insured by the unit. In other cases, Government will aid in re-equipping the mess to such extent as merited.

(Auth: Para 438 P&A Regulations IAF)

(ii) No compensation is admissible or offered in this case as the Civil Aviation Department is one the Central Government Department.

(Auth: Para 454 P&A Regulations IAF)

(b) Disturbance Allowance is an allowance which is paid at the rates and subject to conditions laid down. For the purpose of grant of this allowance the officer must be above 25 years of age. Expatriation Allowance is admissible to officers single or married who proceed abroad on duty from India or other stations ex-India or returning to India from abroad.

(Auth: Rules 105 to 111, Rule 119-125,316-323 P&A Regulations IAF)

SECTION -V

(Navy Portion)

Ques1. (a) Is qualification pay admissible in addition to Hydrographic Survey Allowance?

(3 Marks)

(b) When will Hydrographic Survey Allowance cease to be admissible?

(3 Marks)

(c) What is the period covered by the expression 'Survey Year' ?

(3 Marks)

Ans.1 (a) No

(Auth:Reg. 93(2)(b) of Pay & Allowances Regulation for the Navy)

(b) When the officer is reverted from survey Cadre to General service.

(Auth:Reg. 93(1)(b)/93(2)(c) of Pay & Allowances Regulation for the Navy)

(c) 1st Oct. to 30th Sept.

(Auth:Explanation 1 below Reg. 93(2)(c))

Ques.2. (a) Is any compensation for loss of personal money or belongings while on leave admissible?

(3 Marks)

(b) On the death of an Officer, the gallantry award pension was continued to his widow. Comment.

(3 Marks)

(c) What is the amount of advance of pay admissible to a sailor transferred from one ship to another necessitating change of station ?

(3 Marks)

Ans.2. (a) No

(Auth:218 of Pay & Allowances Regulation for the Navy)

(b) Can be continued to his widow who has been lawfully married to him by a valid ceremony until her re-marriage or death.

(Auth:191(5) of Pay & Allowances Regulation for the Navy)

(c) One month pay

(Auth:229(b)(i) of Pay & Allowances Regulation for the Navy)

Ques.3. (a) Can Unit and Charge Certificate Allowance be drawn concurrently?

(3 Marks)

(b) At what rate pay is admitted during furlough leave?

(3 Marks)

(c) What is the rate of ration Allowance admissible to sailor employed on secret equipment duty?

(3 Marks)

Ans.3. (a) No

(Auth:178(4) of Pay & Allowances Regulation for the Navy)

(b) 50% of the pay of the rank held.

(Auth:120) of Pay & Allowances Regulation for the Navy)

(c) Special Rate

(Auth:162(i)) of Pay & Allowances Regulation for the Navy)

- Ques.4. (a) An officer under suspension has claimed renewal outfit allowance. Examine its admissibility. (3 Marks)
- (b) A Special Duty List Officer was commissioned on 4th December, 2000. When will he be entitled to draw renewal outfit allowance? (3 Marks)
- (c) Does the service of an Officer on deputation to Intelligence Bureau count as qualifying service for renewal outfit allowance? (3 Marks)
- Ans.4. (a) The claims of Officers under suspension at the time of the allowance becoming due, shall be settled only when the final result of proceedings related thereto become known.
(Auth:77 of Pay & Allowances Regulation for the Navy)
- (b) 4th Dec. 2007
(Auth:71(3) of Pay & Allowances Regulation for the Navy)
- (c) No
(Auth:76(1) of Pay & Allowances Regulation for the Navy)
- Ques.5. (a) An officer was admitted Qualification Grant in the month of October, 2005. He has now submitted a claim for Qualification Pay having obtained a qualification in November, 2007. Comment. (3 Marks)
- (b) Can Qualification pay be drawn at both the higher and lower rate? (3 Marks)
- (c) Capt. A.K. Sinha has claimed Qualification Pay with effect from 01-11-2007 for Master Green Card. Can the claim be admitted? (3 Marks)
- Ans.5. (a) An officer who has drawn Qualification Grant and who subsequently acquires a new qualification entitling him to a qualification pay, shall commence to draw the qualification pay on the expiry of 2 years from the date on which the officer drew the previous grant. The claim can be admitted.
(Auth: 88(2) of Pay & Allowances Regulation for the Navy)
- (b) No. Only the higher rate.
(Auth: 88 of Pay & Allowances Regulation for the Navy)
- (c) No. Qualification Pay admissible up to the rank of Cdr.
(Auth: 85 of Pay & Allowances Regulation for the Navy)
- Ques.6. (a) An Artificer Apprentice was sanctioned 30 days Annual Leave with effect from 8th July, 2007. The sailor was recruited on 10th February, 2007. Comment. (3 Marks)
- (b) A sailor undergoing treatment at INHS Asvini was granted 8 days Casual Leave. Is it in order? (3 Marks)
- (c) Gorkha sailors can be granted 120 days accumulated annual leave in the second year reduced by the period of annual leave already granted. Comment. (3 Marks)

Ans.6. (a) As the sailor has not completed 6 months service, Annual Leave cannot be granted. However, the limit of 6 Months may be relaxed at the discretion of the Commanding Officer, to suit training requirement.

(Auth: Regn. 41(3) of Navy Leave Regulations.)

(b) A sailor undergoing treatment in Armed Forces hospitals may be granted casual leave up to a maximum of 10 days to attend their domestic emergencies, provided the grant of such leave does not interfere with their treatment. In the instant case, if the above conditions have been satisfied, the sailor can be granted 8 days casual leave.

(Auth: Regn. 32(3) of Navy Leave Regulations)

(c) Gorkha sailors can be granted 120 days accumulated Annual leave in the second year reduced by the period of annual leave taken either for the purpose of adjustment of sick leave or on account of regularization of overstayal or excess grant of leave in the preceding year, provided the annual leave does not exceed thirty days.

(Auth: Reg. 34 of Navy Leave Regulations)

DEFENCE ACCOUNTS DEPARTMENT

S.A.S. EXAMINATION -PART-II

(SECOND & LAST SPECIAL CHANCE)

FEBRUARY, 2008

SUBJECT 'E' - PAPER-VIII - REGULATIONS

(THEORETICAL - WITHOUT 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) below.
- (2) Candidates permitted to answer questions from Factories, Air force and Navy portions should answer any FOUR alternate questions in Sections III, IV or V respectively. The remaining candidates should answer any FOUR alternative questions from Section II
- (3) Each question in Section I carries 8 marks. Questions in Sections II, III, IV and V carry 9 marks each.

