



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Treasury & Subsidiary Treasury
Rules (Theory & Application)**

Treasury-KPK

May Exam-2026

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- Q.1.** Payments against suspense heads of accounts are made to temporarily manage funds when the final, correct, or permanent accounting head is not immediately known or determined. Suspense accounts act as a "holding" or "clearing" area to ensure transactions are recorded on time (often when a deadline is imminent) while allowing for further investigation to classify the payment correctly later.

Key reasons for payments made against suspense heads include:

Unclassified or Unidentified Transactions: When a payment is made or received, but the specific account, department, or invoice it belongs to cannot be immediately determined.

Partial Payments/Incomplete Information: In scenarios like mortgage payments, if a payment received is less than the full amount required, it may be placed in a suspense account until the remainder is received.

Inter-departmental Transfers: Provisional adjustments for transactions between departments or governments.

Error Correction: Temporary storage for discrepancies in the trial balance where debits and credits do not match.

Legal/Dispute Holds: Funds relating to a legal dispute may be placed in suspense until the case is resolved.

Agency Transactions/Recoupable Expenditure: Money spent on behalf of another body that will be recovered later.

Purchases Before Receipt: Payments made for assets that have not yet been received or fully settled.

Key Characteristics:

Temporary Nature: These accounts are meant to be cleared regularly (e.g., monthly or quarterly) by transferring the funds to the correct account.

Balancing Device: They allow for the recording of entries in the general ledger when information is missing, preventing delays in financial reporting.

Minus Transactions: In government accounting, they are cleared through "minus" debit or credit entries.

- Q.2. Ref: Punjab Treasury and Financial Rules.**

Obtaining a security deposit from cashiers and storekeepers is essential primarily to **safeguard business assets against financial loss due to internal theft, negligence, or cash shortages**. Because these employees have direct, daily access to cash and inventory, a deposit ensures that the business has a "buffer" to recover funds without immediate, costly legal action.

Here are the key reasons why this practice is essential:



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Mitigation of Internal Theft (Shrinkage): Cashiers and storekeepers are in positions of trust. A security deposit acts as a deterrent against fraudulent activities, such as pocketing cash or manipulating stock, as they know their money is on the line.

Coverage for Shortages and Errors: Daily transactions can lead to human error, resulting in cash drawer discrepancies (shortages). The deposit provides a readily available source to cover these losses, ensuring the business does not lose money due to negligence.

Protection of Inventory: Storekeepers manage inventory. If goods are damaged, lost, or stolen due to negligence, the deposit can be used to cover the cost of replacing or repairing the items.

Accountability and Responsibility: Requiring a deposit ensures the employee treats the cash and inventory with care. It establishes a clear, professional boundary regarding the responsibility of handling assets.

Final Settlement/Clearance: When an employee leaves, the deposit can be used to cover any outstanding shortages, damaged goods, or unreturned equipment discovered during the final inventory check.

In addition to protection, the process of collecting and managing this deposit provides a formal "audit trail" and increases transparency, as it establishes a clear record of the employee's accountability.

- Q.3. ELIMINATION OF FRACTION OF PAISA FROM GOVERNMENT ACCOUNTS 4.10 (1)** Except as otherwise provided in this rule, all transactions of the Government shall be rounded off to the nearest paisa by omitting fraction not exceeding half paisa and by treating as one paisa a fraction exceeding half paisa. (2) Only the total amount payable or receivable in a single transaction shall be rounded off under sub-rule (1) except in the case of pay, allowance, pension or traveling allowance, in which case every individual item shall be so rounded off. (3) In the case of emoluments of Government Servants and pensioners fixed by statute and interest charges on public debt, a fraction of the paisa shall be rounded off to the next higher paisa.

Receipts of revenue, which are fixed by or under any law, or are specially exempted by the Government from the operation of this rule, the rounding off shall be made in accordance with the provisions of the relevant law.

- Q.4. ARREARS OF PAY AND ALLOWANCES** Arrear pay should be drawn, not in the ordinary monthly bill, but in a separate bill, the amount claimed for each month being entered separately with quotation of the bill from which the charge was omitted or withheld, or on which it was refunded by deduction, or of any special order of competent authority granting special pay or a new allowance; such bills can be presented at any time, subject to the conditions laid down in the Punjab Financial Rules and may include as many items as are necessary . NOTE 1: rule 4.26 above. For the payment of rewards for proficiency in oriental languages, see.



