

PIPFA Journal

Vol. 3 Reg. No. : SS-1112

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- **(EBITDA) A Quest for Erudition**

There is a confusing myth among the professional on use and efficacy of EBITDA and it use a barometer to gauge the financial health of the companies.....

- **Solving the Supply Chain Cost Riddle**

Distribution costs can be more complex than many manufacturing processes, and are often a major piece of a company's overall cost structure.....

- **Look to the Future**

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An Exclusive Interview with Mr. Abdul Rahim Suriya, President, ICAP



**PIPFA's Ceremony
in Honor of its Past Presidents**



**Pakistan Institute of
Public Finance Accountants**

From the Holy Quran



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ
الْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ ۝ الرَّحْمٰنِ الرَّحِیْمِ ۝
مَالِكِ یَوْمِ الدِّیْنِ ۝ اِیَّاكَ نَعْبُدُ وَاِیَّاكَ نَسْتَعِیْنُ ۝
اهْدِنَا الصِّرَاطَ الْمُسْتَقِیْمَ ۝ صِرَاطَ الَّذِیْنَ اَنْعَمْتَ
عَلَيْهِمْ غَیْرَ الْمَغْضُوْبِ عَلَيْهِمْ وَلَا الضَّالِّیْنَ ۝

Praise belongs to Allah, the Lord of all the worlds. The All-Merciful, the Very-Merciful. The Master of the Day of Judgment. You alone we worship, and from You alone we seek help. Guide us in the straight path - the path of those on whom You have bestowed Your grace, and not of those who have incurred Your wrath, nor of those who have gone astray.

Surah: Fatiha, Verses 1 to 6

PAKISTAN INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (PIPFA)

Constituted by:

The Auditor General of Pakistan (AGP),
The Institute of Chartered Accountants of Pakistan (ICAP),
and Institute of Cost & Management Accountants of Pakistan (ICMAP).

PIPFA is also an Associate Member of
International Federation of Accountants (IFAC).

MISSION STATEMENT

"Identification, development and imparting knowledge
to provide a structure for the training of accounting professionals
in the specialized areas"

Pakistan Institute of Public Finance Accountants

(Established under Section 42 of the Companies Ordinance, 1984)

Constituted by: ICAP, ICMAP, AGP

Identification, development and imparting knowledge to provide a structure for the training of accounting professionals in the specialized areas



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Why PIPFA?

PIPFA's Membership entails many advantages like:

- ❖ Entitlement to use Designatory letter APA or FPA and distinction of membership.
- ❖ Continuing professional development through publication, seminars, workshops etc.
- ❖ Eligibility for chief financial officer or company secretary of listed company.
- ❖ Entitlement for qualification pay etc. to PIPFA Public Sector qualified.
- ❖ Opportunities to inter-act at the national level with elite accounting community.
- ❖ Exemptions in examination of ICAP, ICMAP, CIMA-UK, ACCA etc.
- ❖ Professional activities like election of representatives etc.
- ❖ We are also pursuing Higher Education Commission of Pakistan to grant PIPFA qualified/members equal to B.Com Graduate.
- ❖ Dealing also with Federal Board of Revenue (FBR), Pakistan to allow PIPFA members for Tax Practicing.

Salient features of PIPFA Qualifications:

- ❖ On qualifying Final stage, one may apply for the management level jobs like Financial Advisor / Financial Officer.
- ❖ Elevation in Auditor General of Pakistan for BPS 16/17 is possible after qualifying PIPFA.
- ❖ Students may join Audit firms as Audit Trainee or starting internship in Financial Institutes / Organizations.

Views expressed here do not necessarily represent the official policy of the Institute

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President's Message

In the face of the multitude of challenges accounting institutions are facing, I believe it is more important than perhaps it has ever been that our collective thinking and planning be guided by sure principles that keep us focused on the things that matter most. The Institute's core values have provided that kind of certain guidance for accounting institutes in providing the optimum opportunity for the establishment of an environment where professional accountants can understand the important role accountants play in our complex society and to prepare our students to enter the noble profession.

There is generally a paucity of publications on government accounting and auditing compared with the corporate sector. As with the PIPFA Journal, we hope that the PIPFA Journal will also make a positive contribution in the field of accounting and auditing for both Government and Corporate Sectors. The journal will also keep PIPFA members/students informed of the activities of the Organization as well update them with the latest changes in world wide economy.

I have no doubt that the journal will aim to maintain a high standard of quality and professionalism. I, therefore, welcome the third issue with the fervent hope that it will be the forerunner of regular issues in the months ahead.



Mirza Munawar Hussain
President, PIPFA

Chairman, Publication & Seminar Committee's Message



Shahzad Ahmed Awan
Chairman,
Publications Committee

Dear Members and Students,

I am extremely glad to note the progress made by the PIPFA, in the face of the headwinds of our economic challenges, and the fundamental changes underway in the profession into which we are educating our members & students, and considering the likelihood of changes in accreditation standards. Making those changes while also staying focused on institutional goals and our core values increases the difficulty of making the strategic choices that will have to be made. Without question, leadership in the field of accounting inherently depends on responding to changing conditions. We must always keep in sharp focus the core values that guide us. These core values are commitments that define us as a discipline and as a profession. They lend coherence to our vision for the future, while they respect institutional pluralism and encourage innovation."

The PIPFA Journal is the least effort to aim all above factor but not the last.

I would strongly encourage younger members to consider taking leadership roles in this Accounting Journal.

An Exclusive Interview of ICAP President

(Conducted on August 8, 2010)

Abdul Rahim Suriya at a Glance

Current Placement & Past Experience

- ✦ Sole Proprietor under the name of A.R. Suriya & Co. Chartered Accountants.
- ✦ Visiting lecturer at business schools and trainer for courses on "Finance for Non-Finance Executives".
- ✦ Served at organizations of national and international repute in Pakistan including with a pharmaceutical company for 18 years
- ✦ holding diverse positions including 7 years experience as an Executive Director in Pharmaceutical company.

Education & Professional Association

- ✦ Bachelor of Commerce.
- ✦ Fellow Member - The Institute of Chartered Accountants of Pakistan.
- ✦ Fellow Member - Institute of Cost & Management Accountants of Pakistan.

Association with ICAP

- ✦ Council member of ICAP since 1997 and has served as a Vice President for the term 2001-02.
- ✦ Chairman of the Southern Regional Committee for the year 1995-96 and elected member 1993-97.
- ✦ Chairman Sub Committee - Best Annual Reports for the years 2005 to 2009.

The Chairman Publication Committee, Mr. Shahzad Ahmad Awan and Mian Muhammad Shoaib, Member Publication Committee thanked Mr. Abdul Rahim Suriya, the President of Institute of Chartered Accountants of Pakistan for sparing his precious time and started interview session by requesting President to brief about the history, role, functions and way forward plans of ICAP.

President ICAP: The Institute of Chartered Accountants of Pakistan (ICAP) was established as statutory body on July 1, 1961 under Chartered Accountants Ordinance, 1961 to regulate the profession of accountancy in the country. With significant growth in the profession, the CA ordinance and Bye-Laws were revised in 1983 and the amendments were incorporated e.g. Practical Training of Article students of 3 years and Audit Clerk of 5 years were replaced with 4 years training and now it is for 3 ½ years.

ICAP is governed by the Council which consists of nineteen members. Fifteen members are elected from amongst the members for a period of four years. The remaining four of the Council members are nominated by the Government of Pakistan.



International Representation

- ✦ Represented the Institute as a member of the International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC) (2002 to 2008).
- ✦ Represented the Institute at SAFA Assembly in 2010.

Our region wise composition of the Council is:

Elected

Southern Region Zone A	8
Southern Region Zone B	1
Northern Region Zone A	5
Northern Region Zone B	1
Government nominees	4
Total	<u>19</u>

Chairman: What is the procedure of President Election and its tenure?

President ICAP: The tenure of ICAP President is for 1 year who is elected from Council and as per practice he / she has served as Vice President in past.

The Council is responsible for the formulation of strategic direction, approving policies and management of the affairs of the Institute in the interest of the profession and the public. It performs its functions with the support of a management team consisting of the Secretary, and key management personnel.



Mr. Shahzad Ahmad Awan, Chairman, Publications Committee and Mian Shoaib conducting interview of Mr. Abdul Rahim Suriya, President-ICAP.

We have approached Securities and Exchange Commission of Pakistan for certain changes with existing practices to align them with International practices.

As you know Chartered Accountancy is a respected profession in country because of its training and examination standards. This profession also enjoys high public confidence because of its comprehensive Quality Control system, which is oversight by an Independent Quality Assurance Board and also we have investigation process which deals with any professional misconduct by members.

Chairman: The reservation about investigation is not very clear. Why not ICAP hire a third party like SECP to conduct investigation?

President ICAP: We can't involve third party because this practice is not anywhere in the world. As per Chartered Accountants' Ordinance, we are empowered to do it. We are the pioneer in establishing QAB in South Asia. The Quality Assurance Department performs the field work and reports to QAB without disclosing names of the parties involved. The Board comprises of technical persons, who are experts in their field. In case of significant deficiency noted in the conduct of audits the matter is referred to the Investigation Committee, which has its own due process. The objectivity of Investigation Committee is ensured by inclusion of non- members therein.

SECP is a regulatory body and its representative is also in ICAP Council. In 1987, the Council of the Institute constituted the Quality Control Review (QCR) Committee with the key objective of establishing a quality control review framework in respect of audits of financial statements conducted by the practicing firms. To bring more transparency and independence the QCR Committee was transformed into a Board in 2005 with the induction of external independent members. Currently the

Board has thirteen members among which seven are independent members i.e. three are from SECP, one from SBP and three are from the Industry including its Chairman. It has also been decided that in future the report of Quality Assurance Board (QAB) will be published separately. In past it was the part of Annual Report.

Chairman: We have about 5000 qualified Chartered Accountants but less than India, Bangladesh and Sri Lanka. So do you think there is a need to increase the number of qualified professionals in the field of Accounts and Audit in Pakistan.

