



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

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

AGP | PMAD

Summer Exam-2025

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Military Accounting Procedure (Theory)

Q.1. Para 19 and 20 Military Accounts Code (MAC)

Combined Finance and Revenue Accounts

The Auditor General consolidates the annual accounts of all Accounts offices in Pakistan as well as the accounts of the transactions effected by its diplomatic representatives abroad, which are booked against the respective heads of account in the accounts rendered by them, into one annual account for the whole of the country. This consolidated annual account which is called the "Combined Finance and Revenue Account of the Government of Pakistan" presents the transactions of the Central Government and Provincial Governments side by side classified under the several major and minor heads of accounts classification, thus incidentally enabling a comparison to be made for statistical or other purposes, of receipts and expenditure of the several Governments pertaining to each branch of Administration or to activities of a similar nature. The portion of the Finance and revenue Accounts relating to the Defence Services is prepared by the Military Accountant General and forwarded to the Auditor General for incorporation in the "Finance and Revenue Accounts".

20. All returns and statements for the Finance and Revenue Accounts must be prepared in the forms prescribed by the Military Accountant General and submitted to reach him by the Ist December each year, and in all matters relating to these accounts the Military Accountant General's instruction should be strictly followed, as it is essential that there should be uniformity in the returns and statements furnished by the several Controllers

Q.2. Rule 47(a,b,c,d) of Financial Regulations(F.R) Volume-I-1986

CHAPTER 4 - BUDGET ESTEAAATES AND ASSIGNMENTS

Budget Estimates

a. Well in advance of the financial year, on the dates and in the form prescribed, the services headquarters shall submit comprehensive budget estimates to the Ministry of Defence. These estimates will be submitted within the framework of the long term Defence Plan so that each annual budget fits into and contributes to objectives of long term planning. The Defence Plan will be continually kept under review so that the framework remains realistic and up to date. The estimates will be as detailed and supported by explanatory memoranda as may be necessary to identify the main items of expenditure to+-enable the Government to examine their justification. In the case of non-recurring expenditure including purchase of stores and capital works, priorities will be indicated in the context of the Defence Plan so that if full requirements cannot be met, the needs are known in order of urgency and importance. In respect of stores proposed purchases by main categories will be presented. Likewise, in respect of capital works necessary lists including residential and non-residential accommodation will be provided as at present. The foreign exchange component of various items included in the budget will be indicated at the same time. The budget estimates will be reviewed by the Government and sponsored in the amount finally approved for presentation to the National Assembly.

b. In the beginning of the financial year, on the basis of the budget demand voted by the National Assembly, Ministry of Defence will make the budget allocations to the three services indicating separately the provision made for non-effective charges, namely, pensionary liabilities, and for non-recurring expenditure including capital works. Similarly, on the basis of the foreign budget approved by the Government, foreign exchange allocation will be made.

c. Main items or categories of expenditure will be finally cleared by the Government after examining their justification so that individual proposals do not have to be referred to the Government during the year. It is contemplated that throughout the year new measures including capital works, additional units or other schemes proposed to be incorporated in the next year's budget would be submitted to the Government for approval so that at the time of budget discussions *ab initio* examination is avoided.

d. In the case of provision of common user items by services, for the others, the actual anticipated expenditure will be worked out by the services concerned and shown in its budget estimates. However, after the budget is sanctioned necessary funds will be transferred from the user services to the service providing common user stores for them.

Q.3. Para 49 Military Accounts Code (MAC)

Cost of Survey of Pakistan and other Scientific parties accompanying a Military expedition

The cost of Survey of Pakistan and other Scientific parties which may accompany a military expedition shall be adjusted as follows:-

- i. All extra expenditure connected with a Survey of Pakistan unit which would not have been incurred but for field operations shall be borne by the Defence Estimates, provided the Survey of Pakistan unit accompanied the expedition at the request of the Defence Department.
- ii. The cost of the pay, allowances, and contingencies of other scientific parties shall be borne by the respective civil departments concerned while the expenditure incurred on special transport arrangements made by the Defence Services shall be debited to the Defence Estimates.

