

**The Institute of
Chartered Accountants
of Pakistan**

D a w n o f a n e w E r a

A N N U A L R E P O R T '11



1961 - 2011

Together we will succeed

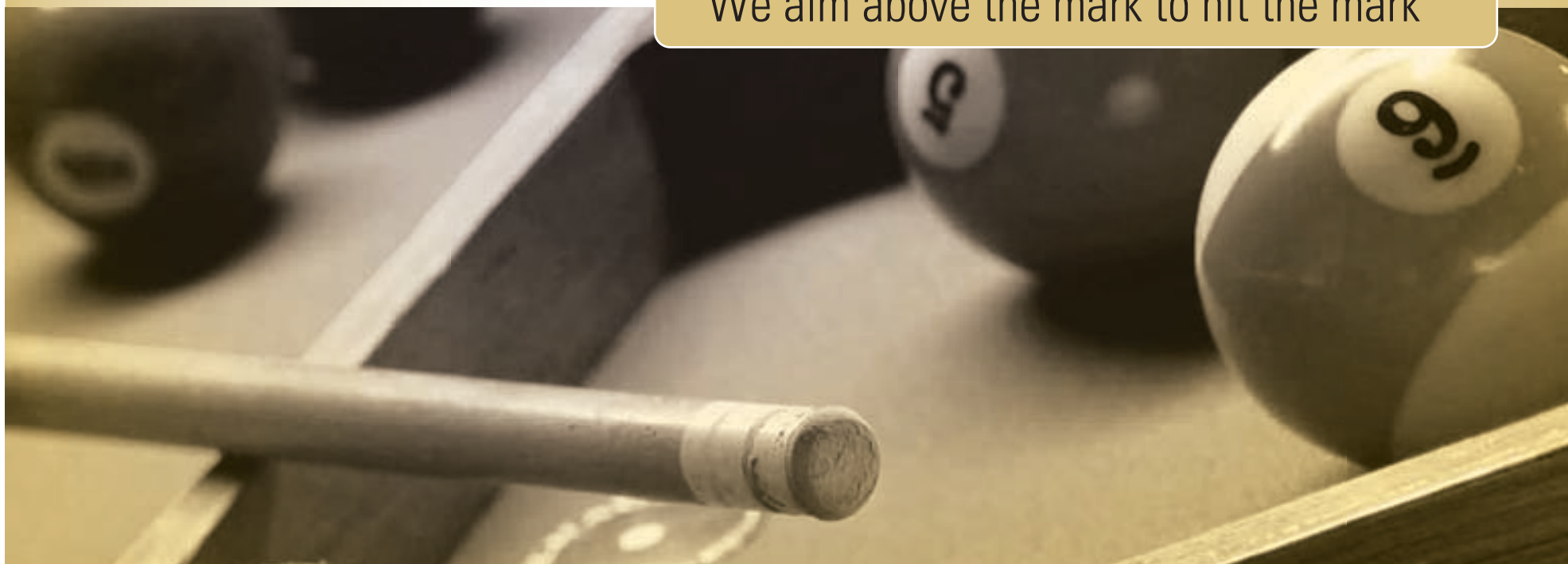




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We aim above the mark to hit the mark



Our Vision

The profession of Chartered Accountants in Pakistan should be the benchmark of professional excellence upholding the principles of integrity, transparency and accountability.

Our Mission

Our mission is to achieve excellence in professional competence, add value to businesses and economy, safeguard public interest, ensure ethical practices and good corporate governance while recognising the needs of globalisation.

Focus on the journey, not the destination



About ICAP

The Institute of Chartered Accountants of Pakistan (the Institute) was established as a statutory body on July 1, 1961 under the Chartered Accountants Ordinance, 1961 to regulate the profession of accountancy in the country.

ICAP is governed by the Council which consists of nineteen members. Fifteen members are elected from amongst the members for a period of four years. The remaining four are nominated by the Federal Government of Pakistan.

The region wise composition of the Council is as follows:

Southern Region	
Zone A (Sindh)	8
Zone B (Balochistan)	1
Northern Region	
Zone A (Punjab includes the Federal Capital)	5
Zone B (Khyber Pakhtunkhwa, Tribal Areas and Azad Kashmir)	1
Government Nominees	4
Total	19

The responsibility of formulating the strategic direction and management of the affairs of the Institute lies with the Council. The Council operates through various Standing and Other Committees to accomplish its objectives. In its performance, the Council is also supported by a management team headed by the Secretary, and key management personnel.

Leadership is the capacity to translate vision into reality



Council of the Institute

President

Shaikh Saqib Masood, FCA

Vice Presidents

Hafiz Mohammad Yousaf, FCA

Zahid Iqbal Bhatti, FCA

Abdul Rahim Suriya, FCA

Adnan Zaman, FCA

Ahmad Saeed, FCA

Khalid Rahman, FCA

Mohammad Abdullah Yusuf, FCA

Nadeem Yousuf Adil, FCA

Naeem Akhtar Sheikh, FCA

Nazir Ahmad Chaudhri, FCA

Pervez Muslim, FCA

Rafaqat Ullah Babar, FCA

Rashid Rahman Mir, FCA

Yacoob Suttar, FCA

Dr. Waqar Masood Khan

Secretary, Finance
(Government Nominee)

Muhammad Ali

Chairman, Securities & Exchange Commission of Pakistan
(Government Nominee)

Salman Siddique

Chairman, Federal Board of Revenue
(Government Nominee)

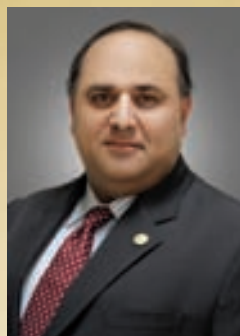
Muhammad Ayub Khan Tarin

Additional Auditor General of Pakistan
(Government Nominee)

Working together is the key to success



Council of the Institute



Hafiz Mohammad Yousaf
Vice President



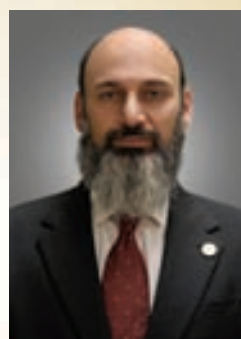
Shaikh Saqib Masood
President



Zahid Iqbal Bhatti
Vice President



Abdul Rahim Suriya



Adnan Zaman



Ahmad Saeed



Khalid Rahman



M. Abdullah Yusuf



Nadeem Yousuf Adil



Naeem Akhtar Sheikh



Nazir Ahmad Chaudhri



Pervez Muslim



Razaqat Ullah Babar



Rashid Rahman Mir



Yacoob Suttar



Dr. Waqar Masood Khan
Secretary Finance
(Government Nominee)



Muhammad Ali
Chairman SECP
(Government Nominee)



Salman Siddique
Chairman FBR
(Government Nominee)



M. Ayub Khan Tarin
Additional Auditor General of Pakistan
(Government Nominee)

Standing Committees

EXECUTIVE COMMITTEE

Chairman

Shaikh Saqib Masood

Members

Hafiz Mohammad Yousaf

Zahid Iqbal Bhatti

Abdul Rahim Suriya

Khalid Rahman

Mohammad Abdullah Yusuf

Nazir Ahmad Chaudhri

Pervez Muslim

Rashid Rahman Mir

EXAMINATION COMMITTEE

Chairman

*Shaikh Saqib Masood

Members

Zahid Iqbal Bhatti

Adnan Zaman

Ahmad Saeed

Mohammad Abdullah Yusuf

Nadeem Yousuf Adil

Pervez Muslim

Rafaqat Ullah Babar

Rashid Rahman Mir

INVESTIGATION COMMITTEE

Chairman

*Shaikh Saqib Masood

Members

Hafiz Mohammad Yousaf

Abdul Rahim Suriya

Adnan Zaman

Ahmad Saeed

Dr. Waqar Masood Khan

Hamid Khan

Mehmood Y. Mandviwalla

Naeem Akhtar Sheikh

Nazir Ahmad Chaudhri

Pervez Muslim

Rafaqat Ullah Babar

** In accordance with tradition, the President does not chair meetings of the Examination and Investigation Committees. These Committees are chaired by the Vice President, South and North, respectively.*

Regional Committees

SOUTHERN REGIONAL COMMITTEE

Chairman

Saad Kaliya

Honorary Secretary

Adnan Ahmad Mufti

CPD Convenor

Khalilullah Shaikh

Members

Riaz A. Rehman Chamdia

Syed Najmul Hussain

NORTHERN REGIONAL COMMITTEE

Chairman

Faisal Iqbal Khawaja

Honorary Secretary

Mohammad Ali Latif

Members

Irfan Ilyas

Muhammad Awais

Saifullah

Shibli Islam Rehan

Audit Committee

Chairman

Imran Afzal

Members

Abdul Rahim Suriya

Khursheed Kotwal

Moin Mohajir

Naeem Akhtar Sheikh

Quality Assurance Board

Chairman

Zafar Iqbal Sobani

Vice Chairman

Rashid Rahman Mir

Members

Zahid Iqbal Bhatti

Abbas

Abdul Aziz (Resigned on August 2, 2011)

Ali Azeem Ikram

Amir Jamil Abbasi

Arslan Khalid

Fuad Azim Hashimi

Kamran Y. Mirza

Muhammad Tufail Salariya

Noman Ahmed Qureshi

Syed Ahmed Abid

Zafar Iqbal

Other Committees

PROFESSIONAL STANDARDS AND TECHNICAL COMMITTEES

The Professional Standards and Technical Advisory Committee of the Institute is supported in its function by the following Committees:

- Technical Advisory Committee
- Accounting Standards Committee
- Auditing Standards Committee
- Committee on Financial Sector
- Committee on Taxation

The following separate subject matters Committees also operate within the Institute:

- Committee on Accounting and Auditing Standards for Interest Free Modes of Financing and Investments
- Economic Advisory Committee
- Public Sector Committee

In addition, ICAP has separate Coordination Committees with the regulators i.e. the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan.

OTHER COMMITTEES

- Human Resource Committee
- Education and Training Committee
- Continuing Professional Development Committee
- Central Building Committee
- Publications Committee
- Professional Accountants in Business Committee
- Overseas Coordination Committee
- ICAP Benevolent Fund Management Committee
- Small and Medium Practices Committee

The composition of each of the above Committees is available at the ICAP website through the link:
<http://www.icap.org.pk/web/links/525/othercommittees.php>

EXTERNAL AUDITORS

Qasim E. Causer
Chartered Accountant

M. Afzal Munif
Chartered Accountant

BANKERS

Faysal Bank Limited
MCB Bank Limited
Bank Al Habib Limited
Habib Bank Limited
National Bank of Pakistan

LEGAL ADVISORS

Mansoor Ahmad Khan & Co.
Faisal Kamal & Arshad Hussain, Advocates
Bawaney & Partners
Ghani Law Associates

Past Presidents

YEAR	NAME
1960-1962	S. Osman Ali
1961-1963	M. M. Ahmad
1963-1966	M. Aslam
1966-1969	Vaqar Ahmed
1969-1970	A. Rab
1970-1972	V. A. Jafarey
1972-1973	M. Yakub
1973-1975	Ejaz Ahmed Naik
1975-1978	Abdur Raouf Shaikh
1979	Aftab Ahmed Khan
1979-1983	H.U. Beg
1983-1986	Irtiza Husain
1986-1988	Ebrahim S.H. Dahodwala
1988-1989	M. Afzal Munif
1989-1991	Ebrahim Sidat
1991-1992	Abdul Hameed Chaudhri
1992-1993	Khalid Rafi
1993-1994	Muhammad Yousuf Adil
1994-1996	Syed Masoud Ali Naqvi
1996-1997	Sajjad Ahmad
1997-1998	Ahmad Dawood Patel
1998-1999	Najam I. Chaudhri
1999-2000	Shaukat Amin Shah
2000-2001	Pir Mohammad A. Kaliya
2001-2002	A. Husain A. Basrai
2002-2003	Khaliq-ur-Rahman
2003-2004	Mujahid Eshai
2004-2005	Zafar Iqbal Sobani
2005-2006	Syed Mohammad Shabbar Zaidi
2006-2007	Nasimuddin Hyder
2007-2008	Imran Afzal
2008-2009	Syed Asad Ali Shah
2009-2010	Abdul Rahim Suriya

ICAP Directorate



Syed Masood Akhtar, FCA
*Executive Director (Officiating)
and Director Examinations*



Shoaib Ahmed, ACA
Secretary



Omair Jamal, FCA
*Director Education,
Training and CPD*



Haroon Tabraze, FCA
Director Technical Services



Badia Raza
Regional Head (North)



Kamran Ahmed, ACA
Head of Finance



M. Faheemuddin Siddiqui
Head of IT



Tahera Arshad, ACA
Head of Internal Audit



Sheikh Mohammed Fahim
Head of HR & Administration



Uzma Hayat, ACA
Regional Administrator (ISL)



Shahid Hussain, FCA
Director Quality Assurance



Shaikh Saqib Masood

President's Review

It gives me immense pleasure to welcome you to the momentous 50th Annual General Meeting of the Institute of Chartered Accountant of Pakistan and present to you the Annual report for the historic year ended June 30, 2011.

It has been two years since election of the current Council of the Institute. Your Council has been focused towards the goals and objectives it had set for its four year's term on taking charge in September 2009, which were shared with you by the then President in the annual report for the year 2009. These inter alia included bringing significant improvements in the Education and Examination system, Quality Control Review Program, technical services to the members and enhancing the support systems of the Institute. All these initiatives are aimed to attract best brains to the profession and thereby enhancing membership of the Institute and quality of the profession. I would like share with you the progress made during this year on these initiatives in the following Paragraphs.

During the current year, Education and Training Committee remained engaged in developing revised scheme in line with the best international programs and practices. The Committee presented its report to the Council which was approved in principle, details of which are given in the report of the Council. A task force comprising of Council members is examining the proposed reforms to recommend the measures for implementation.

The Chartered Accountants Ordinance 1961, promulgated in 1961 was amended about 28 years back in 1983 and thus required many improvements. For a number of years efforts were made for its amendment to incorporate important changes necessary for bringing the provisions of the Ordinance

“ The dynamic value creation capability and potential of the profession would ensure that it continues to remain a leading and premier profession in the years to come. ”

in line with regulations of other international institutes and modern practices. Accordingly, ICAP has proposed amendments in the Ordinance to the Federal Government, to make the investigation process more efficient, compliance of professional standards more effective, and improvement in the governance of the Institute. The proposals also included bringing changes in the composition of the Council, entitling members to charge contingent fee, empowering the Institute to call for information in cases of quality assurance work, enhanced penalties for professional misconduct and allowing advertisement and soliciting work within bounds. The proposed amendments, after hectic follow up, were presented to the Federal Cabinet in October 2009. The Cabinet constituted a Ministerial Sub Committee to review the proposed amendments.

I am pleased to report that a breakthrough has now been achieved and the Cabinet Sub Committee headed by the Federal Minister for Finance and Economic Affairs, Dr. Abdul Hafeez Shaikh, during a meeting held on August 4, 2011 with the representatives of ICAP, has approved the proposed amendments in the Chartered Accountants Ordinance 1961 to be presented to the Federal Cabinet. It is now hoped that the amendments will see light of the day.

Around 24% of ICAP members live and work overseas. Their immaculate technical expertise and skills have established the brand of ICAP across the globe. For years consistent efforts were made to actively engage the overseas members in the affairs of the Institute. The Overseas Coordination Committee of the Institute worked dedicatedly to establish the Overseas Chapters of ICAP in the United Kingdom, the Kingdom of Saudi Arabia and Canada. The members living in these countries, under the supervision of ICAP, have elected their representatives for respective chapters. It is hoped that these chapters will serve as a direct link between the members and the Institute. Endeavours are being made to set up similar chapter in the United Arab Emirates to provide a platform for coordination to the members in UAE and other adjoining States.

Further, many other initiatives like setting up a committee to help members find employment opportunities, initiating deliberations with the Canadian Institute of Chartered Accountants (CICA) for mutual recognition of qualification and advancing discussions with Institute of Chartered Accountants of England & Wales for mutual recognition were taken, the details of which are contained in the Council's report. As another step towards good governance, your Council has recently decided to rotate auditors of the Institute after every five years in line with best corporate practice.

This year your Institute, by the grace of Almighty Allah turned fifty. The Council planned year long celebrations with various programmes conducted for the members and the students, details of which are contained in the Council's report. For five decades the institute has been upholding integrity, inculcating professionalism and enhancing quality. The dynamic value creation capability and potential of the profession would ensure that it continues to remain a leading and premier profession in the years to come. While commemorating the Golden Jubilee we have celebrated our achievements and identified areas for improvement. The future ahead is no doubt challenging in many respects. Your Council is determined to strive to achieve the best for the Institute and its members.

I believe that an open and honest communication is needed between the Institute and its members. I am privileged to have the continued support and guidance from worthy members of the Institute while discharging my duties. I wish to place my sincere gratitude to the worthy members of the Institute for the all support they extended to me during the year.

During the whole year I have had privilege of great support from Mr. Zahid I. Bhatti, Vice President South and Hafiz M. Yousaf, Vice President North besides the unmatched support from each and every member of the Council. I wish to place my profound gratitude for the worthy Council members for their committed support and guidance.

All the achievements would have not been possible without the dedicated support and services of the Executive Director, the Secretary and other executives and staff of the Institute. I on my own behalf and on behalf of the Council place on record our appreciation for their services to the Institute.

I wish and pray for a very successful and prosperous future for the Institute, its members and the staff beyond the 50th milestone.

Shaikh Saqib Masood
President ICAP

Karachi, August 25, 2011

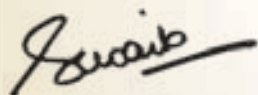
Notice of the Annual General Meeting

The 50th Annual General Meeting of the Institute of Chartered Accountants of Pakistan will be held on Friday, September 16, 2011 at 5:00 p.m. at ICAP House, Lahore.

AGENDA

The proceedings of the meeting will commence with the recitation from the Holy Quran.

1. Confirmation of the minutes of the 49th Annual General Meeting.
2. Consideration and adoption of the Report of the Council and the Financial Statements of the Institute with the Auditors' Report thereon for the year ended June 30, 2011.
3. Appointment of auditors for the year ending June 30, 2012.
4. Any other business with the permission of the Chair.



Shoaib Ahmed
Secretary

Karachi, August 26, 2011

| Report of the Council

The Council of the Institute of Chartered Accountants of Pakistan is pleased to present its Annual Report for the year 2011. This year the Institute is celebrating its Golden Jubilee, which is a historic milestone. The journey thus far has been professionally very fruitful. However, the real test lies in building upon what has been achieved and thus aiming for new heights of success, sustainability and adding value for all the stakeholders. The Council is aware of the challenges and is dedicatedly working towards further development, growth and prosperity of the profession and the Institute. Your Council recognises that the continued cooperation of the members and students, the secretariat and other key stakeholders is critical for promoting the cause of the profession and the Institute.

Talent wins games, but teamwork wins championships



Golden Jubilee Celebrations

The Council declared the year 2011 as its Golden Jubilee year. To celebrate the five magnificent decades of the Institute, a Golden Jubilee Committee was formed to plan, organise and carry out country wide celebrations to commemorate the event.

The purpose of the year long celebrations is for the Institute to strengthen the bond with and within the membership, to commemorate its achievements, to honour its past leaders and generate interest and awareness amongst the stakeholders.

LOGO and SLOGAN

A 'Logo and Slogan Competition' was launched during August 2010, inviting members, students and staff of the Institute to contribute their vision of the celebrations. The overwhelming response was gratifying and the Committee appreciated the spirit and creativity displayed by the members and students in the competition. The theme of the logo contributed by Mr. Isfhan Muhammad Iqbal (R # 5693) was finally selected and further developed.