President ICAP: There is a dire need of increase in number of qualified Chartered Accountants but the main hurdle is our poor education system. We cannot compromise on quality. There is great demand of Chartered Accountants in Government job. Further due to convergence Canada, USA and European countries also need Chartered Accountants.

Mian Shoaib & Chairman: It is generally said that professional bodies like ICAP, ICMAP decide their passing criteria according to market demand of industry. What is your opinion about this reservation.

President ICAP: I absolutely refuse this reservation and make it clear that it is baseless. We do not consider demand and supplies but only consider standard set by competent examination authority. All can pass if their responses are up to the mark or match with the criteria set by Examination Committee.

Chairman: What is generally passing criteria of ICAP?

President ICAP: 50% marks be secured.

Chairman: ICMAP has introduced the e-mark sheet to every student and also allowed them to see their answer script. Do ICAP have any plan to introduce such facilities to its students.



Mr. Shahzad Ahmed Awan, Chairman, Publications Committee presenting souvenir to Mr. Abdul Rahim Suriya, President-ICAP Mian Shoaib is also seen the picture.

President ICAP: We are deliberating in Council for disclosing the marks obtained by the student and the passing marks for such subjects, so they can realize how far they are from passing criteria.

Chairman: You will be glad to know that The Institute of Cost and Works Accountants of India (ICWAI) and other professional bodies have started to follow this practice. We believe that every professional body will adopt this practice. It will surely help to demolish the concept of "passing according to market demand".

Mian Shoaib : As you mentioned that ICAP doesn't compromise at quality don't you think that a reduction in training period from 4 to 3 ½ years will affect the quality?

President ICAP: World over the normal practice of training period is 3 years. We have adopted the same and have reduced the training from 4 to 3 ½ years.

Chairman: Everyone is witnessing the worst economic condition and the worst GDP rate of Pakistan in history. How you see that professional accountants should work for ultimate development of the Pakistan economy.

President ICAP: The Government should hire Chartered Accountants for their organizations.

Chairman: It means professional accountants can't directly act for the betterment of economy but are indirectly assisting government.

President ICAP: No, they can assist government directly only when government hire chartered accountants and use them properly for it's planning and budget /project team. Like SECP has realized the importance of CAs and has hired them and they are playing active role there.

Chairman: Being a CA and President of a prestigious Institute what would you suggest for development of our economy.

President ICAP: The # 1 problem of our economy is lack of investment. There is no investment just because of corruption, lack of infrastructure, Law & Order situation. First provide business friendly environment which will definitely help economy to grow.

Chairman: A long debate about VAT is continued in Government and Corporate sectors. Do you consider VAT is good for Pakistan economy or we need to adopt any other mechanism of tax collection?

President ICAP: I believe all who earn must pay taxes whether VAT or Income Tax irrespective of whether one is salaried class or industrialist or agriculturists.

Chairman: There is great number of professional accountants in government sector e.g. WAPDA, KESC etc but these institutions are not performing well. So it means the professional accountants in public sector are not performing their role effectively.

President ICAP: No, surely they are performing their role effectively but these huge organizations are suffering badly with loan burden and heavy operational cost. Not only accounts department needs to improve but the entire system needs to be changed.

Chairman finally thanked to President for sparing time for PIPFA.

Corporate Elevation of Board Member

We are pleased to share that **Mr. Shahzad Ahmad Awan, FPA, FCMA**, member Board of Governors-PIPFA has recently been elevated to the position of Chief Officer, Billing and Recovery in Sui Northern Gas Pipelines Limited. This recognition at his fair age, from one of the largest Gas transmission and distribution company of the country, depicts Mr. Awan's professionalism.

In addition to Mr. Awan's promotion as Chief Officer, he has also been elected as Executive Member of Sui Northern Executive Officer's Association (SNEOA) securing highest votes among all the contestants.

Mr. Awan is currently on the 'Council' (Board) of the Institute of Cost and Management Accountants of Pakistan (ICMAP) and by virtue of this, he is also on the 'Board of Governors' of Pakistan Institute of Public Finance and Accountants (PIPFA). He is a member of Journal & Publications Committee of ICMAP whereas chairing the same committee at PIPFA. He is Honorary Treasurer of CMA Foundation, an affiliate of ICMAP. At regional level, Mr. Awan is associated with Auditing and Accounting Committee of South Asian Federation of Accountants (SAFA) as its member.

The P&S Committee congratulates its member on achieving laurels at his workplace and wishes Mr. Awan all the best for his future professional endeavor.



(EBITDA) A Quest for Erudition



*By Mohammed Hanif,
Vice President ICMAP*

There is a confusing myth among the professional on use and efficacy of EBITDA and it use a barometer to gauge the financial health of the companies. In the normal course of business scenarios investors, shareholders, bankers, mutual funds, and equity brokers focus on Cash Flow, Net Income and Revenues as the fundamental barometer to gauge corporate pulse and Value. However in recent years, another measure has sneaked the prominent place in the quarterly reports and accounts of Corporate: Earnings before Interest, Taxes, Depreciation and Amortization. EBITDA is used to analyze and compare profitability between companies and industries, investors should understand that there are serious limits to what the metric can tell them about a company. Here we look at why this measure has become so popular and why, in many cases, it should be treated with caution.

EBITDA Rationale

EBITDA first came to surface and in prominence some time in 1980s as testing tool for leveraged buyout proposal by the investors who examined distressed or cash anemic companies in need for financial restructuring. They used EBITDA to calculate quickly efficacy or capability whether these companies could pay back the interest on the financed deals.

In a Leveraged buyout deal bankers promoted EBITDA as a tool to determine whether a company could service its debt in the near term, say over a year or two. At least in theory, looking at the company's EBITDA-to-interest coverage ratio would give investors a sense of whether a company could meet the heavier interest payments it would face after restructuring. For instance, bankers might argue that a company with EBITDA of RS5 million and interest charges of RS 2.5 million had interest coverage of 2 - more than enough to pay off debt.

The use of EBITDA spread to a wide range of businesses for financial structuring or structuring of investment profile with a gearing. Its proponent advocates that EBITDA offers a clearer reflection of operations by stripping out expenses that can murky how the company is really performing.

A debt with interest bearing financing which, is largely a function of management's choice carrying an interest is ignored. Taxes are left out because they can vary widely depending on acquisitions and losses in prior years; this variation can distort net income. Finally, EBITDA removes the arbitrary and subjective judgments that can go into calculating depreciation and amortization, such as useful lives, residual values and various depreciation methods

By eliminating these items, EBITDA makes it easier to compare the financial health of various companies. It is also useful for evaluating firms with different capital structures, tax rates and depreciation policies. At the same time, EBITDA gives investors a sense of how much money a young or restructured company might generate before it has to hand over payments to creditors and the taxman.

Brief Biography Mohammed Hanif Vice President ICMAP

Currently working as Director Strategic Development with Getz Pharma, a country's leading pharmaceutical company ranking as number 5th in the country, with a wide range of product portfolio and having distribution and marketing set-up in more than 25 countries of the world.

He has over 35 years experience of working with world renowned chemical, pharmaceutical, logistics and cargo division of Lufthansa Airline within Pakistan and abroad. During the employment period he has an extensive experience of working in the different capacity to look after Finance, Treasury, ERP, Supply Chain, ERM, Strategic and Project development, business process management on operation and strategic sphere and cadre.

Professionally he is a fellow member of the Institute of Cost and Management Accountant of Pakistan. He is also Vice President of the national council and technical advisor on the board member of SAFA. He did his MPhil in Supply Chain Management,, Fellow member of Institute of Supply Management (USA) and also Chartered member of Charter Institute of logistics and transport. Have a recognized and approved 15 thesis in the field of Business Process Outsourcing, Business Process Engineering, SCOR, and Supply Chain Management dynamics, Leverage Financing, Employees Stock Options, SCM Risk and Enterprise Risk Management. His PhD thesis on Enterprise Management is being Evaluated Have attended many vocational and professional training programs around the world. He is also educationist and employed as honorary Chairman of Supply Chain Management stream by the country largest private university. Have presented many papers and have conducted various workshop and training program locally and also in Asian Pacific on ERP, BPR, SCM, EVA, Project financing, ProVision, TTM, Corporate Finance, Financial Management. Enterprise Management and ERM, On World Trade Organization, and TRIPS he has worked on South Asia Region within his previous job and has worked out various policies related to logistics and transport with the Indian and Chinese counter part. He also received the best presentation award on WTO in 2005 by the WTO organization.

All the same, one of the biggest reasons for EBITDA's popularity is that it shows more profit than just operating profits. It has become the metric of choice for highly leveraged companies in capital-intensive industries such as energy/cable and telecommunications, where bona fide profits are sometimes hard to come by. A company can make its financial picture more attractive by touting its EBITDA performance, shifting investors' attention away from high debt levels and unsightly expenses against earnings.

Cautious Approach

While EBITDA may be a widely accepted indicator of performance, using it as a single measure of earnings or cash flow can be very misleading. In the absence of other considerations, EBITDA provides an incomplete and dangerous picture of financial health. Here are four good reasons to be wary of EBITDA:

1. No replacement for Cash Flow

Some financial or business analysts or journalists urge investors to use EBITDA as a measure of cash flow. This advice is illogical and hazardous for investors: for starters, taxation and interest are real cash items and, therefore, they're not at all optional. A company that does not pay its government taxes or service its loans will not stay in business for long.

Unlike proper measures of cash flow, EBITDA ignores changes in working capital, the cash needed to cover day-to-day operations. This is most problematic in cases of fast-growing companies, which require increased investment in receivables and inventory to convert their growth into sales. Those working capital investments consume cash, but they are neglected by EBITDA.

For example, one of the quoted companies in the textile sector in Karachi Stock Exchange depicted RS28.4 million EBITDA for the fiscal year 2008. But if you turn to the company's cash flow statement, you'll see that it consumed RS48.8 million in additional working capital, which largely accounts for company's negative cash flow from operations. Clearly, EBITDA paints a rosier financial picture than other measures.