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Q.5. Remittanace and its types

Under the Punjab Treasury Rules, **remittance** refers to the official, secure transfer of public funds, stamps, or valuables from one location to another. This is primarily done to manage cash balances between district treasuries, sub-treasuries, and the State Bank of Pakistan. Remittances fall into two primary categories:

1. Currency Remittances (Cash and Valuables)

Description: The physical movement of physical cash (coins and notes), stamps, or other valuable securities.

Procedure: These are strictly regulated and typically dispatched in secure containers using reinforced chests. They may be escorted by armed guards or police personnel depending on the amount to ensure the absolute security of public money.

2. Remittances by Transfer (Book Adjustments)

Description: The transfer of funds between different government accounts or treasuries through paper transactions, book adjustments, or government drafts rather than moving physical cash.

Procedure: Instead of physically transporting money, the treasury adjusts the figures in its account ledgers. This is highly efficient and minimizes the risks associated with moving physical currency. [1]

Regulatory Provisions

Departmental Remittances: Government employees and Drawing and Disbursing Officers (DDOs) are required to deposit incidental departmental revenues, diet money, or witness fees directly into the treasury via specific remittance procedures]

Security & Personal Liability: The Punjab Financial Rules hold civil servants personally responsible for any loss sustained by the Government due to fraud or negligence while handling or remitting public funds.

Q.6. INSTRUCTIONS AS TO PREPARATION AND FORM OF CHEQUES . Cheques should be drawn on forms in chequebooks supplied by the Treasury Officer to the disbursing officers authorized to draw moneys from the Treasuries with which they are placed in account. Note: - Before a chequebook is brought into use all the cheque forms in it should be marked by a distinguishing letter. Cheques drawn by a disbursing officer on any Treasury should be distinguished by different letter from those drawn by other disbursing officers of the division on that Treasury, and also from those drawn by himself on any other Treasury.

4.14 Every cheque should have written across it in words at aright angles on the top, a sum, in whole rupees, next above that for which the cheque is drawn. For instance if the cheque is granted for Rs. 109.00 or Rs. 109.75, the cross entry should be “under rupees one hundred and ten”. No abbreviation such as “eleven hundred” for one thousand one hundred should be used. The amount should be written in the manner prescribed for vouchers in rule 4.7 (c). In drawing or cashing a cheque, it should be remembered that a common form of fraud consists in altering the word one into four by prefixing “f” and changing the “e,” the figure being easily altered to correspond. The word twenty, if written carelessly, has also sometimes been changed into seventy. The drawer of a cheque in fraud impossible and the occur should, therefore, so write



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as to make the fraud impossible and the Treasury should examine the words and corresponding figures with special care. Note 1: - The cross entry is not necessary if the amount in words is type perforate by a special cheque writing machine. Note 2: - All cheques should be written in Stationery Office Registration ink obtainable from the Controller of Stationery and Printing, Punjab. Note 3: - No cheque with corrections or alterations should be issued. Should a correction or alteration in a cheque becomes necessary, the cheque should be cancelled and destroyed by burning in the immediate presence of the authorized officers and a fresh cheque issued. Note 4: - Note 5: - Deleted. The intention of the instructions contained in this rule is to avoid all possible chances of fraud. An officer who signs a cheque or payment orders on a voucher should, therefore, satisfy himself that the entries are so made as to preclude any possibility of words or figures being inserted either in form or in continuation of the words and figures originally entered in the cheque or payment order. Clerks entrusted with duty of filling in cheques should be made fully to understand the precautions which should be taken against fraud and the attention of all concerned drawn to the orders contained in rule 2.12—2.18 of the Punjab Financial Rules, Volume 1. . 80 4.15 (a) Cheques drawn in favour of Government servants and departments in settlement of Government dues should always be crossed “A/c payee only. Not negotiable”. (b) In the absence of a specific request to the contrary from the payee, cheques drawn in favour of corporate or local bodies, firms, private persons or officers (in respect of their personal claims) shall always be crossed. This rule shall, however not apply to officers in receipt of pay and allowances of Rs. 500.00 per mensem and above, payments to whom should always be made by means of crossed cheques, wherever such payments are made by cheques. Subject to any instructions received from the payee, a cheque should be crossed “..... & Co”, with the addition of the words “Not negotiable” between the crossing. Where the payee is believed to have a banking account, further precautions should be adopted where possible by crossing the cheque specially (instead of by the general crossing “..... & Co”, by quoting the name of the bank through .