The Committee selected "Fostering Talent for Leadership" as the slogan for the year. The slogan symbolises the parental role of the Institute in developing leaders of the profession. The Institute through its rigorous policies hones the skills and polishes the raw talent crafting it into the finance professionals sought after globally. The development continues after the attainment of the qualification throughout the professional career. In line with the Council's decision, the logo and slogan for the golden jubilee celebrations was published in leading newspapers of the country on January 1, 2011.



INAUGURAL CEREMONY



Paying respect to the National Anthem.

Fifty years ago on the March 3, 1961, the Chartered Accountants Ordinance, 1961 received the assent of the President of Pakistan which set the foundation of the Institute. Thus, the inaugural celebrations of the Golden Jubilee Year were held in Islamabad on March 4, 2011. The Federal Minister for Finance of Pakistan Dr. Abdul Hafeez Sheikh graced the ceremony as the Chief Guest, with former Federal Foreign/Finance Minister of Pakistan and currently Vice Chancellor Beacon House National University Mr. Sartaj Aziz and the Auditor General of Pakistan, Mr. Tanwir Ali Agha as keynote speakers. More than 650 guests, mostly members assembled to witness the Inaugural event. Mr. Saqib Masood, President ICAP, Hafiz Mohammad Yousaf, Chairman Golden Jubilee Celebrations Committee and Mr. Abdullah Yusuf, Chairman Golden Jubilee Inaugural Ceremony Committee also spoke on the occasion.



The Chief Guest Dr. Abdul Hafeez Shaikh unveiling the Golden Jubilee Mascot.

BIRTHDAY BASH

July 1, 2011 was perhaps the most awaited day of the Golden Jubilee Celebrations. With the Institute turning fifty that day, a celebratory programme was arranged which included flag hoisting, the issuance of the commemorative postage stamp and the web launch of The Pakistan Accountants' Archive.

The National Flag was hoisted by Mr. Ebrahim Sidat and the ICAP and the Golden Jubilee flags were hoisted by Mr. Zahid Iqbal Bhatti and Hafiz Mohammad Yousaf respectively. This was followed by tree plantation by the Institute's oldest living members' present Mr. Mohammad Noor ul Huda, Mr. Taher H. Moochhala, Mr. Abdul Wahid and Mr. Majeed Uddin Khan and watering of the plant by the representatives of the Chartered Accountants' Students Association (CASA) Ms. Anum Nadia and Mr. Faisal Zawar.



The Vice President South Mr. Zahid Iqbal Bhatti unveiled the commemorative postage stamp issued by the Pakistan Post Office to commemorate the Institute's Golden Jubilee. The Chairman Publications Committee Mr. Adnan Zaman presented the Web Archive of "The Pakistan Accountant".

Towards the end of the ceremony, staff who have served the Institute for the last fifteen or more years were awarded with certificates handed over by the Past Presidents, as a token of appreciation for their dedication and loyalty towards the Institute.



GOLDEN JUBILEE CONFERENCE

The flagship event of the Golden Jubilee Conference, a two day conference was held on July 26 & 27, 2011 in Karachi. The theme of the Conference was 'Accountants and Social Responsibility'. The Conference was largely attended by the members, students, dignitaries and professionals from the accounting and business fraternity.



In the plenary session of the Conference the President of ICAP highlighted the journey of the Institute through the five decades and shared the vision for the profession and the future road map of the Institute with the audience. The session included key note addresses on 'Poverty Alleviation: Transitioning to a Knowledge Economy' by Prof. Atta-ur-Rahman, 'Striking a balance: Profit maximisation and Service to Community' by the President of the International Federation of Accountants (IFAC) Mr. Göran Tidström who delivered his speech through video cast. Renowned speaker and former Federal Information Minister Mr. Javed Jabbar also spoke on 'Redeeming our Pledge for Pakistan'; the patriotic address was greatly appreciated by the participants. The Chief Minister of Sindh Syed Qaim Ali Shah graced the session as the Chief Guest. He concluded the session by felicitating the Institute on its Golden Jubilee and acknowledged the services of the Institute towards the nation.





On this auspicious occasion all the past presidents of the Institute and senior members who have been members of the Institute for the last fifty years were honoured with special Golden Jubilee commemorative shields as a humble token of appreciation for their dedicated services to the profession and the Institute.

The conference also included sessions on Green Accounting, Integrated Reporting, Poverty Alleviation, Taxation and Shariah Compliant Standards as well as a regional panel discussion on Fostering Talent for Leadership. Participants as well as the visiting delegates found the sessions very informative and hailed ICAP's initiative to take a step towards highlighting the impending need to understand the role of Accountants towards delivering upon social responsibility.

The Presidents of the Institute of Chartered Accountants of Bangladesh (ICAB), the Institute of Chartered Accountants of India (ICAI), the Institute of Chartered Accountants of Nepal (ICAN), the South Asian Federation of Accountants (SAFA) and the Institute of Cost and Management Accountants Sri Lanka (ICMASL) specially travelled to Pakistan to attend the Golden Jubilee Conference alongwith their delegations. All the Presidents spoke on the occasion and felicitated the Institute on its achievements. The Chief Executive Officer of IFAC also delivered a speech through video cast on "Integrated Reporting: The way forward in Corporate Reporting" in one of the technical sessions.

GOLF TOURNAMENT

For the first time in its history, ICAP arranged a Golf Tournament at the Karachi Golf Club on February 19 & 20, 2011. The participants played in the categories of amateurs, ladies, juniors, veterans and seniors to enable fair competition. The tournament that lasted for two days witnessed the participation of over 300 golfers. The participants and the members greatly appreciated ICAP's endeavour in holding the tournament. The event concluded with the distribution of prizes by the President ICAP. After the success of the golf tournament in Karachi and the interest thus generated, similar programmes are planned to be held soon in Lahore and Islamabad.



UPCOMING EVENTS

- Launch of the Coffee Table Book:**
 The Institute is planning to publish a coffee table book depicting its glorious five decades. The book is expected to be a humble effort to honour the past leadership of the Institute and celebrate the milestones achieved thus far.
- Concluding Conference of the Golden Jubilee Year to be held in Lahore:**
 The concluding conference of the Golden Jubilee year is planned to be held at Lahore towards the end of the year. Preparations are already in full swing. The Conference is expected to be attended by international delegates and professionals from the accounting and the business fraternity.

Education and Examinations

EDUCATION AND TRAINING

REVIEW OF THE EDUCATION AND TRAINING SCHEME

During the year an extensive review of the Education and Training scheme was completed. The key objectives of the revision were:

- (a) Introducing qualitative changes in the education scheme and the examination system to:
 - Make it fully compatible with those of the leading international accountancy institutes.
 - Strengthen our claim for international recognition.
 - Facilitate international mobility of our members.
 - Meet the growing expectations of the market from chartered accountants.
- (b) Addressing the following:
 - Attracting the best quality students to the profession.
 - Improving the content of the syllabus to provide further clarity.
 - Making available quality study material.
 - Providing for a mid-tier qualification.
 - Improving the conversion ratio (i.e. the overall passing percentage) without compromising upon quality.

The review took into consideration the SWOT analysis carried out by the Education and Training Committee and the views expressed in the web based survey, focused group discussions with RAETs, MRTs and students and the Meet Your Representatives sessions.

The Council has approved the revised scheme of education in principle and has constituted a task force for its fine tuning and to recommend measures for its implementation. It is expected that the proposed scheme would enhance the quality of CA education and address the issues highlighted during the interaction with the stakeholders. Further, it is expected that the proposed competence-based approach would integrate various proficiencies essential to meet the growing expectation of the market from Chartered Accountants.

CAREER COUNSELLING

The Institute continued with its students' reach-out campaign to create awareness among the young students about the CA qualification. For this purpose the counselling team visited thirty nine colleges and schools during the year and met with over 3,500 students in Karachi, Lahore, Islamabad, Multan and Faisalabad.

The Institute has also got registered its brand name in various education and career fairs arranged by reputed organisers like the Dawn Group and The City School. These expos and fairs provided an excellent opportunity to interact with serious and career conscious students. Education fairs in smaller cities like Gujranwala and Multan have provided the Institute an opportunity to promote the profession in those areas resulting in improved enrolments in the CA programme.

TRAINING ORGANISATIONS (TO)

During the year, six more firms were registered as Training Organisations. Now a total of 163 training organisations are providing training under the Chartered Accountants Bye Laws at their 232 offices situated in all the major cities of Pakistan. Although the trainees intake remained concentrated in the bigger cities, namely, Karachi, Lahore and Islamabad, the numbers of new entrants in cities like Peshawar, Multan and Faisalabad is improving.

REGISTERED ACCOUNTING EDUCATION TUTORS (RAETs)

The approved tutors of the Institute in Karachi, Lahore, Islamabad, Rawalpindi, Faisalabad, Multan, Peshawar, Sialkot, Gujranwala, Wah Cantonment and Hyderabad continued to provide tuition facilities to students at the Intermediate level. During the year an additional educational institute was included in the panel of RAETs. Two RAETs were delisted during the year at their request.

EXAMINATIONS

The Council fulfilled a long outstanding demand of the students during the year when approval was accorded for disclosure of marks. Accordingly, with effect from the Final Examinations held in December 2010, the Institute has started disclosing marks obtained by students in subjects in which they were unable to obtain a passing grade.

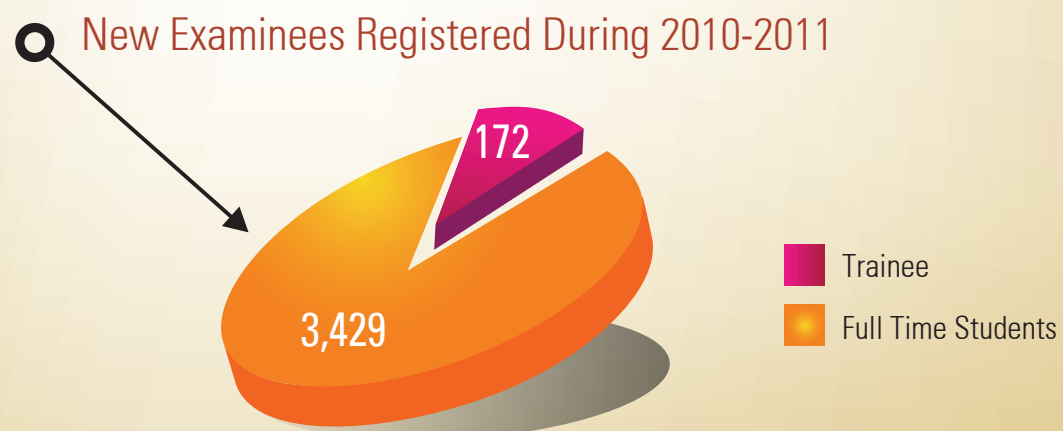
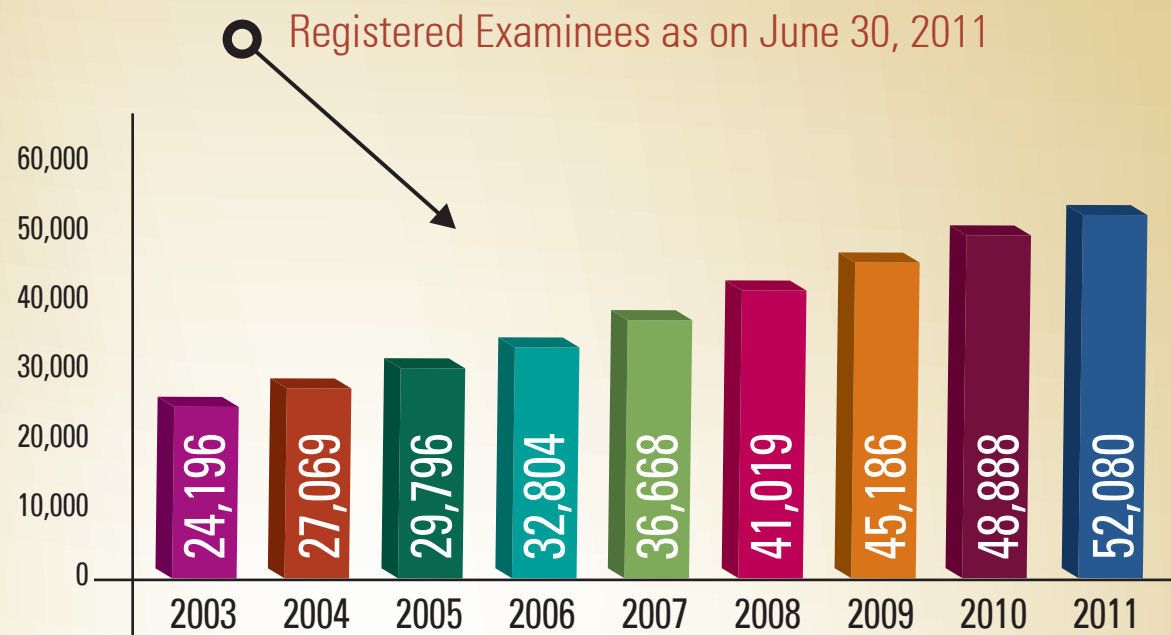
Further, the Council has also allowed fifteen minutes additional reading time in the examination for each paper. It is expected that the students would utilise this facility to properly plan their answers before putting pen to paper.

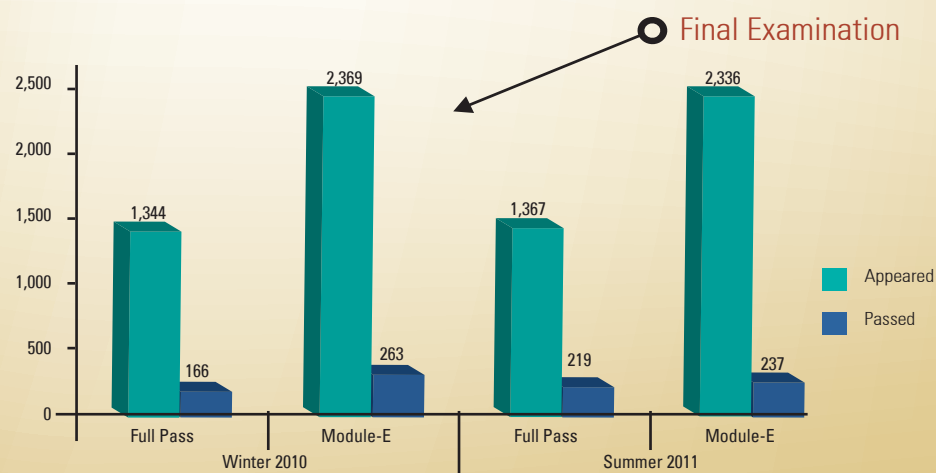
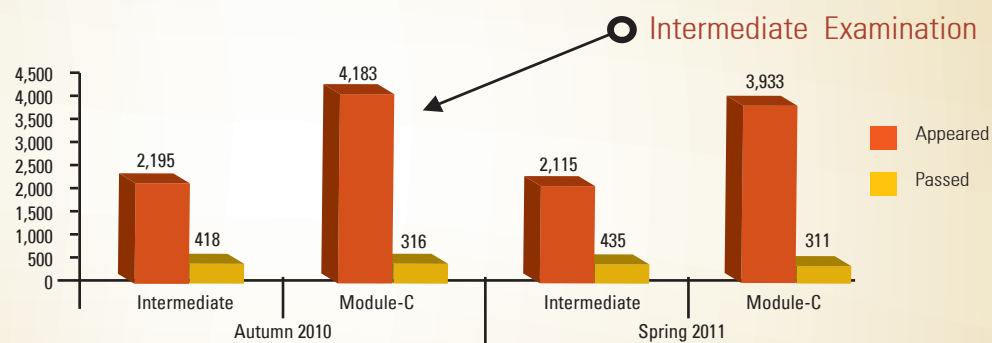
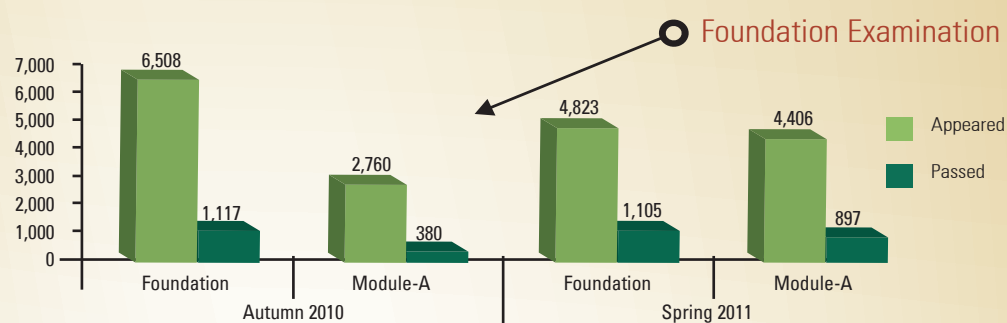
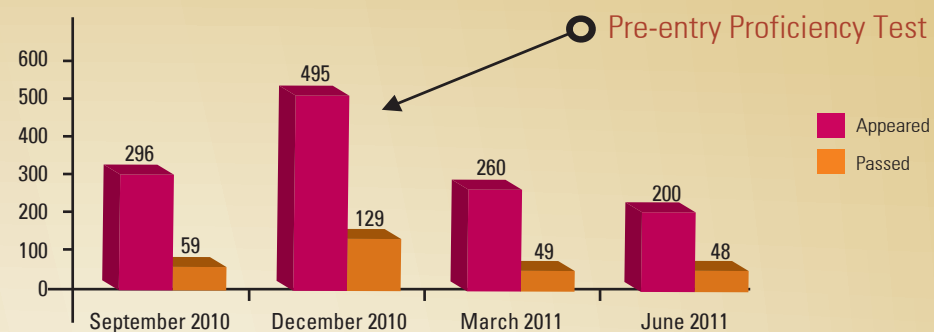
The number of students appearing in the Final Examinations has increased steadily by 8% from 4,372 to 4,721. The number of students appearing in the Foundation and Intermediate Examinations has also increased by 2.2% i.e. from 13,222 to 13,517.

The number of students admitted in the examinations during the year 2010-11 is as follows:

	2010-11	2009-10
Foundation and Intermediate	25,982	25,728
Final	9,271	8,153
IFRSs Diploma	5	10
PPT	1,326	1,276

Other statistics relating to the number of registered examinees and their performance at the recent examinations is set forth in the form of charts:





Recipients of Gold Medals and Merit Certificates for the year 2010-2011

GOLD MEDALS

FINAL EXAMINATION Summer 2010

Baasit Ali
Irtiza Husain Gold Medal
Corporate Laws, Module-E

Winter 2010

Malik Azeem Maqbool
Osman Ali Gold Medal
Business Finance Decisions, Module-F

Syed Bilal Asghar
J P Patel Memorial Gold Medal
Management Accounting, Module-F

INTERMEDIATE EXAMINATION Autumn 2010

Babar Sharif
ICAP Gold Medal (Ameena Khatib Foundation)
Financial Accounting, Module-C

Spring 2011

Sikandar Iqbal
Kasbati Memorial Gold Medal
Intermediate Examination, Modules-C & D

MERIT CERTIFICATES

FOUNDATION AND INTERMEDIATE EXAMINATIONS

Autumn 2010

Usman Habib
Functional English

Taha Popatia
Quantitative Methods

Aamir Jamshaid Butt
Introduction to Financial Accounting

Muhammad Lutfullah Ghaffar
Mercantile Law

Babar Sharif
Financial Accounting

Sikandar Iqbal
Taxation

Sabih Siddiqui
Company Law

Muhammad Kazim
Auditing

Muhammad Uzair Hashmi
Information Technology

Spring 2011

Muhammad Taha Advani
Functional English

Aysa Masood
Quantitative Methods

Mohammad Anas Bin Tanveer
Introduction to Economics and Finance

Tazeen Zehra
Introduction to Financial Accounting

Akshay Kumar
Taxation

Rohan Zafar Hashmi
Company Law

Sikandar Iqbal
Auditing

Zamar Nauman
Cost Accounting

Syed Muhammad Shozib
Information Technology

GOLD MEDALS AND CERTIFICATES DISTRIBUTION CEREMONIES



The President ICAP along with the Council Members felicitating the Chief Guest Dr. Abdul Hafeez Sheikh, Finance Minister on the occasion of Gold Medal & Certificate Distribution Ceremony in Islamabad.