Furthermore, while capital expenditures are a critical, ongoing cash outlay for almost every company, EBITDA ignore or neglects capital expenditures. Consider a small company as service provider. In its Q4 2005 earnings release, the company reported RS14.3 million EBITDA. That represents a 30% improvement from Q4 2004, when it reported EBITDA of RS11 million. But this measure disregards the company's sky-high capital expenditures. Looking at the notes to the accounts, we see that the company spent RS46.9 million on network capital equipment in Q4 2005; in order to grow, it will need to continue spending annually to upgrade and expand its networks. This number is significant, but it is not part of the EBITDA mix.

Clearly, EBITDA does not take all of the aspects of business into account, and by ignoring important cash items, EBITDA actually overstates cash flow. Even if a company just breaks even on an EBITDA basis, it will not generate enough cash to replace the basic capital assets used in the business. Treating EBITDA as a substitute for cash flow can be dangerous because it gives investors incomplete information about cash expenses.

2. Skews Interest Coverage

EBITDA can easily make a company look like it has more money to

make interest payments. Consider a company with RS10 million in operating profits and RS15 million in interest charges. By adding back depreciation and amortization expenses of RS8 million, the company suddenly has EBITDA of RS18 million and appears to have enough money to cover its interest payments.

Depreciation and amortization are added back based on the flawed assumption that these expenses are avoidable. Even though depreciation and amortization are non-cash items, they can't be postponed indefinitely. Equipment inevitably wears out, and funds will be needed to replace or upgrade it.

3. Ignores Quality of Earnings

While subtracting interest payments, tax charges, depreciation and amortization from earnings may seem simple enough, different companies use different earnings figures as the starting point for EBITDA. In other words, EBITDA is susceptible to the earnings accounting games found on the income statement. Even if we account for the distortions that result from interest, taxation, depreciation and amortization, the earnings figure in EBITDA is still unreliable.

Let's say, for example, that a company has over- or under-reserved for warranty cost, bad debt or restructuring expenses. If this is the case, its earnings will be skewed and, as a result, EBITDA will be misleading. Furthermore, if the company has recognized revenues prematurely or disguised ordinary costs as capital investments, EBITDA will provide little information to investors. Remember, EBITDA is only as reliable as the earnings that go into it.

4. Makes Companies Look Cheaper Than They Really Are

Worst of all, EBITDA can make a company look less expensive than it really is. When analysts look at stock price multiples of EBITDA rather than bottom-line earnings, they produce lower multiples.

For Example consider A company the stock of which trading at 7.3 times its forecast EBITDA. That might sound like a low multiple, but it doesn't mean the company is a bargain. As a multiple of forecast operating profits, the same company traded at a much higher 20 times. The company traded at 48 times its estimated net income. Investors need to consider other price multiples besides EBITDA when assessing a company's value.

Conclusion

Despite its widespread use, EBITDA isn't defined in GAAP - as a result, companies can report EBITDA as they wish. The problem with doing this is that EBITDA doesn't give a complete picture of a company's performance. In many cases, investors may be better off avoiding EBITDA or using it in conjunction with other, more meaningful metrics. EBITDA doesn't exist in a vacuum. The measure's bad reputation is more a result of overexposure and improper use than anything else. Just as a shovel is effective for digging holes, but wouldn't be the best tool for tightening screws or inflating tires, so EBITDA shouldn't be used as a one-size-fits-all, stand-alone tool for evaluating corporate profitability. Like any other measure, EBITDA is only a single indicator. To develop a full picture of the health of any given firm, a multitude of measures must be taken into consideration. If identifying great companies was as simple as checking a single number, everybody would be checking that number and professional analysts would cease to exist.

Solving the Supply Chain Cost Riddle

Textbook variance analysis tools don't cut it in today's complex distribution systems. Finding something that does work is a challenge that Vancouver, B.C.-based Catalyst Paper tackled two years ago to great effect.

By Kevin Gaffney, CMA, and Valeri Gladkikh

Distribution costs can be more complex than many manufacturing processes, and are often a major piece of a company's overall cost structure. In spite of such significance and complexity, the accounting profession offers no proper model, approach or mathematical construct to analyze and explain the transportation component of a supply chain's cost structure.

At Catalyst Paper, a pulp and paper manufacturer based in Vancouver, B.C., this need was recognized in 2005 and several months were spent in creating an appropriate model for our \$250 million annual distribution spend. The eventual model, based on SAP source data run through Access and Excel, quantified a host of variances to provide a complete explanation of distribution costs company-wide, as well as at the level of individual customer accounts. The Canadian Academic Accounting Association published these results in Accounting Perspectives in May 2007. This is a synopsis of those results.

Financial analysis of transportation cost variances versus benchmarks is usually done at a fairly high level with some specifics analyzed in detail on an ad hoc basis. The impacts of rate increases, suboptimal routings, costly carrier choices, fuel cost increases, etc., are often estimated. Though high-level generalizations and ad hoc analyses are often adequate, today's just-in-time and cost-sensitive environment justify having better tools at hand. Also, analysis at the customer account level requires very specific and precise cost and efficiency identification. The goal should be to have a tool that can handle the macroeconomic and the microeconomic variables quickly and automatically.

At Catalyst Paper, as at many other organizations, the number of customer ship-to locations and combinations of routes, modes and carriers is many times greater than the organization's number of products. And Catalyst's distribution costs are typically between 5-30 per cent of the eventual selling price not unusual for manufacturers. Catalyst has four source manufacturing plants, four means of transport to about 12 warehouses, varying handling and storage costs at each warehouse, several modes of transport and multiple carrier options for delivery to the

customer. For each carrier, freight rates and surcharges vary, some billed in Canadian and some in U.S. dollars and each region and carrier have unique stow limits. Considering the company typically has 500 or more customers to serve in a single month, there are thousands of possible combinations of distribution data.

We needed a tool that could incorporate all of the key drivers of costs and sum them up simply, quantifying how each item contributed to cost overruns or under runs. The tool needed to properly identify which factors were failing to meet expected levels and which could be improved.

Various variance analysis tools could be applied here. But at Catalyst, what looked good in theory left much to be desired when applied to real cost data for complex distribution systems. Textbook examples of widget manufacturing costs didn't have the complexity of interdependent variables that supply chains typically exhibit; and real-life data is fraught with errors and adjustments that must be dealt with to provide a complete explanation of distribution variances.

Issues of data integrity and completeness can be daunting. Seemingly insignificant flaws in source data can destroy the integrity of entire analyses if not treated properly. Filtering, applying certain rules to certain types of errors, dealing with prior period accounting entries and such can wreak havoc with the eventual reports. Don't underestimate the importance of getting the data complete, consistent and correct; it needs to fit neatly into a somewhat unforgiving model.

This article provides an outline of the concepts and output that

Exhibit 1 – Transportation Cost Variance, July 2007 vs Plan (Favourable/(Unfavourable) Actual and Plan Data Records

Customer	Whse	Mode	Carrier	Loads	Units	Plants, Units		1st Leg Transp \$/Unit		Whse to Customer, \$/Unit	TOTAL \$/Unit	TOTAL \$	
						1st Plant	2nd Plant	1st Plant	2nd Plant				
ACTUAL DATA													
ABCInc	Whse1	TRUCK	ABC Truck	25	500	500	-	15	17	80	95		
ABCInc	Whse2	RAIL	DEF Rail	5	360	360	-	20	25	60	80		
ABCInc	Whse2	TRUCK	Joe's Truck	70	1,400	1,400	-	20	25	70	90		
ABCInc	Whse2	TRUCK	XVZ Trucking	30	600	600	-	20	25	65	85		
ABCInc	Whse2	TRUCK	Bill's Trucking	4	300	300	-	20	25	75	95		
K&V Ltd	Whse3	Rail	GH Rail	5	400	300	100	30	35	60	91		
						3,360	3,260	100	20	25	68	\$89.08 /unit	\$299,300
PLAN DATA													
ABCInc	Whse1	TRUCK	ABC Truck	40	800	800	-	15	17	80	95		
ABCInc	Whse2	RAIL	DEF Rail	1	85	85	-	20	25	90	70		
ABCInc	Whse2	TRUCK	Joe's Truck	100	2,000	2,000	-	20	25	70	90		
K&V Ltd	Whse3	Rail	GH Rail	10	800	400	400	30	35	60	93		
						3,685	3,285	400	21	25	70	\$91.17 /unit	\$335,950
Total Variance, all customers. Note: negative number means more money was spent on freight than planned.											Difference	\$36,650	

Catalyst settled on. Each situation won't be the same, but the general concepts are portable.

At the highest level, total distribution costs will be more or less than budgeted. Observe Exhibit 1. The company spent \$36,650 less than budget. Try to identify the reasons for those savings; one can discern soon enough that transportation costs were low due to reduced sales volume. Now try to identify the reasons that costs were \$2.09 per unit less than the budget of \$91.17. The reasons for that difference aren't obvious but the major factors can be identified fairly quickly. Imagine having to do this for hundreds or thousands of customers. The challenge is to break down the total variance into numbers that identify all the reasons that costs aren't as planned whether at a corporate level or by customer.

In the example, you'll notice cost impacts, including:

- ✦ 3,360 units were sold in the period versus a plan to sell 3,685;
- ✦ the proportion of sales to each customer was not as planned;
- ✦ XYZ Trucking hadn't been considered in the budget but took 30 truckloads to ABC Inc.

There are many other reasons for costs to vary from the plan shown. The trick is to quantify each of them appropriately in a solution that adds to \$36,650. The following categories of

variances are used to arrive at the solution: volume, customer mix, distribution mix and carrier charges.

Volume variance

The volume variance calculates the overall impact of selling more or less than budgeted. Even if all cost factors are on plan and the customer mix is as planned, a change in volume will change total distribution costs. The calculation of the impact of volume changes is straightforward: the overall difference between actual and budgeted volume times the total budgeted cost per tonne. Exhibit 2 shows the calculation of a \$29,629 favourable volume variance for our example. Distribution costs are lower than planned, partly because the company sold less than planned.

