

Towards a Global Tax System

Syed Ahmer Nizam

The global economic landscape has changed significantly over the past decade. Hardly a day passes without some glaring headline on globalization or trade liberalization. There is no doubt the world is getting smaller. But does this phenomenon promise well for all?

In almost all developing countries, it would be the elites who will benefit significantly from globalization. But they stand in great contrast to most of the population in their countries, whose low levels of education, health, and economic security put them at a particular disadvantage in the knowledge-driven era of globalization. If these are the challenges faced by developing nations, one can well imagine the impact on impoverished countries which suffer from weak economic, legal and political institutions, making them unattractive for domestic or foreign investment.

Globalization, trade liberalization are fast transforming the way international commerce is conducted. Traditional modes of business operations are being unshackled in favor of high-speed transmissions and communications across national boundaries. Businesses can now participate in the global markets without having to establish physical operations in different locations. Through globalization and e-commerce, the world has suddenly become a global village with one big marketplace, the extent of which is literally limitless.

This rapid transformation poses a challenge to business organizations as well as governments and no where is this more evident perhaps than in the area of taxation.

The development of business and communication has outpaced that of taxation systems in most countries, which are traditionally based on the concept of source or residence. Existing tax laws are generally territorial in nature whereas in the modern world, business transactions are concluded without physical, legal or national frontiers. Governments of the future can no longer depend on national borders to define their right to tax revenue from businesses transacted within their own boundaries.

The traditional rules of taxation based on source, derivation and physical presence will be rendered ineffective, resulting in significant loss of tax revenue. Because the Internet has no single location, taxing jurisdiction becomes an issue. Like transfer pricing, the stage is set for a global fiscal showdown.

The present equilibrium and structure of international tax law will be greatly affected and as cross-border transactions increase in frequency, it is conceivable that until international consensus is achieved on the taxation of global trade, less developed countries will find themselves at the losing end in terms of revenue collection

from businesses conducted within their own territories. On the other hand, developed nations with the technological infrastructure to carry on business in a borderless world will have the edge.

In the face of rapid globalization and blurring of national tax jurisdictions, it may be timely to think outside the box with the view to develop a new mechanism to deal with the new challenges of a new era. One possible measure perhaps is to move towards some form of global tax system.

For a global tax system to succeed, it is vital to appreciate the distinction between a national tax, an international tax and a global tax.

Under a national tax system, a country generally retains its right to tax its citizens and foreign residents, including companies, on income within its national boundaries subject to relief under double taxation arrangements.

An international tax, on the other hand, may involve enactment by national legislatures, followed by multilateral co-operation for effective enforcement. Such a tax would be administered by a world nominated agency, collected based on international transactions and/or consumption, and the funds applied towards approved global causes such as eradication of poverty, health and social development, etc.

A global tax system overlays and extends the national tax system beyond its traditional frontiers. As globalization and e-commerce converge to make the world a global trading village, a global tax system envisages that all nations and their citizens, as joint tenants, should contribute to the expense of managing this global estate.

In order for a global tax system to be successfully implemented, there must be consensual acceptance by all countries, particularly the richer and more developed nations which are likely to bear the heaviest burden.

The global tax system must reflect fair principles of taxation but, most importantly, the richer and more developed nations must have the political will to support such an initiative, otherwise it will be an exercise in futility.

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The Pakistani Taxation System

A discussion with Mr. Shoaib Faridi, Advisor to FPCCI

Nadeem Younus, ACA

The Third World countries are said to possess the following characteristics; poverty, lack of education, and inadequate health care facilities. One of the main causes of these problems is the brain drain prevailing in these countries. People leave the country to escape the perils of the Third World Countries and secure personal benefits. As a result, the hapless citizens live the life of misery with their perception as vague as it can be because of their disappointment with the ones who exist, which makes them believe that they will live in this state forever. However, the recent changes in the circumstances in Pakistan prove that this is not the case. There are people who can and are willing to bring about the change in the state of affairs of our country. Some of them work as front stage artists and then there are other people who work behind the scenes.

One such person working behind the scenes is Mr. Shoaib Faridi who is an advisor to the KCCI and FPCCI. Mr. Faridi has also been assigned the task of translating and publishing the Sales Tax Act, 1990 in Urdu by the Central Board of Revenue. The following endeavors to communicate the views of Mr. Shoaib Faridi on the Pakistan Taxation System.

Smiling on the question as to why he shifted back to Pakistan when he had a well established business in Germany, he said that Sales tax was a new concept to the people of Pakistan and he perceived it to be an opportunity to serve the country with his experience because when you live abroad, the sense of patriotism and the urge to contribute towards the homeland does not let you rest.

Commenting on the merits and demerits of the present budget in a diplomatic way, he said "The industrial and commercial quarters have declared the budget 2004-05 as the unprecedented budget and also considered the policies of present government as a balanced rather a daring strategy despite of international political and financial crisis. Some have declared it as very good without mentioning its merits or demerits while others who are ignorant but innocent have just taken it as a ground to conflict just for the sake of argument. As for the poor people of this country, they continue to wait for a "Maseeha" for their survival under these difficult and hard circumstances."

On my repeated insistence, he stated "Before discussing the merits and demerits we have to take into account the past

practices and the history in this regard. Our country has been relying on foreign aid instead of our own rich and abundant resources, which Allah has bestowed upon us. Our priorities and preferences revolved around the easiest methods to earn the money without taking any pains or making struggle for the same. However, there were few exceptions like Dr. Mehboob-ul-Haq who devised a revolutionary package of reforms to bring out the nation from chaos. The same man suggested the plan to Korea, which is now standing side by side with the developed countries. Our obsolete monetary policies and fiscal targets focused primarily on waivers of old loans or their adjustment with fresh and costly loans. Countries like China, India and Bangladesh are far ahead of us despite the fact they have gained independence with us or way after us."

"It is an established fact that one cannot live isolated in the world. We have to continue this journey taking along the rest of the world. Therefore the policies, system and other procedures followed by the other countries in respect of trade, industry and commerce should also be kept in mind while making policy decisions. Survival of the fittest is the order of the day and in order to compete with other nations we will have to equip ourselves with the latest and modern norms and practices so that we may not leave any loophole which may result in any further exploitation."

"Today the ISO regulations, GATT Code, CWC laws, Agreements like SAFTA, SAPTA, NAFTA and especially, WTO restrictions are in fact a revolutionary step taken by progressive nations, contrary to our perception about them as cumbersome and unwanted procedural or legal bindings. We must understand that to make the dream of Free International Economy a reality, we have to lead our role as an independent and lively nation. This is the time to decide as to whether we have to play the role of an independent and a sovereign nation or to lead a life of slaves in a so called independent country. It's high time that we should bid farewell to the routine of leveling allegations on one another and put to use our potential for national interest. This can only come after the revival of the spirits and sacrifices, which our leaders made for our freedom. The steps taken towards this direction will certainly help us in achieving our goals. The current budget, in my opinion is one of these badly needed steps which will glorify our nation in the near future."



While speaking on the system of General Sales Tax and its effect as an indirect tax, he commented, "The reason of its success is that the procedure of self-policing and self-assessment is adopted to regulate it. In fact, it is a comprehensive and documentary procedure in which no one is declared accused on the basis of assumptions and yet the responsibility for proving so, lies with the concerned Sales Tax Department. As we see the old system which prevailed in our country to regulate the sales tax matters was an offshoot of the colonial system in which gossips, assumptions and sometime baseless allegations were proved and resultantly the tax payer and the system itself was victimized. GST has no such bottlenecks. In this arrangement, all the business and taxable activities are documented and recorded which has curtailed the evils of the previous system to a great extent."

Elaborating on the concept of sales tax he said; "The Sales Tax Act was passed and implemented in 1951 where only few items were taxable. Though the act fulfilled the requirements of that period, the sales tax started replacing central excise duty and its base broadened. Hence, the need arose to modify the provisions of the Sales Tax Act, 1951 and as a result a new act - Sales Tax Act, 1990 - was enacted and implemented in its full form during July 1996. I remember that when the provisions of the new Act were implemented, the business community and commercial quarters expressed their reservations about it. Since documentation plays an important role in this system, the majority resisted the move as they considered it as a weapon against them because they were accustomed to the old colonial system and preferred short cuts. The resistance gradually subsided as a result of public awareness programs conducted by government in the form of seminars, lectures and through

various modes of media. Switching over from one system to the other brings some difficulties. We see that the GST system has its roots in the information technology. Without the use of IT, the utility of this system is quite below the mark that is why we have seen it struggling in its early days when no such paraphernalia was provided to run it smoothly. In the meantime, a number of other problems had arisen to complicate the matters, which included the issue of fake invoices, inadmissible input tax adjustment and refunds. These problems could have been avoided if the use of information technology had been made from the beginning. A lot of anomalies have been removed and the system has been simplified to quite an extent. However, there is still some room for improvement."