The Institute prides itself in being one of the few institutions in the country having a world class examining system whose integrity and transparency has proven the test of time. The future of the profession is deeply associated with the new entrants in the profession. In order to celebrate the success of its professionals and to share their joy on achieving their dream, ceremonies to distribute the gold medals and certificates were held on a grand scale during the year while focussing on the ICAP brand. Four ceremonies were conducted during the year, one each at Islamabad and Lahore and two at Karachi. The Northern and Southern Regional Committees organised the ceremonies in a befitting manner.

In the Gold Medal and Merit Certificates distribution ceremony for the qualifying students held at Islamabad Dr. Abdul Hafeez Sheikh, the Federal Minister for Finance and Dr. Ashfaque Hasan Khan were respectively the chief guest and the keynote speaker. The chief guest and the keynote speaker urged the qualifying students to take interest in the government sector and also suggested that they refrain from cynicism and work together towards the national interest.

The President Mr. Saqib Masood and the Vice President, North Hafiz Mohammad Yousaf, highlighted the achievements and performance of the Institute of Chartered Accountants of Pakistan and felicitated the students.

The Gold Medal and Merit Certificate distribution ceremony for the qualifying students of Summer 2010 held at



A group photograph on the occasion of CA Award Ceremony held in Karachi.

Karachi, was attended by ICAP Council members, Past Presidents, eminent professionals and parents of those students.

President ICAP advised the newly qualified CA's to be optimistic and positive all the time which attitude will take them high and above in the journey called life. The speakers highlighted that the path to success can only be achieved through hard work, modesty and work life balance.

The Gold Medals and Merit Certificates distribution ceremony for the qualifying students of the Winter 2010 examination which was held in Karachi was attended by a number of the members of the Council of ICAP, Past Presidents, eminent professionals and parents of the qualifying students.

Vice President, South Mr. Zahid Iqbal Bhatti, speaking on the occasion, highlighted the need to develop leadership, actually comply with the ICAP's Code of Ethics, and serve the community.

The Gold Medals and Merit Certificates distribution ceremony for the students qualifying in 2008, 2009 and 2010 was held at Lahore and attended by parents of qualifying students, senior Chartered Accountants, Past Presidents and dignitaries from various walks of life. Mr. Saqib Masood, President spoke on the need of accountability and transparency in establishing good governance. The Chief Guest, Senator Ishaq Dar who is a senior member of the fraternity and one of the few chartered accountants in politics awarded the gold medals and merit certificates to the newly qualified chartered accountants.



Qualifying Chartered Accountants with the Chief Guest, President and the Council Members in Lahore

Students' Section

STUDENTS' ENDOWMENT FUND

The Fund continued supporting bright students from the villages, towns and small cities of Pakistan in pursuing chartered accountancy.

As of today, the total contribution to the Fund stands at Rs. 46.213 million. In the year 2010-11 the Fund supported 332 students towards their tuition fees.

Out of the students so far supported through the Fund 116 have completed their Foundation stage, 41 have passed the Intermediate examination and one has qualified as a Chartered Accountant.

DEBATE COMPETITION FOR STUDENTS - JULY 2010 AND JULY 2011

The Third Annual Inter RAET Debate Competition 2010 was held on the same day i.e. July 1, 2010 at ICAP Islamabad, Karachi and Lahore. Students from various RAETs participated wholeheartedly and won the appreciation of all present. From Islamabad Khushal Khan won the first place whereas Atya Siddiqui and Abdul Basit Javed were the first and second runners-up respectively. Syeda Fatima Zainab stood first from Karachi whereas the second position was bagged by Sania Ashiq Hussain and Muhammad Ali Mooney came third. In Lahore Bilal Yaqoob, Muhammad Ilyas and Shah Jahan won the first, second and third positions respectively.

The Fourth Inter RAET Debate Competition 2011 was held in the third week of July at Islamabad, Karachi and Lahore. This year the competitions were organised as a part of the Golden Jubilee Year Celebrations of ICAP. In Islamabad Faizan Bin Nisar stood first with Khushhal Khan and Waqar Jamshed obtaining the second and the third places respectively. From Karachi the first position went to Syeda Fatima Zainab, with Jahanzeb being second and Anum Ghulam third. In Lahore Ahmad Ali Arshad won the first position, Arjumand Rasheed the second and the third position was shared by Muhammad Ahmed Shahid Qazi and Waleed Qamar Yazdani.

THIRD ANNUAL PRESENTATION SKILLS COMPETITION - OCTOBER 2010

The Institute is committed to create more opportunities and provide a platform for students to demonstrate their skills. The Institute conducted its third Annual Presentation Skills Competition on October 21, 2010 at Faisalabad, Islamabad Karachi and Lahore. Considerable interest was on display at Faisalabad and the first position was bagged by Sara Naseer, whereas the second and third positions were earned by Mudassar Hafeez and Adeel Ijaz respectively. From Islamabad Ammar Ahmed came in first with Rizwan Rahat coming in a close second and Mariya Ejaz won the third place. From Karachi the first and second positions went to Sheryar Rashid and Syed Bilal Ahmed respectively. The third position was bagged by Nauman Ali Arian. In Lahore Talha Gul Khan stood first while the second and third positions went to Mubasir Ahmed and Naveed Akhtar respectively.

WRITING SKILLS COMPETITION - AUGUST 2010

Good communication skills are considered essential for further development. During August 2010, students were tested on their patriotism and were asked to write on the topic 'If you were born before 1947'. The first prize went to Safoora Khalil, Ravi Kanji clinched the second place and Mushtaq Ahmed came in third.

WORKSHOPS ON COMMUNICATION AND INTERVIEWING SKILLS

Keeping in view the increasing emphasis on soft skills, the Directorate of Education & Training of the Institute of Chartered Accountants of Pakistan, arranged two workshops for the students of Module F working in audit firms on July 12 and July 23, 2010 at the ICAP Head Office, Karachi. The workshops were conducted by Mr. Faisal Jafree, a Chartered Accountant with years of international experience.

THIRD ICAP INTER FIRM T20 CRICKET TOURNAMENT

On January 28, 2011 the teams of ICAP and Rahman Sarfraz Rahim Iqbal Rafiq & Co. (RSRIR) played the final for the Crystal trophy at the Asghar Ali Shah Cricket Stadium under floodlights.

A sizeable number of spectators had gathered at the stadium, supporting their teams and enjoying the match. RSRIR won the Crystal Trophy.

As an endeavour to encourage all the participating teams awards were given to the representatives of all the teams present to watch the final match. The tournament was greatly appreciated by the participants.

CASA (N) - ASHFAQ AHMAD INTER FIRM CRICKET TOURNAMENT 2011

Chartered Accountants Students Association - North (CASA-N) arranged "CASA N - Ashfaq Ahmed Inter Firm Cricket Tournament" on May 6 and 7, 2011 at Lahore. Twelve teams of chartered accountancy firms participated in the tournament and over 200 students, qualified members and guests turned out to watch the matches. The team of A.F. Ferguson & Co., won the tournament. The runners-up were S. M. Masood & Co. Trophies, and medals were given to the winners and the runners-up teams.

CASA (S) - INTER FIRM TAPE BALL CRICKET TOURNAMENT 2011

An Inter Firm Tape Ball Cricket Tournament was organised by the Sports Committee CASA South on June 25, 2011 at UBL Sport Complex, Karachi. The tournament was won by ICAP with Riaz Ahmad & Co., being the runners-up. The tournament was limited to eight teams.

The event was held just after the CA final examinations to give the trainee students an opportunity to relax and interact with their colleagues.

CASA (s) plans to organise such sports events on a regular basis to promote participation of students in various healthy activities and improve interaction between the students of various firms.

Membership

During the year 2010-11, 382 new members were admitted to the Institute and memberships of 108 were restored, resulting in an overall increase of 490 members. Out of the total membership, 87 percent is employed in commerce and industry, financial institutions, government departments and education while 13 percent is in public practice.

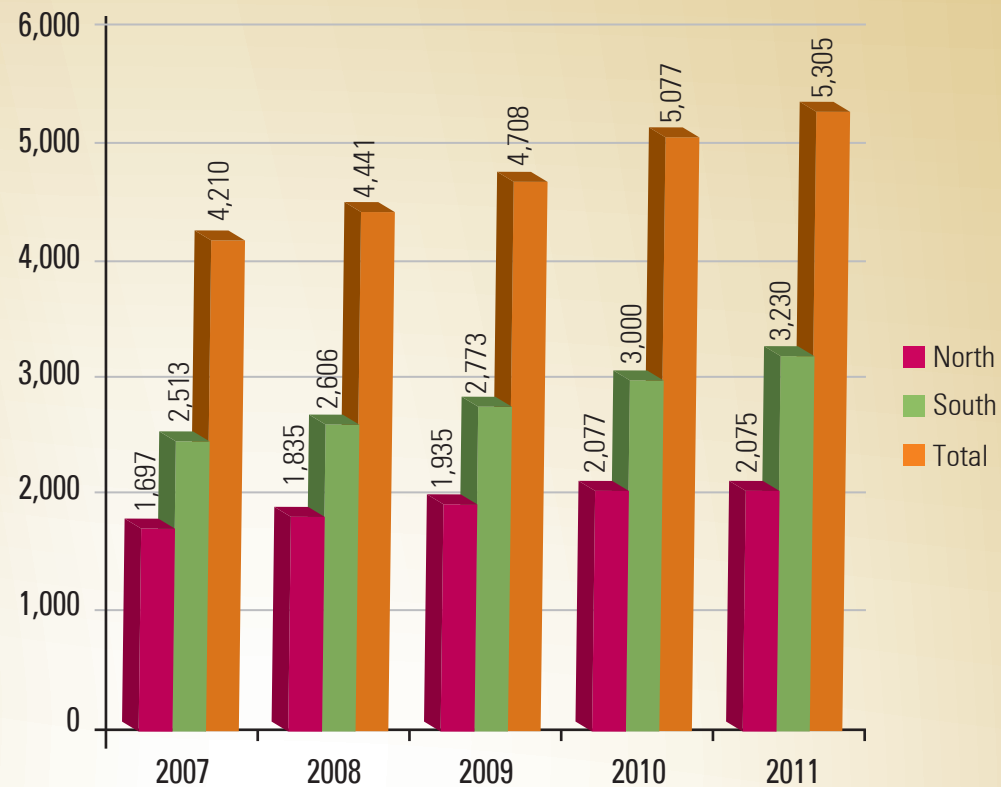
The membership of the Institute as on June 30, 2011 stood at 5,305 out of which 1,275 members are working overseas, accounting for 24 percent of the total membership.

During the year, the names of 245 members were removed from the register of members, under section 19 (c) of the Chartered Accountants Ordinance, 1961.

STATISTICAL INFORMATION OF MEMBERSHIP

Domestic		Associates	Fellows	Total
Public Practice - Sole Proprietor	2011	52	212	264
	2010	40	217	257
Public Practice - Partnership	2011	58	360	418
	2010	60	340	400
Commerce and Industry	2011	1,885	726	2,611
	2010	1,828	737	2,565
Corporations	2011	9	6	15
	2010	7	6	13
Financial Institutions/Banks	2011	280	124	404
	2010	263	130	393
Government	2011	24	21	45
	2010	23	22	45
Education	2011	47	34	81
	2010	43	32	75
Senior Members	2011	8	184	192
	2010	7	143	150
Overseas				
Non-Practice	2011	861	358	1,219
	2010	772	360	1,132
Public Practice	2011	5	16	21
	2010	6	13	19
Senior Member	2011	2	33	35
	2010	1	27	28

YEAR-WISE GROWTH IN MEMBERSHIP



DIRECTORY OF MEMBERS AND FIRMS 2011-12

The Directory of Members and Firms 2011-12 has been uploaded on the Institute's website on July 1, 2011. The membership staff along with the Information Technology department has devised a mechanism for updating particulars online. The Institute has also created a web based portal to facilitate partnership firms to submit their particulars electronically through an online Form C. The Secretariat is determined to further refine the system of compilation of the Directory in order to facilitate the members and improve upon the quality of services being provided by the Institute.

LIFE MEMBERSHIP

A member attaining the age of 60 years and not holding a certificate of practice and also holding no office of profit is entitled to apply for life membership of the Institute on the payment of a one-time fee of Rs. 3,000. From July 1, 2010 till June 30, 2011, thirty-six members have been granted life membership of the Institute.

PRACTICING FIRMS AS ON JUNE 30, 2011

Following is the status of Practicing Firms which existed in the records of the Institute as on June 30, 2011:

Firm Status	No. of Firms
Sole Proprietor	300
Partnerships	126
Total	426

DECEASED MEMBERS

During the year some of our members left us for the heavenly abode. The Institute shares the loss and deeply empathizes with the pain of the families of the departed members. Members are requested to pray for the following departed souls:

Bharucha, Jamshed Dhunjishaw	(R-0030)
Merchant, Akbarali Gulamhussein	(R-0044)
Khairullah, A.N.	(R-0126)
Hussain, Syed Sadaqat	(R-0227)
Khan, Mazhar Ali	(R-0308)
Chaudhry, Muhammad Suleman	(R-0425)
Malik, Mian Abdul	(R-0449)
Taseer, Salman	(R-0479)
Siddiqi, Sarfaraz Hussain	(R-0489)
Ali, Sarwar	(R-0665)
Shahani, Narayana Kevalram	(R-0680)
Ali, Syed Iftikhar	(R-0779)
Chaudhary, Inayat Ullah	(R-0915)
Hasan, Irfan	(R-2049)
Hussain, Shahid	(R-2544)
Firdousi, Mohammad Naeem	(R-2607)
Izhar, Abubakar	(R-4307)

Professional Misconduct / Investigation

The Institute continues its earnest endeavour to dispose off cases as soon as possible. The Investigation Committee of the Institute is a fact-finding body, which scrutinises the complaints and following a detailed review and analysis, submits its recommendation to the Council for decision. A summary of the complaints received and disposed off against members in practice and students during the year is as set out in the table below:

SUMMARY OF COMPLAINTS RECEIVED AND DISPOSED OFF DURING THE YEAR

	2010-11
Cases at the beginning of the year	22
Complaints received during the year	11
	33
Cases disposed off during the year	(8)
Cases under review at the end of the year	25
Cases under review of the Investigation Committee	18
Cases under review of the Council	7
	25

During the year six meetings of the Investigation Committee were held. The Committee after active deliberation and review of the merits of complaints, finalised its conclusions/recommendations to the Council on nine cases, out of which five were decided by the Council and four cases are still under consideration. The Council disposed off eight cases in total, out of which five were closed as no merit was found in the complaints, whereas action was taken on three complaints.

The Council reprimanded a member with name as he was found guilty of professional misconduct under Clauses 3 and 5 of Part 4 of Schedule I of the Chartered Accountants Ordinance, 1961 (CAO). A member was issued warning under section 20D, whereas the name of another member was removed for five years under section 8(v) of the CAO.

The Investigation Committee of the Institute has prepared a draft of the 'Manual of Investigation' which is in the process of review by the legal advisors. The Manual will cover detailed guidance on the process of investigation and functions of the Investigation Committee.

In order to effectively track the status of complaints and as a part of its efforts for expeditious disposal and follow up of pending cases, the Secretariat of the Institute is in the process of developing a comprehensive database for the cases dealt by the Investigation Committee. The database will facilitate easy search options and will provide complete details of each case alongwith its progress updates and discussions held in meetings of the Council and the Investigation Committee.

Other Initiatives

ESTABLISHMENT OF OVERSEAS CHAPTERS

The Overseas Coordination Committee established in 2009 deals with the issues faced by members residing abroad and initiates meaningful efforts on behalf of ICAP for their facilitation. Over the last year the Committee has diligently worked to establish the following overseas chapters of the Institute.

UNITED KINGDOM CHAPTER

The Chapter was established in January 2011 as the pioneer overseas chapter of the Institute. The Managing Committee of the Chapter comprising of five members was elected unopposed for a two years term. The Managing Committee held its first meeting in February 2011 and elected Mr. Mohammad Asghar Choudhury as President, Mr. Roop Chand as Vice President, Mr. Faraz Jan Muhammad as Secretary, Mr. Muhammad Adnan as Joint Secretary and Mr. Hassan Kamal Farooqui as the Head of Financial Affairs.

KINGDOM OF SAUDI ARABIA CHAPTER

The Election of the Managing Committee of the Chapter were scheduled for August 3, 2011. The Managing Committee of the Chapter comprising of five members were elected unopposed for a two years term. The Managing Committee held its first meeting in August 2011 and elected Mr. Amin Nazir Qureshi as President, Mr. Muhammad Asif as Vice President, Mr. Muhammad Asif Iqbal as Secretary, Mr. Muhammad Abdullah Akber as Joint Secretary and Mr. Amir Waheed Ahmed as the Head of Financial Affairs.

CANADA CHAPTER

The Election of the Managing Committee of the Chapter has been scheduled for August 18, 2011. Six candidates are contesting for five seats on the Managing Committee.

RECOGNITION OF THE ICAP QUALIFICATION

The members of the Institute are employed in different countries and the Council recognises that mutual recognition with other international bodies will assist and increase the mobility as well as create better employment opportunities for our professionals. The Council continues to make endeavours for the recognition of the ICAP qualification by various International accountancy bodies. The Canadian Institute of Chartered Accountants (CICA) is in the process of reviewing the ICAP's qualification and a decision is expected next year.

REPRESENTATIVES OF ICAP AND ICAEW MEET AT KUALA LUMPUR

Representatives of ICAP and ICAEW met at Kuala Lumpur to discuss matters of mutual interest and explore further opportunities for strengthening the existing relationship between the two Institutes. During the meeting the representatives explored further exemptions that could be made available to the members of ICAP under the Memorandum of Understanding (MoU) signed in 2007. The Institute looks forward to further discussions and may also seek ICAEW's cooperation in improving the syllabi and the standard of its examination papers.

ICAP EMPLOYMENT COMMITTEE

In view of the present global economic situation, the Institute had formed an Employment Committee in July 2010 to facilitate the availability of Chartered Accountants for employment in the corporate sector. For this purpose an Employment Portal was developed through which members can register themselves for placement. Up till now 779 members have enrolled themselves on the ICAP Employment Portal. A significant feature of the Portal is the strict security maintained over the registered member's information.

During the year leading CEOs of financial institutions and industry have been approached and requirements for employing Chartered Accountants have also been received by the Employment Committee, which are then uploaded on the career portion of the website.

In view of the dynamics of the job market and related competition, the Employment Committee had arranged a programme for **Career Counselling and Grooming** for the younger members of the Southern Region in which members from Islamabad and Lahore also participated through video conferencing.

The objective of the programme was to guide our young members on how to determine a career path and identify the right employer.

CFO CONFERENCES IN KARACHI AND LAHORE



ICAP President addressing the gathering at CFO Conference in Karachi.

The main purpose of holding CFO Conferences is to increase interaction among various professional groups/sectors in order to facilitate sharing of information on diversified matters. During the tenure of the present Council, the Institute has successfully organised four CFO Conferences which have received an overwhelming response from the commercial and the industrial sectors.



A group photograph at the CFO Conference in Lahore.

