



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

WAPDA Accounts and Financial Reporting (Application)

AGP

Summer Exam-2026

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Q.1. Bank Reconciliation Statement

a Common Reasons for discrepancies:

1. Deposit in the pipeline
2. Outstanding cheques issued by WAPDA
3. Bank charges
4. Interest earned

Q.1.

b

BANK RECONCILIATION STATEMENT

As on 31st December 2025

ABC Project

Balance as per cash book	7,035,650
Add Bank profit	46,000
Add cheques issued but not debited	210,000
Less cheques not credited	(526000+424000= 950,000)
Less service charges not due	(130,000)
Less service charges under inquiry	(161,094)
Adjusted balance cashbook	6,050,556
Balance as per bank statement	6,050,556

Q.2. Accrual basis of accounting:

Key Differences vs. Cash Method

- **Timing:** Accrual records transactions when earned/incurred; Cash records them when cash changes hands.
- **Complexity:** Accrual is highly complex, while cash accounting is simple and resembles personal banking.
- **Application:** Accrual is essential for business growth, whereas cash is often used for small, simple operations.

WAPDA preferred Accrual Basis Accounting due to the following reasons:

- **GAAP Requirement:** It is required for GAAP compliance, larger businesses, and inventory management, offering better insights into accounts receivable/payable.
Accurate Financial Picture: Matches revenue with expenses in the same period, offering a realistic view of profitability over time.
- **Long-Term Planning:** Tracks upcoming receivables and payables, enabling better cash flow management and strategic planning.
- **Regulatory Compliance:** Mandatory for larger businesses, public companies, and those adhering to GAAP or IFRS standards.
- **Investor Appeal:** Signals financial maturity and transparency to investors, creditors, and lenders.
- **Inventory Tracking:** Ensures the cost of goods sold is matched to revenue, essential for inventory management.



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Weaknesses:

- **Complexity & Cost:** Requires more detailed record-keeping (double-entry bookkeeping) and sophisticated software.
- **Tax Implications:** Taxes may be owed on revenue that has not yet been received in cash, affecting cash flow.

Not Ideal for Small Businesses: Often too complex for small businesses or those operating on a cash-only basis.

Q.3. Debit and credit advices

Whenever the Head Office of the Authority makes a payment on behalf of or transfers funds, to a Field Office, or a project, the General Manager Finance (Co-ordination) the General Manager Finance (Water and Power) as the case may be, raise a debit for the amount, against the accounting unit concerned by issuing Head Office Debit Advice. Conversely for any moneys received by the Head Office on behalf of any other accounting unit within the Authority or for any reduction in an earlier debit, they issue a Head Office Credit Advice.

SERVICES WHERE DEBIT/CREDIT ADVICES ARE RAISED:

The nature of services for which debit/credit advices are raised within a Wing, are as follows:

- Net Hydel profit
- Payment of water usage charges
- Pension fund contributions
- Withholding Tax on Sale of Power
- License fees

Q.4. Double Entry Accounting

There is an accounting method where every transaction is recorded in at least two accounts (a debit and a credit), ensuring the accounting equation remains balanced.

Advantages of the Double-Entry System

- The system requires total debits to equal total credits, acting as a built-in error check.
- It allows for the creation of detailed financial statements, including balance sheets and income statements, to track assets, liabilities, and profitability.
- Because all transactions must balance, it is much harder for employees to hide fraudulent activity compared to single-entry systems.
- It is the standard method required for GAAP compliance.
- Provides detailed data for tracking costs, cash flow, and overall financial health.



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Weaknesses of the Double-Entry System

- The system requires specialized accounting knowledge, making it difficult for beginners.
- Recording two entries per transaction is more labor-intensive and expensive to implement compared to single-entry.
- Improper setup of accounts can lead to errors that are difficult to correct later.
- Managing this system efficiently requires specialized accounting software

- Q.5.** i) Accounting entry will be passed in accordance with para 7.1.12.2 of the WAPDA Accounting & Financial Reporting Manual.
- ii) Accounting entry will be passed in accordance with para 12.12.3 of the WAPDA Accounting & Financial Reporting Manual.
- iii) Accounting entry will be passed in accordance with para 10.5/1 of the WAPDA Accounting & Financial Reporting Manual.

Q.6. In case of difference in the figures of expenditure: (A&FR-24.1/10)

a

For eliminating the chances of huge variations in the figures of expenditure the following procedure should be adopted for booking of the expenditure of a formation, both by the concerned accounting unit as well as by its Head Office.

- All transactions between WAPDA Projects are settled through the issue of 'Superscribed Cheque' and no Inter-Project debit/credit advices are issued.
- Debit/Credit advices can only be issued by the concerned Head Office or by a Regional Office, in connection with the remittance of funds or for services rendered or any payments made on behalf of the Projects.
- Funds should not be allowed to remain un-utilized with the Projects, at the close of a month. It will be the personal responsibility of the Project Director and of the Budget and Accounts Officer of a Project to ensure that no funds remain un-utilized due to non-payment of the bills and invoices of the contractors, suppliers etc. for which funds were requisitioned.
- Monthly expenditure statement and Trial Balance of a unit is prepared only after reconciling the monthly current account with the Head supervisory office and recording the outstanding Debit/Credit Advices in the related month.

Q.6. Indirect costs of a project are to be apportioned (A&FR-8.6)

b

On completion of the project, when the final costs direct and indirect have been ascertained, the indirect charges will be apportioned on the basis mentioned against each head as on the date of completion:

- Project management expenses will be apportioned on all assets on the basis of cost of each direct asset.
- Interest on loans during the construction period will be apportioned on the specific direct assets for which the loan was obtained.
- In case of a general loan, it will be apportioned on all related direct assets equitably.



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- iv. Custom Duties, taxes and insurance are levied on imported items. These will be carried separately till the completion of the project and finally apportioned to the Electrical & Mechanical Equipment.
- v. Consultancy and Engineering Fees are apportioned to the civil works and E&M Equipment in equitable manner.

Q.6. Useful life of an asset is required to be determined (A&FR-7.1.13.2)

c

Following factors determine the useful life of an equipment:

- a. Expected usage of the asset. Usage shall be assessed by reference to the asset's expected capacity or physical output or that is provided in suppliers' manual.
- b. Expected physical wear and tear, which will depend on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle.
- c. Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.
- d. Legal or similar limits on the use of the asset, such as the expiry dates of related leases. Land and buildings are separable assets and shall be accounted for separately.
- e. Land has an unlimited useful life and therefore shall not be depreciated while buildings have a limited useful life and therefore are depreciable assets.
