



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Business Law & Taxation
(Application)**

AGP

Winter Exam-2025

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- Q.1.** Point of view of Mr. Danish is not correct. Danish must pay upon delivery unless the contract explicitly allows deferred payment. Industry practice is not binding. Payment and delivery are concurrent conditions. ---Unless otherwise agreed. As it was not otherwise agreed therefore Payment is concurrent with the delivery of goods. Kamran's claim is valid.
- a**
- Q.1.** Danish is not legally bound to accept the substituted goods. Kamran has breached the contract by not delivering Falcon-branded fabric.
- b**
- Q.1.** Kamran cannot change the delivery location without Danish's explicit consent. If Danish agrees, the change is valid. Otherwise, delivery at the original location is required.
- c**
- Q.1.** Since Danish requested storage, ownership had likely passed (with partial payment and agreement), risk also passed to him. Thus, Danish must pay the remaining 50%.
- d**
- Q.2. Appointment of First Auditor**
- a** Yes, the appointment of the first auditor was in compliance with Section 246(1), which requires the Board to appoint the first auditor within 90 days of incorporation. Since the auditor was appointed on 1st February 2024 and the incorporation was within 90 days before that, the requirement is fulfilled.
- Q.2. Validity of Shareholder Proposal**
- b** Yes, Mr. Irfan's proposal was valid. Under Section 246(3), any shareholder(s) holding not less than 10% shares can propose an auditor by submitting a notice at least 7 days before the AGM along with the proposed auditor's consent. Mr. Irfan held 12% and submitted the notice on 3rd March, i.e., 7 days before the AGM on 10th March, along with consent from M/s Tariq & Co. Hence, the procedural requirement was met.
- Q.2. Qualification of M/s Tariq & Co.**
- c** Although M/s Tariq & Co. is a firm of Chartered Accountants, the following disqualifications apply under Section 247(3):
- Relationship with Director (Clause c): One partner is a brother-in-law of a director. The law disqualifies a spouse but not specifically a brother-in-law. Hence, this alone does not disqualify him.
 - Indebtedness (Clause d): Mr. Tariq has an unpaid utility bill of Rs. 3,000 pending for 60 days, which is not beyond 90 days. Per Section 247(4)(b), unpaid utility bills not exceeding 90 days are not disqualifying. Therefore, this does not disqualify.
 - Shareholding (Clause j): Mr. Tariq holds 1,000 shares in the audit client company. This disqualifies him under Section 247(3)(j) unless he disinvests the shares within 90 days of appointment. Since no such disinvestment has been made or disclosed at appointment, this is a disqualification.

Therefore, M/s Tariq & Co. is disqualified from appointment under Section 247(3)(j) due to shareholding in the audit client company.



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Q.2. Commission's Remedial Action

d As the appointment is void under Section 247(8), the Commission can intervene.

Under Section 246(7)(d) and 247(8), if:

- an unqualified person is appointed as auditor, and
- such appointment is void,

then the Commission may appoint a qualified auditor in place of the disqualified one, and such auditor will hold office until the next AGM. Additionally, under Section 247(7), any disqualified person acting as an auditor is liable to penalty (Level 2).

Therefore, the Commission can remove M/s Tariq & Co., impose penalties, and appoint a qualified firm as statutory auditors.

Q.3. Step 1: Analysis of components

Item	Amount (Rs.)	Taxability & Reason
Pension	Exempt	Sec. 12(2A)(i) – Pension for age 70+ exempt regardless of amount
Golden handshake	2,500,000	Sec. 12(2)(e)(iii) – Termination payments taxable
Provident fund – Employee's own contribution	Exempt	Repayment of contributions (Sec. 12(2)(e)(iv))
Provident fund – Employer's contribution	500,000	Taxable portion as per Sec. 12(2)(e)(iv)
Entertainment allowance	1,800,000	Rs. 150,000 × 12 months – taxable per Sec. 12(2)(c) (allowance not wholly spent)
Medical reimbursement	300,000	Taxable per Sec. 12(2)(d) – reimbursement not for official duty

Step 2: Calculation of Taxable Salary

Taxable Salary =

Golden handshake = 2,500,000

- Employer PF contribution = 500,000
 - Entertainment allowance = 1,800,000
 - Medical reimbursement = 300,000
- = **Rs. 5,100,000**

Step 3: Justifications:

- Pension exempt due to age (Sec. 12(2A)(i)).
- Golden handshake fully taxable under “profits in lieu of salary.”
- Employer's PF contribution is taxable; employee's own is exempt.
- Entertainment allowance not wholly spent is taxable.
- Personal medical reimbursements are taxable unless specifically exempted, which they are not under Sec. 12(2)(d).



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Q.4. Formation of Board committees.-

- 1) The Board shall set up the following committees to support it in performing its functions efficiently, and for seeking assistance in the decision making process, namely:-
 - a. **Audit Committee**, for an efficient and effective internal and external financial reporting mechanism;
 - b. **Risk Management committee**, in case of Public Sector Companies either in the financial sector or those having assets of five billion rupees or more, to effectively review the risk function;
 - c. **Human Resources Committee**, to deal with all employee related matters including recruitment, training, remuneration, performance evaluation, succession planning, and measures for effective utilization of the employees of the Public Sector Company;
 - d. **Procurement Committee**, to ensure transparency in procurement transactions and in dealing with the suppliers; and
 - e. **Nomination committee**, to identify, evaluate and recommend candidates for vacant positions, including casual vacancies, on the Board, including the candidates recommended by the Government for consideration of shareholders or in case of casual vacancy to the board of directors after examining their skills and characteristics that are needed in such candidates:

Provided that the nomination committee shall submit its proposal within thirty days of a vacancy arising or on a recommendation made by the Government as the case may be.

- 2) The Board committees shall be chaired by non-executive directors. However, the independent directors in the committees shall not be less than their proportionate strength. The existence of such committees shall not absolve the Board from its collective responsibility for all matters. Such committees shall have written terms of reference that define their duties, authority and composition, and shall report to the full Board. The minutes of their meetings shall be circulated to all Board members.
- 3) The Board shall concern itself with policy formulation and oversight and not the approval of individual transactions except which are of an extraordinary nature or involve materially large amount.

Q.5. Step 1 — Identify charged expenditures (Article 81):

a

- Remuneration & expenses of SC judges → Charged (Art. 81(a)(ii)) → Can be discussed but not voted upon (Art. 82(1)).
- Health initiative → Not charged, falls under other expenditure → Can be voted upon and reduced (Art. 82(2)).
- Repayment of foreign debt → Charged (Art. 81(c)) → Can be discussed but not voted upon.
- New ministry → Not charged, requires voting approval.



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Q.5. Step 2 — Voting implications:

- b**
- NA could legally reduce health initiative funding (Art. 82(2)).
 - NA had no power to alter SC judges’ remuneration or foreign debt repayment.

Step 3 — Exclusion problem:

- Under Article 83(3), no expenditure from the Federal Consolidated Fund is authorised unless specified in the authenticated schedule.
- Excluding Rs. 5 billion debt repayment (a charged expenditure) means it is not legally authorised despite being constitutionally mandatory.
- This is a constitutional irregularity — the PM must ensure all charged expenditures are included.
