



**Pakistan Institute
of Public Finance Accountants**

**Model
Solutions
General & Revenue
Accounts of Railways
(Application)**

AGP | PRAD

May Exam-2026

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Q.1. Reference Para 65 of Office Manual of Traffic Accounts Branch Eight immediate actions on detection/receipt of fraud report
a

1. Take charge of the case (responsibility)

- The Accountant of the Section is responsible for disposal of all cases of serious irregularities and frauds.
- He may take assistance of the Sub-Head concerned, but must ensure work is properly checked before putting up the case. (Para 65)

2. Maintain strict secrecy

- Use no ordinary office clerical assistance in cases requiring complete secrecy. (Para 65)

3. Immediately take possession of all connected documents

- On detection/receipt of fraud report, the accountant will take possession of all connected documents (vouchers, issue notes, acknowledgements, ledgers, etc.). (Para 65)

4. Keep documents in personal safe custody

- Keep all documents in his personal safe custody until they are no longer required. (Para 65)

5. Check completeness and authenticity

- Verify that documents are complete, original, and consistent (dates, signatures, numbering, postings).
- Any missing document should be traced immediately.

6. Open/compile a proper case file

- Create a dedicated case file containing: detection note, evidence list, loss estimate (if any), persons involved, and initial chronology.

7. Enter the case in the prescribed register (without delay)

- Ensure the case is entered in the Register of Serious Irregularities . (Para 65)

8. Report/put up the case to Section Officer + further reporting

- Put up the case to the Section Officer for orders and ensure required reporting is made when ordered (including to Ministry where required). (Para 65)

Q.1. Registering & reporting requirements
b

1) Maintain a “Register of Serious Irregularities”

- The accountant must ensure all such cases are entered in the Register of Serious Irregularities. (Para 65)



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2) What the register should contain (key information)

The register records case-wise information such as:

- Brief particulars and how detected,
- Modus operandi, nature of breach/defect in procedure,
- Amount of loss, involved/recovered amounts,
- Remarks/actions taken, responsibility fixed,
- Recommendations of Enquiry Committee, and steps to prevent recurrence. (As per register format shown)

3) Periodic reporting / review

- Such cases are to be maintained in the register and a report made when ordered by Section Officer. (Para 65)
- Serious irregularities may be reviewed monthly, and submitted to the Section Officer on the 5th of every month. (Para 65)
- An extract of the register should also be sent to the Procedure Section on the 5th of every month. (Para 65)

Q.1. Three controls to prevent recurrence

c

Linking to bogus store issues/forged acknowledgements:

1. Strengthen issue & acknowledgement controls
 - Ensure issue notes are properly authorized; receipt/acknowledgement verified independently (no single person controls issue + acknowledgement).
2. Improve ledger posting and reconciliation
 - Timely posting in ledgers and periodic reconciliation between issue vouchers, stock ledgers, and physical stock.
3. Document control & custody
 - Controlled numbering and custody of vouchers/acknowledgements, restricted access, and periodic surprise checks by supervisory staff.

Q.2. Commercial vs Government accounting

a

Records transactions to show capital utilization, position of debtors/creditors, whether the entity is gaining or losing, sources of gain/loss, and whether it is solvent/insolvent. Government accounting: Maintains systematic record of receipts and expenditure, classified under appropriate headings.

Reference: Para 1001 to 1004 of Accounts Code and Commercial Accounts of PR

Q.2. How PR achieves both

b

PR is both a government concern and a commercial enterprise. The objective is achieved by:

1. keeping railway accounts on a commercial basis outside regular Government account, and
2. maintaining a link between the two to show:
 - how much comes into Government revenues from railways, and
 - how much Government spends on railways as capital or revenue expenditure.



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Q.2. PR commercial accounts / Financial Statements

- c PR's commercial accounts are known as "Financial Statements". They are compiled periodically and prepared in compliance with IFRS as adopted in Pakistan by ICAP, based on double-entry book-keeping supported by an integrated IT system.

Q.2. Finance Accounts (Government Accounts)

- d Accounts of railways maintained per government accounting requirements are collectively termed "Finance Accounts" and are compiled annually to present transactions classified under the heads prescribed for government accounting.

Q.3. Reference: Para 6 of Manual of Instructions for the Guidance of Travelling Inspectors of Accounts.

a

1. Do a critical, searching check of station transactions

- Especially those recorded in initial station documents that normally do not reach Head Office.
- *Reason:* Your main duty is to catch what Head Office may never see.

2. Stay alert for irregularities/fraud and verify supporting record

- Treat suspicious entries as "red flags"; check vouchers, registers, summaries, postings and authority/sanctions.

3. Keep a "spirit of discovery" and take initiative

- Don't just tick boxes; follow the trail (who prepared, who approved, how recorded, how money/stock moved).

4. Guide and improve station accounting

- If staff are unfamiliar, explain the correct method and give practical guidance (what record to keep, how to post, what to reconcile).