"Regarding its merits and demerits, the German bureaucrats after considering the negative and positive aspects of this system had implemented it to achieve their targets after taking into their people into confidence. And in a matter of few years, I witnessed that the country which was suffering the repercussion of the Second World War as a defeated nation, was back at par with the most developed nations of the world. This was the prime motivator of compelling me to come back to Pakistan."

Coming back to the budget he said, "I observe that the journey on the right path has started and we are getting its fruits. The achievement of the target of 510 billion rupees in taxes during last financial year endorses the steps taken. It will not be out of place to mention here that another tax called income tax is closely related with sales tax in its nature and documentation. As such we have seen that the Income Tax Ordinance has also been revised in 2001 to make it close to the sales tax because both of these are based on documentation."

"Regarding the budget, despite of its odds, contradictions and demerits, I consider the present budget as the historic framework of the Government policies. The present budget is in fact a broad based budget rather than a mere tool for the recovery of taxes and related targets. We must remember that Pakistan is an agriculture-based country with textile as a major and important sector, which had been neglected in the previous budgets. For the first time this sector has been given its due importance with professional approach and this move will yield positive results. Apart from that, the allocation of an amount of Rs 202 billion by the government for the direct or indirect development of industrial sector and infrastructure of small and medium entrepreneurs is an unprecedented step. Hence, these are the indicators of a revolutionary change. The farmers and other professions related to the agriculture sector have been given due consideration and the facilities provided in the budget will definitely increase the production capacity. To counter with the WTO effects, the Government has already exempted the ginning sector from sales tax. This eliminates the hassles of liquidity crunch as a lot of funds used to get stuck in the sales tax account, which got aggravated due to delays in refund. Apart from mental relief, this will curb the problem of tax fraud. The concession given on industrial plant and machinery is another big step. This will help in maintaining the quality and standard of our products and enable us to compete in the international market. Information technology is one of the potential areas of growth and has also been the focus of the current budget. A huge amount has been allocated for its promotion and assimilation."



"Privatization is one of the solutions to minimize the Government spending on one hand and a source of providing more jobs and production on the other. In all the developed countries, all the governmental projects are undertaken with the assistance of private entrepreneurs. Unfortunately, this has not been the case in our country, and the private sector has been unable to flourish which is adversely affecting the country. Jobs have become scanty and the emphasis remains on government jobs. With a huge resource chasing fewer job openings, corruption found its way into the system. As a consequence, the industrial growth came to near stand still while the government servants were being provided with lucrative packages. To cope up with the gap between expenditure and income, loans were generously obtained but no system was evolved for its repayments. The gap between income and expenditure widened further and the whole nation entangled in this vicious circle. Moreover, the misuse of discretionary powers by the government machinery promoted corruption and the economy started to shatter."

"It is a matter of common sense that the only way to curb deficit financing is to promote industrialization and give better incentives to the investors. The steps taken in the current budget will increase opportunities both for employment and self-employment and will provide relief to the government exchequer as the funds, which were previously being used for non-development expenditures will now be diverted for development schemes. Present regime has also introduced a very friendly system of custom clearance based on self-assessment and is a gesture of goodwill and faith, which the government has in the private sector. Customs duties have been slashed down. Central excise duty has been mostly abolished. This will not only increase the tax collection but will also broaden the tax base. This, in turn, will create a healthy atmosphere for fiscal growth and exports at large. I expect that the government should be able to achieve its targets or even surpass it. These steps should be taken in a synchronized manner as is being done in the developed countries or all the efforts will go down the drain. The

government should decrease the departmental force along with the decrease in their powers. Private sector should also be invited to share the responsibilities of the government in revenue collection as well. A contractual system may also be introduced for a limited period as a first step so that the quality and control may be assessed accordingly."

According to Mr. Faridi, "**Nobody else will come and change things for us, each and every one of us will have to strive together to bring about a change. Now it's for us to decide, whether to act on it or remain in the state of self-pity**".

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When Professionals Have to Manage

Kamran Hafeez, FCA

How many of us sitting in management positions in professional service practices such as accounting and law firms and even investment banks face issues such as staff turnover and motivation, business strategy, division of responsibilities, financial and cost control, etc. Sounds familiar? The dynamics of any professional service firm like ours is very different from other corporate entities that we advise as clients.

Within a professional firm, partners and directors are so involved with developing new businesses and advising clients that no one ever seems to take out enough time to consider the future of the firm or of its various functions. Addressing long term strategic issues always seems to give way to the intense short term pressures of serving clients and coping with the expanding flow of daily responsibilities. This situation becomes even more difficult when you have a continuous flow of new professionals - recently qualified chartered accountants or MBAs being hired and taking up roles as associates or managers. To be more productive and become contributing members to the firm, they need time and guidance from seniors or partners, however the limited contact they seem to have are hurried meetings about specific projects, which is certainly not an effective way to learn about the practice or to develop their expertise in dealing with clients.

All these issues add up to one important need: more attention to management, which is usually the heart of any firm's problems. Management is an uncomfortable word in our profession, since partners or directors are picked because of their abilities or potential as advisors or consultants and not managers. Even partners that sit on a management committee do not see them selves as general managers, but they are tax specialists, auditors, strategists but they surely don't want to be called managers.

This organizational dilemma is more particularly relevant to professional firms, since their products and services are inextricably related to the intellectual capabilities of the professionals and their interpersonal effectiveness with clients. Therefore most people who are in a position of authority in a firm are also the center of the production process.

It is therefore usual within firms that their partners are the most experienced and talented professionals but do they actually have time or commitment as partners for managerial tasks? Most professionals build their identities around work. They chose to be in the profession because they found the work exciting or challenging - not because they wanted to be managers. In fact much of the nature of management work conflicts with the very things that make professional work so exciting.

So what's so exciting about professional work? There are rapid and measurable results. You get instant client feedback. You watch a project being set up or measures taken on the basis of your advice. On the other hand look at management work. Results are achieved gradually - often over months and years and even then they may not be concrete or visible, nor is there any clear feedback. Developing younger associates or trainees e.g. has no clear timelines or benchmarks. Other than this, professionals enjoy the content of their work. They usually find it intellectually challenging and demanding but with managers its just details that are usually quite unglamorous. Even tasks such as new administrative processes, training or career advice that may be as complicated as managing an audit or giving a tax advice but do not interest the specialist in the same way.

Due to these reasons putting the best partners responsible for management of the firm may neither be good for the firm nor for the partners themselves. So does that mean that your best partners within the firm when it comes to productivity and managing client relationships should be left aside and all management tasks should be given to the not so successful partners? The problem with that is that partners with less than outstanding reputations are unlikely to have much less influence as managers in organizations or firms where the most valued and respected attributes are professional skills. Even otherwise, the less talented partners are just as likely to find management work as unappealing as the other more talented partners.



On the other hand, if you try and bring professional managers from outside the firm, they will lack substantive expertise in the practice and will be unable to contribute effectively in the strategic and human resource decisions that drive the growth and success of the firm. They may also reduce autonomy and increase bureaucracy within the firm, which makes it difficult for the professionals to respond to client needs and demotivates them.

Have It Both Ways

So how should a firm trying to grow or expand tackle this problem? Successful firms globally have been able to manage this through the concept of 'the producing manager'. Producing managers are therefore partners that are formally responsible for management activities and actively engaged in the production of client services. The role isn't new. Good managing partners have always retained their professional work and ties to clients while taking on management responsibilities.

Instead of hoping that people with the right mix of professional and managerial skills will just appear at the right times to be made partner, it is important to develop these people from within the firm by reinforcing the producer manager concept through the firm's structure and operating policies. The direct benefit will be that the firm will get the managerial attention it needs, both from newly designated partners but also from those partners who have been trying to juggle their producing and managerial responsibilities for years.

So how can a firm operate on a producer manager concept? It is quite simple. It has to be structured on a number of small units, each headed by a producing manager. This could mean simply geographical units but also business activity based units - audit, tax consulting, etc. In whatever form

the units are organized, it is important to have a completely flat structure within the firm with minimal hierarchy. It gives the partners the required autonomy they need in a highly competitive and dynamic environment and helps them consult others without any intervening structures.

It is important to understand that the producer manager firm does not hold these units together through tight management control but by the personal relationships among the producer managers or partners themselves. These ties are based on respect for each other's abilities, priorities, and problems as well as a shared commitment to the firm's goals and directions. Partners that are producing managers don't communicate via strictly formed hierarchal avenues - such as executive and management committees that we see in some firms. They communicate up, down and across a complex web of relationships.

Producing manager partners, therefore, must have good "people skills". It may seem inconsistent at first to some of us as professionals who work in isolation on complex projects related to tax advice, research or strategy, etc. However we need to remember that any successful professional or partner needs to build effective relationships with clients. Producing manager partners just put that skill to work inside the firm - the concept of internal clients.