SECTION-I

(Common for ALL Candidates)

- Ques1. (a) Under what circumstances can a provisional pension be sanctioned ?
(4 Marks)
- (b) Pl. indicate the period up to which the same may be authorized ?
(2 Marks)
- (c) Does Provisional pension include elements like gratuity and commutation ?
(2 Marks)

- Ans.1. (a) A service personal including a commissioned officer against whom any departmental or judicial proceedings are pending or instituted after retirement in respect of any event which took place not more than four years before such institution may on his retirement on attaining the age of compulsory retirement or otherwise be considered for sanction of provisional pension not exceeding the maximum pension which would have been admissible on the basis of qualifying service and up to the date of retirement or if under suspension, pension on the date of retirement up to the date immediately preceding the date on which he was placed under suspension.

(Auth:Para 3 D(a)(i) of Pension Regulation Part-I)

- (b) Provisional pension may be authorized during the period commencing from the date of retirement to the date on which upon conclusion of the departmental or judicial proceedings, final orders are passed by the competent authority.

(Auth:Para 3 B (a) (ii) Pension Regulation Part-I)

- (c) Element like gratuity and computation are not permitted/authorized until the conclusion of the concerned proceedings and issues of final orders there on.

(Auth:Para 3 B (a) (iii) (iv) of Pension Regulations Part-I)

- Ques.2. (a) Please indicate the minimum qualifying service required for:
(i) retiring pension
(ii) retiring gratuity
(2 Marks)
- (b) Please indicate the conditions under which disability pension is admissible.
(2 Marks)
- (c) Please given the impact on disability pension if:
(i) the disability of the officer is wholly or partly due to his/her serious negligence or misconduct.
(ii) An unreasonable refusal to undergo medical treatment.
(4 Marks)

- Ans.2. (a) (i) The minimum period of qualifying service for retiring from service is 20 years. Only completed years of qualifying service shall count.
(ii) The minimum period of qualifying service of retiring gratuity is ten years.

(Auth:Para 25 A and B of Pension Regulation Part-I)

- (b) The disability pension is admissible in the case of an officer who has retired from Military Services on account of a disability which is attributable to/aggravated by such service and is assessed at 20% or over. The question whether a disability is attributable to military service is required to be determined on the basis of applicable rules. Such an officer is eligible to be considered for grant of a disability pension.
- (c) (i) If the disability of an officer is wholly or partly due to his/her negligence the amount of pension or gratuity otherwise admissible may be reduced at the discretion of the competent authority.

(Auth:Para 51 of Pension Regulation Part-I)

- (ii) If there is an un-reasonable refusal to undergo medical treatment the award of disability element of pension otherwise admissible may be withheld or be granted at a reduced rate at the discretion of the President. This is particularly so when the officer is suffering from a disability accepted as attributable to or aggravated by military service and unreasonably refuses to undergo an operation or medical treatment which in the opinion of the services medical authority would cure or reduce the degree of disablement. Refusal for such treatment cannot be treated as unreasonable if the treatment is severe and dangerous to life.

(Auth:Para 52 of Pension Regulation Part-I)

- Ques.3. **What is meant by:**
- (i) Charged expenditure
 - (ii) Appropriation
 - (iii) Consolidated Fund of India
 - (iv) Competent Authority
 - (v) Public Fund

(8 Marks)

Ans. 3. (i) **Charged Expenditure:-** Charged expenditure is the expenditure charged on the consolidated Fund of India which does not require submission for vote by Parliament and comprises items like interest on specified items and repayment of loans raised by the Govt. and payments made in satisfaction of a judgment decree of Court or award by Arbitral Tribunal.

(ii) **Appropriation** - 'Appropriation' means the assignment to meet specified expenditure of funds at the disposal of the assigning authority.

(iii) **Consolidated Fund of India-** Consolidated Fund of India comprises of all revenues received by the Central Government, loans raised by the Govt., by issue of transfer bills, loans or ways and means advances. It comprises of receipts by way of pre-payments of allowances granted by the Govt., and from which the expenditure of Government when so authorised by Parliament, is met.

(iv) **Competent Authority-** The Competent Authority means the Govt., or any other authority to which relevant powers may be delegated by the Govt.,

(v) **Public Fund-** Public Fund includes all funds which are financed, entirely from public money, the unexpended balance of which are refundable to the Govt., in the event of their not being devoted to the objects for which granted. Public Fund also includes un- issued and allowances, office allowance fund and the estate of deceased men or deserters.

(Auth: Para 2 of Financial Regulations Part-I, Vol-I)

Ques.4. Elucidate the responsibilities of Imprest Holders

(8 Marks)

Ans. 4 The responsibilities of an imprest holder are primarily to personally operate the imprest account. It is not permissible for him to delegate the responsibility for operation of fund to another person except in the case of India Navy where the imprest holder may also authorize the supply officer to operate the account.

The imprest holder is personally responsible for amounts drawn by him until they have been fully and correctly accounted for to the

satisfaction of the Controller of Defence Accounts(CDA) concerned or his representative(rep). He is required to ensure that the imprest account duly supported by the prescribed voucher is promptly submitted to the CDA or his rep on the prescribed date and that no loss accrues through the non-submission or incorrect preparation of the imprest account acquittance rolls or other vouchers. He is liable to make good to Govt., any loss resulting from any lapse on his part in this respect.

The imprest holder is responsible to ensure that in no circumstance ledger cash balances in excess of actual and immediate requirement are kept.

(Auth: Para 27 of FR Vol-I)

Ques.5. The duties of the Controller of Defence Accounts in watching expenditure against Allotment may be indicated.

