

DEFENCE ACCOUNTS DEPARTMENT

SAS EXAMINATION PART – I

JUNE 2019

PAPER – I ORGANIZATION AND FUNDAMENTALS OF AUDIT AND ACCOUNTS

(THEORY – WITHOUT BOOKS)

Allowed : 3 Hours

Maximum marks 100

Notes: 1. Out of 16 questions only 12 questions should be attempted by the candidates.

2. Each question carries EIGHT marks. FOUR marks are reserved for general excellence.
3. Answers to all parts of questions should be written in one place only.
4. Only question number shall be indicated in the Answer Books. Reproduction of complete question in the Answer Books should be avoided.

MODEL ANSWERS		
Q.No.1	(a)	How many Controllers of Finance and Accounts (Factories) are under the administrative control of the Principal Controller of Accounts (Factories), Kolkata? Please give the details. <p style="text-align: right;">(4 Marks)</p>
	Ans.	There are nine (09) Controllers of Finance and Accounts (Factories) are under the administrative control of the Principal Controller of Accounts (Factories), Kolkata. They are located at Kanpur, Jabalpur, Kirkee, Ishapore, Avadi, Dehradun, Medak, Bolangir, and Ambajhari. <p style="text-align: center;">(Authority: Rule 11 of OM- Part I Chapter I)</p>

	(b)	Whether GREF personnel are entitled for (i) Special Compensatory Remote Locality Allowance and (ii) High Altitude Allowance/ Uncongenial Climate Allowance. Please explain. (2+2=4 Marks)
	Ans.	(i) All GREF Personnel are entitled to SCRLA applicable to the place of posting at the Prescribed rate under prescribed conditions while serving in the Units located in concessional areas as notified by the Government from time to time. SCRLA is not admissible to the deputationist who are in receipt of deputation allowance. (ii) High Altitude Allowance/Uncongenial Climate Allowance - HAA/UCA is admissible to GREF Personnel at the specified rate when they were in units located in the qualifying areas as notified in government orders from time to time. The grant and cessation of this allowance is notified in Part II orders. (Authority – Para 108 & 109 of OM Part XIII Part II)
Q.No.2	(a)	Can a new office under Asst. Accounts Officer be created under the orders of CDA without the approval of CGDA? Please Comment. (4 Marks)
	Ans.	A new office under AAO can be created by the PCDA/ CDA without prior approval of the CGDA when such action does not involve any increase in the establishment of officers authorised for the PCDA/ CDA. (Authority: Para 64 of OM- Part I Chapter I)
	(b)	Who conducts centrally, post audit of Defence Accounts Department's pay bills, TA bills, contingency bills, etc and since when? (2+2 =4 Marks)
	Ans.	The Principal CDA (Pensions), Allahabad centrally acts as the auditing Controller for the post audit of the Defence Accounts department wef 1 st April 1972. (Authority: Para 87 Note III of OM- Part II)

Q.No.3		<p>Explain the following grants-</p> <p>(i) Amenity Grant (ii) Annual Training Grant (iii) Assault-At-Arms- Grant</p> <p style="text-align: right;">(3+3+2 = 8 Marks)</p>
	(i)	<p>Amenity Grant (3 Marks)</p>
	Ans.	<p>These grants are intended for the provision of sports gear, indoor games, literature, radios, gramophones, gramophone records, musical instruments and anything that helps in the well being and morale of the soldiers, which is not supplied by Government and which the soldiers cannot provide for themselves . The conditions and the rates for the grants and the specific categories of units and formations to which the grants are admissible are published in Army Instructions every year.</p> <p style="text-align: center;">(Authority: Para 450 of OM- Part II)</p>
	(ii)	<p>Annual Training Grant (3 Marks)</p>
	Ans.	<p>This grant is intended to meet expenditure incurred in connection with weapon training, manoeuvres, training camps, tactical exercises with or without troops, staff exercises, training conferences and any other form or forms of training of the regular Army held under the direction of the Chief of the General Staff or any Army Commander.</p> <p style="text-align: center;">(Authority: Para 451 of OM- Part II)</p>
	(iii)	<p>Assault-At-Arms- Grant (2 Marks)</p>
	Ans.	<p>This grant is placed at the disposal of the Chief of the General Staff for allotment to the Commandant, Army School of Physical Training.</p> <p style="text-align: center;">(Authority: Para 463 of OM- Part II)</p>
Q.No.4		<p>Define the following:</p> <p>(i) Accredited Bank (ii) Appropriation and Re-appropriation (iii) Civil Accounts Office (iv) Sub Audit (Accounts) Officer</p> <p style="text-align: right;">(2+2+2+2 = 8 Marks)</p>

	(i)	Accredited Bank (2 Marks)
	Ans.	Accredited Bank - means in relation to ministry or Department , or Union territory means the Reserve Bank or any bank which is appointed to transact business of the Government pertaining to that Ministry or Department or Union territory. (Authority: Definition no 4 of Defence Accounts Code)
	(ii)	Appropriation and Re-appropriation (2 Marks)
	Ans.	Appropriation - means the assignment, to meet specified expenditure, of funds included in a primary unit of appropriation. (Authority: Definition no 5 of Defence Accounts Code)
	(iii)	Civil Accounts Office (2 Marks)
	Ans.	Civil Accounts Officer- means an Accounts Officer subordinate to the Comptroller and Auditor General, Principal Accounts Officer and or Pay and Accounts officer functioning under the scheme of Departmentalisation of central Government (Civil) Accounts or separate accounts set up of Union Territory Government of Administration as the context may imply. (Authority: Definition no 12 of Defence Accounts Code)
	(iv)	Sub Audit (Accounts) Officer (2 Marks)
	Ans.	Sub Audit (Accounts) Officer- Means an Account Officer who performs accounting functions on behalf of another Account officer. (Authority: Definition no 35 of Defence Accounts Code)
Q.No.5	(a)	E-payments through private sector banks are allowed or not? Please Comment. (2 Marks)
	Ans.	Four private sector banks i.e. ICICI Bank Lts, Axis Bank Ltd, IDBI Bank Ltd. and HDFC Bank Ltd have been authorised by the RBI as their agent for conduct of all types of government transactions. E-payments can be authorised from these banks by issue of cheques drawn on RBI/SBI and credited to the account of beneficiaries through ECS/EFT/NEFT. (Authority: Para 96 of Defence Accounts Code)

	(b)	<p>Please explain the following –</p> <p>(i) EFT</p> <p>(ii) NEFT</p> <p>(iii) RTGS</p> <p style="text-align: right;">(2+2+2 = 6 Marks)</p>
	(i)	EFT (2 Marks)
	Ans.	It is the Electronic Exchange Transfer money from one account to another, either within a single financial institute or across multiple institutes through computer based system.
	(ii)	NEFT (2 Marks)
	Ans.	It is National Electronic Transfer, a nationwide payment facilitating one to one fund transfer scheme in which individuals, firms and corporate can electronically transfer funds from any bank branch to any individual, firm or corporate in the country participating in this scheme.
	(iii)	RTGS (2 Marks)
	Ans.	It is Real Time Gross Settlement of fund transfer individually on an order basis (without netting). The fund settlement takes place in the books of RBI. Is it primarily meant for large value transactions, with a minimum amount to be transmitted is Rs. 2 lakhs.
		(Auth: Definition no 22, 26, 33 of Defence Accounts Code)
Q.No.6	(a)	<p>A Defence Accounts Department official is posted abroad in Mission/ Embassy from PCDA (SC), Pune. Who will be the Performa Controller?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>With effect from 18.03.2009, PCDA, New Delhi has been nominated as the Performa Controller for DAD officials posted on Missions/ Embassies. PCDA Pune will forward the Last Pay Certificate of the DAD personnel to PCDA, New Delhi who are proceeding on deputation to foreign embassies/ missions.</p> <p style="text-align: center;">(Authority: Para 163 of Defence Accounts Code, 2014 edition)</p>

	(b)	<p>For what purpose is Punching Medium prepared for Class of Voucher 9? Please Comment.</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>Class of Voucher 9 relates to MES Bills. This class of Punching Medium (PM) is used for payment on account of pay and allowances, TA Bills, Miscellaneous claims, etc. of MES civilian officers/ staff (industrial/ non- technical).</p> <p style="text-align: center;">(Auth: Para 168 (h) of Defence Accounts Code, 2014 edition)</p>
	(c)	<p>Explain about SBI-CMP.</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>SBI-CMP- Means State Bank of India –Cash Management Product , a customised and secured payment gateway for Central Government Departments including Defence Accounts department which will be uniform and approved process across the country with stricter Turn Around Time (TAT).</p> <p style="text-align: center;">(Authority: Definition no 34 of Defence Accounts Code)</p>
Q.No.7	(a)	<p>What are the purpose, period and percentage of Expenditure under Vote on Account?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>The purpose of Vote on Account is to keep the government functioning, pending the passing of Demand for Grants for the full financial year. Vote on Account normally covers expenditure likely to be incurred during April and May and is broadly 1/6th of the estimate gross expenditure included in the Demand for Grants.</p> <p style="text-align: center;">(Authority: Para 220 of Defence Accounts Code, 2014 edition)</p>
	(b)	<p>Whether PCDA/CDA office can refuse for making provisional payments if it exceeds 1/6th ceiling even in obligatory nature payment, during Vote on Account?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>PCDA/ CDA may authorise provisional payment when expenditure is of an obligatory nature which cannot be deferred and it may not be possible to restrict the expenditure to 1/6th of the Budget Estimate for the particular head as long as the Vote on Account in respect of the Demand for Grant as a whole is not exceeded.</p> <p style="text-align: center;">(Auth: Para 220 Note 3 of Defence Accounts Code, 2014 edition)</p>

Q.No.8	(a)	<p>Explain 'Charged Expenditure'. What is the constitutional provision for Charged Expenditure? Whether Charged Expenditure is submitted to the Vote of Parliament?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>In accordance with Article 112 (3) (f) of the Constitution of India, payments made in satisfaction of judgement decree or award of any government arbitration tribunal will be treated as Charged on the Consolidated fund of India and will not be subject to the vote of Parliament.</p> <p style="text-align: center;">(Auth: Para 292 of Defence Accounts Code, 2014 edition)</p>
	(b)	<p>While doing 'Audit of Sanctions' to the expenditure, what are the points that need to be looked into by the PCDA/CDA office?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>While doing Audit of Sanctions, the following points/ issues need to be looked into by the audit section of the PCDA/CDA:</p> <ul style="list-style-type: none"> (i) That each item of expenditure is covered by the sanction of the authority competent to sanction it by virtue of the powers delegated to him/her. (ii) That the sanction is definite and needs no reference either to the sanctioning authority itself or to any higher authority. <p style="text-align: center;">(Authority: Para 33 of Defence Audit Code, 2016 edition)</p>
Q.No.9	(a)	<p>Mr. Prem Kumar, DCDA, working as the Group Officer, gives sanction of provisional payment when the CDA is on leave. Is it in order? Why or Why not?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>The PCDA/ CDA at his discretion may delegate the powers to make provisional payments to any IDAS officer functioning as the Group Officer. If provisional payment powers have been delegated to Mr. Prem Kumar, DCDA, then it is in order. If powers have not been delegated, then it is not in order.</p> <p style="text-align: center;">(Authority: Para 55 of Defence Audit Code, 2016 edition)</p>

	(b)	Which are the two stages in which Appropriation Audit is conducted? (4 Marks)
	Ans.	Appropriation Audit is conducted in two stages: (i) Sanction of audit i.e. audit of orders of allotment fund and re-appropriation. (ii) Expenditure audit i.e. audit of expenditure against allotment. (Authority: Para 91 of Defence Audit Code, 2016 edition)
Q.No.10	(a)	Why 'Scale Audit' is conducted? (2 Marks)
	Ans.	Scale audit is conducted to see that the effective (paid) strength of Army officers in a unit/ formation, as shown in the nominal roll, is within the number authorised in the relative peace/ war establishment, and that the number of officers paid in different ranks in each unit agrees with the number shown in the nominal roll. (Authority: Para 154 of Defence Audit Code, 2016 edition)
	(b)	What happens to the items included in the MFAI Report, when it is included in CGDAs Certificate appended to the Printed Appropriation Account? (2 Marks)
	Ans.	Items in the MFAI Reports which are subsequently included in the CGDAs Certificate appended to the Printed Appropriation Account will be formally taken out of the MFAI Report, but pursued to finality in the normal course. (Authority: Para 527 of Defence Audit Code, 2016 edition)

	(c)	<p>What are the conditions under which Supplementary Grants has to be presented to the Parliament for specific sanction?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>Following are the conditions when Supplementary Grants have to be presented to the Parliament for specific sanction:</p> <p>(i) If the amount provided for in the sanctioned Budget for any services in a financial year, is found to be insufficient for the purpose.</p> <p>(ii) When a need has arisen during that year for supplementary or additional expenditure on some new service, not contemplated in the original budget for that year.</p> <p>(iii) When new service cannot be met by the re-appropriation of savings.</p> <p style="text-align: center;">(Authority: Rule 121 of FR-I Vol I, 2016 edition)</p>
Q.No.11	(a)	<p>What is 'Bid Security' (Earnest Money Deposit)? What should be the value of Bid Security? Whether it can be forfeited?</p> <p style="text-align: right;">(2+2+2= 6 Marks)</p>
	Ans.	<p>To safeguard against a bidder's withdrawing or altering his bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (EMD) is obtained from the bidders. The bidders should be asked to furnish the bid security along with their bids. It has to be between 2% to 5% of the estimated value of the goods to be procured.</p> <p>The bid security (EMD) will be liable to be forfeited if the bidder withdraws or amends impairs or derogates from the tender in any respect within the validity period of the tender.</p> <p style="text-align: center;">(Authority: Para 4.7.2, 4.4.3, and 4.7.6 of DPM 2009)</p>
	(b)	<p>Whether advice of Integrated Financial Advisor (IFA) is binding on the Competent Financial Authority (CFA)? Whether IFAs advice can be over-ruled by the CFA?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>IFAs advice is not binding on the CFA and he can over-rule the IFA giving reasons for over-ruling the financial advice.</p> <p style="text-align: center;">(Authority: Para 5.2.9 of DPM 2009)</p>

Q.No.12	(a)	<p>A disciplinary proceeding is initiated against Havaldar Ram Singh in October 2018. He retired on 31.01.2019.</p> <p>(i) Whether provisional pension can be granted to him?</p> <p>(ii) Whether he can commute provisional pension?</p> <p>(iii) Whether he can claim for gratuity?</p> <p style="text-align: right;">(2+2+2 = 6 Marks)</p>
	Ans.	<p>Provisional Pension can be authorised to Havaldar Ram Singh by PCDA (P) Allahabad. No commutation of the provisional pension shall be permitted. No gratuity (including retirement gratuity) shall be authorised until the conclusion of such proceedings and issue of final orders thereon.</p> <p style="text-align: center;">(Auth: Para 7 (a) (i), (iii), (iv) of DSR Part I, 2008 Edition)</p>
	(b)	<p>Whether Ex-servicemen Contributory Health Scheme has been made compulsory for Gorkha pensioners of Nepal domicile and pensioners of Defence Security Corps and Territorial Army.</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>The Ex-servicemen Contributory Health Scheme has been made compulsory for all pensioners/family pensioners except Gorkha pensioners of Nepal domicile and pensioners of Defence Security Corps and Territorial Army.</p> <p style="text-align: center;">(Authority –para 13 of DSR part I Chapter I)</p>

Q.No.13		(2+2+2+2= 8 Marks)
	(i)	<p>Whether the Central Information Commission have powers to recommend disciplinary action against the CPIO under the applicable service rules?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>Yes, this Commission may recommend for disciplinary action against the CPIO under the service rules if the Commission is of the opinion that the CPIO has, without any reasonable cause and persistently failed to receive an application for information or has not furnished information within the time specified under sub-section (1) of section 7 or malafidely denied the request for information or knowingly given incorrect, incomplete or misleading information or destroyed information which was the subject of the request or obstructed in any manner in furnishing the information.</p> <p style="text-align: center;">(Authority – RTI Act 2005)</p>
	(ii)	<p>Is the CPIO entitled to opportunity of hearing before imposition of penalty?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>Yes, the CPIO is entitled to a reasonable opportunity of hearing before any penalty is imposed on him.</p> <p style="text-align: center;">(Authority – RTI Act 2005)</p>
	(iii)	<p>Does the Information Commission have powers to admit the appeal after the expiry of the period of (90) ninety days?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>Yes, if this Commission is satisfied that the appellant was prevented by sufficient cause from filing the appeal in time.</p> <p style="text-align: center;">(Authority – RTI Act 2005)</p>
	(iv)	<p>Is it necessary to file a first appeal before the First Appellate Authority, before filing the second appeal before information Commission?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>Yes, a first appeal before the First Appellate Authority should be filed before moving second appeal before this Commission. If a second appeal is filed without filing a first appeal, the same is liable to be returned.</p> <p style="text-align: center;">(Authority – RTI Act 2005)</p>

Q.No.14		<p>What is the procedure to be followed related to lapsed security deposits of the following nature:</p> <p>(i) Cash security (ii) Bank fixed deposit receipt</p> <p style="text-align: right;">(4+4= 8 Marks)</p>
	(i)	<p>Cash Security (4 Marks)</p>
	Ans.	<p>At the close of each official year, all cash security deposits remaining unclaimed for three years, exclusive for the year of deposit, will be transferred to the credit of government by the audit officer under intimation to the officer concerned for necessary entries in his security register.</p> <p>Sum so credited cannot be refunded without the sanction of PCDA/CDA.</p> <p style="text-align: center;">(Auth: Para 218 sub para (i), sub para (v) of FR-I Vol I, 2016 edition)</p>
	(ii)	<p>Bank fixed deposit receipts (4 Marks)</p>
	Ans.)	<p>If a claim for refund is not received within a reasonable time (say one year) of the termination of the latest contract in connection with which the receipt was tendered, the amount will be realised on maturity and credited to the government.</p> <p style="text-align: center;">(Auth: Para 218 sub para (i), sub para (v) of FR-I Vol I, 2016 edition)</p>
Q.No.15		(2+6= 8 Marks)
	(i)	<p>Whether a contract can be concluded for more than twelve month of the financial year?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>Contracts will be concluded normally for the twelve months of the financial year. If it is considered advisable in the interest of the state to conclude a contract for a period longer than one year, but not exceeding three years. For period exceeding three years, sanction of Govt. Of India should be obtained.</p> <p style="text-align: center;">(Authority: Para 246 (I) of FR-I Vol I, 2016 edition)</p>

	(ii)	<p>Who can conclude a contract for more than 12 months of the financial year or covering two financial years? Give three examples.</p> <p style="text-align: right;">(6 Marks)</p>
	Ans.	<p>Following can conclude contracts for more than twelve months or covering two financial years:</p> <p>(a) Director, Military Farms can enter into a contract for periods not exceeding 5 years for their different requirements.</p> <p>(b) The Director- General of Ordnance Factories can execute contract for leases of shops etc in the factory estate for a period exceeding 3 years.</p> <p>(c) GoC-in-C Command may conclude ASC contracts for fresh supplies for 12 months running into two financial years where such a course is in the interest of the state.</p> <p style="text-align: center;">(Authority: Para 246 (I) of FR-I Vol I, 2016 edition)</p>
Q.No.16		(6+2= 8 Marks)
	(a)	<p>In the Border Roads Organisation, for the purpose of procurement and accounting, all equipment and stores are categorised in different categories. What are the categories? Explain with examples.</p> <p style="text-align: right;">(6 Marks)</p>
	Ans.	<p>In the BRO, all equipments and stores are categorised under following categories:</p> <p>(i) Category A stores: All the vehicles/ plants/ equipment are categorised as Cat A stores. The spares required to keep the Cat A stores on road/ working/ serving conditions are called Cat A spares.</p> <p>Example: Vehicles, earth moving equipments, constructional equipment like compressor, road roller, stone crusher, etc.</p> <p>(ii) Category B stores: except those stores categorised under Cat A stores, all other stores are categorised as Cat B stores.</p> <p>Example: explosives, expendable tools, and plant like shovels, pick axes, drifters and grinders, etc.; Ration and POL; constructional stores such as cement, steel, timber, etc.</p>