Once the volume impact is explained, the remaining variance calculations explain why the per unit costs are higher or lower than planned. In our example, the planned distribution costs were \$91.17 per unit while the actual costs were \$89.08 per unit. The main .09/unit explanation involves customer mix, distribution mix and carrier charges. The customer mix and distribution mix variances identify changes in the proportions of customers, routes, modes etc. that affect overall costs.

Customer-destination mix variance

The customer or destination mix variance determines the

Exhibit 2 – Transportation Cost Variance, July 2007 vs Plan (Favourable/(Unfavourable) Calculation of Variances

Customer	Whse	Mode	Carrier	Loads	Units	Mix Variances					Price and Efficiency Variances				Total	
						First Leg	Last Leg	Routing	Mode	Carrier	Total Mix	Rate	Yield	Price/Effic		
ABC Inc	Whse1	TRUCK	ABC Truck	25	500	4,812	25,664	30,476	-	-	30,476	-	-	-	-	30,476
ABC Inc	Whse2	RATL	DEF Rail	5	360	(5,456)	(18,873)	(24,329)	(12,986)	-	(37,314)	(350)	(3,250)	(3,600)	(40,914)	
ABC Inc	Whse2	TRUCK	Joe's Truck	70	1,400	13,040	45,108	58,148	67,180	49,000	174,328	-	-	-	174,328	
ABC Inc	Whse2	TRUCK	XYZ Trucking	30	600	(12,000)	(41,511)	(53,511)	(42,000)	(39,000)	(134,511)	-	-	-	(134,511)	
ABC Inc	Whse2	TRUCK	Bill's Trucking	4	100	(2,000)	(6,918)	(8,918)	(7,000)	(7,500)	(23,418)	-	0	-	(23,418)	
K&V Ltd	Whse3	Rail	GH Rail	5	400	500	-	500	-	-	500	-	-	-	500	
						\$ 3,360	\$ (1,104)	\$ 3,470	\$ 2,366	\$ 5,194	\$ 2,500	\$ 10,060	\$ (350)	\$ (3,250)	\$ (3,600)	\$ 6,460

Volume Variance				
Actual Units	Plan Units	Plan	\$/Unit	Volume Variance
3,360	3,685		\$ 91.17	29,629 favourable

Destination Mix				
Actual Units	Plan Units	Plan\$/Unit	Dest'n Mix	
ABC Inc	2,960	2,885	90.80	(29,913)
K&V Ltd	400	800	92.50	30,474
				561 favourable

	Units	x \$/Unit	\$
Actual	3,360	89.08	299,300
Plan		\$ 91.17	\$ 306,321
Mix			\$ 10,060
Price			\$ (3,600)
Destination			\$ 561
Total Cost/Unit Variance			\$ 7,021
Volume Variance			\$ 29,629
Total Cost Variance			\$ 36,650

Variances	Cost/Unit
Budgeted cost, \$/unit	\$ 91.17
FIRST LEG	\$ 0.33
LAST LEG	\$ (1.03)
MODE	\$ (1.55)
CARRIER	\$ (0.74)
RATE	\$ 0.10
YIELD	\$ 0.97
Destination	\$ (0.17)
Actual Cost, \$/Unit	\$ 89.08

impact of shipping to different customers. Rarely does a company manage to ship to all of the customers they planned to and in precisely planned proportions. A calculation of the mix impact must be done for each customer. Some will be favourable (i.e. more product shipped to low-cost locations) and some will be unfavourable, and the results are summed up to arrive at the total cost variance attributable to customer mix. The customer mix variance multiplies the planned cost per unit for each destination by the difference between the actual volume shipped and the volume that would have been shipped if this customer received the planned proportion of total sales.

In Exhibit 2, the destination mix calculation shows that the company sold more product to ABC Inc. than planned and less to K&V; and, because K&V was a more expensive ship-to location than ABC, the net result was favourable, a savings of \$561.

While the first two variances are fairly simple to calculate and represent high-level impacts, the remaining variances are more complex and involve calculations at the level of groupings of actual deliveries.

Distribution mix variances

Distribution mix variances deal with the logistical complexities involved in routing product from source to customer. The selection from many options may seem simple enough to deal with in day-to-day operations, but these combinations complicate the mathematical analysis of costs. Supply chains typically involve choices that depend on other choices, which is why the mathematics for supply chain cost variance analysis can be much more complex than manufacturing cost variance analysis. For example, the choice of one manufacturing plant over another can result in a different set of warehouse options; the warehouse chosen to route the product through may have

different outbound mode options than another warehouse, and so on. We won't go into the specific explanations and proofs of the mathematics in this brief article, but suffice to say that the combinations of routes and modes and carriers complicate the variance analysis math at each turn.

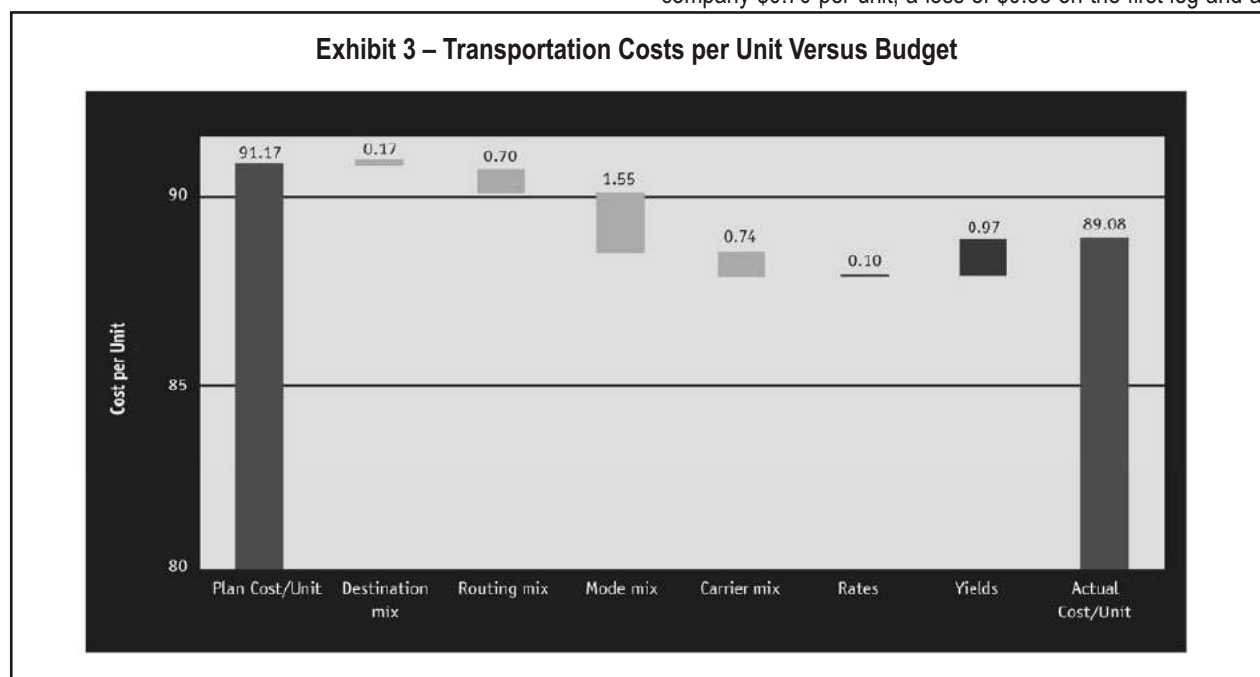
Catalyst breaks its distribution mix variances into the following:

- ✦ First-leg route (or source plant)
- ✦ Last-leg route (or warehouse)
- ✦ Mode
- ✦ Carrier

The first-leg route variance and the last-leg route variance quantify the impact of the end-to-end routing decision. If product can be sourced from plants at different geographic locations and shipped to one or more warehouses, the choices made can result in significantly different costs. Capacity constraints, production problems, strikes, weather, and a host of other factors can result in sourcing and routing product through suboptimal channels. Isolating the impact of routing decisions can go far to optimizing a supply chain or identifying bottlenecks and shortcomings.

Mathematically, the calculations of the route variances are relatively complex, requiring a specific data record structure and formulae to avoid double-counting and overlap with other variance amounts. Accountants will recognize the general idea of mix variances from their management accountant training, but will find that the routing mix variance calculations here go beyond textbook examples because of the interdependency of the first-leg mix and last-leg mix.

In Exhibit 2, the example points to effective routing saving the company \$0.70 per unit; a loss of \$0.33 on the first leg and a



saving of \$1.03 on the final leg to the customer by routing a higher proportion of product through Warehouse 2, which has lower planned last-leg costs to ABC Inc. than Warehouse 1.

The mode mix variance recognizes the impact on costs of selecting various modes of transport between which there can be large differences in cost. Customer preference, late production, late orders or adverse weather conditions are examples of what can create deviations from a planned mode mix and can be the primary determinant of average freight cost.

The mode mix variance reflects whether the actual mode mix (at benchmark costs) was more/less expensive than the benchmark mode mix. The mode mix variance calculates the impact of shipping via a different mix of modes than planned and can point out the impact of bottlenecks or equipment shortages.

In the example, we find that the company managed to save \$1.55 per unit in distribution costs due to an effective mode mix. The company shipped a higher proportion of product by rail than planned. Rail had a planned cost per unit to ABC that was less than the average cost per unit for trucking. The carrier mix can be influenced by carriers' relative rates, equipment shortages, strikes, core carrier programs, contractual agreements on minimum or maximum volumes, etc. There can be a very significant variation in rates from one carrier to the next and some carriers may even have differing vehicle capacities that can influence average yield. The carrier mix variance reflects whether the actual carrier mix for a given mode was more or less expensive than the benchmark or budgeted carrier mix.

In our example, a judicious selection of carriers resulted in a savings on overall freight costs of \$0.74 per unit.

