



The Institute of
Chartered Accountants
of Pakistan

JANUARY 2010

Technical Update

Contents.....

IASB Update

IASB Re-exposes Proposals on Measuring Liabilities for Asset Decommissioning, Legal Disputes and Similar Items

IFAC Update

IAESB Enhances Relevancy and Consistency of Education Standards with New Framework

Framework Outlines Fundamental Concepts for Education Standards

IAASB Issues New Assurance Standard on Controls at Service Organizations

IPSASB Achieves Goal of Substantial Convergence with IFRSs

IFAC Launches Improved Publications Website

IFAC Global Seminar and 32nd Annual Council Meeting

IFAC Releases New Tool for Reporting ISA Adoption

IFAC Previews Initial Results from the 2009 Global Leadership Survey

Third Phase of Business Reporting Project Nears Completion

IAASB Consults on New Projects

Revision of Education Standards Launched

SMP Publications Update

Early Preparation Urged for Adoption and Implementation of Revised Code of Ethics

ICAP Update

SECP Update

FBR Update

SBP Update

Local News Brief

World News Brief

ICAP House
Chartered Accountants Avenue
Clifton, Karachi. (Pakistan)
UAN: 111-000-422
PABX: 99251636-39 Fax: 99251626
E-mail: info@icap.org.pk
Website: <http://www.icap.org.pk>

IASB Update

IASB Re-exposes Proposals on Measuring Liabilities for Asset Decommissioning, Legal Disputes and Similar Items

The International Accounting Standards Board (IASB) has published for public comment an exposure draft of one section of a replacement for IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The section contains revised proposals for measuring liabilities within the scope of IAS 37.

IAS 37 applies to liabilities not covered by other accounting standards, such as liabilities to decommission assets and liabilities arising from legal disputes. The IASB previously published proposals to amend IAS 37, including revised measurement requirements. In the light of the comments received the IASB identified a need to develop more guidance on one part of those proposals: the measurement of these liabilities.

To enable interested parties to see the proposed measurement section in the context of the proposed standard as a whole, the IASB is preparing a working draft of the entire standard and aims to post a copy on its website in February 2010. Until that working draft becomes available, the Liabilities—Amendments to IAS 37 project page on: <http://go.iasb.org/Liabilities> provides a link to a decision summary that contains both the measurement proposals and the other decisions that will appear in the new standard.

An IASB 'Snapshot', a high level summary of the proposals, is available to download free of charge from the project section of the IASB website.

The IASB invites comments on the exposure draft, *Measurement of Liabilities in IAS 37*, by 12 April 2010. The exposure draft is available on the 'Open for Comment' section on: www.iasb.org

IFAC Update

IAESB Enhances Relevancy and Consistency of Education Standards with New Framework

Following the approval of due process by the Public Interest Oversight Board, the IAESB has released its *Framework for International Education Standards for Professional Accountants* (the Framework), designed to enhance the relevancy, consistency, and applicability of its publications to IFAC member bodies and other interested stakeholders in accounting education.

The new Framework document replaces the previously existing Framework for International Education Pronouncements and the Introduction to the International Education Standards documents which were published in October 2003. It uses a more concise and simplified structure that:

- Sets out the underlying educational concepts which the IAESB uses in its publications; and,
- Provides an overview of its publications and related IFAC member body obligations.

The Framework also includes an appendix, titled "IAESB Drafting Conventions" (the Drafting Conventions). This appendix will serve a number of roles, including acting as a guideline when improving the clarity of education standards.

Moreover, the language and tone of the Framework document has been simplified to ensure that first-time readers can readily understand its content. In addition both developing and developed member bodies will obtain a better understanding of their obligations when developing learning and development programs for professional accountants.

The intended benefits of the Framework include:

- The development of International Education Standards (IESs) which are consistent, because they are based on a common set of concepts relevant to education;
- A more efficient and effective standard-setting process, because the IAESB debates issues from the same conceptual base; and
- Increased transparency and accountability of the IAESB for its decisions, because the concepts underlying the Board's decisions are known.

