



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Public Financial
Management, Financial
Rules & Budgeting
(Application) (Federal)**

AGP | CGA | PMAD | PUBLIC | KPG

May Exam-2026

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Q.1. Preliminary evaluation of bids is the first crucial stage in the public procurement process, aimed at screening and filtering bids for completeness and compliance with mandatory requirements before detailed technical or financial evaluation. Governed primarily by the Public Procurement Rules (PPRA) 2004, this stage ensures that only technically responsive, valid, and serious bidders proceed to the next, more rigorous evaluation phases.

Likely Rejection of Bid during preliminary evaluation:

A bid is likely to be rejected during preliminary evaluation on the following grounds:

1. It is received after the time and date fixed for its receipt,
2. It is submitted though fax, telex, telegram or email,
3. It is not accompanied with Bid Security,
4. It is unsigned,
5. Its validity is less than specified,
6. It is submitted for incomplete scope of work,
7. It indicates completion period later than specified,
8. It indicates that prices quoted are not firm during currency of the contract,
9. It indicates that Goods and material to be supplied do not meet eligibility requirements,
10. It is materially and substantially different from the Conditions of the Bidding Documents.

Q.2. NFC Award

The examinee is expected to express his/her views on this very sensitive subject keeping in view the following:

- Current NFC Award
- Comparison of Federal and Provincial needs
- 18th amendment and provinces viewpoint
- Federal government need for debt repayment and defense expenditure
- Federal government's current poor economy
- Provincial reservations

Q.3. Greater Financial Powers to the PAO entails Greater Responsibility PAO has been entrusted with maximum possible financial powers to make him independent in making decisions. It is expected that the PAO will in turn deliver his assigned tasks for the betterment of general public and will execute such policies which will help this country in social development. Each examinee is expected to critically analyze and discuss the performance of his relevant PAO. There is no right or wrong answer to this question. Examinee are supposed to give their candid personal opinion.

Q.4. A Last Pay Certificate (LPC) is an official document issued to an employee upon transfer, retirement, or termination, summarizing their final salary, allowances, deductions, and outstanding recoveries up to their last working day. It is crucial for ensuring accurate final payments, transferring service records between offices, and settling tax obligations.



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Key purposes of an LPC include:

- Final Settlement of Accounts: It provides a record of final payments, ensuring accuracy
- Transfer of Service Records: When an employee transfers, the LPC is used to transfer their data to the new office.
- Pay Protection: It serves as evidence of the last pay drawn, which is necessary for fixing the basic pay in a new office.
- Tax Documentation: It serves as a record of income tax already recovered, preventing overpayment.
- No Dues Clearance: It often confirms that there are no outstanding dues to be recovered from the employee.

LPCs are also used to verify an employee's, financial history for various administrative purposes. Examinees are required to prepare LPC on the prescribed format.

Q.4. Examinees are required to prepare LPC on the prescribed format in accordance with TR-230, and
b Annexure-IX of the DDO hand book.

Q.5. Answer is expected to be in accordance with Treasury Rule 225 which clarifies that what part of the salary can be attached and what parts are exempted.

Q.6. Tax Calculations

Examinee is required to calculate, Taxable income, Income tax liability for the year 2024-25 and monthly deduction of tax at source based on the given data. First one needs to determine the taxability of the different parts of salary. That is as under:

S. No	Description	Amount
1	Monthly basic salary	155,990
3	Monthly House Allowance	45,000
4	Monthly Medical Allowance	18,000
5	Monthly fuel Allowance	25,000

1. Total income:

Basic salary:	155,990 x 12	=1,871,880
House Allowance:	45,000 x 12	=540,000
Medical Allowance:	18,000 x 12	=216,000
Fuel Allowance:	25,000 x 12	= 300,000
Total Income		=2,927,880

Since all emoluments are taxable so taxable income will be the same i.e Rs. 2,927,880



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Taxable Income

Scenario-I

In case reimbursement of medical bills are allowed in the organization:

S. No	Description	Amount
1	Annual taxable basic salary	1,871,880
2	Annual taxable House Allowance	540,000
3	Annual taxable Medical Allowance	216,000
4	Annual taxable fuel Allowance	300,000
5	Total Taxable Income	2,927,880

All emoluments will be taxable including Medical Allowance so taxable income will be Rs 2,927,880

Tax Liability:

Two tax slabs are given in the question, one of the two is applicable.

Taxable income from Rs 1,200,001 to 2,200,000	Rs 30,000+15% % on amount exceeding Rs 1,200,000
Taxable income from Rs 2,200,001 to 3,200,000	Rs 180,000+25% on amount exceeding Rs 2,200,000
Taxable income from Rs 3,200,001 to 4,100,000	Rs 430,000+30% of the amount exceeding Rs 3,200,000

In this case slab for 2,200,001 to 3,200,000 is applicable as the taxable income is 2,927,880.

Tax Liability:

Fixed tax=180,000 (for Rs 2,200,000)

25% of the remaining amount of 727,880=181,970

Total tax=Rs 361,970

Monthly deduction of Rs 30,164 monthly at source as withholding tax.

Scenario-II

In case there is no facility of reimbursement of medical bills in the organization:

In this case all the emoluments will be taxable except the Medical Allowance (MA). Taxable MA will be calculated by deducting 10% of the basic pay from MA.

Medical Allowance Exemption:



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10% of the basic salary= $155,990 \times 10\% = 15,599$

Annual Exemption= $15,599 \times 12 = 187,188$

Taxable MA= $216,000 - 187,188 = 28,812$

Now the taxable income will be as following:

S. No	Description	Amount
1	Annual taxable basic salary	1,871,880
2	Annual taxable House Allowance	540,000
3	Annual taxable Medical Allowance	28,812
4	Annual taxable fuel Allowance	300,000
5	Total Taxable Income	2,740,692

In this case also the slab for 2,200,001 to 3,200,000 will be applicable as the taxable income is.

Tax Liability:

Fixed tax= $180,000$ (for Rs 2,200,000)

25% of the remaining amount of $540,692 = 135,173$

Total tax= $\text{Rs } 180,000 + 135,173 = 315,173$

Monthly withholding of Rs 26264.4 at source as withholding tax.

Q.7. Causes of increase in fuel expenditure

The increase in fuel consumption for official cars in Pakistan is caused by a combination of operational, maintenance, and policy-related factors, often exacerbated by the country's unique driving conditions. Key causes include the use of high-capacity vehicles, poor vehicle maintenance, and, in some cases, the misuse of resources.

Corrective measures

Every examinee is expected to think, analyze the situation and suggest measures for cut in official fleet expenses, however, some general measures inter alia include the following:

- Enforce budget Cuts
- Enforce discipline
- Ban New Purchases
- Withdraw Luxury Cars
- Prioritize Economy Travel
- GPS/tracking system