The Professional Accountants in Business (PAIB) Committee organised two CFO Conferences this year at Karachi and Lahore. The conferences were held on March 22, 2011 at the Marriott Hotel, Karachi and on April 5, 2011 at the Pearl Continental Hotel Lahore. Keeping in view the role of accountants the theme of the conferences was '**Scaling New Heights, Facing New Challenges**'. The conferences were greatly appreciated and attended by professionals including Chartered Accountants and other executives from commerce and industry. Both the conferences had an exciting blend of issues crucial to the CFO and provided immense learning opportunities. Mr. Roger Tabor, Chairman of the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) gave the key note address in Karachi and Dr. Ishrat Hussain—Dean and Director, Institute of Business Administration (IBA), Karachi and Mr. Hussain Dawood, Chairman of the Dawood Group were the guests of honour in the conference at Lahore. Both the conferences held during the year were celebrated as Golden Jubilee events.

The conference presentations, pictures and video recordings are available on the ICAP website:
http://www.icap.org.pk/web/icap_conf.ph

PROFESSIONAL EXCELLENCE AWARDS OF ICAP

The First Professional Excellence Awards of ICAP were held in Karachi with the CFO Conference on March 22, 2011. The awards were the first of their kind to acknowledge the achievements of Chartered Accountants who have added value to their organisations/businesses through innovative contributions to business processes, by strengthening finance, accounting and internal controls or leading change management.

For this purpose, the PAIB Committee had invited ICAP members to send in their entries along with details about the nature of the projects implemented in their organisations resulting in improved business processes and cost savings.



A group photograph at the First Professional Excellence Awards of ICAP and CFO Conference in Karachi.

In order to uphold the values of integrity and transparency associated with the profession, the projects and qualification criteria were evaluated by an independent three members jury. Mr. Roger Tabor, Chairman PAIB Committee, IFAC distributed the awards to Ufone for the Shared Towers Project, to Maple Leaf Cement Factory Limited for financial restructuring and to Sharaf Logistics Pakistan (Pvt) Limited for warehouse management projects.

CHARTERED ACCOUNTANTS' WOMEN FORUM

It is now a widely acknowledged fact that women are very active members of today's work force. Cognisant of this fact, during the current year, the female members of ICAP have launched their own forum known as CawF (Chartered Accountants' Women Forum) which is expected to function as a platform for the lady Chartered Accountants to network and conduct female oriented development activities.

During the year, CawF held various events which were greatly appreciated by the lady members and the female students of ICAP. The events included sessions with leading professionals on various topics such as Health, Stress Management, Work Life Balance, Leadership, etc., which were greatly appreciated by those members and students.

RENOVATION OF THE ICAP OFFICES

During the year, the ICAP office in Peshawar was shifted to new premises located at University Town, Jamrood Road, Peshawar. Besides being in the heart of the city, it is more than double the size of the previous office. The renovation work is in process and when completed, the premises will be used to conduct examinations, seminars and workshops. The new office will also include library for students, a members' lounge, and parking space for the visitors.

The renovation work at the Lahore Office is under process and is expected to be completed soon. The renovation once completed will give a new look to the auditorium, the facilitation centre and members' lounge. Further, extra space will be available for the library and for conducting examinations.

The renovation work at the Karachi Office will commence shortly which will also provide extra space to accommodate students for the examinations, resulting in rental savings for the Institute. Further, the renovated hall would be available for other activities. Earlier during the year, the video conferencing room also underwent renovation and was upgraded with the state-of-the-art technology. Now, most internal meetings are held through the facility of video conferencing which allows a significant saving of both time and money. The facility is also leased against rent to external parties including PICG, etc.

BUILDING PROFESSIONAL ALLIANCES

VISIT OF THE CHAIRMAN, INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB) AND THE EXECUTIVE DIRECTOR, INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)



Group photograph on the occasion of the visit of the Chairman IAASB and Executive Director IFAC.

The Chairman IAASB Prof. Arnold Schilder and Executive Director IFAC Mr. James Sylph visited Pakistan in the month of October 2010. The International Auditing and Assurance Standards Board (IAASB) serves the public interest by setting, independently and under its own authority, high-quality International Standards on Auditing (ISAs) and Assurance Standards and by facilitating their convergence with similar national standards.

The purpose of the visit of the two eminent professionals was to strengthen coordination by meeting accounting professionals in Pakistan, the regulators of the accounting profession in the country and to apprise the professionals of the challenges and the scope lying ahead in the profession of auditing and accounting. During the visit the delegates

got the opportunity to interact and meet with the chairmen and senior executives of AGP, FBR, SECP and the members of the Institute.

The Institute held a get together at Islamabad in which the Chairman IAASB and Executive Director IFAC participated and interacted with the members of the Institute. The Institute also held two seminars in Lahore and Karachi on October 20 and 21, 2010 for the facilitation of its members.

The speakers discussed the developments and challenges to the accounting and the auditing profession, the importance of government reporting, IPSAS status, IPSASB strategic themes 2010-2012 and IPSASB's Environment.

Before the seminar in Karachi, the Council of the Institute briefed the visiting delegates about the governing structure and the role of ICAP. The future goals and vision of the Institute were also shared by the Council.

DELEGATION FROM CSR-DC IRAN VISITS ICAP

The Corporate Social Responsibility - Development Centre (CSR-DC), Iran with the intention to introduce principles of good corporate governance in the Iranian corporate sector approached the Pakistan Institute of Corporate Governance (PICG) for assistance in capacity building. In response PICG invited the delegation from CSR-DC for a study tour to Pakistan.



The President, Council Members with the delegation from CSR-DC Iran at ICAP Head Office.

The delegation comprising of representatives from the business sector, NGOs and the academia visited ICAP on February 2, 2011. The delegation met with the President, the Vice President, South some members of the Council and the executives of the Institute.

The delegation had an interactive session with the members of the Council to understand the initiatives taken to implement corporate governance in Pakistan and the role played by ICAP in this respect. Mr. Nasser Noruzi expressed his gratitude to ICAP on behalf of the Iranian delegation.

VISIT OF A DELEGATION FROM THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH (ICAB)



The President, Council Members with the delegation from ICAB at ICAP Head Office.

A delegation from the ICAB visited the Institute to discuss matters of mutual interest and the growth of the profession in the region.

The ICAB delegation comprising of Ms. Parveen Mahmud, President, Mr. Md. Abdus Salam, Vice President – E&T, Mr. Md. Shahadat Hassain, Vice President – F&A, Mr. Nasrat Hasan, Senior Assistant Secretary – ICAB, Mr. Md. Syful Islam, Council Member – ICAB and Mr. Atique Rabbani, a Fellow Member of ICAB Had an interactive session with some members of the Council including the President and Vice President, South and showed great interest in ICAP's Quality Assurance Framework.

MEMORANDUM OF UNDERSTANDING (MoU) WITH USAID

A delegation of USAID led by Mr. David Ostermeyer, Global CFO visited ICAP. The purpose of the visit was to meet with the Council of the Institute and discuss areas of mutual



interest and cooperation. ICAP and USAID Pakistan have entered into a Memorandum of Understanding (MoU) for mutual cooperation. Under the MoU it was agreed to form a working committee comprising of representatives / nominees of both the organisations to accomplish the objectives identified in that document. The working committee would collaborate to foster cooperation and share information and experience to accomplish joint initiatives/programmes as agreed between the two organisations. Under the MoU, the USAID in principal, agreed to work with ICAP for its capacity building in the following areas:

- Launching initiatives for recruitment and national outreach programmes for students from the remote areas of Pakistan.
- Revision of and improvements in the syllabus/curricula and overall review and revamping of the examination system of ICAP.
- Development and upgrading of the study material.
- Establishment of in-house research and development facilities at ICAP.
- Enhancements in the IT infrastructure.
- Launching various local and international professional development programmes.

The MoU was signed on behalf of ICAP by the President and by Director OFM on behalf of USAID Pakistan.

Earlier Ms. Kris Smathers, Controller, Office of Financial Management, USAID Pakistan had visited the Institute in Karachi. The participants discussed the prospective areas where projects may be considered for development of infrastructure and capacity building of the Institute.

During their visit, presentations highlighting the activities of ICAP and its future strategy were made. The Institute is in the process of discussions with USAID to agree on a future course of action for the professional, educational and capacity building projects.

TRAINING CONTRACT WITH THE LAHORE UNIVERSITY OF MANAGEMENT SCIENCES (LUMS)

ICAP signed a contract with LUMS to conduct customised training programmes for its members at special rates in September 2010. Under that contract, four training programmes were arranged in highly demanded and relevant areas. By virtue of this alliance between ICAP and LUMS, members attended the first programme **Corporate Financial Management** from March 15-17, 2011 at LUMS, Lahore. The second programme was held from April 27-29, 2011 at the Marriot Hotel, Karachi on **Financial Derivatives**.

The third programme on **Business Communication** was held from May 4-6, 2011 at Islamabad. The final training session is planned for September 2011 to be held in Lahore.

MEMORANDUM OF UNDERSTANDING (MoU) WITH SAUDI ORGANISATION FOR CERTIFIED PUBLIC ACCOUNTANTS (SOCPA)



A MoU has been signed between the Institute and SOCPA for the benefit of its members. Mr. Saqib Masood, President ICAP and Dr. Ahmad A. Al-meghames, Secretary General SOCPA signed the MoU on April 2, 2011 on behalf of their respective Institutes in Riyadh. The ceremony was attended by a large number of members of SOCPA and ICAP.

Mr. Saqib Masood acknowledged the interest of SOCPA and advised the participants that there are more than 250 members of ICAP working at various key management positions in top companies of Saudi Arabia. He expressed the hope that members of both SOCPA and ICAP would immensely benefit from the above MoU.

Through the aforementioned MoU, ICAP and SOCPA will work together for enhancing cooperation, exchanging information and experience and providing assistance to each other in the professional development of their members. Following the signing of the MoU both the Institutes have formed a Consultation Committee to undertake various projects. ICAP and SOCPA have initiated discussion on collaboration in SOCPA's project on "IFRS Convergence" and possibility of setting up examinations centers of ICAP in Saudi Arabia.

ICAP REPRESENTATIVES HONOURED

- Mr. Yacoob Suttar, Council Member and Chairman Professional Accountants In Business (PAIB) Committee of the Institute has been appointed as one of the eighteen voting members of the PAIB Committee of IFAC. By his appointment, the total appointment of the Institutes' representatives at the IFAC Committees & Board is now four.
- Mr. Abdullah Yusuf, Council Member was elected as Chairman of the Board of Directors of Pakistan Institute of Corporate Governance (PICG) in January 2010.
- Mr. Rashid Rahman Mir was elected as the President of the Pakistan Institute of Public Finance Accountants for the year 2011.

Technical Services

Through its various committees the Directorate of Technical Services (DTS) is proactively supporting and assisting members in practice and industry and through liaison with the regulators plays an important role in the development of laws and regulations and their interpretation. The DTS's work includes:

- Developing guidance and papers on best practices.
- Contributing technical updates to help members keep abreast of latest developments in the accounting and auditing practices.
- Addressing and responding to matters raised by members.
- Responding to formal and informal consultations from regulators, trade bodies and custodians of market practices.

PROACTIVE INVOLVEMENT OF DTS IN RESOLVING MAJOR ISSUES

The following projects were dealt with during the year:

1. The Government of Pakistan (GoP) launched the Benazir Employees' Stock Option Scheme (BESOS) for employees of certain State Owned Enterprises (SOEs) and non-SOEs where GoP holds significant investments. The Scheme is applicable to permanent and contractual employees who were in employment on the date of launch of the Scheme, subject to completion of the five years vesting period. Some public interest entities had approached the Institute to advise whether the Scheme should be accounted for under IFRS 2 'Share based Payments'.

On the recommendation of the Institute, the SECP has through its SRO No. 587(1) of 2011 dated June 07, 2011 granted exemption to all such entities from the application of IFRS 2, however, the exemption is subject to disclosing in the notes to the financial statements the effects of not accounting for the Scheme under IFRS 2. The requirements of the SRO are effective for financial statements for periods ending on or after June 30, 2011.

2. The ICAP Task Force on the amended Code of Corporate Governance has submitted its recommendations to the SECP.
3. Recommendations have again been made to SECP for revisions in Forms 35A and 35C of the auditors' report based on the modified requirements of ISA 700 - Forming an Opinion and Reporting on Financial Statements and ISA 600 - Special Considerations - Audits of Group Financial Statements (including the work of component auditors), respectively.

NOTIFICATIONS FROM SECP

During the year, the following notifications were issued by the SECP on ICAP's recommendation:

- Disclosure note on Benazir Employees' Stock Option Scheme under IFRS 2 'Share based Payments' was notified vide SRO No. 587(1) of 2011 dated June 07, 2011.
- Through SRO 87/ 2010 dated February 03, 2011 waiver has been granted from the requirements of IAS 21 and IAS 39 to Independent Power Projects not covered under SECP Circular 11 of 2008.

ASIAN-OCEANIAN STANDARDS SETTERS GROUP

On September 29 and 30, 2010 the second meeting of the Asian-Oceanian Standards Setters Group (AOSSG) was held in Tokyo. The meeting was hosted by the Accounting Standards Board of Japan and attended by twenty-four accounting standard setting bodies from countries or jurisdictions in the Asian-Oceania region as well as representatives of the International Accounting Standards Board (IASB) and a Trustee of the International Financial Reporting Standards Foundation (IFRSF). The Institute as a representative of Pakistan on the AOSSG attended the meeting.

The objectives of the Group include promoting the adoption of, and convergence with, International Financial Reporting Standards (IFRSs) by jurisdictions in the region and promoting their consistent application in the region.

To achieve these objectives, AOSSG has established nine working groups in the areas of consolidation, emission trading, fair value measurement, financial instruments, financial statement presentation, insurance contracts, Islamic finance, leases, and revenue recognition. The Institute is actively participating in the AOSSG's working groups on Islamic finance and leases.

Indonesian Accounting Standards Board hosted the 5th IFRS Regional Policy with the theme "Towards One Global Standard: The Challenges and Opportunities of IFRS Adoption in the Asia-Oceania Region" from May 23-26, 2011 at Bali Island, Indonesia. This strategic event was attended by policy makers from 20 countries in the Asian Oceania Region, including Pakistan.

Taking the opportunity the AOSSG had an informal gathering on May 25, 2011 to discuss the future AOSSG initiatives and the tentative agenda for the third AOSSG annual meeting which is to be held in Australia in November 2011.

ACCOUNTING AND AUDITING STANDARDS FOR INTEREST FREE MODES OF FINANCING AND INVESTMENT

The exposure draft on the standard 'PROFIT AND LOSS SHARING ON DEPOSITS' was issued to all stakeholders and the general membership on July 8, 2010. Comments received were duly considered and the Committee is in the process of finalising the standard. Further, the Committee is in the process of developing standards on the following subjects:

- Diminishing Musharaka
- Musharaka
- General Presentation of Financial Statements of Islamic Financial Institutions

ICAP PRONOUNCEMENTS

During the year, the following circulars were issued to members:

- Completion of Tax Audit Process
- Applicability of the Clarified ISAs
- Members' comments sought for the Federal Budget Proposals 2011-12

Details can be viewed on ICAP's website: <http://www.icap.org.pk/web/links/0/circulars.php>

MATTERS UNDER CONSIDERATION

- Gap analysis between IFRSs and disclosure requirements for NBFCs, Modaraba and Insurance Companies.
- Adoption of IFRS 1, IFRS 9, IFRS 10, IFRS 11, IFRS 12 and IFRS 13.
- Adoption of IFRS for SMEs.
- Revision of TRs and ATRs.
- Adoption of the revised IFAC Code of Ethics.
- Developing of Accounting Regulations and Financial Statements formats for Life and Non-Life Insurance Companies.
- Accounting framework for Independent Power Producers.
- AS 1 – An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements.
- Element of Income in Mutual Funds.
- Remittance of courier service charges.

SELECTED OPINIONS

Selected Opinions volume XVI containing opinions issued during the period July 2010 to June 2011 has been uploaded on the Institute's website.

TECHNICAL OPINIONS

During the year, several queries on technical matters received from various members and other institutions, were responded appropriately. Some of the important issues covered in those replies are as follows:

- Guidance for the correct treatment in filing of Form 3 [Return of allotments u/s 73(1) of the Companies Ordinance, 1984].
- Clarification on Share Deposit Money.
- Audit Fee of Funds in ATR – 14.
- Clarification regarding other General Construction Costs.
- Separate Audited Financial Statements before Court Order of Merger.
- Audit Fee of Statutory Auditors.
- Accounting treatment of assets under Equitable Mortgage.
- Requirement of Related Party Transactions in Code of Corporate Governance.
- Aggregation of Cash Generating Units to assess recoverable amount by a Holding Company for the purpose of determining impairment.
- IAS – 12, Income Taxes.
- Issuance of Auditors' Report.
- Net capital certificate requirement of Karachi Stock Exchange (Guarantee) Limited.
- Deferred taxation on calculation of incentive to employees.
- Financial Reporting Framework for NGOs.
- Initial on the Audited Accounts.
- Preservation Period of Audit Files.

These opinions are available on ICAP's website.

COMMENTS ON EXPOSURE DRAFTS

Comments on the following exposure drafts were sent to IASB:

- Offsetting Financial Assets and Financial Liabilities.
- Supplement ED to Financial Instruments: Amortised Cost and Impairment.
- Hedge Accounting.
- Leases.
- Insurance Contracts.
- Severe Hyperinflation Proposed Amendment to IFRS 1.
- Deferred Tax: Recovery of Underlying Assets - Proposed Amendment to IAS 12.
- Presentation of Items of Other Comprehensive Income - Proposed Amendments to IAS 1.
- Measurement Uncertainty Analysis Disclosure for Fair Value Measurements (Limited re-exposure of proposed disclosure).

IAASB PRONOUNCEMENTS

The following pronouncements are at present under review:

- Exposure Draft - ISAE 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information.
- Consultation Paper - Enhancing the Value of Auditor Reporting: Exploring Options for Change.

Comments on the following pronouncements were sent to IAASB:

- Exposure Draft - ISAE 3420, Assurance Reports on the Process to Compile Pro-forma Financial Information included in a Prospectus.
- Exposure Draft - Proposals Relating to the Withdrawal of Existing IAPs and Clarification of the Status and Authority of New IAPs and Proposed IAPS 1000, Special Considerations in Auditing Complex Financial Instruments.
- Exposure Draft - ISRS 4410 (Revised), Compilation Engagements.
- Exposure Draft - ISRE 2400 (Revised), Engagements to Review Historical Financial Statements.
- Exposure Draft - ISAE 3410, Assurance Engagements on Greenhouse Gas Statements.
- Discussion paper - The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications.
- Consultation Paper - Proposed IAASB Strategy and Work Program for 2012–2014.

CO-ORDINATION BETWEEN ICAP AND SBP

The ICAP-SBP Coordination Committee is a forum where matters relating to the banking and financial sector are discussed with the regulator.

During the year, the following issues were discussed:

- Implementation of IAS 39 and IAS 40.
- Progress on implementation of Internal Control Guidelines.
- Audit of PLS rates.
- Issuance of Management Letters.

CO-ORDINATION BETWEEN ICAP AND SECP

The SECP referring to the importance of cooperation and coordination with ICAP being the frontline regulator of the accounting and auditing profession had proposed to have regular coordination meetings in 2004. This led to the formation of the ICAP and SECP Coordination Committee. The Coordination Committee benefits from synergic advantages of working together in achieving the common objective of a transparent corporate sector.

