

# 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 specialist areas



# News Letter

Vol. 11 Reg. No. : SS-1112

October-November, 2005

## PIPFA Board of Governors

### PRESIDENT

Mr. Muhammad Azam Khan Shad

### SECRETARY

Mr. Muhammad Sharif

### TREASURER/JOINT SECRETARY

Mr. Khalid Ali Shah

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Mr. Zulfikar Ali Kadri

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Mr. Arif Mansur

Mr. Syed Shahid Husain Jafri

Mian Muhammad Shoab

Mr. Sajid Hussain

### HEAD OFFICE:

1005, Park Avenue, 10th Floor,

Block-6, P.E.C.H.S. Karachi.

Tel.: (021) 4380451-52

### LAHORE OFFICE:

42 Civic Centre, Barkat Market,

New Garden Town, Lahore.

Tel.: (042) 5838111-5866896

### FAISALABAD OFFICE:

Room # 2, 2nd Floor, Kuwait Plaza,

Soosan Road, Madina Town, Faisalabad.

Tel.: (041) 8530110

### PUBLICATION COMMITTEE

Mr. Sher Afgan Malik Chairman

Mr. M. Azam Khan Shad Member

Mr. Khalid Ali Shah Member

### EXECUTIVE DIRECTOR

Syed Jamil Ahmed Rizvi

## PIPFA Affairs

**New Elected Office Bearers:** The following three members of Board of Governors have been elected at 12th Annual General Meeting held on Saturday 22, October, 2005 for the turnover of 3-years.



**Mr. Muhammad Sharif** is an Associate Member of PIPFA and ICMAP. Currently he is associated with Punjab University as Dy. Treasurer. He is serving PIPFA since 1998. He is also serving ICMAP as a Member Branch Committee, Lahore.



**Mian Muhammad Shoab** is an Associate Member of PIPFA and ICAP. Currently he is associated with Master Group of Industries as Manager Internal Audit. He had also served as Executive Director cum Director Examination of PIPFA. Prior to his election as member BOG, he was also serving as Principal of College of Professional Studies (CPS), a PIPFA Approved Coaching Centre.



**Mr. Sajid Hussain** is an Associate Member of PIPFA and Fellow Member of ICAP. He is sponsor of SKANS School of Accountancy Lahore, Islamabad, Sialkot and Multan. After becoming member of ICAP in 1989 he started practice in his own name and in 1995 established SKANS School of Accountancy and has been working as Principal of SKANS since then. He served as a member of the Board of Governors of PIPFA during 1993-97.

**Commencement of the Classes:** PIPFA classes for the Summer Session 2006 will commence in the 1st/2nd week of January-2006 at all its own campuses and the approved coaching centers.

**Change in Fee:** PIPFA's fees for members and students has been revised by the Board of Governors w.e.f. November 01, 2005. New Fees for the Course Studies of PIPFA are listed & revised from Summer Session 2006 and has been prompt with this notification. Students desiring to join PIPFA's professional education program can get themselves registered on payment of Registration Charges (Rs.600), Annual Subscription for 2005-06 (Rs.450) and Exemption fee (Rs.225 per paper for Foundation Stage), (Rs.250 per paper for Intermediate Stage), (Rs.300 per paper for Final Stage) if applicable. Coaching fee of all 03 stages will remain the same. Annual subscription for Associate members working in private sector has been revised to Rs.900/= and Rs.700/= for APA in public sector. Annual Subscription for Fellow member has also been revised to Rs.1000/=. Further information can be obtained from PIPFA Offices at Karachi, Lahore and Faisalabad and also from our website: [www.pipfa.org.pk](http://www.pipfa.org.pk).

**Outstation Registration:** Prospective Students living in remote areas where PIPFA coaching facilities are not available and who claim exemption in Coaching Classes are now required to pay partially as a Coaching Exemption Fee (For Foundation Stage Rs. 3500, For Intermediate Stage Rs.4000 and For Final Stage Rs.4500), applicable now from the current session Summer 2006.

**Winter Examination 2005: (Private and Public Stream)** PIPFA Examination for Winter 2005 of Private and Public sector stream will be conducting from December 19,2005. Date of PIPFA Examination has been extended due to Eid ul Fitr and examination of other institutions from November to December.

## Financial Sector

**Commercial Bank Presence in India & Pakistan:** An understanding as been reached between the Reserve Bank of India (RBI) and the State Bank of Pakistan (SBP) on granting permission for opening two branches of banks from India in Pakistan and two branches of banks from Pakistan in India, on a reciprocal basis. The specific banks to be permitted to open the branches would be mutually agreed upon by the RBI and the SBP keeping in view their respective regulatory policies and procedures. The licensing of subsequent or additional branches of the banks would be decided by RBI and SBP as per their policy and licensing norms applicable to foreign banks from time to time.

