

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



Newsletter

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FBR News

5912 Corporate Clients enrolled for Filing Sales Tax & Federal Excise Return through Web :

The Federal Board of Revenue has expressed satisfaction over the pace of filing of Sales Tax & Federal Excise Return through web portal and termed it a "very smooth and successful experience". Out of about 6,000 corporate clients, 5912 have already got themselves enrolled for filing of returns through web application. 3071 registered persons filed their returns through the new system. Analysis of the returns have indicated that apart from registered persons dealing with exports and local zero-rated supplies, corporate sector making taxable supplies have filed the returns after making the payment of the due tax. The collection against these returns has amounted to Rs. 11.45 billion.

The business community has found web application being used by Sales Tax Wing, FBR as user-friendly after FBR overcame initial technical hiccups. FBR plans to extend the web application to all taxpayers across the country. For this purpose technical capacity building both of the department as well as of the taxpayers is under way. With this programme it is hoped that all the taxpayers shall be able to file their returns through web by December 2007.

Due Date for Filing Sales Tax-cum-federal Excise Return for Tax Period August, 2007 Extended Upto 20th September:

A number of registered persons have approached the Federal Board of Revenue with the request for extension in the due date for filing of sales tax-cum-federal excise return and summary statement for the tax period August, 2007 to be familiar with the newly introduced return format for which the taxpayer education is still underway through a media campaign & taxpayer workshops in various cities.

In view of the aforesaid genuine reasons, the Federal Board of Revenue, in exercise of powers under section 74 of the Sales Tax Act, 1990, is pleased to extend the due date for filing of sales tax-cum-federal excise return and summary statement for the tax period August, 2007 to 20th September, 2007

SBP News

Recent International Financial Markets Turmoil is a Wakeup Call:

Dr Shamsad Akhtar, Governor, State Bank of Pakistan said that the recent turmoil in the global financial markets is a wake up call for leading financial market centers to reassess their legal and regulatory framework.

Delivering her keynote address on 'Reflections on Global Economic and Financial Developments' at the 57th Annual General Meeting of the Institute of Bankers, Pakistan (IBP) in Karachi, she said there is now a broad consensus that this financial turmoil stemmed from a liquidity crunch and has sharpened financial vulnerabilities globally. Dr Akhtar said given the intensity of financial market turmoil, there have been concerns regarding its implications for inducing economic slowdown particularly in the U.S. markets where housing slowdown is estimated to have already chopped off close to half or quarter of US GDP growth.

The SBP Governor said the Federal Reserve took the extraordinary step to reduce its key discount rate by 50 basis points. Although markets responded to this positively with stock markets indexes registering growth, the easing of interest rates will boost world economy with a laggard effect, she added.

Dr Akhtar said financial globalization, marked by growing cross-border flows and strengthening of financial inter-linkages, has been on the rise. 'This has been supported by wave of financial and capital account liberalization worldwide accompanied by financial engineering and innovation in the area of structured finance,' she added.

She said the process of financial globalization has fostered economic growth and efficiency as capital mobility has allowed flexibility to countries to meet their financing requirements. At the same time, it allows investors with surplus capital to benefit from international risk sharing opportunities and enjoying higher returns as a reward for higher risk taking cross border, the Governor added.



Dr Akhtar opined that the central bankers have played a crucial role in maintenance of macroeconomic stability through effective monetary tightening, while nurturing healthy domestic financial markets that along with enhanced global monitoring and vigilance has helped keep the global financial markets fairly robust and stable.

Notwithstanding, concerns have been echoed regarding global economic and financial vulnerabilities, she said and added these concerns stemmed partly from the continuous widening of global economic imbalances now for almost five years whereby burgeoning US external current account deficit has also raised several questions.

The SBP Governor said that in order to promote global economic stability and an orderly unwinding of these imbalances, the International Monetary Fund has now launched a Multilateral Surveillance Mechanism while strengthening the bilateral surveillance process with special focus on exchange rate surveillance.

Initially, there has been a debate whether the explosion of "Alternatives" defined to include commodities, hedge funds, real estate and private equity, estimated by JP Morgan to be close to \$3 trillion as of 2006, would be creating the next bubble? Aside from this, it has to be recognized that thus far signs of a bubble emerging appear in energy commodities, she added.

The SBP Governor said since 2006, concerns have mounted regarding the housing sector and the sub-prime mortgage market and its adverse consequences on the local and world economy. 'This bubble did emerge in headlines early in 2007, but it eventually burst in July 2007. Now for two months the markets have been in financial turmoil, albeit at different degrees depending on the level and nature of exposures and leveraging and quality of regulation prevailing,' she added.

Mortgage market has now come under deep scrutiny given the approaches adapted to structure tranches of loans and packages in accordance with the type and nature of risks associated, she added.