Carrier charge variances

Once the route, mode and carrier have been selected and costed, the analyst needs to determine the impact of the rates charged and the efficiencies achieved. Mathematically and intuitively, these price and efficiency variances are easier to determine than the distribution mix variances, but they still require attention to detail. Catalyst breaks their carrier charge variances into two types: rates and efficiency.

Rate variances include, for instance, the difference between the actual and planned freight rate, fuel surcharges, border charges, brokerage fees, port charges, etc. Essentially, each component of the actual cost (in dollars per load or dollars per unit) is compared to the budget and the difference in cost is applied to the actual volume shipped to arrive at the dollar impact. In Catalyst's case, transportation is transacted in multiple currencies, so the exchange has to be isolated from other factors.

In the example, rates charged by DEF Rail were slightly higher than planned, adding \$0.10 per unit to average freight costs.

Efficiency, in Catalyst's case, is limited to the difference between the actual and planned yields (volume per truckload, rail car or container). The difference determines, for instance, the number

of extra truckloads or carloads that were required due to low yields (which may have been the result of poorly planned stows or suboptimal order sizes). The change in the number of trips is applied to the planned cost per trip to determine the dollar impact of the efficiency loss or gain.

In this example, the plan was to ship 85 units per rail car but only managed 72, adding \$3,250 or \$0.97 per unit to distribution costs.

Reporting the results

The rubber hits the road in any cost analysis when the results are presented. The variances need to be summarized in a clear and productive format. The method of reporting and explaining variances will determine if the results are used for effective change. Consider using one or more of the following presentation methods:

- ✦ Summarize the results graphically, as shown in Exhibit 3, for the overall results or for individual customers. This can be particularly powerful for explaining overall freight costs.
- ✦ For each customer or for major customers, present a single page of actual and benchmark summary records with a listing of the variances. Sales reps can find this particularly useful for assessing customer profitability;
- ✦ Top-ten lists for each type of variance, showing the ship-to destinations with the highest impact. For example:
 - o carriers or warehouses providing the worst/best yields;
 - o warehouses arranging the worst/best carrier mix;
 - o warehouses experiencing the worst/best mode mix; and
 - o customers whose freight costs are most sensitive to exchange fluctuations.

These reports can identify business process and/or logistical issues that create increasing costs or keep your company from achieving planned efficiencies.

As the relevance of distribution to industry grows, it's increasingly important to have immediate and complete analysis tools for those costs. While all of the attributes of transportation costs and their efficiencies aren't covered, a general approach has been illustrated that can possibly be applied to each specific circumstance.

For a more complete examination of the formulae and suggested record structure, see *A Case Study of a Variance Analysis Framework for Managing Distribution Costs, Accounting Perspectives, 2007, Volume 6, Number 2*, Canadian Academic Accounting Association.

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– Courtesy to IFAC

Look to the Future

Louise Ross plugs into the online business community to take a close look at the risks and opportunities presented by the social networking revolution enabled by Web 2.0 technology.

By Louise Ross

The term Web 2.0 was coined in 2004 by Tim O'Reilly, the computer book publisher, for a seminal conference which was intended to re-inflate the internet industry after the burst of the dotcom bubble in 2001. The term suggests an updated technical specification, such as the release of a new generation of software, but actually refers to the concept of the second-generation internet and how users interface with it. Some, including internet pioneer Tim Berners-Lee, argue that the worldwide web was always intended to be about people communicating and sharing.

Rather than offering a concrete definition, O'Reilly describes Web 2.0 in terms of relationships and even a "meme map," more on which can be found in his essay referenced at the end of this article. But he does say that the most important principle is that "Web 2.0 is about systems that harness collective intelligence." Web 2.0 concerns various technologies that enable collaboration, such as web-based communities, wikis, blogs and other social networking applications.

Risky Business

Even if an organisation does not make use of Web 2.0 technologies, it will be affected by users among its employees, customers, suppliers and competitors. Although a recent survey suggested that only 28% of organisations have included Web 2.0 in their risk management process, awareness of the risks of

these technologies should register on every organisation's radar. It is important to keep a sense of proportion. In many cases Web 2.0 is not creating an entirely new risk, but a new twist that exploits an existing vulnerability. It may be helpful to remind ourselves that the underlying issues are mostly related to human behaviour. "People remain the weakest link" was one of the key findings of the recent global information security survey conducted by Ernst & Young (E&Y).

The survey found that half of respondents felt organisational awareness of such risks was the biggest challenge for business more so even than limited financial or other resources to prepare defences against information security threats. "Hackers have long known the easiest way to circumvent an information security system is to exploit the people. Simple techniques such as impersonating IT or company personnel can be used to gain access to information from unsuspecting employees. A large percentage of respondents (85%) confirmed they regularly perform internet testing, but only 19% of respondents conduct social engineering attempts to test their employees," the survey said.

Many organisations also ignore another significant information issue, which is how to protect data no longer within firewalls but shared with third parties. It's sobering to realise that large companies are almost guaranteed to have such an incident every year, at an average cost of over £1 million.

Popular Social Networking Applications		
Web 2.0 tool	Description	Example
Social networking sites	Websites that allow users to meet people with similar interests and link up with contacts, friends and family.	Facebook, MySpace, Bebo
Blogs	Short for web log, blogs are online journals containing whatever the user wishes – images, thoughts, news, links etc.	Beehive (Steve Bee, Cartoonist and head of pensions strategy at the Royal London Group), Freakonomis authors continuing where their book left off, and millions of others
Wikis	Web pages, the content of which can be added, removed or modified by a group	Wikipedia, Wikileaks, WikiTravel
Virtual worlds	Simulated environments that offer an alternate existence or "avatar" in hyperspace, with virtual landscapes, buildings, vehicles and more, creating another world.	Second Life, Nicktropolis The Sims Online

Information Security Breaches			
	Small (<50 staff)	Large (<250 staff)	Large (<500 staff)
Companies had a security incident in the last year	45%	45%	96%
Average number of incidents, median (mean)	6 (100)	15 (200)	>400 (>1,300)
Average cost of worst incident in year	£ 10,000 to £ 20,000	£ 90,000 to £ 170,000	£ 1 million to £ 2 million

Issue: misuse of personal information.

Users reveal a lot of personal information on social networking sites, which is often inadequately protected and therefore vulnerable to misuse by cyber criminals. Some specific risks are listed below.

- ✦ Personal information might be used to guess employees' passwords for corporate IT systems. A 2004 survey showed that the most commonly used passwords in offices in the UK were a partner or child's name (15%), football team (11%) and pet's name (8%). Many people are poor at managing multiple passwords, and use the same one for many sites.

Personal information might be used to hack into and gain control of poorly protected personal email accounts. Recent high profile victims include Sarah Palin and Paris Hilton. This practice is known as a Tinkerbell hack, in honour of the latter's Chihuahua, whose name was her password. If there is traffic between personal and work email accounts, hackers can identify valid work email addresses and use these for spear-phishing. This is a refinement of the speculative mass spamming of emails purporting to come from another source, known as phishing. Spear-phishing is more targeted; tailored emails are created that appear to come from a named individual or team, possibly IT or HR, in a position of authority such that the recipient will comply with requests to supply information or download files. Cyber criminals construct their own virtual corporate directories and can target new and more vulnerable members of staff.

Issue: people discuss their work on social networking sites

According to a recent YouGov survey quoted on the Personnel Today website, 42% of users in the UK discuss work online. Organisations cannot and should not dictate whether or how people can use social networking sites in their private life, so inevitably there are risks:

- ✦ Users might post misinformed, malicious or otherwise damaging content about their employer (or its customers or suppliers). Many organisations take action where they feel an employee has brought their company into disrepute. Research quoted on the Management Issues website indicated that over one in five companies had disciplined an employee for violating blog or message board policies in 2005, with 7% of US companies and 4% of UK companies dismissing the individual concerned. One of the most famous European examples is that of the UK accountancy firm Dixon Wilson, employers of the Paris-based secretary who blogged as "La Petite Anglaise." Despite her care not to identify herself or her employers by name or nature of business, Dixon Wilson argued that she had made herself, and therefore the firm, identifiable by including her own photograph on her blog. The firm dismissed her for gross misconduct, but she subsequently won her unfair dismissal case.
- ✦ Information might be disclosed that is commercially sensitive or price sensitive, which gives away intellectual property or damages the organisation's reputation. Information disclosed online is searchable, easily shared, persistent and impossible to eradicate. BERR's "Ninth information security breaches survey, (2008)" used the following example when discussing the risks posed by the use of social networking. "The IT staff at an insurance company used an internet chat room to help them solve technical issues. However, this resulted in them inadvertently disclosing the company's security setup and configuration in a public forum."

Issue: downloads from social networking sites or blogs can contain viruses

Users tend to be less suspicious of downloads, messages or instructions purporting to come from friends, colleagues or familiar websites. A recent report from IT security company Sophos advised that the primary source of malicious code, responsible for 2% of it worldwide, was Google's blogging tool

Blogger. This is because it's easy to set up new pages without requiring identification – as indeed it is on Facebook and other social networking sites. If employees are accessing blogs or social networking sites on the company's server, they can provide a gateway into the organisation. Specific risks include:

- ✦ Downloads sent by contacts often, intentionally or unknowingly, contain viruses. Facebook, for instance, has thousands of downloadable applications contributed by users – for example to send each other virtual beers or cupcakes, to rate each other's attractiveness or turn each other into virtual zombies. Some of these applications can contain harmful code.
- ✦ Contacts' identities can be misappropriated to send malware (software designed to infiltrate or damage a computer system without the owner's informed consent).
- ✦ A site can be counterfeited – users log-on to what they think is the genuine site and are advised to download supposedly the most recent version of the software used, for example to upload or view videos. What they actually download is malware.