5. Protect railway financial interest (earnings & expenditure)

- Ensure revenue (e.g., freight receipts) is properly accounted for and no leakage exists; also check expenditure controls.

6. Aim for practical results, not mere uniformity

- Focus on fixing issues that cause loss/leakage and improving controls; not only on making the books "look neat."

7. Maintain courtesy and avoid acrimonious disputes

- Deal politely in letters/reports; if traffic staff argue, stay calm, take facts from record, avoid confrontation.

8. Do not allow personal bias and avoid commenting on staff competence

- Your report should be fact-based. Do not attack staff qualifications unless facts/irregularities justify a remark.

9. Do not keep station staff constantly with you

- Take only reasonable assistance as needed; avoid disturbing station operations unnecessarily.

10. Do not ask staff to work beyond duty hours without approval

- If extra attendance is needed, obtain prior approval from the competent traffic authority as required.

11. Do not accept "special facilities" or become obligated to station staff

- Avoid any situation that creates obligation or appears improper (rest rooms/ favours contrary to rules).



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12. Record instructions in Station Inspection Book and report serious matters

- Give clear written instructions first; if no improvement or serious issue exists, report to Head Office through proper channel.

Q.3. Reference: Para 31 & 32 of Manual of Instructions for the Guidance of Travelling Inspectors of Accounts

1. Forms & stationery responsibility (Para 31):

Ensure forms/stationery are indented half-yearly on the dates notified by Head Office. If supply is due and you are at Lead Office, arrange to obtain personally. (Responsibility of timely/adequate supply rests on the Inspector.)

2. Count total cash-in-hand including vouchers (Para 32(i)):

On arrival, count whole cash-in-hand, including value of cash vouchers (Pay orders, Credit Notes, Warrants, Police/Jail vouchers, etc.) and also items like indemnity bonds/tariffs/time tables as required, and ensure it is recorded in cash book.

3. Branch-wise counting & certification (Para 32(ii)):

Count Coaching cash and Goods cash separately, record amounts in words and figures in their respective cash books, and sign as Inspector; ensure last entry is ruled off and balanced.

4. No inter-branch cash adjustment (Para 32(iii)):

Do not allow cash of one branch (Goods) to be used temporarily to meet deficiency of another branch (Coaching).

Q.4. Classification table

a

Trial Balance Head	Balance Sheet Line Item	Reason
i) Balance in Workshop Suspense Account	Inventories	Represents workshop/manufacture suspense balances awaiting adjustment; treated as inventory-type balance.
ii) Stores	Inventories	Stores are stock held for use/issue.
iii) Freight Deposit Account	Security and Deposits	Deposit received/held (refund/adjustable) — shown under deposits.
iv) Provident Fund	Long term liabilities	Employees' fund payable — obligation (generally long-term).
v) Improvement Fund	Revenue Reserves	Reserve created out of revenue for specific purpose.
vi) Depreciation Reserve Fund	Revenue Reserves	Reserve related to depreciation/asset replacement; presented under reserves.
vii) Staff Benefit Fund	Long term liabilities	Employee benefit obligation/payable; treated as liability.
viii) Cumulative Surplus	Capital/Net worth	Accumulated surplus/deficit forms part of net worth.
ix) Permanent Debt with State Bank of Pakistan	Long term liabilities	Long-term borrowing/debt.
x) Structural and Engineering Works	Fixed Assets	Tangible fixed asset class.
xi) Rolling Stock	Fixed Assets	Tangible fixed asset class.
xii) Investment by Govt	Capital/Net worth	Owner's contribution; part of net worth.
xiii) Accrued liabilities	Current liabilities	Payables/expenses due in short term.

Reference: Commercial accounts of Pakistan Railways.



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Q.4. Gross Earnings of Pakistan Railways (PR)-Composition b

Gross earnings of PR are composed of the following main heads:

1. Passenger Earnings

- Higher Class
- Lower Class
- (Total Passenger Earnings = Higher Class + Lower Class)

2. Parcels & Other Coaching Earnings

3. Goods Earnings

4. Sundry Other Earnings

- Other miscellaneous railway earnings not covered above.

Total Gross Earnings = Passenger + Parcels & Other Coaching + Goods + Sundry Other Earnings

Reference: Commercial Accounts of PR

Q.5. Impact on Financial Position (Balance Sheet)

- Improper asset valuation → assets overstated/understated
- Unreconciled suspense balances → liabilities/assets unclear
- Results in misleading financial position

Impact on Performance (Profit & Loss Account)

- Wrong asset values → incorrect depreciation
- Suspense items distort **income/expenses**
- Leads to **incorrect profit/loss**

Impact on Reliability & Audit Opinion

- Reduces **credibility of financial statements**
- Indicates **weak financial management**
- Auditor may issue:
 - **Qualified opinion** (if limited issues)
 - **Adverse opinion** (if material & pervasive)

Reference: Financial Audit Manual (FAM) Chapter 3