With the right combination of professional and managerial skills, the producing manager partners are able to retain their professional autonomy in terms of their areas of expertise and how they handle projects but at the same time keep committed to the overall goals of the firm.

It is also important that this autonomy within business units do not at any stage convert into fiefdoms and communication amongst each other

has to be regular and needs to encourage collaboration.

Streamline Measurement Systems

A firm structured on a producer manager concept relies primarily on the commitment of its employees and the quality of their work for internal control, but it also needs to measure the crucial quantitative aspects of its work. More specifically time sheet systems and staff utilization are key measures. Most importantly these measures need to be simple and only limited to the most important factors, no matter which variable is considered important. The producing manager partner therefore needs to be very clear on what information does he require periodically and why? An important principle in such measurement systems has to be that they should be focused on the overall firm profitability. If measures are too focused on unit profitability and not on the overall firm then the same partners or managers lose sight of the need for cooperation between their units which can be very damaging.

Choose People Wisely

A professional firm's most important and competitive weapon is, of course, its professionals. A firm which is structured on the producer manager concept needs quality people more than ever because the traditional, hierarchal allocations of responsibility and authority do not apply. The caliber of people that are required to be producers and managers is therefore much higher and such people need to work well with little oversight and their abilities and standards must be beyond doubt.

It is therefore very important for partners to spend substantial amount of their time in recruitment. People that you choose today will decide the quality and standard of your firm and its partners tomorrow.



Other than that it is extremely important to be very insightful about which people are chosen within the firm to be promoted as partners. So what should be the criteria of making partner in a firm?

Successful professionals who have respect of their peers are the best candidates. If they have shown they can work well with clients and others on the outside, they will probably also be able to manage the internal relationships that are so important. In their past work with clients, the potential partners should have had experience of managing multiple relationships within and across divisions.

Other than professional competence, potential partners need to exhibit specific skills - they need to be seen throughout the firm as people of integrity, dependability and trust, they should have the ability to understand the needs of others and must have the ability to make decisions under complex and uncertain circumstances.

Also, potential partners should be enthusiastic about taking on managerial responsibilities and have a willingness and ability to look beyond deals, clients and projects to issues such as firm direction, goals and commitments.

The Balancing Act

Even partners, when chosen, need training. To expect them to quickly adapt to their new roles is at times expecting too much. Informal training may be in the form of conversations and sessions with senior partners on expectations and how to deal with issues and this needs to be accompanied by formal training programs.

It is important to stress amongst partners that effective management of the firm rests in finding and maintaining a balance between managing and producing. The right balance varies from one position to another - even within the same firm and depends on a number of factors; the nature of the business, the importance of personal involvement with clients and the experience and autonomy and number of subordinates. Thus it is up to each partner to determine the right balance for him or herself.

So how can partners address this issue earlier on? There are constant time pressures, conflicting demand and complex trade-offs. Achieving an effective balance requires that partners have a clear concept of what they want to accomplish - an agenda from the very start. An agenda in this sense is not a "to do" list but a handful of issues that reflect the critical business objectives. This serves as a mental map for the partner when making decisions on priorities, time allocations, and people.

It is imperative that such an agenda once put together does not get thrown about due to pressures of the moment and as partners move from one deadline to another, due to which they seem to more easily postpone managerial tasks and long term strategic issues. The agenda should act as a filter or screen to evaluate each of their activities and then day to day emergencies are less likely to take over. Agendas do not have to be fixed and can change, as business and organizational conditions evolve, but those are longer term changes and not spur of the moment decisions.

Without an agenda, the partner who has to act as a producer manager will

not be efficient and will lack direction. It was once wisely said: "If you don't know where you are going, any road will get you there". A number of people in professional firms often feel that other people control them and their time. It is quite natural since professionals in firms succeed because they are responsive to client needs. At the extreme this responsiveness tends to turn into a "trying to please everybody all the time" mind set.

An explicit agenda allows partners to identify accurately the relationships most critical to accomplishing firm and organizational goals.

Similarity between managing inside relationships and clients isn't clear to many partners. In fact some assume that they can direct and control people like army generals. What even partners within firms need to remember that they need to apply the same sort of time attention and considerations to superiors, colleagues and subordinates as they do to clients.

Once this concept is understood by partners, they can adopt a management style that can work effectively under a flat structure within a producing manager firm. This concept also needs further development through continued emphasis to the partners on the strategic direction of the firm and other factors which all contribute towards defining a culture for the firm, which then needs to be understood and believed by the partners. Such actions automatically build trust, shared values and relationships between partners, which effectively provide the tightest control system of all.



Allocating Attention and Time Across

| | Short Term | Long Term |
|-------------------------|---|---|
| Professional | <ul style="list-style-type: none"> ▶ Solving Client problems ▶ Working with professional colleagues on client assignments | <ul style="list-style-type: none"> ▶ Developing new ideas ▶ Maintaining professional expertise |
| Leadership & Management | <ul style="list-style-type: none"> ▶ Meeting with sub-ordinates explaining strategy ▶ Reviewing periodic progress and results | <ul style="list-style-type: none"> ▶ Redesigning compensation ▶ Meeting with other partners to gain resources ▶ Planning next recruiting |

Reward Performance

All people whether they are in management positions or not require evaluation and reward systems to keep them on track and partners should not be an exception. They also need quantitative assessments of their units' financial results, their own contribution to them and need personal feedback on their managerial activity. How well are the partners creating strategic directions for the business, recruiting and developing professionals, encouraging communication within their business units and building teamwork within and across their units?

Although partners themselves make such assessments when it comes to financial results, very few analyze the role of a partner as a producer manager. Although difficult, it is critical to make such a concept work as such analysis and appraisals reinforce the importance and legitimacy of managerial activities required to be undertaken within the firm.

Accordingly compensations structures within firms must recognize managerial accomplishments along with business that has been brought in. Whatever the specifics of the firm's compensation program for partners, it must tie a large portion of its rewards to total firm results to encourage smooth functioning and cooperation among the various units. This does not mean that all share equally in a bonus pool but rather that individuals' rewards should reflect total-firm results as well as individual units performance.

In essence the firm driven on a producer manager concept is an organization that can adapt well to changing business environments and provides motivation for people to work productively. Its structure is flat, its management and control systems limited. Multiple channels of communication can move information quickly to those who can act upon it. A sense of connection and interaction prevails within the organization. The

partners strive for success in their own units, but they all also understand their interdependence.

When a firm comes under such a structure it promotes its own growth and success. As it expands it simply needs more qualified producing managers as partners with the commitment from the management to invest in the necessary resources to develop them.

Most importantly the entire firm has to be devoted to an established set of values and goals, including the producing manager concept itself.

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Strategic or Monetary?

Hedging foreign exchange reserves of Pakistan

Shahid Qazi, ACA

The Government of Pakistan has appointed 8 different Fund Managers to manage the Country's swelling foreign exchange reserves. They have been given this mandate mainly to "hedge" the value of these reserves, making profits is not the objective here.

For starters, the difference between the two is that:

"Strategic" hedging is used to shield a country against unexpected fluctuations in supply of its factors of production; and

"Monetary" hedging is used to keep the value of these Reserves intact in real terms.

Although the current economic managers are more interested in monetary hedging rather than strategic hedging, the recent fall of the US Dollar against Euro and wide fluctuations in supply of oil are events that require more critical examination of this option.

Political instability in Middle East

We are in middle of a war in Iraq, escalation in Arab Israel conflict, sanctions on Syria and Iran and suicide bombings in all over the world. Anything, which can go wrong, has gone wrong. Oil prices are as high as levels of first oil crises in early seventies. Moreover, western countries are rapidly building oil reserves with a view to securing their economy against oil shortages. In this scenario, countries like Pakistan that are not even able to plan out wheat procurement in advance will suffer a major blow to their economies.

This calls for rapid build up of at least one year's oil reserves at undisclosed locations. At least 5 Billion Dollars should be allocated for this "strategic reserve" only.

Putting all Eggs in One Basket

Pakistan has put all its eggs in one basket that is US Dollar. Now, this has resulted in loss of at least a billion dollar to the Country in opportunity cost as converting only half of these reserves Rupees to Euro would have resulted in a big gain.

In view of the above, our reserves to be held in currency should comprise of three currencies. Obviously Dollar and Euro have to be there as they are our major export market, the third currency should be of a country whose market looks attractive which could be a future market for us. This has to be economic decision not a political one.

Precious Metals

This is a time-honored option for centuries. Gold or Silver have always been reliable friends in need. Moreover, the global Gold demand is only going to increase as the population rises and incomes worldwide increases in the face of globalization.

Conclusion

Based on the above, the ratio of our reserve should be as follows:

| | |
|---------------------------|-----|
| 1. Strategic Oil Reserves | 50% |
| 2. Basket of Currencies | 30% |
| 3. Precious Metals | 20% |

This is in line with international best practices adopted by even United States of America. Moreover, during tough times when global economy suddenly faces a stand still, maybe for a couple of months, the countries that are better prepared for contingencies like these not only survive but also make a windfall gain as well. A close look at economic expansion of USA during World War I & II in the last century will substantiate the above arguments.