(8 Marks)

Ans. 5. One of the primary duties of the CDA is to watch expenditure against sanctioned allotments. CDA is required to monitor the progress of expenditure under various Heads of Accounts and to ensure that expenditure does not exceed the limits and to bring to the notice of the allottees and the immediate higher authorities cases in which the progress of expenditure is in the opinion of the Accounting authorities, abnormally heavy or unusually low. The expenditure is required to be regulated, in future, it is high, either by restricting it or seeking additional allotment giving justification for the same. If it is low, the amount may be surrendered if savings are foreseen during that year or pace of expenditure accelerated in tune with budgetary allocation. Towards this objective, the CDA will render to the allottee monthly statement showing the Ser Nos of claims admitted in audit and the amounts debited against the allotment by 25th of the month following that to which they relate.

The CDA is required to furnish to the administrative branch relevant extracts of compiled actuals from printed All India Compilation for service Heads in the third week after the end of the month to which the actuals relate. This enables the executive authorities to ensure that the expenditure is within the allotment or obtain additional allotment in case the need is there and past experience supports the same. The CDA is required to concur the proposal for additional allotment. In cases where savings are likely to accrue, such funds should be surrendered if not required for the rest of the year.

(Auth:Para 112 to 115 of FR Part-I Vol-I)

Ques.6. Pl. indicate the admissible Traveling Allowance to Commissioned Officers on first appointment.

(8 Marks)

Ans.6. On first appointment a commissioned officer is entitled to free conveyance as per rules on warrant by AC II Tier or by road on the basis of mileage allowance from home/OTA Chennai/IMA Dehradun to the station to which permanently posted. This will include journey by road from residence to Railway Station/Bus

Stand. In case the officer is required to report at one or two temporary duty stations before proceeding to the station of permanent posting, the entire journey to the permanent duty station will be performed on warrant. The family of the commissioned officer will also be provided free conveyance from home station of the officer to the permanent duty station by direct route. Mode and class of travel will be as in the case of the Head of the family.

Ques.7. Please distinguish between:

- (a) Major and Minor works.
- (b) Lump-sum contracts and Term Contracts.

(8 Marks)

Ans.7. (a) Major works are works which do not create capital assets and are financed from the Major Works Head of Account. The cost of the work will also be higher than that to be classified under Minor Works.

Minor works are all works costing upto Rs 25,000/- and may at the discretion of the CWE/GE(I) be treated as repairs. Record of minor works, the necessity for which has been accepted, will be maintained by the appropriate administrative authorities and their Engineer Advisors in a register of service awaiting execution.

The Register is also required to show separately works within and beyond the competence of the Commander concerned.

The works are to be executed on the basis of allotment.

(Auth: Paras 221 to 223 of Regulations for the MES)

- (b) A lump sum contract may be entered into for original works and maintenance services other than those included in the scope of the term contract. In each emergency area as many periodical services as possible, should be included in a single contract to stimulate competition and achieve economy. Lump sum contract may be based on bills of quantities or on pre-priced schedule of works or on drawings and specification.

Term contract is entered into for the execution of such services as do not individually exceed the Term Contract limit and which are not to be carried out by military labour by direct labour within limit allowed by the term contract or by other means. The normal limit for an individual service executed under the term contract, is Rs 60,000/- but a lower limit may be specified at the discretion of the CWE. Above this limit, no service may be ordered on the term contract, Further repairs of a similar nature to be carried out within the area of any one Sub Division, is required to be treated as a single item or service for purpose of the term contract. A term contract may be entered into by Divisions, by Divisions, by Sub Divisions or, stations separately or collectively as required and will normally cover a period of one year. It can also cover a period up to two years with Chief Engineer's prior concurrence.

(Auth:Para 404 to 412, Regulations for the MES)

Ques.8. It may be indicated whether the following is correct with reasons:

- (a) A Military Road required for army purpose and leading from

depots to the Railway Station is maintained from Defence Service Estimates.

(2 Marks)

- (b) A Civil Road which passes through a Cantonment but is required for civil purposes independently of the existence of the Cantonment is maintained from Cantonment Funds.

(3 Marks)

- (c) Cantonment Road required for conveyance of residents in Cantonment will be maintained out of Cantonment Funds.

(3 Marks)

Ans.8. (a) Correct. Since these roads are required purely for military purposes, such roads are maintained from Defence Service Estimates.

- (b) Incorrect. A civil road, which only passes through a Cantonment and is required for civil purposes, is required to be maintained from civil funds.

- (c) Correct. Since these roads are required for the conveyance of residents of Cantonments, these are required to be maintained out of Cantonment Fund.

(Auth: Para 236 of Regulation for MES)

Ques.9. Please comment:

- (a) Can a deviation be ordered on any contract ?

(2 Marks)

- (b) Who is competent to accept a deviation ?

(3 Marks)

- (c) What are the financial powers of the GE to fix star rates/prorata rates relating to a contract accepted by a higher authority ?

(3 Marks)

Ans.9 (a) Yes. A deviation on a contract may be ordered if material improvements are required during the performance of works under a contract and the same are deemed to be necessary and unavoidable.

- (b) Deviation on account of contract may be authorized only by the officer who accepted the contract unless powers have been delegated along with specifying the general nature and financial limits up to which such deviations may be ordered.

(Auth: Para 436 of MES Regulations)

- (c) A GE is authorized to fix any star rates/pro-rates relating to a contract accepted by a higher authority, provided that such rates does not involve the payment of more than Rs. 5,000/-.

(Auth: Para 439- Regulations for the MES)

Ques.10. (a) What is the entitlement for air travel ?

(2 Marks)

(b) The competent authority to authorize air travel to non-entitled officer may be indicated.

(3 Marks)

(c) Is mileage allowance for temporary duty at headquarters station admissible:

(i) Beyond 8 kms from residence

(ii) Within 8 kms from residence

(3 Marks)

Ans.10. (a) With effect from 1st Oct. 1997, travel by air is permissible on tour or on transfer in the case of officers who are in receipt of pay of Rs. 16,400/- and above at their discretion provided that officers drawing their pay between Rs. 12,300 and 16,400 may also travel by air at their discretion, if the distance involved is more than 500 kms and the journey cannot be performed overnight by a direct train service/direct slip coach service.

(Auth: Govt. of India Orders below SR 48-B)

(b) Full powers are delegated to the Secretaries of the Administrative Ministries to authorize air travel to non entitled officers provided expenditure is within the allocation under the Head " Travelling Expenses". There is otherwise, a ban on air travel of non- entitled officers unless specifically permitted by the competent authority.

