



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Public Financial Management,
Financial Rules, Financial Control and Budgeting
(Provincial) (Application)**

LFA

Winter Exam-2025

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Q.1. Cash Book is required to be prepared by the examinees on PFR Form-1.

Q.2. Contract contingencies

- i. Lumpsum annual provision placed at the disposal of disbursing office.
- ii. Can be spent as and when required
- iii. Consists of charges which can be easily averaged annually accurately
- iv. All sub vouchers are retained by the disbursing officer
- v. Disbursing officers are fully responsible for regularity of the expenditure

Countersigned contingencies

- i. There is a monthly appropriation
- ii. These contingencies are controlled i.e. to be reviewed/countersigned
- iii. After the payments and countersignature, monthly detailed bill is submitted to AG
- iv. Bill shows monthly total of expenditure and number of sub vouchers will be entered in detail against each item
- v. Countersigning officer may disallow any amount and communicate to the disbursing officer.

Audited contingencies

- i. Under direct audit of AG
- ii. Some of the sub vouchers are retained by the disbursing office whereas the vouchers above certain amount are attached with the contingent bill
- iii. It does not require countersignatures.
- iv. It is passed by the AG
- v. Signed by the controlling officer

Q.3. The SOPs or verification of Cash Book by the Disbursing Officer inter alia include the following:

- Compare each entry of payment with gross amount chargeable as shown in the connected voucher
- He should also see that the voucher contains payment order, certificate of disbursement and each voucher is ticked off when passed.
- Examine that all the deductions shown in the vouchers are posted as receipts on the receipt side of the cash book
- Compare each entry of payment into the treasury with the Treasury Officer's receipt.
- Verify the totaling of the cash book
- Verify the total of the posting in the bank or treasury column on the payment side.

Q.4. Examinees are expected to give rationale for the rule TR-7/1 and TR-7/2

Para 15.2 of the Punjab Budget Manual stipulates certain restrictions on re-appropriation of budgetary provision. Examinees are at liberty to select any five and give reasons /rationale for these restrictions. Few examples of restrictions are as following:



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- (i) No re-appropriation should be made to or from the detailed object “Basic Pay of Officers” and “Basic Pay of other staff” and “Regular Allowances”.
- (ii) Re-appropriation should not be made out of lump sum provision.
- (iii) no re-appropriation should be made from or to the object “Major Works, Minor Works” and “Repairs” or “Maintenance and Repairs”,
- (iv) Re-appropriation should not be made from and to the provision for secret service expenditure.
- (v) Re-appropriation should not be made so as to divert the provisions for specified new items to other purposes.

Q.6. The Examinees are required to prepare indent for the given items on PFR Form-26 in accordance with PFR-15.5

Q.7. Following are the main features of NAM;

- (a) Modified Cash Basis of Accounting.
- (b) Double Entry Book Keeping.
- (c) Commitment Accounting.
- (d) Fixed Asset Accounting
- (e) Asset Register.
- (f) New Chart of Account.

Advantages of three features:

Commitment accounting:

Commitment accounting records transactions when a commitment is made, such as issuing a purchase order. It ensures that financial obligations are recognized at the time of commitment, giving a comprehensive view of the government's liabilities. By budgeting for anticipated expenses and setting money aside, it is ensured that spending is within the budget.

Double Entry Accounting:

The advantages of the double-entry system of accounting include:

- Enhanced accuracy through debits equaling credits,
- Providing a complete financial picture by recording both sides of every transaction,
- Easier error and fraud detection by balancing records,
- The ability to generate reliable financial statements for decision-making,
- Increased transparency and organization for better financial management and compliance.

New Charts of Accounts:

The new chart of accounts in Pakistan are designed to:

- Bring standardized, accurate, and real-time financial reporting by streamlining accounting processes
- Improving decision-making, and enhancing transparency for both internal management and external stakeholders like investors and regulators.



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- This framework provides a consistent way to categorize transactions, which is essential for detailed financial analysis, effective budgeting and forecasting, and ultimately, supporting strategic growth and ensuring financial integrity.

Q.8. For preparing withholding certificate we need to calculate the amount of sales tax with the help of tax fraction. Tax fraction in this case, when the Sales tax @ 18%, will be calculated as following:

$$\text{Tax Fraction} = 18/118 = 0.15254$$

Now the Sales tax amount will be calculated as:

$$200,000 * 0.15254 = 30,508$$

As per question the whole Sales Tax is to be withheld, so a certificate will be prepared on Form-B as prescribed in the Punjab Sales Tax Withholding Rule-11.
