



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Store Accounting &
Contract Evaluation**

(Theory & Application)

AGP | PMAD

Winter Exam-2025

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Solutions – Store Accounting & Contract Evaluation (Theory)

Q.1.

Review of Paid Bills

196. Before the paid bills the Local Purchase vouchers and hired transport indents, duly cancelled, are forwarded to the Test Audit Staff for audit, 5% of all the bills (irrespective of their value) audited and paid during a month should be reviewed by the group officer. In token of having reviewed the bills up to the above percentage, the group officer will endorse the word “Reviewed” under his dated initials, both on the bills and the Disbursement voucher Register.

Q.2.

87. Commercial or Non -Government Concerns

- a. All contracts, agreements, understandings, etc, entered into by an officer with commercial or non-Government concerns shall be recorded in writing and a copy thereof, signed by both contracting parties, will be carefully filed.
- b. The officers who are making contracts are responsible for the correct wording and framing of all conditions and specifications in the contract schedule (PAFZ-2121) or in the case of transport contracts a cyclosty led schedule attached to PAFZ-2121-A Special Conditions).
- c. In case of any doubt or when any new items have been embodied in the schedule which did not exist in the previous schedules and which, it is thought necessary for the Controller of Accounts to see from an audit or financial point of view, the officers concerned may submit these forms to the Controller of Accounts for remarks and suggestions before tenders are invited. Every care must be taken to avoid ambiguity or redundancy. No contract, involving an uncertain or indefinite liability or any condition of an unusual character, should be entered into without the previous consent of the competent financial authority.
- d. Proposed' amendments to the printed forms PAFZ-2137-A, 2120 or 2124 must receive prior approval of the Controller of Accounts and sanction of the Director concerned at General Headquarters or Air Headquarters, as the case may be.

Q.3

- a. *New Stores.* Book value of the stores according to the condition on receipt back by the depot less seventeen percent of the book value. Profit and excise duty as originally charged shall also be refunded.
- b. *Second-Hand Stores.* Seventy five percent of the book value of the stores as originally charged less seventeen percent on that value if received back in original condition. Otherwise the amount to be refunded shall be further reduced according to the condition when received back by the depot. Profit as originally charged shall also be refunded to non Government bodies. The indenter shall also pay the cost of carriage of the stores back to the medical stores depot.



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Q.4.

*** (e) force account.-**

A Procuring agency, may use force account if the value of procurement does not exceed two hundred million Pakistani Rupees, subject to the following conditions, namely:-

- (i) the required works are small, scattered or remotely located for which qualified construction firms are unlikely to bid at reasonable prices;
- (ii) work is required to be carried out without disrupting ongoing operations;
- (iii) urgent repairs, rehabilitation and remodeling works of national heritage requiring prompt attention to prevent further damages;

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- (iv) where unavoidable risk is better borne by the state owned entity than that of contractor;
- (v) there are extreme urgencies which require prompt attention, or
- (vi) the project is of sensitive nature and its information cannot be shared with private sector:

Provided that state owned entity engaged for the procurement shall accomplish the task exclusively through its own resources without involving private sector as a partner or in the form of a joint venture or as a sub-contractor:

Q.5.

(d) negotiated tendering.-

A procuring agency may engage in negotiated tendering with one or more suppliers or contractors with or without prior publication of a procurement notification. This procedure shall only be used when,-

- (i) the supplies involved are manufactured purely for the purpose of supporting a specific piece of research or an experiment, a study or a particular development;
- (ii) for technical or artistic reasons, or for reasons connected with protection of exclusive rights or intellectual property, the supplies may be manufactured or delivered only by a particular supplier;
- (iii) for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency:

Provided that any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record.



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Q.6.

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Section III

166. *Vehicles Depots.* The system of receipts, storage, accounting and issue of vehicles is different from other Ordnance stores. The detailed procedure to be followed in the Vehicles Depots of all types, is enumerated below
- a. Normally the Vehicle Depots consist of the following
 - (1) Receipt Park.
 - (2) Fit Park.
 - (3) Issue Park.
 - (4) Un-fit Park.
 - (5) Vehicle Stock maintenance.
 - (6) Adm Tech General.
 - (7) Kit stores.
 - (8) Battery Stores.
 - (9) POL Stores.
167. *Functions.* The functions of the Vehicle Depots are to
- a. Receive all types of vehicles from trade assembler EME Workshops, Vehicles Depots and Units.
 - b. Place them under proper storage after inspection/classification.
 - c. Ensure prompt and correct accounting of receipts and issues.
 - d. Carry out maintenance and arrange repairs by EME Workshops.
 - e. Verification of stock at, laid down intervals.
 - f. Issue vehicles to Unit/Depots.
 - g. Dispose off vehicles through auction and other means based on instructions received from GHQ.
168. *Source of Reteipt.* The vehicles will be received from the following sources.
- a. New Receipts-Import/Assemblers.
 - b. Transfer from other vehicle depots/sub depots.
 - c. Returned by units, either being surplus or unfit.