The Framework can be accessed via the Education section of the IFAC Publications website at web.ifac.org/publications

Framework Outlines Fundamental Concepts for Education Standards

Part One of the Framework describes the following educational concepts:

- competence,
- initial professional development,
- continuing professional development, and
- assessment used by the IAESB when developing IESs.

The effectiveness of learning and development programs must be assessed regularly to ensure that professional accountants can continue to meet the demands of society. The IAESB will apply the educational concepts set out in the Framework when developing the IESs. In the absence of a specific IES, IFAC member bodies and other interested parties should also apply these concepts when designing, delivering, and assessing education for professional accountants.

Part Two of the Framework describes the nature of IESs and related publications, as well as related IFAC member body obligations. IESs prescribe good practice in learning and development and are thus more authoritative than International Education Practice Statements, which provide guidance (for example, on how to achieve good practice). The practice statements are, in turn, more directive than Information Papers and Support Material, which discuss issues (including emerging issues), present findings, or assist in achieving good practice.

The Framework is addressed primarily to IFAC member bodies because of their interest in the education, development, and assessment of their members and students. It is also relevant to a wide range of stakeholders, including accounting faculties at universities, employers of professional accountants, professional accountants, prospective professional accountants, and others interested in the work of the IAESB.

IFAC staff has developed support material in the form of a PowerPoint presentation and supporting speaking notes to assist in providing an overview of the content of the Framework. In addition, staff has prepared a summary of the changes made to the original Framework document which enables interested readers to readily identify significant changes. This support material is available on the IAESB website at: www.ifac.org/Education/Resources.php

IAASB Issues New Assurance Standard on Controls at Service Organizations

Recognizing the widespread international use of outsourcing, the International Auditing and Assurance Standards Board (IAASB) has released International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a*

Service Organization. This new standard addresses reports on the description, design, and operating effectiveness of controls relating to the broad range of services that today's service organizations provide. Such services can range from assisting with processing transactions to performing one or more business functions.

ISAE 3402 is effective for service auditors' reports covering periods ending on or after June 15, 2011. An overview of this new standard is available in the IAASB section of the new [Publications and Resources](#) site.

IPSASB Achieves Goal of Substantial Convergence with IFRSs

At its December 8-11 meeting in Rome, the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) achieved its strategic goal of substantial convergence with the International Financial Reporting Standards (IFRSs) dated December 31, 2008, with a series of new or improved standards.

Three of these new International Public Sector Accounting Standards (IPSASs) deal with financial instruments—in terms of presentation, recognition and measurement, and disclosures. A fourth standard covers intangible assets and an improvements standard makes minor changes to existing IPSASs. They are primarily drawn from IFRSs, with limited changes dealing with public sector-specific issues. In addition, the board approved an exposure draft covering service concessions.

The new standards and exposure draft is available to download free of charge from the IFAC website: web.ifac.org/publications

IFAC Launches Improved Publications Website

IFAC has launched a newly redesigned Publications and Resources website that offers users expanded functionality and interactivity, as well as greater access to IFAC's growing selection of publications and guidance.

The scope of the site has also been broadened

to include a wider range of IFAC publications and resource materials, including adoption and implementation support materials, exposure drafts, and consultation Papers.

The site can be accessed at: web.ifac.org/publications. The section devoted to IPSASB publications and resources can be found at web.ifac.org/publications/international-public-sector-accounting-standards-board

IFAC Global Seminar and 32nd Annual Council Meeting

Over 200 leaders, representatives, and other experts of the accounting profession attended the IFAC Global Seminar and 32nd Annual Council Meeting, held November 17-18, 2009, in Washington. This event convened representatives of the profession, including IFAC member bodies, regional organizations, accountancy groupings, and other external stakeholders from around the world.

The week's events consisted of the IFAC Global Seminar and other workshops, which focused on the global financial crisis, the needs of the developing nations and small- and medium-sized entities (SMEs), and IFAC-related strategic issues of special interest to our member bodies.

