



**Pakistan Institute of Public
Finance Accountants**

May Exam-2026

[05.May.2026] [09:30am – 12:15pm]

Additional time – 15 min for Paper Reading

Business Law & Taxation (Application)

AGP

Marks-80

Subjective

Duration: 02 Hours 30 Minutes

[Instructions]

- Ensure that the question paper delivered to you is the same, in which you intend to appear.
- Read the instructions given on the title page of Answer Script.
- Start each question from fresh page.

Books Allowed:

- Business Laws Published by ICAP.
- Practical Approach to Company Ordinance 1984 by Nazir Ahmed Shaheen.
- SECP Ordinance, 1969.
- Public Sector Companies (Corporate Governance) Rules 2013.
- Study material on Banking Sector Operations.
- Prudential Regulations.
- Income Tax Ordinance, 2001 and Income Tax Rules 2002 (Latest Edition).
- Sales Tax Act 1990 (Latest Edition).
- Federal Excise Act, 2005 (Latest Edition).
- Provincial Sales Tax (Services) Act (Latest Edition).

Attempt all Questions

- Q.1.** Mr. Wiseman intends to purchase taxable supplies for his business from M/s Alpha Traders. The supplier has requested that a net cheque of Rs. 92,400 be issued in the name of the business. Mr. Wiseman is required to gross up the invoice amount so that after deduction of applicable withholding Income and Sales Tax (GST), the supplier receives exactly the required net amount.

Required:

Calculate the following for each scenario given below:

- (i) Gross amount of invoice (inclusive of GST, where applicable)
- (ii) Income tax withheld
- (iii) GST withheld

Given Scenarios:

- (a) Mr. Wiseman is a Filer and M/s Alpha Traders is a GST registered supplier **03**
- (b) Mr. Wiseman is a Non-Filer and M/s Alpha Traders is GST unregistered **03**
- (c) Mr. Wiseman is a Filer but M/s Alpha Traders is GST unregistered **03**
- (d) Mr. Wiseman is a Non-Filer and M/s Alpha Traders is GST registered **03**

Applicable Rates:

- GST rate: **18%**
- Income tax withholding rates:
 - 5.5% for filer
 - 11% for non-filer

Assume that income tax is withheld on the gross invoice amount (inclusive of GST) wherever GST is applicable.

Contd....

- Q.2.** The Federal Government of Pakistan and the Government of Province Z are in the process of finalizing their respective budgets for the upcoming financial year. During the course of budget execution, certain constitutional issues arise relating to the custody of public funds, authorization of expenditure, voting of grants, and treatment of supplementary expenditure.

Following are the independent facts:

- The Federal Government intends to deposit all Federal Tax receipts in a specific fund before expenditure.
- Certain expenditures are proposed to be charged directly on the Federal Consolidated Fund without being submitted to the National Assembly for voting.
- During the Financial Year, an unforeseen expenditure arises at the federal level which was not included in the Annual Budget Statement.
- The Provincial Government proposes expenditure but the Provincial Assembly has not yet passed the Finance Bill.
- A dispute arises regarding whether a particular Provincial Expenditure requires prior approval of the Provincial Assembly.

Required:

Answer the following questions with reference to the relevant Articles of the Constitution of Pakistan.

- | | | |
|-----|---|-----------|
| (a) | Identify the Constitutional Fund in which all Federal Revenues and Loans must be credited and explain its nature. | 05 |
| (b) | Explain the concept of “expenditure charged upon the Federal Consolidated Fund” and state whether such expenditure is subject to voting by the National Assembly. | 05 |
| (c) | Discuss the Constitutional Procedure for meeting unforeseen Federal Expenditure during a financial year. | 05 |
| (d) | Explain the Constitutional Position regarding Provincial Expenditure when the Provincial Assembly has not yet passed the Finance Bill. | 05 |
| (e) | Differentiate between Federal and Provincial Financial procedures with respect to authorization of expenditure, with reference to relevant Articles. | 05 |

- Q.3.** M/s Zenith Power Limited, a public unlisted company incorporated in Pakistan, is engaged in the energy sector. During the year, the company entered into several complex corporate arrangements which have raised legal concerns among shareholders and creditors.

The following independent facts/scenarios are available:

- Zenith Power Limited issued right shares to its existing shareholders. Mr. Ahmed, a shareholder holding 15% shares, did not subscribe to the right shares within the prescribed time. The Directors subsequently allotted these shares to an outsider at a price lower than the issue price of right shares.
- The company issued redeemable debentures secured by a floating charge over all present and future assets. However, the charge was not registered with the Registrar within the prescribed period.
- One of the shareholders claims that the company refused to allow him to inspect the register of charges, stating that it is an internal management document.
- Zenith Power Limited created a mortgage over its land in favour of a bank but later created another charge over the same property in favour of another lender.
- A minority shareholder alleges that the Directors issued shares selectively to maintain control and thereby prejudiced the rights of existing shareholder

Contd.....

Required:

With reference to the Companies Act, 2017, answer the following (Your answer / conclusion should be supported with legal principle, its application/remedies if any):

- (a) Examine the legality of directors' actions regarding the issue of right shares and allotment to an outsider. **05**
- (b) Discuss the legal effect of non-registration of the floating charge created for debenture holders. **05**
- (c) Advise whether the shareholder is entitled to inspect the register of charges **05**
- (d) Explain the priority of charges in case of multiple mortgages over the same property. **05**
- (e) Discuss the remedies available to minority shareholders against oppressive conduct of directors. **05**

Q.4. M/s Falcon Engineering (Private) Limited, a Pakistan-based manufacturing company, has approached a commercial bank for various financing facilities. The bank is required to assess the proposal in light of the Prudential Regulations issued by the State Bank of Pakistan (SBP).

The following information is available:

- The company has applied for a running finance facility to meet its working capital requirements.
- The proposed financing would result in exposure exceeding the bank's clean lending limit.
- The company has defaulted on a previous loan, which was settled last year.
- The Directors of the company have provided personal guarantees for the proposed facility.
- The Company has not yet submitted its Audited Financial Statements for the last accounting year.

Required:

With reference to the basic concepts of Prudential Regulations, answer the following:

- (a) Explain the objective of Prudential Regulations issued by the State Bank of Pakistan. **04**
- (b) Discuss the significance of credit exposure limits and clean lending under Prudential Regulations. **05**
- (c) Explain how a previous default history affects the Bank's decision under Prudential Regulations? **03**
- (d) State the importance of Personal Guarantees in Corporate Financing under Prudential Regulations. **03**
- (e) Comment on the requirement of Audited Financial Statements for grant of financing. **03**