The following issues are under discussion between ICAP and SECP:

- Revision in Audit Report format as given in Form 35 A and Form 35 C.
- Amendments in Companies Ordinance, 1984 and its Fourth Schedule, to align them with the requirements of IFRSs.
- Induction of non-CAs as partners in an audit firm – Amendment in Section 254(2) of the Companies Ordinance, 1984.
- Consolidation of Mutual Funds.
- Limited Liability Partnership (LLP) Act.
- Accounting Framework for IPPs.

JOINT COMMITTEE OF ICAP AND ICMAP

The Joint Committee of ICAP and the Institute of Cost and Management Accountants of Pakistan (ICMAP) is aimed at uplifting and regulating the accountancy profession in the country, with a commitment to serve the public interest by promoting transparency, encouraging adoption of best corporate practices and supporting implementation of high ethical standards in the country.

BEST CORPORATE REPORT AWARDS 2009

It has been more than a decade that the Committee has been organising the best Corporate Reports Award. The awards have been instrumental in the improvement of the quality of information disclosed by the companies. The 10th Best Corporate Report (BCR) Awards, 2009 ceremony was organised by the Joint Committee of the ICAP and ICMAP on October 22, 2010. Mr. Ishrat Hussain, Dean of the Institute of Business Administration (IBA) was the Chief Guest of the ceremony. Overall 1st position was secured by Pakistan Petroleum Limited. The list of winners can be viewed at: http://www.icap.org.pk/userfiles/file/TechnicalDepart/Winners_2009.pdf

ISSUANCE OF BEST CORPORATE REPORTS AWARDS CRITERIA FOR 2011

The Evaluation Committee of Joint Committee of ICAP and ICMAP has revised the criteria for the Best Corporate Reports Awards 2011 to enhance the quality of corporate communication. The BCR Criteria 2011 can be viewed at the websites of the Institutes at the following web links: <http://www.icap.org.pk/userfiles/file/TechnicalDepart/BCRCriteria2011ICAP.pdf>

BEST SUSTAINABILITY REPORT AWARD 2011

In order to promote responsible reporting by companies covering the economic, environment and social performance of the business, the Committee is pleased to announce a new award namely 'Best Sustainability Report Award'. This will be applicable for the companies with accounting periods closing in the year 2011. The Criteria for the 'Best Sustainability Report' Award is based on the internationally recognised Framework; G3 Guidelines of Global Reporting Initiative (GRI), an international standard on Sustainability Reporting that has also been recognised by the International Federation of Accountants (IFAC).

The Criteria can be viewed at: http://www.icap.org.pk/userfiles/file/TechnicalDepart/sustainability_report_award.pdf

SAFA BEST PRESENTED REPORTS AWARDS 2009

The South Asian Federation of Accountants (SAFA), Best Presented Accounts Awards and Corporate Governance Disclosure (SAFA BPA & CG) 2009 Awards Ceremony was organised on December 12, 2010 in Kathmandu, Nepal. Pakistan Petroleum Limited and Siemens (Pakistan) Engineering Company Limited jointly secured the Overall Winner position in the SAFA BPA & CG 2009 Awards. Other companies nominated for SAFA BPA & CG 2009 Awards from amongst BCR 2009 winners, secured the following positions in their respective categories:

- Faysal Bank Limited
2nd Runners-up (Joint) in the Banking Sector subject to Prudential Supervision Sector
- Sanofi-Aventis Pakistan Limited
Joint Winners in the Hospitality, Health, Transport, Shipping Sector
- Al-Ghazi Tractors Limited
2nd Runners-up in the Hospitality, Health, Transport, Shipping Sector

Other Pakistani companies also received Certificates of Merit awards in their respective categories. The list of winners is available at the following web link: <http://www.icap.org.pk/userfiles/file/TechnicalDepart/LISTOFSAFAWINNERS2009.pdf>

TAXATION COMMITTEE

FEDERAL BUDGET PROPOSALS 2011-12

The Committee on Taxation developed a detailed proposal on direct and indirect taxes for the consideration in the Federal Budget for the year 2011-12. These were sent to the Federal Cabinet, members of the Finance Committee of the Senate, the National Assembly, the Federal Ministry of Finance and the Federal Board of Revenue (FBR). The proposals were aimed towards broadening the tax base, improvement of revenue collections, confidence building, simplification and removal of ambiguities in the taxation laws for ultimately leading towards promotion of tax culture.

TAX AUDIT

The Government of Pakistan and the Institute had entered into a Memorandum of Understanding (MoU) in June 2009 for the purpose of outsourcing of tax audit to the Chartered Accountants on behalf of the FBR. The Taxation Committee of the Institute spent a significant amount of time to develop the tax audit framework and the related documents under which the tax audits were to be conducted. The FBR under the desires of the then financial managers of the country outsourced around 400 cases to the members of the Institute. The senior leadership of the FBR and the Federal Ministry of Finance and ICAP wanted to see the success of this outsourcing project which was aimed to bring professionalism in the tax audits and help to create a tax culture within the society. However, after the change of the leadership in the Federal Ministry of Finance the members of the Institute faced serious issues in respect of required coordination and ownership of the outsourcing within the tax department. Ultimately and with utmost regret this project has had to be abandoned.

FINANCIAL SECTOR COMMITTEE

IMPLEMENTATION OF IAS 39 BY BANKS AND DFIS

- During the year, the issues relating to implementation of IAS 39 were discussed in detail with the Pakistan Banks' Association (PBA). The main issue that arose highlighted matters relating to loan impairment.
- As an initiative to develop better understanding on implementing IAS 39 with particular focus on loan impairment, the Committee had organised an interactive session where the practical aspects of implementation of IAS 39 were discussed with the CFOs having had experience of its implementation leading the discussion.

IMPLEMENTATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

During the year two meetings were held with the State Bank of Pakistan (SBP) and the Pakistan Banks Association (PBA) respectively to discuss the way forward in implementing ICFR and the necessary guidelines were issued. Long form reports have been submitted to the SBP by majority of the banks by June 30, 2011.

PUBLIC SECTOR COMMITTEE

The Public Sector Committee (PSC) was formed by the Institute to serve public interest by promoting adherence to high quality financial reporting public sector standards, furthering the convergence of such standards and providing guidance for financial information reported by the public sector.

Following matters were completed by the Committee during the year:

- The final set of recommendations on public sector reforms has been sent to the Federal Minister for Finance for:
 - Consolidation of corporate entities.
 - Long-term sustainability of public finances.
 - Corporate Governance.
 - Reconciliation of public debt.

- The Public Sector Committee of the Institute in collaboration with the Audit and Accounts Training Institute (AATI) of the Office of the Auditor General of Pakistan (AGP) has planned to organise a series of seminars on different professional and technical aspects of accounting and auditing for the capacity building of the officers of the public and private sector organisations.

The first seminar of the series on 'Internal Audit and Public Sector Management Effectiveness' was held on June 23, 2011 at ICAP Islamabad.

Following matters are under consideration of the Committee:

- Arranging other seminars on different accounting and auditing topics for public sector entities on a monthly basis in collaboration with the AGP.
- Signing of a Memorandum of Understanding (MoU) between ICAP, AGP and the Controller General of Accounts (CGA). Pre-MoU signing meetings were held during the year with the AGP and CGA representatives to finalise the financial modalities.

IPSASB'S PRONOUNCEMENTS

Comments on the following pronouncements were sent to IPSASB:

- Exposure Draft - Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users, Qualitative Characteristics; and Reporting Entities.
- Consultation Paper - Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements.
- Consultation Paper - Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements.

ECONOMIC ADVISORY COMMITTEE

Economic Advisory Committee (EAC) was formed by the Institute to act as a think tank on major economic issues being faced by the country and advise the Government and other agencies on possible measures required to address the same. During the year recommendations on 'Money Laundering and Foreign Exchange Controls' were sent to the Governor, State Bank of Pakistan.

Following matters are on the Committee's agenda:

- Issues and recommendations relating to the Energy Sector.
- Issues in the Agricultural Warehousing Sector of Pakistan.
- A report on Energy Sector.

Other Committees

CONTINUING PROFESSIONAL DEVELOPMENT

Continuing Professional Development Committee reviewed the existing CPD Directive to make it more effective and beneficial for the members. In keeping with the vision of our profession and global requirements for continuous skill enhancement, the Institute signed a contract with LUMS to conduct four training programmes in highly demanded and relevant areas. By virtue of this alliance, members were offered training in Financial Derivatives, Corporate Financial Management, Business Communication Skills and Strategic Management. As a result of the agreement, LUMS has offered its programmes at a special discount of almost 50% of its quoted price.

Southern Regional Committee and Northern Regional Committee are responsible for conducting CPD Programmes. During the year, they organised 53 Seminars/ Workshops/Conferences in Karachi, Lahore, Islamabad, Faisalabad, Multan and Peshawar offering 239 CPD credit hours for members of the Institute. Last year 80 events were held with 305 CPD credit hours.

PROFESSIONAL ACCOUNTANTS IN BUSINESS (PAIB) COMMITTEE

The PAIB Committee provides resources and facilitates the exchange of knowledge and best practices among professional accountants employed in commerce, industry, financial services, the public sector, education and the not-for-profit sector. Its aim is to enhance the role of professional accountants in business by encouraging and facilitating the global development and exchange of knowledge and best practices. The PAIB Committee focuses on educating a wide range of stakeholders about role of professional accountants in business.

The Committee has organised two very successful CFO conferences during the year at Karachi and Lahore. In order to celebrate and honour the outstanding contributions of our members, the PAIB Committee has conducted the 'First Professional Excellence Awards' of the Institute. The PAIB Committee has further plans to establish a CFO Forum, develop a knowledge pool on the Institute's website and seek business innovation input from members working in the industry.

PUBLICATIONS COMMITTEE

With the year 2011 being celebrated as the Golden Jubilee Year a major part of the publications activity was centered around the Golden Jubilee Celebrations.

The Publications Committee continued to provide creative, editorial and publishing support for the special events like the CFO Conferences, Golden Jubilee Inaugural Ceremony, the Golden Jubilee Conference and student events such as soft skills competitions. The Publications Committee was involved in developing the web content of the ICAP Golden Jubilee website and is working towards the production of a coffee table book documenting the five decades of the glorious history of the Institute.

The Publications Committee serves as a vital link between the Institute and its professionals. For this purpose efforts have been made to ensure that an open and transparent communication is maintained between the Institute and all associated with it.

Over the year noticeable efforts were made to enhance the quality of the publications namely the Newsletter and

the Pakistan Accountant. Efforts were made to improve the Newsletter, making it more comprehensive, sectionised with detailed reports of the happenings of the Institute as well as technical updates vital for the professionals. The purpose of such publications is to ensure that members and students are aware of the activities of the Institute and the profession and receive information pertinent for their use.

As a major breakthrough the Publications Committee through the collaboration of the IT department managed to launch a web based Archive of the Pakistan Accountant to date. This project could not have been successfully completed without the dedicated efforts of the staff of the publications department, the services of the IT department and our senior members who provided us with much sought after earlier issues of the Pakistan Accountant.

The future of ICAP's publications is closely linked to being abreast with technology. Depending upon the choice of the members and the students, the Publications Committee may opt for e-publications rather than the printed version. The Publications department will shortly be issuing its own email id to enable faster and coherent communication with its members and students.

SMALL AND MEDIUM-SIZED PRACTICES (SMP) COMMITTEE

The SMP Committee represents the interests of members in small and medium-sized practices and is charged with identifying and representing the needs of its constituents and, where applicable, to give consideration to relevant issues pertaining to small and medium-sized entities (SMEs). The constituents of the SMP Committee are engagement partners of SMPs who provide accounting, assurance, taxation and business advisory services principally, but not exclusively, to clients who are SMEs.

The objectives which the SMP Committee seeks to achieve are: (i) To analyse challenges the SMPs are facing due to emerging competitive pressures, globalisation of businesses, mounting compliance requirements, IT revolution and the capacity building of the SMPs to face these challenges; (ii) to identify means to enhance the overall ability of SMPs to remain competitive, client focused and operationally proficient; (iii) to suggest ways to the Institute regarding provision of practical support to SMPs, for example through the development of explanatory guidance material and the web-based information resources, so as to enhance their capacity to efficiently implement standards while being competitive, client-focused and profitable; (iv) to issue 'Good Practice Guidance', which assists in the implementation of generally accepted 'good practices' in the areas of significance to small and medium-sized practices by providing advice or guidance on how to achieve 'good practice'; (v) to issue Information Papers, which provide a detailed study of a particular subject of relevance to SMPs; and (vi) to issue Consultation Papers, which promote discussion or debate on issues affecting the SMPs profession and seek comments from interested parties on the issues described in the paper.

Five meetings of the Committee were held during this period and the following matters were discussed:

- a) Problems faced by the SMPs and feedbacks / comments obtained during sessions held in various cities.
- b) Capacity building measures of SMPs.
- c) Finalised vision, strategy and action plan of the Committee for the future.
- d) Issuance of audit reports by certain firms without obtaining sufficient and appropriate audit evidence.

Recommendations on matters such as panel of auditors by SECP; requirement of minimum number of audits to obtain status of a training organisation; advertisement and publicity; and IFRSs for SMEs; sent to the Council.

Support Services

INFORMATION TECHNOLOGY (IT)

The IT department is committed to serving the Institute, its members and students by tailoring solutions to serve its technology needs economically and efficiently. The IT department has actively participated in the overall development of the Institute's information technology and communication infrastructure.

The IT team is in the process of developing an Enterprise Resource Programme (ERP) for which major modules have already been developed and the remaining modules are under development. A major feature of this ERP is that it has centralised the data base residing at the Head Office Data Centre and all other ICAP offices are operating the same from their respective locations through Internet protocol. Besides this, different MISs from the Main Data Center are also accessible at all ICAP offices.

As a step of towards a paper less environment, minutes of all Council and other committee meetings have been digitalised. This software also has features of searching for any specific matter using a key word.

As a part of the ICAP Golden Jubilee Celebrations, a special software was designed for archiving all past issues of 'The Pakistan Accountant'. The project was successfully launched on July 1, 2011. Through this module all articles of the Pakistan Accountant with a separate search facility can be accessed from the Institute's website.

The Task Management System Software, integrated with 'contact us' panel of website, efficiently handles all queries raised by members, students and any individual on website, phone, fax and e-mail. With this feature the overall reach and accessibility of the Institute have significantly improved.

ICAP Portal has been enhanced with features of Online Updating of Members' Profile and Form 'C' for Practicing Firms. Besides, members can watch video recordings of CPD events through the ICAP Portal. ICAP Job Placement Portal was initiated to facilitate fresh and senior professionals. The IT infrastructure of ICAP Lahore, Karachi and Islamabad have been upgraded with a state of the art 2MB fibre optic connectivity. This has resulted in the quality of video conferencing sessions being significantly improved.

The PERN2 Facility has been activated. Now members and trainee students can access the PERN2 resources from their own premises. This facility is also available in all the Members' libraries.

Examinations Forms are now being generated from the in-house developed Application system software module.

HUMAN RESOURCES AND ADMINISTRATION

The Human Resources department has primary responsibility for managing, assisting and dealing with all employee related matters including such functions as policy administration, recruitment process, new employees' orientation, personnel records retention, attendance, leave management, annual appraisals, salary administration, staff health and life insurance, training and development of the staff, etc. The HR department works closely with the other departments of ICAP to support and respond to their needs.

The Administration department is responsible for the maintenance of all the premises of ICAP, construction of new premises or extensions to existing premises and also the renovation, beatification and safety and security of all the premises. The Administration department also handles insurance claims, purchase of office equipment, travel management and assistance in event management.

This year, the size and scope of the Institute's activities has witnessed a significant growth due to it being the Golden Jubilee year. Some of the important activities related to the department are as follows:

TRAINING AND DEVELOPMENT

In order to improve the professional capabilities of the staff more than 40 employees attended professional training programmes / courses organised by renowned training organisations like PIMS, PICG, LUMS, ISACA, Terrabiz, etc. In-house presentations were also conducted by the staff who attended the training courses for the benefit of other employees..

HIRING AND IMPROVEMENTS IN BENEFITS

This year ICAP has inducted three Chartered Accountants, besides twenty-two other individuals including MBAs, Masters, Bachelors, IT professionals and a legal expert who is also a Corporate Secretary (FCIS). ICAP's total staff strength as at June 30, 2011 was 172. Overtime rates have been revised which is largely beneficial for the lower level staff. The HR Manual and the organisational structure of the Institute have been revised to meet the growing requirements of the Institute.

ADMINISTRATIVE ACTIVITIES

ARRANGEMENTS FOR PROFESSIONAL ACTIVITIES AT THE INSTITUTE

During the year the department provided administrative support for more than 200 training events, seminars, lectures and other such activities. The department also arranged the annual staff picnic.

Acknowledgement

The Council would like to place on record its sincere gratitude to all members in general and those who served in various committees of the Institute in particular for their support, dedication and help they extended in policy formation.

The Council would also like to thank the Federal Government, the Securities and Exchange Commission of Pakistan, the Federal Board of Revenue, the State Bank of Pakistan, Auditor General of Pakistan Office and other government organisations for their continued support.

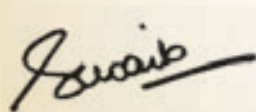
The Council expresses its appreciation for the work done by Mr. Qasim E. Causer and Mr. Afzal Munif in their capacity as the auditors of the Institute.

The Council also gratefully acknowledges the active role played by the Chairman of the Audit Committee, the Chairman of the Quality Assurance Board and the President of the Benevolent Fund in their respective areas.

The Council would also like to acknowledge the contributions made by the respective Regional Committees in building the image of the Institute and for their whole-hearted support.

The Council would like to take this opportunity to express its appreciation to the personnel of ICAP for their hard work and dedication and for helping the Council in discharging its responsibilities.

By the order of the Council



Shoaib Ahmed

Secretary

Karachi, August 26, 2011

Annexures

REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF THE INSTITUTE

During the period under review, the Audit Committee held seven meetings. A summary of the activities carried out by Audit Committee during the period from July 1, 2010 to June 30, 2011 is as follows:

1. Review of financial statements of the Institute

The Committee reviewed quarterly, half yearly and annual financial statements of the Institute before submitting the same for approval of the Council.

The review was carried out to ensure that financial statements are understandable, transparent and reliable and in compliance with all applicable accounting standards, statutory and regulatory requirements.

The Audit Committee findings / recommendations on the financial statements were advised to the Council.

2. Review and evaluation of the Institute's risk management process

Risk Management is a critical part of providing sound governance that touches all the Institute's activities. An effective risk management process can assist in identifying key controls related to significant inherent risks.

As part of its oversight responsibility, the Audit Committee has reviewed and evaluated the Institute's risk management process to assess its effectiveness and efficacy.

On the basis of the review, the Committee made various recommendations to the management for incorporation in the Institute's risk management process. The Committee has also advised the management to present a report on Institute's risk management process to the Council of the Institute, after incorporating Audit Committee suggestions.

3. Established a direct reporting relationship with the External Auditors

- i) The Committee had three meetings with the representatives of the External Auditors of the Institute; for any point of their concern regarding compliance and governance related matters. Necessary corrective actions in this respect were recommended to the management.
- ii) Reviewed the External Auditors' management letter and ensured implementation of recommendations contained therein through regular review and follow up with the management.

- iii) Recommended the rotation / change of External Auditors to the Council as per the requirements of international best practices and the Code of Corporate Governance.

4. Independent and effective Internal Audit Function

- i) Ensured the Internal Auditor's access to the Audit Committee, encouraging communication beyond scheduled Committee meetings.
- ii) Reviewed internal audit plans, reports, and significant findings and implementation status of audit recommendations.
- iii) Ensured implementation of audit recommendations through regular review and follow ups.
- iv) Provided validation and oversight to the Internal Auditor.