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Life line for Finance Managers

How an enterprise data warehouse meets the needs of today's financial managers

Faisal Siddiqui, ACA

"I will be working late hours this week ... I have to finish on the urgent reports for regional office... I have to go through data for entire year and extract the relevant information ... and no, my top-notch computer system does not take care of this requirement." Sounds familiar? Many old timers say that it was a nightmare working in finance organization a couple of decades back, without modern computers and communication facilities, however they also claim that work pace was much easier. The data was thrown at them in chewable chunks, and expected information from that data was manageable. The current era has provided all the tools and gadgets to make the lives of finance managers much easier. Yet, most of the times these are insufficient to face the current challenges. Current economic, business and technological factors are putting unprecedented pressures on finance operations and on professionals who run them from CFO down to the accounting clerk.

RENEWED BUSINESS SCENARIO

Finance organizations across all industries are faced with the same challenges: to provide timely, accurate, and actionable financial information to every stakeholder and decision maker who needs it - and do it with fewer resources. For this to happen, companies must provide their finance departments with the processes and systems necessary to completely analyze financial performance.

Much has been discussed about high-profile business collapses. This has resulted in strong pressures from all stakeholders for more accurate reporting. The organizations with linkages to the U.S. are well aware of Sarbanes-Oxley Act and its expectations.

Bottom line - *more reporting*, bottom line - *accurate reporting*, bottom line - *tight deadlines*.

The widespread sources of data have left the finance organizations struggling. As companies grow and try to computerize more systems within the organization, the collection becomes increasingly difficult to manage and integrate. Within finance alone, many companies have a wide variety of specialized systems such as general ledger, accounts receivable, accounts payable, consolidation, and budgeting/planning systems, often from different vendors. When you look outside the finance organization, the number of operational applications increases many times (production management, inventory management, order management, customer complaint management, customer relationship management etc)

To address this issue, many companies have adopted enterprise resource planning (ERP) system that attempt to harmonize overall business processes and integrate operational systems. However, ERP systems are often not integrated across the organization. Large companies can have dozens of ERP instances serving a wide variety of purposes. In addition to these, there are other focused business applications such as Supply Chain Management or Customer Relationship Management to improve vendor/customer relationships. All these applications (and ERP implementations) do not talk to each other, yet all of these contain critical data about business performance and the value of these bits of information increase many times if viewed in reference to information from other systems.

CFOs and their organizations need more timely access to all of their detailed data. They need to know that their data is accurate - and has meaning. And they need to be able to easily aggregate all data across the organization and then slice and dice it in any dimension so that it can be turned into meaningful, actionable information on which business decisions can be made.

MEETING THE DATA NEEDS OF FINANCIAL MANAGEMENT

There is a need to create a data repository, which would hold "current" data from all the operational systems running independently across the enterprise. This data repository or warehouse ("Enterprise Data Warehouse") will help decision makers to get "up-to-date" answers to their non-routine questions.

A Single Version of the Truth

The main purpose of an Enterprise Data Warehouse (EDW) is to integrate data from disparate systems and locations to create a *single version of the truth*. In other words the foundation for a consistent view of a business's performance. Many organizations attempt to build an enterprise-wide system by buying or developing separate analytic applications for marketing analysis, supply chain optimization, financial management and so on. The problem with this strategy is that it results in a set of disconnected analytic applications that lack an enterprise wide view of operations - the single version of the truth. The same information source for all interested parties - for head office reporting, for statutory accounts, for tax authorities, for auditors. If the source is same, the information provided to these parties cannot be different!



"Financial" Data Warehouses

There are several reasons to initiate EDW implementation from finance function. First, financial information cuts across every aspect of the organization. Secondly, financial data increases the value of other data in the data warehouse many times. For instance Customer order in itself may be valuable; but when it's shown in light of its bottom line impact, it is significantly more valuable. Finally, for most businesses, financial data has low volumes and it provides immediate returns.

EDW vs. Data Marts

Most finance managers, regardless of their role, use data to see what happened, at an *aggregate level*. Since there is no direct linkage available to the detailed financial data. The only break-ups available are in spreadsheet maintained by someone which is not in sync with another spreadsheet maintained by someone else.

EDW vs. ERP

To address this issue, many organizations have taken help from ERP systems for financial reporting. ERP systems work well for business unit level reporting, however, they present a number of new challenges. ERP systems are designed to be transactional systems to process day-to-day transactions of the business. Whenever there is intense reporting, the system's operational performance is drastically deteriorated, which hinders the ability to do core tasks such as process orders and support customers. In addition, due to the extremely complex and proprietary data model, it is quite challenging to integrate data from other specialized financial system.

To address some of these issues, ERP vendors have started coming up with their own warehousing products. These solutions work well for companies who have a single instance

of ERP system. However, for most large organizations, this is not the case - data is scattered everywhere and the need to integrate it into a scalable environment is critical to solve the issues that the business - and the finance organization specifically - is faced with. The key here is to have a vendor neutral data warehouse which can *integrate* data from multiple sources.

BENEFITS OF AN EDW - FINANCIAL MANAGEMENT SOLUTION

The question remains, how does EDW help a Financial Manager to address his/her immediate challenges.

Controllershship

One of the key tasks given to controllers is consolidation and reporting of financial results. The process usually involves a number of steps including closing of ledgers, making allocations and adjustments, extracting summary results, booking elimination and tax entries, making final adjusting entries and producing the required reports. In most cases this is a manual exercise, involving gathering of data from multiple spreadsheets. Cross checking and validation of data is done at various stages of this process. To make the matters worse, in most cases various sub-ledgers are from different vendors which are not compatible with each other.

A data warehouse helps pinpoint manual adjustments that can be automated or eliminated hence shortening the close cycle. Since data is integrated automatically, there is no need to gather data from multiple spreadsheets and there is no possibility of inconsistencies and manual errors. Also because of single source, different consolidations (statutory/corporate) will always be in sync.

In addition to streamlining the consolidation process, feeding *all* financial data into a warehouse on a regular basis reduces dependence on closing of books. Managers can view real-time results at any time during the month and take action before the financial book close.

Planning

A financial planner can be responsible for a range of activities from *result analysis to financial modeling*. The key benefits from data warehouse are improved accuracy in forecasts, improving cost and expense management, recognizing changes in spending trends, and improving profitability analysis.

Financial Plans/Budgets are normally based on prior year budgets/actuals. These plans are then evaluated, updated, improved by the current transactions. A Financial data warehouse provides input to these models and helps prepare a more accurate budget/plan. Moreover it enables financial planners to attempt on tools like *Activity Based Budgets or Rolling (Continuous) Budgets*, which are very difficult to implement accurately otherwise. More frequent budgeting allows businesses to be more fluid, adapting strategies and investment requirements as their competitive environment changes.

Analysis

Financial analysis generally involves *root cause analysis* and comparison with plan and prior year numbers. The Financial Data Warehouse allows managers to "*slice and dice*" financial results by a variety of dimensions (product, geography, business unit, customer etc.), as well as to drill down to the detail transactions which may be driving a variance to plan or previous period(s). The key difference with financial analysis in a data warehouse is the availability of detail that supports more effective analysis of the line items in the financial statements.



For instance, if a computer manufacturing company attempts to reduce its costs associated with outside consultants and contractors, the summary reports generated in the financial data mart, only allowed the financial managers to see the aggregate level of contractor costs by various regions and business units. With an EDW, those same managers could drill down to the details to see specifically what contractors were costing the most and for what reasons.

Thus, detailed integrated analytic capabilities support more accurate forecasts by allowing managers to get to the root cause of variances in a proactive manner.

P&L Management

A holistic view of detailed expense data is of immense value to any organization. For example travel and entertainment details will help negotiate with hotels and airlines. In addition, cross-sectional analysis of spending by major category of expenses can be done. Given the level of detail accumulated for each transaction, data warehouse can help management to work out P&L for each/any customer, product, region, business unit, or any combination of these. This will aid management to take strategic decisions for future shape of the company.

Asset Management

In this tough age of competition, every organization is striving to maximize return on Asset. One way to do that is to keep a check on assets with an aim to reduce (where possible) and increase efficiency (produce greater revenue).

Accounts Receivable is the asset which normally gets out of hand very easily as the turnover increases. There is a justification for increase if one looks at the total turnover and total receivables. However, there might be situation where some accounts are lagging behind and there might be accounts which were previously active, now have become slow. All these questions

are there in the minds of management, but are subsided by the comfort that Accounts Receivable totals are increasing as the Turnover is increasing. Including A/R details into data warehouse gives the management a new dimension of same picture. Triggers and alerts can also be built to automatically flag accounts or invoices that have reached past due status, allowing for easier escalation of issues without sorting thru reports or individual operational system.