The SBP Governor said the origins of sub-prime mortgage crisis lay in the housing boom when sub-prime market supported more aggressive borrowings. Since mid 2005, with rising interest rate and softening of house prices, home owners booked mortgage more and more on adjustable interest rate resets. Both home sales and residential construction slowed down while with the tightening of credit markets and impending rate-setting, the problem surfaced more visibly in sub-prime mortgage as delinquencies rose to 13.5 % in June 2007 (though 5.5% for the fixed interest rate subprime mortgages) double the level of 2005, she added.

Dr Akhtar said the sub-prime problem is largely external to Asia, but Asian asset prices have been seriously affected by the global financial markets turmoil through the following channels:

- o Some Asian institutions have exposure to subprime mortgage-backed assets and other Collateralized Debt Obligations (CDOs).
- o Re-pricing of corporate risks in the US probably caused some normalization of risk premiums
- o Tighter liquidity conditions in the US and Europe may affect capital flows to and from Asia.

While concluding her speech, Dr Akhtar outlined some of the lessons to be learnt from this recent financial turmoil.

- o There are clear limits of excessive leveraging and excessive off balance sheet transactions come to eventually haunt the financial institutions which have to either take over or assume losses of special vehicles or to provide for requisite liquidity support.
- o While spreading of risks cross borders help in diffusion of risks, it has serious implications for global financial markets which have wider consequences across developed and developing countries.
- o Role of rating agencies and investors excessive trust in the ratings. Evidence suggests that rating methodology for corporate credit is fundamentally different from that used for structured finance and yet ratings are placed on same scale.
- o The sub-prime debacle has served as catalyst for a general reassessment and re-pricing of risk across financial markets. This should augur well for future of structured finance products.

Remittances Soar 21.35% to \$985.20m during First Two Months of FY08

Remittances sent home by overseas Pakistanis continued to show a rising trend as an amount of \$985.20 million was received in the first two months (July-August 2007) of the current fiscal year 2007-08, showing an increase of \$173.35 million or 21.35 percent over the same period of the last fiscal year. The amount of \$985.20 million includes \$0.42 million received through encashment and profit earned on Foreign Exchange Bearer Certificates (FEBCs) and Foreign Currency Bearer Certificates (FCBCs).

The monthly average remittances for the period July-August, 2007 comes out to \$492.60 million as compared to \$405.93 million during the same corresponding period of the last fiscal year, registering an increase of 21.35 percent.

The inflow of remittances in the July-August, 2007 period from USA, Saudi Arabia, UAE, GCC countries (including Bahrain, Kuwait, Qatar and Oman), UK and EU countries amounted to \$265.33 million, \$202.40 million, \$156.88 million, \$142.88 million, \$82.81 million and \$28.88 million, respectively as compared to \$203.59 million, \$165.34 million, \$124.97 million, \$115.42 million, \$69.38 million and \$24.60 million, respectively in the July-August, 2006 period. Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during the first two months of the current fiscal year 2007-08 amounted to \$105.60 million as against \$107.75 million in the same period last year.

During the last month (August 2007), Pakistani workers remitted an amount of \$489.51 million, up \$54.67 million or 12.57% when compared with an amount of \$434.84 million sent home in August 2006.

The inflow of remittances into Pakistan from most of the countries of the world increased last month as compared to August, 2006. According to the break up, remittances from USA, Saudi Arabia, UAE, GCC countries (including Bahrain, Kuwait, Qatar and Oman), UK and EU countries amounted to \$137.34 million, \$95.85 million, \$79.53 million, \$72.58 million, \$43.31 million and \$14.07 million, respectively as compared to the corresponding receipts from the respective countries during August 2006, i.e. \$112.86 million, \$84.42 million, \$65.35 million, \$57.94 million, \$37.68 million and \$14.07 million. Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during August, 2007 amounted to \$46.70 million as compared to \$62.40 million during August, 2006.

Interest Free Loans of Rs. 109.941 Million to the Students Under the Students Loans Scheme:

A meeting of the Apex Committee for Students Loan Scheme was held under the chairmanship of Mr. Mansur-ur-Rehman Khan, Deputy Governor, State Bank of Pakistan in Karachi. The committee has approved an amount of Rs 109.941 million to 116 deserving students in different disciplines from all over the country for pursuing Graduation, Masters and Ph.D studies for the session 2006-07.

The meeting was attended, among others, by the Presidents/representatives of major commercial banks.

The names of successful students is available at National Bank of Pakistan's website www.nbp.com.pk/Students Loan.

State Bank organized a workshop on Strengthening Secured Transactions Framework in Pakistan:

The State Bank of Pakistan, in collaboration with the International Securities Consultancy Limited (ISC), Hong Kong, organized a one-day awareness and consensus building workshop on Strengthening Secured Transaction Regime in Pakistan at Karachi.

