



# PIPFA

**Pakistan Institute of  
Public Finance Accountants**

A professional accounting body established by ICAP,  
ICMAP & Auditor General of Pakistan  
Associate Member of International Federation of Accountants (IFAC)

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# NEWS LETTER

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## Corporate Sector

**Circulation of Quarterly Accounts:** Securities & Exchange Commission of Pakistan (SECP) through Circular of March 19, 2003 has given general relaxation of further one month enabling the listed companies to circulate their second quarter accounts with limited scope review by the statutory auditors within a period of two months of the close of second quarter. With the recent amendments in Companies Ordinance, the listed companies were required to prepare and transmit to the members and the stock exchanges their first, second and third quarter accounts within one month of the close of the respective quarter. SECP's Circular of December 11, 2002, further required that cumulative figures for the half year presented in the second quarter accounts shall be subject to limited scope review by the statutory auditors. The companies and auditors were facing difficulties in completing the review within the short time period.

**Single Member Company Rules:** SECP has circulated the draft of Companies (Single Member Private Limited Companies) Rules, 2003 inviting objections and suggestions from interested persons. Last year amendments were made in the Companies Ordinance to allow formation of single member company (SMC) to facilitate sole proprietorship to join the corporate sector with limited liability. So far 11 such companies have been formed. SECP has since recommended to CBR to grant tax status of an individual to the SMCs. The new Rules obligates these companies to use words "(Private) Limited - SMC" after their name. In the matters of Board and members meetings of SMC, the requirements of the Ordinance would be deemed satisfied if the decision is taken by the sole director or member and is drawn up in writing and recorded in the minutes book. The SMC is required to appoint a company secretary, other than the sole member/director. The owner is also required to file with the registrar a nomination on proposed form S1 conferring on one or more persons the right to acquire the interest in the shares therein specified in the event of his death. Provisions for conversion of SMC into private limited company and other matters governing the operations of the company are also proposed in the draft Rules.

**Amendments in Companies Rules:** SECP has issued draft of certain amendments in the Companies (General Provisions and Forms) Rules, 1985 through notification of March 17, 2003. The amendments require addition of national identity card number or passport number, in case of foreign national, for submission as particulars of the subscribers of a company under sections 19 and 27. Similar details along with usual particulars are required from directors, chief executive, managing agent, secretary, chief

accountant, auditors and legal adviser under section 205. The powers of board of directors to incur capital expenditure on any single item or disposal of fixed assets under Section 196, is being amended to enhance the amounts to over Rs.1,000,000 and Rs.500,000 respectively instead of existing threshold of over Rs.200,000 and Rs.100,000. The qualification of company secretary is also proposed to be specified in terms of section 204A of the Ordinance. The draft however, specifies membership of institutes of Chartered Accountants, Cost & Management Accountants, Corporate Secretaries and Law Graduates as eligible for company secretary of listed companies in future. PIPFA has made a representation to SECP for specifying PIPFA membership as well in view of conformity with the Code of Corporate Governance, previous confirmation of SECP and merits of the case. SECP had earlier confirmed in writing that PIPFA members are evidently eligible for the company secretary of listed companies in terms of the provision of the Code being member of a 'recognized body of professional accountants'.

**Code for Surveyors & Loss Adjusters:** SECP has issued Code of Conduct for Surveyors and Loss Adjusters with the objective to regulate their conduct and enable them to serve the stakeholders in more befitting manner. The Code, prepared in consultation with the Institute of Surveyors and Loss Adjusters of Pakistan (ISLAP), will streamline the profession of surveyors and loss adjusters, who plays important role as integral part of financial sector. The Code has two general guiding principles - fundamental principles and general guidance notes. The details of the Code are available on SECP's web site: [www.secp.gov.pk](http://www.secp.gov.pk) in the recently created segment of Insurance Division.

**Appointment of Directors of NBFC:** SECP has issued a checklist for seeking their approval for appointment of directors in Non-Bank Finance Companies (NBFC). The prescribed checklist is to be filled by the Company Secretary or the Chief Executive and submitted to SECP along with other requisite documents at the time of seeking approval for appointment of director(s). The proposed directors shall, at the time of filing their consent to act as such, give a declaration that they are aware of their duties and powers under the relevant laws, the company's Memorandum and Articles of Association and the listing regulations of the stock exchanges in Pakistan. The checklist requires information about defaults in loans and advances, conviction from court, involvement of self or spouse in business of stock exchanges, tax paying status etc.



## Economy

**Vision for Next 5 Years:** The Mid-Year Review of Economic Performance for fiscal year 2002-2003 observed that having achieved a modicum of stability the next 5 years would witness government resolve to improve the life of the common man by creating employment opportunities through pro-poor growth policies and keeping inflation at the current low level. The highlights of the vision for the 5 years include:

- ◆ Taking real GDP growth to 6% from the current year target of 4.5%.
- ◆ Raising per capita income by 42% in 5 years.
- ◆ Reducing poverty by 25% from the current level of about 30% to 22.5%.