The 32nd Annual Council Meeting focused on internal IFAC business, including the review of IFAC's operational plan for 2010 and the approval of six organizations to member, associate, or affiliate status.

The causes of the financial crisis, the role accountants can play in preventing future crises, and the positive impact accounting and auditing standards can have on the financial system were among the topics discussed by three panels of distinguished experts during the IFAC Global Seminar.

The Seminar provided an opportunity for panelists and participants to explore, debate, and even challenge themselves on what caused the crisis and the most relevant considerations in recovering from the crisis.

A number of important themes emerged during

the panel sessions, including the following:

- How the disconnect between financial benefits and risks helped precipitate the financial crisis
- How the crisis was worsened by inadequate information regarding the magnitude of risks
- How the reform initiatives of the Group of Twenty (G-20) Finance Ministers and Central Bank Governors include accounting standards
- How the growing endorsement of International Standards on Auditing (ISAs) is improving audit practice
- How the public sector promotes financial stability now and in the future
- How the convergence process for International Public Sector Accounting Standards (IPSASs) is bolstering government accountability

More information about the Seminar, as well as slide shows of many of the participant's presentations can be found at: www.ifac.org/ifac-global-seminar-council/2009/index.php

IFAC Releases New Tool for Reporting ISA Adoption

The global adoption of International Standards on Auditing (ISAs) is well underway, according to data recently released by IFAC. In the online chart ISAs, as issued by the International Auditing and Assurance Standards Board (IAASB), are reported as having been adopted, or otherwise used as the basis of national standards, in 126 jurisdictions around the world.

The tool gives an overview of ISA adoption by jurisdiction, as well as provides other insights on how standard setting and regulatory frameworks vary worldwide. The information is based on responses submitted by IFAC members as part of the three-part Member Body Compliance Program, and through other sources, such as the World Bank's *Reports on the Observance of Standards and Codes (ROSC) Accounting and Auditing*. The chart demonstrates the commitment of IFAC and its member bodies to raise awareness about the status of adoption. It can be found at: web.ifac.org/isa-adoption/chart

The adoption of ISAs is an important step as outlined in IFAC's Statement of Membership Obligation (SMO) 3—which sets out the obligations of member bodies in relation to ISAs, related Practice

Statements, and other papers issued by the IAASB. Under this SMO, member bodies are required to use their best endeavors to, among other things, incorporate ISAs into their national standards and other related pronouncements and assist in their implementation.

These commitments are communicated by member bodies through their strategically focused Action Plans, which describe the current status of adoption and outline in detail planned activities for ongoing adoption and furthering implementation. At the time of publishing of this newsletter.

Within the ISA adoption chart, viewers can click on the name of the jurisdiction to reveal updates summarizing the jurisdiction's status of adoption and additional notes relevant to the adoption process.

Adoption is reported according to the following four categories:

- *Required by Law or Regulation* - Country law or regulation requires the use of ISAs as issued by the IAASB in the auditing of general purpose financial statements.
- *ISA are Adopted* - A national standard setter has adopted ISAs as the audit standards to be used in the country (there are no separate local auditing standards).
- *National Standards are the ISAs* - While ISAs have generally been adopted as the local standards, there may be national modifications to them but changes, if any, are stated to be in line with the spirit of the IAASB Modifications Policy.
- *Other* - In some circumstances, available information is not adequate to evaluate whether the local adoption process, including the translation of ISAs into the local language, is reasonably up to date. In other cases, where a jurisdiction indicates that the local generally accepted auditing standards are "based on" or "similar to" the ISAs, it is not clear whether modifications to or other differences from the ISAs meet the requirements of the IAASB Modifications Policy.

Adoption of ISAs, including the clarified ISAs, and changes to strengthen local regulatory and standard-setting frameworks is an ongoing process. Consequently, the chart and related notes,

gathered from the Compliance Program and a variety of other sources, will be updated periodically as new information and feedback are received.