		<p><u>Cat B stores are further categorised as:</u></p> <ul style="list-style-type: none"> - Constructional stores and The stores which are directly incorporated/ consumed in work and booked in work diaries like cement, stones, firewood, paints, and steel, etc. - Other Cat B stores Stores not directly consumed in works or can be reused a number of times and having a residual value are called other Cat B stores, eg shovel, pick axes, etc. <p>(Auth: Para 243, 244, 246, 246.2, 246.3 of of OM- Part XIII)</p>
	(b)	<p>What is the category of store in respect of clothing articles? (2 Marks)</p>
	Ans.	<p>Clothing Articles are categorised under Cat A store</p> <p>(Auth: Para 243, 244, 246, 246.2, 246.3 of of OM- Part XIII)</p>

**DEFENCE ACCOUNTS DEPARTMENT
S.A.S EXAMINATION-PART-I, JUNE 2019**

**SUBJECT: PAPER-II - ORGANISATION AND FUNDAMENTALS OF AUDIT
AND ACCOUNTS [PRACTICAL WITH BOOKS]**

Time 3 hours

Max. Marks 100

Notes:

1. Out of **16** question only **12** questions should be attempted by the candidates.
2. Each question carries **EIGHT** marks. **FOUR** marks are reserved for general excellence.
3. Answers to all parts of question should be written in one place only
4. Only question number shall be indicated in the Answer Books. Reproduction of complete question in the Answer Books should be avoided.
5. Reasons must be given in support of the answers. Authority must be quoted in support of the answers

MODEL ANSWERS		
Q. 1	(I)	What type of order is treated as Part-II Office Order? How are such orders numbered? (02 Marks)
	Ans.	Part II Office Order are those orders, which relate to personnel of the office, containing appointments, transfer, promotion, punishment etc. Separate serial number will be given to the orders in each book. Fresh number will be started from 1 st Jan each year. (Auth: Para 491 OM-I)
	(II)	What are master notebooks? How are these note books handled in Section? (02 Marks)
	Ans.	It is a notebook kept in each section with a comprehensive subject index to which addition will be made from time to time. It should contain all orders and decisions affecting the work dealt with in the sections. It is also regarded as section records and should not be removed from sections. It will be handed over by AAOs and assistants to their successors on transfer from section or office. It should be examined periodically not less than once a month. (Auth: Para 494 and 495 OM I)

	(III)	How many digits are there in a DID Schedule number and what do the different digits denote? (02 Marks)
	Ans.	DID schedule number consists of 15 digits. The first two digits indicate the CDA, next four digit the section numbers the seventh digit the class vouchers, eight to eleventh digits vouchers digits vouchers number twelfth and thirteenth the month and fourteenth and fifteenth the year. (Auth: Para 213 of OM II Vol.II)
	(IV)	Who accepts the annual confidential report of an Accounts Officer of DAD on deputation outside department? Who is responsible for keeping the original copy of the confidential report after its acceptance? (02 Marks)
	Ans.	The Confidential Report of an Accounts Officer on deputation will be accepted by the Proforma Controller. The original copy of the report, after acceptance and transmission by Proforma controller will be kept by the CGDA. (Auth: Para 181 of OM-I)
Q.2		Which Section of a Regional CsDA/PCsDA deals with following items of work?
	(I)	Preparation of Annual Audit Certificate (01 Mark)
	Ans.	Internal Audit Section (Auth: Para 672 OM – II Vol. I)
	(II)	Recovery of audit fee from Cantonment Board (01 Mark)
	Ans.	Miscellaneous Section (Auth: Para 431 (a) item (IX) OM – II Vol. I)
	(III)	MFAI (01 Mark)
	Ans.	Internal Audit section (Auth: Para 652 A item (XX) OM – II Vol. I)
	(IV)	Maintenance of Debt-Head Register (01 Mark)
	Ans.	Accounts Section (Auth: Para 155 (a) item (ii) OM – II Vol. I)
	(V)	Tendering financial advice to local administrative authorities and rendition of quarterly report thereon to CGDA (01 Mark)
	Ans.	Internal Audit Section (Auth: Para 693 OM – II Vol. I)

	(VI)	Functioning of Hindi Cell	(01 Mark)
	Ans.	Admin Section (Auth: Para 154 K of OM – II Vol. I)	
	(VII)	Decision on doubtful points raised by LAO's/RAOs on the matter affecting audit or procedure	(01 Mark)
	Ans.	Internal Audit Section (Auth: Para 691 of OM – II Vol. I)	
	(VIII)	ATG Claims	(01 Mark)
	Ans.	Miscellaneous Section (Auth: Para 451 of OM – II Vol. I)	
Q.3		What are the powers and responsibilities of C&AG with regard to audit of Accounts of the Govt. of India?	(08 Marks)
	Ans.	<p>The Comptroller and Auditor-General shall have authority to audit and report on the accounts of Stores and stocks kept in any office or department of the Union or of a State.</p> <p>Powers of Comptroller and Auditor-General in connection with audit of accounts are:-</p> <p>The Comptroller and Auditor-General shall in connection with the performance of his duties under this Act, have authority-</p> <p>To inspect any office of accounts under the control of the union or of a state, including treasuries, and such offices responsible for the keeping of initial or subsidiary accounts, as submit accounts, as submit accounts to him;</p> <p>To require that any accounts, books, papers and other documents which deal with or form the basis of or an otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection;</p> <p>To put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which it is his duty to prepare.</p> <p>The person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller and Auditor-General, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.</p> <p>The duties and powers of the Comptroller and Auditor-General in relation to the audit of the accounts of Government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 1956 (1 of 1956).</p>	

		<p>The duties and powers of the Comptroller and Auditor-General in relation to the audit of the accounts of corporations (not being companies) established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations.</p> <p>The report of the Comptroller and Auditor-General, in relation to audit of accounts of a Government company or corporation referred to in section 19, shall be submitted to the Government or Government concerned.</p> <p>The central Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before each House of Parliament.</p> <p>Save as otherwise provided in section 19, where the audit of the accounts of anybody or authority has not been entrusted to the Comptroller and Auditor-General by or under any law made by Parliament, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purpose of such audit, right of access to the books and accounts of that body or authority.</p> <p>(Auth: Rule 18, 19, 19A and 20 of The Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act 1971)</p>
Q.4	(I)	Define the following terms under RTI Act, 2005:
	(a)	Appropriate Government (01 Mark)
	Ans.	<p>Appropriate Government means in relation to a public authority which is established, constituted, owned, controlled or substantially financed by public fund directly or indirectly-</p> <p>(i) By Central Government or the Union territory administration, the Central Government</p> <p>(ii) By the State Government, the State Government.</p> <p>(Auth: Rule 2 (a) of RTI Act, 2005)</p>
	(b)	Information (01 Mark)
	Ans.	<p>Information means any material in any form, including records, documents, memos, e-mails, opinions, advices, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, data materials held in any electronic forms and information relating to any private body which can be accessed by a public authority under any other law for the time being in force.</p> <p>(Auth: Rule 2 (f) of RTI Act, 2005)</p>

	(c)	Public Authority	(01 Mark)
	Ans.	<p>Public authority means any authority or body or institution of self-Government established or constituted –</p> <ul style="list-style-type: none"> (i) By or under the Constitution (ii) By any other law made by Parliament (iii) By any other law made by State Legislature (iv) By notification issued or order made by the appropriate Government and includes any:- <ul style="list-style-type: none"> (a) Body owned, Controlled or substantially financed (b) Non-Government Organization substantially financed directly or indirectly funds provided by the appropriate Government, <p style="text-align: center;">(Auth: Rule 2 (h) of RTI Act, 2005)</p>	
	(d)	Record	(01 Mark)
	Ans.	<p>Record includes:</p> <ul style="list-style-type: none"> (i) Any documents, manuscript and file; (ii) Any microfilm, microfiche and facsimile copy of a documents; (iii) Any reproduction of image or images embodies in such microfilm (whether enlarged or not); and (iv) Any other material produced by a computer or any other device. <p style="text-align: center;">(Auth:Rule 2 (i) of RTI Act, 2005)</p>	
	(e)	Right to information	(01 Mark)
	Ans.	<p>Right to information means the right to information accessible under this Act which is held by or under the control of any public authority and includes the right to –</p> <ul style="list-style-type: none"> (i) Inspection of work, documents, records; (ii) Taking notes, extracts or certified copies of documents or records; (iii) Taking certified samples of materials; (iv) Obtaining information in the form of diskettes, floppies, tapes, video cassettes or in any other electronic mode or through printouts where such information is stored in a computer or in any other device. <p style="text-align: center;">(Auth: Rule 2 (j) of RTI Act, 2005)</p>	
	(f)	Third Party	(01 Mark)
	Ans.	<p>Third party means a person other than the citizen making a request for information and includes a public authority.</p> <p style="text-align: center;">(Auth: Rule 2 (n) of RTI Act, 2005)</p>	

	(II)	What is the quantum of penalties that can be imposed on Central Public Information Officer by Central Information Commission for not furnishing the requisite information within the specified time without reasonable cause? (01 Mark)
	Ans.	The Central Information Commissioner can impose a penalty of two hundred and fifty rupees each day on Central Public Information Officer, till application is received or information is furnished. However, such penalty cannot exceed beyond 25000. (Auth: Section 20(1) RTI Act 2005)
	(III)	What is the jurisdiction of courts under the RTI Act, 2005? (01 Mark)
	Ans.	No court shall entertain any suit/application or other proceeding in respect of any order made under this act and no such order shall be called in question otherwise by way of an appeal under this act. (Auth: Section 23 of RTI act 2005.)
Q. 5.	(I)	What is the order under CCS (CCA) Rules, 1965 against which no appeal to higher authority lies? (02 Marks)
	Ans.	Notwithstanding anything contained in this Part, no appeal shall lie against- (a) Any order made by the President; (b) Any order of an interlocutory nature or of the nature of a {step-in-aid of} the final disposal of a disciplinary proceeding, other than an order of suspension; (c) Any order passed by an Inquiring Authority in the course of an inquiry under Rule 14. (Auth: Rule 22 of CCS (CCA) Rule 1965)
	(II)	What are the lists of documents, forwarded to the Inquiry Authority under CCS (CCA) Rule where the disciplinary authority is not the inquiring authority in major penalty proceeding? (02 Marks)
	Ans.	The Disciplinary authority shall, where it is not the inquiring authority, forward to the inquiry authority the following documents: (i) A copy of articles of charge and the statement of the imputations of misconduct or misbehaviour; (ii) A copy of written statement of the defence, if any, submitted by the Government servant; (iii) A copy of statement of witnesses, if any, referred: (iv) A copy of the order appointing the "Presenting Officer". (Auth: Rule 14(6) of CCS (CCA) Rule 1965)

	(III)	What is warning? (02 Marks)
	Ans.	<p>When a superior officer may find it necessary to criticise adversely the work of an officer working under (e.g. point out negligence, carelessness, lack of thoroughness, delay etc.) or he may call for an explanation for some act or omission and taking all circumstance into consideration, it may be felt that, while the matter is not serious enough to justify the imposition of the formal punishment of 'censure' it calls for some informal action such as the communication of a written warning, admonition or reprimand.</p> <p>(Auth: GID No. 1 under Rule 11 of CCS (CCA) Rule 1965)</p>
	(IV)	What is deemed suspension? Under what circumstances will this come into force? (02 Marks)
	Ans.	<p>A Government servant shall be deemed to have been placed under suspension by an order of appointing authority:</p> <p>(a) With effect from the date of his detention, if he is detained in custody whether on a criminal charge or otherwise, for a period exceeding forty-eight hours;</p> <p>(b) With effect from the date of his conviction, if, in the event of a conviction for an offence, he is sentenced to a term of imprisonment exceeding forty-eight hours and is not forthwith dismissed or removed or compulsorily retired consequent to such conviction. Further the period of forty-eight hours referred in the rule in this clause shall be computed from the commencement of the imprisonment after the conviction and for this purpose, intermittent periods of imprisonment, if any, shall be taken into account.</p> <p>(Auth: Rule 10(2) a & b of CCS (CCA) Rule 1965)</p>
Q. 6	(I)	A request for grant of motorcycle advance is received from a Govt. Servant while he was under suspension. How should such a request dealt with? (02 Marks)
	Ans.	<p>An advance for the purchase of a conveyance should not be granted to a Government servant who is under suspension and, if an advance has already been sanctioned to him before he was placed under suspension, he should not be permitted to draw such advance during the period of his suspension.</p> <p>(Auth: Rule 41 CCS (CCA) 1965)</p>

(II)	What are the various types of minor penalties? <p style="text-align: right;">(02 Marks)</p>
Ans.	<p>Various types of Minor Penalties are</p> <ul style="list-style-type: none"> i) Censure; ii) Withholding of his Promotion; iii) Recovery from his pay of the whole or part of any pecuniary loss caused by him to the Government by negligence or breach of orders; iv) Reduction to a lower stage in the time–scale of pay by one stage for a period not exceeding three years, without cumulative effect and not adversely affecting his pension; v) Withholding of increments of pay. <p style="text-align: center;">(Auth: Rule 11 of CCA (CCS) Rules 1965)</p>
(III)	Please elucidate the procedure for imposing minor penalties? <p style="text-align: right;">(04 Marks)</p>
Ans.	<p>The procedure for imposing minor penalty is as follows:</p> <p>Subject to the provisions of sub-rule (3) of Rule 15, no order imposing on a Government servant any of the penalties specified in clause (I) to (IV) of Rule 11 shall be made except after:</p> <ul style="list-style-type: none"> a) Informing the Government servant in writing of the proposal to take action against him and the imputations of misconduct or misbehaviour on which it is proposed to be taken, and giving him reasonable opportunity of making such representation as he may wish to make against the proposal; b) Holding an inquiry in the manner laid down in sub-rule (3) to (23) or Rule 14, in every case in which the disciplinary authority is of the opinion that such inquiry is necessary; c) Taking the representation, if any, submitted by the Government servant under clause (a) and the record of inquiry, if any, held under clause (b) into consideration; d) Recording a finding on each imputation or misconduct or misbehaviour; and e) Consulting the Commission where such consultation is necessary. <p style="text-align: center;">(Auth: Rule 16 of CCA (CCS) Rules 1965)</p>

Q.7		What is the necessity for local audit? What are the general arrangements for Local Audit? (08 Marks)
	Ans.	<p>The main purpose of the local audit is to conduct a test check of the accounts for a particular period to verify the accuracy and completeness of accounts. It is also seen:</p> <p>(i) That the vouchers not required to be sent to the Audit Office are kept on record duly cancelled and</p> <p>(ii) That entries in the local accounts are properly vouched</p> <p>The periodicity, scope and extent of local audit of the departmental offices and offices of authorities and bodies whose audit is entrusted to the Comptroller and Auditor-General are determined by the Comptroller and Auditor-General. Based on the Guidelines issued by the Comptroller and Auditor-General, the Accountants General/Directors of Audit prepare an annual programme of inspections on the basis of offices to be inspected and the periodicity for inspection of different offices. The periodicity is decided with reference to the quantum of contingent expenditure incurred and the importance of the units on the pattern of administration obtaining in each state. Local audit is conducted by sending peripatetic parties to the departmental offices periodically or through establishment of concurrent resident audit officers at the site of the departments or agencies concerned.</p> <p>(Auth: 18.14 and 18.15 of Introduction to Indian Government Accounts and Audit)</p>
Q.8	(I)	What is the purpose to keep Govt. accounts open in the following year for a certain period? (02 Marks)
	Ans.	<p>The Govt. Accounts of a year are kept open for a certain period in the following year for completion of various accounting processes inter-alia in respect of the transaction of March, for carrying out certain Inter Departmental Adjustments, through the Central Accounts Section of Reserve Bank of India, Nagpur.</p> <p>(Auth: Note under Para 29 of Defence Accounts Code)</p>
	(II)	What is the classification of expenditure as charged and voted expenditure? Please explain. (03 Marks)
	Ans.	<p>In accordance with article 112 (3) of the Constitution of India, Payments made in satisfaction of a judgement decree or award of any court or arbitral tribunal will be treated as expenditure "Charged" on the Consolidated Fund of India and will not be subject to vote by the legislature. All other expenditure met out of Consolidated Fund of India will be treated as "Voted Expenditure".</p> <p>(Auth: Para 292 of Defence Accounts Code)</p>

	(III)	<p>What is the classification of Capital and Revenue Expenditure? Please elucidate.</p> <p style="text-align: right;">(03 Marks)</p>
	Ans.	<p>Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature for use in the organisation and not for sale in the ordinary course of business or enhancing the utility of existing assets, shall broadly be defined as "Capital Expenditure" Subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses, shall be classified as "Revenue Expenditure".</p> <p style="text-align: center;">(Auth: Para 42 of Defence Accounts Code)</p>
Q.9		<p>What are the three forms/parts in which the accounts of Government of India are kept? Please elucidate the Consolidated Fund of India and Public Fund of India.</p> <p style="text-align: right;">(08 Marks)</p>
	Ans.	<p>The Accounts of Central Government are kept in the following three parts:</p> <ul style="list-style-type: none"> (i) Part I Consolidated Fund of India (ii) Part II Contingency Fund of India (iii) Part III Public Fund of India. <p>Consolidated Fund of India of the Accounts shall be two main divisions namely:-</p> <ul style="list-style-type: none"> (i) Revenue (consisting of sections for "Receipt Heads (Revenue Account) and Expenditure Heads (Revenue Accounts)". (ii) Capital, Public Debt, Loans etc. (Consisting of sections of sections for "Receipt Heads (Capital Account)" and "Expenditure Heads (Capital Account)" and "public Debt (Loans and Advances etc.)". <ul style="list-style-type: none"> (a) The first division comprising of the Section "Receipt Heads (Revenue Account)" shall deal with the proceeds of taxation and other receipts classes as revenue; and the Section "Expenditure Heads (Revenue Account)" dealing with expenditure met there from. (b) The section "Receipt Heads (Capital Account)" in the second division shall deal with expenditure met usually from borrowed funds with the object either of increasing concrete assets of a material and permanent character or of reducing recurring liabilities. It also includes receipts of a capital nature intended to be applied as set off to Capital Expenditure.

(c) The section "Expenditure Heads (capital Account)" in the second division shall deal with expenditure met usually from borrowed funds with the object either of increasing concrete assets of a material and permanent character or of reducing recurring liabilities. It also includes receipts of a capital nature intended to be applied as set off to Capital Expenditure.

(d) The section "Public Debt" and "Loans and Advances" etc. of the Second Division shall comprise Loans raised and their repayments by Government such as "Internal Debt", "External Debt" of the Central Govt. and Loans and Advances made (and their recoveries) by Governments. The Section also includes certain special types of heads for transactions relating to 'Transfers from Consolidated Fund to the Contingency Fund" and inter-state settlement.

(e) So far as the Defence Services and Defence Accounts Department are concerned, the following sections are covered in Part I of Pamphlet of Revenue, Debt and Remittance Heads and Classification Hand Book of defence Services Receipts and Charges: -

(i) Revenue Division Sectors 'A' and 'B'

(ii) Capital Division – Sectors 'A', 'B' and 'C'

(iii) Loans and Advances- Sector 'F'

In Part III (Public Account of India) of the Accounts, the transactions relating to debt i.e. Small Saving Provident Funds (Sector-J) Deposits and advances (Sector-K) Suspense and Miscellaneous (Sector-I) and Remittances (Sector-M) shall be recorded. The transactions under Debt, Deposits and Advances in this Part are such in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid together with the repayments of the former (Debt and Deposits) and the recoveries of the latter (Advances). The transactions relating to 'Remittances' shall embrace adjusting heads with Railways and Department of posts etc., except Exchange Accounts which are settled within different accounting circles (TBOs etc). The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments either within the same circle of account or in another account circle. 'Suspense' in this part is also a adjusting head. So far as Defence Services and Defence Accounts Department are concerned, Part III of the account will cover all sectors from 'I to M'.