(Auth: Govt of India Orders (Para 4) below SR 48B)

(c) (i) Mileage allowance for temporary duty at HQrs station beyond 8 kms from residence in the case of local journeys with in journeys of the Municipality etc in which the HQrs of the Govt. servant is located, should normally be performed in the same way as the Govt servant performs the journey to his duty point. In case travel by special means of conveyance is necessary prior permission of the superior authority is required to be taken and the mileage allowance for local journey should be regulated with reference to the actual distance traveled or the distance between the normal duty point and the temporary duty point whichever is less.

(ii) In the case of temporary duty journeys within 8 kms from the residence no mileage allowance shall be payable except where journeys to a temporary duty point are performed by public bus, local trains, trams etc. Fares paid for such journeys shall be reimbursed.

(Auth: Para 6 below Rules SR 46)

Ques.11. The Major recoveries and deduction required to be made by the Disbursing Officer through pay bills may be indicated.

(8 Marks)

Ans.11. The most important recovery required to be made by the disbursing officer through pay bills is the recovery of Income Tax, Surcharge Super Tax etc as applicable in the concerned year and required to be deducted at source. Rebate on Income Tax such as Insurance Premium, Fund subscription etc shall be admitted up to the maximum limit as authorised from time to time in the Finance Acts. In addition the funds subscription as per contribution to provident Fund is required to be deducted. Subscription to

Regimental/Non-public Funds are also required to be made. The deduction in respect of premium including those of PLI will be effected as required. The disbursing officer is also required to make recovery of loans taken by the concerned employee for various purposes from the Govt. and recovery of rent and allied charges in respect of facilities utilized or accommodation allotted to the employee as per entitlement and as per applicable rules.

(Auth: Chapter II FR Part-II)

Ques.12. Please define the following:

- (a) Honorarium
- (b) Joining Time
- (c) Leave salary
- (d) Lien
- (e) Military Commissioned Officer

(8 Marks)

Ans.12. (a) Honorarium is defined as recurring or non-recurring payment granted to a Government servant from the Consolidated Fund of India or the Consolidated Fund of a State or Union Territory as remuneration for special work of an occasional or intermittent character. No Honorarium is admissible for temporary increase of work which are incidental to the duties of the Govt., servant or form part of the legitimate duties of the work assigned, or for discharging duties of another sanctioned post in addition to the duties attached to his own post or whenever overtime allowance has been paid in connection with the same work.

(b) Joining time means the time allowed to a Govt., servant in which to join a new post or to travel to or from a station to which he is posted.

(c) Leaver salary is the monthly amount paid by Govt., to a Govt., servant on leave.

(d) **Lien.** Lien is defined as the title of a Govt., servant to hold on regular basis either immediately or on the termination of a period or period of absence, a post including a tenure post to which he has been appointed on a regular basis and on which he is not on probation. It is also necessary that the title to hold a required post shall be subject to the condition that the junior most person in the grade will be liable to be reverted to the lower grade if the number of person so entitled is more than the posts available in that grade.

(e) Military commissioned officer means a commissioned officer in the Defence Services and other than a Departmental Commissioned officer and a commissioned officer in the Indian Medical Deptt. It does not include a Warrant Officer.

(Auth: FR 9, FR SR Part-I)

SECTION-II

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

Ques.1. What is Separation Allowance and what are its eligibility conditions ?

(9 Marks)

Ans.1 Separation allowance is an allowance admissible to married officers when they are posted to units/formations located in areas/stations in India as notified from time to time where families are not permitted to accompany them.

The term 'Married Officers' who are eligible for such an allowance, will include an officer above the age of 25 years and is married or a widower with a child or children or a divorcee with custody of his children but will exclude a married officer without child and not maintaining his divorced wife. The allowance will commence from the date from which an officer arrives in the non-family station on being posted to unit/formation in that area and will cease on the date on which he quits the non-family area. There are certain conditions where an officer may be absent from a non-family area and may be eligible for separation allowance for a maximum period of 15 days. This is when he may be on sick leave, on casual leave, on transit, on temporary duty and returns back to his unit in the non-family area.

Ques.2. Please indicate the types of leave which entitles the Officer to full pay.

(9 Marks)

Ans.2. An officer will be entitled to Full Pay during casual leave, annual leave or during the annual leave included in the sick leave.

An officer proceeding on sick leave, will receive Full Pay of rank held under the Rules in force from time to time for a period of six months which will include the period of annual leave of the officer. An officer granted leave Pending Retirement/resignation under Rule 22 will draw full pay of rank for the portion of leave pending retirement/resignation presented by annual leave. The officers are also entitled to draw officer's pay of the substantive rank during the period of study leave.

(Auth: Para 205 and 211 of Pay and Allowances Regulations of officers of the Army)

Ques.3. Whether the following are correct or incorrect may be indicated:
(i) An individual proceeding on leave pending retirement/discharge will not be eligible to avail of the balance of the annual and accumulated annual leave. If any, standing to his credit.

(3 Marks)

(ii) In the case of an individual who is declared as medically unfit for further service and sent home direct from the hospital, the period between the date of discharge from hospital and the actual date of

his discharge from service will, if he is not entitled to any leave pending discharge, be treated as Special Casual Leave subject to a maximum of thirty days.

(3 Marks)

(iii) Cases where leave pending retirement/discharge commences on or after 1st April of any year, full annual pay will not be admissible.

(3 Marks)

- Ans. (i) In correct.
(Auth: Para 36 of Leave Regulation for the Services of Army)
- (ii) Correct
(Auth: Note 2, Para 36(a) of Leave Rule for Services)
- (iii) Incorrect
(Auth: Para 38(a) (ii) of Leave Rules for the Services of Army)

Ques.4 (a) What is Good Service Pay ? Please indicate its eligibility conditions.
(4 Marks)

(b) Circumstances for forfeiture of Good Service Pay may be given.
(5 Marks)

Ans.4 (a) Non-commissioned officers are entitled to good service pay at the rate prescribed under the Rule. A Naik/Lance Dafadar or Lance Havildar is entitled to good service pay after three years of service in these ranks/appointments. Similarly, a Dafadar/Havildar is also entitled to good service pay after a period of service as NCO which is subject to an increase after nine years of such service.