These rules shall not, however, apply to the classification of the cost of the Units of the Survey of Pakistan or of other scientific parties mobilized for service with the Army on general mobilization. The whole cost of these units, except (in the case of Survey of Pakistan) that of the initial supply of all technical equipment, material and stores, shall be debited to the Defence Estimates under special rules.

Q.4. Para 76, 77 Military Accounts Code (MAC)

Lapsed Deposits

At the close of each official year, all deposits remaining unclaimed for three years, exclusive of the year in which the deposits was made and all balances of not more than one rupee in amount, will be transferred to the credit of Government (under 1221000- Defence Services effective Head VII-D. Miscellaneous or A-G---Miscellaneous or Head XI---C---Other miscellaneous) by the Controller in whose books amounts appear, a note of the transfer being made against the entry in the register of deposits. In the case of security deposits the Controller will inform the administrative officer concerned, in order that the latter may make the necessary entries of such transfers in his register. Sums credited to Government as above will not be refunded without the sanction of the Controller.

When application is received for the refund of a lapsed deposit, the register from which the deposit was transferred to the credit of the Government will be consulted to see that the amount has not already been repaid. When the amount is refunded, the number and date of the authority sanctioning the refund, the date of payment, and the disbursement voucher number, will be noted in the register of deposits referred to above (i.e., from which the deposit was transferred to credit of Government) against the item concerned.

Q.5. F.R- Vol-I Rule 48

a. General Rules. Within the limits of budget provision, controllers are authorised to draw cheques on the State Bank of Pakistan and the National Bank of Pakistan at places where the cash business of Government is conducted by that bank or on a Government treasury or sub treasury at any other place in Pakistan. In the case of disbursing officers who are allowed to draw funds by cheques for their own disbursements, assignments of funds are arranged with treasuries. By Controller of Accounts who will forward copies of such assignments, necessary, to the State Bank of Pakistan Or the National Bank of Pakistan, as the case may be. Ordinarily annual estimates of such assignments)are prepared but supplementary assignments are also arranged for by Controllers of Accounts when necessity arises.

As regards the transfer of an assignment from one disbursing officer to another, the necessary funds should be surrendered to the Controller of Accounts by the officer desiring such a transfer. The former will arrange for a supplementary assignment for the requisite amount in favour of the other disbursing officer.

Note: 1. A disbursing officer, who is granted an assignment at a treasury/bank shall, before commencing to draw upon the account forward his specimen signature, duly attested by the senior officer of the Headquarters to which he is attached, to the Treasury/bank. The disbursing officer shall only commence to operate his account on receiving intimation that his signature has been recorded.

2. When assignments on treasuries or the bank are granted 61 in respect of training grants, administered by the formation commander every officer, who draws cheques against such assignments will maintain a pass-book which will be sent periodically to the treasury or the bank to be completed from the register of cheques paid, and always immediately after the close of the month. On the return of the book from the treasury or the bank the formation commander will satisfy himself as to the accuracy of the drawing during the month and of the undrawn balance. b. Payments. Payments are made by treasury officers or the bank against the assignments provided that the disbursements do not exceed the amount for which provision has been made up to that period in the estimates. c. Additional Credit in Emergencies. In case of emergency, disbursing officers in need of funds may obtain an additional credit on a civil treasury or the bank on the authority of an Emergency Cash requisition (Defence Service) but before the Station Commander gives an order for such extra funds, he must satisfy himself of the propriety of the advance for which application is made. The disbursement ordered shall at once be reported to the Controller of Accounts. d. Watch Over Drawings Against Assignments. Every disbursing officer must watch his demands on his own and on the assignments of other officers subordinate to him. Should his drawings appear likely to exceed his credits he will apply on PAFA-213 for a supplementary assignment. e. D-ansfer of Assignment. A disbursing officer may arrange, in communication with the Controller of Accounts for the transfer of his assignment, or any portion thereof, from one treasury or the bank to another. f. Cash Assignments How Obtained and Drawn Against

(1) Every disbursing officer is required to furnish the Controller of Account by the 1st April in each year, with an estimate (PAFA213), of his cash requirements for the ensuing year, showing the amount necessary for each month and the treasury or the bank at which the assignments are required. He will draw against the sum assigned to him exclusively by cheques for which purpose separate cheque books for each treasury or the bank to be drawn upon will be supplied by the Controller of Accounts concerned.