(Auth: Para 32 of Defence Accounts Code)

Q.10	<p>What are the procedures for issue of fresh cheque in lieu of cheque alleged to be lost? Please explain.</p> <p style="text-align: right;">(08 Marks)</p>
Ans.	<p>A request for the issue of a cheque in lieu of a cheque alleged to be lost, may be entertained if the request is received by the Pay and Accounts Officer or cheque-drawing D.D.O who had issued the original cheque, within the period of one year from the date of issue of the original cheque, irrespective of the date on which the relevant claim had accrued. However, the concerned Principal Accounts Officer may, nevertheless, order entertainment of such a request received by the Pay and Accounts Officer or Accounts Officer of cheque-drawing D.D.O within a period of Three and a half years from the date on which the relevant claim had become due, wherever this is beneficial.</p> <p>The Pay and Accounts Officer shall proceed with a request relating to a cheque issued by him and which satisfies the above conditions in the following manners: -</p> <p>(i) The Pay and Accounts officer should send intimation by registered post, acknowledgement due, to the bank drawn on regarding the alleged loss of the cheque and advice it to stop payment if the cheque alleged to have been lost is presented for payment thereafter. If the currency of such a cheque has not expired in terms of rule 45 ibid at the time of sending such intimation, the bank shall acknowledge in writing, that it has kept a note of the Stop payment order.</p> <p>In case, however, the currency of the cheque alleged to have been lost has expired when the intimation regarding loss of cheque is sent to the bank, no acknowledgement of the stop Payment Order may be insisted from the bank. The postal acknowledgement may be treated sufficient for the record of the Pay and Accounts office.</p> <p>(ii) The Pay and Accounts Officer should satisfy himself with reference to the records maintained in his office such as the payment or error scrolls received from the paying bank and register of cheques delivered, that the payment or error scrolls received from the paying bank and register of cheques delivered, that the payment of the cheque in question has not been made. He should also keep a suitable note on the counter-foil of the lost cheque and against the relevant entries in the register of cheques delivered and paid voucher, regarding the Issue of a fresh cheque in lieu of the lost one.</p> <p>(iii) The party requesting for the issuance of a fresh cheque in lieu of the lost one should execute an indemnity bond. However, in case of a Government Department, Public Undertakings wholly owned by Government or the bank, the execution of such an indemnity bond is not necessary but a fresh cheque should, in these cases, be issued only on receipt of a certificate that the cheque alleged to have been lost was not received by them or having received the same, it was lost and further that it will be returned to the Pay and Accounts Office if found afterwards.</p> <p>(iv) On completion of the requirements in clauses (i) to (iii), the Pay and Accounts Office may issue a fresh cheque in lieu of the lost one under the intimation to the drawee office.</p> <p style="text-align: center;">(Auth: Rule 48 of Receipt and Payment Rule 1983)</p>

Q. 11		<p>What are the actions to be taken by PCsDA/CsDA with regard to draft paras proposed for inclusion in the report of C&AG? Please comment further on the action to be taken in case of failure, attributed to Defence Accounts Department?</p> <p style="text-align: right;">(08 Marks)</p>
	Ans.	<p>The draft paragraph proposed for inclusion in the Report of the Comptroller and Auditor General of India are sent by the Director/Jt./Deputy/Assistant director, AO Defence Services to the Principal Controller/Controller concerned for verification of facts. The Principal Controller/Controller should return the draft Para within six weeks of its receipt as far as possible.</p> <p>Normally no draft Para should be concurred in without the personal knowledge of the Principal Controller/Controller. In order to ensure that the office of the CGDA gets all the necessary information in time and is fully posted with complete details of the case to deal with the draft paras when subsequently referred to him, the Controllers should endorse to the CGDA a copy of each draft Para after it has been concurred in by them and returned to the DA/Jt. DA/DDA/ADA/AODS concerned.</p> <p>In cases where failure can be attributed to the Defence Accounts Department, the Principal Controller/Controller should indicate clearly the responsibility of the individuals concerned and the disciplinary action taken or proposed to be taken against them.</p> <p style="text-align: center;">(Auth: Para 587,588,589 & 590 of Defence Audit code)</p>
Q.12		<p>Describe briefly the classes of vouchers being operated by the Defence Accounts Department for compilation of accounts of Defence services.</p> <p style="text-align: right;">(08 Marks)</p>
	Ans.	<p>There are eight classes of vouchers operated by Defence Accounts Department for compilation of accounts of Defence Services, a brief of which is given below:-</p> <ul style="list-style-type: none"> (i) Class 1 Vouchers: Cash vouchers prepared simultaneously during passing of bills/vouchers (ii) Class 2 Vouchers: Transfer Entries (iii) Class 3 Vouchers: I.D. Schedules (Civil) used for adjusting items originating in the books of Civil Accounts (iv) Class 4 Vouchers : Used for Abstract of Receipts and Charges (v) Class 5 Vouchers: Used for Cash Accounts through which cheques drawn against Cash Assignments by formations are adjusted (vi) Class 6 Vouchers: Used to adjust Railway Bills and Punching Media (vii) Class 8 Vouchers: Used to I. D. Schedules (Defence) for Defence Exchanges Accounts (viii) Class 9 Vouchers: Used to adjust MES Bills for adjustment of payments made by cheques by the Main Office of the Controller. <p style="text-align: center;">(Auth: Para 168 of Defence Account Code)</p>

Q.13	<p>What are Centrally Controlled Heads and Locally Controlled Heads? Please write the general rules for preparation and checking of budget estimates. Please enumerate all locally controlled heads and elaborate the mechanism through each CsDA/PCsDA exercise budgetary control over Locally Controlled Heads.</p> <p style="text-align: right;">(08 Marks)</p>
Ans.	<p>Pay and allowances of the personnel of the Armed forces etc are obligatory and unavoidable commitments dependent on the strength and composition of Armed Forces and are governed by the policy decisions of the Govt. and are therefore controlled centrally by the Armed Force HQrs. The accounting heads under which the expenditure of this nature is compliable are called 'Centrally Controlled Heads'.</p> <p>Payments to industrial establishment employed in store depots, factories, transportation and miscellaneous expenditure, store purchases, work expenditure, capital works are susceptible to control against budget provision by authorities concerned. The accounting heads under which the expenditure of this nature is compliable are called 'Locally Controlled Head'.</p> <p style="text-align: center;">All Locally Controlled Heads are:-</p> <ol style="list-style-type: none"> (I) Pay and allowances of the personnel of the Armed Forces; (II) Payments to Industrial Establishment employed in Store Depots, Factories etc; (III) Transportation and Miscellaneous expenditure; (IV) Stores Purchases; (V) Works expenditure; and (VI) Capital Outlay such as capital works, purchase of vessels, aircraft, plant & machinery etc. <p>The estimates in respect of locally controlled heads in the case of the Army will be prepared by Headquarters Commands or Independent Areas and Commanders of Units and Formations which are directly administered by IHQ of MoD (Army). In case of Air Force, these will be prepared by Commands and Independent Stations/Units. In case of Navy, these will be prepared by the local administrative authorities' concerned subordinate to IHQ of MoD (Navy). These estimates will be submitted through the Principal Controller/Controller of defence Accounts concerned so as to reach the respective branches at the Armed Forces Headquarters.</p> <p>The following general principles will, however, be observed in the preparation of these estimates:</p> <ol style="list-style-type: none"> (i) Only sanctioned expenditure may be included in the budget, but at the end of the estimate any fresh charge requiring sanction that is likely to be incurred during the year should be noted. (ii) All variations between the provision for the ensuing financial year and that for the current must be explained.

(iii) Fixed charges and those for supplies and services for which scales etc., are laid down will be based on those data with due regard to past experience. In making estimates in respect of fixed charges, it must be borne in mind that what are called fixed establishments are not irrevocably fixed for all times and should be brought under the formal review of controlling officers from time to time. Even when there is no thought or intention of making any charge in establishments, controlling officers should review the entire estimate of the requirements of their departments or services.

The estimates, so far as they relate to establishments and salaries, will be based on the existing orders of the Government of India applicable in each case, no deviation from such orders being permitted without the previous sanction of that authority.

Expenditure compilable under the 'Locality controlled Heads' is in general, susceptible to control against budget provision by various administrative and executive authorities subordinate to the Government of India.

The ultimate responsibility for watching the progress of expenditure and for seeing that the expenditure does not exceed the corresponding budget allotment rests on the senior officer at Armed Forces Headquarters or the Ministry of Defence within whose general administrative control the relative activities fall. This responsibility is usually undertaken on his behalf by the Director or other officer of corresponding status who directly administers the activities concerned.

It is the responsibility of the authorities to whom allotments are made to watch the progress of expenditure and to see that expenditure does not exceed the allotments. In order to help the controlling authorities to exercise proper control over expenditure against allotments, the Controllers of Defence Accounts will, excepting in the case of Military Engineering Services, render to the allottees monthly statements showing the serial numbers of claims admitted in audit and the amounts debited against the allotment by the 25th of Controllers of Defence Accounts for payment or adjustment against a particular allotment should be, therefore, serially numbered for easy reference. The figures of expenditure collected departmentally will be reconciled by them with those intimated by the CDA.

To enable the administrative branches of Armed Forces Headquarters and the Ministry of Defence (Finance) to watch the progress of expenditure against allotments, the Officer-in-Charge E.D.P. Centre, CDA (R&D), New Delhi will furnish to them relevant extracts of compiled actuals from the printed All India Compilation for Service Heads in the third week after the end of the month to which the actuals relate.

The Controllers of Defence Accounts are also entrusted with the duty of keeping a watch on the progress of expenditure against sanctioned allotments and to bring to the notice of the allottees and the immediate higher authorities, cases in which the progress of expenditure is, in the opinion of the Accounts authorities, abnormally heavy or unusually low. However, the administrative authority controlling an allotment and not the CDA is primarily responsible for the control of expenditure against the allotment, but whenever cases of abnormally heavy or unusually low expenditure are brought to the notice of the controlling authorities, they will take immediate action.

(Auth: Rule 82, 83, 89, 108, 109, 112, 113 and 114, FR Part-I, Vol. I)

Q.14		<p>What is meant by re-appropriation of funds? Please enumerate the authorities competent to exercise the power of re-appropriation? Is re-appropriation permissible between Charged and Voted expenditure?</p> <p style="text-align: right;">(08 Marks)</p>
	Ans.	<p>Re-appropriation, which implies the transfer of funds from one primary unit of appropriation to another such units within a grant, can be sanctioned under formal orders of a competent authority, only when it is known or anticipated that the appropriation for the unit from which funds are to be diverted will not be utilized in full, or that savings can be affected in the appropriation for that unit. In no case it is permissible to re-appropriate from a unit with the intention of resorting the diverted appropriation to that unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units in the year. Any allotment or re-appropriation within a grant or appropriation may be authorized at any time before but not after the expiry of the financial year to which such grant or appropriation relates.</p> <p>Powers of re-appropriation are exercised only by the Government of India and by officer of:-</p> <ol style="list-style-type: none"> a) Central Controlling Authorities, b) Command Headquarters, c) Independent Area Headquarters, d) I.A.F Commands, and e) Independent Stations. <p>No re-appropriation are permissible between funds allotted for "Charged" items of expenditure in terms of Article 112(3) of the Constitution and "Voted" items of Expenditure.</p> <p style="text-align: center;">(Auth: Rule 116, 114 and 118 (VIII) FR I Vol. I)</p>
Q.15		<p>What is limitation of contractors' claims? What is the procedure for dealing with various types of claims arising out of period of limitations?</p> <p style="text-align: right;">(08 Marks)</p>
	Ans.	<p>Claims of contractors preferred after three years are time-barred by the Statue of Limitations. The time from which the limitation begins to run varies but the following few examples are given for guidance. A fresh period of limitation is computed from the time an acknowledgement accepting a contractor's claim or a portion thereof is given. Great care should, therefore, be exercised by all the concerned in dealing with such claims and legal opinion obtained where necessary.</p> <p>A claim preferred by a contractor or other person against Government which is time-barred under any provision of law relating to limitation shall not be paid without the sanction of Government of India. The onus of establishing a time-barred claim for special treatment lies on the claimant. The authority against whom such a claim is made shall refuse the claim until a case for special treatment is made out. Petty time-barred claims shall be rejected and only important claims shall be considered.</p>

		<p>The executive authority shall consider the question of time-bar before submitting a claim to the Principal Controller/Controller shall refuse payments of all claims ground to be time-barred until government sanction has been obtained. But if a claim is totally rejected by the Government and the new claim filed by the contractor after such rejection cannot be said to be a modification or a correction of the old claim, then the new claim will be regarded as an independent claim submitted for the first time. It would be necessary that such a new claim should be within the time when it is submitted.</p> <p>Where a claim resubmitted is a continuation of the old claim or amounts to totally a new claim would have to be determined with reference to the facts of each particular case.</p> <p style="text-align: center;">(Auth: Rule 191 of FR-I Vol.I)</p>
Q.16		<p>Please write short notes on the following:- (08 Marks)</p>
	(I)	<p>Procedure for recovery of over-payments in respect of personal claims. (03 Marks)</p>
	Ans.	<p>Ordinarily, all personal claims should be audited finally within 12 months from the date of payment.</p> <p>(a) Before recovery of an over payment detected within this period is effected, the individual against whom the claim is preferred will be fully informed of its nature and of the method by which it is proposed that recovery shall be made. If he considers that the claim is not in order and that recovery should not be made, he may request the Principal Controller/Controller of Defence Accounts to withhold recovery pending submission of an appeal to the competent authority. An audit officer may, if he considers the protest reasonable, postpone recovery pending the submission of the appeal.</p> <p>Appeals must be submitted as expeditiously as possible. If an appeal is submitted within 2 months the question whether recovery should be delayed until a final decision on the appeal has been arrived at, will be considered jointly by the Area or Independent Sub-Area Commander/the Chief of the Naval Staff/The Chief of the Air Staff and the Principal Controller/Controller of Defence Accounts (see Rule 180). If an appeal is not submitted within 2 months, no consideration will be given to the question of withholding recovery unless the delay can be proved to have been unavoidable, and the audit officer will proceed to recover the amount without further question.</p> <p style="text-align: center;">(Auth: Rule 179 of FR-I Vol.I)</p>

(II)	Erroneous payments, not challenged for a considerable time. (03 Marks)
Ans.	<p>When erroneous payments have been admitted in audit for a considerable time owing to a wrong interpretation of financial rules or to oversight, the following procedure shall be observed for the recovery or otherwise of the amounts over paid:</p> <p>(a) When a wrong interpretation of a financial rule has been followed in an audit office, the new interpretation should, in the absence of special instructions to the contrary, be given effect to from the date of issue by the Comptroller and Auditor General or the Comptroller General of Defence Accounts of the orders stating the correct interpretation.</p> <p>(b) When erroneous payments have been left unchallenged owing to oversight the audit office should not, in its own initiative, undertake a re-audit of bills paid more than twelve months previously, but should report the facts of the case to the Competent Financial Authority so desire.</p> <p style="text-align: center;">(Auth: Rule 186 of FR-I Vol.I)</p>
(III)	Lapse of Sanctions. (02 Marks)
Ans.	<p>A sanction for any fresh expenditure which has not been acted on for a year lapses unless it is specifically renewed, except in the case of:</p> <p>(a) An allowance, sanctioned for an appointment or a class of officers, not drawn by a particular incumbent of the appointment or by a particular set of officers;</p> <p>(b) Additions made gradually from year to year to a permanent establishment under a general scheme;</p> <p>(c) An approved MES work, Fresh sanction is necessary however, if work is not commenced within 5 years of the date of administrative approval.</p> <p>The period of one year referred to in the above rule should be considered to have been acted on if payment in whole or in part has been made in pursuance of the sanction within twelve months from the date of its issue.</p> <p>When there is specific provision in a sanction for any fresh charge that the expenditure would be met from the budget provision a specified financial year, such sanction will lapse on the expiry of the specified financial year</p> <p>In the case of purchase of stores a sanction shall be deemed to have been acted upon if tenders have been placed on the Central Purchase Organisation (in the case of Central Purchase) within the prescribed period of one year from the date of issue of the sanction, even if the actual payment in whole or in part has not been made during the said period.</p> <p style="text-align: center;">(Auth: Rule 70 of FR-I Vol.I)</p>

DEFENCE ACCOUNTS DEPARTMENT

S.A.S. EXAMINATION – PART I JUNE, 2019

SUBJECT: PAPER III – ACCOUNTANCY

Time 3 Hours

Max. Marks 150

Notes :

1. Only 6 questions should be attempted by the candidates. 1 question from Section-I, 2 out of 4 questions from Section-II and 3 questions out of 5 from Section-III are to be attempted. Question No. 1 of Section-I and Question No. 6 of Section-III are COMPULSORY.
2. Question 1 in Section-I carries 40 marks. Each question in Section-II carries 25 marks. Each question in Section-III carries 20 marks.
3. Answers to all parts of question should be written in one place only.
4. Indication of Section should appropriately be made.

MODEL ANSWERS

भाग I – (अनिवार्य)

Section I – (Compulsory)

Q.No.1	From the following figures extracted from the books of 'X', you are required to prepare a Trading and Profit and Loss Account for the year ended 31 st March, 2018 and a Balance Sheet as on that date, after making the necessary adjustments :			
	X's Capital Account	5,16,000	Bills Payable	10,000
	X's Drawings Account	84,000	Stock (1 st April, 2017)	98,350
	Purchases	3,92,000	Wages	1,24,000
	Freehold Property	1,20,000	Sundry Creditors	80,000
	Plant and Machinery	2,00,000	Postage and Telegrams	2,800
	Returns Outwards	14,000	Insurance Charges	6,400
	Salaries	84,000	Gas and Fuel	5,400
	Office Expenses	25,000	Bad Debts	1,200
	Office Furniture & Fixtures	50,000	Office Rent	25,200
	Discounts Account (Dr.)	2,400	Freight and Duty	18,000
	Sundry Debtors	53,200	Loose Tools	14,000
	Loan to m. Choksi @15% p.a.		Factory Lighting	3,200
	- Balance on 1.4.2017	80,000	Provision for Doubtful Debts	1,600
	Cash at Bank	53,200	Interest on Loan to M Choksi	6,000
	Cash on Hand	7,250		

Adjustments :

- (1) Stock on 31st March, 2018 was valued at Rs. 1,32,000
- (2) Wages Rs. 9,200 and Salaries Rs. 7,200 were outstanding.
- (3) Insurance prepaid was Rs. 1,600.
- (4) A new Machine was installed on 31st December 2017 costing Rs. 28,000, but it was not recorded in the books and no payment was made for it. Wages, Rs. 2,000, paid for its installation, have been debited to Wages account.
- (5) Loose tools were valued at Rs. 11,200 on 31st March, 2018.
- (6) Depreciate Plant and Machinery by 10% per annum; Furniture and Fixtures by 7.5% per annum and Freehold Property by 2% per annum.
- (7) Of the Sundry Debtors Rs. 1,200 are bad and should be written off.
- (8) Maintain a provision of 5% on Sundry Debtors for doubtful debts and 2% for discounts on Debtors and a reserve of 2% for discount on Sundry Creditors.
- (9) The Manager is entitled to a commission of 5% of net profits before charging such commission.

(40 Marks)**Ans. 1**

In a question like this one, where a regular trial balance is not given, it is advisable to first make out a trial balance to be sure that there is no difference in books or to ascertain a figure that may be missing. A perusal of the figures given in the question shows that figure in respect of sales is not there. This information has been ascertained by preparing the trial balance.