Technical solutions to these risks are not necessarily within a business leader's purview – they have an IT department for that. But it is their responsibility to be alert to the possibility that there are major gaps in a firm's defences and to create a culture that addresses the human issues. Specific defences include:

- ✦ **Good password protocols.** Hopefully your IT department has specified that passwords should contain some non-alphabetic characters and be changed frequently etc. It will help to create the necessary co-operative and responsible culture if it also explains why certain practices are risky. For example, the reason that employees should not use any word contained in a dictionary as a password is that common password-cracking tools are based on dictionaries.
- ✦ **Reinforced training about password protection.** Remind employees to be suspicious of anyone asking for passwords – whether your own IT team or HR department, by phone or electronically. Most attacks can be deflected if suspicious users enter the full, legitimate URL of established corporate pages in browsers, rather than clicking on links provided by the phisher.
- ✦ **Requirements for information security in contracts with third parties.**
- ✦ **Setting up a virtual private network (VPN).** There should be little need for employees to forward mail between their personal and work email accounts, if you provide a VPN to enable employees to work flexibly wherever they have access to the Internet.
- ✦ **A policy for online conduct.** Remind employees that bringing the organisation into disrepute or disclosing

commercially sensitive information is a disciplinary offence, whether it takes place online or not. Advise them that information disclosed online is searchable, easily shared or linked to, persistent and impossible to eradicate. Therefore, it has more serious consequences than venting about a bad day to friends in the pub. In this area, you might find the TUC's work useful (please see the resources at the end of this article). Advise employees about the risks to the organisation of work-related details posted on social networking sites. Ask them not to post details about their jobs. Consider whether to carry out social engineering testing (please see Wall Street Journal article in resources).

- ✦ **Business-oriented sites for work-related networking.** If you allow/encourage employees to use networking sites for business purposes, advise them to use business-oriented sites, such as LinkedIn, which do not include personal information on family or hobbies.

Web 2.0 opportunities

Enthusiasts argue that one of the biggest risks posed by Web 2.0 is to not exploit its opportunities. "Web 2.0 is a game changer it holds the potential to turbo-charge back office functions, foster collaboration and transform every business unit in the enterprise," says O'Reilly.

Hard data to measure benefits is hard to come by, partly because it is quite early in the lifespan of these technologies, but also because it is hard to measure those. In lieu of hard data, I can contribute cases that I have come across, which illustrate the potential benefits.

Issue: harnessing expertise outside the organisation

Innovative organisations have recognised that they can tap into talent and ideas outside their own product development teams. There is a parallel between this sort of web-based collaboration, and the open source software development model. The principle upon which the latter is based is that allowing free access to source code for anyone to use or modify as they see fit accelerates the development of new applications. Instead of the traditional proprietary model in which developers seek to ensure that users cannot use, modify or share the product unless specifically allowed to.

Open source development is the most effective approach in many circumstances, for example, where there is a need to quickly build a critical mass of users (or suppliers); or where it is necessary because of short product life cycles, to get products to market quickly; or to avoid a costly battle of rival technologies. And these reasons also apply to the kinds of Web 2.0 collaborations I discuss below. Note the new role of the originator in these cases – no longer the sole developer, but providing the protocols, objectives, framework and channels for users or others to provide content or solutions.

Case: Goldcorp

Goldcorp was a mining company in terminal danger if it didn't find new gold deposits. Its chief executive took the radical step of publishing the company's geological data, previously considered proprietary and strictly confidential information, on the web and threw out an open challenge to suggest which areas should be prospected at its Red Lake mine in Ontario. Goldcorp offered nearly \$600 000 in prize money for the best ideas (methods and sites) and was staggered by the quality of the applications. It had tapped a wealth of expertise it didn't even know existed. Of the targets identified by these new collaborators, more than 80% yielded substantial quantities of gold, totaling \$3 billion. The success of this project kick-started a wave of innovation in drilling techniques, data collection procedures and geological modeling that transformed the company.

Issue: collaboration and team working

Web 2.0 tools enable better collaboration, but some organisations are specifically considering how to use them to improve team working or to harness communities of volunteers. IBM is one of the most enthusiastic proponents of Web 2.0 technology, which represents a significant business opportunity for the company as well as some methodologies for managing its own community of developers, suppliers and users. For example, IBM is currently developing technology to enable users to create virtual meeting places, with the facility to make them secure so you can discuss legal, patent or other commercially sensitive issues. IBM believes that this technology brings participants together in a more natural and effective way than teleconferencing or emailing.

Case: IBM

IBM is also the most enthusiastic corporate presence on Second Life. Irvine Wladawsky-Berger, vice-president of technical strategy and innovation at IBM, believes that „highly visual and collaborative interfaces will become very important in the way we interact with all IT applications in the future. IBM uses Second Life as an important tool for testing new ideas and models. It has twelve islands, some public and some private, where its engineers, consultants and designers can brainstorm and collaborate on projects such as the 3D internet.

Case: The RSA

The 250 year old Royal Society for the Encouragement of Arts, Manufactures and Commerce is considering using a social networking tool such as Facebook to communicate with its fellows. In common with many membership organisations, the thousands of fellows are geographically dispersed and run local groups, stage events and undertake various projects. There is evidence of a bottom-up call from the fellows to use this technology to reinvent, or at least reinvigorate the society.

Conclusions

The key word running throughout this article, and one to keep in mind when Web 2.0 is ever mentioned, is collaboration. Web 2.0 technologies bring people together to comment, innovate, suggest or complain. There is a sense that these are levelling technologies, enabling individuals to have a platform for their opinion or ideas nearly equal to an organisation's.

As well as equality, collaboration implies trust. There is a need to trust that partners in an industry consortium will protect data with as much care as its owners do and not exploit what they learn for competition. It is also important to recognise that customers might have insights about how a product might be used that may not have occurred to a company itself. Trusting that employees will act responsibly when discussing their work lives on social networking sites is also crucial. Work and personal life will always intermingle we are not machines. But we all not just the "IT guys" should be alert to the new risks that Web 2.0 poses.

Web 2.0 is not just a concept for companies to worry about though; it is also a powerful tool to be made use of. The implementation of Web 2.0 applications has energised the user accelerating innovation, creating new market for product development, turbo-charging the efficiency of a supply chain and motivating dispersed teams.

Web 2.0 Resources

Louise Ross is a technical specialist at CIMA. Her special interests are narrative reporting, the changing role of the management accountant and the impact of collaborative web-based technologies. Formerly, she was CIMA's Director of Research and retains her interest in bringing academic research findings to practitioners.

1. Tim O'Reilly's article "What is Web 2.0" can be found on his website: <http://oreilly.com/>
2. EIU/KPMG's survey is downloadable at www.us.kpmg.com/news/index.asp?cid=2587
3. The "Information Security Breaches Survey" is available at: www.security-survey.gov.uk
4. The Wall Street Journal's article "Spear Phishing Tests Educate People About Online Scams," Technology Section, can be found at: <http://online.wsj.com/public/us>
5. The TUC briefing for employers on use of social networking at work is available at: www.tuc.org.uk/extras/facinguptofacebook.pdf
6. The Financial Times' article "Fraudsters target social networkers" can be found on the newspaper's website: www.ft.com

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– Courtesy to IFAC

Financial Sector News

State Bank News

Mr. Shahid Hafiz Kardar Appointed Governor State Bank of Pakistan:

The President of Pakistan has appointed Mr. Shahid Hafiz Kardar as Governor, State Bank of Pakistan for a period of three years with effect from the date he assumes the office, says a notification issued by the Government of Pakistan, Finance Division (Internal Finance Wing) on September 9, 2010.

Mr. Kardar assumed the charge of the Office of SBP Governor 9/9/10. Mr. Kardar, 58, an economist of repute is the 16th Governor of SBP since its inception in 1948. He replaces Syed Salim Raza, who resigned as Governor, State Bank due to personal reasons. Mr. Yaseen Anwar, Deputy Governor was appointed as the Acting Governor of the State Bank on June 03, 2010 following the resignation of Mr. Raza. Prior to joining SBP, he was associated with Issues and Policies Consultants as Managing Partner since 2001. Mr. Kardar had also served as Minister for Finance, Planning & Development, Excise and Taxation and Industries & Minerals Development, Government of Punjab from November 1999 to January 2001.

Mr. Kardar regularly provides consultancy services to multilateral and bilateral donors like the World Bank, the Asian Development Bank, the Department for International Development (DFID) of the UK, etc.

After completing his BA (Hons) from the University of Punjab in 1974, Mr. Kardar did his PPE (with major in Economics) from the University of Oxford in 1976 following which he completed his Chartered Accountancy from the Institute of Chartered Accountants, England and Wales in 1979.

During his long and illustrious career, he also held several other key positions including Chairman of the Punjab Education Foundation from June 2005-October 2008 and a Member of the a) National Commission for Government Reform (2006-2008); b) Banking Laws Review Commission for 4 years until 2007; and c) the Advisory Board of Kashf Microfinance Bank Ltd.; and d) several government Committees and Task Forces set up by the Federal and Punjab Governments at various points in time since mid 1980s. Mr. Kardar, who is the son of the former test cricket captain Mr. Abdul Hafiz Kardar.

SBP devising new Microfinance Strategy with greater focus on inclusive financial services:

Mr. Yaseen Anwar, Acting Governor, State Bank of Pakistan has said the central bank is working on a new Microfinance Strategy with a greater focus on 'inclusive financial services' that will enable the microfinance sector to cope with emerging challenges. Speaking at the Swiss Agency for Development and Cooperation Partnership for Microfinance Experience Sharing

Event held at a local hotel in Karachi. He said the new strategy will emphasize upon the industry to strengthen its fundamentals by developing infrastructure required for sustainable and inclusive growth. "The new strategic framework is intended to help the sector get back on its growth trajectory while stressing on new initiatives in the areas of deposit mobilization, up-scaling loan sizes, developing partnerships, and encouraging successful provincial / regional Microfinance Banks (MFBs),".

Overseas Pakistani workers write history by remitting the highest-ever \$8.91 billion in FY10:

Overseas Pakistani workers wrote history as they remitted the highest-ever amount of nearly \$8.906 billion in the last fiscal year (2009-10). They also sent home a record amount of \$841.44 million in June, 2010. Overall remittances received in FY10 showed an impressive increase of 14% when compared with the previous highest amount of \$7.811 billion received in FY09.

