



**Pakistan Institute  
of Public Finance Accountants**

# **Model Solutions**

**Military Accounting Procedure  
(Theory & Application)**

**Summer Exam-2023**

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**Summer Exam-2023**  
**Solutions – Military Accounting Procedure (Theory)**

**Q.1. R-28 MA Code-2008**

**Main Divisions of Accounts**

28. The four main divisions of Government accounts shall be:-

- (1) Revenue,
- (2) Capital,
- (3) Debt, and
- (4) Remittance.

The Revenue Division shall deal with the proceeds of taxation and other receipts classed as Revenue and the Expenditure therefrom.

The Capital Division shall deal with expenditure met usually from borrowed funds, such expenditure being incurred with the object either of increasing concrete assets of a material character or of reducing recurring liabilities such as those for future pensions by payment of the capitalized value, and also final receipts of a Capital nature intended to be applied as a set-off to Capital Expenditure.

The Debt Division shall comprise receipts and payments in respect of which Government becomes liable to repay the moneys received or has a claim to recover the amounts paid together with repayments of the former and recoveries of the latter. These receipts and payments are receptively termed as “Deposits” and “Advances” and the various classes thereof are described in Chapter 4 and 5 of this code.

The Remittance Division shall embrace all merely adjusting heads, under which shall appear items in transit between different Account Circles in Pakistan including the Account Department of the Ambassador for Pakistan in United Kingdom as well as the Account Department of the diplomatic representative of the Government of Pakistan in any other foreign country which may hereafter be set up on a regularly organised basis. The initial debits or credits to the heads in this Division will be cleared eventually by corresponding receipts or payments either within the same or in another circle of account

**Total Marks 05**

**Q.2. (R- 46 FR Vol-II)**

**46. *Expenditure Subject to Post or Pre-audit***

a. No expenditure shall be incurred without specific authority. Ordinarily all payments shall be made by Controllers of Accounts; in the case of other Defence Services disbursing officers may pay authorised charges subject to post-audit by the Controller of Accounts concerned but doubtful cases and charges specially prescribed in Annexes A and B shall be submitted for pre-audit. In cases where the necessary sanction to unauthorised expenditure cannot be obtained in time, the officer incurring it shall explain the circumstances to the Controller of Accounts who shall pay the charges provisionally and on the responsibility of the officer incurring it. Sums recovered, as compensation for loss occasioned to Government by the failure or default of a contractor, may be refunded by Defence Services disbursing officers on the authority of the administrative officer concerned. Similarly, amounts remaining unpaid from cheques for payment of establishments which are credited to the imprest of the Military Engineer Services, vide regulations for the Military Engineer Services rule 550 may be withdrawn and paid to persons concerned without pre-audit by the Controller of Accounts.

**Total Marks 05**

**Q.3. (R-59 FR-Vol-II)**

**59. Cash Assignments**

a. Only the under mentioned officers are authorised to have cash assignments (see Financial Regulations, Volume I) in their favour in the treasury or bank, against which they shall operate exclusively by cheques in the prescribed form to be obtained by them from the Controller of Accounts concerned. In all other cases payments are made direct by the Military Accounts department:-



## **Summer Exam-2023**

### **Solutions – Military Accounting Procedure (Theory)**

- (1) Officer commanding remount depots and district remount officers.
- (2) Assistant Directors of Remounts, Veterinary and Farms (Farms Wing).
- (3) Embarkation Commandant, Karachi.
- (4) The Inspector General Training and Evaluation, the Engineer in Chief,

Formation Commanders, the Commandant, Engineer Centre, Commander Corps Engineers, only for the training grants allotted to them (see Chapter - 12 and Annex C) when it is not convenient to arrange for the amounts allotted to be paid into the National Bank of Pakistan or the State Bank of Pakistan to be handled as ordinary current accounts.

