

TECHNICAL E-NEWSLETTER

FOR THE MONTH OF MARCH 2008

ACCOUNTING UPDATE

Amendment to IFRSs issued

On 14 February 2008, The International Accounting Standards Board (IASB) issued amendments to improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities.

IAS 32 requires a financial instrument to be classified as a liability if the holder of that instrument can require the issuer to redeem it for cash. That straightforward principle works well in most situations. However, many financial instruments that would usually be considered equity, including some ordinary shares and partnership interests, allow the holder to 'put' the instrument (to require the issuer to redeem it for cash). Currently these financial instruments are considered liabilities, rather than equity.

The amendments to IAS 32 address this issue and require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions:

- puttable financial instruments (for example, some shares issued by co-operative entities)
- instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities).

Additional disclosures are required about the instruments affected by the amendments.

The amendments will apply for annual periods beginning on or after **1 January 2009**, with earlier application permitted.

For further information on the [amendment to IAS 32](#), please visit the project website on www.iasb.org.

AUDITING UPDATE

Exposure Drafts

The International Auditing and Assurance Standards Board (IAASB) published the following two exposure drafts for public comment:

Exposure Drafts	Due Date for Comments
Proposed ISA 210 (Redrafted), Agreeing the Terms of Audit Engagements	15/4/2008
Proposed ISA 710 (Redrafted), Comparative Information-Corresponding Figures and Comparative Financial Statements	15/4/2008

Proposed Redrafted ISAs 210 and 710 reflect the application of the IAASBs' clarity drafting conventions to extant ISA 210, Terms of Audit Engagements and ISA 710, Comparatives.

The proposed ISAs 210 and 710 can be viewed at <http://www.ifac.org/eds>

Members' valuable comments

IAASB has asked for the comments on the said exposure drafts, members are requested to send their valuable comments before the due date to ICAP at the following email ID maria.qamar@icap.org.pk

TAXES UPDATE

The Federal Board of Revenue (FBR) issued the following Notifications, General Orders and Circular:

Income Tax Ordinance, 2001

Notifications

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SRO NO.	Subject
SRO#105(I)/2008 dated 01/2/2008	Exemption of levy of capital value tax on purchase of building by the Royal Embassy of Saudi Arabia in Islamabad for official use.
SRO#152(I)/2008 dated 16/2/2008	Amendment in Second Schedule to the Income Tax Ordinance, 2001
SRO#153(I)/2008 dated 20/2/2008	Amendment in Second Schedule to the Income Tax Ordinance, 2001
SRO#171(I)/2008 dated 21/2/2008	Amendment in Second Schedule to the Income Tax Ordinance, 2001

Circular

Circular No.	Subject
Circular #2 of 2008 dated 28/2/2008	Clarification regarding non applicability of withholding tax provision in case of Banking Companies.

Sales Tax Act 1990

Notifications

SRO NO.	Subject
SRO#100(I)/2008 dated 1/2/2008	Appointment of officers for Sales Tax and Federal Excise
SRO#101(I)/2008 dated 1/2/2008	Registered persons fall within the jurisdiction of LTU Islamabad
SRO#115(I)/2008 dated 6/2/2008	Exemption of Sales Tax chargeable on imports of material and equipment for construction and operation of Gwadar Port for a period of forty years.
SRO#135(I)/2008 dated 12/2/2008	Exemption of Sales Tax on Margarine
SRO#154(I)/2008 dated 21/2/2008	Amendment in SRO#645(I)/2007 dated 27/6/2007
SRO#155(I)/2008 dated 21/2/2008	Amendment in SRO#390(I)/2001 dated 18/6/2001
SRO#170(I)/2008 dated 22/2/2008	Fixation of value of Re-rollable Scrap imported through Iran and Afghanistan.

General Order

STGO NO.	Subject
STGO # 5/2008 dated 11/2/2008	Amendment in STGO # 07 of 2007 dated 13/9/2007
STGO # 6/2008 dated 11/2/2008	Amendment in STGO # 08 of 2007 dated 13/9/2007
STGO # 7/2008 dated 11/2/2008	Amendment in STGO # 09 of 2007 dated 13/9/2007
STGO # 8/2008 dated 11/2/2008	Amendment in STGO # 14 of 2007 dated 13/9/2007
STGO # 9/2008 dated 11/2/2008	Amendment in STGO # 16 of 2007 dated 13/9/2007

STGO # 10/2008 dated 11/2/2008	Amendment in STGO # 17 of 2007 dated 13/9/2007
STGO # 11/2008 dated 22/2/2008	Amendment in STGO # 19 of 2007 dated 13/9/2007

Customs Act 1969

Notification regarding Import

SRO No.	Subject
SRO 90 (I) /2008 dated 29/1/2008	Amendment in Customs Rules 2001.

