



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Store Accounting &
Contract Evaluation
(Application & Theory)**

AGP | PMAD

Summer Exam-2025

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Store Accounting & Contract Evaluation (Theory)

Q.1. Para 192 of O.M Part-III (Stores).

a (B) Audit Procedure

192. In auditing a contractor's bill, the following main points should be observed: -

- (1) That the bills (prepared in ink) and vouchers are in the prescribed forms, are in original, and are prepared by persons authorised to do so.
- (2) That the purchase of stores has been sanctioned by competent authority.
- (3) That the arithmetical calculations are correct, and that the totals are expressed in words as well as in figures.
- (4) That vernacular signatures are transliterated into English and thumb impressions attested by some well-known persons.
- (5) That signatures are in ink.
- (6) That Revenue stamps are affixed for sums in excess of Rs.20/- and are defaced.
- (7) That the supporting vouchers bear an endorsement by the depot or unit concerned as to the month's Account, or the particular return in which the stores have been brought on charge by the officer commanding the Unit or Formation.
- (8) That the rates charged agree with those in the Register of sanctioned tenders. In the case of purchases of stores by units or depots for which no contract has been entered into, the rates agree with those on the supply orders accompanying the bills and that the rates have been certified as being correct. Supply orders (P.A.F.Z.-2135) are endorsed with a certificate by the OI/c supplies to the effect that the purchases have been made at the lowest market rates.
- (9) That the ratio in the supply of fresh items, which may appear in the special conditions of the contract, and may be susceptible of check on the basis of each bill, is adhered to.
- (10) That no supplies have been made after the expiry of the period of a contract.
- (11) That in the case of supplies made by a party or agency other than the person with whom a contract exists the penalties prescribed in the regulations or in the agreement have been executed from the defaulting contractor.
- (12) That in the case of bills for local purchase of stores by an Ordnance Depot or Medical Store Depot, the following documents are furnished in support: --
 - a. A copy of the informal agreement duly sanctioned by the competent authority, if no contract exists for the supply of stores.
 - b. A copy of the inspection notes with a certificate endorsed by the Depot concerned that the stores have been brought on charge.
- (13) That P.A.F.S.-1520 or supply order or inspection note bears the serial number, and further that P.A.F.S.-1520(prepared separately for each unit and each month) has been signed both by the officer receiving the stores and the supplier.
- (14) That the total payments made against a particular contract, do not exceed the amount of contract by more than 5% and where there is an excess, the sanction of CFA is obtained vide Rule 89 F.R. Vol-I 1986. This check will be exercised through the medium of the Income Tax Register.
- (15) That the signatures on the bills and vouchers should agree with those given in the contract deed. In the case of casual suppliers, the signature should be attested by the officer to whom supplies/services were made/rendered.
- (16) When an agent is appointed to carry out the provisions of the contract, a properly executed power of attorney will be necessary before his signatures are accepted in audit on vouchers, bills etc.
- (17) In the case of a firm having two or more partners either all the partners should sign the bill or they should authorise one of them with properly executed power of attorney to execute the contract and sign bills, receipts etc.
- (18) Security deposits as ordered by the authorities sanctioning the contract deed have been deposited within the stipulated time as specified in the tender forms or contract deed.
- (19) The description of the articles billed for should agree with the nomenclature used in the contract deed/informal agreement as well as in the supply order.
- (20) In the case of hospital and spasmodic supplies prior sanction of the CFA is obtained and submitted in support of the claim. The No. and date of such sanction should also be noted on the supply order.
- (21) In the case of risk purchases, risk purchases statement has been immediately submitted to the CMA for effecting recovery and the contractors concerned have been informed accordingly.

- (22) Payment of excise duty will be made when specifically provided for in the contract agreement on submission of the claim duly countersigned and supported by proof of actual payment in original.
- (23) Payment of Sales Tax where so specified in the contract agreement will be made without any further verification.

“A report showing the amount of Sales Tax paid will be rendered to the local Sales Tax authorities half yearly on 10th March and September every year in the following form”:-

S.No.	Name & full address of Contractors	Items of supply	Total amount paid including Sales Tax shown in column-5	Date & amount of Sales Tax paid	Date of payment
1	2	3	4	5	6

Q.2. Rule 49 of PPRA 2004.