5. Other business conducted

- i) Quarterly review of all material transactions and the Institute's receivable position and action taken by the management for recovery of the outstanding balance.
- ii) Review of compliance with the applicable laws and regulations.
- iii) Regular communication with the management regarding status and progress of Audit Committee decisions/ Internal Audit recommendations, and new developments, as well as problematic areas.

The Audit Committee is working towards strengthening internal controls and governance at the Institute, which in turn is facilitating the Council in achieving its goals and objectives. Significant matters requiring Council attention and Audit Committee recommendations there against are regularly reported to the Council for consideration and necessary corrective actions.

Imran Afzal

Chairman, ICAP Audit Committee

QUALITY ASSURANCE BOARD (QAB)

It gives me immense pleasure to present the report of the activities of the Quality Assurance Board (QAB) for the period July 2010 to June 2011.

The Quality Control Review (QCR) Program is one of the most important functions of the Institute's regulatory framework. It was established to develop and maintain compliance of professional standards by the firms engaged in the audits of limited companies, particularly the listed entities. This program is a reflection of the Institute's commitment to protect and safeguard the stakeholders' / public interest while maintaining rigorously self-regulatory standards.

RECONSTITUTION OF THE QAB

This year in January 2011 the QAB was reconstituted by the Council for the next three years and I have had the honour to be nominated again by the Council as the Chairman of this apex Board. The composition of the QAB can be viewed at the following link:- [http://www.icap.org.pk/web/links/0/qualityassuranceboard\(qab\)composition.php](http://www.icap.org.pk/web/links/0/qualityassuranceboard(qab)composition.php)

RESPONSIBILITIES AND FUNCTIONS OF QUALITY ASSURANCE BOARD

According to the Framework of the Quality Control Review (QCR) Program, following are the primary functions of the QAB:

- To carry out QCRs of the firms in accordance with QCR Program Framework.
- To monitor the QCR program to ensure its adequate and effective implementation.
- To arrange / co-ordinate the training programs and workshops with CPD or other committees of the Institute to improve the quality standards of audits.
- To perform a periodic review of the QCR program framework (including policies, procedures and processes etc.) to ensure that it remains up-to-date and in line with the relevant standards and pronouncements of the IFAC.
- To set policies and procedures for the QCR Program and ensure that it is as relevant as possible to all types and sizes of practices and decide on all matters relating to QCR, in the public interest and in the interest of the profession.

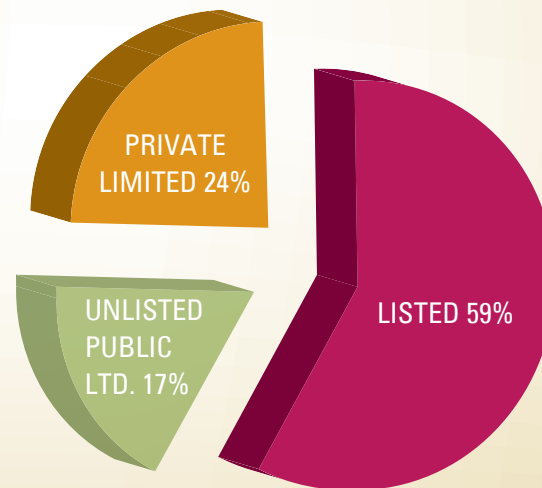
In carrying out the above functions, the QAB is assisted by the 'Quality Assurance Department (QAD)' of the Institute.

QCR OF AUDIT ENGAGEMENT

During the period from July 1, 2010 to June 30, 2011, reviews of 109 audit engagements of 51 firms at 76 office locations in Karachi, Lahore, Islamabad, Faisalabad, Multan, Peshawar, Hyderabad and Rawalpindi were carried out as compared to 66 audit engagements of 40 firms at 49 office locations during the last year.

Out of 109 audit engagements reviewed during the period, conclusions of 67 audit engagements were “supported by appropriate audit evidence” while the conclusions of 2 audit engagements were “not supported by appropriate audit evidence”. 40 audit engagements of 21 firms are in the process of approval by the QAB.

Audit Engagements Reviewed During the Period



Out of 51 firms reviewed during this period, overall conclusions of 30 firms were that audit reports issued by such firms were ‘supported by appropriate audit evidence’.

As on June 30, 2011, 97 firms were listed on the Institute’s website, having Satisfactory QCR Rating.

REVIEW OF THE FIRMS UNDER INTERNATIONAL STANDARD ON QUALITY CONTROL-1 (ISQC-1)

ISQC-1 requires the firm to establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements; and ensures that reports issued by the firms are appropriate under the circumstances. In Pakistan ISQC-1 was made effective for firms having audits of listed entities from the financial year beginning on or after July 01, 2009. It was the first time since the inception of the QCR Program in 1987 that firms' system of quality control was reviewed under ISQC-1. During the period under review 24 firms were reviewed which comprises of assessment of policies and procedures addressing the following six elements under ISQC-1:

- Leadership responsibilities for quality within the firm.
- Ethical requirements.
- Acceptance and continuance of client relationships and specific engagements;
- Human resources.
- Engagement performance.
- Monitoring.

REVISED ISQC-1 IMPLEMENTATION GUIDE

The QAB also issued revised "ISQC-1 Implementation Guide" (previously known as ISQC-1 Manual) with the dual objective of providing guidance and understanding of the requirements of ISQC-1 as well as to augment its acceptability and implementation within SMPs.

The Guide addresses the key concepts of leadership responsibilities for quality within the firms, relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, human resources, engagement performance, monitoring and documentation. It offers guidance to firms on how to approach quality control through their own policy development and provides useful practice aids and essential documents templates.

In the revised Implementation Guide new forms / checklists have been added and some of the existing sample documents have also been amended which will help SMPs in understanding and complying with the requirements of ISQC 1.

Revised ISQC-1 Implementation Guide can be downloaded from the Institute's website, by using the following link: http://www.icap.org.pk/userfiles/file/Professional_S_C/ISQC_1_Implementation_Guide.pdf

IMPROVEMENT PROJECTS

i) **Framework of QCR Program**

In the light of the observations noted during QCRs and to bring further clarity to some of the clauses of the existing QCR Framework a Committee has been constituted to review the existing QCR Framework. The Committee has finalised its recommendations which are currently under consideration of the QAB. The revised framework would be issued soon.

ii) Audit Compliance Review (ACR) Checklist - Part B

After IAASB clarity project, various ISAs have been revised and redrafted in addition to issuance of certain new ISAs. This has necessitated the revision of ACR - Part B and the QAB has constituted a Committee to revise it and the matter is under consideration of the said Committee.

iii) Audit Practices Manual

The Audit Practice Manual (APM) issued in 2004 for the general help and assistance of SMPs, is also being revised by the Committee constituted by the QAB.

SMP WORKSHOPS

While ISQC-1 orientation essentially targets practice management, it was felt that there was a need to provide SMPs with required support in terms of training their human resources to augment their understanding of the audit methodology in general and documentation requirements in particular.

During the period under review, the Quality Assurance Department, in collaboration with the Southern and Northern Regional Committees, organised workshops on various appropriate topics in Karachi, Lahore and Islamabad.

SEMINARS ON QCR FINDINGS

During the year a seminar was organised at ICAP Karachi in which frequent QCR findings were shared with the practicing firms. The response of the seminar was overwhelming and members actively participated in the discussion. The primary objective of such programs is to provide guidance to firms so that audit engagements are carried out and documentation is done in accordance with ISAs.

Similar seminars were also held in Lahore, Islamabad and Faisalabad in July 2011 which were very much appreciated and attended by large number of members.

CONCLUDING REMARKS

In the end, I would like to thank all those practicing members who have shown their commitment to quality auditing and financial reporting through co-operation with, and positive reaction to, our QCR program. We ultimately rely on our members' professionalism to ensure that our QCR program is effective and our aims are achieved.

I also extend my sincere thanks to all the existing and outgoing members of the QAB and the Quality Assurance Department for their commitment and support which helped the Board to carry out its functions effectively and efficiently.

Zafar Iqbal Sobani

Chairman, Quality Assurance Board

ICAP BENEVOLENT FUND

The Institute of Chartered Accountants of Pakistan Benevolent Fund (The Fund) is an important and independent function of the Institute. The Fund was established in 1972 with a purpose to provide financial assistance and grants to financially distressed members as well as families of the deceased members to enable them to have a respectable living, support education of their dependent children, marriage of their daughters and to meet their medical needs. The Fund has been undertaking this function with commitment and sincerity of purpose since inception.

The affairs of the Fund are managed by an independent committee constituted by the Chairman of the Fund who is nominated by the Council of the ICAP each year.

In addition to meeting its sacred obligation of identifying the deserving families and providing financial grants, the Fund also undertakes special projects for the benefit of the members. A brief account of the performance of the Fund appears below.

Financial Assistance: The Fund extended financial assistance of rupees 5.79 million to members and families of deceased members compared to rupees 4.96 million during the preceding year. The Fund has constituted visiting sub-committees in Southern and Northern regions to verify and assess the needs of deserving cases. On receipt of notice of demise of a member of the Institute, members of the sub-committees pay visits to the families in order to condole them. These visits also serve the purpose of identifying deserving cases for financial assistance.

Group Life Insurance Scheme: Group life insurance scheme is being administered for the members of the Institute since the past several years. During the year under review, the Committee decided to keep the arrangements with existing insurers under the Islamic concept of Takaful. As a result of this and due to continuous efforts of the members of the Committee, the scheme achieved a participation level of 550 plus members. For the first time in the history of the Institute, Certificate of Takaful were issued to members as a documentary evidence of their coverage.

During the year under review, the sub-committee on group life insurance / takaful conducted various meetings with existing insurers as well as other service providers working in conventional as well as Islamic mode. The sub-committee was keen to enhance the sum insured from Rs. 2 million and also the scope of coverage in case of accidental death.

These efforts have borne fruits as the Committee was able to enhance the sum insured to a maximum of Rs. 4 million. Additionally, incidents as a result of terrorism will be covered under accidental death and eligible for additional cover associated with accidental death. A large number of members have sent their contributions for group takaful coverage for the ensuing year 2011-12. The numbers are expected to increase further as membership fees are paid by all members.

Group Health Care Scheme: Arrangements for the year under report were continued with Askari General Insurance Co. Ltd with slight adjustment of inflation in the premium rates. Furthermore, the insurer was persuaded to include the employees of CA firms along with their dependents within the ambit of the scheme. The scheme was quite successful in terms of members' participation as well as providing insurance protection to members. Overall participation in the scheme reached to 576 participants during the year under report. Insurance claims in excess of Rs. 1.5 million were reimbursed to the members during the year. This does not include the amount of claims directly settled by the panel hospitals.

For the ensuing year 2011-12, arrangements have been finalised after due diligence process, with AsiaCare Health Insurance Co. at very competitive rates and for very attractive benefits package. The details have been circulated to members through email, Newsletter and Brochures. Complete details of the scheme have also been placed on the website of the Institute www.icap.org.pk

Revision of Rules of the Fund: Revised rules of the Fund were finalised during the last year. These were also approved by the members at the AGM. However, the rules were finally endorsed by the Council of the Institute during the year under review. Revised rules are also available at the website of the Institute.

Lastly, on behalf of the Management Committee of the ICAP Benevolent Fund, I gratefully acknowledge the valuable contribution to the Fund of Rs. 1 million approved by the Council of the Institute for the year 2011-2012. This will strengthen the Fund in its efforts to provide maximum support to the members and families of the deceased members, in distress, particularly in the years to come when the quantum of this support is likely to increase substantially owing to increase in number of such cases and the ever-increasing inflation. The Committee firmly believes that this contribution will continue from year to year as a regular feature.

The existing Committee also appreciates the approval of the Council for increase in contribution from rupees seven hundred and fifty to rupees one thousand and two hundreds and fifty annually by the members of the Institute towards the ICAP Benevolent Fund.

Khaliq-ur-Rahman

President, ICAP Benevolent Fund

SOUTHERN REGIONAL COMMITTEE

Following is the summary of the activities of the Southern Regional Committee (SRC) during the year July 2010- June 2011:

- SRC was given the opportunity to organise the certificate award ceremony for students who have passed their Final examination and for those who have achieved certificates of merit in their Intermediate examination. Students along with their parents were invited in the ceremony which also included guidance speeches from leading CEOs and professionals. Two such ceremonies were held during this term.
- SRC organised 21 CPD events consisting of 8 workshops and 13 seminars, on various core and non-core subjects.
- For the families of our members, SRC organised a family get-together at Sindbad which was attended by 1,400 people.
- The CASA Managing Committee organised 8 seminars on exam topics. The elections for the next term of CASA are planned in December 2011.
- Last year's floods played havoc in the country. For the relief of the affected, Chartered Accountants Students Association (CASA), under the guidance of SRC members, organised fund-raising activity and distributed goods in the flood affected areas. CASA members travelled to the affected areas to distribute such goods to ensure the proper utilization of the funds. SRC contributed Rs 0.335 million towards the total amount of approximately Rs. 2.300 million collected by CASA.
- CASA also organised an Inter Firm Cricket Tournament for the trainees.

In ensuing year, the Committee is planning to provide opportunity of learning through computer based CPD programmes, for the convenience of our members.

In the end, on behalf of SRC, I would like to thank the members, the President, the Council Members, CASA Managing Committee, and the secretarial staff of ICAP and SRC for their cooperation and support. I am also thankful to my fellow SRC members for their continued support and dedication.

Saad Kaliya

Chairman, Southern Regional Committee

NORTHERN REGIONAL COMMITTEE

The Committee has worked hard during the year to achieve its Goals and Action Plans and support the ICAP's Council in achieving its aims. The Committee took initiatives for enhancing the standard and volume of CPD activities. The efforts were specially focused towards increasing the frequency and quality of CPD events and the much needed up-gradation of library facilities.

In order to fulfill the responsibility of organising and holding CPD programmes and various CPD activities, seminars and workshops, were organised. The performance of CPD Committees at all stations was satisfactory and improved in all aspects. Facilities of Air Travelling, Boarding, Lodging and Honorarium were provided for the speakers travelling to small stations such as Multan, Faisalabad and Peshawar. In total more than 183 hours of CPD activity was carried out for the members in the region.

The Committee conducted a comprehensive review of libraries at various centres to identify the requirements for improving the existing as well as providing additional facilities. Based on the review, new books were added during the year. All previous editions of study packs have been updated and up gradation of member's lounge is also planned by adding books and journals of interest for the members and work has been started by placing orders for purchase of the same. NRC has also embarked upon the decision to expand the City Library Lahore due to increasing number of students. A joint meeting of NRC members with Council Members from North and Vice President North was held regarding expansion of city library at Lahore, discussions were made and a detailed presentation was made in respect of the proposed Plan regarding improving of the city library both in terms of space and facilities to be provided. The Council was kind enough to consider the proposal and same is in the process of approval by the concerned committee of the Council.

I am pleased to inform that the revival of CASA-N was achieved during the year after a period of seven years and CASA-N arranged a Cricket tournament which was well-participated by the students of different firms. In total twelve firms participated in the tournament. CASA-N also held some other activities for students which were appreciated and attended by large number of students.

On behalf of the Committee, I am pleased to recognise and appreciate the efforts of all our very worthy members who served on various committees.

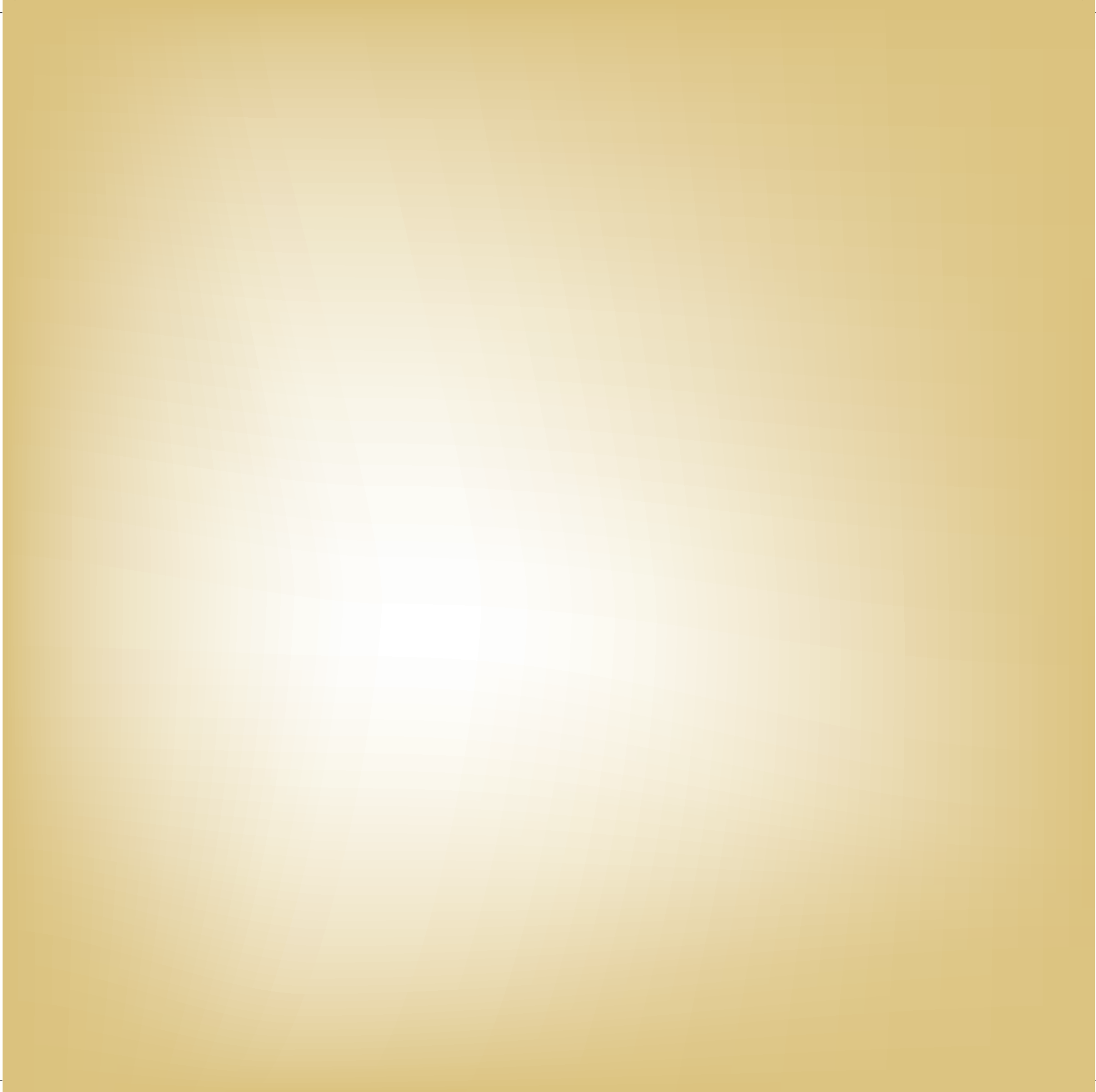
Faisal Iqbal Khawaja

Chairman, Northern Regional Committee

Financial Highlights

To follow one's aim; that's the secret of success



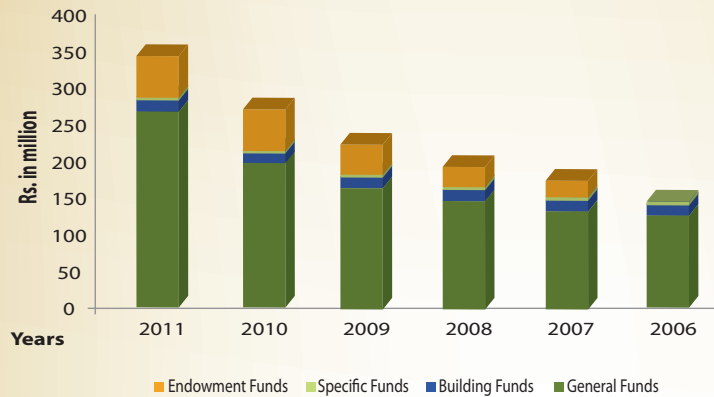


SIX YEARS KEY FINANCIAL HIGHLIGHTS

Rupees in million

Descriptions	2011	2010	2009	2008	2007	2006
Financial Position						
General fund	272.79	202.90	168.58	151.63	135.96	127.36
Building fund	16.0	16.00	16.00	16.00	16.00	16.00
Specific funds	3.09	4.30	4.24	3.92	3.71	3.64
Endowment funds	54.80	52.31	40.34	25.78	20.00	-