- ◆ Investment to raise to 18% from the current level of 15% to 16% of GDP and saving rate to rise to 16.5% from the current level of 15%.
- ◆ Inflation to remain below 5%.
- ◆ Fiscal deficit declining to less than 3% of GDP from the current year's target of 4.6%.
- ◆ Public debt declining to 76% of GDP in 5 years from the current level of about 97%.
- ◆ Current deficit to range between 1% to 1.5% of GDP during next five years.
- ◆ Development spending to rise above 4% of GDP from the current level of 3.3%.

## Financial Sector

**Preventing Money Laundering:** State Bank of Pakistan (SBP) has issued revised minimum guidelines for the banks respecting opening and dealing with the accounts of customers as part of the Prudential Regulations. The banking sector world wide has accelerated preventive and precautionary measures against money laundering, terrorist financing, transfer of illegal monies as a conduit for white collar crime etc in the backdrop of '9/11' events. There is more emphasis now on 'know your customer' and 'customer due diligence'. The new guidelines of SBP require all reasonable efforts by the banks to determine true identity of every prospective customer and prescribe minimum set of documents to be obtained from various types of customers or account holders. The individuals are required to submit attested copy of NIC or passport and in case of salaried persons employer's certificate or other evidence. In case of companies, attested photocopy of NIC of all the directors is required in addition to board resolution, memorandum and articles, certificates of incorporation and commencement of business. The guidelines also require banks to device detail policies, install regular monitoring system and increase vigilant efforts.

**Good Governance:** State Bank of Pakistan (SBP) has extended the coverage of 'Fit & Proper Test' (FPT) guidelines so far applicable to directors and chief executive officers of banks and Development Financial Institutions (DFIs) to other important functionaries. The FPT now covers chief financial officer, heads of finance, accounts, internal audit, credit/risk management, operations, compliance, human resource and country treasurer. The FPT guidelines have to be followed by the banks/DFIs themselves. They have, however, to report brief information of appointments on these positions. In case

of directors and chief executive they have to seek prior permission of SBP. The FPT guidelines prescribe criteria under five heads: (1) Integrity, Honesty and Reputation (b) Experience and Management (3) Track Records (4) Solvency and Financial Integrity and (5) Conflict of Interest.

**Minimum Capital of Banks:** SBP has issued Master Circular about minimum capital requirements of the banks to consolidate the instructions on the subject subsequent to last update in 1997. The banks, whether incorporate in or outside Pakistan, are required to have minimum capital of Rs. 1,000 million to commence and carry on banking business. The Circular provides that "No banking company shall carry on banking business in Pakistan unless it maintains capital and unencumbered general reserves the amount of which is not less than 8% of the risk weighted assets of the banking company both on consolidated as well as on stand alone basis".

**Mergers/Amalgamation of Banks:** There is increasing trend of mergers and acquisitions particularly in the financial sector. SBP felt it necessary to issue minimum guidelines which should be followed uniformly to structure and discipline the process of conducting due diligence of banks and DFIs for the purpose of merger, amalgamation or local incorporation of financial institutions or banks. The guidelines requires the interested parties to seek SBP's prior clearance to commence the due diligence by submitting its credentials (business background, resources including net worth etc.) and its proposed team (lawyers, advisors, chartered accounting firm etc) for conducting due diligence. After the clearance, an undertaking for keeping confidentiality of the matter will have to be submitted to SBP. SBP will also be informed when the process is complete.

## Taxation

**FTO's Decision Upheld:** A complaint was filed by 10 government officers of Pakistan Public Works Department (PWD) before the Federal Tax Ombudsman (FTO) against the assessing officers alleging harassment by selective and targeted issuance of notices for filing income tax and wealth tax returns with the objective to pressurize them to undertake certain repair works in the building of Income Tax Department at Lahore. FTO held that the impugned action and proceedings were mala fide, biased and discriminatory amounting to maladministration and directed for withdrawal of notices and proceedings and issue of official instructions to the

functionaries of the department not to resort to discriminatory and retaliatory actions.

The Department filed an appeal before the President with the prayer to vacate the decision of the FTO, which, however, was not of punitive nature. The President rejected the representation and upheld the decision of the FTO. The Law Division's communication in this connection contained following important remarks:

"Like fraud bias is insidious thing which vitiates even the most solemn acts and proceedings. The reason is plain enough. Justice



must be rooted in confidence and confidence is destroyed when right minded people go away thinking the decision maker was biased. Mal-administration, as defined in section 2(2)(i)(b) of the Establishment of the Office of Federal Tax Ombudsman Ordinance 2000 includes a decision or process which is biased. A decision or process may be tainted with an actual bias or apparent bias. The first applied to the situation where it has been demonstrated that the decision maker is actually prejudiced in favour of a party. The second demonstrates the situation where circumstances existed which give rise to a reasonable apprehension that the decision maker may have been or may be biased. Bias is an attitude of mind which presents decision maker from making an objective determination of the issue that he has to solve. It is not necessary that actual bias should be proved."