- (5) Centre Commandant or Officer Incharge Records.
- (6) MES.
- (7) ISSB

Note: They shall submit the accounts to 'their Controller of Accounts concerned.

b. All ordinary departmental expenditure except pay and allowances of establishments which are paid by the Controller of Accounts after pre-audit will be met from drawals against these assignments. As an exception to this rule both permanent and temporary Government Servants, in BPS 1 and 2, of remount depots and breeding areas may, with the concurrence of the Controller of Accounts concerned, be paid by the officer from cash assignments, subject to post-audit of the charges.

c. Similarly, only authorised advances of pay and allowances shall be paid by the Embarkation Commandant, Karachi, to troops passing through the port of Karachi.

**Total Marks    05**

#### **Q.4. (R-10.1 FAM)**

##### ***Evaluating Financial Audit Results***

By the end of the fieldwork stage the auditors will have completed their audit programmes and documented the results of their work. Part of this work will have involved the identification of monetary errors, compliance with authority violations, internal control deviations, etc. These errors and deviations need to be dealt with during the evaluation phase.

Error evaluation is done in stages. First the auditor reaches a conclusion on the results of each test. Next, the auditor reaches a conclusion on each component. Finally, the auditor reaches a conclusion on the financial statements as a whole.

As described earlier in this Manual, the optimum mix of tests of internal control, analytical procedures and substantive tests of details for one specific financial audit or compliance objective for one component may be totally different than for a different objective or component. Appendix B provides a non-technical discussion on the theory behind the overall error evaluation process – how the auditor can combine different sources of assurance to reach an overall conclusion on the financial statements.