IFAC Previews Initial Results from the 2009 Global Leadership Survey

IFAC member bodies, overall, are addressing the financial crisis pro-actively with a number of initiatives, including seminars, training sessions, and articles, according to IFAC's third annual Global Leadership Survey. Members are also working with their regulators and educating publicly listed company boards on issues such as the ability of an entity to continue as a going-concern and fair value accounting.

Over 100 presidents and chief executives of IFAC members, associates, and regional accountancy organizations participated in the survey, which addresses global issues facing the accountancy profession and focused this year on the effects of the financial crisis. The Global Leadership Survey, which was first issued three years ago, provides an opportunity for participants to provide their views and perspectives about the most challenging issues they face and the opportunities available to the profession and their organizations. This information will also provide important insights to help steer IFAC's strategic discussions over the coming year.

Third Phase of Business Reporting Project Nears Completion

The third phase of IFAC's comprehensive review of global business reporting trends is nearing completion.

Gathering insights from the global movement towards economic recovery, IFAC's Business Reporting Steering Group has finalized a series of interviews with more than 25 preparers, company management and directors, auditors, standard setters, regulators, and investors on what should be done now to improve business reporting.

Interview participants included key leaders within the professional and regulatory arenas. Their insights and recommendations, which will be

published by IFAC as a series of articles in a report, represent a variety of perspectives on business reporting. They explore potential solutions to a number of important issues raised in the project's previous reports, *Financial Reporting Supply Chain: Current Perspectives and Directions* (2008), and *Developments in the Financial Reporting Supply Chain—Results from a Global Study among IFAC Member Bodies* (2009).

Publication of the articles, including a proposed action plan by the IFAC Steering Group, is planned for early 2010. This project provides insights that will support the development of a principles-based International Good Practice Guidance (IGPG), *Evaluating and Improving Business Reporting in Organizations*, later in 2010. Such an IGPG could also provide further practical guidance to help professional accountants implement the International Accounting Standards Board proposed guidance, *Management Commentary*, currently available as an exposure draft from the IASB website.

More information about this project can be found at: www.ifac.org/frsc

IAASB Consults on New Projects

The International Auditing and Assurance Standards Board (IAASB) has launched two projects focused on topics of contemporary relevance to auditors and assurance practitioners: auditing complex financial instruments and reporting on greenhouse gas statements. Given the complexity and continuously evolving nature of these topics, the IAASB has issued two Consultation Papers to seek views from the public on the IAASB's work to develop new guidance in these areas.

Complex Financial Instruments

In the current financial environment, issues of fair value accounting estimates continue to challenge preparers and auditors. This has given rise to strong demand from auditors for further guidance on auditing complex financial instruments, for example in situations of illiquid markets. Consequently, the IAASB has released a Consultation Paper titled *Auditing Complex Financial Instruments*, which seeks views on the type of guidance that would be most useful to auditors in the international context.

The Consultation Paper addresses issues relating to the reliability and auditability of fair value information, and incorporates recent work by the U.K. Auditing Practices Board (APB) on the same topic with the aim of leveraging it to enable the IAASB to put relevant guidance in the hands of auditors as quickly as possible.

The IAASB will use the feedback from this consultation in its revision of International Auditing Practice Statement 1012 on auditing derivative financial instruments. An exposure draft of the proposed revised Practice Statement is planned for release by the middle of 2010.

Greenhouse Gas Emissions

As jurisdictions around the world embrace climate change initiatives in efforts to rein in carbon emissions and other greenhouse gases (GHG), the IAASB is making significant progress in developing a new assurance standard on GHG statements. This project recognizes the growing number of countries that are developing, or have developed, carbon emissions trading schemes. These schemes often require public reporting of information about emissions inventories, which has economic, political, and social significance, and reinforces the importance of robust assurance standards for reporting on such information. To further its efforts, the IAASB has also released a Consultation Paper seeking views on key issues in developing that standard. Titled *Assurance on a Greenhouse Gas Statement*, the Consultation Paper asks a number of important questions on the subject, including the following:

- The form of assurance report that users would find most useful
- The nature and extent of requirements
- How a standard should best integrate with regulatory regimes
- Technical aspects of applying the assurance process to greenhouse gas emissions

Comments are requested by February 19, 2009. The IAASB will use the feedback from this consultation to develop an exposure draft of a proposed assurance standard planned for release by the middle of 2010.