A Naik/Havildar/Dafadar on promotion to the rank of Hav/Dafadar will continue to draw good service pay earned in the rank of Lance Naik/Hav/Dafadar subject to the conditions that the total amount of good service pay does not exceed the maximum permissible in a month.

To be eligible to the first rate of good service pay a non-commissioned officer must satisfy the Commanding Officer of his zeal and efficiency and must not have incurred more than one red ink entry in his zeal and efficiency and must not have incurred more than one red entry in his conduct sheet during the two years preceding the claim. Similarly, to be eligible for advancement to a higher rate of good service pay a non-commissioned officer must satisfy the Commanding Officer of his zeal and efficiency and be clear of red ink entry for one year preceding the claim. Advancement to a higher rate of Good Service of pay can only be claimed after a lapse of one year from the grant of the previous rate. Non-commissioned officers reverted to a lower rank will have their previous qualifying service whether continuous or broken counted towards this period.

(Auth: Para 69,70 of Pay and allowances Regulations for JCOs and ORs)

(b) Good service pay is likely to be forfeited for various reasons. In the case of a specific award of the Commanding Officer for lack of zeal or for inefficiency or misconduct the Good Service Pay would be forfeited. In addition, conviction by a court martial or punishment

under the Army's Act in efficiencies arising out of physical unfitness due to alcoholism or drug taking or by reasons of disease due to his own fault could result in such forfeiture. A non commissioned officer reduced to a lower rank will forfeit the highest awarded rate of good service pay with reference to the lower rank unless sentenced to the loss of service under the Army Act.

(Auth: Para 76 of DSR Pay and Allowances Regulations for JCOs/ORs)

Ques.5. Please give the reckonable emoluments for the purpose of assessing the rate of Compensatory (City) Allowances, Compensatory(Local) Allowance and Hill Compensatory Allowance in respect of JCO's Other Ranks and Non-Combatants Enrolled.

(9 Marks)

Ans.5 The reckonable emoluments for the purpose of assessing the rate of compensatory (City Allowance), Compensatory Local Allowance and Hill Compensatory allowance in respect of JCOs, ORs and non-combatant/re-enrolled are:-

- (a) Pay
- (b) Rank/Appointment Pay
- (c) Good Service Pay
- (d) Qualification Pay
- (e) Personal Pay

[(Auth: Para 116 - Pay & Allowances Regulations for Junior Commissioned Officers, Other Ranks and Non Combatant (Unrolled)]

Ques.6. What are the circumstances under which a married quarter allotted to a JCO by a competent authority be got vacated even though he continues to be on the strength of the station ?

Ans.6. The circumstances under which a married quarter allotted to a JCO by a proper authority which will normally not be vacated while he continues to be on the strength of the station/units are only if the conditions as indicated below are applicable in which case the same can be got vacated.

- (i) When the person is proceeding on temporary duty elsewhere and for a period expected to exceed six months.
- (ii) When the person, to whom the quarter is allotted, is absent without leave for more than 30 days and there is no satisfactory reason for his absence.
- (iii) When the quarter is required for use otherwise than as a married quarter or its continued use as a married quarter become impossible.
- (iv) When the quarter is of a higher class than the entitlement of the allottee and accommodation of the appropriate class is offered to him.

- (v) The quarter is required for allotment to another JCO in accordance with station/unit orders giving the allotment of married quarters in the station/units.
- (vi) Lastly and most importantly, misconduct, misbehavior or breach of unit regulations on the part of the person to whom the quarter is allotted or by any member of his family or any other person living in the said quarter may lead to all his occupants being required to vacate the said quarter.

(Auth: Para 1025 DSR Vol-II)

SECTION-III (Factories Portion)

Ques.1. Write short notes on the following: (3x3=9)

- (a) Night shift Bonus
- (b) Store Holder Inability Sheets
- (c) Absentee Payment Register

Ans.1 (a) A night shift represents the hours worked between the termination of the day shift and the normal working hours of the next day. The piece workers who performs overtime work under Departmental Rules in the night shift will be paid an extra half hour pay termed as " Night Shift Bonus " calculated at the rate of 1/200 of the monthly basic pay plus dearness. allowance, special pay, personal pay, pension(to the extent taken into account for fixation of pay in the case of re-employed pensioners) and city compensatory allowance for every hour of systematic overtime under departmental rules worked on the Night Shift in addition to their piece work earnings. This element is not admissible to the day workers.

(Auth: Para 196 of OM Part-VI)

(b) This is a document on which Store Holder represents his inability to supply a store when the stock of this store has gone below a fixed limit so that arrangement may be made for replenishment. It shows stock in hand, dues, average consumption liabilities and requirement to meet liabilities. A register is maintained in the Account Office showing the date of receipt, inability sheet number and date, corresponding supply order and date where value of store is Rs. 1 lakhs or more 10% of inability sheets are selected by section officer/Asstt. Accounts Officer of ledger group of material section for checks.

(Auth: Para 349-350 OM Part VI)

(c) Absentee payment Registers are maintained separately for each section for each month in the loose leaf form in the factory in which all amounts remaining undisbursed on the regular pay day are noted and so also the payment made there from. When all payments have been completed from a sheet in the Absentee Payment register and necessary audit checks has been carried out, the sheet will be removed from the register and attached with the last page of the relevant acquaintance (Muster roll).

The following points too are to be verified.

- (i) The entries in the register have been correctly made from the Acquaintance Rolls.
- (ii) The total of column of amount due on each sheet are written both in words and figures.
- (iii) The register should be initialed by the auditor against each payment which has been attested by the factory office.
- (iv) The grand total agrees with the amount shown as "undisbursed wages" in the Agreement Form of Labour.

(Auth: Para 219 of OM Part VI)

Ques.2. What do you mean by semi statement ? How are semi statements processed and reflected in the final accounts ?

(9 Marks)

Ans.2. At the end of the year, the actual stock will be taken by the factory of the unused materials and part finished works, full list being made of all the articles found, showing the stage of manufacture each has reached, and the extracts and work orders and warrant numbers to which they have been charged. The physical verification of current items will be done on 31st March of each year. Verification of Non Moving and Slow Moving warrants should be carried out by the end of February and "Semi-Statements" forwarded to Accounts Office by early March. Verification of the other warrants should be carried out at the end of the year and finalized in consultation with Accounts Office by 15th April.