49. Arbitration. -

- (1) After coming into force of the procurement contracts, disputes between the parties to the contract shall be settled by arbitration.
- (2) The procuring agencies shall provide for a method of arbitration in the procurement contract, not inconsistent with the laws of Pakistan.

Q.3 Rule 72 of F.R. Vol-I (1986)

72. Forms of Standing Security Deposits

- a. The security taken from a Government officer or a contractor shall be in one of the following forms subject to the conditions noted against each, or partly in one and partly in another of these forms when this is specially permitted by the authority authorized to accept the security:-

Forms	Conditions
(1). Cash	Government will not pay any interest on any deposit held in the form of cash.
(2). Government promissory notes, Municipal debentures or Port trust bonds.	These securities should be accepted at five percent below the market-price or at the face value whichever is less, and should be dealt with in accordance with the rules in Chapter IX of the Government Securities Manual.
(3). Post-Office Savings Bank Pass-Books.	A pass-book for a deposit made under the Post - Office Savings Banks Rules, may be accepted as security, provided that the depositor has signed and delivered to the postmaster a letter in the prescribed form as required by those rules.
(4). Post-Office Cash Certificates, Pakistan Defence Savings	The certificates should be formally transferred to the authority which takes the deposit with the sanction of the Head

Certificates and Pakistan Savings Certificates.

Postmaster and should be accepted at their surrender value at the time of tender.

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| (5) | Deposit receipts of recognized banks approved by Government for the purpose. | (a) The deposit receipt should be made out in the name of the (pledgee or, if it is made out in the name of the pledger, the bank should certify on it that the deposit can be withdrawn only on the demand or with the sanction of the pledgee.
(b) The depositor should agree in writing to undertake any risks involved in the investment.
(c) The bank should agree that on receiving a signed treasury challan and a withdrawal order from the pledgee in respect of the deposit or any part thereof it will at once remit the amount specified into the nearest treasury along with the challan and send the treasury receipt to the pledgee.
(d) The responsibility of the pledgee in connection with the deposit and the interest on it will cease when he issues a final withdrawal order to the depositor and sends an intimation to the bank that he has done so. |
| (6). | Fidelity bonds from tariff insurance security, companies which are approved by the Government. | A fidelity bond may be accepted as from Government officer but not from a private party. |
| (7) | Other form of security specifically approved by Government for acceptance, eg, mortgage on real property, personal security, etc. | Security in any such form may be accepted in accordance with the rules and conditions laid down in the relevant regulations only or by special orders of the Government. |

Notes:

1. Every security deposit whether in cash, Government securities, Provincial and Municipal debentures, Port Trust Bonds, bank deposit receipts or savings bank deposits or otherwise with a Government officer will be recorded in a register in which transactions must be noted at the time of their occurrence. Each depositor will have a separate folio allotted to him and these deposits will be proved annually.
2. When a subordinate who has furnished, a security deposit, is transferred from one office to

another his security should be borne on the register of the office to which he is transferred.

3. Security furnished in cash by Government officer or a contractor may be converted, at the cost of the depositor, into any of the interest-bearing forms of security mentioned in notes (2) to (5) provided: -
 - a. That the depositor has expressly requested in writing that this be done.
 - b. That the acceptance of the new form or forms of security is permissible under the rules and under the terms of the agreement or bond.
4. Subject to any rule or order made by Government in this behalf the form of the security bond, to be executed at the time of furnishing security, should be determined under orders of the Head of the Department according to the kind of security furnished. When a government officer is specially permitted to furnish security partly in one and partly in another or the forms of security specified in this rule he should execute separate bonds for the different kinds of security.
5. Forms for the execution of different security bonds are given in Annex F to this Volume.
 - a. Post office saving bank accounts in respect of security deposits which are, under rule, being completed by monthly deduction from the individuals pay will be lodged in the name of DADMF, ADMF or DDMF concerned and the pass-books will be kept for safe Custody with the DADMF, ADI1F, or DDMF or the Manager of the military farm concerned. When the full amount of security deposit has been completed the pass-book will be returned to the depositor after being inspected as required by rule 78.
 - b. When such securities are to be refunded, a No Demand Certificate (PAFA---451) will be furnished by the DADI1F, ADMF or DDMF concerned after communication with the Controller of Accounts concerned who will testify that no claims are outstanding in his office with regard to the stores held by the individual concerned.