## IFAC News

**Handbooks :** International Federation of Accountants (IFAC) has issued two new Handbooks during March 2003. Both are available for download from IFAC's Web Site: [www.ifac.org](http://www.ifac.org). The 2003 Edition of the Handbook of International Public Sector Accounting Standards (IPSASs) contains all IPSASs, glossary of terms, summary of occasional papers and studies, and a selected bibliography. IFAC's Public Sector Committee has so far developed 20 IPSASs relating to accrual basis of accounting and also a cash basis IPSAS - 'Financial Reporting under the Cash Basis of Accounting'. All standards have been developed to improve the quality of financial reporting in the public sector around the world. An important goal is to achieve convergence of these standards where possible.

The 2003 Edition of Handbook of International Auditing, Assurance and Ethics Pronouncements contains all pronouncements issued as of December 31, 2002. These pronouncements are designed to be sufficiently specific, understandable, comprehensive, and definitive to influence and guide the judgments of auditors worldwide in carrying out their work. International Standards on Auditing (ISAs), developed by the International Auditing and Assurance Standards Board (IAASB), and IFAC's Code of Ethics for Professional Accountants, establish benchmarks for the performance of high quality audits. The release of the new handbook comes at a time when international convergence of standards is critical, both to accountants and to

**Penal of Dispute Resolution:** Central Board of Revenue (CBR) has notified a panel of eleven persons for constitution of Committees for alternative dispute resolution under Sales Tax. The new arrangement of alternate dispute resolution was set up through Alternate Dispute Resolution Rules, 2002 providing an opportunity to the taxpayers and the department as well to opt for speedy resolution of disputes outside the usual legal forums. The Committee includes chartered accountants, businessmen, lawyers and persons belonging to stock exchanges. The Committee would be headed by a member other than a public servant. It has to give its recommendation to CBR, which will make the final decision. Representation can be made before Secretary Revenue Division against the decision of CBR.

stakeholders who have interests across national borders and are increasingly looking for comparative information. The new handbook includes IFAC's new rules on independence for assurance engagements, a new standard on Auditing Fair Value Measurements and Disclosures, and new International Auditing Practice Statements (IAPSS) addressing audits of banks and e-commerce.

**Rebuilding Credibility:** IFAC has introduced a new Internet resource center for the public entitled: Viewpoints: Governance, Accountability and the Public Trust. It will support IFAC's Task Force on Rebuilding Credibility in Financial Reporting. The task force has been assigned the responsibility of identifying and analyzing the causes of the loss of credibility in financial reporting and considering alternative courses of action to restore credibility. Its final report, expected in the middle of the year, will include recommendations on principles of best practices in the areas of financial reporting, corporate governance, corporate disclosure, and auditor performance. Information and materials on various aspects of governance and financial reporting from around the world has been posted on IFAC's website ([www.ifac.org](http://www.ifac.org)) under six categories: Global Perspectives, Public Policy and Regulation, The Governance Process: Roles and Responsibilities, Financial Reporting, Auditing Issues and Ethics.

## Information Technology

**Wireless Computer Chips:** Intel Corp., the world leader in computer microprocessor manufacturing, has unveiled a new Centrino set of chips, which will allow mobile computer users to access internet at home and public places via radio waves. Centrino laptop users would be able to surf the Internet or sign on to corporate networks if they are within a kilometer of access point. The chip

offers wireless links with longer battery life - 5 hours without cords against 4 hours of standard laptops and 3 hours for more high-powered machines. The electronics industry hopes that the feature of built-in wire links will make the new computer users to think of the feature as natural like having a browser on one's PC.

## PIPFA Affairs

**Seminar at Karachi:** PIPFA's Karachi Branch Committee organized a seminar on April 3, 2003 on 'Recent Changes in Income-tax and Sales Tax laws' in collaboration with the Karachi Branch Council of ICMAP. It was attended by large number of professionals, students and other interested persons. Mr. Qaiser Mufti, FCMA and founder member of PIPFA (NPA) discussed in detail the changes pertaining to Sales Tax and Mr. Shahbar Zaidi, FCA discussed the changes in Income tax law. During the question answer session, discussions were held on the new concept of universal self-assessment, use of Section 122 of Income-tax,

streamlining of tax audit particularly for Sales Tax, lack of provision for rectification in Sales Tax return etc. The seminar carried 3 CPE credit hours.