**State Bank Announces Measures to Further Strengthen Capital Base of Banks:** The State Bank of Pakistan has decided to raise the Minimum Paid up Capital of Banks



and Development Finance Institutions (DFIs) in a phased manner over next four years from the existing Rs. 2 billion to Rs. 6 billion by 31 st December, 2009 to strengthen the solvency of Pakistani banks. The banks will be required to raise their Minimum Paid up Capital (net of losses) to Rs.3 billion, 4 billion, 5 billion and 6 billion by 31 st December, 2006, 2007, 2008 & 2009 respectively.

The State Bank has also replaced the existing uniform requirement of Capital Adequacy Ratio (CAR) with the variable CAR to be based on risk ratings of the banks determined by the State Bank annually. While the minimum required CAR for category 1 & 2 banks will continue to be 8%, the banks in category 3 will have to meet the CAR of 10%, those in category 4 CAR of 12% and Category 5 banks 14% by December 31, 2006.

The new minimum capital and capital adequacy ratio requirements of banks/DFIs have been finalized in consultation with the Pakistan Banks Association. These changes which will be effective from 31 st December, 2005 have been introduced to prepare the banks/DFIs for implementation of Basel-II as also to further strengthen the soundness and stability of the banking system.

The branches of foreign banks operating in Pakistan will also be required to increase their assigned capital to Rs 6 billion within the above timelines prescribed for the locally incorporated banks/DFIs. However, those branches of foreign banks whose Head Offices hold a minimum paid up capital of US \$ 100 million (net of losses) and have a CAR of 9% (determined as per Basel-I or Basel-II Accord) can be allowed to continue to maintain the minimum assigned capital of Rs 2 billion (net of losses). All such branches of foreign banks shall, however, be required to seek specific permission from the State Bank to maintain the minimum assigned capital (net of losses) of Rs 2 billion effective from 31st December, 2005.

The required minimum paid up capital as well as CAR can be achieved by the banks/DFIs either by fresh capital injection or retention of profits. Any bank/DFI that fails to meet the minimum paid up capital requirement or CAR within the stipulated period shall render itself liable to the following actions:

- » Imposition of such restrictions on its business including restrictions on acceptance of deposits and lending as may be deemed fit by the State Bank.
- » Rescheduling of the bank, thereby converting it into a non-scheduled bank.

- » Cancellation of the banking license if the State Bank believes that the bank is not in a position to meet the minimum paid up capital requirement or CAR.

**State Bank Delegates Powers to Banks:** In pursuance of its policy to delegate powers to the banks so that they can make business and operational decisions on their own without prior approval of the regulatory authorities, the State Bank has with immediate effect withdrawn twenty-six Circulars and two Circular Letters, which were issued during 1969 to 2001. These circulars have become redundant not only with the passage of time but also with the issuance of a complete set of guidelines/instructions under three separate set of Prudential Regulations for Corporate /Commercial Banking, SME Financing and Consumer Financing. Further, with the liberalization, deregulation and privatization of the financial sector, the instructions contained in these Circulars and Circular Letters have lost their utility. The list of the Circular/Circular Letters, which have been cancelled/withdrawn, s attached with BPD Circular No.28 of 22nd October, 2005. This Circular (BPD Circular No.28 of 22nd October,2005)I is available on SBP's website: [www.sbp.org.pk](http://www.sbp.org.pk)

**Donations to the President's Relief Fund Exempted from Income Tax:** The State Bank of Pakistan has advised all scheduled commercial banks operating in the country that the donations to the President's Relief Fund for Earthquake Victims 2005 are exempted from Income Tax. It may be recalled that the Central Board of Revenue through an SRO has already announced this exemption facility.

**Pakistan Receives Over One Billion Dollars as Workers' Remittances During the First Quarter of the Current Fiscal Year:** Pakistan received an amount of \$1,002.65 million as workers' remittances during the first quarter of the current fiscal year (July September,2005)as against \$983.15 million received in the corresponding period of the last fiscal year registering an increase of \$19.50 million or 1.98 per cent.

The monthly average remittances for the period July September,2005 comes out to \$334.22 million as compared to \$327.72 million during the same period of the last fiscal year depicting an increase of \$6.50 million or 1.98 per cent.