The Consultation Papers can be viewed by going to: www.ifac.org/Guidance/EXD-Outstanding.php

Revision of Education Standards Launched

At its October meeting in Belgium the International Accounting Education Standards Board (IAESB) approved a three-year project to revise its eight International Education Standards (IESs). This revision project has the following objectives:

- Improve clarity
- Ensure consistency with the concepts of the IES Framework document
- Update the standards' requirements in response to new developments in accounting education

These revisions are expected to reinforce the principles-based approach towards developing the IESs while ensuring that requirements are internationally relevant and enable measurable implementation. The revised standards will also adopt the structure and guidelines of the IAESB's new drafting conventions, which were approved in October 2009.

The revision will focus on the following areas: initial professional development, assessment, continuing professional development, and specializations of the accountancy profession. A task force has been assigned to each of these areas, with the IAESB Steering Committee providing oversight, reviewing consistency across all the standards and ensuring that due process is followed.

The timetable for the project includes the IAESB discussion of key issues for public consultation at its upcoming February meeting and holding public consultation on these issues during the second quarter of 2010.

The current set of eight education standards can be accessed at: <http://web.ifac.org/publications/international-accounting-education-standards-board/handbook#handbook-of-international-e>

SMP Publications Update

During the Small and Medium Practices (SMP) Committee meeting held October 29-30, 2009, in Beijing, committee members received updates on a number of projects, including publications currently under development.

Progress was reported on the following publications:

- The updated *Guide to Using International Standards on Auditing in the Audits of Small- and Medium-sized Entities* is scheduled for launch in April 2010. The updated guide will comprise two volumes.
- Work has begun on updating the *Guide to Quality Control for Use by Small- and Medium-sized Practices* to conform to the revised Code of Ethics and to improve it based on feedback from users. This version will be issued in the third quarter of 2010.
- The draft of the *Guide to Practice Management for Use by Small- and Medium-sized Practices* is undergoing review by a globally representative panel of reviewers. It is expected to be published during the first half of 2010.
- The committee also received an update on the project to develop the information paper, the *Role of SMPs in Providing Business Support to SMEs*. This project will look at the business advice and other non-compliance services that SMPs provide SMEs. The information paper is expected to be issued in the first quarter of 2010.

More information about SMP projects and publications is available in the IFAC International Center for Small and Medium Practices at: www.ifac.org/SMP

Early Preparation Urged for Adoption and Implementation of Revised Code of Ethics

The International Ethics Standards Board for Accountants (IESBA) is urging member bodies and professionals to prepare early for the adoption and implementation of the revised *Code of Ethics for Professional Accountants* (the Code). The Code becomes effective on January 1, 2011.

The IESBA staff has developed a range of materials to facilitate adoption and implementation of the revised Code. The materials, which are non-authoritative and issued for information only, include an overview of the revised Code, additional guidance about the independence requirements, and a tool to assist jurisdictions in comparing the revised Code to their existing Code.

The full text of the revised Code can be accessed from the Ethics section of the IFAC on line bookstore: www.ifac.org/Store and the support materials can be accessed from the Resources section of the IESBA website: www.ifac.org/Ethics/Resources.php

ICAP Update

Seminar on Tax Audit Framework

FBR has started the process of selection of cases for tax audits and the tax auditors. In order to provide guidance to members for better understanding of the Tax Audit Framework (TAF), ICAP is holding a Seminar on Tax Audit Framework on January 16, 2010 at ICAP Karachi as its first program of the series of seminars, workshops and roundtables that will be conducted in major cities of the country.