which the payee will receive payment and by adding the words “A/c payee only. Not negotiable”. These instructions regarding the method of crossing of cheques are applicable in all cases where the use of crossed cheques is prescribed. Where, on the specific request by the payee, payments are not made by means of crossed cheques, order cheques only should be issued. Note : - The instructions in this rule apply mutatis mutandis to Pakistan Postal Orders and bank drafts issued for remittance of money on Government account. 4.16 (a) Every cheque in favour of a Government officer in payment of establishment and contingent bills, must be made payable to order only but when the payee is not in Government employment, the drawer may, at his request, make the cheque payable to bearer. Treasury Officers will, therefore, cash cheques payable to “A, B or bearer,” except when A, B is a Government servant. If a cheque payable to a person “or order” is presented, the Treasury Officer may decline to pay it, if he is unable to satisfy himself of the identity of the person claiming payment, or in the case of a cheque payable to order, of the completeness of the chain of endorsements, if any, by which such person has become holder of the cheque. (b) Ordinarily, a cheque payable to order is not cashed by the Treasury Officer unless it is receipted by the payee himself or other person in whose favour it is regularly endorsed for payment. In special cases when the head of an office is unable himself to receive cheques to his order, owing to his . 81 being absent on tour or for other causes, and when he considers that strict compliance with the ordinary rule would cause inconvenience, he may specially authorize in writing a subordinate officer to endorse for him cheques drawn in his favour by his official designation. Note 2: - When a public officer sends a cheque to a Treasury not for cash payments, but for credit of its amount in the treasury account, he must, before endorsing the same, add the words “Received payment by transfer credit to”. Omission to do this facilitates fraudulent appropriation of money. Note 3: -



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Endorsements by duly constituted and authorized attorneys of cheques, payable to the order of their principals may be acted upon by Treasury Officers. It is, however, necessary that such powers to attorneys should be registered at the Treasury. Note : - (1) (2) (3) (4) The following instructions as to cheques should be borne in mind: When a cheque is made payable specifically to one person (i.e., to A B only and not to ‘A B or order” or “A B, or bearer”) the payment should be made on the receipt of the person named in the cheque. When a cheque is payable to a person or bearer, the payment may be



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Q.1.	Pay on 1.5.26 BS-17	Rs. 96,370/-
a	Pay on 1.02.24 BS-17	Rs. 92,950/-
	Fixation in BS-18 on 1.02.24	Rs. 95,810/-
	Premature Increment (3,050)	Rs. 98,860/-
	Pay on 1.12.24	Rs. 101,910/-
	Pay on 1.12.25	Rs. 104,960/-
	Pay on 2.05.26	Rs. 104,960/-

Q.1.
b

Date	Due	Drawn	Difference
1.2.24	98,860	92,950	5,910
1.3.24	98,860	92,950	5,910
1.4.24	98,860	92,950	5,910
1.5.24	98,860	92,950	5,910
1.6.24	98,860	92,950	5,910
1.7.24	98,860	92,950	5,910
1.8.24	98,860	92,950	5,910
1.9.24	98,860	92,950	5,910
1.10.24	98,860	92,950	5,910
1.11.24	98,860	92,950	5,910
1.12.24	101,910	96,370	5,540
1.1.25	101,910	96,370	5,540
1.2.25	101,910	96,370	5,540
1.3.25	101,910	96,370	5,540
1.4.25	101,910	96,370	5,540
1.5.25	101,910	96,370	5,540
1.6.25	101,910	96,370	5,540
1.7.25	101,910	96,370	5,540
1.8.25	101,910	96,370	5,540
1.9.25	101,910	96,370	5,540
1.10.25	101,910	96,370	5,540
1.11.25	101,910	96,370	5,540
1.12.25	104,960	96,370	8,590
1.1.26	104,960	96,370	8,590
1.2.26	104,960	96,370	8,590
1.3.26	104,960	96,370	8,590
1.4.26	104,960	96,370	8,590
1.5.26	104,960	96,370	8,590
		Total	177,120

Q.2. The cash authority (often in the form of a Letter of Credit, Advice of Cash Order, or sanctioned bill) issued by the Accountant General (AG) or District Accounts Officer (DAO) is paid at the Treasury Office (or District Accounts Office/Bank branch) through a structured, pre-audited process. This process is highly formalized under Treasury Rules and aims to ensure funds are withdrawn against specific budgetary sanctions.