Q.7.

86. *Supplies and Services*
- a. Supplies and, Services required to carry on the public business shall be obtained ordinarily by contract on the authorised tender forms, but may also be obtained as follows:-
 - (1) In an emergency, for immediate delivery-by order given on PAFZ-2123 (Informal agreement).
 - (2) When the amount are small and only required from petty dealers - on verbal offers tendered at Public auction, after due notice on PAFZ-2137 (Call for tenders), the offer accepted being recorded on PAFZ-2125 or PAFZ-2125A.
 - (3) By purchase either by the officer, of the administrative service concerned, or the representative detailed by him when no tenders are received or the tenders received are, in his opinion, unacceptable.
 - (4) By special contracts, by purchase or in accordance with special orders that may be issued to meet demands for supplies and services occasioned by the existence of field service conditions.
 - (5) In the case of fodder and dairy produce supplies may be arranged by local purchase. The system of advertising for tenders shall, whenever possible, be avoided. Dairy cattle shall be purchased by contract or by local purchase, whichever is most suited to the locality concerned.



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Q.1

CHAPTER – II PROCUREMENT IN GENERAL

Guiding Principles

1. The guiding principles for affecting all purchases against defence requirements are as under: -
 - a. **Speedy procurement at economical cost** in conformity with the specifications laid down by the indentors/chief inspectors. Time will be taken as 'essence' of all procurement processes.
 - b. **Encouragement to local industry** to promote indigenous production of defence requirements at reasonable cost, thus economizing in foreign exchange expenditure. Even some price preference (para 4d below) within the limits laid down by the government from time to time, may be accorded to local manufacturers' offers in the interest of promoting indigenous production.
 - c. Procurement from abroad preferably through local agents of foreign firms with the ultimate aim of drawing out all business to this country. This will be subjected to economical and expeditious supply of stores.
 - d. Purchases from abroad will be resorted to only: -
 - (1) When the required stores can neither be supplied through indigenous sources at reasonable and economical rates, nor any reasonable number of quotations are received from local agents of foreign firms; or
 - (2) When quotations from such agents and indigenous manufacturers are considered exorbitant as compared to the prevailing market prices; or
 - (3) In case of indigenous offers, the price exceeds the normal price preference limit laid down for indigenous production.
 - e. Wider exploration and avoidance of an element of hidden 'cushion' in the rates of commission and discount quoted by local agents of foreign firms, by obtaining quotations from firms abroad through DAs and ADPs or periodical checking on the original quotations of their principals received by the agents.
 - f. The basis for accepting a tender will normally be the 'lowest evaluated quotation'. This means a contract will be placed on the lowest bidder provided:-
 - (1) His quotation is in accordance with the requisite specifications and other clauses of an ITB.
 - (2) Bidder is considered competent to manufacture/supply the stores required, and
 - (3) In case of technical items, the stores offered are declared 'technically acceptable/economical in all respect' by the authorities concerned.

Q.2.

- e. The following charges may be paid without any Government sanction:-
 - (1) Charges incurred from available funds and reported to the Controller of Military Accounts by 31st July vide rule 215 d above but not actually booked before the close of the financial year are to be paid out of ordinary head of the account (II A Miscellaneous).
 - (2) Charges incurred over and above the training grant allotment are to be paid out of the next years' annual training grant allotment.
 - (3) Charges incurred due to some field training activity starting in the current financial year and ending after 1st June or after 1st July in the next financial year may be met out of next financial years' field training grant subject to allotment of twenty five percent in anticipation out of budget provision of the next financial year. Availability of dues will be given by Inspector-General, Training and Evaluation, General Headquarters.
 - (4) Funds, required for the field training activities starting after 1st June, will not be drawn from Controller of Military Accounts concerned even if allotted out of the budget allotment of the current financial year. Formations will send a consolidated demand of field annual training grant for payment out of next year annual training grant allotment.
 - (5) In case funds have already been allotted and amount drawn by formations or units for the training activities starting after 1st June, this fact will be reported immediately by the formations to Inspector General Training and Evaluation, General Headquarters, for re-appropriation into other formations so that money is



Q.3

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v. Losses of the under mentioned timber by degrade in factories during seasoning

| | | |
|--------|------|-------------------|
| Haldu | | Not exceeding 4% |
| Kanju. | | Not exceeding 4% |
| Sal | | Not exceeding 10% |
| Sisoo | | Not exceeding 2% |

w. Wastage due to conversion or degrade of Timber in Ordnance Depots upto the maximum percentage detailed below

| Due to | Percentages |
|--|-------------|
| (1) Conversion of log to Plank | 50% |
| (2) Conversion of larger dimension planks to smaller dimension scantling | 33-1/3% |
| (3) Conversion of sleepers to MT Scantling | 33-1/3% |
| (4) Degrade of timber while undergoing seasoning | 10% |

Q.4.