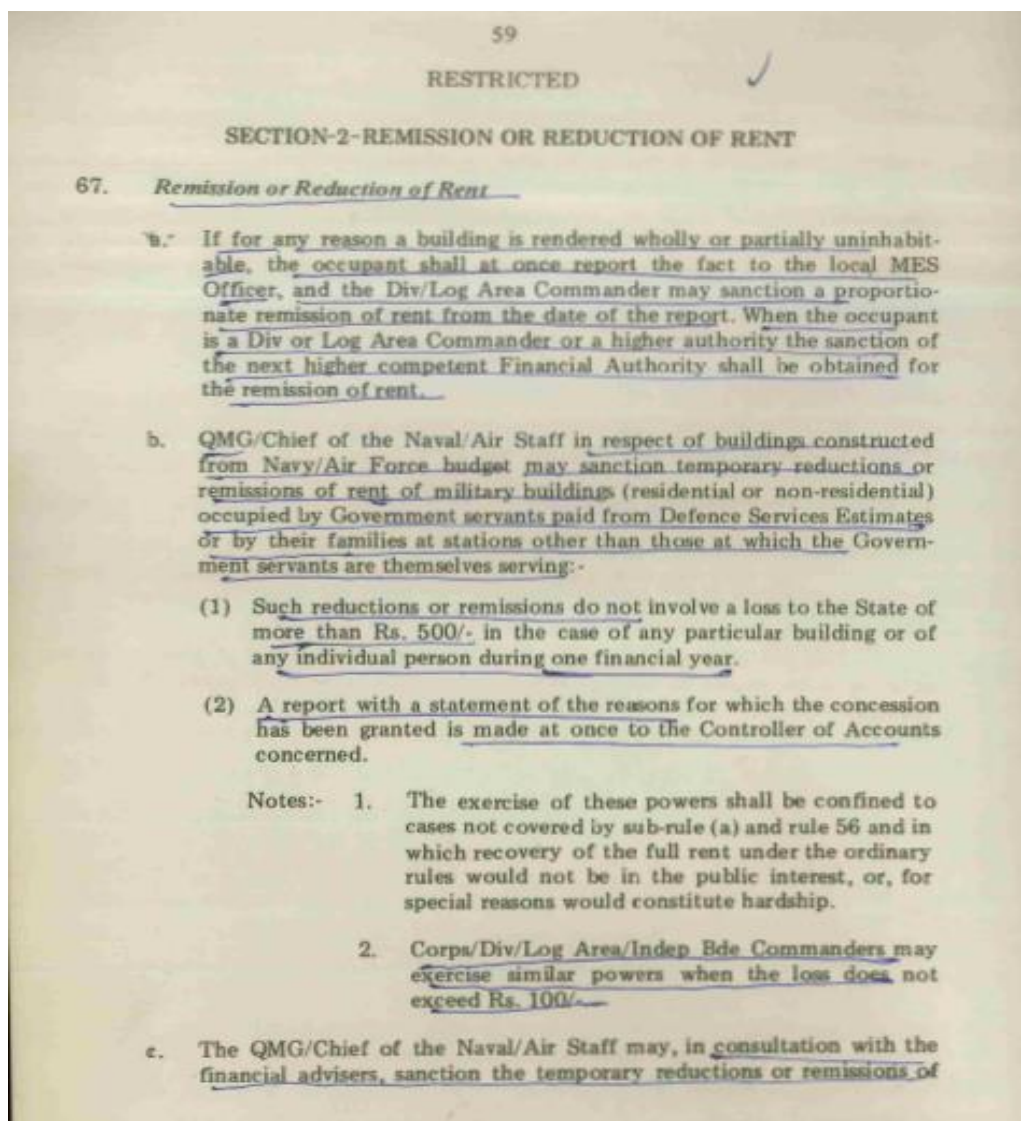
**Total Marks    05**



## Summer Exam-2023

### Solutions – Military Accounting Procedure (Theory)

- Q.5.** (R-67- 9 QUARTERS AND RENTS WITH RATES FOR SUPPLY OF WATER AND ELECTRICITY)





## Summer Exam-2023

### Solutions – Military Accounting Procedure (Theory)

#### RESTRICTED

rent of military buildings, within his jurisdiction, occupied by private individuals or charitable and other institutions:-

- (1) The buildings so occupied are surplus to authorised military requirements and shall be vacated immediately if required for any military purpose.
  - (2) Such reduction or remission does not involve a loss to the State of more than Rs. 250/- in the case of any particular person or institution during one financial year.
  - (3) A report with a statement of the reasons for which the concession has been granted is made at once to the Controller of Accounts concerned.
  - (4) These rules do not apply to Government servants in receipt of pay debitable to the Defence Services Estimates or their families, unauthorised followers paid from regimental funds and other personnel employed in the interest of troops or their families for whom special orders exist under rule 51 and sub-rule (b) above.
- d. Except as herein before provided, all reductions or remissions of rent of military buildings shall required the sanction of the President.

68. *General Principles to be Observed in Sanctioning Reduction or Remission of Rent.* The following general principles shall be observed in sanctioning the reduction or remission of rent:-

- a. For vacant military buildings maintained at the expense of the State, a rent which shall not be less than the cost of maintenance and in the case of buildings not maintained by the State the market rent obtainable in the circumstances of the case, shall be fixed.
- b. A remission of rent in respect of buildings occupied by private individuals, other than those specified in rule 56, particularly if the individuals concerned use the accommodation for purposes of trade and make a profit out of it or otherwise derive some personal advantage therefrom. In such cases the full assessed rental or the market rent, as the case may be, shall be fixed.