TAF is available for download on ICAP Website at: http://www.icap.org.pk/userfiles/file/Technical_Dept/Tax_Audit_Framwork_annex_tax_audit.pdf

Technical Advisory Committee Opinions

1. REMOVAL OF AUDIT FIRMS FROM THE QCR RATING

M/s. XYZ & Co. Chartered Accountants has been removed from the list of firms having satisfactory QCR rating on June 15, 2009.

M/s. XYZ & Co. Chartered Accountants were appointed as the auditors of ABC Company Limited for the year ended June 30, 2009 in the Annual General Meeting held on October 31, 2008 when their status with respect to satisfactory QCR rated was adequate.

As Clause xxxvii of the Code of Corporate Governance requires the external auditor should be satisfactory QCR rated at the time of appointment, you are requested to clarify whether or not M/s. XYZ & Co. Chartered Accountants can proceed with the audit of the aforesaid Company for the current year ended June 30, 2009 even though they have been removed from the QCR list on June 15, 2009.

COMMITTEE VIEWS

We would like to draw your attention to clause (xxxvii) of the Code of Corporate Governance which states that, "No listed company shall appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan"

Further, sub-section (4) of Section 254 'Qualification and disqualification of auditors' provides that "None of the following persons shall be appointed as auditor of a company, namely:—

- (a) a person who is, or at any time during the preceding three years was, a director, other officer or employee of the company ;
- (b) a person who is a partner of , or in the employment of, a director, officer or employee of the company ;
- (c) the spouse of a director of the company ;
- (d) a person who is indebted to the company ;
and
- (e) a body corporate.

In our opinion, the intent of the above referred clause of the Code was to impose restriction on conduct of the audit of the listed companies by firm of auditors not having satisfactory rating under the Quality Control Review (QCR) Program of the Institute of Chartered Accountants of Pakistan. Although the intent of this clause seems quite apparent as the sole purpose of the appointment of auditors by a company is to obtain their opinion on the respective financial statements, however, it may be argued that the appointment of auditor was valid as the auditor held the required QCR ratings at the time of appointment and was also not disqualified from holding the office under section 254 of the Companies Ordinance, 1984. It may further be argued that in the absence of any specific legal requirement for removal or disqualification of auditors on failing to achieve required QCR

rating during the tenure of the office of the auditors of the company, it can not be assumed that the office of the auditors to be vacant for proceeding to fill the casual vacancy.

The Committee and the Institute appreciate that the intent of the Code and the QCR is to ensure adequate quality audits performed by the auditors having required QCR rating. However, the Code and the Ordinance does not specifically prohibit the auditor from holding the office of auditor, where subsequent to the appointment, the auditor fails to obtain/maintain the required QCR rating.

The presumed disqualification of the auditor, due to his inability to obtain/maintain the satisfactory QCR rating subsequent to the appointment may also cause some practical problems in certain cases particularly when the audits are completed and financial statements are due to be approved by the BOD/AGM.

In view of the above and considering the fact that the legal provisions are silent for the QCR rating after the appointment of auditor and also there are various practical implications, we suggest that SECP should consider the issue in a broader perspective for appropriate resolution.

2. INVESTMENT IN SUBSIDIARY COMPANIES INCORPORATED UNDER SECTION 42 OF THE COMPANIES ORDINANCE, 1984

The Company (MSE) has made equity investments in its subsidiaries/related party (registered under S. 42) and carrying these investments at cost less impairment, if any.

The Company used to determine impairment loss in respect of investment in subsidiary companies on the basis of their break-up value/book value as the memorandum of association of these companies has imposed restrictions on the distribution of profit by way of dividend, bonus or distribution among the members upon winding up or dissolution, no cash flows are expected to accrue to the Company.