Factory orders are to be issued by the GM and the office orders by the AO stipulating specific dates for each step in the preparation, scrutiny and finalization of semi- statements. A cell should be formed in costing section of the AO for the entire work of scrutiny and evaluation of work in progress as per annual semi-statements. The semi-statement will be verified with reference to material and manufacture warrants, warrants registers, cost cards and production cards etc. to check the correctness.

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 orders need not be evaluated in details.

The value of the 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 the work in progress under each element of cost work order wise. The total represents the value of work in progress as on 31st March and will be credited to work in progress as on 31st March by debiting the Balance Account and thereby exhibiting the balance as " Asset" in the "Statement of Asset and Liabilities". In the following year, this asset representing work-in progress as on 1st April will be debited to the work -in- progress account simultaneously charging all the individual carry forward cost cards with the corresponding amount under each element of cost. A close watch is to be kept on the actual position of physical pipeline by the factory so that it is generally computable with the usual normal level of work in progress vis-a-vis total production.

(Auth: Para 713-714 of OM Part VI)

Ques.3. Distinguish between the following:

(3x3= 9 Marks)

- (a) Manufacturing Account Statement "A" and Manufacturing Account Statement "B"
- (b) Systematic overtime and Casual overtime.
- (c) Extract and Supplementary Work Order Draft (SWOD)

Ans.3 (a) **Manufacturing Account Statement "A"**

This statement indicates the value of issue under different heads required to be completed by 25th of the month following that to which it relates for the purpose of posting in the principal ledger. This account will be compiled in IAF-116 (fac) from the original vouchers independently and agreed with the schedule of "P" vouchers.

(Auth. Para 672A OM Part VI)

Manufacturing Accounts Statement "B"

This statement indicates the miscellaneous receipts i.e. the position of outstanding rent, electricity and water charges etc to be prepared by 25th of the month that to which it relates for the purpose of posting in the Principal Ledger. This accounts is to be prepared with supporting schedule in IAF-120 (fac).

(Auth: Para 672B OM Part VI)

(b) **Systematic Overtime:**

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

Overtime worked by an individual members of a shop or section for a period not exceeding 14 days consecutive calendar days will be classified as casual overtime. However if it is sanctioned by DGOF, in which case it is to be treated as systematic overtime.

(Auth: Para 189 of OM Part VI)

(c) **Extracts:** Authority for undertaking work in the factory is the extract issued by the DGOF. Extracts are divided in to five classes and the numbers are allotted in serial order.

- Class I : For issue to Army
- Class II : Payment service
- Class III : Inter factory requirements
- Class IV : Manufacture for Stock
- Class V : Capital Works.

SWOD: Apart form the above, the GM of Factory can order a Supplementary Work Order Draft(SWOD) for the petty casual works or minor internal factory service or repairs and maintenance for departmental store orders. All SWOD will be post audited by the accounts office.

(Auth: Para 45 of OM Part-VI)

Ques.4 (a) Name items of expenditure which appear in cost accounting but do not appear in the financial accounting of the Ordnance Factories.

(4 Marks)

(b) Define Guarantee pay. To whom it is admissible ? What elements are taken into account while computing Guarantee pay ?

(5 Marks)

- Ans. (a) The following items of expenditure are appearing in the cost accounts but not in the financial accounts of the factory.
- (i) Superannuation charges.
 - (ii) Assessed rent of rent free quarter.
 - (iii) Cost of medical and surgical stores used in the factory hospital.
 - (iv) Cost of free diet article received from the ASC Dairy Military Farm.
 - (v) Cost of central accounts and administration charges.
 - (vi) Departmental charges on MES works.

(Auth: Para 840 of OM Part VI)

- (b) Guarantee pay; is payable to industrial employees of unskilled, semi-skilled and skilled grade when their piece work earnings during the period of their duty falls below the actual basic time wages applicable for that period. For example if a semi-skilled worker in the pay of scale of Rs. 800-1150 per month is entitled to a basic pay of Rs. 845 as his basic pay having earned three increment, his basic pay guaranteed to him would be Rs. 845 for the period his piece work earnings fall below this rate of pay.

While computing guarantee pay the time wages for the period a worker has functioned as piece worker are taken in to account. Added to this is the increment difference between the actual basic pay and the minimum of revised pay scale overtime pay, if any, minus piece work earning and overtime bonus. The guarantee pay is equal to:

$(\text{Time wages} + \text{Incremental difference} + \text{OT Pay}) - (\text{Earning} + \text{Overtime Bonus}).$

(Auth: Para 154 of OM Part VI)/PCA(Fys) case file No-pay/tech-ii/ 01050(PWR)

- Ques.5. What is Priced Store Account ? Describe in details how it is maintained in accounts office ?

(9 Marks)

- Ans.5. A priced store account detailing the receipt and issue transaction from stock in each month under the various heads specified in forms IAF(Fac) 15 for receipt and IAF(Fac) 16 for issues will be prepared by the material sections and submitted to costing sections by 15th of the month following for the purpose of posting in the principal ledger.

The accounts officer is required to watch that the recovery and adjustment of the cost of stores issued from stock on payment and issued to department other than defence department as also to Air Force, Navy, MES and DRDO are affected promptly. In the case of book adjustments necessary debit will be raised against the consignee's accounts officer on receipt of the receipted copies of vouchers from the consignee. For payment issues, the value of which is recoverable through pay bills recovery memos to controller

concerned will be issued on IAF 57A. Cost accounting adjustment will be made in the principal ledger as and when the amount will appear in the cash compilation, but in the case of other controllers such adjustment will be made on receipt of acknowledgement of IAF 57A. A statement showing the details of outstanding on the last day of previous quarter in respect of other than defence departments should be sent to PCA(Fys) store sections so as to reach on or before 10th of the month following the quarter.

The profit or loss on sale or surplus, obsolete, scraps and waste store will be determined taking in to account the condition of the store and its book value and the sale price recoverable. The profit and loss so arrived will be accounted for against proper code number in price store account to facilitate entry in principal ledger.