## Summer Exam-2023

### Solutions – Military Accounting Procedure (Theory)

61

RESTRICTED

- c. In the case of charitable or educational and other non-military institutions of a like nature e.g. the Boy Scouts, Girl Guides, YMCA and Hillale Ahmar, Child Welfare and Maternity Centres, etc, the normal procedure should be to fix a rent commensurate with the cost of maintenance in the case of maintained buildings, and in the case of non-maintained buildings, the market rental if it is possible or desirable and the deserving cases a nominal rent may be fixed.
  - d. Except in accordance with the above rules all reduction or remission of rent shall require the sanction of the Government.
69. *Applications for Reduction or Remission of Rent.* Applications for reduction or remission of rent shall contain the following particulars duly certified by the Controller of Accounts concerned:—
- a. Capital value of buildings and site (giving reference to Annual Return of Public Military Buildings).
  - b. Average maintenance and other charges (See rule 36).
  - c. Rent according to rules.
  - d. If any portion of the building is used or proposed to be used as an office, stating the area of office accommodation required; area authorised for the purpose, total area of building and rental reduction proposed.
  - e. Rent payable by the occupant, stating his average salary including allowances.
  - f. The market rent for similar accommodation.
  - g. Average rent chargeable under the rules for other Government buildings with similar accommodation.
  - h. Rent proposed and from what date, with reasons upon which the proposal is based. Cases in which reduced rents or rent free quarters have been sanctioned may be reviewed periodically by Corps/Div/Log Area Commanders/Indep Bde and if the concession granted appears for any

**Total Marks    05**

**Q.6.** (R-111 – 112-113 of Military Accounts Code)  
**Classification of transactions under suspense**

111. Items of receipts and Payments which cannot at once be taken to a final head of receipt or charge, owing to lack of information as to their nature or for any other reason, may be adjusted under the most appropriate sub-minor and detailed head of Main Head concerned pending eventual transfer to the proper sub-minor or detailed head on receipt of information from the controlling authorities within a month. No re-adjustment will be admissible thereafter. A service receipt of which full particulars are not given must not be taken to the head "Suspense Account" but should be credited to the minor head "Miscellaneous" under the revenue head to which it appears to belong pending eventual transfer to the credit of the proper head on receipt of detailed particulars. The charges under "Suspense Account" will consist of charges written back on disallowance from Exchange Account which are not susceptible of final adjustment against some other head. The difference between the totals of Daily Payment Sheets and Schedule-III and the difference between closing and pending balance of cash accounts may also be provisionally booked under suspense head by "DM" Section. These items should, however, be linked or re-adjusted to proper heads in the following month positively".

*Note: No sums shall ordinarily be credited to Government by debit to a suspense head; Credit must follow and not precede actual realization.*



## Summer Exam-2023

### Solutions – Military Accounting Procedure (Theory)

112. The clearance of the transactions taken to the Suspense Account except M.E.S. transactions will be watched by means of two broad sheets, one in P.A.F.A.-195 for original debits and adjusting credits, and another in P.A.F.A.525 for original credits and adjusting debits.

*Note1: The balance in respect of the transactions under the head “Suspense Account” to be shown in the “Review of Balances” will be the net balance worked out by taking into account the original and adjusting entries of both debits and credits together; but the explanation of the net balance will show the details of original debits and original credits separately.*

*Note2: The clearance of the Military Engineer Service transactions will be watched by means of a Suspense Register maintained by Accounts Section of a Garrison Engineer’s Office in P.A.F.(C.M.A)258 for each Military Engineer Service Division. The register should exhibit the transactions in respect of initial advanced on account of imprest as well as any permanent addition or reduction amounts thereto, which fall under the head “Suspense Departmental Accounts – Military Cash Balances:.”*

113. As in the case of advances, monthly agreement of the posting in the register will be made with the compilation, and the balance at the end of the year will be reconciled with the Ledger balance.

A monthly agreement between the compiled figures and the postings in the register of suspense account P.A.F.(C.M.A)258 in respect of M.E.S. will be effected by the Unit Accountants attached to Garrison Engineer’s Office to whom one of the two copies of the monthly sectional compilations will be forwarded by “DM” Section.

**Total Marks 05**

**Q.7. (R-424 Military Accounts Code)**

**Adjustment of gain or loss on Exchange.**

424. All Exchange in respect of remittance between Foreign Countries and Pakistan shall be brought to account in the first instance under the deposit head “Exchange on Remittance Account” in the accounts of the Defence services. The gain or loss by exchange on all Revenue and Capital transactions of the Defence Services in the Foreign countries shall be eventually transferred from this head to the appropriate Revenue, Service or Capital heads concerned in the accounts of the Defence Services in the manner described in paragraph 290. These adjustments shall be made monthly by the Defence Accounts Officers concerned on the basis of the average rate of exchange (Paragraph 423).