## Corporate Sector

**Disclosure of Comparative Figures for the Textile Industry:** The Securities and Exchange Commission of Pakistan (SECP) in its Press Release of October 25, 2005 has allowed listed textile companies to restate comparative figures for the period July to September 2004 in the accounts for the quarter ended 30 September 2005. The SECP has also allowed them the option of not disclosing comparative figures in the quarterly accounts for September 2005 to avoid practical difficulties. The Central Board of Revenue vide SRO No. 684 dated 10 August 2004 had directed the cotton textile industry to close its financial year on 30 June instead of 30 September. Accordingly, the SECP, in November 2004, vide Circular No. 29 of 2004 advised the cotton textile industry to prepare annual accounts for nine months ending on 30 June 2005.

Recently, the SECP received a number of queries from textile companies with regard to comparative figures to be disclosed in the first quarterly accounts for the three months ended 30 September 2005. In light of these requests, the SECP allowed the listed textile companies the two options of restating or not disclosing comparative figures.

The SECP has further clarified that from the second quarter of 2005 and onwards, the listed textile companies shall disclose comparative figures as per the requirements of law.

**319 Companies Registered during September 2005:** The Securities and Exchange Commission of Pakistan (SECP) registered 319 companies during September 2005, compared to 236 companies registered during the corresponding month of the previous year, reflecting an increase of 35 %.

**SECP Takes Action against 108 Companies during September 2005:** The Registrars of Companies of the Securities and Exchange Commission of Pakistan (SECP) adjudicated 108 companies during September 2005 on account of violations of different provisions law.

In its Press Release (October 17, 2005), the violations mainly pertained to delay in filing of annual accounts, various statutory returns and documents with the registrar of companies beyond the prescribed period including the late filing of annual returns on Forms A/B, Forms 29, Forms 21, circulars for further issue of capital, returns of allotment, statements of beneficial ownership of listed securities and notices of special resolution passed by the companies. Out of these, a total of 65 cases pertained to late notification of election and appointment of directors and other officers on Forms 29 by the corporate entities. Of the total 108 companies, 102 were adjudicated by the Registrars at the Company Registration Offices (CROs) in eight cities of the country.

The monitoring and enforcement measures of the SECP seek to infuse a culture of corporate discipline and statutory compliance. It is envisioned that these measures would encourage transparency in the disclosure of corporate affairs and lead to the establishment of sound corporate governance practices.

**Nine Brokerages Houses Penalized:** The Securities and Exchange Commission (SECP) has penalized nine companies/firms of the Karachi Stock Exchange (KSE) for failing to maintain high levels of integrity, promptitude and fairness in the conduct of their business and for indulging in improper conduct on the stock exchange, taking the total number of such penalties to twenty seven.

## IFAC News

**2006 World Congress of Accountants:** The 17th World Congress of Accountants will be held in Istanbul, Turkey on November 13-17, 2006. The Congress, organized around the theme "*Generating Economic Growth and Stability Worldwide*," will feature plenary sessions and workshops led by internationally recognized speakers from the public and private sectors. They will address issues of accounting, auditing, ethics and financial management. For more information and to

register to attend, please visit the Congress' website: <http://www.wcoa2006istanbul.org.tr/>

**Public Sector Accounting Handbook Available in French and Spanish:** IFAC's International Public Sector Accounting Standards Board has published French and Spanish language translations of its 2005 Handbook of International Public Sector Accounting



Pronouncements. The translations were undertaken to increase the accessibility of the standards and facilitate convergence. The handbooks are available free-of-charge in print and downloadable PDF versions from IFAC's bookstore.

**IAASB Proposes Standards to Enhance the Quality of Auditor Reporting:** The International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) has invited comments on exposure drafts of proposed standards designed to further enhance the quality of auditor reporting. Titles of the proposed standards, which may be downloaded from IFAC's website (www.ifac.org), are: Proposed International Standard on Auditing (ISA) 701, The Independent Auditor's Report on Other Historical Financial Information; and Proposed ISA 800, The Independent Auditor's Report on Summary Audited Financial Statements. In developing the new standards, the IAASB are considered regulatory and standard setting developments around the world, the interests of small entities, and the changes necessary as a result of the recently revised ISA 700, The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements.

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The proposed ISA 701, The Independent Auditor's Report on Other Historical Financial Information, addresses auditors' reports for a wide variety of engagements, including reporting on a single financial statement, or a specific element of a financial statement. It also provides guidance on determining the acceptability of the financial reporting framework used in preparing and presenting the financial information, and matters the auditor considers in forming an opinion on the financial information, including considerations relevant to financial statements designed to give a true and fair view or fair presentation on the one hand, and to those prepared under a compliance framework on the other.

The proposed ISA 800, The Independent Auditor's Report on Summary Audited Financial Statement, recognizes that criteria for preparing and presenting summary financial statements may not exist. It contains new standards and guidance on the criteria used and procedures performed in an engagement to report on summary financial statements.