Note: For the form of deposit of cash security from Government servants Annex F to this volume refers.

Q.4. Para 11 (d) of DP-35.

d. Payment of Stores Expended in Tests from Bulk Suppliers.

- (1) If the tests prove satisfactory and the consignment is accepted, the quantity of the stores or materials expended in tests will be accounted for at the Purchaser's expense.
- 2) If the stores or materials fall in tests and the consignment is rejected, the quantity expended in tests will be treated as not having been delivered.

Q.5. Rule 2 (L) of PPRA 2004.

- (1) value for money” means best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, up-grade ability, price, source, and the combination of whole-life cost and quality to meet the procuring agency’s requirements.
- (2) The expressions used but not defined in these rules shall have the same meanings as are assigned to them in the Ordinance.

Q.6. 195 O.M-III (Stores)

195. In auditing bills for hired transport the following additional points will be observed: --

- (1) That the bills are countersigned by the Station Transport Officer.
- (2) That the indents (P.A.F.Z.-2150) bear the indent register number by the transport officer.
- (3) That the officer to whom the stores were consigned or any other person authorised by him has recorded a certificate on the requisition that the transport requisitioned for, was actually supplied.
- (4) That in indents for Animal Transport and Animal Transport Carts for conveyance of stores, etc. or coolies, the number of hours during which they were actually utilized is specified.
- (5) That when loading and unloading of railway wagons is done by a contractor, in addition to the carriage supplied for the conveyance of stores, a certificate signed by a commissioned officer is endorsed on the indent in the following terms: --
- (6) "Consignments booked at vehicle rates, and loading and unloading done by the contractor".
- (7) That the number and date of the Division/L of C Sub Area Brigade or Station Order authorizing the engagement of A.T. and coolies for hired standing transport duties is quoted on the indents.
- (8) That the bills for hired transport for the M.E.S. are verified by the G.E. or the accounting officer concerned and the head of account to which the cost is chargeable is noted on them.,
- (9) That the services have been rendered under the correct clause of the contract Deed.
- (10) That the most favourable clause to Government has been applied in cases where both km/kg and cart rates exist in the contract.
- (11) That the distance for which the km/kg rate is claimed is correct with reference to the distance given in Km/Kg Polymetrical Table or supporting certificate of the G.E. concerned.
- (12) That a reference to the monthly contingent return in which expenditure for dispatch of stores, etc. has been accounted for, has been noted on the indent.
- (13) That bills preferred by contractors for the carriage of passengers and personal baggage on the authority of road warrants are supported by the warrants and that the accommodation charged for is as shown in col. 3 of the warrant.
- (14) Units which are already in receipt of standing duty transport should not normally require additional transport and if in unavoidable cases, additional transport is required, sanction of the CFA should be furnished with the indent.
- (15) In the case of transport utilized for the full month, relevant station order giving the sanction for the same must be quoted in part I of the indent.
- (16) Description of stores conveyed, whether bulky or non-bulky is clearly shown on the indents.
- (17) That the detailed instructions for the preparation of transport indents, their disposal by the S.T.O. & completion of various parts thereof as laid down in Para 144 A.S.C. Regulations are strictly observed by all concerned.
- (18) That indents sent in support of the bills should be conspicuously marked as "Original" either in ink or with rubber stamp over the dated signatures of the officer concerned.
- (19) Statement of duties performed daily by the standing duty transport should be attached with the monthly indents.

Q.7. Rule 41 (b) (1, 2) of FR Vol I 1986

b. Losses of the following stores incurred, under the circumstances and within the percentage detailed in each case, will be treated as unavoidable and written off on an expense voucher but Audit Officer should check and bring to notice any tendency to treat the maximum loss up to the prescribed percentages as a normal one. Losses in excess of the limit will be dealt with under rule 38: -

(1) **1 percent on crushing grains** in Government stock.

(a) Losses in **hygroscopic stores**, e.g., chalk, glue, while in ordnance, charge due to dryage of moisture content upto a maximum of **10 percent**.