The balance left under the deposit head after making these adjustments shall be transferred at the end of each year to a separate minor head “Net gain loss by exchange on remittance transactions” under the Major Heads “1222000 - Miscellaneous” as the case may be in the accounts of the Central Government. This final adjustment under the revenue or expenditure head shall be carried out by a closing transfer entry prepared in the office of the Auditor General.

**Total Marks 05**

**Q.8. Annex-J Rule 130 FR Vol 1**

**PROVISION OF HAIRCUTTING AND WASHING SERVICES TO TROOPS**

1. Following procedure will be adopted for the fixation of:-
  - (a) Monthly rates of pay for civilian barbers and dhobies employed by units and formations in lieu of authorised combatants.
  - (b) Per capita rates of haircutting and washing allowance for payment to entitled troops.
  - (c) Contract rates for the provision of these two services.





**Summer Exam-2023**  
**Solutions – Military Accounting Procedure (Theory)**

2. A board of officers, composed as under, will be held in January and July each year (Except Northern Areas and places not falling within the jurisdiction of a Station Headquarters for which see para 9 and 10 below) under the orders of the local OC station to fix the above monthly rates. The board while fixing the contract rates of haircutting allowance will notify the rates for two elements of haircutting and shaving separately:

President: A field officer other than the Station Commander.

Members: A commissioned officer.

The local Audit Officer or his representative.

Note: The bill for haircutting allces will be preferred in the name of barber contractor and will be paid to him. The amount of shaving charges will be claimed by the unit separately and paid to the JCOs1OR concerned under the unit arrangement.

3. The board's recommendations will be based on the rates of pay of civilian barbers and dhoble employed in local civil departments, rates of stores and equipment in local market and similar other local factors which nay influence the availability of these services. The board will, however, make every effort to fix the rates at the most economical basis to the state consistent with the requirement of efficient and smooth provision of these services.
4. The proceedings will then be forwarded to the station commander for approval of the rates recommended and their publication in station orders. The station commander if he is below the rank of a Lt Col will not approve the proceeding if their is a note of dissent from the LAO but forward them to the Formation Commander, as the case may be, for adjudication whose decision shall be final.
5. The rates published in the station orders will be the authority for admitting unit bill by the CMAs

**Total Marks    05**

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**Summer Exam-2023**  
**Solutions – Military Accounting Procedure (Application)**

**Q.1.**

S. No.	Description	Allotment 2022-2 Rs	Expenditure upto 2/2023.	Ave. one month Exp	Req. for 04 months	Add. 08 months +04 requirement
1.	Pay of Officers	25,466,300	22,477,533	2,809,691.625	11,238,766.5	33,716,299.5
2.	Pay of Staff	34,678,000	23,568,667	2,946,083.375	11,784,333.5	35,353,000.5
3.	POI	700,000	591,666	73,958.25	295,833	887,499
4.	Electricity charges	800,000	633,333	79,166.625	316,666.5	949,999.5
5.	Machinery and Equipments	1,253,000	4,585,333	573,166.625	2,292,666.5	6,877,999.5
6	TA/DA	1,300,000	1,016,667	127,083.375	508,333.5	1,525,000.5

To.  
The Military Accountant General,  
Rawalpindi.

**SUBJECT: ALLOCATION OF ADDITIONAL FUNDS OF RS.15,112,498/-**

It is to inform that, CMA Multan was allocated annual budget of Rs. 64,197,300 for the year 2022-23 towards Pay & allowances and contingent expenditure of office. Against which an expenditure of Rs. 52,873,199/- has been booked upto Feb-2023.