However, following accounting standards/guidance provides that an impairment loss relating to investments in / advances to subsidiary companies / related party may be carried out on the basis of estimated future cash flows:

Financial Assets carried at cost:

Section 16 'Investment' of Accounting and Financial Reporting Standards for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan

If there is objective evidence that an Impairment Loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar investment. Such impairment losses shall not be reversed.

Paragraph 66 of International Accounting Standards 39, Financial Instruments: Recognition and Measurement.

If there is objective evidence that an Impairment Loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Subsidiary companies are incorporated under section 42 of Companies Ordinance, 1984 and cash flows will not accrue to the Company in future periods. However, considering the objectives of the Company and in view of the fact that the subsidiary companies are incorporated to achieve the

objectives of the Company, it is of the view that provision on the basis of estimated future cash flows should not be made. Accordingly, management requests for an exemption for determining impairment loss based on the future cash flows of its subsidiary companies/related party and requested to allow the Company to carry its investments in the subsidiary companies / related party in the financial statements of the Company on the basis of break-up values/book of subsidiary companies / related party.

COMMITTEE VIEWS

In case of dissolution of the company which come under section 42 of the Companies Ordinance, 1984, the member of the company will not get any dividend but the same shall be transferred to a company having similar objective as that of the company. As mentioned in your enquiry, the memorandum of association of the subsidiary company restricts the distribution of profit by way of dividend, bonus or distribution among the members upon winding up or dissolution of the Company and the parent company (investor) will not get any return during the life of the investee company or at the time of winding up or dissolution of the Company.

Based on above, the Committee is of the view that the amounts contributed by the parent company should have been charged off as expenditure. Therefore, the question of impairment and consequently exemption from the provisions of section 16 "Investments" of Accounting and Financial Reporting Standards for Medium-sized Entities is irrelevant.

DISCALIMER:

The opinion is based on the facts and circumstances provided by the enquirer. The opinion may change if the facts and the circumstances change. An opinion may also change due to subsequent developments in law, pronouncements made by the Institute and other relevant changes. The Institute and the Technical Advisory Committee will have no liability in connection with such opinion and this opinion is not a legal advice.

SECP Update

- **SECP Launched Pakistan's First Capital and Securities Markets Institute**

Securities and Exchange Commission of Pakistan (SECP) has announced the launch of Pakistan's first capital and securities markets institute i.e. Institute of Capital Markets (ICM). With this, the country has joined the rank of the developed and developing countries, which have set minimum standards and criteria for the professionals working in securities and capital markets of the world. Acquiring institute's certificate would be compulsory for the professionals who directly deal with equity investors in the country. But the professionals in the fields of equity trading and client dealing, who at present are at the age of 35 and above and having minimum five-year experience in the fields mentioned above, are exempted from acquiring this mandatory certification, yet they are required to register with the Institute. From June 2011 and onward, this certification will be a must.

FBR Update

- **Date for filing, e-filing Extended**

Federal Board of Revenue (FBR) has extended the date for filing, e-filing of income tax returns and statements up to January 25, 2010. The extended time period shall be available only for those corporate cases where due tax to be paid is deposited by December 31, 2009. Income tax returns/statements in cases of non-filers/short-filers individuals/association of persons (AOPs) may also be filed by depositing the tax payable along with the returns/statements by January 25, 2010.

SBP Update

- **First E-Bond Trading Platform Launched**

State Bank of Pakistan (SBP) has launched the first Electronic Bond Trading Platform (E-Bond) for trading of government securities to develop a secondary debt market. In the first phase, government securities, including Government of Pakistan Ijara Sukuk, Market

Treasury Bills and Pakistan Investment Bond would be traded at E-Bond platform through 10 primary dealers. In the second and third phases non-primary dealers, asset management companies, insurance companies and provident fund management companies, which require high rate of interest, would be encouraged to trade in the newly establish E-Bond Market. However, every person or company, who want to trade in the government securities, would be required to open an 'Investor Portfolio Security Account' in the bank.