Financial Position



Rupees in million

Descriptions	2011	2010	2009	2008	2007	2006
Assets Compositions						
Property, plant and equipment	150.06	160.26	160.63	144.84	112.71	102.93
Long-term assets	136.64	72.16	43.07	15.93	29.98	27.12
Current asset	117.53	94.59	87.86	93.98	70.79	41.92
Current liability	57.55	51.49	62.40	57.42	37.82	24.98
Net current assets	59.98	43.10	25.46	36.56	32.97	16.95

Current Assets 'vs' Current Liabilities



Rupees in million

Descriptions	2011	2010	2009	2008	2007	2006
Cash flows						
Operating activities	73.21	37.60	54.61	47.63	39.16	25.52
Investing activities	(95.45)	13.35	(59.40)	(48.92)	(41.28)	(15.59)
Changes in cash and cash equivalent	(22.24)	50.95	(4.78)	(1.29)	(2.10)	9.93
Cash & cash equivalent - Year end	46.37	68.61	17.66	22.45	23.73	25.84

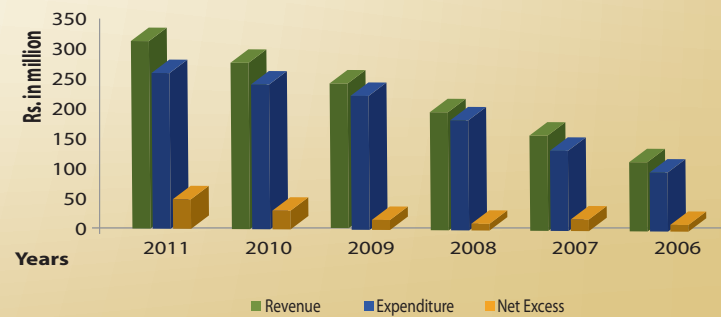
Cash flow - Operating Activities



Rupees in million

Descriptions	2011	2010	2009	2008	2007	2006
Revenue & Expenditure						
Revenue	342.43	298.60	255.38	208.46	208.46	166.87
Expenditure	272.55	253.27	234.43	192.79	192.79	141.26
Net Excess	69.88	45.33	20.95	15.67	15.67	25.61

Revenue & Expenditure



Rs. in Million

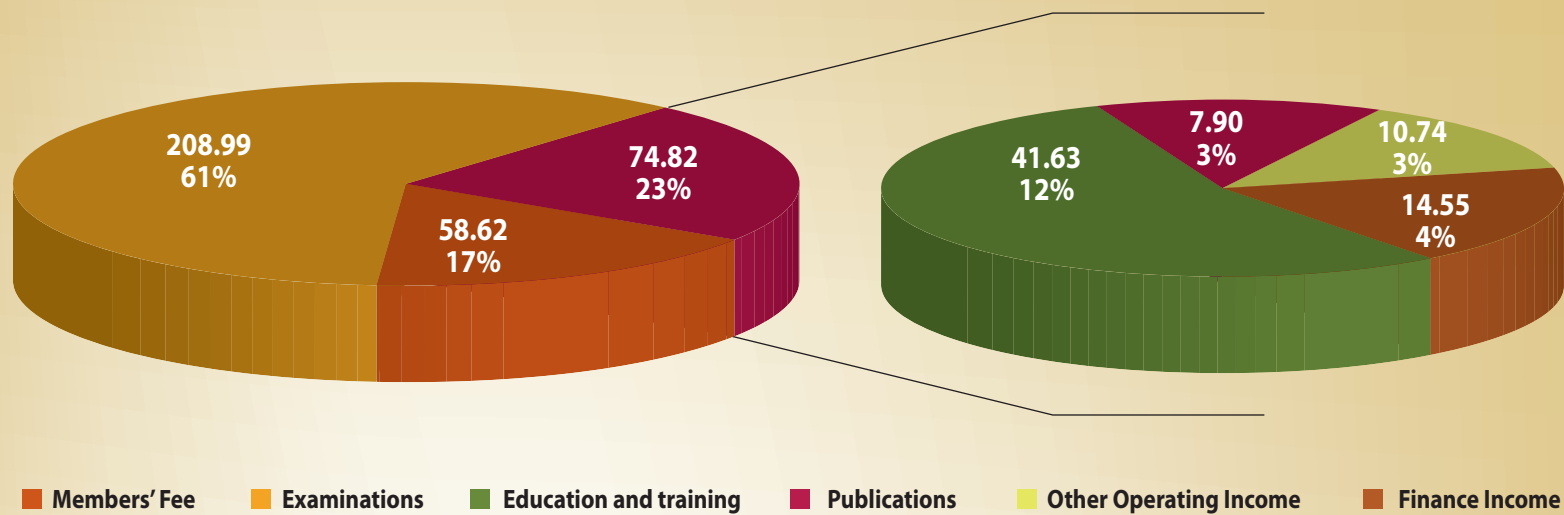
Vertical Analysis	2011	%	2010	%	2009	%	2008	%	2007
Income & Expenditure									
Revenue	342.43	100	298.60	100	255.38	100	208.46	100	166.87
Expenditure	272.55	80	253.27	85	234.43	92	192.79	92	141.26
Operating surplus	69.88	20	45.33	15	20.95	8	15.67	8	25.61
Funds									
General fund	272.79	78	202.90	73	168.58	73	151.63	77	135.96
Building fund	16.00	5	16.00	6	16.00	7	16.00	8	16.00
Specific funds	3.09	1	4.30	2	4.23	2	3.92	2	3.71
Endowment funds	54.80	16	52.31	19	40.34	18	25.78	13	20.00
Total	346.68	100	275.52	100	229.15	100	197.33	100	175.67
Assets & Liabilities									
Property, plant and equipment	150.06	44	160.26	59	160.63	70	144.84	73	112.71
Other Long-term assets	136.64	39	72.16	26	43.07	19	15.93	8	29.98
Current assets	117.53	34	94.59	34	87.86	38	93.98	48	70.79
Current liabilities	(57.55)	(17)	(51.49)	(19)	(62.40)	(27)	(57.42)	(29)	(37.82)
Net assets	346.68	100	275.51	100	229.15	100	197.33	100	175.67

Rs. in Million

Horizontal Analysis	2011	Change over perceding year (%)	2010	Change over perceding year (%)	2009	Change over perceding year (%)	2008	Change over perceding year (%)	2007
Income & Expenditure									
Revenue	342.43	15	298.60	17	255.38	23	208.46	25	166.87
Expenditure	272.55	(8)	253.27	(8)	234.43	(22)	192.79	(36)	141.26
Operating surplus	69.88	54	45.33	116	20.95	34	15.67	(39)	25.61
Funds									
General fund	272.79	34	202.90	20	168.58	11	151.63	12	135.96
Building fund	16.00	-	16.00	-	16.00	-	16.00	-	16.00
Specific funds	3.09	(28)	4.30	2	4.23	8	3.92	6	3.71
Endowment funds	54.80	5	52.31	30	40.34	56	25.78	29	20.00
Total	346.68	26	275.52	20	229.15	16	197.33	12	175.67
Assets & Liabilities									
Property, plant and equipment	150.06	(6)	160.26	-	160.63	11	144.84	29	112.71
Long-term assets	136.64	89	72.16	68	43.07	170	15.93	(47)	29.98
Current assets	117.53	24	94.59	8	87.86	(7)	93.98	33	70.79
Current liabilities	(57.55)	(12)	(51.49)	17	(62.40)	(9)	(57.42)	(52)	(37.82)
Net assets	346.68	26	275.51	20	229.15	16	197.33	12	175.67

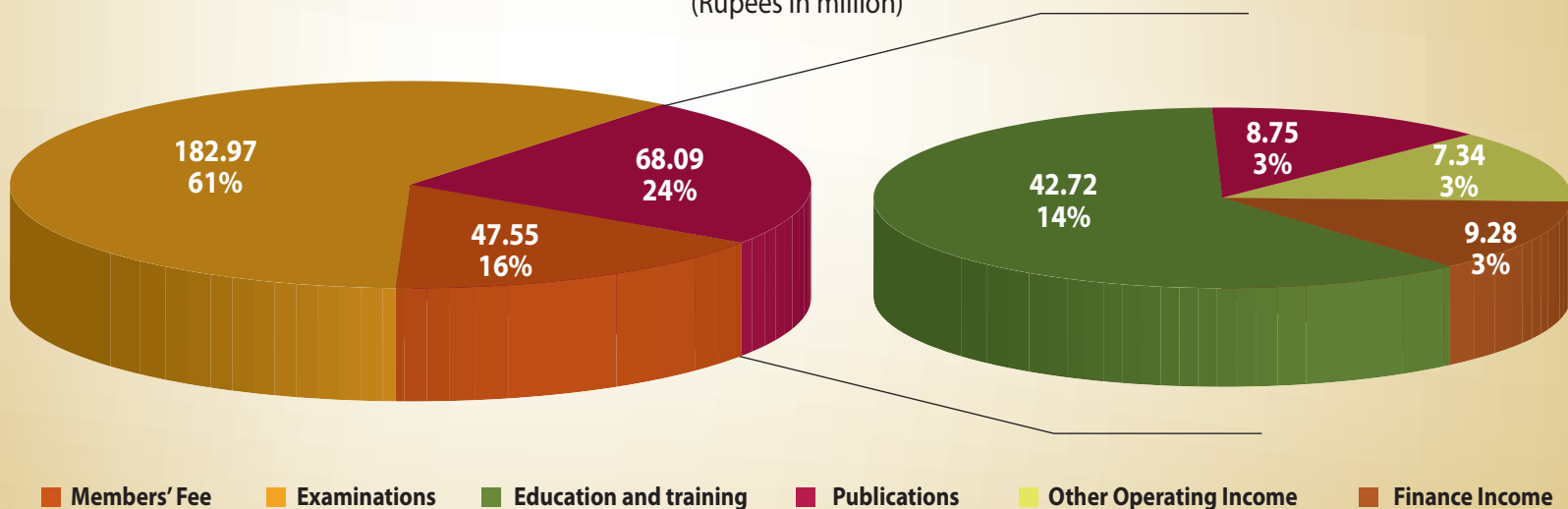
Revenue 2011

(Rupees in million)



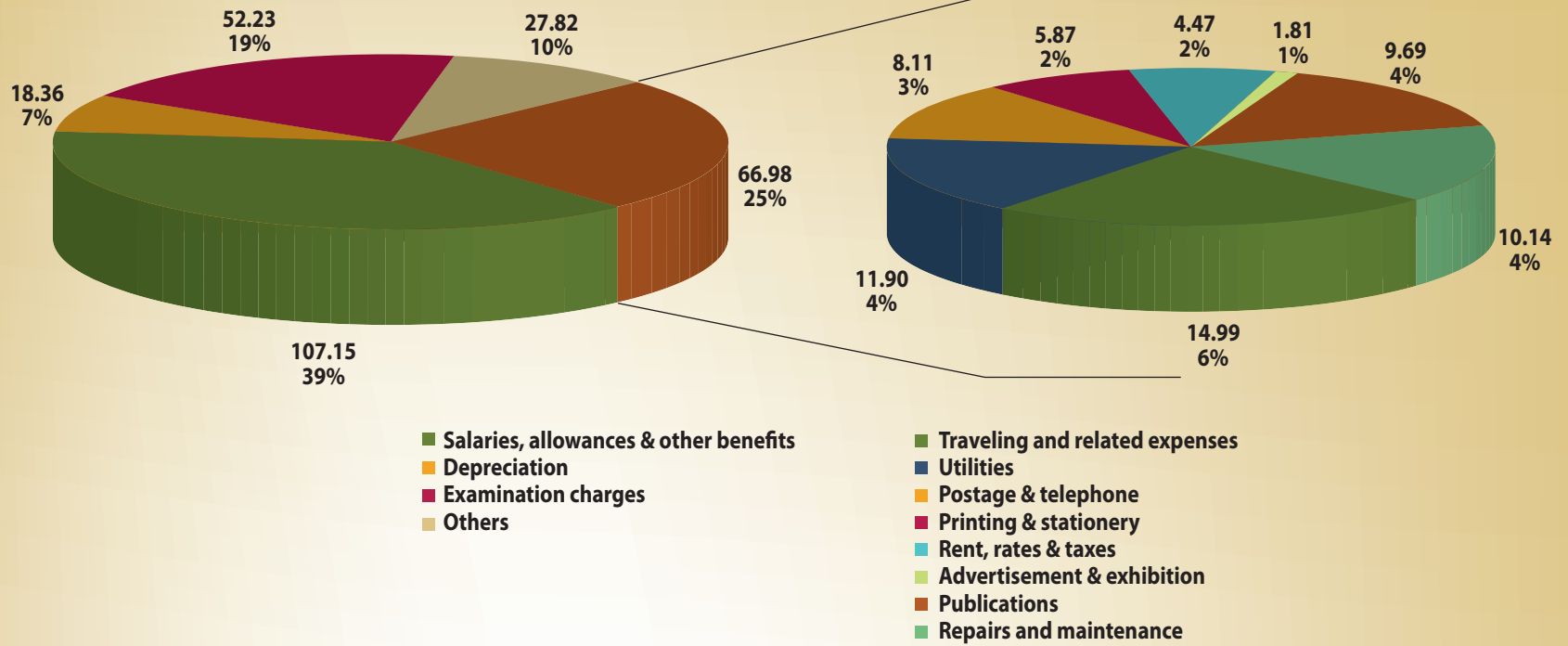
Revenue 2010

(Rupees in million)



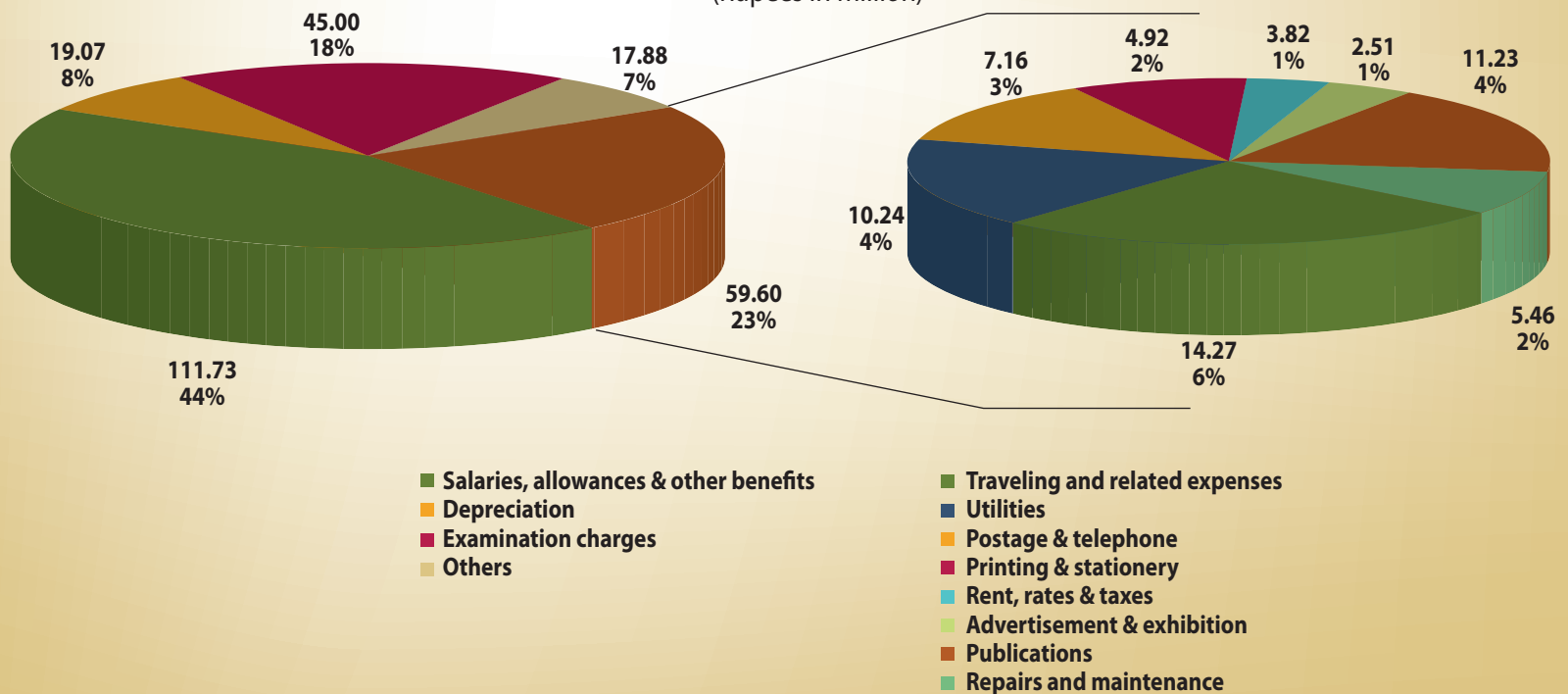
Expenses 2011

(Rupees in million)



Expenses 2010

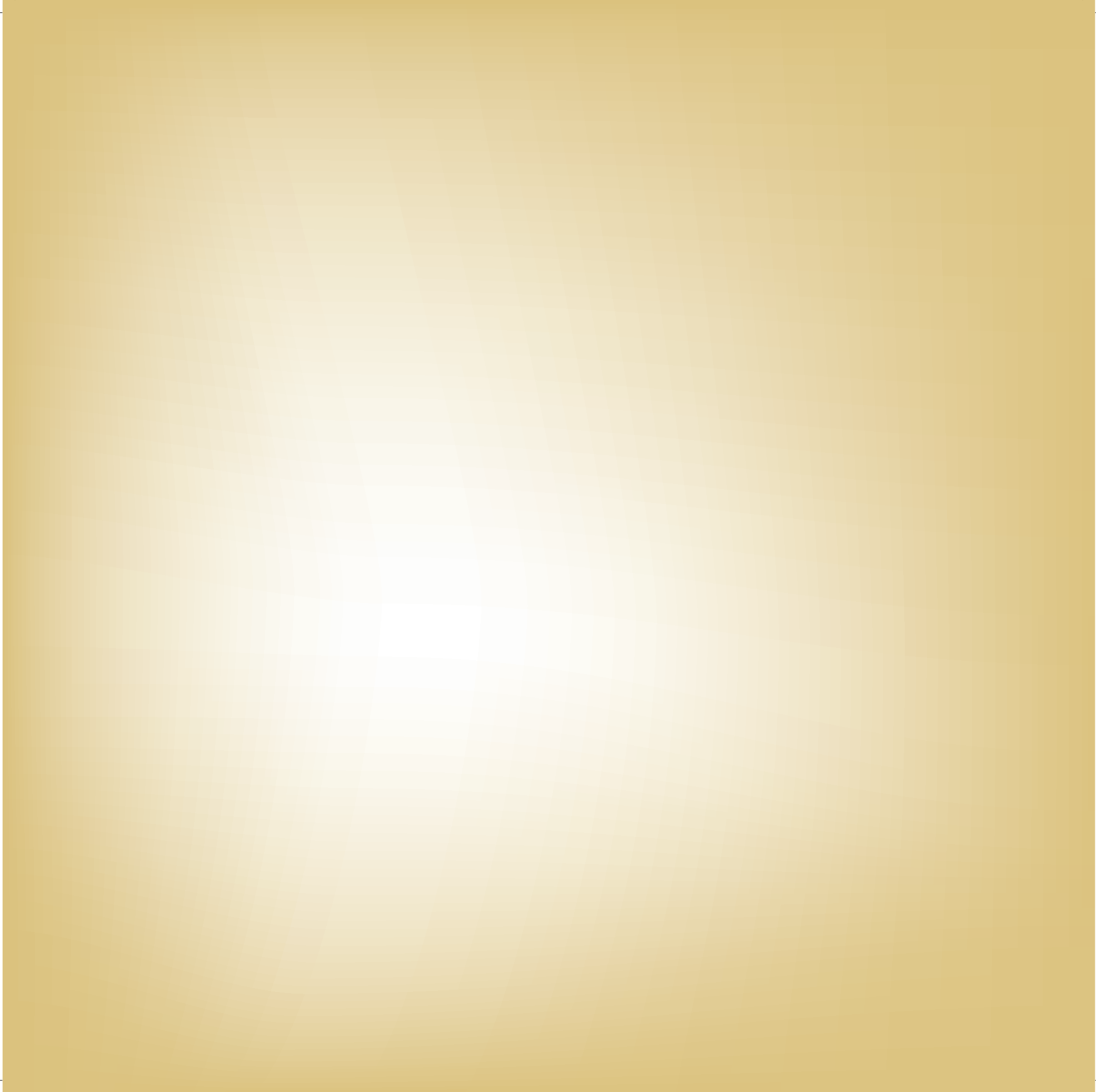
(Rupees in million)



Financial Statements

Together, we are an ocean





Qasim E. Causer
Chartered Accountant
2nd Floor, Block-C, Lakson Square Building No. 1,
Sarwar Shaheed Road,
Karachi - 74200.