The value of data warehouse increases when more data is added to it. If (say) customer complaints data is linked to A/R data it will give a more balanced view of the customer. It might provide a justification for delay in collection, and can prevent embarrassing situations such as accelerating collection efforts on an account that is experiencing quality issues.

If an organization has business unit structure and different business units are dealing with a single customer, then having a single repository will allow a more informed credit approval decision.

Data Warehouse can also play a significant role in Inventory Management. By integrating inventory across all business units and all regions into a top-down, scorecard view, management can gain a holistic view of inventory. This global view helps finance identify ways in which inventory can be managed effectively. For instance management may identify slow moving products that are carried at multiple locations and determine that aggregating the safety stock for these into regional centers may be a more cost efficient way to source them. Triggers can be built to automatically flag assigned inventory that has not shipped to the customer, as well as any unassigned inventory that has aged beyond a certain threshold.

Inventory managers can use holistic view to determine if there are any issues, then again with the help of DW, they can investigate the reasons and find out solutions.

The result of all this? Asset managers can use their data warehouse solution to manage inventory on a more efficient basis, improving the overall aging profile and reducing potential excess or obsolete reserves or write-offs.

CONCLUSION - THE BOTTOM LINE

So what is the "real" benefit of an EDW-based financial management solution? As you can see it comes in many forms: It's the tangible business benefit that comes from the ability to build an integrated global view of data; it's the power that comes from having all financial details, up-to-date and at your fingertips; it's the creation of new value that comes from spending more time on value-added analysis; and it's the ability to make better decisions by fully understanding their financial implications. The bottom line is an EDW-based financial management solution allows finance managers to quickly combat the array of challenges they face every day by giving them access to the information they need. As the pressure on finance organization continues to mount, the EDW alleviates that pressure, providing the data necessary to take action today and the platform necessary to drive growth in the future.

About the Author:

Mr. Faisal Siddiqi, MBA, ACA, FCCA completed his articleship from A. F. Ferguson & Co. Chartered Accountants, in 2000. Since then he is working with NCR Corporation. Currently he is an Industrial Consultant for financial data warehousing projects. Readers are welcome to contact him at: Faisal.Siddiqi@NCR.com



XBRL: Moving toward a common language for financial reporting

IFAC

IFAC supports XBRL and encourages member bodies and individual accountants to become actively involved in its development and implementation in their region and industry segment. More information is available from the XBRL web site noted at the end of this article.

INTRODUCTION

XBRL is a freely available electronic language that is being used to format financial reports for transport across the Internet and viewing on browser-equipped computers. Preparers and users of financial information can exchange XBRL across all software and technologies to provide greater efficiencies in the global capital markets. Thus, it is revolutionizing the way financial information is shared, used, and analyzed.

XBRL stands for "Extensible Business Reporting Language." It is a subset of Extensible Markup Language (XML), a platform independent, expandable and standardized method of exchanging information. It can be used independently or incorporated into other computer applications that require flexible information sharing. XBRL was developed by the international XBRL Project Committee made up of organizations representing the financial information supply chain, including a number of IFAC member bodies. More and more accounting organizations from around the world are increasingly participating in XBRL initiatives.

HOW IT WORKS

This XML based language automatically and transparently "tags" each segment of computerized business information with an identification code or marker. These markers remain with the information regardless of how the information is formatted or rearranged by a browser or within software applications.

Before XBRL, there was no common, accepted format for reporting business data. The labor-intensive task of entering and reentering data into computer applications poses substantial costs and the risk of data entry errors. The use of XBRL is streamlining this process potentially lowering costs while helping to ensure the integrity and quality of the data. With XBRL, once financial information is created and

formatted the first time, the data can be rendered in any form. A printed financial statement, an HTML document, a regulatory filing document, a raw HML file, credit reports or loan applications, can be created without manually keying information in a second time or reformatting the data.

XBRL does not change existing accounting standards, nor does it require companies to disclose additional information. Instead, it simply enhances the accessibility and usability of the financial information that companies are required to report.

WHO BENEFITS

By providing easier access to accurate company financial data and more efficient analysis capabilities, XBRL will add value for anyone who creates or accesses an organization's business data. Ultimately, XBRL benefits all users in the financial information supply chain: public and private companies, the accounting profession, regulators, analysts, the investment community, capital markets and lenders, as well as key third parties, such as software developers and data aggregators.

By providing accurate and reliable information, XBRL gives industry leaders access to better information to make better business decisions. Ultimately, it will enable company management to more quickly access information stored in different places within the organization and to move that information both within the company and externally to their shareholders.

With less time spent on translation and data entry, investors, large and small, can devote more time to analysis and, perhaps, screen more companies for investment opportunities. This can benefit those companies in the investment community that typically might not make it onto the investor's radar screen.

XBRL will help financial services companies to collect and update information about borrowers, automate reports to regulators, and distribute or collect information related to loan portfolio sales and purchases.



Accountancy institutes worldwide see the development of XBRL as a natural next step in the clarification and development of the fundamental language of business and a vital tool in assisting them in enhancing the access and breadth of financial information available to the investing public. Additionally, XBRL will help to position accountants as valued knowledge providers for their clients or firms. By helping businesses leverage their use of emerging technologies such as XBRL, accountants can expand their professional opportunities and value in the marketplace.

RECENT DEVELOPMENTS

XBRL is being embraced worldwide by the business community, which sees the development changing the way it communicates and conducts business. Among recent developments:

- Reuters was the first publicly listed company in the world to release and

publish its 2001 full year-end financial results on the Internet using XBRL.

- Microsoft announced that it has become the first high-technology company to publish its financial statements on the Internet in XBRL, an event that received national and international attention. Microsoft is seeking to become an example of and an evangelist for XBRL's potential to benefit the entire marketplace.

- The Australian Prudential Regulatory Agency (APRA), one of the world's largest regulatory agencies, announced that it is using XBRL to monitor the financial well-being of 11,000 super funds, insurers, and banks required to report to the agency on a regular basis. APRA is the first regulator in the world to adopt and begin use of XBRL.

- Bank of America, one of the world's largest banks, announced that they have begun to pilot XBRL to collect financial statements from their national customer base. Following closely upon the Bank of America's announcement,

the Deutsche Bank announced its use of XBRL to process loan information and streamline its credit analysis process.

XBRL LEADERSHIP

Today, XBRL International, a 140-member consortium of leading companies and professional organizations including many accountancy bodies, is facilitating the development of the common specifications that will be used by the entire accounting profession to support XBRL.

FUTURE APPLICATIONS

XBRL for financial statements is the first product in a future of XML-based specifications. Other potential XBRL applications include XBRL for Taxes, XBRL for Regulatory Filings, XBRL for Accounting and Business Reports, and XBRL for Authoritative Literature. For more information, see the XBRL public web site (www.XBRL.org).

Subscription Rates For THE PAKISTAN ACCOUNTANT

CA STUDENTS
(After Completion of Training Period)

Annual Subscription Rs. 150

The students whose training period is continuing are not required to pay any subscription.

OTHERS

Annual Subscription Rs. 200



Obituarites

Mr. Muhammad Siddique born on 05 April 1925 at Jhang, did his Matriculation from the University of Punjab in 1942 and graduated in Commerce from the University of Karachi. After having completed 5 years of articleship, Mr. Muhammad Siddique passed the Chartered Accountants Final examinations of the Institute held in May 1963 and was admitted to membership with effect from 15 November 1963.

Mr. Muhammad Siddique had served the Northern India Electric Supply Co. Ltd., as Chief Accountant from 1942 to 1953 and then served M/s Sher Muhammad Khan & Co. Chartered Accountants, for a period of 9 years. His post qualification experience include services with M/s Binnie & Partners, (Mangla Dam Contractors) from 1964-1969. In 1970 he moved over to WAPDA and served in various capacities until retirement in 1985, at the age of 60 years. Thereafter he joined M/s Inamul Haque Khan & Co., Chartered Accountants as Manager, where he served for one year. He also served in the industrial sector with M/s Aruj Textile Mills Ltd., Rai Textile Mills Ltd., and Chanar Sugar Mills Ltd., until 1994.

He died at the age of 79 years on 9th June 2004, in Lahore due to cardiac pulmonary arrest.

He leaves behind a widow, two sons and three daughters.

Mr. Zamir-ul-Hasan Burney son of Moulvi Abdul Qasim born on 6th December 1932, graduated in commerce from the University of Karachi and proceeded to UK. On having completed the prescribed CA training, passed the CA final examinations of the Institute of Chartered Accountants in England & Wales, was admitted to the membership of that Institute in April 1961. On return to Pakistan he was admitted member of the Institute in June 1961. He was admitted to Fellowship in April 1978.

Mr. Zamir-ul-Hasan Burney served Burmah Oil & Co., (Pakistan Trading) Ltd., Karachi until 1969 and then worked in the Burmah Eastern Ltd., Chittagong. He then joined Sui Gas Field where he served until 1976-77. In July 1977 he joined the Pakistan Petroleum Ltd and then proceeded to UAE in 1981 to join EMIRTEL (now ETISALAT) in the Ministry of Communication where he served for around 20 years. He died on 06 July 2004.