(b) Losses due to **dryage Spun Yarn Hemp** imported from overseas countries upto a maximum of **20%**

No discrepancy report will be raised against the suppliers provided there is no shortage in length and the number of coils.

Q.8. Appendix 3- Annex J (2, 7, 3, 12) of F.R vol-II-1986

LIST NO.3

TRAINING AIDS AUTHORIZED TO BE PURCHASED BY FORMATION HEADQUARTERS (NOT BELOW DIVISION HEADQUARTERS)

1. Viewgraph.
2. Slide projector.
3. Epidiascope.
4. Calculators (all types).
5. Training charts.
6. Models of all types of equipment and ammunition.
7. Firing simulators, all types, on approval by Inspector General Training and Evaluation.
8. Firing training aids, including anti-aircraft firing.
9. Transparencies.
10. Voltage stabilizer (for use with machines/gadgets purchased out of annual training grant).
11. Tape recorder.
12. Amplivox (Roving Rostrum).
13. Electric motors -- for use with training aids or gadgets.
14. Transformers (for use with gadgets, machines purchased out of annual training grant).

Store Accounting & Contract Evaluation (Application)

Q.1. It should be seen in the Scrutiny of Contracts that: - 186.

- I. authority exists in regulations for the conclusion of all contracts which are concluded by the administrative authorities. In case there is no such authority, it should be seen that the sanction of the competent authority has been accorded to the contract;
- II. sanction has been accorded by an authority competent to sanction it;
- III. all orders received from Government from time to time are kept in view;
- IV. lowest tender has been accepted and if other than the lowest tender has been accepted reasons have been recorded and they are satisfactory;
- V. price current rates have been obtained from the Civil authorities;
- VI. the selected rates compare favorably with last year's contract rates and the price current rates;
- VII. it is advantageous to split the contract;
- VIII. tenders are issued to all tenders on the list of approved contractors except that higher C.F.A. under take contract on behalf of lower C.F.A.
- IX. the terms of the contract must be precise and definite and there should be no room for ambiguity or misconstruction. The schedules are framed according to instructions contained in regulations and letters from Government and administrative authorities;
- X. no contract involving an uncertain or indefinite liability or any condition of unusual character should be entered into without the previous consent of the competent financial authority;
- XI. normally contracts should be placed only after tenders have been invited and when it is not done Government sanction should be obtained;
- XII. the contract received is complete with all relevant forms (P.A.F.Z.-2137-A, 2120,2124) special conditions etc;
- XIII. the original copy of the contract is duly signed by the contractor, the witnesses and the officer concluding the contract. All amendments, erasures and corrections are signed by both parties to the contract;
- XIV. the rates are clearly written in words and figures;
- XV. the rates accepted are the same as were noted in the comparative statement and have not been tampered with;
- XVI. the duplicate copy agrees with the original contract deed in every respect and is duly attested by the administrative authorities;
- XVII. the amount of security deposit is noted on the schedule and is correctly calculated in accordance with the terms of the contract and the rules laid down in F.R. Vol I, 1986.
- XVIII. if the security is waived sanction of the Quartermaster General is necessary.

Q.2. Rule 40 (a) of F.R. Vol-I (1986)

40. Loss of Public Money a. Procedure

- (1) All losses shall be reported to the Formation Commander or Base Commander PAF who shall arrange for the assembly of a court of inquiry to investigate the loss.
- (2) If the court finds that the loss is not due to theft, fraud or neglect it will be written off by the WA in consultation with his FA.
- (3) If it is decided that the loss is due to theft, fraud or neglect, the WA shall, in consultation with his FA, take action, according to the circumstances of the case, as laid down in rule 38 b.

Q.3 Rule 2(g) of PPRA 2004

(g) "emergency" means natural calamities, disasters, accidents, war and operational emergency which may give rise to abnormal situation requiring prompt and immediate action to limit or avoid damage to person, property or the environment;

Q.4. 215 O.M Part-III (Store)

Rule 136 of F.R. Vol-II (1986).

