Pakistan Institute
of Public Finance Accountants

# Model Solutions

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

### AGP | CGA | PMAD| Public |KPG

## Summer Exam-2025

# MODEL SOLUTIONS – DISCLAIMER

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**Q.1. a** **Expenditure Returns' scrutiny:**

On receipt of the returns from disbursing officers, the controlling officer must carefully examine them and must satisfy himself that:

- **(i)** Progressive expenditure has been properly noted on the slips and the available balances worked out
- **(ii)** The accounts classification has been properly given
- **(iii)** Expenditure up-to-date is within the grant
- **(iv)** The returns have been signed by the disbursing officers
- **(v)** All relevant slips in Form G.F.R. 3 have been attached. If he finds defects in any of these respects, he must take immediate steps to rectify them.

**Q.1. b** **Divisible Pool**

The divisible pool taxes in each year shall consist of the following taxes levied and collected by the Federal Government in that year, namely:

- Taxes on income
- Wealth tax
- Capital value tax
- Taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed
- Export duties on cotton
- Customs-duties
- Federal excise duties excluding the excise duty on gas charged at well-head
- Any other tax which may be levied by the Federal Government.

**Q.1. c** **Principles of Contract Agreements:**

The following general principles should be kept in mind while entering into contracts or agreements involving expenditure from public funds:

(i) The terms of a contract must be precise and definite and there must be no room for

(ii) Legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.

(iii) Standard forms of contracts should be adopted.

(iv) The terms of a contract once entered into should not be materially varied without the previous consent of the authority

(v) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance.

(vi) In selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken it into consideration in addition to all other relevant factors.

(vii) Provision must be made in contracts for safeguarding Government property entrusted to a contractor

(viii) When a contract is likely to endure for a period of more than 5 years, it should, wherever feasible include a provision for an unconditional power of revocation or cancellation by Government

**Q.1. d** **Premature increments:**

Powers to grant not more than six premature increments for the initial fixation of pay subject to the following conditions:

- In cases of persons appointed through the FPSC, premature increments should be granted, on the recommendations of the FPSC, and in consideration of the fact that suitable persons of requisite qualifications are not available in the minimum pay of the post.
- No premature increments should be granted in cases of 'ad-hoc' appointments in anticipation of FPSC's recommendations.
- In posts where appointment is not made through FPSC, premature increments should be granted only after the appointing authority certifies that suitable persons of requisite qualifications are not available on the minimum of the sanctioned pay scale of the posts.

**Q.2. Disposal of obsolete Stores:**

An out line of the procedure to be adopted for disposal of obsolete stores is following. The examinees are required to elaborate these steps:

1. Inventory assessment.
2. Survey/Disposal committee
3. Checking inventory record
4. Categorization of items; saleable, scrap or hazardous
5. Identification of reasons for condemnation
6. Disposal method selection; public auction, tender, digital platform
7. Sanction of competent authority
8. Documentation of the whole process

**Q.3. Objectives of Public Financial Management:**

To ensure efficient and effective budget utilization, accurate and timely accounting and reporting and effective scrutiny and review of expenditure of public resources. To ensure accountability of public resources, oversight, effectiveness and lawfulness in the collection and application of public funds. In other words, we can divide the objectives in following four segments:

1. **Aggregate financial management**: Fiscal sustainability, resource mobilization and allocation

2. **Operational management**: Performance, value for money and strategic financial planning and management
    a. Asset acquisition and disposal
    b. Treasury management
    c. Review and performance evaluation
    d. Reporting

3. **Governance:** Transparency and accountability: Ensuring the organization is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

4. **Fiduciary risk management**: Flexible and intuitive fiduciary risk management is required to mitigate anticipated and unanticipated risks that public entities face while pursuing their objectives. Ongoing monitoring of progress versus goals aids the timely correction of errors and identification of problem areas and future risks

**Q.4. Tax Calculations**

Examinee is required to calculate Total income, Taxable income and Income tax liability for the year 2023-24 based on the given data:

| S. No | Description | Amount | Tax status |
|---|---|---:|---|
| 1. | Monthly basic salary | 350,000 | Taxable |
| 2. | Monthly House Allowance | 45,000 | Taxable |
| 3. | Annual agricultural income | 800,000 | Exempt from FBR |
| 4. | Capital gain on sale of property where holding period is more than 20 years | 1,000,000 | Exempt |

**1. Total income:**
Basic salary: 350,000x12=4,200,000
House Allowance: 45,000x12= 540,000
Agri income= 800,000
Capital gain=1,000,000
Total= 6,540,000

**2. Total taxable income:**
Basic salary: 4,200,000
House Allowance: 540,000
Total= 4,740,000

**3. Tax Liability:**

Two tax slabs are given in the question, one of the two is applicable.

| | |
|---|---|
| Taxable income from Rs 2,400,001 to 3,600,000 | Rs 165,000+22.5% on amount exceeding Rs 2.4 million |
| Taxable income from Rs 3,600,001 to 6,000,000 | Rs 435,000+27.5% on amount exceeding Rs 3.6 million |

In this case slab for 3,600,001 to 6,000,000 is applicable as the taxable income is 4,740,000.

**Tax Liability:**

Fixed tax=435,000

27.5% of the remaining 1,140,000=313,500

Total tax=Rs 748,500

**Q.5. Advantages of E procurement.**

1. Cost Reduction & Efficiency
    - Automated error free process
    - Lower Process Costs
    - Disciplined Spending due to visibility
2. Transparency & Control
    - Real-time Visibility
    - Enhanced easy Data Access
3. Process Improvement
    - Faster Cycles
    - Improved Compliance
4. Strategic Advantages
    - Better Supplier Relationships
    - Saving man hours

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