Similarly, the amount of \$841.44 million received in June 2010, beat the previous record of \$806.12 million received in September 2009. The monthly average remittances in the period from July 2009 to June 2010 comes out to \$742.16 million as compared to \$650.95 million during the same corresponding period of the 2008-09 fiscal year, registering an increase of 14 percent.

It may be pointed out that the State Bank, Ministry of Finance and Ministry of Overseas Pakistanis had undertaken a joint initiative called 'Pakistan Remittance Initiative (PRI)' with a view to facilitating the flow of remittances through formal channels. In this regards a number of steps have been taken by PRI which have started to materialize and remittances through formal channels are showing considerable growth. It may also be mentioned Pakistan has been reported as a top nation which has shown the highest growth in the world in remittances despite recent global financial crisis.

It may be added here that target of remittances in the Annual Plan for FY10 was \$7 billion while the State Bank has projected in its Third Quarterly Report that the country would receive \$8.5 \$9 billion dollars.

The inflow of remittances in the July 2009 to June 2010 period from UAE, Saudi Arabia, USA, GCC countries (including Bahrain, Kuwait, Qatar and Oman), UK and EU countries amounted to \$2,038.57 million, \$1,917.66 million, \$1,771.19 million, \$1,237.87 million, \$876.38 million and \$252.22 million respectively. Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during FY10 amounted to \$810.98 million as against \$771.03 million in FY09.

Prods Islamic Banks to Diversify Products, Capitalize on Inherent Strengths:

Mr. Yaseen Anwar, Acting Governor State Bank of Pakistan said that the Islamic Financial System has the potential to provide better banking and financial services than the conventional system provided it capitalizes on its own inherent strengths and avoids following the conventional system.

Addressing the inaugural session of Islamic Financial News Roadshow on Islamic Banking held at the State Bank of Pakistan, Karachi, Mr. Anwar said the current Islamic banking paradigm, both in Pakistan and elsewhere, is based on replication of conventional banking products. "While the replication of conventional products to make them Shariah compliant does pass the Shariah permissibility test, it is insufficient to achieve the larger objectives of Islamic financial system, particularly the broad-based and equitable distribution of economic gains,".

SBP Acting Governor asserted that total reliance of Islamic banks on debt-based fixed income products and minimizing the risks to almost close to those of the conventional system is not only blurring the distinction between Islamic and conventional finance but also making Islamic banks relatively less efficient than their conventional counterparts. "Thus to sustain the growth momentum, the industry will have to diversify its products mix by focusing on areas where it has comparative advantage rather than blindly following the conventional system,".

While giving an example of Pakistan, Mr. Anwar said that 67% of Islamic banks' financing in the country is concentrated in the corporate sector through Murabaha, Ijarah, and Diminishing Musharaka. With most of the corporates having banking relationships with conventional banks, the Islamic banks have to offer significant price discounts to attract the corporate clients, he said and added that while this improves the quality of their financing portfolio, it reduces their profit margins and inhibits their ability to offer better returns to the depositors, he emphasized. It also restricts the access to finance to the well established businesses and corporates and leaves the SMEs and startup businesses financially excluded. "This is contrary to the natural business model of Islamic finance, which promotes risk and reward sharing and encourages financing to promising startups that is critically important for promoting entrepreneurial culture,".

SBP Acting Governor also pointed out that the present scope of Islamic banks' business model is confined to that of conventional banks which generally caters to the short term financing needs of the real economy through interest bearing instruments/facilities. While this scope is in line with the business model and deposit streams of conventional banks, it is not sufficient for Islamic banks which were originally conceived for catering to the genuine financing needs of the real economy through risk and reward sharing instruments.

SBP Issues Fresh Instructions to Banks for Streamlining Agricultural Lending Procedures/Documentation:

The State Bank of Pakistan has issued fresh instructions to all banks for streamlining the agricultural lending procedures and documentation in order to ensure timely disbursement of agri. credit to the farming community.

According to a Circular (ACD Circular No. 2) issued August 11, 2010, the State Bank in consultation with banks has revised the list of documents to be obtained against various kinds of agri. loans and streamlined the turnaround time for agri. loan processing to avoid unnecessary delay in sanctioning of agri. loans.

With a view to further strengthening the existing agri. lending structure and remove lapses in agri. loan management, the SBP has asked the banks to take the following measures by 31st December, 2010:

- ✦ Develop a comprehensive Agriculture Finance Policy in line with Prudential Regulations (PRs) duly approved by their Board of Directors.
- ✦ Set up and maintain a fully dedicated Agri. Finance Department/Division/Unit equipped with qualified agri. financing experts and officers with specified job responsibilities and career progression opportunities.
- ✦ Develop an overall annual regional agricultural portfolio plan and assign targets for disbursement, growth in outstanding portfolio & number of borrowers to respective agri. designated branches. The concerned Regional Business Chiefs or Area Heads to be made responsible for the achievement of the targets.
- ✦ Number of agri. designated branches and Agricultural Credit Officers to be increased significantly in a phased manner, in proportion to the overall credit portfolio of the area and potential of agricultural activities.
- ✦ Delegate adequate powers to each agri-designated branch or its nearest zonal or area office for sanctioning small agri. loans with requisite internal control functions in place.
- ✦ Launch financial literacy program for awareness of the farming community about agri. lending products / schemes of the bank.
- ✦ Provide the field functionaries necessary logistics, communication and other facilities to ensure timely delivery of services including spot verification, processing, disbursements, follow-up and recovery.

The State Bank has advised all banks to strictly comply with above instructions and maintain proper record for inspection purposes. SBP and its field offices (SBP-BSC) will also monitor the compliance on regular basis, the circular added.

Federal Board of Revenue News

FBR Extends Last Date for Filing of IT Returns up to October 15:

Federal Board of Revenue (FBR) has extended the last date for filing of Income Tax returns up to 15th October, 2010 in the wake of situation resulting from massive flash floods and other related matters.

The extension has been granted following representations from various business organizations and classes of taxpayers who had sought further extension in time for filing of returns. It has, therefore, been decided to extend the last date for filing of income tax returns/statements for the tax year 2010, in the case of Business Individuals, Salaried Individuals, for Annual Statement by the Employer and for the returns of income by Association of Persons (AOPs) to 15th October 2010, says a press release issued by the FBR.

25% Flat Tax Rate on Taxable Income of Associations of Persons:

Federal Board of Revenue (FBR) has clarified that for the

purpose of Income Tax Returns by AOPs, tax shall be chargeable at a flat rate of 25 per cent, as enacted through the Finance Act 2010.

Therefore, tax payable for the taxpayer in the cases of AOPs, may be calculated according to the flat rate of 25 per cent.

FBR extends Date for Payment of Taxes, Filing of ST, FED Returns up to 25th August:

Federal Board of Revenue FBR has decided to extend the date for the payment of taxes/duty for the tax period July, 2010, and filing of Sales Tax/Federal Excise Duty returns, up to 25th August 2010 in view of the flood situation, says an official statement released here August 10, 2010.

The decision to extend the date for payment of taxes and filing of ST/FED returns has been taken by the Board in exercise of power conferred under section 74 of Sales Tax Act 1990, and section 43 of the Federal Excise Act 2005.

Securities and Exchange Commission of Pakistan's News

SECP Approved the Concept of Margin Trading System (MTS):

The Securities and Exchange Commission of Pakistan (SECP) in its Commission meeting approved the concept of Margin Trading System (MTS) with additional risk mitigating measures.

The concept of MTS was earlier proposed by the Karachi Stock Exchange (KSE). It was reviewed by an Independent Committee of Professionals constituted by the SECP. The Committee submitted its report in July 2010. The Report of the Committee was approved by the Board of Directors of the three stock exchanges and the National Clearing Company in their subsequent meetings. The recommendations of the Committee in relation to the MTS were reviewed in detail by the SECP in the Commission meeting. The SECP approved MTS with certain amendments to further strengthen risk management and provide for measures to curtail systemic risk, in the interest of the market.

SECP Reviewed the Amendments the Companies (Issue of Capital) Rules, 1996:

The Securities and Exchange Commission of Pakistan has reviewed and amended the Companies (Issue of Capital) Rules, 1996. The amendments are being notified in the official gazette to solicit public opinion as required under sub-section (1) of Section 506 of the Companies Ordinance, 1984 (the Ordinance).

The proposed amendments and the draft revised amended rules may also be seen at the Commission's website www.secp.gov.pk. The rules framed under Section 506 of the Ordinance were basically aimed at regulating the

process of offer of shares to the general public and the existing shareholders of the companies listed on the stock exchanges and issue of shares for consideration otherwise than in cash by all companies.

The rules require the companies to follow prescribed discipline/criteria while raising money through Initial Public Offering (IPO) or by way of right issue or through issue of shares against consideration otherwise than in cash.

Some of the requirements of the existing rules are stringent and hinder raising of capital by the companies from the capital market. Sometimes these requirements are difficult to comply with and therefore, the companies are compelled to approach the SECP to seek different relaxations. Further, with the introduction of the Book Building Process, certain clauses of the existing rules particularly those that are applicable to issue/offer of shares on premium, become irrelevant/redundant as under the book-building mechanism the price of the share offered is determined by the market forces.

Under the review, the requirement of the existing rules for project appraisal from a financial institution having no interest in the project is being omitted. This will help in reducing the cost of the issue.

IFAC News

A4S and GRI Announces Formation of the IIRC:

The Prince's Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) announced the formation of the International Integrated Reporting Committee (IIRC). The IIRC brings together a cross section of representatives from the corporate, accounting, securities, regulatory, NGO, and standard-setting sectors. Ian Ball, CEO of IFAC, will serve as co-chairman of the Working Group.

The objective of the IIRC is to create a globally accepted framework for accounting for sustainability that brings together financial, environmental, social, and governance information in a clear, concise, consistent, and comparable format. The intention is to help with the development of more comprehensive and comprehensible information about an organization's total performance, prospective as well as retrospective, to meet the needs of the emerging, more sustainable, global economic model. Further detail is available at www.integratedreporting.org.