Debit Balances	Rs.	Credit Balances	Rs.
X's Drawings Account	84,000	X's Capital Account	5,16,000
Purchases	3,92,000	Return Outwards	14,000
Freehold Property	1,20,000	Bills Payable	10,000
Plant and Machinery	2,00,000	Sundry Creditors	80,000
Salaries	84,000	Provision for Doubtful Debts	1,600
Office Expenses	25,000	Interest on Loan to M Choksi	6,000
Office Furniture and Fixtures	50,000	Sales (Balancing figure)	8,22,000
Discounts Account	2,400		
Sundry Debtors	53,200		
Loan to M Choksi (@15%)	80,000		
Cash at Bank	53,200		
Stock (1 st April 2017)	98,350		
Wages	1,24,000		
Postage and Telegrams	2,800		
Insurance Charges	6,400		
Gas and Fuel	5,400		
Bad Debts	1,200		
Office Rent	25,200		
Freight and Duty	18,000		
Loose Tools	14,000		
Factory Lighting	3,200		
Cash on hand	7,250		
Total	14,49,600	Total	14,49,600

Trading and Profit & Loss Account
For the year ending March 31, 2018

Dr.	Rs.	Cr.	Rs.
To Opening Stock	98,350	By Sales	8,22,000
To Purchases 3,92,000			
Less: Returns Outward <u>14,000</u>	3,78,000	By Closing Stock	1,32,000
To Wages 1,24,000			
Add: Outstanding <u>9,200</u>			
1,33,200			
Less: Wages for Erection			
Of Machine <u>2,000</u>	1,31,200		
To Gas and Fuel	5,400		
To Freight and Duty	18,000		
To Factory Lighting	3,200		
To Gross Profit c/d	3,19,850		
	9,54,000		9,54,000
To Salaries 84,000		By Gross Profit b/d	3,19,850
Add: Outstanding <u>7,200</u>	91,200	By Interest on Loan to	
		M Choksi	
To Office Expenses	25,000	6,000	12,000
To Postage and Telegrams	2,800	Add: Outstanding Intt. (6)	1,600
To Insurance Charges 6,400		<u>6,000</u>	
Less: Prepaid Insurance <u>1,600</u>	4,800	By Reserve for Discount on	
To Office Rent	25,200	Creditors	
To Provision for Doubtful Debts			
Required (1) 2,600			
Add: Bad Debts <u>2,400</u>			
5,000			
Less: Existing Provision <u>1,600</u>	3,400		
To Provision for Discounts on			
Debtors Required (2) 988			
Add: Discounts Allowed <u>2,400</u>	3,388		
To Depreciation on :			
Plant & Machinery (3) 20,750			
Furniture & Fixtures 3,750			
Freehold Property 2,400			
Loose Tools (4) <u>2,800</u>	29,700		
To Commission due to Manager	7,398		
To Net Profit transferred to			
Capital Account	1,40,564		
	3,33,450		3,33,450

Balance Sheet of X as on 31st March, 2018

Liabilities	Rs.	Assets	Rs.
Capital :		Plant and Machinery 2,00,000	
Opening Balance 5,16,000		Additions during the year <u>30,000</u>	
Add: Net Profit <u>1,40,564</u>		2,30,000	
6,56,564		Less: Depreciation <u>20,750</u>	2,09,250
Less: Drawings <u>84,000</u>	5,72,564	Office Furniture & Fixtures:	
		As per Trial Balance 50,000	
Sundry Creditors 80,000		Less: Depreciation <u>3,750</u>	46,250
Less: Reserve for Discounts <u>1,600</u>	78,400	Loose Tools 14,000	
		Less: Depreciation <u>2,800</u>	11,200
Bills Payable 10,000	10,000	Freehold Property 1,20,000	
Manager's Commission 7,398	7,398	Less: Depreciation <u>2,400</u>	1,17,600
Creditor for Machinery 28,000	28,000	Closing Stock:	1,32,000
Outstanding Liabilities: 16,400	16,400	Sundry Debtors: 52,000	
Salaries 7,200		Less: Provision for Doubtful debts <u>2,600</u>	
Wages <u>9,200</u>		49,400	
		Less: Provision for Discounts <u>988</u>	48,412
		Prepaid Insurance 1,600	1,600
		Loan to M Choksi @ 15% 80,000	80,000
		Interest outstanding on above 6,000	6,000
		Cash in Hand 7,250	7,250
		Cash at Bank 53,200	53,200
	7,12,762		7,12,762

Notes:

	(1)	With Rs. 1,200 to be written off as additional bad debts, the sundry debtors are reduced to Rs. 52,000 on which Rs. 2,600 would be required as provision for doubtful debts.
	(2)	Provision for discounts is required at 2% on debtors which are Rs. 52,000; out of this the Provision for Bad Debts will have to be deducted. This leaves the debtors at Rs. 49,400 on which 2% comes to Rs. 988.
	(3)	Besides Machinery standing in books at Rs. 2,00,000, there is another machine purchased for Rs. 28,000 and installed on 31 st December 2017 at an additional expenses of Rs. 2,000. Depreciation therefore, will be for full year on Rs. 2,00,000 and for 3 months on Rs. 30,000.

	(4)	The value of loose tools at end is only Rs. 11,200 and hence Rs. 2,800 (the difference between book value and estimated value at end) is depreciation.
	(5)	Without considering the commission, the net profit comes to Rs. 1,47,962. 5% of this is payable to the manager as commission.
	(6)	The Loan to M Choksi of Rs. 80,000 carries an interest @15%. The interest is Rs. 12,000 for full one year. As only Rs. 6,000 has been actually received, provision of Rs. 6,000 has been made.
		SECTION-II- COSTING
Q.No.2	(a)	Explain the following techniques of costing: (5+5+5=15 Marks)
	(i)	Marginal Costing (5 Marks)
	Ans.	<p>It is a technique of costing in which allocation of expenditure to production is restricted to those expenses which arise as a result of production, i.e., direct materials, direct labour, direct variable expenses and variable overheads. Fixed overheads are excluded on the ground that in cases where production varies, the inclusion of fixed overheads may give misleading results.</p> <p>This technique is useful in manufacturing industries with varying levels of output.</p>
	(ii)	Uniform Costing (5 Marks)
		<p>A technique where standardised principles and methods of cost accounting are employed by a number of different companies and firms, is termed as uniform costing. Standardisation may extend to methods of costing, accounting, classification including codes, methods of defining costs and charging depreciation, methods of allocating or apportioning overheads to cost centres or cost units. The techniques thus facilitate inter-firm comparisons, establishment of realistic pricing policies etc.</p>
	(iii)	Activity based costing (5 Marks)
		<p>It is a recent technique basically used for apportionment of overheads costs in an organisation having products that differ in volume and complexity of production. Under this technique, the overhead costs of the organisation are identified with each activity which is acting as the cost driver i.e., the cause for incurrence of overhead cost. Such cost drivers may be purchase orders issued, quality inspections, maintenance requests, material receipts, inventory movements, power consumed, machine time, etc. Having identified the overhead costs with each cost centre, cost per unit of cost driver can be ascertained. The overhead costs can now be assigned to jobs on the basis of the number of activities required for their completion.</p> <p>Activity based costing may therefore be defined as a technique which involves identification of costs with each cost driving activity and making it as the basis for apportionment of costs over different products or jobs.</p>

Q.No.2	(b)	Explain the following concepts:	(5+5=10 Marks)
	(i)	Cost Centre & Profit Centre	(5 Marks)
	Ans.	<p><u>Cost Centre:</u></p> <p>Cost centre means a location, person or item of equipment or group of these for which costs may be ascertained and used for the purpose of cost control. Thus, cost centre refers to one of the convenient units into which the whole factory organisation is appropriately divided for costing purposes. Each such unit consists of a department or a sub-department or an item of equipment or machinery or a group of persons.</p> <p>Cost centres may be classified as follows:</p> <ul style="list-style-type: none"> (i) Productive, unproductive and mixed cost centres (ii) Personal and impersonal cost centres (iii) Operation and process cost centres <p><u>Profit Centre :</u></p> <p>A centre in which both the inputs and outputs are measured in monetary terms is called a profit centre. In other words, both costs and revenues of the centre are accounted for. Since the difference of revenues and costs is termed as profit; profit is automatically computed in respect of the centre – that is why it is treated as a profit centre.</p> <p><u>Difference between a Cost Centre and a Profit Centre:</u></p> <ul style="list-style-type: none"> (i) A cost centre is created for accounting convenience for ascertaining and controlling costs; whereas a profit centre is created because of decentralisation of business operations. (ii) A cost centre does not have target cost; however, efforts are made to minimise the costs. However, a profit centre has a profit target and it enjoys authority to adopt such policies which are necessary for achieving its target. 	
	(ii)	Cost allocation and Cost apportionment	(5 Marks)
	Ans.	<p>Cost allocation and Cost apportionment are the two processes which describe the identification and allotment of costs to cost centres or cost units. Cost allocation refers to the allotment of whole items of cost to cost centres or cost units, while cost apportionment refers to the allotment of proportions of items of cost to cost centres or cost units. Thus, former involves the process of charging direct expenditure to cost centres or cost units while the latter involves the process of charging indirect expenditure to cost centres or cost units. For example, the cost of labour engaged in a service department can be charged wholly and directly to it but the canteen expenses of the factory cannot be charged directly and wholly to it. Its proportionate share will have to be found out. Charging of costs in the former case will be termed as 'allocation of costs' while in the latter case as 'apportionment of costs'.</p>	

Q.No.3	(a)	<p>Explain the concept of Economic ordering quantity in detail.</p> <p style="text-align: right;">(10 Marks)</p>
	Ans.	<p>EOQ refers to the size of the order which gives maximum economy in purchasing any material. It is also referred as optimum or standard ordering quantity. It is fixed mainly after taking into consideration the following costs:</p> <ul style="list-style-type: none"> (i) Ordering cost – It is the cost of placing an order and securing the supplies. It varies from time to time depending upon the number of orders placed and the number of items ordered. The more frequently the orders are placed and fewer the quantities purchased on each order, the greater will be the ordering cost and vice versa. (ii) Inadequate inventory or stock out cost – It includes the cost of expediting purchases, obtaining rush deliveries, keeping track of back orders etc., all associated with carrying too little inventory. Besides that, loss of sales, customers, goodwill etc., arising from non-fulfilment of delivery promises are also covered by this category. The precise ascertainment of such cost is virtually impossible. (iii) Inventory carrying cost – It is the cost of keeping items in stock. It includes interest on investment, obsolescence losses, store keeping cost, insurance premium etc. The large the volume of inventory, the higher will be the inventory carrying cost and vice versa. <p>The first two costs may be termed as the ‘cost of acquiring’ while the last as ‘cost of holding’ inventory. The cost of acquiring decreases while the cost of holding increases with every increase in the quantity of purchase lot. A balance is therefore struck between the two opposing factors and the economic ordering quantity is determined at a level for which the aggregate of acquiring and holding costs is the minimum.</p> <p style="text-align: center;">Formula</p> $Q = \sqrt{2U \times P / S}$ <p>Where</p> <ul style="list-style-type: none"> Q = Economic ordering quantity U = Quantity (units) purchased or used in a year P = Cost of placing an order S = Annual cost of storage of one unit
Q.No.3	(b)	<p>P Limited produces a product which has a monthly demand of 4,000 units. The product requires a component X which is purchased at Rs. 20. For every finished product, one unit of component X is required. The ordering cost is Rs. 120 per order and the holding cost if 10% per annum.</p> <p>You are required to calculate :</p> <ul style="list-style-type: none"> (i) Economic order quantity (ii) If minimum lot size to be supplied is 4,000 units, what is the extra cost, the company has to incur ? (iv) What is the minimum carrying cost, the company has to incur ? <p style="text-align: right;">(15 Marks)</p>

<p>Ans.3(b)</p>	<p>Computation of Economic Ordering Quantity</p> $Q = \sqrt{2U \times P / S}$ $= \sqrt{2 \times 48,000 \text{ units} \times \text{Rs. } 120 / (10\% \times \text{Rs. } 20)}$ $= 2,400 \text{ units}$ <p>Extra cost incurred by the company</p> <p>Total cost = Total ordering cost + Total carrying cost</p> <p>When order size is 4,000 units</p> $= 12 \text{ orders} \times 120 + 4,000 \times \frac{1}{2} \times 20 \times 10/100$ $= 1440 + 4000$ $= 5,440 \quad (\text{i})$ <p>When order size is 2,400 units</p> $= 20 \text{ orders} \times 120 + 2400 \times \frac{1}{2} \times 20 \times 10/100$ $= 2,400 + 2,400$ $= 4,800 \quad (\text{ii})$ <p>Extra cost incurred by the company = 5,440 – 4,800 = Rs. 640</p> <p>(i) - (ii)</p> <p>Minimum carrying cost</p> <p>The carrying cost or storage cost depends upon the size of the order. It will be minimum when the order size is least.</p> <p>In the question, the two order sizes are 2,400 and 4,000 units. Hence 2,400 units is the least of the two order sizes. At this order size, carrying cost will be minimum.</p> <p>The minimum carrying cost in this case will be as under :</p> $= \frac{1}{2} \times 2,400 \text{ units} \times 10/100 \times \text{Rs. } 20$ $= \text{Rs. } 2,400$
<p>Q.No.4</p>	<p>(a) Distinguish between cost control and cost reduction. (10 Marks)</p>
<p>Ans.4(a)</p>	<p>Cost control is the process of identifying costs and maintaining them against set standards/ established norms, where as Cost reduction means, achievement of real and permanent reduction in the unit cost of goods manufactured or service rendered without impairing their suitability for the use intended or diminution in the quality of the product.</p> <p><u>Main differences between Cost control and Cost reduction are:</u></p> <ol style="list-style-type: none"> Aim: Cost control aims at achieving the predetermined costs, whereas cost reduction aims at reduction of costs by finding new ways or methods to have continuous economy on costs.

	<ol style="list-style-type: none"> 2. Concerned with: The process of cost control is to lay down a target, ascertain actual performance, compare it with the target and take corrective action. On the other hand, cost reduction is not concerned with maintenance of performance according to the predetermined standards. 3. Approach: Cost control seeks adherence to standards whereas cost reduction is a challenge to the standards themselves. Cost reduction assumes that there are chances of improvements in predetermined standards. 4. Tools of Techniques: Budgetary Control and Standard Costing are important tools of cost control whereas cost reduction makes use of techniques like value engineering/value analysis, work study, operation research, simplification and standardization, ABC analysis, etc. 5. When Achieved: Cost control is achieved once the costs do not exceed the standards whereas cost reduction is never ending. In fact cost reduction begins when cost control ends. 6. Function: The aim of cost control is to see that actual costs do not exceed the predetermined costs; so it is a preventive function. On the other hand, cost reduction is a corrective function because it challenges the predetermined costs and seeks to improve the performance by reducing cost of increasing production. 7. Applicability: Cost control is generally applicable to items of costs for which standards can be set where as cost reduction is applicable to every activity of the business.
Q.No.4	(b) What is ABC analysis? Discuss its role in a sound system of material control. (15 Marks)
Ans.4(b)	<p>ABC analysis is an important technique of inventory control on selective basis. Particularly for large manufacturing units which have a large number of items in their stores for which it is often not possible for the management to pay the same attention to each and every item of stock. A system is therefore required by which these items are classified according to their importance & then selective control is exercised. ABC analysis or 'selective control' is a technique whereby the measure of control over an item of inventory varies directly with 'its usage value'. In other words, the high value items are controlled more than the items of low value.</p> <p>The ABC approach states that, when reviewing inventory, a company should rate items from A to C, basing its ratings on the following rules: A-items are goods which annual consumption value is the highest. The top 70-80% of the annual consumption value of the company typically accounts for only 10-20% of total inventory items.</p>

C-items are, on the contrary, items with the **lowest consumption value**. The lower 5% of the annual consumption value typically accounts for 50% of total inventory items.

B-items are the interclass items, with a **medium consumption value**. Those 15-25% of annual consumption value typically accounts for 30% of total inventory items

Inventory management policy based on ABC analysis:

A-items should have **tight inventory control**, more secured storage areas and **better sales forecasts**. Reorders should be frequent, with weekly or even daily reorder. Avoiding stock-outs on A-items is a priority.

Reordering **C-items** is made less frequently. A typically inventory policy for C-items consist of having only 1 unit on hand, and of reordering only when an actual purchase is made. This approach leads to **stock-out situation after each purchase** which can be an acceptable situation, as the C-items present both low demand and higher risk of **excessive inventory costs**. For C-items, the question is not so much *how many units do we store?* but rather *do we even keep this item in store?*

B-items benefit from an intermediate status between A and C. An important aspect of class B is the **monitoring** of potential evolution toward class A or, in the contrary, toward the class C.

Splitting items in A, B and C classes is relatively arbitrary.

Advantages of A.B.C. method of Inventory Control:

- (i) It ensures control over the costly items in which a large amount of capital is invested.
- (ii) It helps in developing scientific method of controlling inventories. Clerical costs are considerably reduced and stock is maintained at optimum level.
- (iii) It helps in maintaining stock turnover rate at comparatively higher level through scientific control of inventories.
- (iv) It ensures considerable reduction in the storage expenses. It results in stock carrying stock.
- (v) It helps in maintaining enough safety stock for C category of items. The following graph demonstrates ABC inventory classification.

Disadvantages:

This analysis suffers from the following drawbacks:

1. This technique can be successfully employed only, if there is proper standardization of materials in the store.
2. A good system of codification of materials should be in operation for the success of this analysis.
3. The analysis is based on monetary value of the items in use. Other important factors one ignored.

In spite of the above mentioned limitations, the ABC analysis is very popular method of inventory control. It is an effective instrument in reducing the cost of materials in the store house.

Q.No.5 The following extract of costing information relates to commodity 'A' for the half-year ending 31st December 2018.

(25 Marks)

	Rs.		Rs.
Purchase of Raw Materials	1,20,000	Stock (31 Dec 2018)	
Factory Rent, Rates, Insurance	8,000	Raw Materials	22,240
Carriage Inwards	1,440	Finished Products	32,000
Other Factory Overheads	40,000	(2,000 tonnes)	
Direct Wages	1,00,000	Work-in-Progress	4,800
		(1 July 2018)	
		Work-in-Progress	20,000
Stock (1 st July, 2018)		(31 Dec 2018)	
Raw Materials	20,000	Sales – Finished Products	2,99,000
Finished Product (1,000 tonnes)	15,000	Administration Overheads	4,000

Advertising and selling costs are Re. 1 per ton. 16,000 tonnes of commodity were produced during the period.

You are required to ascertain (i) the value of raw materials used; (ii) the total cost of output for the period; (iii) the cost of the turnover of the period; (iv) net profit for the period; (v) net profit per tonne of the commodity.

(25 Marks)

Ans.5**Statement of Cost**

		Rs.
Stock of Raw Materials on 1-7-2018		20,000
Add: Purchase of Raw Materials		1,20,000
Carriage Inwards		<u>1,440</u>
		1,41,440
Less: Stock of Raw Materials on 31-12-2018		<u>22,240</u>
Value of Raw Materials used		1,19,200
Direct Wages		<u>1,00,00</u>
	PRIME COST	2,19,200
Factory Overheads :		
Factory Rent, Rates, Insurance	8,000	
Other Factory Overheads	<u>40,000</u>	<u>48,000</u>
	GROSS WORKS COST	2,67,200
Add : Opening Stock of Work-in-Progress		<u>4,800</u>
		2,72,000
Less : Closing Stock of Work-in-Progress		<u>20,000</u>
	WORKS COST	2,52,000
Add : Administration Overheads		<u>4,000</u>
	TOTAL COST OF OUTPUT	2,56,000
Add : Opening Stock of Finished Goods		<u>15,000</u>
		2,71,000
Less : Closing Stock of Finished Goods		<u>32,000</u>
	Cost of Production of Goods sold	2,39,000
Add : Selling and Distribution Overheads		
Advertising and selling cost		<u>15,000</u>
	COST OF TURNOVER	2,54,000
Sales		<u>2,99,000</u>
	NET PROFIT	45,000

Note : Selling and distribution overheads have been charged on units sold. The units sold are 15,000 i.e. 16,000 (produced) + 1,000 (opening stock) – 2,000 (closing stock). Therefore, such costs are Rs. 15,000 i.e. Re. 1 per tonne.

Net profit per tonne = Rs. 45,000 / 15,000 = Rs. 3.