Mr. Saleem Ahmed son of Nisar Ahmad Jabal was born on 28 June 1943, at Hoshiarpur, East Punjab (British India). After obtaining Bachelor's Degree in Arts he completed articleship and passed the CA Final examinations of the Institute held in June 1969. He was admitted to membership w. e. f. 20 December 1969 and became a fellow member w.e.f. 4 March 1980.

Mr. Saleem Ahmed initially served M/s Hameed Chaudhri & Co., for some time and then proceeded to Tanzania where he served in senior positions with M/s Tembo Chipboards Ltd. and M/s Tanzania Elimu Supplies Ltd. In September 1976, Mr. Saleem Ahmad returned to Lahore. He was associated with different organizations until March 1980 and then came over to Karachi where he joined Atlas Battery Ltd., and then served Atlas Autos Ltd. until - April 1984. In May 1984 he moved to Lahore and joined Muslim Insurance & Co., an Atlas Group Company where he served until December 1993. In 1994 he joined Ashraf Group of Industries as Director Finance and later joined M/s Atlas Honda Ltd. in Feb/March 1995 in the same capacity. In August 1998 he joined as an United Nations Expert in Lahore. In September 2001, he again joined Atlas Honda Group as Group Director Strategic planning and retired sometime in mid 2003.

He died on 22.08.2004 in United Kingdom and was buried at Lahore on 25.08.2004.

He is survived by a widow, two sons and two daughters.

Mr. Mohammad Afzal son of Lt. Col.(Rtd.) Dr. Mohammad Din born on 07 March 1940. He passed Matriculation Examination from the University of the Punjab in 1953, and also the Intermediate examination from the same University. He proceeded to England and passed Final Examinations of the ICAEW in 1974, and was admitted to membership in May 1974 of that Institute. He obtained membership of the British Association of Accountants and Auditors Ltd in September 1974, was admitted to membership of ICAP w.e.f 24 February 1975. He became a fellow member on 29 March 1986.

Mr. Mohammad Afzal established his own professional Practice in 1997 in Karachi under the name and style M. Afzal & Co. and then became partner of Ibrahim Shaikh & Co. Chartered Accountants in 1999. He re-located to Islamabad in September 2000, and discontinued professional practice in July 2003. He died on 13 July 2004.

He leaves behind a widow and a daughter.



Present Yourself

Bilal Masood
Advisor, Publications Committee

Q: We normally see dress codes written on invitation cards such as Formal, Casual, Smart Casual and sometimes Lounge Suit. Could you please explain the difference?

Arsalan Mahmood - Islamabad

A: Arsalan, I can understand the confusion as the categories of dress code seem to be growing - and becoming much more confusing. Frequently no one seems to adhere to them anyway!

Well, Formal is probably the easiest. It means you are required to wear a full suit. That means you will have to wear a jacket as part of your ensemble. The other option, frequently seen in Pakistan, is the Blazer/blue jacket with grey trousers, one that I personally don't care much for, but it is an accepted mode of formal dressing here. Try to stay away from the temptation of going for the three-piece suit, unless you are on location for the newest Pakistan blockbuster!

Casual is the other extreme, and it means that you can dress down to jeans and a T-shirt. However, what's more preferred is the option of chinos (or khakis) with a casual short-sleeved shirt, long sleeved if it is evening. But strictly speaking, casual can be really anything, excluding shorts, unless you're hitting the beach. Many up scale restaurants will permit you to lunch and dine when dressed casually but not if you are in shorts. I have tried it!

Smart Casual is one step above Casual, where jeans and a T-shirt would not be permissible. The Chino/Khaki option is the most convenient in this category. In shirts, try and stick to a long sleeved casual shirt. This is also where you can happily wear a buttoned collar, which you may also be wearing to work anyway. This also includes wearing more colour than what you would normally wear to work. And colour is a good thing!!! Smart Casual is also where we have the very popular linen shirts and trousers, and now you can find a lot of nice clothes in this category.

Shoes are an important element with your different dress

codes. Except for casual, it is preferable to wear lace-ups or slip-ons. With a suit, many say that it is even more preferable to wear lace-ups. However, in my opinion, slip-ons are fine too. And as I had said last time - no white socks!!!! Oh and make sure your shoes are polished! In casual, the shoes options are many and varied, depending where you are going. Be sure to match your belt to your shoes. If you are off by a few shades in brown, that's OK, simply because it's difficult to find lighter shades of brown in the market.

That leaves us with the option of Lounge Suits, probably the most confusing. I find it to be not much different from smart casual, probably with a tie. In Pakistan, this also includes the popular option of 'bush' shirts. Still preferable is to wear a formal dress shirt in this category.

You may have noticed that I have left out that really popular category of the 'Safari Suit'. Just say no!!!

Q: I read your views in the last issue and found them really helpful. I would be grateful if you could provide guidance on how much to tip at a restaurant keeping in view that I am a student who is just about to start his Module A after doing Intermediate.

Salman Zeb - Lahore

A: Salman, the cardinal rule in gratuity is between 10% and no more than 20% of your total bill. Having said that and sensitive to your pocket, it can be less, depending on where you are going. If you are going to say, BBQ Tonite for a meal of four people, chances are that you are going to add up to around Rs 700 - 800. You can tip Rs 50 - 100, safely. But if you are going to a more upscale restaurant, then you should probably not go below the 10% limit.

And make no mistake, if the service is not good, please make it a point of tipping extremely low so that it registers on the management that service was not up to mark. I am a strong believer in service and if you don't get it, then make sure they know it.



Q: Dear Bilal, It was interesting to read your comments about the white socks in the last issue. One thing that I have often noticed especially during seminars and conferences is that participants either use too much perfume or none at all which makes a 2 hour seminar totally miserable. What is your view on this matter?

Tahir Ali, ACA - Karachi

A: Very simple Tahir. If you're wearing too much perfume/cologne you are killing me softly. If your wearing none at all, you're just killing me!!!

Let me address the second point first. We live in a country with hot and humid climate. So wearing a deodorant is not an option, it is a necessity. Too many people don't wear it, no matter where you go. However, I think it should be made into a law and they need to have body odour detectors in all buildings! There is practically no general store or supermarket where you now can't find deodorants. So buy them and use them daily. It is as important as brushing your teeth in the morning. We're all doing that, right?

As for the overkill, wear less cologne. I think it is difficult to tell how much is enough, but just apply perfume to you pulse points and that's usually enough. Don't go spraying your clothes, as many people do. Perfume is for the body, not for your clothes. Let me know how the next few seminars go!

Q: I am confused about the trouser shapes that we have these days. Should the bottom touch your ankles or should it cover half the shoe from the back. Also the trousers seem to be getting

slimmer every season, what is right cut for office wear? Further, are pleatless pants here to stay?

Omar Ali - Karachi

A: Omar, for the last few years, trousers have become very tapered and pleatless. That's the current fashion. You will also have surely noticed that many a times, trouser breaks are done away with as well. That's the look from a few European (fashion) seasons ago, but still going strong. I think it's a great look and one that I much prefer.

Slim trousers have the advantage of providing a cleaner silhouette. It's a great look for a lean body. Pleatless trousers also provide a bit of respite to the heavier set as trousers have the tendency to balloon the mid section. So pleats will only aggravate this. The trouser breaking at the shoe line is a personal choice. With a suit, it is preferred to have a small break. Bespoke tailoring, which is widely available in Pakistan, will do whatever you want. One of the very nice features for a trouser is to have your foot opening stitched at an incline, i.e. very slightly longer at the back of the shoe than at the front. That way, you get the cover when you walk and you also have a smaller break in the front.

Are pleats out? Not at all. And you can view many fashion seasons where there will be trousers with pleats. If you like pleats, then try the single pleat options instead of the double pleat one. This will be the compromise, in case you don't prefer 'flat fronts'.

One last note, try not to wear trousers which don't taper as they go down. They will look

unnecessarily baggy. Not a great look these days. Your tailor can alter this for you.

Q: Hi Bilal, read your article "Present Yourself" in ICAP's Accountant. Found it real interesting and felt that our old "Accountant" is changing. I appreciate your ideas. Can you please share your views regarding wearing a tie as you did for the socks. I mean you stated that socks should ideally be matched with the tie. I want to know with what should the tie be matched whether with shirt or pant.