A more detailed view of the above mentioned Notifications, General Orders and Circular may be obtained at <http://www.fbr.gov.pk>.

COMPANIES ORDINANCE 1984 UPDATE

The Securities and Exchange Commission (SECP) of Pakistan issued the following Notification:

Notification

Notification No.	Subject
JD (CS) / 2008 dated 31/1/2008	Extension in date to submit application for SECP Panel of Auditors up to 29 February, 2008

A more detailed view of the above mentioned notification may be obtained at <http://www.secp.gov.pk>.

STATE BANK OF PAKISTAN

State Bank of Pakistan issued the following Circulars:

Circular No.	Subject
BRPD Circular No.1 dated 31/1/2008	Financing Facilities by State Bank- Enhancement in Repo Rate from 10% to 10.5%
BSD Circular No. 1 dated 1/1/2008	Minimum Capital Requirement- Implementations of Basel II
BSD Circular No. 02 dated 28/1/2008	Statutory Liquidity and Cash Reserve Requirements
BSD Circular No. 03 dated 31/1/2008	Maintenance of Cash Reserve Requirements
BSD Circular No. 04 dated 2/2/2008	Statutory Liquidity and Cash Reserve Requirements
BSD Circular No. 5 dated	Minimum Capital Requirement- Implementations of Basel II

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14/2/2008		
BSD Circular No. 6 dated 3/3/2008		Guidelines on Internal Controls
FSCD Circular No. 01 dated 31/1/2008		Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Under FE-Circular 25 of 1998.
FSCD Circular No. 02 dated 21/2/2008		3-day Repo Facility
IBD Circular Letter No.1 dated 27/2/2008		Submission of information regarding Sukuk Issued in Pakistan
MFD Circular letter No. 2 dated 4/2/2008		Scheme for financing locally manufactured machinery.
MFD Circular letter No. 3 dated 4/2/2008		Export Finance Scheme – Modifications in procedure for refinance

FEBRUARY NEWS BRIEF

- SBP tightens monetary policy – rate up by 50bps to 10.5 per cent
- FBR withdraws 2 percent extra sales tax levied on commercial importers of pesticides
- SECP introduces two types of Real Estate Investment Trust Rules (REITs) schemes
- Domestic debts increase by Rs 225.34 billion in five months (SBP)
- World Bank Report: corruption one of the core reasons for hindering development
- Germany was world's leading exporter in 2007
- SECP to set up a capital markets institute with the aim of offering different examinations leading to certificates in specialized areas
- More and more investors are turning to Islamic Banking to avoid credit turmoil in other financial markets
- FBR to set up "Disaster Recovery System"
- US lenders to pause delinquent mortgage foreclosures
- US retail sales rise
- SBP raises retail exposure limit to Rs 75m for consumer loans and small business loans
- LCCI and Bank of Punjab sign MOU to strengthen relations between the business community and the bank
- SECP – Continuous Funding System (CSF) MK-II Market will go live in April
- Barclays Bank to begin operations in mid 2008 in Pakistan
- Indonesian growth in 2007 fastest in 11 years
- Supreme Court allows FBR to levy sales tax on steel sector
- Pakistan is expected to acquire a significant share of US companies outsourcing agreements in the IT field
- FBR withdraws 2 percent extra sales tax levied on commercial imports of different types of finished pesticides and its active ingredients
- Financial sector assets have grown to US \$ 180 billion
- SBP requests banks to refund fines to exporters for availing refinancing facilities without valid limits
- KSE-100 index closed above 15,000 points for the first time
- SBP to set up Chair for Monetary Economics and Chair for Finance at the Institute of Bankers Pakistan
- US home prices plunge at record rate in 2007
- FBR abolishes bank endorsement condition
- Oil rose to 28 year high (near \$103)
- SECP designs model memorandum of association for 27 industry sectors