A watch should also be kept over loss exhibited in the priced store account but awaiting sanction of the competent financial authority.

At the end of financial year, the quantitative balance of the PSL will be agreed with those shown in the bin cards. When issues already priced require require adjustment on account of provisional rate having been adopted or for incorrect pricing etc necessary adjustment voucher should be prepared and accounted for in the accounts then open. All such adjustment must be completed by the time March supplementary accounts are closed.

Balance sheet for each category of store purchased should be prepared separately at the end of the year for reconciliation with the balances struck out in the principal ledger.

(Auth: Para 418 of OM Part-VI)

- Ques.6. (a) How are capital assets classified in an Ordnance factory ?
(2 Marks)
- (b) Where are the capital assets found recorded in Accounts Office and through which documents ?
(2 Marks)
- (c) Explain the procedure followed in disposal of surplus plant and machinery in an Ordnance factory.
(5 Marks)

- Ans.6. (a) Capital assets in the Ordnance factories are classified under three main heads:
- (i) Buildings
 - (ii) Machinery
 - (iii) Other items

The items falling under building are;

- (i) Industrial buildings i.e. building with in factory four walls whether used for production or non-production purpose and any factory sections except offices outside factory walls.

(ii) Non industrial buildings i.e offices outside factory, Hospitals, M I Room, Staff clubs etc.

(iii) Residential buildings

Machinery includes all plants & Conventional Machines/lathes, sophisticated CNC Machines, furnaces etc. used for productions.

Other items are water, compressed air lines, filter units, roads and electrical installations etc.

(Auth: Para 731 of OM Part VI)

(b) The capital assets are found recorded in the block registers and through M series vouchers.

(Auth: Para 738 of OM Part VI)

(c) Plants, Machineries and vehicles can be termed as surplus when the same can not be utilized due to long service rendered, technical insufficiency/obsolescence. They are classified as serviceable, unserviceable, beyond economical repairs etc.

The list of surplus plant, machinery and vehicles which is no longer useful and for which replacement has already been received by the factory should be circulated to all ordnance factories and other Defence installations. On receipt of NIL report from sister factories etc, surplus report duly vetted by Account Officer is sent to OFB as per existing instructions.

Disposal is normally be done by auction sales through approved auctioneers. Disposal may also be done through MMTC who obtains the price bid and disposal committee of the factory having finance representative compares the bid price with the minimum reserve price fixed earlier and makes its recommendations to GM for disposal. The amount is realized from the highest bidder(before it is lifted) and credited to the government.

(Auth: Para 784 of OM Part VI)

SECTION-IV(Air Force Portion)

Ques.1. (a) An officer who has completed 5 years of active service before release and subsequent to drawing initial outfit allowance, is recalled. How would his renewal outfit allowance be adjusted and paid ?

(4 Marks)

(b) How would the special non-recurring uniform allowance be adjusted if the officer to whom it was admitted, leaves the qualifying appointment after serving for 1 year 4 months ?

(5 Marks)

Ans.1. (a) The officer will be given 5/7 of the renewal outfit grant and be paid balance of the 2/7 on completion of 2 years on the active list. For a further grant of fresh outfit allowance, under Rule 146, the period of 7 years would reckon from the date of payment of 2/7 amount of the outfit allowance.

(Auth: Rule 141(ii), 146 P&A Regulation IAF)

(b) The officer would be required to refund a quarter of it since he has served more than a year but less than 2 years in the appointment.

(Auth: Rule 155(c) P&A Regulation IAF)

Ques.2. (a) Sergeant Vishvajit Sahay is under house arrest but not in confinement. What will be the effect on his Pay and Allowances ?

(4 Marks)

(b) Warrant Officer Atul Saxena was officiating in the vacancy of Sqn. Ldr. Kohli who went on a Course of Instruction for 90 days. Comment Warrant Officer Saxena's entitlements to acting allowance.

(5 Marks)

Ans.2. (a) There will be no forfeiture of pay and allowances since he is under arrest but not in confinement.

(Auth: Rule: 258 P&A Regulations IAF)

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

(Auth: Rule: 274 P&A Regulations IAF)

Ques.3. (a) Wing Comdr. Gupta has claimed Children Education Allowance for his third child who was born on 05-01-87. Give Your Audit Remarks.

(4 Marks)

(b) Sqrn. Ldr. Datta who is serving ex-india and is in receipt of expatriation allowance falls sick there. He takes annual leave during the sick leave to recuperate ex-India. Payment of expatriation allowance is stopped during the annual leave period. Give your Audit Remarks.

(5 Marks)

Ans.3. (a) The Children Education Allowance is payable to the third child too, as he is born before 31.12.87

(Auth: Note 2 of Rule 282 P&A Regulations IAF)

(b) The payment of Expatriation allowance should continue as portion of annual leave is included in the sick leave and is spent ex-India provided he continues to be borne on the strength of the overseas unit/formation.

(Auth: Rule 123 P&A Regulations IAF)

Ques.4. Write short notes on:

- (a) PORs
- (b) ETG
- (c) Hostel Subsidy

(3 x 3=9 Marks)

Ans.4. (a) Through Personal Occurrence Report(PORs) all occurrences/causalities in respect of airmen and officers are promulgated. This helps in furnishing data for maintenance of service documents held at parent unit, AFRO (for Airmen) and Directorate of Personnel(For Officers) at Air HQrs. This also helps the accountant officer and AFCAO to adjust pay and allowances. This also helps in maintaining the data upto date for effective and non-effective strength of personnel and daily ration strength.

(Auth: Definitions P&A Regulations)

(b) Funds are provided in the Air Force Budget for the Educational Training of IAF personnel including the DSC personnel attached to Air Force. This annual grant is utilized for:

- Educational Training
- Air HQrs. Reference and Technical Library
- Purchase of text books for trainees and cadets at training units
- Publication of IAF quarterly and its supplements in the form of digest.

(Rule 618 P&A Regulations IAF)

(c) IAF personnel who on account of transfer are obliged to keep their children in the hostel are entitled to get hostel subsidy. Subsidy is paid from the actual date of posting at new location.

(Rule 284B P&A Regulations IAF)

Ques.5. (a) Can Annual Leave be granted to IAF personnel sent abroad on Course of Instruction ? If so, when and who would be the sanctioning authority. ?