The objective of the workshop was to familiarize the participants about the international best practices in secured transactions and the initiatives of Government of Pakistan and SBP to reform the secured transaction registry system in Pakistan with the view to get stakeholder feedback on the work being carried out by the ISC consultants. The secured transactions framework will help increase SME and Agriculture sectors' access to finance by creating a registry system to register charge on various kinds of properties, especially immovable properties.

Chaired by Mr. Qasim Nawaz, Director SME & Microfinance Department, SBP, the workshop was attended by bankers, officials of the federal and provincial governments as well as officials of NADRA



and CDC (Central Depository Company). The ISC Consultants Prof. Ron Harmer and Ms. Elaine MacEachern speaking on the occasion apprised the participants about the international best practices in Secured Transactions and emphasized on the need of establishing secured transaction registry system in Pakistan that can facilitate the creation and enforcement of collateral interest in movable and

immovable assets by improving policies, laws and regulations.

The Strengthening Secured Transaction Framework Project is being funded by the ADB under its Technical Assistance (TA) Program for Pakistan. The Ministry of Finance is the Executing Agency, while SBP is the Implementing Agency for this TA project along with the consultancy firm, ISC, Hong Kong.

IFAC News

Education Standards Board Releases New Practice Guidance - The International Accounting Education Standards Board has released two new International Education Practice Statements to assist member bodies in developing ethics education and training programs and implementing IT knowledge requirements for their members. Both documents can be downloaded free-of-charge from the IFAC online bookstore.

IAASB Invites Comments on Proposed Clarity ISAs - The International Auditing and Assurance Standards Board (IAASB) is redrafting all its International Standards on Auditing (ISAs) to improve the clarity and to make them easier to apply and to translate. Several IAASB exposure drafts are open for public comment and can be viewed at <http://www.ifac.org/eds>. In addition, the IAASB staff has issued a communiqué on the final effective date of redrafted ISAs.

IASB Extends Comment Period for Proposed IFRS for SMEs - IFAC encourages its members, associates, regional accountancy bodies, and all those with an interest to review and provide comments to the International Accounting Standards Board (IASB) on its proposed International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and the accompanying field test kit. Comments are requested by November 30, 2007. Visit the IASB website for more information.

Improve the Clarity of Foreign Exchange Rates Standard: - The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board within the International Federation of Accountants (IFAC), is seeking comments on an exposure draft (ED) developed as part of its project to enhance the clarity and usability of its International Public Sector Accounting Standard (IPSAS) that addresses accounting for fluctuations in exchange rates. **ED 33, Amendments to IPSAS 4, The Effects of Changes in Foreign Exchange Rates**, proposes updates to IPSAS 4 to reflect, as appropriate for the public sector, the latest revisions to the corresponding International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB). Key proposals in ED 33 reflect amendments made by the IASB to International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates.

"Converging IPSASs with IFRSs, where appropriate for the public sector, is one of the key objectives of our standards development program," states Mike Hathorn, Chair of the IPSASB. "This exposure draft proposes a number of changes to IPSAS 4, most notably, to clarify and amend the existing guidance for situations where the public sector entity has an interest in a foreign operation."

Comments on the ED are requested by December 31, 2007. The ED may be viewed by going to <http://www.ifac.org/EDs>. Comments may be submitted by email to publicsectorpubs@ifac.org.

IAASB invites comments on Exposure Drafts of nine proposed standards: The International Auditing and Assurance Standards Board (IAASB) has invited comments on exposure drafts of nine proposed standards, including each of its international quality control and auditor reporting standards. These have all been redrafted in accordance with the IAASB's new drafting conventions designed to improve the clarity of its pronouncements. The exposure drafts may be viewed (until comment deadline) by going to www.ifac.org/EDs. The exposure drafts are:

Quality Control Exposure Drafts .

(Comments due by 31st December 2007)

- o **International Standard on Quality Control (ISQC) 1** (Redrafted) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
- o **International Standard on Auditing (ISA) 220** (Redrafted) Quality Control for an Audit of Financial Statements

Auditor Reporting Exposure Drafts .

(Comments due by 30th November 2007)

- o **ISA 700** (Redrafted) The Independent Auditor's Report on General Purpose Financial Statements.
- o **ISA 705** (Revised and Redrafted) Modifications to the Opinion in the Independent Auditor's Report.
- o **ISA 706** (Revised and Redrafted) Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report.
- o **ISA 800** (Revised and Redrafted) Special Considerations .Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.
- o **ISA 805** (Revised and Redrafted) Engagements to Report on Summary Financial Statements.