(2) In case of periodically recurring payments which have to be made at stations other than that at which a disbursing officer is located, arrangement for cash assignments on the treasuries or the 62 bank nearest to the stations at which the payments have to be made. Care must be taken that assignments are obtained in all cases where this method is suitable, i.e., where the fact of regular payments having to be made can be foreseen and provided for.

(3) The drawings of any month added to the sums drawn in previous months of the same financial year, must not exceed the amount for which provision has been made up to that period in the annual or supplementary estimate. Any balance unpaid on the last day of the financial year will lapse except as regards cheques drawn before, but paid after the end of the year, the amounts of which will be taken against the balance of the assignment of the year in which the cheques were drawn.

Military Accounting Procedure (Application)

Q.1. Lapsed Deposits

76. At the close of each official year, all deposits remaining unclaimed for three years, exclusive of the year in which the deposits was made and all balances of not more than one rupee in amount, will be transferred to the credit of Government (under 1221000- Defence Services effective Head VII-D. Miscellaneous or A-G---Miscellaneous or Head XI---C---Other miscellaneous) by the Controller in whose books amounts appear, a note of the transfer being made against the entry in the register of deposits. In the case of security deposits the Controller will inform the administrative officer concerned, in order that the latter may make the necessary entries of such transfers in his register. Sums credited to Government as above will not be refunded without the sanction of the Controller.

Q.2. Rule 108-109 MAC-1

Reconciliation of postings in registers and verification of balances

108. The payments made and the recoveries effected during a month on account of advances or loans as recorded in the several registers, will be totaled separately and the totals will be verified with the amounts debited and credited respectively in the monthly consolidated compilation.

109. The balances outstanding at the close of each year in the various registers prescribed for recording the transactions under advances and Loans will be verified annually with the balances shown in the ledger.

Q.3.

	Budget for 2024-25	Actual Expenditure 2024-25	Budget 2025-26
Pay of Officers	150,000,000	149,950,000	179,940,000
Allowances of Officers	83,000,000	82,795,000	99,354,000
Pay of Staff	120,000,000	119,980,000	143,976,000
Allowances of Staff	60,5000,000	60,497,800	72,597,360
Utilities	15,000,000	1,490,000	17,135,000
Purchase of Durable Goods	3,000,000	2,990,000	3,438,500
Others	5,000,000	4,800,000	5,520,000
Total	<u>981,000,000</u>	<u>422,502,800</u>	<u>521,960,860</u>

Q.4. Object of transfer entries

116. Transfer entries, which are entries intended to transfer an item from one head of account to another, are necessary in order:-

- a. To correct an error of classification in the original accounts, or to revise classification provisionally made as a matter of convenience in the first instance;
Note1: Sometimes it may be more convenient to classify items pertaining to several heads of account under a single head of account in the first instance than to classify them under each head of account from the beginning; in such cases transfer entries are necessary to bring the amounts under their proper heads of account.
Note2: Transfer entries should receive the special attention of the section officers so that habitual errors and misclassification in the accounts may not remain un-noticed.
- b. To adjust, by debit or credit to its proper head an item outstanding under a debt, deposit or remittance head.
- c. To adjust, inter-departmental and other transaction which do not involve the receipt or payment of Cash.

General rules

117. Transfer entries should be prepared on (P.A.F.) C.M.A.336. On one side of every transfer entry there should be only one detailed head which may be debited by credit to Sundry heads, or vice versa; debits should not be taken against Sundry heads by credit to Sundry heads. A fortiori, the same entry should not contain independent corrections of two detailed heads, it may not debit A by credit to B, and again C by credit to D.

118. All transfer entry Punching media should set forth such explanation of the correction or adjustment as establishes clearly the nature, correctness, and necessity of the entry.

