



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Budgeting, Accounting
and Financial Reporting
(Application)**

WAPDA

Summer Exam-2024

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Q.1. An answer outline for the subjective part of the question is as under:

The payback period is determined by counting the number of years it takes to recover the funds invested. The payback period has certain limitations. It does not measure profitability as it fails to consider cashflows after the payback period. It does not take time value of money in regard hence, it only gives a rough indication of the liquidity of the project.

Because of various shortcomings of the payback period, discounted cashflow method is considered as better method for evaluation of a project. IRR is one of the discounted cashflow methods.

Numerical part is solved as under:

Year	Cash Flow	Cumulative Cash Flow
0	(900,000)	(900,000)
1	(1,200,000)	(2,100,000)
2	200,000	(1,900,000)
3	250,000	(1,650,000)
4	300,000	(1,350,000)
5	350,000	(1,000,000)
6	500,000	(500,000)
7	500,000	0
8	500,000	500,000

In this case the Payback Period of the investment will be **07 years**

Q.2. Some of the distinguishing features of both are as given below:

Distinguishing points	Finance Lease	Operating Lease
Term of contract	Usually, Long term	Usually, Short term
Purchasing option	Yes	No
Ownership	Transferred to lessee	Remains with lessor
Type of contract	Loan agreement	Rental agreement
Burden of maintenance	lessee	Lessor

Journal entries will as per A&FRM section-7.1.12.4/2

Q.3. Variation in expenditure figures and Reconciliation System

Section 24.1 of the A&FRM provides details on this topic. The examinee must attempt an answer from the guidelines given in that chapter.

Q.4. Part-a Federal Consolidated Fund and Public Account

(i) All revenues received by the Federal Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Federal Consolidated Fund.

All other money (a) received by or on behalf of the Federal Government; or (b) received by or deposited with the Supreme Court or any other court established under the authority of the Federation; shall be credited to the Public Account of the Federation.

The custody of the Federal Consolidated Fund, the payment of moneys into that Fund, the withdrawal of moneys therefrom, the custody of other moneys received by or on behalf of the



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Federal Government, their payment into, and withdrawal from, the Public Account of the Federation, and all matters connected with or ancillary to the matters aforesaid shall be regulated by Act of Parliament.

Q.4. Accrued Revenue and Deferred Revenue

- (ii) Accrued revenue is revenue that is earned through providing some service but has not yet been received by the service provider. Deferred revenue is revenue that has been received but services in lieu are yet to be rendered.

- Q.5. Purpose:** A bank reconciliation statement is a schedule for explaining any differences between the balance shown in the bank statement and the office record i.e. cashbook. Its purpose is to identify and reconcile any differences between the two balances in order to achieve the control inherent in the maintenance of two independent records of transactions; one maintained by the Bank and the other by the office. This statement helps ensure accuracy and consistency in financial records. It also helps detection of forgery or fraud in certain cases.

Q.5.

b

BANK RECONCILIATION STATEMENT

As on 31st December 2023

Office of the Manager Finance CRRK Karachi

Balance as per cash book	2,338,500+161,500=2,500,000
Add Bank profit	30,000
Add cheques issued to vendors but not cleared	55,000
Less amount not credited	(210,000)
Less service charges	(32,500)
Less service charges under inquiry	(4,000)
Adjusted balance cashbook	2,338,500
Balance as per bank statement	2,338,500

- Q.6.** To determine whether the loan is recoverable or not certain aspects will be considered which inter alia include the following:

- Whether maximum possible collection efforts were made?
- Whether further efforts are expected to bring any hope of recovery?
- Whether more expenditure on recovery attempts is justified and will be cost effective?
- Legally the case is strong or not?
- Can we still locate the debtor?
- What is the bankruptcy status of the company?
- Whether any audit objection is pending against the loan and is there any PAC/DAC directive on this issue?
- Is there a court case pending or any judgments on this case.

Journal Entries

Journal entries are expected to be in line with Section-10.5/4&5