		SECTION-III
		(ACCOUNTANCY THEORETICAL- COMPULSORY)
Q.No.6	(a)	<p>Define Pro-rata allotment of shares giving example. Mention the accounting treatment of application amount in case of pro-rata allotment.</p> <p style="text-align: right;">(10 Marks)</p>
	Ans.	<p><u>Pro-rata Allotment:</u></p> <p>If the promoters of a company are reputed for their successful promotional successes, the applications are received for more than shares offered under prospectus (over-subscription). They may allot full shares to some of applicants refuse allotment to others, accord partial allotment to someone. This way of allotting shares shows favour to someone and disfavour to others.</p> <p>Justice in every walk of life needs that the company should also adopt it in making allotment. Instead of showing favour to certain applicants by allotting them full applied shares and disfavour to others by rejecting their applications, the company should treat all the applications of shares at par and allot them shares on pro-rata basis or proportionately. It means that all the applicants have been allotted or refused allotment on proportionate basis. For example: A company issued 60,000 shares, receives applications for 2, 40,000 shares and makes pro-rata allotment.</p> <p>This will mean that applicants have been allotted 25% of the shares applied. In other words, applicants for 100 shares must have been allotted 25 shares; for 500 shares must have been allotted 125 shares and for 1,000 shares, 250 shares would have been allotted. This is called pro-rata allotment of shares.</p> <p><u>Accounting treatment of pro-rata allotment:</u></p> <p>In case of pro-rata allotment excess application money received is transferred to share allotment and while receiving allotment money excess application money received is adjusted towards allotment account.</p>

Q.No.6	(b)	<p>Explain the following :</p> <p>(i) Preference Shares</p> <p>(ii) Convertible and Non-convertible Debentures</p> <p style="text-align: right;">(5 X 2 = 10 Marks)</p>
	(i)	<p>Preference Shares</p> <p style="text-align: right;">(5 Marks)</p>
	Ans.	<p>Preference Shares</p> <p>Preference shares, more commonly referred to as preferred stock, are shares of a company's stock with dividends that are paid out to shareholders before common stock dividends are issued. If the company enters bankruptcy, preferred stock holders are entitled to be paid from company assets before common stockholders. Most preference shares have a fixed dividend, while common stocks generally do not. Preferred stock shareholders also typically do not hold any voting rights, but common shareholders usually do.</p>
	(ii)	<p>Convertible and Non-convertible Debentures</p> <p style="text-align: right;">(5 Marks)</p>
	Ans.	<p>A debenture is a type of debt instrument that is not secured by physical assets or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer. Both corporations and governments frequently issue this type of bond to secure capital.</p> <p><u>Convertible and Nonconvertible Debentures</u></p> <p>There are two types of debentures: convertible and nonconvertible. Convertible debentures are bonds that can convert into equity shares of the issuing corporation after a specific period of time. These types of bonds are the most attractive to investors because of the ability to convert, and they are most attractive to companies because of the low interest rate.</p> <p>Nonconvertible debentures are regular debentures that cannot be converted into equity of the issuing corporation. To compensate, investors are rewarded with a higher interest rate when compared with convertible debentures.</p>
Q.No.7	(a)	<p>Mention the reasons which may cause difference between the balance shown in the Cash Book and balance shown in the Pass Book.</p> <p style="text-align: right;">(5 Marks)</p>
	Ans.	<p>(i) Cheques recorded in cash book but not yet credited by bank</p> <p>(ii) Cheques issued but not yet presented for payment</p> <p>(iii) Bank charges</p> <p>(iv) Direct collections by bank on behalf of the proprieto</p> <p>(v) Payments by bank as per standing instructions</p>

Q.No.7.	
(b)	From the following particulars, find out adjusted bank balance as per cash book and thereafter prepare bank reconciliation statement as on 31st December 2018 of Mittal Brothers :
	Rs.
Bank overdraft as per cash book	80,000
Cheques deposited as per bank statement but not entered in cash book	3,000
Cheques recorded for collection but not sent to bank	10,000
Credit side of bank column cast short	1,000
Bank charges recorded twice in cash book	100
Customer's cheque returned as having been dishonoured as per	
Bank statement not yet recorded in cash book	4,000
Cheques issued but dishonoured on technical grounds	3,000
Bills collected by bank directly	20,000
Cheques received entered twice in cash book	5,000
	(15 Marks)

Ans.7(b)

Cash Book (Bank columns only)

Dr.	Rs.	Cr.	Rs.
To customers' cheques deposited with bank but not recorded earlier	3,000	By Balance b/d	80,000
To bank charges recorded twice earlier	100	By credit side cast short, rectified	1,000
To cheques to Suppliers' dishonoured on technical grounds	3,000	By Customers' cheque dishonoured	4,000
To Bills Receivable		By Customers' cheques received, entered twice in cash book	5,000
Account/Bank for collection of Bills	20,000		
To Balance c/d	63,900		
	90,000		90,000

Bank Reconciliation Statement as on 31st December, 2018

Adjusted Bank Overdraft as per Cash Book	63,900
Add: Cheques recorded for collection but not sent to the bank	10,000
Overdraft as per Pass Book	73,900

Q.No.8	(a)	Distinguish between Receipts & Payments Account and Income & Expenditure Account.	
		(10 Marks)	
Ans.8(a)			
Basis of Difference	Receipts and Payments Account	Income and Expenditure Account	
1. Nature	It is a summary of cash and bank transactions. Debit side of this account records cash and bank receipts during an accounting period. Credit side of this account records payments in cash and through cheques.	It is a summary of current year income and expenses. Debit side of this account records expenses and losses incurred in the current accounting period. Credit side of this account records income and gains earned in the current accounting period.	
2. Revenue and Capital	It records transactions related to both revenue and capital nature.	It records transactions related to revenue nature only.	
3. Type of account	It is a Real Account	It is a Nominal Account	
4. Period	It records receipts and payments made during the year that may be related to the current accounting period or the preceding period and the succeeding accounting period.	It only records income and expenditure made during the current accounting period.	
5. Non- cash items	It does not include non-cash items like depreciation, appreciation, etc.	It includes non-cash items like depreciation, bad-debts, provisions, etc. in order to ascertain the actual net profit or net loss.	
6. Transfer of Balance	The opening balance of this account is brought forward from the last year's Receipts and Payments Account and the closing balance of this account is carried forward to the subsequent year's Receipts and Payments Account and is shown in the Balance Sheet of the current accounting period.	If the closing balance of this account is surplus then it is added to the Capital Fund in the Balance Sheet. If the closing balance is deficit then it is deducted from the Capital Fund in the Balance Sheet.	
7. System of accounting	It is prepared on the cash basis.	It is prepared on the accrual basis.	

Q.No.8	(b)	<p>Define the following concepts :</p> <p>(i) Accrual Basis of Accounting (ii) Amortisation (iii) Deferred Expenditure (iv) Preliminary Expenses (v) Reserve</p> <p style="text-align: right;">(2 X 5 = 10 Marks)</p>
Ans.8(b)		
	(i)	Accrual Basis of Accounting (2 Marks)
	Ans.	The methods of recording transactions by which revenues, costs, assets, and liabilities are reflected in the accounts in the period in which they actually accrue. The 'accrual basis of accounting' includes considerations relating to deferrals, allocations, depreciation and amortisation. This basis is also referred to as mercantile basis of accounting.
	(ii)	Amortisation (2 Marks)
	Ans.	The gradual and systematic writing off of an asset or an account over an appropriate period. The amount on which amortisation is provided is referred to as amortisable amount. Depreciation accounting is a form of amortisation applied to depreciable assets. Amortisation also refers to gradual extinction or provision for extinction of a debt by gradual redemption or sinking fund payments.
	(iii)	Deferred Expenditure (2 Marks)
		Expenditure for which payment has been made or a liability incurred but which is carried forward on the presumption that it will be of benefit over a subsequent period or periods. This is also referred to as deferred revenue expenditure.
	(iv)	Preliminary Expenses (2 Marks)
		Expenses relating to the formation of an enterprise. These include legal, accounting and share issue expenses incurred for formation of the enterprise.
	(v)	Reserve (2 Marks)
		The portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability. The reserves are primarily of two types : capital reserves and revenue reserves.

Q.No.9	<p>X Co. Ltd. Purchased a machine on 1st April, 2015 for Rs. 1,60,000. On October 1, 2016 another machine was purchased for Rs. 1,04,000. On October 1, 2017 the first machine was sold for Rs. 1,20,000. On the same date, another machine was purchased for Rs. 1,00,000. On October 1, 2018 the second machine was sold for Rs. 92,000.</p> <p>Rate of depreciation was 10% on original cost annually on 31st March. On 31st March, 2018 the method of charging depreciation was changed to diminishing balance method, the rate being 15%</p> <p>Prepare Machine Account for the years ending 31st March, 2016, 2017, 2018 and 2019.</p> <p style="text-align: right;">(20 Marks)</p>
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Ans.9					
Machine Account					
Dr.		Rs.		Cr.	Rs.
2015 April 1	To Bank/Vendor (Purchase of first machine)	1,60,000	2016 March 31	By Depreciation (On Rs. 1,60,000 @ 10% p.a. for full year)	16,000
			March 31	By Balance c/d	1,44,000
		1,60,000			1,60,000
2016 April 1 Oct 1	To Balance b/d To Bank/Vendor (Purchase of second machine)	1,44,000 1,04,000	2017 March 31	By Depreciation A/c (Note 1)	21,200
			March 31	By Balance c/d	2,26,800
		2,48,000			2,48,000
2017 April 1 Oct 1	To Balance b/d To Bank/Vendor (Purchase of third machine)	2,26,800 1,00,000	2017 Oct 1	By Depreciation A/c (On Rs. 1,60,000 @ 10% p.a. for 6 months)	8,000
			Oct 1	By Bank (Sale of first machine)	1,20,000
			2018 March 31	By Depreciation A/c (Note 3)	15,400
			March 31	By Balance c/d	1,83,400
		3,26,800			3,26,800

2018 April 1	To Balance b/d	1,83,400	2018 Oct 1	By Depreciation A/c (Note 4)	6,630
Oct 1	To profit on disposal of Machine A/c (Note 4)	10,230	Oct 1	By Bank (sale of second machine)	92,000
			2019 March 31	By Depreciation A/c (Note 5)	14,250
			March 31	By Balance c/d	80,750
		1,93,630			1,93,630
2019 April 1	To Balance b/d	80,750			

Notes:

1. Depreciation on machines for the year ended 31 st March, 2017	
On first machine for full year = Rs. 1,60,000 x 10/100	16,000
On second machine for six months = 1,04,000 x 10 x 6 / 12 x 100	<u>5,200</u>
	21,200
2. Profit/Loss on disposal of first machine :	
Cost price of the machine	1,60,000
Less: Depreciation @ 10% p.a. for 2 years 6 months	
= 1,60,000 x 10 x 2 ½ / 100	<u>40,000</u>
Written Down value on the date of disposal	1,20,000
Sale proceeds	1,20,000
Hence, there is no profit or loss on disposal of the machine.	
3. Depreciation on Machines provided on 31 st March 2018 :	
On second machine for full year	
= 1,04,000 x 10/100	10,400
On third machine for six months	
= 1,00,000 x 10 x 6/12 x 100	<u>5,000</u>
	15,400
4. Profit on disposal of second machine :	
Cost price of the machine	1,04,000
Less: Depreciation @ 10% pa. For 1 year 6 months	
= 1,04,000 x 10 x 1 ½ /100	<u>15,600</u>
Written down value on 1 st April 2018	88,400
Less: Depreciation on 88,400 @ 15% p.a. for 6 months	
= 88,400 x 15 x ½ /100	<u>6,630</u>
	81,770
Sale proceeds	92,000
Hence, profit on disposal = 92,000 – 81,770 = Rs. 10,230	
5. Depreciation provided on 31 st March 2019	
Cost price of the machine still in use	1,00,000
Less: Depreciation @ 10% p.a. for 6 months	
= 1,00,000 x 10 x ½ /100	<u>5,000</u>
Written down value on 1 st April 2018	95,000
Depreciation on Rs. 95,000 @ 15% p.a. for one year	
= 95,000 x 15 /100 = Rs. 14,250	

Q.No.10	<p>On 31st March, 2018 before preparing the final accounts, Mr. Z prepared a trial balance which did not agree. He put the difference in a newly opened Suspense Account. The following errors were located. Pass journal entries to rectify the errors and prepare Suspense Account.</p> <ol style="list-style-type: none"> i. The Return Inwards Book for March, 2018 had been cast Rs. 1,000 short. ii. The purchase of an office table costing Rs. 23,000 had been passed through the Purchases Day Book. iii. A purchase of Rs. 671 had been posted to the debit of the creditor's account as Rs. 617. The creditor is M. Bisht & Co. iv. Rs. 8,750 paid for wages to workmen for making show cases had been charged to Wages Account. v. Rs. 65,000 paid for the purchases of a motor cycle for Mr. Dixit (a Partner) had been charged to Miscellaneous Expenses Account. vi. A sale of Rs. 2,000 to Jaitley & Co. was credited to their account. vii. A sale of Rs. 2,500 has been passed through the Purchases Day Book. The customer's account has, however, been correctly debited. viii. While carrying forward the total of the Sales Book from one page to the next, the amount was written as Rs. 1,76,658 instead of Rs. 1,67,568. <p style="text-align: right;">(16 + 4 = 20 Marks)</p>
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Ans.10

Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
(i)	Returns Inwards Account Dr. To Suspense Account (Rectification of the error arising from the undertotalling of the Returns Inwards Book for March, 2018)		1,000	1,000
(ii)	Furniture Account Dr. To Purchase Account (The purchase of furniture having been entered in the Purchases Day Book, the debit originally went to Purchases Account instead of Furniture Account; position now rectified)		23,000	23,000
(iii)	Suspense Account Dr. To Bisht & Co. (Amount of Rs. 671 should have been credited; instead a sum of Rs. 617 has been debited to Bisht & Co. A credit of Rs. 1,288 is, therefore, made now to Bisht & Co. to rectify the error)		1,288	1,288
(iv)	Furniture Account Dr. To Wages Account (Wages spent on making furniture which should have been debited to Furniture Account and not to Wages Account; hence the correcting entry)		8,750	8,750

(v)	Mr. Dixit's Drawings Account Dr. To Misc Expenses Account (The rectification of the error by which Miscellaneous Expenses Account was wrongly debited for money spend for Mr. Dixit)		65,000	65,000
(vi)	Jaitley & Co Dr. To Suspense Account (Jaitley & Co should have been debited with Rs. 2,000 for a sale but were credited. Hence, the correcting entry)		4,000	4,000
(vii)	Suspense Account Dr. To Purchases Account To Sales Account (The sales having been entered in Purchases Book, Purchases Account was wrongly debited. There should be a credit to remove the debit. There should be a credit in the Sales Account and since the customer's account has been correctly debited already, the debit must be to the suspense Account)		5,000	2,500 2,500
(viii)	Sales Account Dr. To Suspense Account (The excess credit to Sales Account because of wrong carry forward of Rs. 1,76,658 instead of Rs. 1,67,568 from one page to another; now rectified)		9,090	9,090

Suspense Account			
Dr.	Rs.	Cr.	Rs.
To Difference in Trial Balance (balancing figure)	7,802	By Returns Inwards Account	1,000
To Bisht & Co	1,288	By Jaitley & Co	4,000
To Purchases Account	2,500	By Sales Account	9,090
To Sales Account	2,500		
	14,090		14,090

DEFENCE ACCOUNTS DEPARTMENT

S.A.S. EXAMINATION – PART I

June, 2019

**SUBJECT: PAPER IV – SERVICE REGULATIONS
(PRACTICAL – WITH BOOKS)**

Time 3 Hours

Max. Marks. 100

Notes :

1. Section-I and Section-II are compulsory for all candidates. In Section-III, candidates may opt and attempt any one from Sub-Section (A), (B), (C) or (D) for which permission is granted.
2. Answers to question under Sub-Sections of Section-III should be written in separate answer book while answer to Section-I and Section-II shall be written in one answer book only.
3. In all, candidates are to attempt 11 questions: 4 questions out of 6 questions from Section-I, 3 questions out of 5 questions from Section-II and 4 questions out of 6 questions from Section-III.
4. Each question in Section-I carries 9 marks and that of each question of Section-II carries 8 marks. In Section-III, each question carries 10 marks.
5. Reasons must be given in support of the answers. Authority must be quoted in support of the answers.
6. Answers to all parts of questions should be written in one place only.
7. Indication of Section/Sub-Section shall appropriately be made.

MODEL ANSWERS

SECTION-I

[Pay & Allowances (Civil)]

(Common to All)

Q.1	(a)	A Central Government Department "X" has purchased items worth Rs.1.5 lakhs in local market based on recommendations of Local Purchase Committed for the items which are available in GeM. Is the procurement in order? Explain. <p style="text-align: right;">(3 Marks)</p>
	Ans.	Yes. The procurement is in order subject to conditions stipulated under Rule 155 of GFR 2017 and clarification No. 4 issued vide Min of Fin letter No. F/1/26/2018 dated 02.04.19
	(b)	A Central Government employee, Mr. 'X' has acquired higher qualification i.e. PG Degree of duration of one year and submitted claim for incentive after 8 months from the date of acquisition of higher qualification. Will he get the incentive amount? If yes, how much will he get as incentive? <p style="text-align: right;">(4 Marks)</p>
	Ans.	No. The official should claim it within 6 months of acquiring higher qualification. <p style="text-align: center;">(Auth: Para 8.9 if DOPT letter No. 1/5/2017-(Estt-Pay I) dated 15.03.19)</p>
	(c)	An average monthly cash handled by Defence Accounts Department cashier Rs.5 lakhs. How much Cash Handling Allowance shall be admissible? <p style="text-align: right;">(2 Marks)</p>
	Ans.	Answer: Rs. 700/- <p style="text-align: center;">(Auth: Min of Fin letter No. 4/6/2017-Est(Pay-II) dated 18.01.19)</p>
Q.2	(a)	What is the quantum of Composite Transfer Grant for transfer to and from the island territories of Andaman, Nicobar and Lakshadweep? <p style="text-align: right;">(3 Marks)</p>
	Ans.	100% of the basic pay. <p style="text-align: center;">(Auth: Min of Fin OM No. 19030/1/2017-E-IV dated 13.07.17)</p>
	(b)	What is entitlement of a Level 6 Government Servant for transportation of personal effects from Z class city to X class city? <p style="text-align: right;">(3 Marks)</p>
	Ans.	6000 kgs by goods train/4 wheeler wagon/1 container and one motor car etc or motor cycle/scooter. If the items are transported by road, the entitlement would be calculated at Rs. 50/- per km. <p style="text-align: center;">(Auth: Min of Fin OM No. 19030/1/2017-E-IV dated 13.07.17)</p>

	(c)	<p>Whether the following relatives can be treated as 'family' for the purposed of Travelling Allowance entitlements of Government Servant?</p> <p>(i) Step children</p> <p>(ii) Widowed sister residing with Government employee and whose father is not dependent on the Government employee</p> <p>(iii) Step Father</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>(i) Yes (Auth: Travelling Allowance Rules)</p> <p>(ii) No (Auth: Travelling Allowance Rules)</p> <p>(iii) No (Auth: Min of Fin Letter No. 300/E-IV/2008 dated 20.11.08)</p>
Q.3	(a)	<p>Please comment on Drawal of House Rent Allowance by husband and wife when both of them happen to be Government servants and are living in owned accommodation.</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>Drawal of HRA by both husband and wife who are government servants living in owned accommodation is in order provided they are contributing towards house tax/maintenance of the house.</p>
	(b)	<p>A Government servant on sanctioned Leave does not join duty and thereafter resigns, what would be the effect on his House Rent Allowance?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>The entire HRA would be recovered if the Government servant on sanctioned leave does not join but resigns thereafter.</p>
	(c)	<p>How many times in a year a Government servant has to furnish a certificate for his retention of accommodation when posted to NE regions.</p> <p style="text-align: right;">(1 Mark)</p>
	Ans.	<p>The employee shall furnish a certificate on 1st July and 1st January of every year, stating that his family is residing in Government accommodation at the last place of his/her posting. Such a certificate will also have to be furnished at the time of seeking extension.</p> <p>(Auth: Dte of Estates OM No. 12035/24/7 Pol.II(Vol.IV) dt 30.06.99)</p>

Q.4	(a)	A Central Government employee in Level 8 of the Pay Matrix, who proposed to travel by Air while availing All India LTC on 01.01.2019 from New Delhi to Kolkata. (3 Marks)
	(i)	What is the block year that the employee can avail?
	Ans.	Four Year Block 2018-2021
	(ii)	How his claim would be regulated?
	Ans.	The same will be regulated against the Four Year Block 2018-2021.
	(iii)	During April 2019, he proposes to visit Port Blair by converting Home Town LTC for self. Is it admissible?
	Ans.	No, it is not admissible, since he has already availed AILTC during the two year block of 2018-2019. As such, he can avail his conversion of HTLTC after 01.01.2020 only.
	(b)	A Govt. Servant with a balance of 20 days Earned Leave in his credit has applied for grant of encashment of Earned Leave on LTC. Please comment (3 Marks)
	Ans.	No. The Government would not be sanctioned leave encashment. The leave at credit shall not be less than 30 days after deducting the total of leave. (Auth: Rule 38 FR&SR Part III)
	(c)	Can children of sisters who are divorced be included in the definition of family for the purpose of LTC? Was there a change in the Rule position of Late? (3 Marks)
	Ans.	No. They are not included in the term "Family".
Q.5	(a)	What is the Maximum amount of advance admissible under House Building Advance Rules – 2017? (3 Marks)
	Ans.	Rs. 25.00 lakhs (maximum) (Auth: Min of Housing & Urban Affairs OM No. I.17011/11(4)2016-H-III dated 09.11.17)
	(b)	How many times an employee can be sanctioned House Building Advance during his entire service? (2 Marks)
	Ans.	Only once during the entire period of service (Auth: Min of Housing & Urban Affairs OM No. I.17011/11(4) 2016-H-III dated 09.11.17)