Keeping in view the ratio of monthly expenditure, the shortfall of Rs. 15,112,498/- is anticipated by the end of year. The justification for increased expenditure is due to 10% increase in salaries during this year and price hike of material/contingent item due to high inflation in economy.

It is therefore requested that an additional allocation of Rs. 15,112,498/- during the current financial year for smooth running of affairs of this office.

Yours obediently,  
XYZ  
Controller Military Accounts, Multan.

**Total Marks 15**

**Q.2. Rule-75 FR Vol.1**

75. Lapsed Deposits. The following procedure will be followed in regard to the disposal of securities tendered as security deposit by contractors and which are not claimed by the depositors after the termination of the latest contract in connection with which the security was lodged:-

- (a) Cash Security. At the close of each financial year all cash security deposits remaining unclaimed for three years, exclusive of the year of deposits, shall be transferred to-the credit of Government by the Audit officer, who will inform the officer concerned in order that he may make the necessary entries in his security register. Sums so credited shall not be refunded without the sanction of the Controller of Accounts.

**Total Marks 08**



**Summer Exam-2023**  
**Solutions – Military Accounting Procedure (Application)**

**Q.3. (R- 236- MA-Code )**

236. Lapsed Cheques and State Bank of Pakistan Government Drafts:-

Governments Drafts Lapsed at the end of the third year after the year of issue, and cheques at the end of the third month after the month of issue. At the end of these periods, the Treasury Officers concerned shall be asked to state if the Government drafts and Cheques, responding credits in receipt of which are outstanding under Head-II in the absence of original debits from the Civil Department, have been cashed. If the reply of the Treasury Officer is in the affirmative, the Civil Accounts Officers concerned shall be requested to point out the debits. If they have not been cashed the amounts of the Government drafts and cheques, which are outstanding on the 30<sup>th</sup> June of each year and have lapsed, will be transferred to the credit of the Government in the books of the Defence Services by debit to the Civil Department concerned.

Defence Cheques when lapsed will be adjusted in the books of the Defence Services and not those of the Civil Department.

**Total Marks 03**

**Q.4. (R-281-287 MA Code )**

Amount of Foreign Exchange Allocations as intimated by Ministry of Finance (Mily) to meet the payment of pay and allowances/TA and outstation Allowance and Misc: expenses in respect of defence Attaches and their staff abroad shall by intimated by C.M.A.(ISOs) Rawalpindi to A.G.P.R. Islamabad.

282. On receipt of debit of the amount communicated vide para 281 above from A.G.P.R. through Exchange Accounts, the C.M.A (ISOs) Rawalpindi shall respond the same through normal, head of exchange account with A.G.P.R. by debiting to Code Head 0/021/70 "Advances Repayable-Advances Recoverable".

283. C.A.O Ministry of Foreign Affairs shall render a monthly statement of expenditure supported by vouchers to C.M.A (ISOs) Rawalpindi. The statement of expenditure shall be prepared by C.A.O. Ministry of Foreign Affairs Embassy wise for the Defence Services as a whole and not Defence Accounts Office wise.

284. On receipt of statement of Expenditure alongwith supporting vouchers in C.M.A. (ISOs) Rawalpindi, the same shall be checked to see:-

- i. That the vouchers accompanying the expenditure statement correctly pertain to Defence Services.
- ii. That the amount of the vouchers agrees with the amount shown in the expenditure statement.

285. Vouchers so received shall be sorted out, serial numbered & entered in a register to be maintained on the proforma as per Annex 'A' to the Chapter-14.

286. Vouchers after scrutiny shall be classified and adjusted to relevant head of expenditure per contra credit to code head 0/021/70 by CMA ISOs Rawalpindi centrally.

287. Vouchers after adjustment will be sent to Controller's office concerned for post audit & maintenance of accounts. Responsibility of budgetary control will rest with CMA ISOs Rawalpindi.