119. It should be seen that no transfer entry is made in the accounts unless admissible under the rules and transfer entry is made as soon as the necessity for it is discovered. In the case of periodically recurring adjustments, however, a list should be maintained to ensure that they are neither neglected nor postponed; these adjustments as a rule be made monthly, but where this is really inconvenient, they may be postponed till the close of the quarter, though this course is objectionable, and should never be adopted without good and sufficient reason.

120. Save as provided for below or as may be authorised by the Military Accountant General or by Government in consultation with the Military Accountant General half yearly or Annual transfers should as a rule be avoided.

- (i) On account of lapsed cheques, remittance transfer receipts and deposits;
- (ii) On account of interest on Service Funds.

Correction of Accounts:

121. If an item which belongs to a revenue or service head is wrongly classified under another revenue or service head, the error may be corrected at any time before the accounts of the year are closed ; but after the accounts are closed no correction is admissible, it being sufficient to make a suitable note of error against the original entry. No formal transfer is necessary when the amount involved does not exceed Rs. 10. In such cases a note will be made of the error against the original entry. If, however, the error effects the receipt and disbursement of another Government/or the transactions of a commercial department it should be corrected by transfer in all cases as soon as the error is discovered.

122. An error which affects a debt, deposit or remittance head must be corrected by transfer, however old and however small it may be. If the accounts of the year in which the error took place

are not closed, the correction should be made by removing the item from the head under which it was wrongly taken to that to which it properly belongs. If the accounts of the year in which the error took place are closed, then the correction should be made as follows, according to the manner in which the error had occurred.

- (i) an item taken to one debt, deposit or remittance head instead of another, the correction should be made by transfer from the one to the other.
- (ii) an item credited to a debt, deposit or remittance head instead of to a revenue (or service receipt) head, or debited to a debt, deposit or remittance head instead of to a service head, the correction should be made by transfer to the head under which it should originally have appeared.
- (iii) an item credited to a revenue (or service receipt) head instead of to a debt, deposit or remittance head, the correction should be made by crediting the proper head and debiting the service head as a refund of recovery in a previous year.
- (iv) an item debited to a service head instead of to a debt, deposit or remittance head, the correction should be made by debiting the proper head and crediting the service head as recovery of a service charge of a former year.

123. When a transfer entry is made to correct an error under a revenue or service head, the superintendent shall be responsible for seeing that a proper note of the correction is made in the relevant vouchers and the Punching media.

124. Punching media in respect of transfer adjustments up to Rs. 25000 will in general be signed by a selected accountant and those exceeding Rs. 25000 and for rectification of incorrect adjustments, will be approved by the Officer Incharge. The office copies of the Punching media (which are treated as a separate class of voucher and numbered consecutively) should be recorded separately for the purpose of audit and other requirements.

- Q.5.** Different departments and Federal Government and provincial governments clear their receivables and payables periodically through meeting of their representatives. Only book adjustments are taken place to depict true picture of their expenditures against budget appropriations.

Ref: Rule-21 MAC Vol-I

Accounts between different Account Circles

21. All transactions arising in the accounts of Defense Account Officer which are adjustable in the books of Civil Accountant General or another Defense Account Officer, are passed on to the latter for adjustment through the Exchange Accounts. If any such transaction has to be adjusted against the balance of a Provincial Government, the money settlement in respect of it is effected by the Accountant General of the Province to whom the transaction is passed. Civil Account Officers also utilize the medium of Exchange Accounts for passing on Defense Services transactions which are adjustable in the books of a Defense Account Officer.

- Q.6.** Ref: Rule 45 MAC Vol.I
(a)

45. Refunds of revenue shall, as a general rule be taken in reduction of the revenue receipts under the Major Head concerned.

- Q.6.** Ref: Rule 46 MAC Vol.I
(b)

46. The cost of land taken for the Army, Military Engineering Service, Air Force and Navy shall be debited to the Defense Services Estimates under the appropriate main heads of account or project allocation.

- Q.6.** Ref: Rule 48 MAC Vol.I
(c)

48. Taxes both on residential and non-residential buildings owned or occupied by the Defense Services shall be debited to Defense Services Estimates
