



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Public Sector Accounting
(Application)**

CGA |PRAD

May Exam-2026

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Solutions – Public Sector Accounting (Application)

- Q.1. i) Object: non-revenue receipt (C04108)
a Entity: (Federal) F271PR01
Function: 045401 Railway Transport
- ii) expenditure on Urban Water Supply.
Object Expenditure: (A 13305)
Entity: (Punjab) P665402
Function: 063102 (Water supply, Works Construction and Operations)
- iii) Object: Liabilities G12730
Entity: Sindh S561
Function: 081101, 081102
- iv) Object: Tax Revenue: Property tax : share of net proceeds assigned to districts/ TMAs
Entity: KPK: D.G. Excise and taxation
Function :011205 (Tax management)
- v) List of adj codes
adj. adhoc increase
- Q.1. 1. PC12 037
b 2. PC21 009
3. PC21 010

Topic: Monthly/Annual production of Financial statements and Reports. Compilation of Monthly Consolidated accounts ...Consolidated Financial Statements of the Federation

- Q.2. Correct concept and Steps of Solving:
Calculation of Increase Decrease of Cash
Correct Answer:

PROVINCIAL GOVERNMENT

Statement of Cash Flows

For the Year Ended 30 June 20XX

CASH FLOWS FROM OPERATING EXPENSES

Taxation: Transfer from Federal Govt.	2,065,150
Taxation: Own Collection	298,000
Non Tax revenue	91,277
Grants and Aids- receipts	22,594
Trading Receipts	486,006
Transfer Payments	(394,709)
Operation payments	(921,604)
District Govt. receipts	3,824
Payment of District Authorities	(491,578)
Servicing of Debts	(129,890)
Cash from Operating Activities	1,029,070



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CASH FLOWS FROM INVESTING ACTIVITIES

Recoveries of loans and advances	3,576
Investment Done	(10,500)
Expenditure on physical Assets and civil works	(849,886)
Payment of Loan and Advances	(27,142)
Cash used in Investing Activities	(883,952)

CASH FLOWS FROM FINANCING ACTIVITIES

Receipt of Foreign and Domestic debt	540,055
Principal repayments of Debt	(695,608)
Net receipt of Public Accounts	36,105
Cash from Financing Activities	(119,448)
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS	25,670
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	437,609
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	463,279

Note: Depreciation Expense and Provision for Advances are non-cash items so will not be included in Cash Flow Statement.

- Q.3. **Reference: As per APPM 16.5.2.1** Requisitions for chequebooks shall be directly placed, by the authorised officer, with the AG/AGPR. The exception to this is for the assignment account and defence's cheque books where the requisitions are directly placed with the branch of the NBP / SBP where the cheque account is maintained.

Comments: the action has a violation of APPM Rule 16.5.2.1.

Topic: Recording of transactions relating to Insurance/ APPM Para 15.4.1.5

- b **Reference: As per APPM 15.4.1.5** If insurance claims, by an insurer to the Government, are paid in another financial year, it should be recognised as Consolidated Fund revenue (i.e. other income) and not re-used by the insuring Ministry or Department.

Comments: the action has a violation of APPM Rule 15.4.1.5 the insurance claim should be recognized and deposited as Consolidated Fund Revenue and should not be reused by the department.

Topic: The daily/monthly procedures by DAO/Banks for reporting cash balances/ APPM 6.5.2.2

- c **Reference: As per APPM 6.5.2.2** The Monthly Main Designated Branch Statement shall be sent to the concerned DAO/AG/AGPR by 2nd of the following month. The delegated officer in the DAO/AG/AGPR shall sign and stamp the statement once he/she agrees with the daily balances and send a copy back to the Main Designated Branch within 2 working days of receiving the statement.

Comments: The action is in violation of Rule 6.5.2.2, the DAO should send bank the statement with in two working days.

Topic: Recording of Financial Assets/ APPM 13.5.3



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Q.4. Compliance with Approval Requirement:

- a The approval is **in accordance with the rules**. The delegated officer is authorized up to Rs. 1,000,000, and the **gross value of the transaction** must be considered for approval. Since Rs. 800,000 is within the delegated limit of Rs. 1,000,000, the approval is valid.