John Kellas, Chairman of the IAASB, explains: "The two EDs respond to public expectations for worldwide consistency in auditor reporting and will enhance current practice. They have been difficult to draft, as they need to be used in a wide range of engagements and under differing regulatory frameworks. The Board believes we have struck the right balance in trying to achieve consistency in practice, while acknowledging the fact that auditors may be subject to overriding legal or regulatory requirements. The proposed standards will complete the current IAASB project to improve its standards and guidance on auditor reporting."

## ICAP News

**Office Bearers for 2005-06:** The Council of the Institute of Chartered Accountants of Pakistan (ICAP) at its 174th Meeting held on 12 September 2005 has elected the following Office Bearers for 2005-06.

**Syed Mohammad Shabbar Zaidi** has been elected as President. He is a fellow member of ICAP. He has been working at A. F. Ferguson & Co., Chartered Accountant, since 1984, and is a partner in the firm. He is also an honorary lecturer at the Lahore University of Management Sciences.

**Mr. Ahmad Saeed** has been elected Vice President (South). He is a fellow member of ICAP and an associate member of Institute of Cost and Management Accountants of Pakistan. He is currently a director in Bearing Point Pakistan (Pvt.) Limited, and had been associated with Pakistan Petroleum Limited and Taseer Hadi Khalid & Co., Chartered Accountants, in the past. He is a visiting faculty member at IBA, NIPA and Hamdard University.

**Mr. Imran Afzal** has been elected Vice President (North). He is a fellow member of ICAP and has been a practicing member of the Institute since 1986. He is currently working as Partner in Anjum Asim Shahid Rahman, Chartered Accountants. He served as President of Lahore Bar Association, and has been its active member since long.

**ICAP's New Nominations on the Board of Governors of PIPFA:** The council of the Institute of Chartered Accountants of Pakistan has nominated the following new members on the Board of Governors of PIPFA in place of the past council.

1. Mr. Shaikh Saqib Masood, FCA, Taseer Hadi Khalid & Co.
2. Mr. Arif Mansur, Additional Finance Secretary (Budget), Ministry of Finance.
3. Mr. Syed Shahid Husain Jafri, Sui Southern Gas Company Ltd.

**PIPFA's 12th Annual General Meeting:** 12th AGM of Pakistan Institute of Public Finance Accountants was held on 22nd October at ICMAP Head Office, Karachi.



Mr. Muhammad Azam Khan Shad, President, PIPFA gives the answers at 12th Annual General Meeting. Board of Governors Members are also seen in the picture.



BOG's Members, Secretariat and PIPFA Members at 12th Annual General Meeting.

### Admission of New Members:

#### Fellow:

- |                               |          |
|-------------------------------|----------|
| 1. Mr. Muhammad Salim Mahfooz | FPA-179  |
| 2. Mr. Abdul Aziz Mughal      | FPA-1736 |
| 3. Mr. Ashfaq Ahmad           | FPA-1592 |
| 4. Mr. Syed Abdul Waris Sufi  | FPA-298  |
| 5. Mr. Azhar Saeed Khan       | FPA-653  |
| 6. Mr. Abdul Shakoor          | FPA-1301 |
| 7. Mr. Syed Zia Ul Hasan      | FPA-1450 |

- |                               |          |
|-------------------------------|----------|
| 8. Mr. Junaid Subhani         | FPA-1636 |
| 9. Mr. Muhammad Zubair Khalid | FPA-1822 |
| 10. Mr. Muhammad Afzal        | FPA-1781 |

#### Associate:

- |                               |          |
|-------------------------------|----------|
| 1. Mr. Wasim                  | APA-3539 |
| 2. Mr. Akbar Umer             | APA-3540 |
| 3. Mr. Muhammad Nadeem Irshad | APA-3541 |
| 4. Mr. Muhammad Faisal Majid  | APA-3542 |



