



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

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

AGP | CGA | PMAD | PUBLIC | KPG

Winter Exam-2025

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Q.1. Sales Tax Calculation:

Value of the purchases including tax:	1,044,000
Sales Tax fraction (F):	0.13793

First, we need to calculate the Sales Tax rate

Formula to calculate Sales Tax Rate is

$$\begin{aligned} &= F / (1 - F) * 100 \\ &= 0.13793 / (1 - 0.13793) * 100 \\ &= 0.13793 / 0.86207 * 100 \\ &= 16\% \end{aligned}$$

Sales Tax amount:

$$= 1,044,000 * 0.13793 = 144,000$$

Amount to be withheld from a registered wholesaler

$$\begin{aligned} &= 1/10 = 14,400 \text{ Amount to be paid} \\ &= 1,044,000 - 14,400 = 1,029,600 \end{aligned}$$

Q.2. Chief Finance and Accounts Officers (CFAOs) are needed in ministries to provide expert financial advice, manage budgets, ensure financial propriety, and oversee internal controls & audits to support the Principal Accounting Officer in maintaining the financial integrity of the ministry. These roles are crucial for sound financial management of public funds, aligning financial strategies with public service goals, and ensuring value for money in government operations.

The office of Chief Finance and Accounts Officer is headed by a senior officer of Audit and Accounts Service responsible for assisting and supporting the principal accounting officer in managing the financial affairs of the Division concerned or more Divisions if so allocated and all the organizations or departments or offices under the administrative control of that Division.

One of the original important features of this system was to disband Financial Advisor's Organization (FAO) and establish Offices of the CFAO and Chief Internal Auditor. The PFM Act also emphasizes the delegation of financial powers to the Principal Accounting Officers. The FAs are under the administrative control of Finance Division whereas the CFAO are under the PAO. So CFAO is an internal financial management set-up of the Ministry/Division

Q.3. Challenges:

- Liquidity is a primary concern, having insufficient cash to meet immediate obligations or fund daily operations, especially in volatile markets or due to unexpected events.
- Fraud and thefts can arise from both internal and external sources, with government losing some amount of revenue to fraud annually.
- Mistakes in processing payments, tracking funds, or recording transactions can lead to costly errors and financial imbalances.
- Discrepancies between expected and actual balances
- Keeping a clear, real-time view of cash across various sources—customers, banks, suppliers, and shareholders—is a constant challenge for treasury teams.

How to overcome:

Treasury Rules-77 provides sufficient instructions for excellent cash handling. The examinees are expected to draw their answers from these instructions and write answer in their own language.



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Q.4. With reference to the public financial management, roles the AGPR is three-fold:

First and foremost, role is to maintain the day to day, monthly and annual accounts and financial statements of the Federal Government.

Secondly, to authorize the payments out of Federal Consolidated Fund and Public Account.

Finally, AGPR is required to assist the finance division in making the correct payment of provincial shares and budgeting process of the Federal Government.

With reference to budget making, it is the duty of the AGPR to:

- a) Ensure timely availability of the complete accurate accounting information regarding revenues, expenses and debt to the line ministries, EAD, Planning Commission and Finance Division
- b) Provide all concerned the budgeted and actual accounting information on quarterly basis (provisional) and semi-annually the reconciled information
- c) Provide information to the finance division about the budgeted and actual payment of pensions along with the analysis of reduction and addition of new pensioners during the period
- d) Provide the PAOs and Finance Division the information about the outstanding commitments and list of line ministries thereon
- e) Attend the meetings of the Technical Committee on Commitments and assist the Finance Division in finalization of the carry forward of commitments
- f) Assist/ support the Planning Commission in SAP-ERP based data management of the development projects
- g) The AGPR shall warn the department concerned immediately of the first appearance of any excessive proportionate outlay under any grant or under any primary unit of appropriation.

Q.5. Cash Management System is in place in the Federal Government established under the Public Finance Management Act 2019.

Objectives:

- To anticipate cash needs of Government
- To ensure availability of cash when it is required
- To manage cash balance in the Government bank accounts effectively
- To neutralize impact of the Government's cash flows on the domestic banking sector.

An efficient Cash Management System **can help in** the following ways:

- i. Availability of funds in accordance with schedule of authorized expenditure or supplementary grant
- ii. Availability of foreign exchange, where required, from within the allocation of foreign exchange sanctioned for the Ministry and Division concerned
- iii. Placement of all public moneys into the treasury single account
- iv. Quarterly revenue, expenditure, cash requirement and debt plan within sanctioned budget
- v. Gradual expansion of budgetary and accounting framework to all autonomous entities
- vi. Usage of idle cash of the autonomous entities
- vii. Require all principal accounting officers to provide the information deemed necessary for effective operation of the cash management and treasury single account system.



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Q.6. Computerized Payroll

Functions:

- (i) Automated Salary Processing
- (ii) Employee Benefit Administration
- (iii) Tax deductions
- (iv) Handles and tracks employee benefits like pensions, allowances, and other deductions.
- (v) Enhanced Accuracy & Efficiency
- (vi) Minimizes errors common in manual payroll processes, leading to more precise calculations and faster processing times.
- (vii) Produces comprehensive reports for tax filings, financial planning, audits, and other operational insights.
- (viii) Protects sensitive employee information using encryption and access controls to ensure data privacy and security.
- (ix) Automates repetitive tasks, reducing administrative workload and freeing up HR resources for strategic activities.
- (x) Reduced Paperwork

Strengths and Weaknesses

The examinee's personal opinion on this aspect is expected in a candid manner.

Q.7. Examinees are required to prepare logbook on the prescribed format.

Q.8. Criteria:

The criteria for pre-qualification may inter alia include:

- i. Relevant experience and past performance;
- ii. Capabilities with respect to personnel, equipment, and plant;
- iii. Financial position;
- iv. Appropriate managerial capability; and
- v. Any other factor that a procuring agency may deem relevant, not inconsistent with these rules.

Special conditions:

When the applicant for prequalification is a joint venture formed by two or more firms, special conditions apply. It is essential that the prequalification documents state clearly the conditions applying to joint ventures, and to any change in its membership after prequalification and to subsequent bidding by the joint venture.

The following conditions for this purpose are recommended:

- (a)** No firm or individual partner of the joint venture is allowed to submit or to participate in more than one bid and any bid submitted in violation of this rule shall be rejected.
- (b)** Application submitted by a joint venture must meet the following requirements:
 - Each partner in the joint venture must submit the complete documentation required of a firm applying for individual prequalification;
 - the prequalification application must confirm that if after prequalification the applicant should submit a bid, then: that bid as well as (in case of an award) the resulting contract would be signed so as to be legally binding on all partners jointly and severally, and a joint venture agreement providing that joint and several liabilities of all partners in respect to the contract



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along with the following information shall be submitted with the bid:

- (i) Description of the proposed participation and responsibilities of each partner of the joint venture;
 - (ii) Statement of proposed capital contribution of each partner, and the sharing out of profits and losses among the parties;
 - (iii) The percentage participation in the joint venture of each of its members (in terms of the corresponding value of the contract) must not exceed each member's capacity in terms of the qualifying criteria;
 - (iv) The application must designate one of the partners, as the partner in charge through whom any correspondence between the applicant and the Employer / Employer's representative shall be processed.
- (c) Any formal agreement for a proposed joint venture shall be approved in writing at the time of prequalification as well as any changes to a prequalified joint venture. After prequalification there should be no new joint ventures formed. However, any changes in prequalified joint ventures may be approved in case a substantial reduction of competition is occurring.