Rehan Umer Soomar

A: Rehan, great question. The answer is a bit difficult as the options of ties and shirts now available can make choosing the right combination downright daunting! Pragmatically speaking, your tie should be matched to your entire ensemble. Therefore, you will have to see the pattern of both the shirt and trouser and then choose an appropriate tie. With a non-patterned shirt, the choice becomes quite easy, especially if you are wearing white. Then it will depend entirely on the trouser. However, once you get into pattern on the shirts, then you need to be a bit more careful to ensure that there is not a big clash between the two. I have found one website in particular to be great for this, www.hermes.com. Besides being one of the finest places you can buy ties (among other things) they have a helpful interactive website to show you various combinations. Go to the section on ties, where you can select by colour or colour combination. Once you select a tie, it will then provide you with options of seeing it matched to various shirt patterns. So it can give you a very nice idea of what your potential combination is going to

look like. There are many other similar sites, so a quick search will give you a lot of information.

Pattern on pattern is fine, so don't be afraid to experiment. There are however, some colours, which you will want to stay away from. Electric blue is bad as is bright yellow, and black during the day is not preferred. Black ties are a very evening thing and best left there. Besides that, I think you should invest in a few good ties which will be suitable for your whites and a few others which will go with your patterns. The choice between cravates and wovens is up to you.

One sidenote, if you are wearing pattern in your shirt, make sure it doesn't clash with your trouser and vice versa.

Q: I read your article in The Pakistan Accountant and I must confess was stunned at your views about wearing pink. I think that pink is not a colour for guys in general but given the right skin tone and physique it can add a little edge to your look. Most Chartered Accountants in Pakistan have no dress sense. If you walk into any big CA firm you will see guys wearing the most outrageous shades of yellow, green, pink, blue, red, purple and if that weren't enough they have no sense of colour coordination. It is quite a sight. So, please do not give such extravagant advice to readers who as it is have no dress sense. What looks good in Europe does not look good in Pakistan.

Tanya Amjad

A: Tanya, your views are welcome and were interesting as a female observer. However, I must confess, I believe its important to try and break a few 'rules' in order to get people to be more conscious of the way they dress. That pink is not a men's colour as you put it I am not so sure. It may have traditionally been the domain of the female garb, but that doesn't mean that can't change and not look good. There was a time when women in the West never wore trousers, let alone jeans. So does that make them all 'butch'?

As I said, all I am doing is presenting my views, not enforcing them on others. So lets give everyone the chance to make a few mistakes before they get it right. As for the rainbow you're seeing in big CA firms, next time you see someone so harsh on the eyes, be sure to give them some good advice. But be prepared to get some back too!

Q: Dear Bilal, what will be the dress code for a lady at higher positions in her late thirties?

Yasmeen Ahmad Zai

A: Yasmeen, I do not claim to be an expert in how women dress. However, I think the response to your question depends on where you work and who you interact with. I think that your organisation, to some extent, will indicate the level of formality in dress. As you have already pointed out, position

in the organisation will also have a bearing on how you present yourself. At one extreme, I am all for individuality in dress, but with due regard to its alignment in your organisation. So in advertising, you will find women in both eastern and western garb, and very comfortably so. However, go to a relatively 'less creative' environment and you will find dress codes to be much more conservative. Having said that, I would not suppress my individuality in dress. It is who you are. Different people will have different attitudes and it's much too often and even easier to judge people from how they dress. That's the real challenge to overcome! A slow one, but well worth it. You mentioned dress 'code'. I think it's not a code but an extension of your personality and choice of clothing. If you are relatively conservative it will reflect in your clothing and vice versa. Neither is right or wrong.

About the Author:

Mr. Bilal Masood is an MBA from Brandeis University, USA, and is working as the Finance Manager - Soda Ash Business for ICI Pakistan Limited. Questions for *Present Yourself* section should be sent to bilal_masood@hotmail.com. Opinions provided here are only those of the writer.



PERSONAL SECURITY GUIDELINES

Capt. (Retd.) Razaquat Jamil Bhatti

INTRODUCTION

Personal security is an individual responsibility. Using precautionary measures can reduce the security risk. The best way to be safe is to avoid trouble in the first place, rather than trying to extract yourself later. This means that you must develop a strong sense of security awareness and adjust your behavior to take into account the environment in which you find yourself and the possible risks related to it. Considering the following guidelines will increase your own personal security awareness:

AT HOME

Do not be complacent about your security because you are at home. It can be the target of robbers who might harm you during the commission of a crime. Considering the following points will increase your home security.

Do

1. Make sure your doors and locks are strong and lock your doors, even if you are at home and even if you leave only for a short while.
2. Make sure your entrance area is well lit.
3. Place shades, curtains or blinds on every window.
4. Ensure that servants know what security measures you want to be implemented, such as identifying all callers before opening doors, never providing information about you over the telephone to anyone, never discussing your affairs with anyone, alerting you if they see anyone suspicious near your residence.
5. Get to know your neighbors.
6. Place telephones away from windows and doors through which you can be observed.
7. Remove bushes, trees close to your house, which might hide an intruder.
8. Do a background check of servants before hiring.

WHILE TRAVELING

Travelers are often exposed to particular risk as they are known to be carrying money and valuables. They are vulnerable because they are often disoriented and unsure of the safety of their surroundings. Considering the following points will improve your security while traveling:

Do

1. Before you leave home, let someone know your plans. Leave contact numbers.
2. Stay alert-watch your luggage and briefcase. Keep your passport ,airline tickets, money safe.
3. If possible, schedule direct flights. Try to minimize time spent in unsecured airport public areas.
4. Stay in larger hotels, which have elaborate security systems.
5. Choose a room near the elevator to avoid having to walk down a long ,empty corridor.
6. Beware of individuals posing as security staff who want to accompany you to another location. Obtain proper identification and call the local police to verify.

Do not

1. If someone knocks on your door ,assume the person is who he/she claims to be. Call the hotel reception to double check.
2. Enter your room if you find the door open or unlocked.
3. Display your room key to strangers.

WHILE DRIVING

Being in a vehicle can give you a false sense of security and can possibly make you a target of hijackers. Following the tips below can improve your security:

Do

1. Whenever possible, travel on well lit ,populated streets. Keep doors locked.
2. Be especially alert when you are at a red light. Develop the habit of adjusting driving speed to avoid stopping at traffic lights.
3. Keep your car in good working condition.
4. Before getting into your car, look inside first to make sure no one is hiding in the back seat. When leaving the car make sure it is locked.

WHILE WALKING

By considering the following points, you will improve your security while walking:

Do

1. As you prepare to go out, check that all closures on your bags are shut. Put your wallet in front pocket or under clothing. Carry only cash you need and divide it.
2. Walk nearer to the curb to avoid passing too close to shrubs, dark doorways and other places of concealment.
3. If you use a personal stereo, i.e. Walkman, keep the volume low so that you can hear your surroundings.
4. Keep only those keys on your key chain that you use.

Do not

1. Hitchhike or accept a ride from a stranger.
2. Take shortcuts through isolated areas.
3. Talk to strangers.
4. Have your name or address on your key chain.
5. Play with your keys in your hand unnecessarily; it announces that you are on your way home.

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'Who stole my childhood?'

Altaf Noor Ali, ACA

The other day we were having a traditional breakfast of Halva. Also, in attendance was a team of 'street' children. They kept breathing down our necks to the extent that I almost lost my cool.

On our way back, those innocent faces kept on coming back. It is not the first time that I have seen these children. My attitude is to gesture them to march forward and never to think about the minor distraction. Facing the truth first time, I wonder if I was ever trying to escape questions that have haunted me since that day.

I have so many questions without answers. Who are these children? What brings them to streets? What kind of parents would leave their kids to rot and beg? What is their future? How as a society are we affected? Are we safe with such kids growing up on streets? How much our children are safe with such kids around? What can we expect out of such kids when they grow up? What will be their contribution to the society? Who is to blame for them? How can I help?

All children are the most precious gift of God to their parents. Parents love their children and protect them. However, given the abject poverty that exists around us, one is ready to accept that there must be a very good compulsion for these children to be out there. They hang out with combs and religious booklets in hands and few memorised sentences. What startles most is that they mimic in language and actions exactly like many adults who are a liability to us as a society. Or, is it that most such adults are street children of the past, nurturing another generation?

Just imagine the experiences these children must be going through every day. Begging for a meal or five rupees from countless strangers, facing muscle-power and abuse by unhappy security guards and shopkeepers, witnessing rowdiness and fights, seeking refuge with their adult versions, handling police, beggars, drunkards etc. The time teaches them what a criminal would not. These streets are schools for criminals.

Each moment of an individual's life is important but none more than one's childhood. Those are highly impressionable years; they influence our approach for the rest of our life. What kind of guiding light would these children be carrying, who make 'street' their abode and everyone who stalk them, their teacher?

Our children are our future. Our lives as parents may be so engaging that it is a big achievement to bring our children well. Rightly, so, there is no need for us to feel guilty about street children. However, with our streets swelling with such children, who can guarantee that these children will have nothing to do with our children? These street children will transform into hardened street smarts or criminals but hardly anything else. What an avoidable threat to society and utter wastage of human resources!

