



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Business Law &
Taxation
(Application)
AGP
May Exam-2026**

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Solutions – Business Law & Taxation (Application)

Q.1. Filer & Registered Supplier

Scenario A

Let value of supplies (exclusive of GST) = X

Gross invoice = X + 18% GST = 1.18X

Income tax withheld

= 5.5% of gross invoice

= 5.5% × 1.18X = 0.0649X

GST withheld = 0.18X

Net payment: 1.18X – 0.0649X – 0.18X = 0.9351X

0.9351X = 92,400

X = 98,813 (approx.)

- Gross invoice (inclusive of GST): Rs. 116,599
- Income tax withheld: Rs. 6,408
- GST withheld: Rs. 17,786

Scenario B

Non-Filer & Unregistered Supplier

(No GST applicable)

Let gross invoice = X

Income tax withheld = 11% of X

Net payment: X – 0.11X = 0.89X

0.89X = 92,400

X = 103,820

- Gross invoice: Rs. 103,820
- Income tax withheld: Rs. 11,420

GST withheld: Nil

Scenario C

Filer & Unregistered Supplier

(No GST applicable)

Income tax withheld

Net payment: X – 0.055X = 0.945X

0.945X = 92,400

X = 97,778

- Gross invoice: Rs. 97,778
- Income tax withheld: Rs. 5,378

GST withheld: Nil

Scenario D

Non-Filer & Registered Supplier

Gross invoice = 1.18X

Income tax withheld

= 11% of 1.18X = 0.1298X



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GST withheld = $0.18X$

Net payment: $1.18X - 0.18X - 0.1298X = 0.8702X$

$0.8702X = 92,400$

$X = 106,194$

- Gross invoice (inclusive of GST): Rs. 125,309
- Income tax withheld: Rs. 13,787

GST withheld: Rs. 19,115

Q.2. a) Federal Consolidated Fund

Explanation:

Under Article 78 of the Constitution, all revenues received by the Federal Government, all loans raised, and all moneys received in repayment of loans shall form part of the Federal Consolidated Fund.

Key Points:

- It is the primary fund of the Federation
- All federal receipts must be credited to it
- No expenditure can be made from it except in accordance with the Constitution

Marking Scheme:

- Identification of fund (Article 78):
- Nature and explanation:

b) Expenditure Charged upon the Federal Consolidated Fund Explanation:

As per Article 82, certain expenditures are charged upon the Federal Consolidated Fund, such as:

- Remuneration of the President
- Judges of the Supreme Court and High Courts
- Debt charges of the Federal Government

Such expenditure:

- Is not submitted to vote of the National Assembly
- Can be discussed but cannot be refused

Conclusion:

Charged expenditure is mandatory and automatic in nature.

Marking Scheme:

- Meaning of charged expenditure:
- Examples (any two):

Voting status explained:



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c) Unforeseen Federal Expenditure Explanation:

According to Article 84, if an expenditure arises that:

- Was not included in the Annual Budget Statement
- Or exceeds the authorized amount

The Federal Government may authorize expenditure from the Federal Consolidated Fund, subject to subsequent approval by the National Assembly.

This approval is obtained through:

- Supplementary Grant
- Excess Grant

Marking Scheme:

- Identification of Article 84:
- Explanation of unforeseen expenditure:
- Requirement of subsequent approval:

d) Provincial Expenditure without Finance Bill

Explanation:

Under Article 120, if the Provincial Assembly has not passed the Finance Bill before the start of the financial year, the Provincial Government may:

- Withdraw funds from the Provincial Consolidated Fund
- For a limited period
- To meet essential expenditure

This is known as Vote on Account, governed by Article 122.

Marking Scheme:

- Reference to Article 120 / 122:
- Explanation of Vote on Account:

Temporary nature explained:

e) Difference between Federal and Provincial Financial Procedures

Basis	Federal	Provincial
Governing Articles	78–88	118–127
Consolidated Fund	Federal Consolidated Fund	Provincial Consolidated Fund
Legislature	National Assembly	Provincial Assembly
Authorization	Article 83	Article 122

Conclusion:

While both systems follow similar principles, separate constitutional articles and legislatures govern federal and provincial financial control.

Marking Scheme:

- Federal procedure explained:
- Provincial procedure explained:



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- Comparative conclusion:

Marking Scheme:

- Registration requirement explained:
Consequences of non-registration:

Q.3. a) Issue of Right Shares & Allotment to Outsider

Legal Principles:

- Under **Section 83**, further issue of shares must first be offered to existing shareholders **in proportion to their shareholding**
- Shareholders have the **right to renounce**, but directors must act **bona fide**
- Directors owe **fiduciary duties** to act in the best interest of the company

Application:

- Mr. Ahmed failed to exercise his right within time → directors may dispose of shares
- However, allotment to outsider at **lower price** is unfair and prejudicial
- Indicates possible **misuse of powers**

Conclusion: Directors' action is **legally questionable** and may be challenged. 1 mark
Non-Registration of Floating Charge

b) Legal Principle:

- Under **Sections 100–101**, charges must be registered within the prescribed time
- An unregistered charge is:
 - Void against **liquidator and creditors**
 - Valid only as a **contractual obligation**

Application:

- Floating charge not registered
- Debenture holders lose **security status**

Conclusion: Debenture holders become **unsecured creditors** in winding up. 1 mark

c) Inspection of Register of Charges

- **Legal Principle:**
- Under **Section 102**, the register of charges must be kept at the registered office
- It is **open for inspection** by members and creditors without fee

Application:

- Company's refusal is unlawful
- Register is **statutory**, not internal

Conclusion: Shareholder is **legally entitled** to inspection.



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d) Priority of Charges & Mortgages

Legal Principle:

- Priority generally depends on:
 - **Date of creation**
 - **Date of registration**
- Registered charge has priority over:
 - **Unregistered charge**
 - **Later charges**

Application:

- First registered mortgage ranks prior
- Subsequent charge ranks **second**, unless otherwise agreed

Conclusion: Priority is determined by **registration and timing**.

e) Remedies for Minority Shareholders

Legal Principle:

Under **Sections 286–287**, minority shareholders may seek relief against:

- Oppression
- Mismanagement
- Abuse of powers

Remedies include:

- Petition to court
- Setting aside allotment of shares
- Regulation of company's affairs
- Removal of directors

Conclusion: Selective issue of shares to maintain control may amount to **oppression**

Q.4. (a) Objective of Prudential Regulations

Prudential Regulations are issued by the State Bank of Pakistan to:

- Ensure soundness and stability of the banking system
- Minimize credit risk and prevent excessive exposure
- Protect depositors' interests
- Promote transparent and disciplined lending practices



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(b) Credit Exposure Limits & Clean Lending

Prudential Regulations prescribe:

- Maximum exposure limits per borrower to avoid concentration risk
- Clean lending limits, beyond which financing must be secured
- Banks must ensure adequate collateral or security if exposure exceeds clean limits

Conclusion:

These limits safeguard banks from **unsecured excessive lending**.

(c) Impact of Previous Default History

A past default indicates **credit risk** and weak repayment behavior.
Under Prudential Regulations:

- Banks must conduct enhanced credit appraisal
- Past defaults may lead to rejection, stricter terms, or additional security

(d) Importance of Personal Guarantees

Personal guarantees:

- Provide additional security to the bank
- Enhance creditworthiness of the borrower
- Enable recovery from directors in case of default

(e) Audited Financial Statements

Prudential Regulations require submission of **audited financial statements** to:

- Assess financial position and performance
- Ensure reliability and transparency
- Support informed credit decisions