Q.4. Gross Value of Purchase Transaction:

- b Gross Value = Cash Paid + Trade-in Value
= 800,000 (cost of new asset)
= **Rs. 800,000**
(Alternatively expressed: Cash paid Rs. 600,000 + Trade-in Rs. 200,000 = Rs. 800,000)

Q.4. Journal Entries:

c

(i) To record net expenditure incurred:

Dr Expenditure Head Account	Rs. 600,000
Cr Bank Account	Rs. 600,000

(Being net cash paid after trade-in)

(ii) To record addition of new asset and removal of old asset:

Dr Fixed Assets Account (New)	Rs. 800,000
Cr Fixed Assets Account (Old)	Rs. 800,000

(Being recognition of new asset and derecognition of old asset in memorandum record)

Q.4. Explanation of Accounting Treatment:

d

APPM 13.5.3.1 Each trade-in arrangement will only to be approved by a delegated officer within a department/entity having the authority to incur expenditure representing the gross value of the purchase transaction, i.e. actual expenditure plus the value given by the supplier for the items traded-in. 13.5.3.3 On trade-ins or swaps the asset traded-in or swapped shall be removed from the Fixed Assets Register and new asset shall be added to the Fixed Assets Register by a delegated officer within the department/entity.

So in trade-in transactions, only the **net cash outflow** is recorded as expenditure in the accounts. The **gross value** is considered only for approval purposes. The old asset is removed and the new asset is recorded in the memorandum (fixed asset) accounts without affecting cash, ensuring proper asset tracking.

Topic: Accounting for Expenditures/ Computation of GP Fund Interest and Closing Balance:

Q.5. Step 1: Monthly Subscriptions (July–December 2025)

- a Monthly subscription = Rs. 6,350
Number of months = 6

Total subscriptions:

$$6,350 \times 6 = \text{Rs. } 38,100$$

Step 2: GP Fund Account

Particulars	Amount (Rs.)
Opening Balance (30-06-2025)	812,500
Add: Subscriptions (July–Dec 2025)	38,100
Subtotal	850,600
Less: Withdrawal as final payment (October 2025)	650,000
Closing Balance (31-12-2025)	200,600



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Note: As the Subscriber has interest free account so no calculation of Interest is required moreover the Non-refundable advance has been taken as final payment to the subscriber.

Q.5. Journal entry In case of Non-Refundable GP Fund Advance:

b

DR.	G06103 (Liability)	GP Fund (Civil)
CR	F01101	Noon Food Account

Topic: Monthly/Annual production of financial statements and Reports.

Q.6.

a

Statement of Revenue and Expenditure by Object

Particulars	Amount (In Million)
Tax Revenue – Major Objects	75,798
Tax Revenue – Minor Objects	59,264
Total Tax Revenue	135,062
Non-Tax Receipts – Major Objects	56,296
Non-Tax Receipts – Minor Objects	25,798
Total Non-Tax Receipts	82,094
Total Revenues	217,156
Particulars	Amount
Expenditure met from Revenue – Major Objects	97,289
Total Expenditure from Revenue	97,289
Expenditure met from Capital – Major Objects	90,745
Total Expenditure from Capital	90,745
Total Expenditure	188,034
Surplus / Deficit:	
Particulars	Amount
Total Revenues	217,156
Total Expenditure	188,034
Surplus	29,122

Q.6. **Comments on Financial Performance**

b

The entity has a **surplus of Rs. 29,122 million**, which indicates that **revenues exceeded expenditures** during the financial year. This reflects a **positive financial performance** and suggests that the entity has adequate revenue to meet its expenditure requirements.

Topic: Expenditures /Computation of interest on Loans and Advances to Government Servants

Q.7. Monthly principal installment = $1,000,000/60 = 16,667.67/-$

a



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Q.7. Motor car advance Interest:

b Amount of Advance: 1,000,000/-
 No. of installments: 5*12=60

Interest Formula: Amount of Advance * (Number of installments +1)*interest rate/2400

OR Amount of Advance/12 * (No. of Installment +1) /2 * Rate of Interest /100

$$\begin{aligned}\text{Interest Amount} &= 1,000,000/12- \times (60+1)/2 \times 17.74/100 \\ &= \mathbf{450,891.66}\end{aligned}$$

Note: the rate of interest will be applied for the year 2024-25 as in which financial year the advance is taken that year interest rate of loans and advances is applied.