	(c)	<p>What is the rate of interest to be fixed– if the House Building Advance is disbursed in more than 2 instalments?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>All cases of subsequent instalments of HBA being taken by the employee in different financial years shall be governed by the applicable rate of interest in the year, in which the HBA was sanctioned, in the event of change in the rate of interest.</p>
Q.6	(a)	<p>If a Government Servant dies while in service, what is the period upto which CEA/Hostel Subsidy is payable?</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>If a Government servant dies while in service, the CEA or hostel subsidy shall be admissible in respect of his/her children till such time the employee would have received the same subject to the condition that other terms and conditions are fulfilled. The payment shall be made by the office in which the Government Servant was working prior to his death.</p> <p style="text-align: center;">(Auth: Min of Personnel, Public Grievances and Pensions OM No. A-27012/02/2017-Estt(AL) dated 16.07.18)</p>
	(b)	<p>To admit CEA/Hostel Subsidy to Government servant,</p> <p>(i) What is the Upper age limit of children?</p> <p>(ii) If child is studying in 1st year of Polytechnic and has not been granted CEA/Hostel Subsidy for studies in 11th and 12th Standard</p> <p>(iii) A child having 23 years of age is appearing for 12th Standard</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>(a) 20 years or till the passing of 12th class whichever is earlier and in case of Divyaang children, the upper age limit is 22 years.</p> <p>(b) CEA/Hostel subsidy is admissible</p> <p>(c) Not applicable. The upper age limit is 20 years</p> <p style="text-align: center;">(Auth : Para 2(m) and (p) of Min of Personnel , Public Grievances and Pensions OM No. A-27012/02/2017-Estt(AL) dated 16.07.18)</p>

	(c)	Is CEA/Hostel Subsidy is admissible during (i) Suspension? (ii) Extra Ordinary Leave (iii) Period of Dies-Non (3 Marks)
	Ans.	(a) Yes (b) Yes (c) No (Auth: Para 2(t) of Min of Personnel , Public Grievances and Pensions OM No. A-27012/02/2017-Estt(AL) dated 16.07.18)
		SECTION-II
		(PROVIDENT FUND & PENSION)
Q.1	(a)	Whether subscription of GPF can be recovered in following situations? (i) During Suspension (ii) Leave on Half pay (iii) Leave without pay (3 Marks)
	Ans.	(i) No (ii) And (iii) Recovery at the option of the subscriber. (Auth: Rule 7(1) and Rule 8 of of GPF(CS) Rules and CPF(India) Rules)
	(b)	What is maximum amount of Deposit Linked Insurance scheme can be paid to GPF subscriber and on what conditions? (5 Marks)
	Ans.	The maximum amount payable to GPF subscriber is Rs. 60000/- subject to the following conditions: (a) The subscriber has put in minimum 5 years of service at the time of death. (b) A specified minimum balance in PF Account is maintained during the last 3 years. (Auth: Dept. of P&PW notification No. 45/85/97-P&PW(F) dated 06.04.98 with effect from 25.04.98)

Q.2	(a)	What is Invalid Pension and Invalid Gratuity in respect of Military personnel where the cause of invalidment is not due to military service? (3 Marks)
	Ans.	Invalid Pension/Gratuity is awarded to an officer invalidated out of service on or after 01.04.64 on account of a disability which is neither attributable to nor aggravated by service. (Auth: Rule 71 of Pension Regulations I)
	(b)	What is the minimum period of qualifying service required for grant of Invalid Pension in case of service officers/PBORs? (2 Marks)
	Ans.	10 years (Auth: Rule 72 of Pension Regulations I)
	(c)	How is ordinary family pension granted to a judicially separated spouse with no eligible child? (3 Marks)
	Ans.	Ordinary Family Pension would be payable to surviving spouse. Provided that where in case, judicial separation takes place during the period of such judicial separation, the ordinary family pension shall not be payable to the surviving spouse if such surviving spouse was held guilty for committing adultery. (Auth: Rule 73 of PR I)
Q.3	(a)	Whether service rendered by a PBOR before the age of 17 years, can be counted for qualifying service? (3 Marks)
	Ans.	Yes, subject to the exceptions as detailed in rule 21 of PR I of 2008.
	(b)	Does washing allowance, special pay and qualification pay received by nursing personnel count as emolument for calculation of retirement benefits? (3 Marks)
	Ans.	No. (Auth: Rule 27 of PR I 2008 edition)
	(c)	Is a widow who gives birth to an illegitimate child entitled to family pension? (2 Marks)
	Ans.	No. (Auth: Rule 107 of PR I 2008 edition)

Q.4	(a)	What is Pending Enquiry Award? (2 Marks)
	Ans.	<p>Pending Enquiry Award is intended to relieve the difficulties of PBORs and their dependents when such personnel below officer rank are invalidated out of service and the invaliding disability or the cause of death is considered prima facie due to military service or is accepted as such by the competent authority with reference to the applicable entitlement rules. Provisional awards will be made pending completion of the enquiries and other steps which may be necessary before a pension claim can be admitted.</p> <p>(Auth: Rule 41 of PR II)</p>
	(b)	What are the conditions for grant of Pending Enquiry Award? (2 Marks)
	Ans.	<p>The conditions for grant of Pending Enquiry Award are for following:</p> <ul style="list-style-type: none"> (a) Disability Pension Claim (b) Family Pension Claims other than those arising from Flying Accidents (c) Family Pension claims arising from Flying Accidents <p>(Auth: Rule 42 of PR II)</p>
	(c)	What is the Amount, Date of effect and duration of Pending Enquiry Award? (3 Marks)
	Ans.	<p>The amount of Pending Enquiry Award for the following:</p> <ul style="list-style-type: none"> (a) Disability Pension Claims: Monthly rate equal to the appropriate rate of disability Pension, It would be effective from the date of discharge from the service. (b) Family Pension Claims: PEA will be made at a monthly rate equal to : <ul style="list-style-type: none"> (a) The appropriate amount of Family Pension, plus (b) The appropriate amount of children's allowance according to the number of living minor children. This would be effective from the date following the death of the individual . In case where family allotment has been paid, this would take effect from the date following that upto and for which the family allotment has been paid. <p>(Auth: Rule 45 of PR II)</p>
	(d)	Who is authority competent to sanction Pending Enquiry Award (1 Mark)
	Ans.	PCDA(P) Allahabad

Q.5	(a)	If an Army Officer is on deputation, who will sanction temporary advance/ final withdrawal from his DSOP Fund? (2 Marks)
	Ans.	The Head of the Department to which he is deputed.
	(b)	An Army Officer, who has 3 years of service left, wishes to withdraw from his DSOP Fund without assigning any reason. Explain the admissibility? (3 Marks)
	Ans.	Yes, Only once in the career that too only during the last 12 months of service
	(c)	Family member of a deserter is claiming 50% share of the DSOP Fund. Please Comment. (3 Marks)
	Ans.	All family members would be paid equal shares after expiry of 7 years.
SECTION-III		
(PAY & ALLOWANCES OF ARMY OFFICERS AND OTHER RANKS)		
Q.1	(a)	What is Military Service Pay? (2 Marks)
	Ans.	Military Service Pay is a compensation for the various intangible aspects linked to the special conditions of service in Army;
	(b)	What are the rates admissible on a/c of Military Service Pay in respect of Honorary Commissioned Officers and JCO/Ors.? (2 Marks)
	Ans.	Military Service Pay shall be admissible on drawal of pay in the prescribed Level in the Pay Matrix, at the rate of Rs 15,500 for Honorary Commissioned Officers, and Rs 5,200 for all Junior Commissioned Officers/ Other Ranks;
	(c)	What is Group_X Pay & For whom it is admissible? (2 Marks)
	Ans.	Group_X' Pay is a fixed amount admissible to a Junior Commissioned Officer/ Other Rank of Group_X , because of his higher educational qualification vis-à-vis a Junior Commissioned Officer/ Other Rank of Group_Y';

	(d)	What are the rates available under Group_X Pay & conditions thereof? (2 Marks)
	Ans.	Group_X Pay shall be admissible on drawal of pay in the prescribed Level in the Pay Matrix at; (a) a higher rate of Rs 6,200, for Group_X trades which requires a qualification equivalent to a diploma recognised by All India Council for Technical Education; and (b) a lower rate of Rs 3,600, for other Group_X trades, but not having a technical qualification recognised by All India Council for Technical Education; (i) When a Junior Commissioned Officer/ Other Rank in relevant Group_X trades drawing a lower rate of Group_X Pay acquires a higher technical qualification equivalent of a diploma recognised by All India Council for Technical Education, he shall be admissible to higher rate of Group_X Pay with the approval of concerned Competent Authority; (ii) When a Junior Commissioned Officer/ Other Rank is re-mustered from Group _X to Group_X, he shall be admissible Group_X Pay as applicable under sub-clause (ii) above; and
	(e)	Whether Military Service Pay & Group_X Pay shall be counted as Pay for the purpose of computation of dearness allowance and Pension? (2 Marks)
	Ans.	Military Service Pay & Group _X' Pay shall be counted as pay for the purpose of computation of dearness allowance and pension;
		(Auth: Rule 5 (2) & (3) of ARMY PAY RULES, 2017 read with MOD, DOD Notification bearing No. 1(9)/2016-D(Pay/Services) Part – II Dt. 20th March 2019)
Q.2	(i)	What are the rates admissible as recommended by 7th CPC for JCOs/Ors for the below mentioned allowances? (1x5=5 Marks)
	(a)	Short Hand Allowance
	Ans.	Abolished w.e.f. 01.07.2017 (Auth: Sl. No. 6 of Appx D to GOI, MOD Letter No. 1(16)/2017/D(Pay/Services) Dt. 18.09.2017)
	(b)	Siachen Allowance
	Ans.	Rs. 6000/- per month (Auth: Sl. No. 22 of Appx A to GOI, MOD Letter No. 1(16)/2017/D(Pay/Services) Dt. 18.09.2017)

	(c)	Classification Allowance in r/o Group X for Class 3 to 2.
	Ans.	Rs.180 Per month. (Sl. No. 3 of Appx B to GOI, MOD Letter No. 1(16)/2017/D(Pay/Services) Dt. 18.09.2017)
	(d)	Good Service/Conduct/Badge Allowance in r/o third Stage.
	Ans.	Rs. 432/- (Auth: Sl. No. 10 of Appx B to GOI, MOD Letter No. 1(16)/2017/D(Pay/Services) Dt. 18.09.2017)
	(e)	Island Special Duty Allowance (ISDA) applicable for those working in Minicoy.
	Ans.	20% of Basic Pay (Auth: Sl. No. 12 of Appx B to GOI, MOD Letter No. 1(16)/2017/D(Pay/Services) Dt. 18.09.2017)
	(ii)	Explain about Risk and Hardship Matrix. (3 Marks)
	Ans.	The matrix is divided into 9 cells, based on Low,Medium and High risk juxtaposed with Low, Medium and High hardship. One extra cell on the top is RH-Max, to include Siachen Allowance as a combination of risk and hardship maximum. However the allowances shall maintain their names and conditions attached with their admissibility (unless otherwise stated). These allowances will be paid as per rate of the cell under which they have been placed in the Risk and Hardship Matrix. (Auth: Para 3 of GOI, MOD Letter No. 1(16)/2017/D(Pay/Services) Dt. 18.09.2017)
	(iii)	What are the options available to draw Deputation (Duty) Allowance to Army Officers? (2 Marks)
	Ans.	Defence forces personnel be given an option to draw either (a) 50% of Deputation Duty Allowance applicable to Civilians officers along with Service concessions (or) (b) 100% of Deputation allowance but forego the service concessions subject to following ceiling (i) Rs.4,500/- pm for deputation with the same station and (ii) Rs.9,000/- pm for deputation involving change of station. (Auth: Sl. No. 5 of Appx B to GOI, MOD Letter No. 1(16)/2017/D(Pay/Services) Dt. 18.09.2017)

Q.3	(i)	<p>Under which Code head the DSOP Fund Interest is to be compiled & When?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>An abstract of consolidated amount of interest on DSOP fund will be received from EDP Centre. The amount mentioned in the abstract will be compiled by debit to the interest head (00/004/04) per contra credit to the DSOP Fund head (00/015/08) in March Final/Supplementary Accounts.</p> <p style="text-align: center;">(Auth: Para 38 of OM Part – IX)</p>
	(ii)	<p>What type of payments are being made by PCDA (O) Pune by issuing IAF (CDA) 13 (LARGE) (RED)?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>Digitized IAF (CDA) 13 (Large) (Red) is generated by Ledger Sections for payment of DSOP Fund Final Settlement on Retirement, Pre-mature Retirement, Release, Death, Invalidment, etc.</p> <p style="text-align: center;">(Auth: Para 104 (3) of OM Part – IX)</p>
	(iii)	<p>In what manner, account no. is being allotted to the Army Officer by PCDA (O) Pune?</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>The CDA (O) Account Number allotted to each officer is made up of three components, first containing the numerical number of the Section of Ledger Wing maintaining the IRLA of the officer, second showing the Task Number of the Ledger Section in which the Account is held and third containing the Account Number properly allotted to him/her, comprising of six digit number in Arabic and suffixed with an alphabet known as 'Check Alpha'. First and second components will change as and when the Ledger Account of the officer is transferred to other Sections or tasks. But the third component viz. the Number allotted to the officer will always remain unchanged. For instance, 18/316/183478X will mean that the Account Number allotted to the officer is 183478X and that the Account is held in Ledger Section 18 of Ledger Wing by the Task holder of Task 316.</p> <p style="text-align: center;">(Auth: Para 106 of OM Part – IX)</p>
	(iv)	(1x3 Marks)
	(a)	Why Army Officers Benevolent Fund (AOBF) is constituted?
	Ans.	<p>Army Officers Benevolent Fund is constituted for the benefit of officers and members of their family or their dependents.</p>
	(b)	Is subscription for AOBF is compulsory? If so for whom?
	Ans.	<p>Subscription is compulsory for all Commissioned Officers (both regular and non-regular) and Regular Reserve Officers recalled to service.</p>

	(c)	If subscription not compulsory, the categories of officers may be listed.
	Ans.	AOB Fund Subscription is not recoverable from the following categories of officers. a) NCC Officers. b) TA Officers. c) MNS Officers. (Auth: Para 170.1 (i) of OM Part – IX)
Q.4	(i)	What kinds of leave are admissible to the Army Officers? (3 Marks)
	Ans.	Leave will be of the following kinds:- (i) Officers:- (a) Casual Leave (b) Annual Leave (c) Furlough (d) Sick Leave (Auth: Rule 3 of Leave Rules for the Services Vol – I – Army)
	(ii)	How many days Special Casual Leave will be admissible for undergoing Sterilization Operation by the Army Personnel? (2 Marks)
	Ans.	Army personnel who undergo sterilization operation (vasectomy or salpingectomy) under the —Family Planning Schemell will be granted special casual leave not exceeding six working days to undergo such operations and to have some rest which is necessary immediately after the operation. (Auth: Rule 73 of Leave Rules for the Services Vol – I – Army)
	(iii)	How many Days CCL will be admissible to: (a) Permanent Commission Women Officers of the Army (b) Short Service Commissioned Women Officers of the Army
	Ans.	PC Women Officers to be granted 360 days CCL and SSC Women Officers to be granted 180 days CCL during entire service. (Auth: Rule 56A(a) of Leave Rules for the Services Vol – I – Army)

	(c)	During the period of Probation/Training (including Pre-commissioning training and post commissioning course of instructions).
	Ans.	CCL will not be granted to Women Officers during the period of probation/training (including pre-commissioning training and post-commissioning course of instructions). (Auth: Rule 56A(l) of Leave Rules for the Services Vol – I – Army)
	(iv)	How the overstayal of Casual Leave granted to JCOs/Ors on the following occasions will be regularized? (2 Marks)
	(a)	On an ordinary conditions
	Ans.	In cases where the maximum amount of casual leave admissible in a year is exceeded as a result of overstayal by the individual or extension by the administrative authorities, the entire spell of casual leave (including the period of extension/overstayal) which was extended or overstayal will be treated as annual leave or furlough for that year, if due.
	(b)	Due to their own sickness
	Ans.	Cases of overstayal of casual leave granted to JCOs/OR and NCs (E), Recruits and Boys due to their own sickness which are not covered under the preceding para and involved overstayal upto 60 days from the date of falling sick will be regularised as follows by the authorities specified:--- (a) Period prior to the date of falling sick by adjustment against future annual leave entitlement. (b) 30 days from the date of falling sick as sick leave with full pay and allowances. (c) Next 30 days by adjustment against future annual leave entitlement. (Auth: a. Rule 6 (c) (i) of Leave Rules for the Services Vol – I – Army b. Rule 6 (c) (ii) of Leave Rules for the Services Vol – I – Army)
Q.5	(1)	On receipt of the documents for Final settlement of Accounts in respect of JCOs/ORs, what action will be taken by the Ledger Groups? (5 Marks)
	Ans.	On receipt of the documents and the proforma the following action will be taken by the ledger groups: (i) It will be ensured that a 'No Demand' certificate or a "certificate of demands outstanding" has been furnished. All demands intimated as well as those, if any, outstanding will be recovered.

- (ii) All outstanding review objections/observations will be scrutinised carefully and finalised, effecting recoveries wherever necessary.
- (iii) Outstanding Part II order, bills, acquittance rolls and debit vouchers like loss statements, hospital stoppages rolls etc., will be scrutinised and necessary adjustments made. It should be ensured that all credits due to the individual are afforded and that all recoveries due are effected.
- (iv) Adjustments made in the IRLA since last audited quarter will be reviewed in full to ensure their correctness. For this purpose the sheet Roll will also be compared with the IRLA in so far as occurrences affecting pay and allowances are concerned to see that all adjustment due have been carried out.
- (v) The pay book will be checked to see that all advances have been debited in the IRLA.
- (vi) pay and allowances will be drawn up to the date of individual becoming non effective.
- (vii) After effecting all the adjustment, the IRLA will be closed finally. The credit balance, if any, will be authorised for payment. In cases where the IRLA closes with a debit balance, the amount will be intimated to the OC requesting him to take necessary action for its recovery/regularisation. Such cases will be noted in and their progress watched through, the debit balance register. References to OC for recovery/regularisation of debit balances will be taken.
- (viii) The statement of accounts showing closing balance as on final closing will be prepared simultaneously.
- (ix) In cases of transfer to pension establishment (including cases of invalidment) LPC will be issued to the CDA(Pensions).
- (x) The service documents and statements of accounts will be returned to the CC Section for transmission to the Record Office after authorization of payment. In addition to the above the following action will be taken by the auditors dealing with final settlement cases:-
 - (a) Obtain the IRLA jacket and note in the IRLA, the particulars of local discharge/ release/ death/desertion/transfer to reserve/pension establishment as notified in the Part II order.
 - (b) that the date of discharge fixed is correct with reference to the terms of engagement including extension if any granted;
 - (c) Check the latest opening balance carried forward.