**Total Marks 10**



## Summer Exam-2023

### Solutions – Military Accounting Procedure (Application)

**Q.5.**  
**a**

#### CHAPTER 8 (Military Accounts Code)

#### DIRECTIONS REGULATING THE EXHIBITION OF LOSSES IN GOVERNMENT ACCOUNTS

##### Introductory

134. The Directions in this Chapter shall regulate the exhibition and adjustment of losses in Government Accounts.

##### Receipts

135. (i) If a claim be relinquished, the value of the claim shall not be accorded on the expenditure side as a specific loss.

(ii) If money due to Government has actually reached a Government servant and is then embezzled, stolen or lost, even though it may not have reached the treasury and thus have passed into the Public Account, it should be brought into the Public Account as a receipt and then shown on the expenditure side by record under a separate head as a loss.

*Note.-1. The term "Government servant" used in clause (ii) of this article includes persons who, though not technically borne on a regular Government establishment, are duly authorised to receive money on behalf of Government.*

2. *Where losses of Public money are wholly or partially by non-issue of Pay or Pension and the Account Department authorisedly applies unissued amount to meet the Public claim, the resultant balance of the claim alone should be treated as a loss, the emoluments due being debited to the pertinent head of account as if they had been drawn and used by the Government servant concerned in paying the public claim.*

##### Cash in hand, whether in treasuries or in departmental charge

137. All losses or deficiencies should be recorded under separate heads in the accounts.

*Note:- 1. The acceptance of counterfeit coins or notes shall be regarded as a loss of cash.*

2. *Any recovery made in the course of the year in which the losses are brought to account shall be shown by deduction from the head under which the loss is recovered. Any recovery made after the accounts of the year are closed shall be shown as an item of receipt*

##### Inevitable Losses

139. Where losses are an inevitable feature of the working of a particular department, the major head of account under which the expenditure of the department is recorded shall contain separate descriptive heads under which such losses may be recorded.

##### Exhibition of losses in Appropriation Accounts

140. The rules relating to the exhibition of losses in the Appropriation Accounts are contained in the instructions given in the Military Audit Code for the preparation of those Accounts.

**Total Marks 10**

**Q.6.** (F.3.34) FAM

**06**

##### ***Protection of the Auditor***

Auditors must have the freedom to carry out audits in a conscientious and thorough manner.

There is an onus on the auditor to carry out the audits in a fair, objective and courteous manner (and comply with the Code of Ethics presented in the Section above). In turn, the auditor expects to receive cooperation and courtesy from those being audited.



## **Summer Exam-2023**

### **Solutions – Military Accounting Procedure (Application)**

Any serious attempts to hinder or impede the conduct of the audit should be brought to the attention of the Audit Manager. Any concern of possible intimidation or threat to the auditor must be taken seriously both by the auditor and the management of DAGP. A formal process should be followed wherever the auditor, or the conduct of the audit, is threatened, or a risk of impedance is perceived. This process involves the following steps:

- Whenever the auditor senses any problems in the conduct of the audit, he/she should ensure that all meetings are held with at least two auditors present and that notes of these meetings are clearly documented;
- The auditor should inform his/her supervisor or Audit Manager in writing of any serious incidents or concerns with specific details of what transpired;
- A course of action is proposed by the Audit Manager, if necessary, in consultation with senior management within DAGP;
- Depending on the seriousness of the situation, and the nature of the problem, one or more of the following courses of action should be implemented:
  - ❖ The Audit Manager raises the issue with the Principal Accounting Officer, or equivalent;
  - ❖ A letter, signed by the Auditor-General or Deputy Auditor-General, is submitted to the Principal Accounting Officer, or equivalent, and/or sent to the Controller General;
  - ❖ The composition of the audit team is changed;
  - ❖ If necessary, after consultation with the Auditor-General, seek a legal opinion or other course of action; and

Whenever an individual auditor is not satisfied with the action taken, they have the right to report their concern to the Assistant Auditor-General, Personnel, a Deputy Auditor-General or the Auditor-General.

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