



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

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

AGP | PMAD

Winter Exam-2023

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Solutions – Military Accounting Procedure (Theory)

Q.1. Military Accounts Code (MAC-19)

06

a Combined Finance and Revenue Accounts

19. 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”.

Q.1. Military Accounts Code (MAC-20)

02

b 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 1st 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.

Total Marks 08

Q.2. Rule 47 (a,b,c,d)

e. *General Rules.* The most careful supervision over expenditure shall be exercised and on no account shall money be spent simply because it is available. The following rules shall govern all estimates and military expenditure, namely:-

(1) The sanctioned estimates form the limits within which authorised expenditure may be incurred without previous reference to Government. These limits are absolute, and apply to each subhead or minor head.

(2) Expenditure which cannot be met from the sanctioned grant *ipsofacto* requires the sanction of Government. When application is made for such sanction, it should specifically be stated to what extent the original grant will fall short of what is required.

(3) Save for exceptional reasons expenditure, for which no provision has been made in the estimates of the current year, should not be proposed. When a proposition of this kind is made, it should clearly be stated that no such provision has been made, and whether the expenditure can be met from savings in the sanctioned grant. An explanation should also be given why the expenditure is immediately necessary and why the necessity for it was not foreseen.

(4) Even sanctioned expenditure shall not be incurred until funds have been provided. In the case of locally-controlled heads, and those centrally controlled heads in respect of which allotments are distributed to lower formations, provisional allotments will be made by the central controlling authorities as early as possible before the commencement of the financial year, against which all charges will be admitted in audit provisionally pending confirmation of the provisional allotments after the budget estimates have been finally sanctioned. If, owing to exceptional circumstances, provisional allotments are not received before the 1st July expenditure on account of pay and allowances may be incurred in accordance with the sanctioned establishments and rates of pay, and in the case of other items to the extent of the average monthly allotment of the previous year.

(5) The unexpended portion of any existing grant shall lapse on 30th June of each year. It is irregular to draw a sum of money for any purpose during the currency of one financial year and expend or bring it to account in a subsequent year. This does not apply to unspent balances in the amenity grant which will not lapse to Government at the end of each financial year but will be carried forward.

Total Marks 08



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Solutions – Military Accounting Procedure (Theory)

Q.3. Military Accounts Code (MAC-210,211)

210. A Civil Exchange Account should be classified under four heads as follows:---

Head I.---Remittances to Civil from Defence Services.

Head II.---Remittances to Defence Services from Civil.

Head III---Items adjustable by Civil.

Head IV.---Items adjustable by Defence Services.

Note. The classification of the Civil Exchange Account under four heads is intended only as a convenient working arrangement and should not be under-stood as implying any division of responsibility for adjustment of the items (see para 180).

211. The transactions which are passed through heads I to IV of the Civil Exchange Account are of the kind specified below:-

Head I. REMITTANCES TO CIVIL FROM DEFENCE SERVICES

This head is intended for (i) cash remitted by the officers of the Defence Services into a Civil treasury, (ii) remittances into Civil treasuries by States acceded to Pakistan on account of cost of Military stores supplied to them, and (iii) transfer receipts drawn by Civil treasuries, and cheques drawn by the Civil Department on Military Treasure Chests.

Head-II. REMITTANCES TO DEFENCE SERVICES FROM CIVIL

These remittances comprise payments upon cheques issued by the officers of the Defence Services, and also when such are specially ordered – specie remittances from Civil treasuries to Military Treasure chests Registration fees, stamps, Abkari and Salt collection etc paid into Military Treasure Chests should appear under this head.

Head III. ITEMS ADJUSTABLE BY CIVIL

This head is intended for moneys received or charges incurred on account of the Civil Department by officers of the Defence Services and credited or debited by them to the Civil Department for adjustment in the accounts of the Civil Account Offices,. Under this head should be included sums paid into Military Treasure Chests on account of Cantonment Funds, contributions for Foreign services, examination fees and subscription to Service Funds. Consequently the original items under this head should appear always in the account rendered by the Defence Account Officers to Civil, and the responding entries in the accounts rendered by Civil to the Defence Account Officers.

Note-1. In the case of articles supplied by the Bureau of Laboratories Pakistan and the Map Offices, the supplying officers will furnish the Controllers with a monthly list of issues in respect of units and formations, etc., under their accounting control. On receipt of these lists the Controllers will adjust the items contained therein to the proper head of account by per contra credit to the Accountant General Pakistan Revenues for the total amount of the list.

Head IV. ITEMS ADJUSTABLE BY DEFENCE SERVICES

This is intended for receipt received otherwise than on receivable Orders and for Payments on account of the Defence Services made otherwise than on cheques issued by officers of the Defence Services, and also for the value of stores supplied by and returned to Civil Departments. These transactions should be debited or credited to the Defence Account Officers in the Accounts rendered to them by the Civil Account Officer. The only entries under this head in the accounts rendered to Civil by the Defence Account Officers should be responses given by them in adjustment of these debits and credits.