(5 Marks)

(b) Can a flight cadet be granted leave ? If so, what would be his entitlement ?

(4 Marks)

Ans.5. (a) Yes, IAF personnel sent abroad on course of Instruction can avail annual leave, which may be given to coincide with the recognized break in the on course of Instruction and sanctioned by the Head of Mission.

(Auth:Para 51 A Leave Rules IAF)

(b) A flight cadet will not be granted any leave except for the period of vacation falling between the periods of training. In exceptional circumstances, casual leave may however be granted by the Officer Commanding at his discretion, not exceeding 10 days at a time and 20 days in a year.

(Auth:Para 33 Leave Rules IAF)

Ques.6. (a) Is Dearness Allowance admissible during study leave in India ?
(3 Marks)

(b) Is Flying Bounty, Parachute Allowance and Expatriation Allowance to be taken into account for computation of Dearness Allowance ?
(3 Marks)

(c) Will Separation Allowance be admissible on Annual Leave ?
(3 Marks)

Ans.6. (a) No dearness allowance is admissible.

(Auth: Rule 93 P&A Regulation IAF)

(b) Flying Bounty is to be treated as pay. Parachute allowance and Expatriate. Allowance is not to be taken into account for computation of Dearness Allowance.

(Auth: Rule 90 P&A Regulation IAF)

(c) Not Admissible.

(Auth:Rule 184 P&A Regulation IAF)

SECTION-V (Navy Portion)

Ques.1. What is Hardlying Money ? To whom is it admissible and at what rates ?
For periods the same is not admissible ?

(9 Marks)

Ans. 1. Hardlying money is admissible to Officers and sailors borne on ships like Minesweeper, Salvage Vessel, Ocean-going tug, Landing Craft, Small Craft and Submarines. This allowance is based on consideration of the living and sleeping conditions on board which refer not only to the actual messing and sleeping accommodation but all factors that effect the health and comfort of those on board namely, interference with sleep and rest, the difficult cooking arrangement and the like, and the amenities of life in the ship as a whole Hardlying money is admissible at two rates i.e.

(i) Full Rate - Rs. 200/- (ii) Half Rate - Rs. 100/-

(i) When the living and sleeping conditions are Considered to be not superior to those experienced in a major landing craft or as on Normal ship -Full rates.

(ii) When the living and sleeping conditions are considered superior to those experienced in a major landing craft but markedly inferior to those in an Ocean Minesweeper or Fleet Minesweeper - Half Rates.

Hardlying Money is admissible for the monthly rate if the officers are borne on the ship for 8 days or above in a month.

Hardlying money is not admissible during periods of leave, sickness, temporary duty and periods of refit/repair during which the officers are required to stay ashore.

Ques.2. Write short notes on:

(a) Sea Going Allowance

(5 Marks)

(b) Children Education Allowance

(4 Marks)

Ans.2. (a) **Sea Going Allowance**- Naval Officers deployed on operational ships at sea are granted Sea Going Allowance subject to the condition that the ships are at sea for a duration exceeding 12 hours in a day. It will be admissible on a daily pro rata basis. Submarine Allowance, Flying Allowance and Daily Allowance will not be admissible in addition to Sea Going Allowance.

Rates: Sub Lt. Rs. 2100

 Lt. Rs. 2200

 Lt. Cdr. Rs. 2400

 Cdr. and above Rs.2600

(b) **Children Education Allowance** - Naval personnel are entitled to CEA @ Rs. 100/-p.m. when they are compelled to send their children to a school away from the station at which he is posted and/or residing owing to the absence of a school of the requisite standard at the station. CEA is admissible upto Class XII and only in respect of children between the age limits of 5 and 20 years. CEA is not admissible for more than two

academic years in the same class. CEA is restricted to two children only. CEA cannot be claimed concurrently with reimbursement of Tuition fees. If both the husband and wife are Govt. servants, CEA shall be admissible to only one of them. In case of retirement, resignation, etc. during the course of academic year, CEA shall be admissible till the end of the academic year.

Ques.3. (a) What are the elements of pay on which Dearness Allowance is admissible?

(3 Marks)

¼b) Is Dearness Allowance admissible during Annual Leave ?

(3 Marks)

(c) Can Dearness Allowance be admitted to an Officer who is two months temporary duty ?

(3 Marks)

Ans.3. (a) Elements of Pay for DA -

- (i) Basic Pay
- (ii) Rank Pay
- (iii) Dearness Pay
- (iv) Non-practising allowance
- (v) Stagnation Increment

(b) Yes

(c) Yes

Ques.4. What are the types of leave admissible to sailors? What is their maximum limit ?

(9 Marks)

Ans. 4. Types of Leave and Limit to sailors-

- (i) Casual Leave - 30 days in a year
- (ii) Annual Leave- 60 days in a year
- (iii) Sick Leave- No limit
- (iv) Compassionate Leave - 30 days-(Debited to next year's annual leave entitlement.)

Ques.5. (a) What is Submarine Allowance (earlier Submarine Pay) ? What are its terms conditions ?

(6 Marks)

(b) Is Submarine Allowance admissible in case the Officer is declared medically unfit for more than 6 months ?

(3 Marks)

Ans.5. (a) Submarine Allowance (Pay) is admissible to Officers and sailors qualified for service in submarine and appointed as part crew or spare crew. It shall also be 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. Submarine allowance shall be ceased in case the Officer fails to maintain the requisite standard of efficiency for submarine services as determined by CNS. If the Officer is transferred from Submarine Branch to some other branch, Submarine Allowance will cease to be admissible.

(b) No. It is admissible up to 3 months of medical unfitness.

Ques.6. (a)½ What is the quantum of refund of renewal outfit allowance ? (5 Marks)

(b) Who is entitled to Special Outfit Allowance. (4 Marks)

Ans.6. (a) An Officer to whom renewal outfit allowance has been paid and who fails to serve the Navy for a period of 2 years shall be required to refund 25% of the allowance for every period of 6 months or part thereof by which his service falls short of 2 years.

(b) Special outfit allowance is admissible to
(a) Secretary to the Chief of the Naval Staff.
(b) Flag Lieutenant to the Chief of the Naval Staff.
