



**Pakistan Institute
of Public Finance Accountants**

Model Solutions

**Audit & Accounts Rules and
Procedure (Application)**

KPG | LFA

Summer Exam-2025

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Q.1.

37. Items of receipts and payments which cannot at once be taken to a final head of receipt or charge owing to lack of information as to their nature or for any other reason may be held temporarily under the head "Suspense Account" in the Deposit Section of the accounts. A service receipt of which full particulars are not given must not be taken to the head "Suspense Account" but should be credited to the minor head "Miscellaneous" under the revenue head to which it appears to belong pending eventual transfer to the credit of the proper head on receipt of detailed particulars. The charges under the head "Suspense Account" will consist not only of items for which full particulars have not been given which will enable the Audit office properly to classify them, but also charges written back on disallowance from Exchange Accounts or charges disallowed from the Inward Settlement Accounts, which are not susceptible of final adjustment against some other head. If, however, the only point of doubt in respect of any charge is whether it should be treated as Central or Provincial it should not be debited to 'Suspense' but should be taken to a proper service head of account, and shown as appertaining to the Government which actually incurred the expenditure pending final decision of the question of which Government should bear the charge.

NOTE.—No sums shall ordinarily be credited to Government by debit to a suspense head; credit must follow and not precede actual realisation.

Important special orders governing the classification of certain individual

Q.2.

36. Moneys advanced for miscellaneous purposes under special authority and recoverable in cash and sums overpaid on vouchers other than those for service payments shall be adjusted under the head "Advances Repayable". Payments made on account of Government expenditure should not be held under "Advances Repayable" on the ground that further proceedings in audit are necessary for their final admission. This head shall cover items which are from their inception debts due to Government recoverable either in cash or by deduction from pay and allowances. Pay and allowances of any kind in respect of an assignable period paid before they are due shall be debited to the same head as when paid after they are due, but advances of pay and travelling allowance made to a Government servant under orders of transfer may be debited to "Advances Repayable" or if the Government servant is transferred to another account circle should be passed on to the latter circle for adjustment.

Q.3. Audit Para- **Temporary Misappropriation of Rs. 1,500,000/-**

While conducting the audit scrutiny of the Civil Hospital, Peshawar, it was noticed that daily revenue of hospital is Rs.100,000/-. Which is collected from the patients in the form of Purchee Fee Rs.50/- per patient.

As per Rule-15 of GFR Vol-I, the Government Revenue must be deposited in Government Treasury within three days to its receipt.

But in this case, it is being deposited at fortnightly. It is called a temporary misappropriation of revenue.

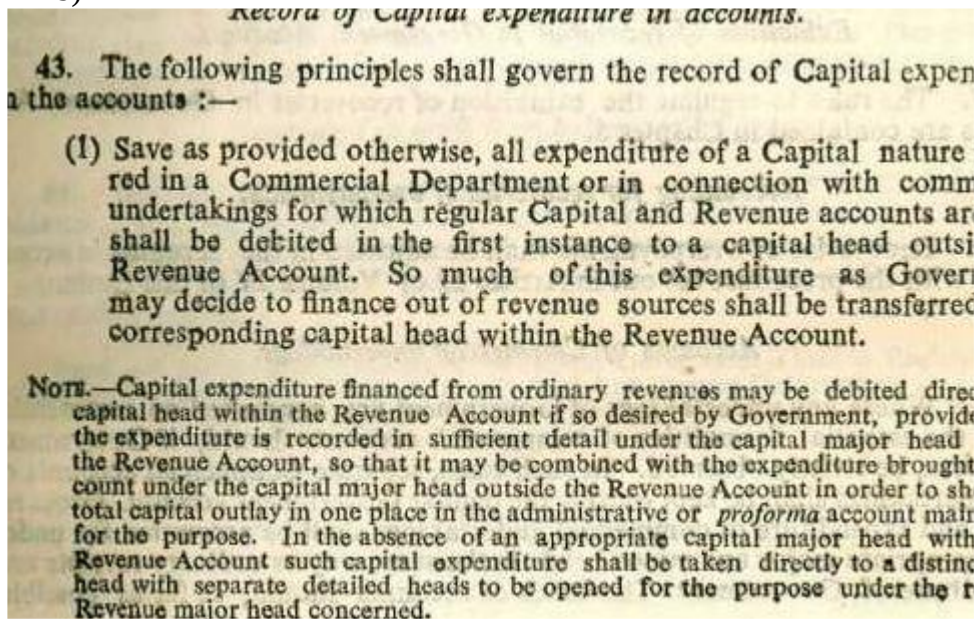
It is therefore, desired that steps may be taken for deposit of Government receipts promptly in Treasury either on 2nd day or 3rd day.

Measures are also required to avoid the recurrence of such irregularity in future.

Q.4. **Sinking Funds.**

In auditing the transactions connected with the Sinking Funds regularly constituted for the redemption of loans raised by the Central and Provincial Governments. Audit has to satisfy itself that credits to these funds are in accordance with the undertakings given by Government and set forth in the prospectus of the loans and that the payments are eventually utilized for the purpose for which the funds themselves were created.

- Q.5. a) Finance Account is just a balance sheet of a country or province, Which shows assets of the country, outstanding liabilities and public debt and investments of the province.
b)



Q.6. Audit Para: **IRREGULAR EXCESS EXPENDITURE OF RS. 30,400,000/-**

During Audit scrutiny of the accounts record of the Agricultural Workshop Division, Abbotabad, it was noticed that an expenditure of Rs. 180,400,000/- has been booked against the estimated cost of Rs. 150,000,000/-

As per works rules, if expenditure exceeds more than the 15% of the approved estimated cost, it has to be revised with the approval of the competent authority.

In this case, an excess expenditure of Rs. 30,400,000 has been booked against the work without revision of estimate and Technical sanction. Thus, expenditure stands irregular.

Audit desires to revise the estimate and obtain the revised Technical Sanction from the competent authority.

- Q.7. 10) Every officer incurring or authorising expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are the following: -
- Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
 - The expenditure should not be *prima facie* more than the occasion demands.
 - No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
 - Public moneys should not be utilised for the benefit of a particular person or section of the community unless-
 - (1) the amount of expenditure involved is insignificant, or
 - (2) a claim for the amount could be enforced in a court of law, or
 - (3) the expenditure is in pursuance of a recognized policy or custom.
 - The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

CONTROL OF EXPENDITURE.

11) Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

12) A Controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume

before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or justify any instance of excess or financial irregularity That may be brought to notice as a result of audit scrutiny or otherwise.

INTERNAL CHECK AGAINST IRREGULARITIES, WASTE AND FRAUD

13) In the discharge of his ultimate responsibilities for the "administration of an appropriation or part of an appropriation placed at his disposal, every Controlling

officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores, but also that the prescribed checks are effectively applied. For this purpose each Head of the Department will get the accounts of his office and those of the subordinate disbursing officers, if any, inspected at least once in every financial year by a Senior Officer not connected with the account matters to see whether': -

- i.** rules on handling and custody of cash are properly understood and applied.
- ii.** effective system of internal check exists for securing regularity and propriety in the various transactions including receipt and issue of stores etc., if any, and
- iii.** a satisfactory arrangement exists for systematic and proper maintenance of Account Books and other ancillary records concerned with the Initial Accounts