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Q.4. Military Accounts Code (MAC-273)

04

a Progress of Adjustment

273. The progress of adjustment in respect of the exchange transactions between the Defence Account Officers will be centrally watched by the “DM” Section through lists of outstanding items referred to in paragraph 272. Annual abstracts of Progress Register in P.A.F.A-744 together with lists of items remaining unadjusted at the end of June Supplementary will also be prepared by the “DM” Section in respect of each Controller and submitted to the M.A.G., through the Controller concerned on the 15th November each year.

Q.4. Military Accounts Code (MAC-351)

02

b

MILITARY LEDGER

351. Every controller is responsible for maintaining the Military Ledger exhibiting the transactions which pass into his accounts under the following divisions:-

- (i) Revenue heads.---Receipts and payments on account of Revenue and Expenditure of Government.
- (ii) Capital heads.---Expenditure outside the Revenue Account.
- (iii) Debt heads.----Receipts and Payments in respect of which Government becomes liable to repay the moneys received or has claim to recover the amounts paid.
- (iv) Exchange Account heads.---Receipts and payments to be passed on to the Accounts of other Accounts Officers and debits and credits passed by other Accounts Officers and brought on the accounts.

Total Marks 06

Q.5. Military Accounts Code (MAC-Section C-Para 30, Pg.178)

30. Amendments to Punching Media. – Errors discovered in Punching Media will be amended as stated below:

- (i) Errors in classification. - A.T.E. will be put up writing back the wrong classification and showing the correct one, and a P.M. will be prepared for the T.E. in the usual course and despatched to “DM” Section.
- (ii) Other Errors. - Corrections will be intimated to the “DM” Section by memos, e.g. (a) amounts being shown wrongly (b) “C.D.” being inserted where Remittance head code number should have been inserted (c) Remittance head code number being shown instead of “:C.D.” (d) kind of voucher and voucher number being shown wrongly etc.

Total Marks 06

Q.6. FAM 10.2.21 to 10.2.22

10.2.21. *Scope limitation.* A scope limitation has occurred when the auditor has not been able to apply all the tests and procedures considered necessary in the circumstances and, as a result does not have sufficient appropriate audit evidence to form an opinion as to whether the financial statements give a true and fair view, in all material respects, in accordance with the government’s accounting principles.

10.2.22. Scope limitations may arise in a number of situations, including:

- a) circumstances beyond the control of the entity or the auditor, such as the destruction of accounting records in a fire;
- b) a limitation imposed by the entity, such as refusing to allow the auditor to perform certain audit procedures; and a limitation created by the entity, such as or a failure to maintain adequate accounting records or internal control structures.

Total Marks 04



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KINDLY REVIEW THIS SOLUTION BEFORE STARTING THE MARKING

Q.1. Military Accounts Code (MAC-09)

03

a Miscellaneous

9. All communications on matters affecting the classification of Receipts and Charges and on forms and procedure relating to accounts should always be addressed to the Military Accountant General. Controllers shall not address the Military Finance Department or the Auditors General direct, except on routine matters.

Q.1. Military Accounts Code (MAC-18(b) with note)

03

b. All Payments on behalf of the Defence Services of the Government of Pakistan are ordinarily made either at a treasury or at the Bank, by means of cheques, etc., drawn by officers of the Defence Services including Military Accounts Department); some Defence Services departmental officers are, however, authorised to withdraw sums in lump from a Treasury or the Bank by cheques, etc., for making payments. The payments are treated by the Treasury merely as payments on behalf of the Defence Services and the initial and detailed accounts of the payments are kept by the officers drawing the moneys by cheques, etc.

Note.

Except in certain specific cases, where disbursing officers of the Defence Services are allowed cash assignments on treasuries, all payments are made by cheques etc., drawn by the Military Accounts Department.

Total Marks 6

Q.2.

F (PA)-65 05

a PAF (CMA)336
(Half)

Punching Medium

Month	CMA	Section	Class of Vr	Vr No	
Classification Code	Receipts (Rs in Million)		Classification Code	Charges (Rs in Million)	
	R Rs. Paisa	M R Rs. Paisa		C Rs. Paisa	MC Rs. Paisa
0/022/83	10,500		1/992/04	35,000	
0/005/08	24,500				

Q.2. Original Entry

05

b F (PA)-65
PAF (CMA)336
(Half)

Punching Medium

Month	CMA	Section	Class of Vr	Vr No	
Classification Code	Receipts (Rs in Million)		Classification Code	Charges (Rs in Million)	
	R Rs. Paisa	M R Rs. Paisa		C Rs. Paisa	MC Rs. Paisa
0/016/32		2,058,310			
0/071/21	2,058,310				



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Responding Entry

F (PA)-65
PAF (CMA)336
(Half)

Punching Medium					
Month	CMA	Section	Class of Vr	Vr No	
Classification Code	Receipts (Rs in Million)		Classification Code	Charges (Rs in Million)	
	R Rs. Paisa	M R Rs. Paisa		C Rs. Paisa	MC Rs. Paisa
0/016/32	2,058,310		0/076/22	2,058,310	