Accounting for Train Rations when a Kitchen Car is attached to a train.

a. Movement of complete unit/formation :-

- (1) Supplies will be issued by the OC Reserve Supply Depot at the entraining station on demand by the OC Unit/Formation in the normal manner.
- (2) The unit/formation concerned will close is normal ration Return (PAFS-1519) at the station of departure and will simultaneously open a Train Ration Return (PAFS-1519) for the period of the train journey. This ration return will be closed on arrival at destination and a new ration return started. from that date.
- (3) The-transfer of unconsumed stocks from the normal ration return at the station of departure will be made on regular receipt and issue vouchers (PAFZ-2096) to the Train Ration Return. Similarly unconsumed rations at the destination will be consumed by the units after they have been brought on charge, in the fresh ration return to be opened at destination.

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- (4) The Ration Return for the period of the journey will be retained for purposes of audit by the OC unit/formation, who will be responsible for all accounts and answering any audit objections. The name of the OC Unit/Formation will. be indicated on all issue vouchers for any stores issued by the ASC either at the entertaining station or enroute.



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Q.5.

(A) IMPORTED COAL AND COKE

When a purchase is made against a letter of credit, the cost of coal and coke imported from foreign countries and supplied to the Defence Services is audited and paid for by the A.O. IS & F Karachi, but when it is made through the Embassies of Pakistan or High Commissioners for Pakistan abroad, the responsibility of audit and payment rests with their Accounts Officer.

(B) INDIGENOUS COAL

The requirements of the Defence Services are arranged through the coal Commissioner, Karachi and the responsibility for its payment and audit rests with the A.O. IS & F Karachi.

240. The debits on the basis of actual supplies made to the Defence Department are raised against the Defence Accounts Officer concerned through the A.O. IS & F Karachi, who will be responsible for making necessary adjustment on this account.

241. The debits along with the coal bills will be received in the A/E Section of the C.M.A.(LC) Lahore Cantt. The I.D. Schedules will be passed on to the Store Sections of these offices. The duplicate copies of the I.D. Schedules will be returned by the Store Sections to A/E Sections duly adjusted, showing the month of adjustment.

242. Copies of the coal bills will be prepared in duplicate by the audit Sections and sent to the LAOs/SLAs/UAMES concerned for verification of credit in the books of the consignees and return of one copy of each duly endorsed with a certificate of linking.

Authority:- M.A.G's No.AT/PRO/6530 dated 8-3-1957 as amended by AT/S/1848-II dated 6-7-1961 and Accts/Pro/159-XXII dated 24-4-1957, No.AT/S/1846-II dated 16-2-1971.

Q.6.

e. **Price Variation Clause (PVC)**

- (1) Contracts with a PVC should be avoided as far as possible.
- (2) If such a clause is unavoidable, variation in the contract price would be admissible only in so far as rise or fall in cost of labour and/or material

is concerned and that too subject to 15% maximum variation. It should be specified in the contract that no variation for overhead or other indirect charges shall be allowed. However, for contracts on FOR basis where import of raw materials is involved to execute the contract, relaxation to this condition may be granted. The FA concerned will be consulted in all such cases, except in the cases of 'Proprietary' items or single tender.

- (3) In the case of 'Proprietary' stores or contracts drawn against single bid, where the standard PVC is not accepted by the suppliers, the CPO may relax, on merit, with the approval of the FA concerned the above price variation terms if this is found to be necessary and unavoidable.
- (4) However, where the prices of contracted stores/raw materials are controlled by the government, price increase/decrease shall be allowed at actual on case-to-case basis on production of the notification on the subject where the firms are contractually obliged and tied down to produce the stores from raw materials supplied by the government/ State controlled departments, in consultation with the FA.



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Q.7.

- 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.

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- (2) (a) Losses in hygroscopic ores, 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 Yam 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.
- (3) Wastage due to conversion or degrade of timber in depots and at Military Farms upto the maximum percentages detailed below, will be treated as unavoidable loss and written off on expense vouchers:-

| | <u>Percentage</u> |
|--|-------------------|
| (a) Conversion of log to plank | 50% |
| (b) Conversion of larger dimension planks to smaller dimension scantling | 33-1/3% |
| (c) Conversion of sleeper to MT scantling | 33-1/3% |
| (d) Degree of timber while undergoing seasoning | 10% |