Here is how the payment process works:



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1. Issuance of Authority

Authorization: The AG office pre-audits claims (pay, allowances, GP fund, contingency) and issues authorization for payment.

Mechanism: Funds are usually released via Assignment Accounts, or specific Treasury cheques/bills (e.g., Form S.T.R. 18 for Gazetted staff).

2. Submission to Treasury Office

Document Submission: The Drawing and Disbursing Officer (DDO) or the beneficiary submits the authorized bill, cheque, or withdrawal advice to the Treasury Office.

Verification: The Treasury Officer (TO) checks the bill against the authorization, verifying the proper form, the signature, and that the amount is within the approved budget.

3. Payment Procedure (Treasury/Bank)

Pre-Audit Check: The Treasury Officer validates that the claim matches the AG's authority.

Transfer of Funds: Under modern PFM (Public Finance Management) rules, payments are increasingly electronic. If it is an assignment account, funds are transferred directly from the Treasury Single Account (TSA) to the National Bank of Pakistan (NBP).

Cash/Cheque Issue: For individual claims, the Treasury passes the bill for payment at the National Bank of Pakistan (NBP).

4. Special Arrangements

Treasury Single Account (TSA): Daily, at the close of banking hours, deposits are swept by the State Bank of Pakistan (SBP) to a centralized account. The SBP advises the AGPR on the daily credit/debit for accounting purposes.

Reconciliation: The Treasury Office submits monthly reconciliation reports (bank scrolls) to the AG to verify that payments match the authorized amounts.

5. Key Rules Governing Payment

No Overpayment: Payment in excess of the balance at the credit of the Fund cannot be made without special authority.

Retrenchment: If the AG disallows a payment, the Treasury Officer is bound to recover the amount, even if the DDO protests.

In summary, the AG's "cash authority" is paid through a strictly monitored, pre-audited, and increasingly digital system where the Treasury validates the claim and facilitates payment via the National Bank



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- Q.3. INSPECTION BY INSPECTOR OF TREASURIES** The Inspector of Treasuries shall conduct one detailed inspection of a Treasury in every financial year. The inspection will be so arranged that not more than eighteen months elapse between two inspections of any Treasury. The programme of the inspection shall be approved by the Finance Department. The Treasury shall not ordinarily be inspected during the first and last three days of a month when there is rush of work due to payment of salaries and closing/preparation of accounts. (c) Besides the detailed inspection, the Inspector of Treasuries shall inspect each Treasury by surprise visit. An Inspection Report in two parts i.e. Treasurer's Department and Accountant's Department shall be issued within a week after the completion of the inspection to the Treasury Officer under intimation to the Deputy Commissioner/Commissioner. The Treasury Officer shall submit annotated copy showing the action taken on the Inspection Report through the Deputy Commissioner within one month from the date of its receipt. On receipt of the annotated copy, the Inspector of Treasuries shall offer further remarks and submit it to the Finance Secretary. The final orders passed by the Finance Secretary shall be communicated to all concerned. In cases where it is established that the irregularity has been committed due to defects in rules, necessary amendment shall be got issued from the dealing section in the Finance Department.
- Q.4. PAYMENT OF GRANTS-IN-AID TO SCHOOLS AND SCHOLARSHIP** Bills on account of grants-in-aid to aided schools should not be paid on a change of "Correspondents" of such taking place, unless such change has first been intimated to the Inspectors of Schools in sufficient time to enable them to intimate the change to the Accountant-General. District Education Officers may draw, on a consolidated bill, money on account of Government scholarships (other than military scholarships) due to scholars in Local Body Schools situated at places where there is no Treasury or Sub-Treasury and may remit it by money order after deducting money order commission.