136. Payment Issue Rates of Fodder and Vegetables

a. Fodder

- (1) Army service corps depots obtaining fodder from the Farms Wing of Remount Veterinary and Farms Corps. The payment issue rates will be the rate noted on the issue vouchers of the Farms Wing of Remount, Veterinary and Farms Corps after incidental charges incurred by the Army Service Corps Depots (including any carting, baling charges) have been added to it.
- (2) Army Service Corps Depots obtaining all fodder by local purchase from contractors. The payment issue rate will be calculated in the same manner in which the rate of other army service corps local purchase articles is calculated.
- (3) Army Service Corps Depots obtaining fodder partly from the Farms Wing of Remount Veterinary and Farms Corps and partly by local purchase from contractors. The payment issue rate of such fodder will be the average rate based on the total quantity of fodder obtained (farm supply plus purchases from contractors) and the total value thereof including incidental expenses.
- (4) Payment issue rate of fodder for each station of supply will be fixed on the above lines by Controllers of Accounts concerned annually and notified (before the 30th June) in Logistic Area Order. The rate so notified will be in operation during the following financial year. To enable them to take necessary action in this respect, officer commanding (Army Service Corps) s, supply depots, will compile a statement of all fodder obtained from the various sources during each year ending the 31 December showing the value thereof and incidental freight and baling charges thereon. This statement will be rendered to the controllers of accounts by the 31st January of the year following that to which it pertains.

b. Vegetables. The last audited production rate of garden concerned plus 10% supervision charges shall be adopted as the payment issue rate with effect from the first day of the month following its publication.

Q.5. Rule 215 (C) Annex M F.R Vol II 1986

Instructions regarding the preparation and submission of Vouchers in support of expenditure from the annual Training grant

1. Bills and vouchers should not, as a rule, be prepared on paper less in size than a quarter sheet of foolscap. The signature to the payment should be written immediately under the words "Received Payment".
2. If any of the payees are illiterate men and cannot sign, a receipt for the amount paid will be made out by a responsible officer attached to the camp, and the individual to whom the payment is made will affix his mark or seal. The disbursing officer shall note in the receipt that the payment has been made in his presence.
3. All the vouchers referred to in this annex must be forwarded in original and numbered consecutively. The amount thus assigned to the vouchers will be quoted in the camp account against the particular entries to which they relate. Duplicates of documents are to be so marked by having the word "Duplicate" written or stamped across them in red ink in a conspicuous manner.

4. Charges on a duplicate voucher or a copy of a voucher may be brought forward if the original is lost on the certificate endorsed in red ink on the back of the duplicate or copy of the officer preferring the claim, that no charge has been or will be brought forward on the original voucher if subsequently found.
5. Amounts claimed by payees must be expressed in their bill or receipt in words as well as figures.
6. The amount-pass (in figures and words), the number and date of the cheque by which payment is made must be clearly entered in red ink on the face of all bills and receipt, if paid in cash the word "Cash" will be entered.
7. Red ink corrections are allowed, when necessary, but they must invariably be initialled. Knife erasures in all account documents and vouchers are strictly prohibited.
8. Bills of contractors, tradesmen, agents and other exceeding Rs.20.00 in value must have a receipt stamp affixed to them. Receipts granted by Government officers in their official capacity for money received on behalf of Government are not required to be stamped.
9. All documents will be signed (not initialled) in handwriting in ink. Stamp signatures are prohibited.
10. The vouchers and information required to support charges have been specified in the list 1 to 4 Annex J.

Annex M

To Rule 215c

Q.6. 19 PPRA

19. Blacklisting of suppliers and contractors.-

The procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and Communicated to the Authority:

Provided that any supplier or contractor who is to be blacklisted shall be accorded adequate opportunity of being heard.

Q.7. SAI Definition & Abbreviation

(i) Embarkation Headquarters.

QMG Branch Organization at the Port which controls the movement of stores and personnel by rail/air/sea from port (both in and out of the country).

(ii) Port Trust.

A quasi-government Organization under Ministry of Communication responsible for receiving all Import, berthing of ships, discharge of cargo and other matters connected with administration at ports.

(iii) Port of Discharge/Port of landing

Port at which stores are unloaded from the ships. Also Called Port of landing.

(iv) Ship Advice and Delivery Notice. (AFW 5175)

A shipping document covering stores in a vessel.