IAESB Releases Paper on Education Assessment Practices:

The International Accounting Education Standards Board (IAESB), an independent standard-setting board supported by the International Federation of Accountants (IFAC), has released an International Education Information Paper to help professional organizations conduct written examinations to assess the capabilities and competence of candidates for qualification.

The information paper is intended to help member bodies implement International Education Standard (IES) 6, Assessment of Professional Capabilities and Competence, issued in October 2003, and covers the many policies and procedures to develop, administer and grade these written examinations. The paper is especially useful to developing organizations that need to make decisions on assessment practices for their education programs.

The paper provides an overview of the policies concerned with

the development and administration of examinations, including "high stakes" examinations that lead to qualification as a member of a professional organization. It also includes examples of the processes and procedures that member bodies use to deliver reliable and valid assessments, including appropriate elements of quality control.

"IFAC member bodies have a public interest obligation to ensure that candidates are able to demonstrate competence upon entry to membership," states Mark Allison, IAESB Chair. "There are various methods used to assess candidates throughout the education process; however, written examinations continue to be an important assessment method. This information paper is intended to help member bodies evaluate their current approach and follow good practices that suit their environment and circumstances."

Arnold Schilder Reappointed to Chair the IAASB from 2012 to 2014:

The Board of the International Federation of Accountants (IFAC) has reappointed Prof. Arnold Schilder to lead the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board supported by IFAC, for the period 2012-2014.

Prof. Schilder's appointment to a second three-year term as IAASB Chairman begins on January 1, 2012. The appointment was approved by the Public Interest Oversight Board (PIOB) an independent body that oversees IAASB activities at its latest meeting in Madrid, Spain.

From 1998 to 2008, Prof. Schilder was a member of the Managing Board of the Dutch Central Bank, responsible in particular for banking regulation and supervision. He served as the chairman of the Basel Committee on Banking Supervision's Accounting Task Force from 1999-2006, and from 2005-2008 as a member of the PIOB. During 1994 and 1995 he served also as President of Royal NIVRA. From 1972 to 1998 he worked with PricewaterhouseCoopers, serving since 1985 as an international audit partner.

ICAP News

ICAP 49th Annual General Meeting 2010: The 49th Annual General Meeting of the Institute of Chartered Accountants of Pakistan was held on Tuesday, August 10, 2010 at 6:00 pm, at ICAP House, Karachi. The AGM was attended by 120 members. The President of the Institute, Mr. Abdul Rahim Suriya chaired the meeting.

The Golden Jubilee Year of ICAP: The Institute of

Chartered Accountants of Pakistan is planning to celebrate its Golden Jubilee Year 2011. In this regard it invites its members and students design the logo and slogan of the ICAP for the Golden Jubilee. The best designed logo and slogan will be the face of ICAP for the whole of the Golden Jubilee Year. The winner will have the honour of being recognized for his/her creativity by the Institute. Details are available at ICAP website www.icap.org.pk

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www.icmap.com.pk

ICMAP News



Representatives of SAFA member bodies in a group photo at the occasion of 70th SAFA Assembly at Nepal.

70th SAFA Assembly

To strengthen the accounting fraternity, ICMAP has been playing leading role at regional and international level. As part of regional cooperation, the Institute has recently participated in 70th SAFA Assembly organized at Nepal. On behalf of ICMAP, Mr. Shahzad Ahmed Awan, Council Member and Mr. Mushtaq A. Madraswala, Executive Director represented the Institute in the Board and other Committees. On the occasion Mr. Komal Chitracar was honored with the presidency of SAFA.



Mr. Shahzad Ahmed Awan congratulating the new President of SAFA while Executive Director of the Institute is also seen.

19th Shoaib Memorial Lecture

Every year ICMAP organizes Shoaib Memorial Lecture to commemorate the service of Mr. Muhammad Shoaib, Founder of the Institute. It is the tradition that a foreign dignitary has been invited on this special occasion and all members based at hosting location are invited to attend the seminar. This year also Shoaib Memorial Lecture was organized in Lahore on March 9, 2010. Mr. A. N. Raman, Central Council Member of Southern Region of Institute of Cost and Work Accountants of India (ICWA, India) was invited as the chief guest.



Mr. A. N. Raman receiving shield from Vice President and Honorary Secretary of the Institute

Secretariat Training & Development



Mr. Shiraz Ahmed at a training session with Directors and Dy. Directors of the Institute



Mr. Shiraz Ahmed in a group photo with Officers of the Institute after a training session



A glimpse of training of Secretariat staff with conducted by Mr. M. Zamir Ahmed

As part of Secretariat capacity building, conduct of in-house training and development programs is a continuous feature. Recently, three training programs were conducted at ICMAP Head Office in which officers and staff from other centres had also participated. The trainings were conducted by Mr. Shiraz Ahmed, British Council certified Trainer and Mr. Muhammad Zamir Ahmed, Freelance Trainer. The first two-day training session was conducted for Directors & Dy. Directors on "What Leaders Do?". The training for Institute's officers were conducted on "Managers Do's and Don'ts" and for staff on "Positive Attitude - Essence for Productivity & Performance".

PIPFA Affairs

Ceremony in Honor of Karachi Based PIPFA's Past Presidents

Pakistan Institute of Public Finance Accountants organized a ceremony in Honor of Karachi based Past Presidents in recognition & appreciation of their services for the Institute on June 27, 2010.



Mr. Qaiser Mufti



Mr. M. Ashraf Bawany



Mr. Badruddin Fakhri



Mr. Khaliq Ur Rahman



Mr. Muhammad Sharif



Mr. Ejaz Ali Pirzada



Mr. Zulfikar Ali Kadri



Group Photograph of the Event

Invitation

PIPFA invites offer from its valuable members for voluntary participation in the promotion of PIPFA education and to play an active role in PIPFA's educational activities which will lead the institute towards excellence. The members who have a natural flair towards education and having some experience of the same field are requested to join hands with PIPFA for improving its Education System. The main objective is monitoring of Coaching System for transparency of the system and credibility of our Institute. The selected members will be assigned the responsibilities of visiting the approved institute of PIPFA for quality assurance and policy implementation in true spirit and to standardize the faculty set up. The interested members are advised to send their profile to PIPFA Corporate Office, Karachi.

(Note : The decision of the Selection Committee will be treated as final)

17th Annual General Meeting of PIPFA

The 17th Annual General Meeting of Pakistan Institute of Public Finance Accountants (PIPFA) will be held at PIPFA Corporate Office, M1 & M2, Mezzanine Floor, Park Avenue, 24-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi, on October 23, 2010 at 3:00 p.m.

Annual Subscription

Members and students who have not paid their annual subscription yet for the year 2010-11 are reminded to pay the same at their earliest.

Fellow Members List

1. Mansoor Ahmed	(FPA-2722)	4. Umair Wasi Hashmi	(FPA-3124)
2. Muhammad Shakeel Rana	(FPA-2864)	5. Farrukh Ejaz	(FPA-4643)
3. Bashir Ahmad Shad	(FPA-3093)	6. Nohman Javaid	(FPA-4675)

Welcome New Members

Associate Members

1. Imran Saleem	(APA-5013)
2. Sarfaraz Khan	(APA-5014)
3. Saira Faiz	(APA-5015)
4. Muhammad Abbas	(APA-5016)
5. Ejaz Rasool	(APA-5017)
6. Khadim Rasool	(APA-5018)
7. Muhammad Saeed	(APA-5019)
8. Syed Jalal Din Sadat	(APA-5020)
9. Asim Murtaza	(APA-5021)
10. Muhammad Annas	(APA-5022)
11. Muhammad Ahsan	(APA-5023)
12. Bushra Anjum	(APA-5024)
13. Muhammad Imran	(APA-5025)
14. Muhammad Shahid	(APA-5026)
15. Muhammad Aamir	(APA-5027)
16. Syed Zulfiqar Jaffar	(APA-5028)
17. Rabia Bano	(APA-5029)
18. Murad Madad Ali Dobani	(APA-5030)
19. Malik Mubasher Jawad	(APA-5031)
20. Muhammad Fareed	(APA-5032)

21. Muhammad Shakeel Ur Rehman	(APA-5033)
22. Ali Hassan Zaidi	(APA-5034)
23. Muhammad Shafiq	(APA-5035)
24. Kaleem Ullah	(APA-5036)
25. Yousuf Moiz Ali	(APA-5037)
26. Saqib Abdul Razzak	(APA-5038)
27. Inamullah Shah	(APA-5039)
28. Muhammad Rafi	(APA-5040)
29. Mian Shah Faisal	(APA-5041)
30. Muhammad Saqib Shahid Khan	(APA-5042)
31. Saad Ullah	(APA-5043)
32. Muhammad Kamran Suleman	(APA-5044)
33. Kashif Ahmed Siddiqui	(APA-5049)
34. Adeel Ajmal	(APA-5050)

Fellow Members

1. Qudratullah Khan	(FPA-5045)
2. Umar Ali	(FPA-5046)
3. Shah Mahmood Khan	(FPA-5047)
4. Alif Jan	(FPA-5048)

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JUNE 2010	Paper	F4	F5	F6	F7	F8	F9	P1	P2	P3	P4	P5	P6	P7
	SKANS%	85	81	68	53	50	57	78	60	60	57	100	53	55
	Global%	51	57	46	28	36	43	53	47	51	34	44	35	32

SOURCE: ACCA UK

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	Qualified	Referral	Qualified	Referral	Qualified	Referral
2007 - June	43%	52%	64%	56%	48%	60%
2007 - Dec	35%	42%	47%	58%	44%	49%
2008 - June	42%	47%	56%	62%	52%	53%
2008 - Dec	46%	54%	58%	55%	55%	56%
2009 - June	38%	40%	48%	52%	40%	52%
2009 - Dec	55%	46%	60%	58%	62%	64%

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