**PIPFA's Web Site:** PIPFA launched its Web Site: [www.pipfa.org.pk](http://www.pipfa.org.pk) in March 2003. The Site is hosted on COMSATS portal. Information about PIPFA, Membership, Education, News and different Forms are available on the Site. Different changes and new features are still in process and it would take time in completion of the same. The form for **Record Updating** for the Members is also available on the Site. Members who have not yet sent their current



particulars are requested to provide the same on the downloaded Form or ask for the same from PIPFA Head Office. Another Form for Change in Address will be available in future for recording on regular basis the address and contact numbers of members as and when it changes.

**Admission of New Members**

**Fellow Members**

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|----------------------------|--------|---------|
| 1. Mr. Muhammad Naeem Virk | Lahore | FPA—180 |
|----------------------------|--------|---------|

**Associate Members**

- |                                |            |          |
|--------------------------------|------------|----------|
| 1. Mr. Asif Shahzad            | Lahore     | APA-2674 |
| 2. Mr. Iftikhar Hussain        | Faisalabad | APA-2675 |
| 3. Mr. Zeeshan Aslam           | Lahore     | APA-2676 |
| 4. Mr. Abdul Rahim Qasim       | Karachi    | APA-2677 |
| 5. Mr. Kafilash Moolani        | Karachi    | APA-2678 |
| 6. Mr. Hans Bin Tipoo          | Rawalpindi | APA-2679 |
| 7. Mr. Saeed Akhtar Chughtai   | Rawalpindi | APA-2680 |
| 8. Ms. Zareen Anwar            | Karachi    | APA-2681 |
| 9. Mr. Juzer Mustafa Gain      | Karachi    | APA-2682 |
| 10. Mr. Junaid-ur-Rasheed      | Lahore     | APA-2683 |
| 11. Mr. Hafiz Muhammad Khalid  | Lahore     | APA-2684 |
| 12. Mr. Qaiser Munir Khan      | Lahore     | APA-2685 |
| 13. Mr. Shamim Rizwan          | Karachi    | APA-2686 |
| 14. Mr. Ijaz-ul-Haq            | Peshawar   | APA-2687 |
| 15. Mr. Muzammil Ovais Aziz    | Karachi    | APA-2688 |
| 16. Mr. Nadeem Ahmad           | Lahore     | APA-2689 |
| 17. Mr. Kafil                  | Karachi    | APA-2690 |
| 18. Mr. Mahmood Ali            | Karachi    | APA-2691 |
| 19. Mr. Nadeem Iqbal           | Karachi    | APA-2692 |
| 20. Mr. Shahzad Mahmood        | Karachi    | APA-2693 |
| 21. Mr. Muhammad Habibullah    | Lahore     | APA-2694 |
| 22. Mr. Waseem Ahmed           | Karachi    | APA-2695 |
| 23. Mr. Muhammad Faisal        | Karachi    | APA-2696 |
| 24. Mr. Salman Masood          | Multan     | APA-2697 |
| 25. Mr. Mukhtar Hussain Kashif | Muz. Garh  | APA-2698 |

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|----------------------------|-----------|----------|
| 26. Mr. Akher Ali Khan     | Karachi   | APA-2699 |
| 27. Mr. Tufail Kasbati     | Karachi   | APA-2700 |
| 28. Mr. Shahid Hayat       | Islamabad | APA-2701 |
| 29. Mr. Fida Hussain Brohi | Karachi   | APA-2702 |

**Summer 2003 Examination:** Summer Examination 2003 is scheduled from May 14 2003 as per program already announced. Last Date for submission of Examination Form and Fees is April 14 and it can be submitted by April 21 with 100% late fees and by May 7, with 200% late fees. The program and timetable are also available on PIPFA's Web Site. Some changes in the syllabus were announced in Newsletters for December and January.

The students should collect their Admit Cards during May 8 to 13, 2003 from the designated places in the city where they are appearing in the Examination. The Cards for the Examination Centers of Karachi, Lahore and Faisalabad would be available from PIPFA Offices. The Cards for Islamabad, Peshawar, Quetta, Multan and Gujranwala would be available from PIPFA Contact Offices. It would be available from Approved Educational Institute in Hyderabad, Bhawalpur and Rahim Yar Khan. The un-collected Cards would also be available at the Examination Center for collection before start of Examination on May 14. Address of Offices concerned with distribution of Admit Cards and Examination Centers would also be placed at the Web Site.

**Educational Exhibition:** PIPFA participated in the International Educational Exhibition at Karachi and Lahore during March 30-31 and April 2-3 respectively. The Exhibition, organized by World Learning Bureau, was attended by large number of intending students, parents and other interested persons. Visitors were very impressed with PIPFA's program and its availability at easily affordable cost.



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To,



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