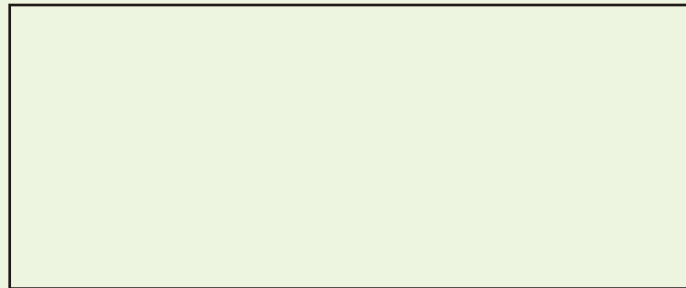
5. Mr.Rashid Islam	APA-3543	43. Mr.Jahanzeb Aslam	APA-3581
6. Mr.Maqbool Ahmed Mubasher	APA-3544	44. Mr.Shujah Ur Rehman Awan	APA-3582
7. Mr.Munawar Hussain	APA-3545	45. Mr.Muhammad Arslan	APA-3583
8. Mr.Muhammad Farhan	APA-3546	46. Mr.Naeem Ahmad Khan	APA-3584
9. Mr.Noman	APA-3547	47. Mr.Shoaib Saleem	APA-3585
10. Mr.Sanjay Kumar	APA-3548	48. Mr.Sajjad Hassan	APA-3586
11. Mr.Asif Ali	APA-3549	49. Mr.Umer Anwar	APA-3587
12. Mr.Muhammad Rafique	APA-3550	50. Mr.Saad Ahmed Khan	APA-3588
13. Mr.Ghulam Hussain Vistro	APA-3551	51. Mr.Abdul Khabir	APA-3589
14. Mr.Farooq Ahmad Kalyar	APA-3552	52. Mr.Arif Naseem	APA-3590
15. Mr.Altaf Ahmad	APA-3553	53. Mr.Raashid Hussain	APA-3591
16. Mr.Rana Sultan Mahmood	APA-3554	54. Mr.Nasir Jamal	APA-3592
17. Mr.Shahid Nadeem	APA-3555	55. Mr.Farrukh Hamid	APA-3593
18. Mr.Muhammad Ibrahim	APA-3556	56. Mr.Mazhar Iqbal	APA-3594
19. Mr.Khan Asim Kamal Afridi	APA-3557	57. Mr.Muhammad Atif	APA-3595
20. Mr.Waqas Safdar	APA-3558	58. Mr.Malik Waheed	APA-3596
21. Mr.Imran Zafar	APA-3559	59. Mr.Imran Ashfaq	APA-3597
22. Mr.Tahir Mahmood	APA-3560	60. Mr.Waseem Aslam Naroo	APA-3598
23. Mr.Kishwar Ali	APA-3561	61. Mr.Muhammad Yasin	APA-3599
24. Mr.Muhammad Hunain	APA-3562	62. Mr.Abu Bakar Siddique	APA-3600
25. Mr.Saad Ali Khawaja	APA-3563	63. Mr.Sajad Ahmad	APA-3601
26. Ms.Ayesha Ahmad Murtaza	APA-3564	64. Mr.Hafiz Noman Hafeez	APA-3602
27. Mr.Muhammad Zeeshan Tayyab	APA-3565	65. Mr.Khurrum Abbas Haidery	APA-3603
28. Mr.Muhammad Imran Rana	APA-3566	66. Mr.Shariq Hussain	APA-3604
29. Mr.Khwaja Saif Ullah	APA-3567	67. Mr.Kashif Majeed	APA-3605
30. Mr.Muhammad Adeel Paracha	APA-3568	68. Mr.Mohsin Shakeel Ahmed	APA-3606
31. Mr.Muhammad Saeed Ullah	APA-3569	69. Mr.Syed Ali Raza Rizvi	APA-3607
32. Mr.Syed Azmat Ullah Shah	APA-3570	70. Mr.Muhammad Saleh Ansari	APA-3608
33. Mr.Nazik Hussain	APA-3571	71. Mr.Asif Mahmood	APA-3609
34. Mr.Rana Shahzad Afzal Khan	APA-3572	72. Mr.Muhammad Asif ALI	APA-3610
35. Mr.Faisal Maqsood Khan	APA-3573	73. Mr.Muhammad Ali	APA-3611
36. Mr.Qamar Zaman	APA-3574	74. Mr.Tahir Mahmud	APA-3612
37. Mr.Muhammad Tahir	APA-3575		
38. Mr.Naveed Akhtar	APA-3576		
39. Mr.Muhammad Usman	APA-3577		
40. Mr.Shehzad Hussain	APA-3578		
41. Ms.Kausar Parveen	APA-3579		
42. Mr.Muhammad Talib	APA-3580		

**Addendum:** Due to printing error in the previous newsletter, Mr. Muhammad Azam Khan Shad was published as Associate member (APA) instead of Fellow member (FPA). His membership number is FPA-3528.



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To,



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**Pakistan Institute of Public Finance Accountants,**

1005, Park Avenue, 10th Floor, 24-A, Block 6, P.E.C.H.S., Shara-e-Faisal, Karachi-75400.

Tel # 021-4380451, 4380452, Fax : 021-4524872, E-mail: pipfa@cyber.net.pk, Website : www.pipfa.org.pk