

Military Accounting Procedure (Theory)

Summer-2022



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Solutions – Military Accounting Procedure (Theory)

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

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”.

Total Marks 06

Q.2. Military Accounts Code (MAC-28 only 1-4)

04

a

Main Divisions of Accounts

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

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

Q.2. 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.

Q.2. Military Accounts Code (MAC-351 & 352)

04

c

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



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- (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.

352. The Military Ledger shall comprise statement of receipts and charges and balances under the Revenue Capital, Debt and Remittance heads to be prepared in P.A.F. (C.M.A.) 361 & 361-A showing balances closed to Government and Balance Accounts respectively.

Total Marks 10

Q.3. Military Accounts Code (MAC-88)

88. If an advance or loan, or any portion thereof, is outstanding against any person or unit, transferred from one account circle to another, it will be communicated to the Accounts Officer of the circle to which transferred by debit through the Exchange Accounts, to enable him to watch recovery, the corresponding credit (deduction from debit) being taken to the heads affected.

Total Marks 02

Q.4. FAM 10.2.7

04

a

When to Give an Unqualified Opinion

10.2.7 As discussed in Paragraph 4.0.10 of DAGP's Auditing Standards, "an unqualified opinion is given when the auditor is satisfied in all material respects that:

- a) The financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;
- b) The statements comply with statutory requirements and relevant regulations;
- c) The view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and
- d) There is adequate disclosure of all material matters relevant to the financial statements."

Q.4. FAM 10.2.21 to 10.2.22

04

b

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



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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
 - c) a limitation created by the entity, such as or a failure to maintain adequate accounting records or internal control structures.

Total Marks 08

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 dispatched 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. Military Accounts Code (MAC-116)

(a)

04

TRANSFER ENTRIES

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 unnoticed.*



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- 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?

Q.6. Military Accounts Code (MAC-117,118,119,120)

04

(b)

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.

Total Marks 08
