



**Pakistan Institute of Public
Finance Accountants**

May Exam-2026

[07.May.2026] [02:30 – 05:15 pm]

Additional time – 15 min for Paper Reading

Construction, Project Management and Contract Evaluation (Application)

AGP | PRAD

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:

- Pakistan Government Railways Code for the Engineering Department
- Pakistan Railways Way & Works Manual
- State Railways General Code Vol-I
- Public Procurement Rules, 2004 and supplementary regulations issued by PPRA
- The Companies Ordinance 1984
- The Public Sector Companies (Corporate Governance) Rules 2013
- The Securities & Exchange Commission of Pakistan Act 1997
- The Memorandum and Articles of Association of the subsidiaries of Pakistan Railways
- Relevant Sectoral Audit Guidelines

Q.1. Pakistan Railways Engineering Department undertakes a work for third party. The following costs are recorded:

	Rs.
Wages	1,800,000
Materials purchased (cash)	3,400,000
Ordinary stores issued from Railway stock (prime cost + freight + incidental charges)	950,000
Land cost included in the work	600,000

Pakistan Railways sells ordinary stores directly to the same party, separately:

Value of stores sold (prime cost + freight + incidental charges)	300,000
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Required:

- (a) Calculate the departmental charges @ 12.5% on the work and the total amount recoverable for the work. **05**
- (b) Calculate the sale price of the stores sold. **03**
- (c) Compute the total amount recoverable from the party. **02**

Q.2. Pakistan Railways sanctioned an estimate for a track improvement work on 15.07.2019. The work could not be started due to administrative delays. In the budget for FY 2023–24, a specific provision for this work was again included and the division now wants to commence execution in March 2024 without obtaining any fresh sanction.

Required:

- (a) State the normal currency period of sanction to an estimate and how it can be extended. **03**
- (b) In the above case, determine whether the earlier sanction can still be treated as current or a fresh sanction is required, with brief reasons. **03**

Contd.....

Q.3. (a) Pakistan Railways (PR) invited bids for rehabilitation of signaling at 12 stations (Lahore Division). After evaluation, **M/s XYZ** is declared the successful bidder. At the contract finalization meeting, PR Officials propose/receive the following negotiation points:

- (i) Reduce unit rates by 8% to “stay within budget”.
- (ii) Change execution methodology from day-block to night-block working to reduce train disruption.
- (iii) Replace the specified cable type with a cheaper “equivalent” to reduce cost.
- (iv) Agree on a revised work plan (station-wise sequence) and deployment schedule.
- (v) Replace the bidder’s proposed Site Engineer with a more experienced engineer and fix minimum staffing levels.
- (vi) Add a special condition: higher liquidated damages for delays and stricter safety compliance reporting.
- (vii) Add two additional stations to the same contract “as a goodwill adjustment”.

Required:

Classify each point (i to vii) above as Permissible / Not Permissible under PPRA Rules 2004 and give a brief reason for each with reference to Rule. For the not permissible items, state what PR should do instead with reference to PPRA Rules 2004. **14**

(b) While processing a tender, the bid validity is about to expire. To “save time,” Pakistan Railway requests only the lowest evaluated bidder to extend bid validity.

Required:

Is there any fairness/compliance issue? If yes then provide correct course of action, if no, justify your answer with reference to applicable rule. **02**

Q.4. (a) Pakistan Railways’ Public Sector Company is facing:

- (i) Sharp cash shortfall
- (ii) A major FBR demand notice
- (iii) A bank warning about possible loan default
- (iv) A proposal to write-off old receivables
- (v) A draft JV/Collaboration agreement with a private logistics firm, and
- (vi) A serious internal audit report highlighting fraud/irregularities

The CEO intends to handle these internally and “brief the Board later”.

Required:

(i) With reference to relevant rule(s), identify matters from the above that must be placed before the Board for information/consideration/decision as “significant issues/key information”. **06**

(ii) Mention any TWO responsibilities/powers of the Board that are directly relevant to dealing with these issues. **02**

(b) A PR Public Sector company (assets above Rs. 5 billion) appoints a CFO who is an MBA (Finance) with 8 years’ experience. It also appoints a Company Secretary who has an MSc (Management) with 4 years’ experience. Both appointments are made through an office order. In the next Board Meeting, the CFO insists on voting on the Financial Statements’ agenda.

Required:

Assess whether the CFO and Company Secretary meet the qualification requirements and state what the Board should do to regularize compliance. **04**

Contd.....

(3)

- (c) In a PR Public Sector company, the Audit Committee including the CEO as Chairman, meets only once in the year, to discuss audit matters but does not hold any meeting with external auditors. The external auditors issue a management letter highlighting major audit adjustments and going-concern concerns, while internal audit reports, a procurement fraud. No clear written TOR exists for the Audit Committee.

Required:

Identify FOUR compliance/ governance issues in the above situation with reference to applicable Rules. **04**

- Q.5. (a)** Discuss how a person may become member of the company under Companies Act 2017. **03**

- (b) Briefly explain the following statements under Companies Act 2017 and Public Sector Companies (Corporate Governance) Rules, 2013:

(i) No public company shall give financial assistance to anyone for the purpose of its own shares. **03**

(ii) No subsidiary company shall hold shares of its holding company. **02**

(iii) Companies can commence business only after obtaining certificate of incorporation of business from Registrar of the Companies. **02**

(iv) Remuneration of Director of a Public Sector Company. **03**

(v) Internal Audit of a Public Sector Company. **03**

- Q.6. (a)** Pakistan Railways has executed a deposit work for KPK Government whose cost estimate was Rs. 1,500 million (excluding departmental charges). The project was completed at the cost of Rs. 1,485 million. The KPK Government has deposited Rs. 1,050 million in installments.

Required:

(i) **Calculate** net amount receivable from KPK Government at the end of the work. **04**

(ii) **Mr. A** from Pakistan Railways has pointed out that whole amount of the cost estimate should have been received from the sponsor agency. Is this justified? Support your answer with specific codal provision. **04**

- (b) Construction estimate of the project is divided in different sections. Discuss these sections in connection with Engineering Code, Pakistan Railways. **06**

- (c) Some works are executed without sanction under Engineering Code Pakistan Railways and expenditure and liabilities are incurred. Give TWO examples of these works. **02**