Total Marks 10

Q.3.
a

F (PA)-65 05
PAF (CMA)336
(Half)

Punching Medium					
Month	CMA	Section	Class of Vr	Vr No	
Classification Code	Receipts		Classification Code	Charges	
	Rs	Rs		Rs	Rs
0/005/07	5,880		0/052/10	5,880	

Q.3. Adjustment of Receipt
b

F (PA)-65
PAF (CMA)336
(Half)

Punching Medium					
Month	CMA	Section	Class of Vr	Vr No	
Classification Code	Receipts		Classification Code	Charges	
	Rs	Rs		Rs	Rs
0/016/78	490,000		1/992/02	490,000	

Total Marks 10

Q.4. Military Accounts Code (MAC-23)
Proforma Accounts

23. The operation of some departments of the Defence Services sometimes include undertaking of a Commercial or a quasi-commercial characters, e.g., Army Ordnance and Clothing Factories or Naval Dock Yards. Even though these may be maintained almost entirely for the benefit of the Defence Services it is still necessary that the financial results of the undertakings should be expressed in the normal commercial form so that the cost of the service or undertakings may be accurately known. This implies the maintenance of suitable capital, manufacturing, Trading, Profit and Loss Accounts and as the Government system of accounts, being on a purely cash basis, is unsuitable for such commercial accounts, these are usually kept on a proforma basis outside the general accounts of the Defence Services. The actual transactions entering these proforma accounts, except these adjusted on a liability basis, find a place primarily in the regular accounts and the commercial accounts are additional as well as separate.

The rules relating to proforma accounts for Ordnance and Clothing factories and Naval Dock Yard Accounts are laid down in Appendix IV and Appendix V respectively.

Total Marks 05



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Q.5. Military Accounts Code (MAC-65,66,67)

Security Deposits

65. “Security Deposits” are tendered in the form of Cash, Government Securities, provincial or municipal debentures, port trust bonds, bank-deposit receipts or saving bank Pass-Books, Deposits, other than those tendered in cash do not pass through the Government accounts and are dealt with in the manner indicated in Financial Regulations, Defence Services, Part I.

66. Deposits tendered in cash will be paid by the tenderers into the local treasury on the authority of a receivable order obtained from one of the officers mentioned in Rule 8, Financial Regulations (Defence Services), Part II, treasury receipts being forwarded by the administrative officers concerned to the Controller of Accounts and the amount credited to the head “Security Deposits”. In the case of formations, etc., which render cash accounts (e.g., Remount Depots, Military Farms etc.) the amounts will be credited in those accounts and will be adjusted to the head “Security Deposits”.

67. The Stores (Contract) Section will maintain the Cash Security Deposit Register in P.A.F.A. 525 and will effect an agreement between the totals of posting in the register and the corresponding figure appearing in the monthly printed sectional compilation.

In the case of M.E.S. such transactions will be noted by the Unit Accountants attached to Garrison Engineer’s Offices in the register of “suspense account” P.A.F. (C.M.A.) 258. To enable them to effect the necessary agreement between the postings in the register and the compiled actuals, the “DM”, Section will forward a copy of the monthly section compilation to the Unit Accountants attached to Garrison Engineer’s Offices.

No schedules in P.A.F.A., 725 in respect of above transactions will be prepared.

Total Marks 10

Q.6. FAM working paper Kit report file page 40

04

(i) Reservation paragraph:

The entity’s accounting policies do not require the entity to depreciate its fixed assets. The estimated useful life of similar assets is usually considered to be between 5 and 40 years, with 10 years being the average for the types of assets held by the entity. If depreciation had been provided on the basis of an estimated useful life of, say, 10 years, depreciation for the current year would have been Rs. ____ (200X: Rs. ____), net income after taxes would have been decreased by Rs. ____ (200X: Rs. ____), accumulated depreciation would have been Rs. ____ (200X: Rs. ____), and the closing balance of residual equity would have been reduced by Rs. ____ (200X: Rs. ____).

Q.6. FAM working paper Kit report file page 40

04

(ii) Opinion paragraph:

In my opinion, these financial statements are, in all material respects, in accordance with the entity’s accounting policies. In addition, in my opinion, except for the effects of the failure to depreciate fixed assets as described in the preceding paragraph, these financial statements give a true and fair view, in all material respects, of the financial position of the entity ... [rest of opinion paragraph unchanged].

Total Marks 08



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KINDLY REVIEW THIS SOLUTION BEFORE STARTING THE MARKING

Q.7.

F (PA)-65
PAF (CMA)336
(Half)

Punching Medium

Month	CMA	Section	Class of Vr	II	Vr No
Classification Code	Receipts (Rs in Million)		Classification Code	Charges (Rs in Million)	
	R Rs. Paisa	M R Rs. Paisa		C Rs. Paisa	MC Rs. Paisa
CD	57,350		1/992/02	75,000	
0/014/06	13,360				
0/016/70	960				
0/016/75	870				
0/022/83	2,460				

Total Marks 12