- **Date Extended for Data Submission of Quarterly Data File Structure**

SBP Offsite Supervision & Enforcement Department (OSED) vide its Circular Letter No. 01 dated January 01, 2010 extended data submission date of Quarterly Data File Structure (DFS) under Reporting Chart of Accounts (RCOA) through Data Acquisition Gateway Portal w.e.f. December 31, 2009. The Reporting Institutions (RIs) will now upload their quarterly data through Data Acquisition Gateway (DAG) Portal within 18 working days from the end of each calendar quarter instead of 30 days.

- **Waiver period Extended for Availing Financing Under the Export Finance Scheme**

SBP has extended waiver for another 180 days for the purpose of availing financing under the Export Finance Scheme (EFS) to facilitate exporters whose export proceeds are overdue. According to SMEFD Circular Letter No 17 issued on, the period of waiver has been extended up to June 30, 2010. Earlier, in July, the SBP extended the waiver till December 31, 2009. This waiver is also applicable in case of exporters who have subsequently shipped additional consignments to the same importer or its associated company from whom export proceeds were overdue. However, the central bank has cleared that this relaxation will not be allowed where the payment in respect of shipments has been stuck up on account of discrepant documents, or failure of the exporter to ship the goods in accordance with the requirements of the importer, provided shipments so made and discrepant documents so sent have been accepted by the importer abroad.

Local News Brief

- The Government has launched National Saving Bonds (NSBs) for multiple maturities of three, five and ten years with 12.50, 12.55 and 12.60 percent return rates, respectively, which would be offered in stock markets from February 25. The bonds are safe as these are scrip less. The investment can be made through subscription and will be registered with Central Depository Company (CDC) and listed on all 3 stock exchanges.
- The National Commodity Exchange Limited (NCEL) the Pakistan's first and only commodities and futures exchange has launched the first Commodity Index in the country. The NCEL Commodity Index is based on the composition of five commodities available for trading on NCEL covering palm oil, gold, silver, crude oil and Irri-6 Rice. The Commodity Index is an equally weighted price index that represents price movements of a portfolio of physical commodities listed on NCEL. This Index has been launched to meet the increasing demand to track commodity prices and will serve as a reference measure of commodities sectors in the country. The Index has been calculated on a 1000 base from a corresponding period of May 11, 2007 when NCEL formally launched its operation. The index currently stands at 1921 and will be computed on a daily basis. It will also be used as a general economic indicator for gauging the direction of commodity markets forecasting general price movements, market research, comparing price trends and for current prices of specific commodities.
- Karachi Stock Exchange has introduced 'FIX' (Financial Information Exchange) Protocol. FIX is the industry-driven messaging standard that is changing the face of the global financial services sector, as firms use the protocol to transact in an electronic, transparent, cost-efficient and timely manner. Nearly every major stock exchange and investment bank uses FIX for electronic trading, as do the world's largest mutual funds and money managers and thousands of smaller investment firms.

World News Brief

- The International Accounting Standards Board (IASB) welcomes the recent regulatory changes announced by the Japan Financial Services Agency (FSA) on 11 December 2009. The changes establish an operational framework for the voluntary application of International Financial Reporting Standards (IFRSs) in Japan, starting from the fiscal year ending on or after 31 March 2010 and represent an important step towards the adoption of IFRSs in Japan.
- VISA, one of the world's largest retail electronic payments network, and UAE Exchange have joined hands to bring to market the VISA Money Transfer service in the United Arab Emirates. The service will be offered through UAE Exchange's network of 80 branches across the UAE.
- Preparations are accelerating for the World Congress of Accountants (WCOA) 2010, which is being jointly organized by the Malaysian Institute of Accountants (MIA) and IFAC and will be held November 8-11, 2010, at the Kuala Lumpur Convention Center. It will focus on the theme, "Accountants: Sustaining Value Creation," and will feature more than 120 speakers participating in four Plenary and 33 Concurrent sessions on topics vital to the profession. More information available at WCOA 2010 website: www.wcoa2010kualalumpur