(Authority : Para 270 of OM Part X Vol II)

Q.5	(2)	<p>What is the role of CC Group in the case of Transfer-IN of IRLAs between PAOs?</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>(i) On receipt of the Transfer-in list from DDP, receipt of physical copy of IRLA will be called for.</p> <p>(ii) The receipt of the IRLA will be watched by the CC Section, through the 'Register for Transfer-in of IRLAs'</p> <p>(iii) CC Section on receipt of IRLAs will take the following action.</p> <p>(a) Ensure that a statement showing the details of regular recoveries and contributions required to be effected has been received, and that the IRLA has been reviewed by the transferor PAO;</p> <p>b) Acknowledge receipt of the IRLA;</p> <p>c) Note the name of the new Corps / Regiment on the last sheet of the IRLA on the authority of the Part II order of the new unit;</p> <p>d) Complete the relevant columns in the "Register for transfer-in of IRLAs" (IAFF 3074).</p> <p>e) Pass on The IRLA to the Ledger Group.</p> <p>f) One copy of the top sheet of Receipt of IRLA will be given to Review Group.</p> <p style="text-align: center;">(Auth: Para 226 of OM Part X Vol II)</p>
Q.5	(3)	(2 Marks)
	(a)	<p>Who will be auditing the claim on account of inpatient treatment in local Civil Hospital/Dispensary pertaining to JCOs/Ors received from Units/Formations?</p>
	Ans.	<p>Inpatient treatment in local Civil Hospital / Dispensary Claims are susceptible of audit by the Regional Controllers.</p> <p style="text-align: center;">(Auth : Para 355 of OM Part X Vol II)</p>
	(b)	<p>How the payment in respect of claim on a/c of inpatient treatment in local Civil Hospital/Dispensary pertaining to JCOs/Ors received from Units/Formations will be made by the auditing authorities to JCOs/Ors?</p>
	Ans.	<p>In respect of JCOs/ORs the Payment authority will be issued by the Regional CDA to PAO (ORs) concerned in respect of claims received from PBOR as Inpatient from Units/ Formations.</p> <p style="text-align: center;">(Auth : Para 355 of OM Part X Vol II)</p>

Q.6	(i)	<p>If the Sepoy is enlisted into the service on 15th of February 2019, whether AGIF will be recovered for the whole month or proportionately or from the next month (i.e. 03/2019)? Whose responsibility is for repayment of the amount of the AGIF?</p> <p style="text-align: right;">(2 Marks)</p>
	Ans.	<p>The recovery will be for the whole month even in cases of enlistment/discharge during a month and always in advance. Re-payment of the amount is the responsibility of the Army Group Insurance Directorate, Army Hqrs.</p> <p style="text-align: center;">(Auth: Spl. AO 6/S/76 & Para 356 of OM Part X Vol – II)</p>
	(ii)	<p>What are the facilities of LTC available for the Service Personnel posted in Ladakh Region?</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>Service personnel serving in Ladakh Region will be entitled to LTC facility by air during winter season with the following conditions:-</p> <ul style="list-style-type: none"> (i) The facility of air travel will be admissible only for the period from 15th November to 15th March. (ii) The facility of air travel will be limited to travel between Leh and Sri Nagar/Jammu/Chandigarh both for the onward and return journey. This facility would, however be admissible between Leh and one of these three places. The to/fro journeys between Sri Nagar/ Jammu/Chandigarh and the home town or any other place of visit will be performed in the entitled mode/class of Government servant concerned. (iii) The facility of air travel (from 15th Nov to 15th Mar) from Delhi/Chandigarh/Jammu to Ladakh and back will be admissible to Service Personnel and families of Ladakh Scouts domiciled in Ladakh and posted outside Ladakh region, or to those whose family living in Ladakh to meet their family. <p style="text-align: center;">(Auth: Para 176-A of Defence Service Regulations – Travel Regulations 2014 Edn)</p>

	(iii)	<p>Whether Leave Encashment of leave is admissible for Service Personnel at the time of availing of LTC? If so,</p> <ul style="list-style-type: none"> a) What kind of leave will be debited? b) What is the limit at the time and during the entire career? c) How many days before proposed date of outward journey Leave Encashment will be allowed? <p style="text-align: right;">(1x3=3 Marks)</p>
	Ans.	<p>Yes. Leave Encashment is admissible for Service Personnel at the time of availing of LTC.</p> <ul style="list-style-type: none"> a) Annual Leave b) 10 days at the time of availing of LTC to the extent of sixty days, during the entire career. c) 60 days before proposed date of outward journey. <p>(Auth: (a & b) Note 1 under Rule 177 B (viii) of Defence Service Regulations – Travel Regulations 2014 Edn.</p> <p>(c) Note 3 under Rule 177 B (viii) of Defence Service Regulations – Travel Regulations 2014 Edn)</p>

(iv)	<p>How the LTC will be allowed/regularized in respect of the service officers against whom disciplinary proceedings has been initiated, on the charge of preferring in fraudulent claim of LTC,</p> <p>a) If the officer is fully cleared of the charges of misuse of LTC</p> <p>b) If the Officer is not fully exonerated of the charge of fraudulent claim of LTC.</p> <p style="text-align: right;">(1x2=2 Marks)</p>
Ans.	<p>177 E. Forfeiture of Leave Travel Concession</p> <p>(i) If a decision is taken by the Disciplinary Authority to initiate disciplinary proceedings against a service officer on the charge of preferring in fraudulent claim of LTC, such an officer shall not be allowed the LTC, till the finalisation of such disciplinary proceedings.</p> <p>(ii) If the officer is fully cleared of the charges of misuse LTC, the officer will be allowed to avail LTC(s) in future years but before his normal date of superannuation/ discharge.</p> <p>(iii) If, however, the officer is not fully exonerated of the charge of fraudulent claim of LTC, he shall not be allowed the next two sets of LTC in addition to the LTC(s) already withheld. If the nature of misuse is grave, the Competent Authority may disallow LTC for more than two sets.</p> <p style="text-align: center;">(Auth: Rule 177 E of Defence Service Regulations – Travel Regulations 2014 Edn)</p>

MODEL ANSWERS

SECTION III – Optional

Sub-Section (B) – Air Force

Q.1		What would be the penal interest in the following cases?
	(a)	Flt. Lt. Amit claimed advance of Rs 2,50,000 on his posting to Delhi from Mumbai. He completed his journey on 8th June 2017 and submitted his claim on 1st June 2018 for Rs. 1,85,000. <p style="text-align: right;">(3 Marks)</p>
	Ans.	Claim has been submitted by Flt.Lt. Amit within permissible period of one year from the date of completion of journey. But for portion of unutilised amount i.e. 65,000/- penal interest @2% from the date of drawal to date of refund will be charged. <p style="text-align: center;">(Authority - TR 17A 2(a) & 3(a))</p>
	(b)	Sqd.Ldr. Verma claimed advance of Rs. 55000 in March 2018 for journey of his family from Delhi to Chennai under TR 177B. His family completed journey in April 2018. He submitted his claim in December 2018. <p style="text-align: right;">(3 Marks)</p>
	Ans.	Claim not submitted within period of one month of completion of journey, therefore complete amount ie 55,000/- to be recovered in LUMP SUM in June 2018, in addition penal interest @2%from the date of drawal to date of refund (Mar to Jun) on complete amount will be charged. <p style="text-align: center;">[Authority - 17A 2(c)&3(a)(b)]</p>
	(c)	Ft. Lt. S. Kumar is serving in Air HQ New Delhi. He was detailed for one month flying simulator training at Ambala. He claimed Rs. 35000 as an advance. On the day of his return from training his POR was published but he was detailed for an operation in Jammu and Kashmir where he remained engaged for three months. On his return to Delhi after performing his operational duty he submitted his adjustment claim for his temporary duty to Ambala within a week for Rs 37000. <p style="text-align: right;">(4 Marks)</p>
	Ans.	Charging of penal interest can be waived by Controlling Officer due to service exigencies. <p style="text-align: center;">[Authority - 17A 2(b)&3(a)(b)]</p>

Q.2		Comment on following entitlements with authorities:
	(a)	Sqd. Ldr. Nanda permanent commissioned officer has one daughter aged 13 years, and one son aged 10 years. She decided to adopt six months old male baby from an orphanage by following all legal formalities. She has applied for child adoption leave. (2 Marks)
	Ans.	Child Adoption Leave is not entitled as she already has two surviving children. [Authority - Leave Rules for the Services Vol III- Indian Air Force 29 (a)]
	(b)	Wing Commander Lata has been sanctioned Child Care Leave (CCL) for 60 days. During the leave period she decided to visit her ailing parents and applied to avail advance under TR 177B. (2 Marks)
	Ans.	LTC cannot be availed during CCL. [Authority - Leave Rule 28(m)]
	(c)	Airman Sajid was granted 20 days of annual leave to visit his village in Srinagar (J&K). On the previous day of his return journey there were incessant rains in the valley resulting in floods. All communication lines were disrupted and roads were closed. Sajid has to stay back to help his family to reconstruct their house. He reported to his unit after 80 days of leave. He had 60 days of annual leave to his credit. How will his leave be regularised? (3 Marks)
	Ans.	Airman was granted 20 days leave whereas he availed 80 days leave which amounts to overstay of leave. Only 60 days leave is available to his credit which means 20 days leave is short. He overstayed 60 days. HQ Command / Air HQ are the competent authority to regularise his leave. The period of overstay up to 40 days will be adjusted against the balance of annual / accumulated annual leave and balance up to 15 days will be treated as special leave with full pay and allowance, the remaining 5 days will be adjusted against the next year's annual leave entitlement. [Authority - Rule 36(b) (ii) Leave Rules for the services volume III – Indian Air Force.]

	(d)	Air Commodore Sharma desires to pursue study on Management (Human Resource) from University of Japan. What will be his entitlement? (3 Marks)
	Ans.	Not entitled being an academic course and available in India. [Auth: Leave Rules for the services volume III – Indian Air Force14 (c)]
Q.3		Answer the following:
	(a)	An officer got commissioned in May 2011 with two years of ante-date seniority being technical graduate. The officer after completion of five years of service pleaded for payment of Pay for the period of ante-date seniority (two years). How will his request be dealt with? (2 Marks)
	Ans.	The pay of an officer on first commission shall commence from the date on which he is commissioned, as notified in Gazette of India, any Ante- date of seniority will be disregarded for the purpose of payment of pay. [Authority - Pay & Allowances Regulations for Indian Air Force- Rule 7]
	(b)	An officer has opted for 1st January of the year as his date of increment. However, the officer was on annual leave from 25th December to 15th January of that year. Whether the increment will be effective from 1st Jan? (2 Marks)
	Ans.	Yes, an increment of pay will be given effect to from the date it falls due, irrespective of whether an officer is on duty or on leave. [Authority - Pay & Allowances Regulations for Indian Air Force- Rule 47]
	(c)	Group Captain Ajit, was caught by enemy forces and declared Prisoner of War. He was held in captivity for two months. How will his pay be regulated, if he was holding a paid acting rank of Group Captain and was in the receipt of separation allowance at the time of capture? (3 Marks)
	Ans.	An officer who has reported prisoner of War will be entitled to receive full pay and allowances appropriate to his rank (including paid acting rank). Separation allowance, if in issue prior to capture will also be paid. [Authority - Pay & Allowances Regulations for Indian Air Force- Rule 64]

	(d)	<p>Wing Commander Rohit has been ordered by his Commanding Officer to proceed with the team for salvage of a helicopter which crashed in the open land of the nearby village. He has to take help of the local people, conveyance, and do some miscellaneous nature of purchases to accomplish this task. What are the provisions available to handle such situation? (3 Marks)</p>
	Ans.	<p>Competent Authority (Commanding Officer) may authorise him to draw an advance of cash, subject to the maximum limits prescribed under rules to enable him to meet the cost of local purchases, hire labour, conveyance and such other expenses as may be necessary for service purposes for which immediate payment in cash on the spot are necessary. On return the officer has to hand over unexpended cash balances along with vouchers and receipts to the Imprest holder or to the accountant who will account for the transactions in the public fund account.</p> <p style="text-align: center;">[Auth: Pay Allowance Regulations for the Indian Air Force- Rule 479]</p>
Q.4		<p>Comment on the following:</p>
	(a)	<p>Wing Commander Amit, is posted at AHQ New Delhi. He has received transfer orders to Airforce unit at Ambala. Before he joins his new unit at Ambala, he proceeded on 15 days annual leave with the consent of the Commandant of his new unit. What would be his entitlement of allowances during his leave period? (2 Marks)</p>
	Ans.	<p>He shall be taken on proforma strength of his new unit and regarded as having proceeded on leave from the new appointment. Hence, he will be paid allowances applicable to new unit (Ambala).</p> <p style="text-align: center;">[Auth: - Pay & Allowances Regulations for Indian Air Force- Rule 211]</p>
	(b)	<p>Airman Joseph was posted to Airforce station Hakimpeth. He absented himself without leave. He was declared a deserter. After two years of absence, he reports back to the unit. How his qualifying service would be determined for the purpose of grant of pay? (3 Marks)</p>
	Ans.	<p>Services rendered prior to desertion stands forfeited and will not be treated as qualifying service for purposes of future increment of pay unless the same is restored on completion of three years of further service as exemplary conduct.</p> <p style="text-align: center;">[Auth: Pay & Allowances Regulations for Indian Air Force- Rule 235]</p>

	(c)	Warrant Officer Aditya along with 10 airmen were residing together in an accommodation which caught fire due to an insurgency attack. Court of Inquiry (C of I) established that that the fire was not due to negligence of anyone. How will the compensation for the loss of the following items will be regularised/paid? <p style="text-align: right;">(5 Marks)</p>
	(i)	Personal clothing of airmen <p style="text-align: right;">(1 Mark)</p>
	Ans.	Yes admissible. [Auth: Pay & Allowances Regulations for Indian Air Force- Rule 419 A (d)]
	(ii)	Free Clothing issued to airmen <p style="text-align: right;">(1 Mark)</p>
	Ans.	Yes will be replaced. [Auth: Pay & Allowances Regulations for Indian Air Force- Rule 419 A (c)]
	(iii)	Equipment belonging to Airforce unit <p style="text-align: right;">(1 Mark)</p>
	Ans.	Not admissible. [Auth: Pay & Allowances Regulations for Indian Air Force-Rule 426]
	(iv)	Personal clothing of Warrant Officer Aditya <p style="text-align: right;">(1 Mark)</p>
	Ans.	Admissible. [Auth: Pay & Allowances Regulations for Indian Air Force- Rule 419 (a)(i)]
	(v)	Personal article of airmen which were partially damaged and repairable <p style="text-align: right;">(1 Mark)</p>
	Ans.	Not admissible. [Auth: Pay & Allowances Regulations for Indian Air Force- Rule 422 (a) & (b)]

5.		Write short notes on the following in relation to 7th CPC recommendations.
	(a)	Exercise of option under Pay Rules (3 Marks)
	Ans.	<p>Each serving personnel has to exercise an option under the provisions of the pay rules for fixation of pay. The option has to be exercised in writing on a prescribed form within the stipulated time frame. Option is required to be exercised each time pay fixation is affected for example fixation of pay in the revised pay structure (implementation of 7th CPC), or/and at the time of promotion of the individual. Individual has to opt for the date for fixation of pay such as from the date of promotion or from the date of increment. Option once exercised is final.</p> <p style="text-align: center;">[Auth: Para-6 of Government of India -Ministry of Defence Notification dated 3rd May 2017]</p>
	(b)	Stepping up of pay (3 Marks)
	Ans.	<p>In cases where a senior officer promoted to a higher rank before say 1st Jan 2016, draws less pay in the pay matrix in the revised structure than his junior who is promoted to a higher rank on or after 1st January 2016, the pay of the senior officer should be stepped up to an amount equal to the pay as fixed for his junior in that rank. The stepping up should be done from the date from which the promotion of the junior has been affected subject to conditions as stipulated in the relevant Government Order.</p> <p style="text-align: center;">[Auth: Pay & Allowances Regulations for Indian Air Force Rule 48-B and Para-7 (8) (i) of Government of India -Ministry of Defence Notification dated 3rd May 2017]</p>

	(c)	Methodology of pay fixation under the following situation: a person who is serving in Pay band – 2 under 6th CPC having existing Grade pay Rs 4600 and existing pay Rs. 20300. (4 Marks)
	Ans.	<ol style="list-style-type: none"> 1. Existing Pay Band : PB-2 2. Existing Grade Pay : 4600 3. Existing Pay : 20300 4. Existing Basic Pay [(2) +(3)=(4)] : 4600 + 20300 = 24900 5. Pay after multiplication by a fitment factor of 2.57 [(4) x 2.57] : 63993 6. Level corresponding to Grade Pay 4600 (PB-2) : Level 7 7. Revised Pay in Pay Matrix (either equal to or next higher to 63993 in Level 7) : 64100 8. Revised Pay in Pay Matrix : 64100 <p style="text-align: center;">Revised pay -Rs 64100</p> <p style="text-align: center;">[Authority – Para 7 of Government of India -Ministry of Defence Notification dated 3rd May 2017]</p>
6.		Write a short note on the following:
	(a)	Composite Personnel Maintenance Allowance (CPMA): Airmen (3 Marks)
	Ans.	<p>CPMA is admissible to all airmen/ NCs on fulfilment of the prescribed conditions. It consists of allowances named Hair cutting allowance, Rum allowance, and Soap Toilet allowance.it is also admissible during casual, annual leave, and sick leave but not admissible during sentence period, Absence Without Leave (AWL) and leave pending retirement /discharge.</p> <p style="text-align: center;">[Authority- Pay Allowance Regulations for the Indian Air Force- Rule 278,336 and Ground Rule No 11/2018 dated 20th April 2018]</p>
	(ख)	Hostel subsidy (3 Marks)
	Ans.	<p>Officers and Airmen who have to keep their children in a hostel of a residential school, away from the place of posting are entitled to Hostel Subsidy at the prescribed rate.</p> <p style="text-align: center;">[Auth: Pay Allowance Regulations for the Indian Air Force- Rule- 284B]</p>

	(c)	Risk and Hardship Matrix	(4 Marks)
	Ans.	Based on the approved recommendations of 7 th CPC, various existing Risk and Hardship allowances have now been subsumed in different cells of the new Risk and Hardship Matrix. The matrix is divided into 9 cells, based on Low, Medium and High risk juxtaposed with Low, Medium and High hardship. One extra cell on the top is RH-Max, to include Siachen Allowance as a combination of risk and hardship maximum. However, the allowances are to maintain their names and condition attached with their admissibility (unless otherwise stated). These allowances are to be paid as per rate of the cell under which they have been placed in the Risk and Hardship Matrix.	

RH-Max Level >= 9 : Rs42500pm Level <= 8 : Rs30000pm		HARDSHIP		
		High	Medium	Low
RISK	High	R1H1 Level >= 9:Rs25000pm Level <= 8:Rs17300pm	R1H2 Level >= 9:Rs16900pm Level <= 8:Rs9700pm	R1H3 Level >= 9:Rs5300pm Level <= 8:Rs4100pm
	Medium	R2H1 Level >= 9:Rs16900pm Level <= 8:Rs9700pm	R2H2 Level >= 9:Rs10500pm Level <= 8:Rs6000pm	R2H3 Level >= 9:Rs3400pm Level <= 8:Rs2700pm
	Low	R3H1 Level >= 9:Rs5300pm Level <= 8:Rs4100pm	R3H2 Level >= 9:Rs3400pm Level <= 8:Rs2700pm	R3H3 Level >= 9:Rs1200pm Level <= 8:Rs1000pm

[Auth: Para 3 and Appx 'C' to Recommendations of 7th CPC on
Allowances/Concessions issued vide GoI MoD letter
No.1(16)/2017/D9Pay/Services) dt 18th Sep 2017]

MODEL ANSWERS

भाग III – वैकल्पिक
SECTION III – Optional

उप-भाग (ग) – नौसेना
Sub-Section (C) – Navy

Q.1 A Navy Officer was ashore for 06 days. Is he eligible for hardlying money? To whom is hardlying money payable? What are the rates as per VII CPC?

(10 Marks)

Ans. Hardlying money will not be admissible for the entire month if the qualifying period is less than 8 days in a month.

The Allowance is admissible for the entire period for which an individual is borne in the ships concerned except during the period of

- (a) Leave
- (b) Hospitalization
- (c) Temporary duty
- (d) Refit/Repair of ship when personnel are required to live ashore for the entire period shall not be admissible for the entire month.