Other Proposed Standards

(Comments due by 31st October 2007)

- o **ISA 510** (Redrafted) Initial Audit Engagements . Opening Balances
- o **ISA 530** (Redrafted) Audit Sampling

ICAP News

Paper Specific Study Workshops: To facilitate the examinees of Module-F, the Directorate of Education and Training has organized a series of Paper Specific Study Workshops on the subjects

of "Advanced Taxation" and "Business Finance Decisions". For further details and registration information available at www.icap.org.pk/web/news-details.php

PIPFA Affairs

PIPFA's 14th Annual General Meeting : The 14th AGM of Pakistan Institute of Public Finance Accountants will be held on Saturday, October 27, 2007 at 4:30 p.m. at Institute of Cost & Management Accountants of Pakistan (ICMAP) Head Office, ST-18/C, Gulshan-e-Iqbal, Karachi.

Winter Examinations 2007: The Students are informed that the PIPFA Winter Examinations 2007 will be held from December 03, 2007 to December 11, 2007 (Corporate & Public Sector). The details of papers and dates will be communicated to students through their Admit Cards.

The Examination Forms are being issued and accepted from September 17, 2007 as per following schedule.

- o Forms acceptance with normal fee from September 17, 2007
- o The last date for submission of forms is October 20, 2007
- o Acceptance of Examination Forms with 100% late fee from **October 22, 2007 and October 27, 2007.** (Corporate Sector Only)

Submission Schedule must be followed strictly. No form will be entertained after last date of submission of Exam Form. Incomplete Examination Forms will be summarily rejected.



Admission of New Members

Fellow Members

1. Raza Ur Rehman FPA-1493
2. Sheraz Saleem FPA-1661
3. Raja Babar Naseer Khan FPA-1801
4. Tariq Mahmood FPA-2032
5. Syed Nazeeruddin FPA-2040
6. Kashif Ahmed Qureshi FPA-2046
7. Raheel Ahmed Qureshi FPA-2047
8. Hatim Mohammad FPA-2110
9. Tariq Irshad FPA-2134
10. Muhammad Saleem Farooqui FPA-2189
11. Afaq Ahmad Qurishi FPA-2290
12. Muhammad Salman Nazir FPA-2351
13. Muhammad Zeeshan Abid FPA-2406
14. Fahim Akhtar Babar FPA-2413
15. Muhammad Rizwan Khan FPA-2432
16. Syed Zamin Raza Rizvi FPA-2484

Associate Members

1. Muhammad Muddasir (APA-4144)
2. Muhammad Amir Naeem (APA-4145)
3. Syed Zeshan Abbas (APA-4146)
4. Abdul Saboor (APA-4147)
5. Amjad Ali (FPA-4148)
6. Shakeel Ahmed (APA-4149)
7. Muhammad Ashfaq (APA-4150)
8. Babar Rashid (APA-4151)
9. Malik Ahmed Sheheryar (APA-4152)
10. Muhammad Asad Iqbal (APA-4153)
11. Mujahid Ali (APA-4154)
12. Akhlaq Ahmad (APA-4155)
13. Malik Raheel (APA-4156)
14. Muhammad Rafiq (APA-4157)

15. Mansoor Siddiqi (APA-4158)
16. Murtaza Ali (APA-4159)
17. Deepak Maheshwari (APA-4160)
18. Shahid Mahmood Virk (APA-4161)
19. Khalid Mehmood (APA-4162)
20. Sheikh Muhammad Nadeem Amjad (APA-4163)
21. Muhammad Haroon (APA-4164)
22. Yasir Shafeeq (APA-4165)
23. Muhammad Tariq (APA-4166)
24. Nisar Ahmad (APA-4167)
25. Asad Imran (APA-4168)
26. Haris Ahmed Siddiqui (APA-4169)
27. Makhdoom Faisal Javed (APA-4170)
28. Muhammad Zahid Munir (APA-4171)
29. Zulfiqar Ahmed Tarar (APA-4172)
30. Adil Saleem (APA-4173)
31. Rizwan Jamil (APA-4174)
32. Hamid Bakhtiar (APA-4175)
33. Muhammad Adnan Saleem (APA-4176)
34. Shehzad Ul Hassan (APA-4177)
35. Rafi Uddin (APA-4178)
36. Amir Sohail (APA-4179)
37. Awais Rafiq (APA-4180)
38. Aamir Iqbal (APA-4181)
39. Amjad Mustafa (APA-4182)
40. Khuram Azam (APA-4183)
41. Muhammad Usman Shaukat (APA-4184)
42. Muhammad Nauman Yousaf (APA-4185)
43. Shabi Hasan (APA-4186)
44. Kh. Azaz Hassan (APA-4187)
45. Muhammad Raza (APA-4188)
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