At an individual level, the least we can do is to realise the gravity of this issue. If possible, how about looking after one kid from many people who work for us, like our house cleaners, gardener, sweeper or chowkidar. If each relatively educated family can look after one kid only, there will be many who will be looked after. Shehzad Roy, the singer, has also initiated some kind of a school, which teaches such street children and even pays them a stipend to ward off any financial pressure from elders. May be one can join such an initiative.

Making a child become a decent individual, fit to live and contribute in a society is a collective responsibility, more important than manufacturing computer chips. It surely starts from home but does not ends there.

I can still hear those street children ask: 'who stole my childhood?' °

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Tobacco and Cancer

Dr. Aryn Alidina

TOBACCO is a major cause of cancers of the larynx, pharynx, mouth, lungs and the oesophagus. It is also a contributing factor in cancers of the pancreas, bladder, kidney, stomach, colon, uterine cervix and acute leukemia.

Tobacco causes more cancers than all other known causes combined. A typical 50-year-old smoker has three times as great a chance of dying from cancer as compared to a non-smoker. At least 40 per cent of all cancer deaths in our country are secondary to deaths by tobacco use.

Tobacco smoke accounts for 90 per cent of all lung cancers. One in nine smokers will develop lung cancer, 85-90 per cent of these cancer patients will die from their diseases. The risk increases with the number of cigarettes smoked. A person who smokes more than 20 cigarettes a day has a 20 times higher chance of developing lung cancer than a non-smoker. If he stops smoking, the risk will drop significantly to as low as twice that of a non-smoker.

Passive smoking (second-hand smoking) accounts for 40 per cent of lung cancer deaths in non-smokers. The risk of developing lung cancer for a non-smoking spouse of a smoker is one and a half times that of a non-smoker. A child is particularly vulnerable to developing lung cancer by passive smoking especially when exposed for longer periods of time.

Smokeless tobacco (snuffing and chewing tobacco) generally has higher nicotine content than that found in cigarettes. Also, smoking tobacco in the form of biri or hookah is considered more injurious than cigarette smoking. Chewing tobacco poses a major risk of developing cancers of the larynx, pharynx and mouth. Tobacco use accounts for head and neck cancers that are one of the most common cancers in our part of the world. A local report showed that the risk is 14 times higher than that in non-tobacco users.

Many continue to use tobacco despite knowing the consequences. This is because nicotine use is addictive, resulting in physiological and psychological dependency. Discontinuation results in withdrawal symptoms.

Tobacco use is clearly preventable and elimination will

drastically lower cancer deaths. A study showed that on average, seven serious attempts were made before a cigarette smoker achieves abstinence. Whereas only three per cent of smokers become non-smokers per year, this rate goes up to 15 per cent if done with the help of trained staff. Physicians and health care professionals have a major role in helping patients stop tobacco use.

The National Cancer Institute (USA) suggests using a '4 A' strategy;

'Ask' about the use of tobacco;
'Advise' to stop and educate them;
'Assist' them with a stop date' self help handouts and other interventions;
'Arrange' a follow up.

Another strategy is the '4 R' strategy: discuss the 'Risk' of developing cancer, the 'Rewards' of quitting tobacco use, the 'Relevance' of stop smoking programmes and the continued 'Repetition' of the stop-smoking message.

To quit tobacco, will power alone is not enough. Comprehensive programmes for motivated people achieve good results. Such programmes include:

1. Medications to help reduce the dependency to nicotine addiction (nicotine replacement therapy)
2. Encouragement and support from clinicians, families and friends.
3. Behavioral therapy involving skilled training and problem solving. Techniques for achieving and maintaining abstinence. Such programmes can be a part of health care institute or welfare organizations. This will drastically result in the reduction of tobacco-induced diseases, including cancer.

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WELINK - REVENUE

This case was written by assistant Professor Kamran Rashid to serve as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. This material may not be quoted, photocopied or reproduced in any form without the prior written consent of Lahore University of Management Sciences.

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"Purchase before June 30 and you can get a discount" were the words of the sales agent of ConnectUs Phonecards Ltd, while he was talking to Fatima Ashraf. Fatima was a student of a local business school and used to buy "WeLink" -prepaid telephone cards- to make calls to parents and relatives. She had gone to a retailer of "WeLink" to buy a Rs.500 card. He told her to buy more cards before June 30 on special discount which was not normally available. She wondered why it was important for him to make a sale before June 30.

She asked this question from Adnan, one of her class fellows, and he replied: "It is because they want to show higher sales figures in their financial statements and as their year ends on June 30, 2001, a sale before that would be included in the financial statement of 2001". Fatima pondered this and said "Can they treat my purchase of card as sale?"

"Why not?" replied Adnan.

Fatima said, "I think they are selling me a commitment to supply service in future, and until I use my card, their commitment is outstanding. As we have studied in our first accounting course, income by a service provider should be booked when the service is performed; they should not book revenue till the card is utilized".

But Adnan replied assertively, "No, service is not going to be provided by ConnectUs, but by Telekom Pak (TP), the largest telecommunication services provider in the country. ConnectUs is only working as a commission agent for them, so as soon as the card is sold, their earning process is complete and they should book revenue."

Fatima argued hotly, "But they still have to operate the equipment which works as a gateway between the customer and TP, the service provider, and they have to bear costs of maintaining and running this equipment."

The Company

ConnectUs Phonecards Limited (CPL) was an unlisted public limited company, incorporated in Pakistan under the Companies Ordinance, 1984. The principal activity of the company was to provide pre-paid (international and nation wide) calling card service (PCCS) in Pakistan, under an Operation & Maintenance contract with Telekom Pak. Under the contract, the network of TP was made available to WeLink subscribers. The company established Intelligent Network Platforms (INP) to provide connection between card subscribers and TP. Operational cost of running these INPs represented a significant portion of total costs of the company

The Card

CPL launched its operations under the service brand name **WeLink** ® in March 1999 and in a short span of time gained a significant market share. Their card was available in various denominations and could be used for domestic as well as international calls. These cards could be used only within six months of making the first call.

Questions

1. When and how much revenue should be booked in case of service providers?
2. Is ConnectUs Phonecards Ltd supplying a service or working as an agent of TP?
3. Will this agent vs service provider decision affect the amount of revenue to be booked?
4. When should ConnectUs book revenue?
5. If revenue is to be deferred, how much should be booked in respect of cards which have been partially utilized till the balance sheet date i.e., June 30, 2001?



ANSWERS

1. When and how much revenue should be booked in case of service providers?

In case of a service provider, revenue should be booked when the service is provided and to the extent of service provided. Revenue recognition has nothing to do with the time and amount of cash received for rendering of services. If cash is received before the service is actually rendered, it should not be recognised as revenue but rather a liability i.e. deferred revenue.

IAS 18 sets out the conditions when revenue from recognition of services can be recognised:

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction should be recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) *the amount of revenue can be measured reliably;*
- (b) *it is probable that the economic benefits associated with the transaction will flow to the enterprise;*
- (c) *the stage of completion of the transaction at the balance sheet date can be measured reliably; and*
- (d) *the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.*

Stage of completion can be determined by a variety of methods which include

surveys of work performed, services performed to date as a percentage of total services to be performed and the proportion that costs incurred to date bear to the estimated total costs of the transaction.

2. Is ConnectUs Phonecards Ltd supplying a service or working as an agent of TP?

ConnectUs Phonecards Ltd (CPL) is a service provider in the sense that it has established its own Intelligent Network Platforms (INP) to provide connection between card subscribers and TP. The users of the card connect to the TP network using CPLs setup.

CPL is also working as agent of TP as the communication network used to connect subscribers is provided by TP. CPL is just providing consumers with a platform to use TP's services. TP will charge CPL for providing the network used by CPL's subscribers as they use the cards for making calls. CPL's job is only to provide an interface between consumers and TP.

3. Will this agent vs service provider decision affect the amount of revenue to be booked?

If CPL is considered as agent of TP, the amount of revenue to be recognised will be the amount recovered through sale of prepaid cards, since service is to be provided by TP.

If, on the other hand, CPL is considered to be a service provider, the time and amount of revenue recognised will depend on the subscriber actually using the card and the extent to which

the card is used i.e. when CPL actually provides the service.

4. When should ConnectUs book revenue?

ConnectUs should book revenue according to the agreement with TP. The agreement would provide for the portion of revenue going to TP. This portion would represent the services provided by TP when the cards are used. ConnectUs is acting as an agent of TP as far as services provided to them are concerned and the amount of revenue upto that portion should be recognised with the sale of cards.

The other portion would represent the services to be provided by CPL. The amount of revenue relating to this portion should be deferred and recognised as and when the cards are used.

5. If revenue is to be deferred, how much should be booked in respect of cards which have been partially utilized till the balance sheet date i.e., June 30, 2001.

The amount of revenue relating to the services provided by CPL will be recognised upto the utilized portion of the card as at the balance sheet date and the rest will be deferred.

The portion of revenue representing services provided by TP is to be recognised in full.