The rates as per VII CPC are as follows:

Category	Rate (PM) Rs.
Naval Officers – Full rates	1200
Naval Officers – Half rates	600
Sailors – Full rates	1000
Sailors – Half rates	500

1. (Auth: Regulation 58 and 59 of Pay and Allowances Regulation for Navy 1966)
2. (Auth: Appendix A of GOI MoD letter 1(16)/2017/D(Pay/Services) dated 18 Sept. 2017 promulgated vide IHQ MOD(N)/PDPA letter PA/6313 dated 19 Sept. 2017)

Q.2

An Officer belonging to Aviation Branch who is within the authorised cadre of pilots and observers of the Indian Navy and presently posted to Naval Headquarters was detailed to fly an Indian Airforce aircraft in a year. Is flying pay allowance admissible? What are the conditions for admissibility of flying pay? What are the rates of flying pay as per VII CPV?

(10 Marks)

Ans.

Flying allowance is admissible to officer of the Aviation Branch who have specialized pilots and observers and fall within the authorized cadre of Pilots and Observers. Flying allowance to be stopped on withdrawal from flying cadre.

The flying pay shall be admissible to officers on completion by them of a minimum number of flying hours in service aircraft belonging to the Indian Navy or the Indian Air Force irrespective of the appointments actually held from time to time by the officers entitled.

Officers filling authorized complement billets in or appointed additional to non-operational establishments or units ashore should have 36 flying hours in a year. Non-operational establishments include Naval Headquarters.

Hence, the officer will be entitled to flying pay allowance if he has 36 flying hours in a financial year.

The rates of flying pay allowance are as follows:

Category	Rates poer month (Rs.)
Officers	25000
JCO's/ORs	17300

1. (Auth: Regulation 98 and 99 of Pay and Allowances Regulation for Navy 1966)
2. (Auth: Appendix A of GOI MoD letter 1(16)/2017/D(Pay/Services) dated 18 Sept. 2017 promulgated vide IHQ MOD(N)/PDPA letter PA/6313 dated 19 Sept. 2017)

Q.3.	(a)	<p>An Officer went on annual leave from 1 Jan 2019 to 20 Jan 2019. He overstayed his leave upto 2 Feb 2019. He wanted his leave to be regularized citing natural calamity and erosion of roads and termination of all modes of transport. Who is the CFA to regularise the leave?</p> <p style="text-align: right;">(5 Marks)</p>
	Ans.	<p>If an officer is compelled to overstay his leave due to natural calamities like floods, earthquakes or landslides, the overstay upto 30 days in excess of the maximum leave admissible may be regularised by Naval Headquarters at their discretion by adjustment against his future annual leave entitlement or furlough as may be considered appropriate.</p> <p style="text-align: center;">(Auth: Rule 8(C) of Leave Rules for the Services Vol-II Navy)</p>
	(b)	<p>Mr. X, an apprentice artificer, has been in service in the Navy for 5 months and has applied for annual leave. Comment.</p> <p style="text-align: right;">(5 Marks)</p>
	Ans.	<p>The grant of annual leave shall be subject to the condition that the individual has rendered at least six months service. This limit of six months may be relaxed at the discretion of the commanding officer, to suit training requirements.</p> <p>Tence Mr. X is not eligible for annual leave with only 5 months service which may be relaxed at the discretion of the Commanding Officer.</p> <p style="text-align: center;">(Auth: Rule 41(3) of Leave Rules for the Services Vol-II Navy)</p>

Q.4	<p>Mr. Y was promoted as Captain on 15 Feb 2019. He performed a temporary duty(TD) on 20 Feb 2019 and submitted the TD claim in the rank of Captain on 10 March 2019. However, he was reverted to the previous rank with retrospective effect which was notified on 1 March 2019. How will the claim be admitted in audit?</p> <p style="text-align: right;">(10 Marks)</p>
Ans.	<p>The travelling allowance of an individual who is promoted/granted increased rate of pay (including annual increment)/reverted with retrospective effect should not be revised in respect of the period intervening between the date of promotion/grant of increased rate of pay (including annual increment)/reversion and that on which it is notified except when the notification implies a change of duties. In the case of all travelling allowance claims audited before the notification appears, the audit authorities should be guided by the facts known officially at the time but in case of travelling allowance claims not presented or audited before the promotion/grant of increased rate of pay (including annual increment)/reversion is notified, audit authorities will recognise the retrospective effect of notification.</p> <p>In this case, the claim has been preferred after the notification of reversion on 1 March 2019. Hence the claim cannot be admitted in the rank of Captain.</p> <p style="text-align: center;">(Auth: Reg. 14 of Travel Regulations)</p>
Q.5	<p>A sailor, who was due for annual increment on 1 July 2018, went on annual leave during the period 26 June 2018 to 25 July 2018. Annual increment was found to have been granted on the due date and the same was objected in audit stating that he does not qualify for the grant of increment since he was on Annual leave. Comment?</p> <p style="text-align: right;">(10 Marks)</p>
Ans.	<p>An increment of pay shall be given effect to from the first of the month in which it falls due whether the officer is on duty or on leave (including leave pending retirement).</p> <p style="text-align: center;">(Auth: Reg 19(2) of Pay and Allowances Regulation for Navy 1966)</p>

Q.6	<p>An officer performed journey on LTC which entails journey by roads, approximately 50 kms. to his home town. While preferring the claim he has claimed RMS as taxi charges as he would be entitled during temporary duty. Can RMA be admitted in Audit?</p> <p style="text-align: right;">(10 Marks)</p>
Ans.	<p>No. The RMA cannot be admitted in audit. As per clarifications No.15 of DOP&T OM No.31011/8/98-Estt(A) dated 31-03-1999 incidental expenditure incurred on local journeys between residence/place of stay and the Airport/Railway station/ bus terminal are not reimbursable.</p> <p style="text-align: center;">(Auth: CGDA No. AT/IV/4458/XIV/6th - CPC dated 04.03.2009)</p>

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MODEL ANSWERS

SECTION III – Optional

Sub-Section (D) – Factory

- Q.1** (a) Calculate the Cost of Production of item as well as closing work-in-progress from the following transactions:- (5 Marks)
- | | | | |
|--------|-------------------------------------|---|----------------|
| (i) | Ordered Quantity | : | 1000 Nos. |
| (ii) | Completed Quantity | : | 600 Nos |
| (iii) | SMH required for 1 No of Production | : | 50 Hrs. |
| (iv) | SMH discharged till date | : | 37500 Hrs. |
| (v) | Rate of labour per SMH | : | Rs.180 per hr. |
| (vi) | VOH | : | Rs.200 per hr. |
| (vii) | FOH | : | Rs.350 per hr. |
| (viii) | Material per No. | : | Rs.60000/- |
| (ix) | Material Booked | : | Rs.60000000/- |

Ans.

Cost of Production :-

	Labour	Material	VOH	FOH	Total
Expenditure Booked	37500 hrs @Rs.180/hr =Rs.6750000	Rs.60000000	37500 hrs @Rs.200/hr =Rs.7500000	37500 hrs @Rs.350/hr =Rs.13125000	Rs.87375000
COP for 600 Nos	600 Nos x 50 hrs x 180/hr =Rs.5400000	600 Nos x 60,000 =Rs.36000000	600 Nos x 50 hrs x 200/hr =Rs.6000000	600 Nos x 50 hrs x 350/hr =Rs.10500000	Rs.57900000
WIP	Rs.1350000	Rs.24000000	Rs.1500000	Rs.2625000	Rs.29475000

Cost of Production of 600 Nos. = Rs.57900000

Work in Progress (Closing) = Rs.29475000

[Auth: Para 628 & 629 of OM Part VI]

	(b)	How pricing of Issue from Production being done for issue to other factories? (3 Marks)
	Ans.	<p>Issues to other factories where rate has been fixed by OFB, Kolkata the same rate should be adopted for pricing issues to other Ordnance factories and Ordnance Equipment Factories.</p> <p>Where rates are not fixed by OFB, Kolkata these should be priced at actual Cost of Production as shown in the Cost Cards. When actual costs were not available, issue vouchers should be priced at the estimated rates.</p> <p style="text-align: center;">[Auth: Para 670(2) of OM Part VI]</p>
	(c)	What is an extract? (2 Marks)
	Ans.	<p>An extract is the authority for the manufacture of an article in a factory. It is issued by the OFB to enable the factory to undertake manufacture in respect of all outturn work orders and certain indirect service work orders. One extract is placed for one work order i.e. for one kind of article only.</p> <p style="text-align: center;">[Auth: Para 604 of OM Part VI]</p>
Q.2	(a)	What is Store Holder Inability Sheets? What does it shows? (2 Marks)
	Ans.	<p>Store Holders inability sheet is a document on which the Store Holder represents his inability to supply a store, when the stock has gone below a predetermined fixed limit, so that arrangements may be made for replenishment.</p> <p>It shows Stock in hand, dues, Work in Progress, average consumption, liabilities as on date and requirements to meet liabilities.</p> <p style="text-align: center;">[Auth: Para 349 of OM Part VI]</p>
	(b)	What are the different systems of tendering adopted in Ordnance Factories? (2 Marks)
	Ans.	<p>The systems of tendering adopted are :-</p> <ul style="list-style-type: none"> (i) Open tender by advertisement. (ii) Limited tender (iii) Single tender (iv) Single Known Source (SKS)/ Proprietary Article Certificate (PAC) <p style="text-align: center;">[Auth: Para 359 of OM Part VI]</p>

	(c)	When no Tender Purchase Committee is necessary?	(2 Marks)
	Ans.	<p>No Tender Purchase Committee is necessary for the following:-</p> <ul style="list-style-type: none"> (i) For purchase of canalized items, where both the price and source of supply are determined by Govt. and Semi Govt. Agencies. (ii) For purchase of stores, Sub Assemblies, Components etc. from Collaborators under collaboration Agencies. <p style="text-align: center;">[Auth: Para 365 of OM Part VI]</p>	
	(d)	How materials handled in a factory can be classified?	(2 Marks)
	Ans.	<p>Materials handled in a factory can be classified as</p> <ul style="list-style-type: none"> (i) Materials on "Stores Charge" (ii) Materials on "Production Charge" (iii) Stock Pile Items (iv) Inventory Items. <p style="text-align: center;">[Auth: Para 332 of OM Part VI]</p>	
	(e)	What is stock pile item? Under what type of grant of the factory, Stock Pile items are Purchased?	(2 Marks)
	Ans.	<p>Stock Pile items are strategic item of stores which are very difficult to procure. Reserve of such stores is built up separately in order to meet the demand of production in case of failure of supplies.</p> <p>The purchase of Stock Pile Items is made from the Capital Grant of the factory.</p> <p style="text-align: center;">[Auth: Para 337 of OM Part VI]</p>	
Q.3	(a)	What is 'Guarantee Pay' ?	(2 Marks)
	Ans.	<p>Guarantee pay is admissible to Piece Workers when their piece work earning during the wage period falls below the actual basic time wages applicable for that period. It may also be stated in other words that payment of the element of Guarantee Pay becomes necessary when Output hours generated by a piece worker by his actual production performance becomes less than the input hours for which he remained engaged in production. In such cases where input hour is higher than the output hour the profit percentage will be minus percentage resulting generation of minus(-) profit indicating a below par performance and that amount of minus (-) profit (loss) is termed as "Guarantee Pay".</p> <p style="text-align: center;">[Auth: Para 154 of OM Part VI]</p>	

	(b)	What are the conditions for grant of Idle Time?	(2 Marks)
	Ans.	<p>Conditions for grant of Idle Time:-</p> <ul style="list-style-type: none"> (i) High atmospheric humidity hindering certain operations in explosive factories or Unfavourable weather conditions hindering specialized optical work depending on sunlight. (ii) Plants, furnace and transport breakdowns, inspection and repairs. (iii) Temporary shortage of material (iv) Failure of power supply (v) Temporary shortage of work in highly specialized sections such as instrument repair and optical sections. <p style="text-align: center;">[Auth: Para 160 of OM Part VI]</p>	
	(c)	What are the grades of artisan cadre of the industrial workers? And what will be the combination of sanctioned post of the grades?	(2 Marks)
	Ans.	<p>As per GOI, ModNo.11 (5)/2009D (civ-1) dated 14.06.2010 (Annexure –I) the artisan cadre of the industrial workers have been classified w.e.f. 01.01.2016 into four grades viz, Skilled, Highly Skilled Grade II, Highly Skilled Grade I and Master Craftsman. As per GOI, MoD letter dated 14.06.2010, 45% of the sanctioned post in artisan cadre may be granted the grade of skilled workers, 25% of the remaining 55% may be granted the grade of Master Craftsman and the remaining posts may be divided in the ratio of 50:50 as Highly skilled worker grade –II and Highly Skilled Worker grade-I.</p> <p style="text-align: center;">[Auth: Para 480 of OM Part VI]</p>	
	(d)	What is 'Saturday Bonus'?	(2 Marks)
	Ans.	<p>The total normal working hours in a week in the Ordnance and Ordnance Equipment Factories have, however, been fixed at 44 $\frac{3}{4}$ hours excluding intervals for recess. The difference of 3 $\frac{1}{4}$ hours i.e., complement of 48 hours is viewed as 'Saturday Bonus' due to the fact that the workers in Ordnance and Ordnance Equipment factories become entitled to full payment of 48 hours by working for 44 $\frac{3}{4}$ hours in a week and if such a worker actually works for 48 hours in a week becomes entitled for extra payment in the form of Departmental OT for the 3 $\frac{1}{4}$ hours, if he is a Day worker or extra P W earnings, if he is a piece worker.</p> <p style="text-align: center;">[Auth: Para 120 of OM Part VI]</p>	

	(e)	State the formula for calculation of Piece Work Earning?	(2 Marks)
	Ans.	<p>Piece Work Earning is calculated as :-</p> <p>Notional Time Wages (NTW) = $P/(N-S) \times \text{Attendance} = P/200 \times \text{Total OT Hrs.}$</p> <p>(P= Minimum of Pay Scale as per 5th CPC)</p> <p>(N= No. of days in a month)</p> <p>(S= Sundays)</p> <p>Piece Work Earning = $\text{NTW} + \text{NTW} \times \text{Profit\%}$</p> <p>Profit Percentage = $[(1.25 \times \text{Output Hrs}/\text{Input Hours}) - 1] \times 100$</p> <p style="text-align: center;">[Auth: Para 149 of OM Part VI]</p>	
Q.4	(a)	A retired civilian Govt servant applies for travelling allowances for undertaking journeys to out stations for perusal of official documents in preparation of his defence against disciplinary proceedings instituted against him. Comment on his entitlement and how the claim is to be regulated.	(7 Marks)
	Ans.	<p>In preparation of his defence, against disciplinary proceeding, a retired civilian Govt servant may be allowed to TA as on tour, including DA for halts restricted to a maximum of 03 days only for undertaking journeys to out stations for perusal of official documents in preparation of his defence against disciplinary proceedings instituted against him.</p> <p>TA claim in such case will be restricted to:</p> <ol style="list-style-type: none"> 1. One to and fro rail fare, in respect of one such case, by the class to which the retired govt servant is entitled immediately prior to his retirement. 2. By the shortest route between the place of residence/declared place of residence upto which retirement TA has been availed of/place from where the journey actually performed and the place where the documents are kept, whichever is less. 3. DA admissible for the halt subject to a maximum of 03 days. 4. The grant of TA is subject to the condition that the Inquiry Officer certifies that the official records to be consulted are relevant and essential for preparation of defence statement <p style="text-align: center;">(Auth: Rule 134-A of Travel Regulation, 2014 edition)</p>	

	(b)	<p>A state govt. employee is called to give evidence as an witness in a departmental enquiry held by a central govt. Department. Please comment on the entitlement of his travel expenses.</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>Where the witness is a State Govt. servant, he shall be entitled to receive in respect of the attendance before the authority holding the Departmental enquiry from the State Govt such TA and/or DA, as may be admissible to him under the rules applicable to him in that behalf in respect of a journey undertaken on TD and the amount so paid shall be paid by the Central Govt to the State Govt who shall raise a debit in respect thereof against the central govt.</p> <p style="text-align: center;">[Auth: Rule 133(d)(1)(iii) of Travel Regulation, 2014 edition]</p>
Q.5	(a)	<p>To which category of Industrial employee the calculation of Leave Wages under Factories Act (Section 80) is permissible? How is the leave wages under Factories Act calculated?</p> <p style="text-align: right;">(4 Marks)</p>
	Ans.	<p>Calculation of leave wages under Factories Act (Section 80) is permissible only in the case of Earned Leave or Annual Leave, granted to the industrial employees who are guided under Factories Act for the purpose Earned Leave entitlement.</p> <p>For calculation of leave pay under Factories Act, Pay and profit for the month immediately preceding the availed leave should be taken with reference to Section 80 of the Factories Act which stipulates that a worker granted leave under Section 78 or section 79 of the Factories Act shall be paid leave wages at a rate equal to the daily average of his total full time earnings for the days on which he actually worked during the month immediately preceding his leave exclusive of any overtime and bonus but inclusive of dearness allowance and cash equivalents of other benefits.</p> <p style="text-align: center;">[Auth: Para 182 of OM Part VI, Vol-I]</p>

	(b)	<p>A piece worker has availed 06 days EL during the month of March. From the following data calculate his profit on EL:-</p> <p style="text-align: center;">PW profit during the month of February: Rs.1472</p> <p style="text-align: center;">Duty days in February: 21</p> <p style="text-align: center;">OT hrs = 47</p> <p style="text-align: center;">Late in Minutes = 12</p> <p style="text-align: right;">(6 Marks)</p>
	Ans.	<p>A piece worker has availed 06 days EL during the month of March. From the following data calculate his profit on EL:-</p> <p style="text-align: center;">PW profit during the month of February: Rs. 1472</p> <p style="text-align: center;">Duty days in February: 21</p> <p style="text-align: center;">OT hrs = 47</p> <p style="text-align: center;">Late in Minutes = 12</p> <p>A. Profit on EL = $\frac{\text{PW Profit of previous month} \times \text{no. of days of EL (Cur. Month)}}{\text{Working days of previous month}}$</p> <p style="text-align: center;">Working days of previous month = Duty days + OT Days</p> $21 + \frac{47 - (12/60)}{8}$ $= 21 + 5.85 = 26.85$ <p style="text-align: center;">Profit on EL = $\frac{1472 \times 6}{26.85} = 328.94$ or 329.00</p> <p style="text-align: center;">Ans. Rs. 329.00</p>
Q.6	(a)	<p>A female industrial employee having three surviving Children applied for Child Adoption Leave for 180 days while adopting a girl of 6 months old. State whether she is entitled for the Leave.</p> <p style="text-align: right;">(3 Marks)</p>
	Ans.	<p>A female Government servant with fewer than two surviving children on valid adoption of a child below the age of one year may be granted Child adoption leave, by an authority competent to grant leave, for a period of 180 days immediately after the date of valid adoption.</p> <p>Since the industrial employee has already three surviving children, she is non entitled for any child adoption leave.</p> <p style="text-align: center;">[Auth: Rule 43-B pf FRSR Part III Leave Rules]</p>

	<p>(b) Mr. Adarsh Bakshi an industrial employee has applied for Children Education Allowance (CEA) Claim for his third child a boy of 12 years. He stated in his claim that his second child a daughter had died of disease on 31.07. 2016. State whether his claim for 2017-18 be admitted. (3 Marks)</p>
<p>Ans.</p>	<p>From 01.09.2008 CEA is admissible for two eldest surviving children only.</p> <p>Hence CEA claim of Mr. Bakshi is admissible for the year 2017-18 for his third Child (2nd Surviving Children).</p> <p>[Auth: Ministry of Personnel, Public Grievance and Pensions Department of Personnel & Training OM No.A-27012/02/2017-Estt (AI) Dated 16th /17th July 2018]</p>
	<p>(c) Which category of Industrial Employees are entitled for Holiday Pay? How many days of paid holiday are admissible to them in a year? How Holiday Pay is calculated? (4 Marks)</p>
<p>Ans.</p>	<p>Piece Workers are entitled for Holiday pay. They are entitled for 16 paid Holidays. Three holidays namely Republic Day, Independence Day and Mahatma Gandhi's Birth Day being National Holidays, are compulsory. The remaining 13 holidays will be determined every year by the local establishments /organizations themselves on the basis of the guidelines issued by the Govt. from time to time.</p> <p>Holiday pay for piece workers is to be calculated based on the formula $(1/N-S) \times \text{Actual Basic Pay}$ where 'N' represents the number of days in a month and 'S' represents the number of Sundays in the month. Holiday pay is paid separately.</p> <p>[Auth: Para 202 of OM Part VI]</p>