Muhammad Afzal Munif
Chartered Accountant
Business Executive Centre
F/17/3, Block-8, Clifton,
Karachi – 75600.

AUDITORS' REPORT TO THE MEMBERS

Introduction

We have audited the accompanying financial statements of THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN, (the Institute) which comprises the balance sheet as at June 30, 2011, and the related statement of comprehensive income, statement of cash flows and statement of changes in funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

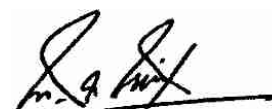
Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Institute as of June 30, 2011 and of its financial performance, its cash flows and changes in funds for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



Qasim E. Causer
Chartered Accountant

Karachi
July 30, 2011



Muhammad Afzal Munif
Chartered Accountant

BALANCE SHEET

As at June 30, 2011

	Note	2011 <i>(Rupees)</i>	2010
NON CURRENT ASSETS			
Property, plant and equipment	3	150,060,448	160,258,022
Intangible assets	4	1,419,647	1,971,126
Long-term investments	5	63,896,323	13,377,398
Loans advances and deposits	6	11,463,984	9,642,081
Assets relating to Specific Funds	7	1,400,000	2,506,858
Assets relating to Endowment Funds	8	58,456,950	44,661,650
		<u>286,697,352</u>	<u>232,417,135</u>
CURRENT ASSETS			
Stock of publications and souvenirs		2,009,773	3,073,220
Short-term investments	9	84,671,416	55,482,468
Assets relating to Specific Funds	10	1,689,493	1,787,506
Assets relating to Endowment Funds	11	1,779,764	10,882,081
Loans, advances, prepayments and other receivables	12	12,595,426	10,232,881
Cash and bank balances	13	14,788,250	13,128,777
		<u>117,534,122</u>	<u>94,586,933</u>
CURRENT LIABILITIES			
Creditors, accrued expenses and other liabilities	14	23,390,550	21,090,887
Fee and charges received in advance	15	26,639,889	25,474,120
Liabilities relating to Endowment Funds	16	5,435,673	3,233,098
Due to Benevolent Fund	17	2,086,873	1,696,240
		<u>57,552,985</u>	<u>51,494,345</u>
NET CURRENT ASSETS		<u>59,981,137</u>	<u>43,092,588</u>
CONTINGENCIES AND COMMITMENTS			
	18	<u>346,678,489</u>	<u>275,509,723</u>
FINANCED BY:			
General Fund		272,787,955	202,904,726
Building Fund		16,000,000	16,000,000
Specific Funds		3,089,493	4,294,364
Endowment Funds		54,801,041	52,310,633
		<u>346,678,489</u>	<u>275,509,723</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.


Secretary


President

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees)	
INCOME			
Members' subscription	19	58,623,140	47,548,455
Examination and other fees	20	208,987,680	182,966,446
Education and training fees	21	41,626,650	42,723,517
Publications	22	7,901,688	8,746,999
Other operating income	23	10,739,883	7,338,646
		<u>327,879,041</u>	<u>289,324,063</u>
EXPENDITURE			
Salaries, allowances and other benefits	24	107,154,567	111,728,295
Examination charges		52,230,508	45,001,458
Depreciation		18,362,385	19,071,723
Traveling and related expenses	25	14,989,602	14,269,871
Publications		9,690,438	11,232,486
Utilities		11,900,683	10,235,067
Postage and telephone		8,106,675	7,158,414
Repairs and maintenance		10,139,034	5,457,274
Printing and stationery		5,872,343	4,915,494
Rent, rates and taxes		4,472,468	3,816,021
Advertisement and exhibition		1,806,237	2,511,784
Others	26	27,822,428	17,876,682
		<u>272,547,368</u>	<u>253,274,569</u>
Excess of income over expenditure before finance income		55,331,673	36,049,494
Finance income	27	14,551,556	9,277,039
Excess of income over expenditure for the year		<u>69,883,229</u>	<u>45,326,533</u>
Other comprehensive income		-	-
Total comprehensive income for the year transferred to General Fund		<u>69,883,229</u>	<u>45,326,533</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.


Secretary


President

STATEMENT OF CASH FLOWS

For the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received:

Membership
Examinations
Training
Publications
Facilities and miscellaneous
Regional Committees
Benevolent Fund subscriptions
Donations for Students' Endowment Fund

Cash paid:

Employees
Regional Committees
Benevolent Fund
Professional bodies
Property tax
Suppliers and vendors

CASH FLOWS FROM INVESTING ACTIVITIES

Investments ICAP - net
Students' Endowment Fund - Investments
Purchase of operating fixed assets
Purchase of intangible assets
Proceeds from sale of operating fixed assets
Income received from investments
Loans and deposits recovered
Loans and deposits paid

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

The annexed notes from 1 to 35 form an integral part of these financial statements.


Secretary

Note	2011	2010
	(Rupees)	
	63,639,629	44,870,343
	206,369,444	166,387,792
	41,626,650	42,723,517
	8,587,643	8,535,139
	17,051,178	17,372,809
	4,260,425	2,409,350
	9,250,893	3,385,990
	99,000	506,500
	350,884,862	286,191,440
	107,175,736	107,941,527
	4,333,232	2,357,965
	8,860,260	3,896,272
	1,232,145	2,191,919
	825,255	799,255
	155,245,489	131,407,490
	277,672,117	248,594,428
	73,212,745	37,597,012
	(97,000,000)	35,000,000
	-	(11,000,000)
	(16,096,987)	(20,858,958)
	(99,200)	(1,304,745)
	11,621,135	2,150,149
	7,943,790	9,228,128
	2,302,168	497,610
	(4,124,071)	(362,320)
	(95,453,165)	13,349,864
	(22,240,420)	50,946,876
	68,611,245	17,664,369
28	46,370,825	68,611,245


President

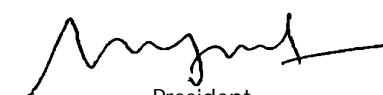
STATEMENT OF CHANGES IN FUNDS

For the year ended June 30, 2011

	General Fund	Building Fund	Specific Funds			Endowment Funds		Total
			Qarz-e-Hasna Fund	Prize Fund	IFEL Fund	Students' Endowment Fund	Libraries Development Fund	
<i>(Rupees)</i>								
Balance as at July 01, 2009	168,578,193	16,000,000	806,871	2,843,774	584,925	34,500,159	5,839,977	229,153,899
Bank charges	-	-	(499)	(83)	-	-	-	(582)
Gold medal expenditure	-	-	-	(210,601)	-	-	-	(210,601)
Disbursement to students	-	-	-	-	-	(5,183,992)	-	(5,183,992)
Books for libraries	-	-	-	-	-	-	(316,557)	(316,557)
Payable / (paid) to Institute	-	-	-	(70,291)	-	3,197,725	-	3,127,434
Transferred to current liabilities	-	-	-	-	-	(3,233,098)	-	(3,233,098)
Profit earned on investments	-	-	-	340,268	-	5,303,596	696,323	6,340,187
Donation received	-	-	-	-	-	506,500	-	506,500
Transferred to Students' Endowment Fund	(11,000,000)	-	-	-	-	11,000,000	-	-
Transferred from statement of comprehensive income	45,326,533	-	-	-	-	-	-	45,326,533
Balance as at June 30, 2010	202,904,726	16,000,000	806,372	2,903,067	584,925	46,090,890	6,219,743	275,509,723
Bank charges	-	-	-	(122)	-	(98)	-	(220)
Gold medal expenditure	-	-	-	(130,280)	-	-	-	(130,280)
Disbursement to students	-	-	-	-	-	(3,596,810)	-	(3,596,810)
Books for libraries	-	-	-	-	-	-	(163,859)	(163,859)
Transferred to Southern Regional Committee / Northern Regional Committee	-	-	-	-	-	-	(1,510,000)	(1,510,000)
Profit earned on investments	-	-	-	316,828	-	5,596,969	673,909	6,587,706
Donation received	-	-	-	-	-	99,000	-	99,000
Transferred to Students' Endowment Fund	-	-	(806,372)	-	(584,925)	1,391,297	-	-
Transferred from statement of comprehensive income	69,883,229	-	-	-	-	-	-	69,883,229
Balance as at June 30, 2011	272,787,955	16,000,000	-	3,089,493	-	49,581,248	5,219,793	346,678,489

The annexed notes from 1 to 35 form an integral part of these financial statements.


Secretary


President

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

1 THE INSTITUTE AND ITS OPERATIONS

The Institute of Chartered Accountants of Pakistan (the Institute) is a statutory body, established under the Chartered Accountants Ordinance, 1961 (X of 1961) for the regulation of the profession of accountants in the country. The Institute is an approved non-profit organisation, under sub section (36) of section 2 of the Income Tax Ordinance, 2001.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprised of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as applicable in Pakistan and the requirements of the Chartered Accountants Ordinance, 1961 and the Chartered Accountants Bye-laws, 1983.

2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments classified as held to maturity, which are carried at amortised cost, as stated in note 2.7 and recognition of certain staff retirement benefits at present value as stated in note 2.10.

2.1.3 Functional and presentation currency

These financial statements are presented in Pakistan rupees, which is the functional and presentation currency for the Institute.

2.1.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned against the respective standard or interpretation:

Standard or interpretation	Effective date
IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from improvement to IFRSs	January 1, 2011
IFRS 1 First-time Adoption of International Financial Reporting Standards - Replacement of fixed date for certain exemptions with a date of transition to IFRSs	July 1, 2011
IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation	July 1, 2011
IFRS 7 Financial Instruments: Disclosures - Amendments resulting from improvement to IFRSs	January 1, 2011
IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosure about transfer of financial assets	July 1, 2011

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

Standard or interpretation	Effective date
IFRS 9 Financial Instruments - Classification and Measurement	January 1, 2013
IFRS 10 Consolidated Financial Statements	January 1, 2013
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interest in Other Entities	January 1, 2013
IFRS 13 Fair Value Measurement	January 1, 2013
IAS 1 Presentation of Financial Statements - Amendment resulting from improvement to IFRSs	January 1, 2011
IAS 1 Presentation of Financial Statements - Amendment to revise the way other comprehensive income is presented	July 1, 2012
IAS 12 Income taxes - Recovery of underlying assets	January 1, 2012
IAS 19 Employee Benefits - Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 24 Related Party Disclosures - Revised definition of related parties	January 1, 2011
IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	January 1, 2013
IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)	January 1, 2013
IAS 34 Interim Financial Reporting - Amendments resulting from improvement to IFRSs	January 1, 2011
IFRIC 13 Customer Loyalty Programmes - Amendments resulting from improvement to IFRSs	January 1, 2011
IFRIC 14 IAS 19 - The Limits on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (Amendments)	January 1, 2011

The Institute expects that the adoption of the above standards and interpretations will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in May 2010, which comprises of various improvements to standards. Effective date, early application and transitional requirements are addressed on standard by standard basis. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Institute expects that such improvements to the standards will not have any material impact on the Institute's financial statements in the period of initial application but may result in additional disclosure in financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

2.1.5 Standards or interpretations effective in 2010 but not relevant to the Institute

The following standards and interpretations are effective for financial periods beginning on or before July 01, 2010 but are either not relevant or do not have any effect / material effect on the financial statements of the Institute:

IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contain a lease
IFRS 1	First-time Adoption of International Financial Reporting Standards - Limited exemption from comparative IFRS 7 disclosure for first time adopters
IFRS 2	Share-based payment - Amendments relating to group cash-settled share-based payment transactions
IFRS 3	Business Combinations - Amendment resulting from improvement to IFRSs
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from improvement to IFRSs
IAS 1	Presentation of Financial Statements - Amendments resulting from improvements to IFRSs
IAS 7	Statement of Cash Flows - Amendments resulting from improvement to IFRSs
IAS 17	Leases - Amendments resulting from improvements to IFRSs
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from improvements to IFRSs
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues
IAS 36	Impairment of Assets - Amendments resulting from improvements to IFRSs
IAS 39	Financial Instruments; Recognition and Measurement - Amendments resulting from improvements to IFRSs
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

2.1.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of judgment in the process of applying the Institute's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas where various assumptions were exercised in application of accounting policies that are significant to the financial statements are as follows:

- i. Certain actuarial assumptions have been adopted as disclosed in note 14.2 of these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets.
- ii. Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss (note 2.2 and 3.2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

iii. Assumptions and estimations used in accounting for provision against interest free education loans (notes 2.6).

iv. Management has made estimates for realizable amount of slow moving and obsolete stock of publication to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stock of publication with corresponding effect on amounts recognised in statement of comprehensive income as provision / reversal.

v. Impairment of assets (note 2.5).

2.2 Property, plant and equipment

Operating assets are stated at cost less accumulated depreciation and impairment, if any, except leasehold and freehold land which are stated at cost. Depreciation is charged on reducing balance method at the rates specified in note 3.2. Depreciation on additions is charged from the day on which the asset is put to use and on disposals, up to the day the asset has been in use.

Land acquired free of cost accounted for at a nominal value as per guidelines for Accounting and Financial Reporting by Non-government organisations (NGOs) / Non-profit organisations (NPOs) issued by the Institute of Chartered Accountants of Pakistan.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values and useful lives is recognised prospectively as a change of accounting estimate.

Disposal of assets is recognised when significant risks and rewards incidental to the ownership have been transferred to buyers. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Subsequent costs are included in the assets' carrying amount and recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income as and when incurred.

2.3 Capital work-in-progress

This is stated at cost less impairment loss, if any and consists of expenditure incurred and advances made in the course of construction and installation. These are transferred to specific assets as and when the assets are available for use.

2.4 Intangible asset

This represents cost of computer software less amortisation at the rate of 33% per annum using the reducing balance method, and impairment, if any.

Cost associated with maintaining computer softwares are recognised as an expense as and when incurred.

2.5 Impairment

2.5.1 Impairment in financial assets

A financial asset is impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss event has an impact on the estimated future cash flows of financial asset that can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

2.5.2 Impairment in non-financial assets

The carrying amounts of non financial assets are reviewed at each reporting date for impairment when events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to the irrecoverable amount. The resulting impairment loss is taken to the statement of comprehensive income.

2.6 Interest free education loan (IFEL)

These are stated at cost less an allowance for uncollectable amounts, if any. Specific provision is made for doubtful students' loans on the basis of analysis conducted as to the likelihood of students' to pay off the loan.

2.7 Financial instruments

The Institute classifies its financial instruments in the following categories:

(a) Held to maturity

These are securities acquired by the Institute with the intention and ability to hold them upto maturity.

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Institute as 'fair value through profit or loss' or 'available for sale'.

(c) Available for sale

These financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, instruments classified as 'available for sale' are measured at fair value. Changes in the fair value of instruments classified as 'available for sale' are recognised in 'other comprehensive income' until derecognised or impaired, when the accumulated fair value adjustments recognised in 'other comprehensive income' are included in the 'profit / loss for the year'.

Financial assets classified as 'held to maturity' or 'loans and receivables' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities are measured at amortised cost using the effective yield method.

The Institute follows trade date accounting for purchase and sale of investments.

2.8 Stock of publications

Stock of publications held for sale are stated at lower of cost and net realizable value. Cost is determined on first-in first-out basis.

Net realizable value represents estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

2.9 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Institute and revenue can be reliably measured. Revenue is recognised on the following basis:

Income from subscription and fees from members and students is accounted for on receipt basis.

Fee / subscription receipts relating to periods beyond the current financial year are shown as advance fees.

Profit on investments is accrued on the basis of effective yield of respective investments.

Profit on savings account is recognised on accrual basis.

Dividend is recognised when right to receive is established.

2.10 Staff retirement benefits

2.10.1 Defined benefit plan

The Institute operates a recognised funded gratuity scheme in respect of its employees joined on or before June 30, 2010. Provision is made annually, to cover obligations under the scheme, by way of charge to statement of comprehensive income, calculated in accordance with the actuarial valuation. The scheme is non contributory i.e. the employees do not make contribution in this scheme. The most recent valuation in this regard was carried out as at June 30, 2011, using the Projected Unit Credit Method.

The scheme entitles the members to a gratuity payable on attainment of the normal retirement age, voluntary retirement, death in service of the employer or termination of service by the employer other than for misconduct, negligence or incompetence.

Minimum service requirement for the entitlement of gratuity is one year.

The defined benefit plan liability is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, with the adjustment for actuarial gains and losses and past service costs.

The Institute has policy of recognising actuarial gain and losses in the period in which they arise and recognise them in the statement of comprehensive income.

2.10.2 Defined contribution plan

The Institute also operates an approved contributory provident fund for all its permanent eligible employees to which equal monthly contributions are made, both by the Institute and the employees, at the rate of 10% of the basic salary.

2.11 Creditors, accrued and other liabilities

Liabilities for creditors and other amounts payable are stated at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Institute.

2.12 Endowment Funds

The Institute has established Students' Endowment and Libraries Development Funds to provide financial assistance to the deserving students and for development of ICAP libraries respectively. These Funds are governed by the rules approved by the Council. The contributions to the Funds include transfers by the Institute from its surplus as well as amounts received from other organisations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

2.13 Loans, advances, prepayments and other receivables

These are stated at their nominal values net of any allowance for uncollectable amounts (if any). Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

2.14 Foreign currencies translation

Transactions denominated in foreign currencies are recorded, on initial recognition, in Rupees by applying to the foreign currency amount the exchange rates approximating those ruling on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated at the spot rates of exchange prevailing on the balance sheet date. Gains and losses on translation are taken to statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

2.15 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the Institute has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.16 Provisions

Provisions are recognised in the balance sheet when the Institute has a legal or constructive obligation as a result of past events and it is probable that out flow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.17 Segment reporting

Segment reporting is based on the operating segments of the Institute. An operating segment is an identifiable component of the Institute that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Institute's other components. Management has determined the operating segments based on the information that is presented to the Council of the Institute for allocation of resources and assessment of performance.

Segment results that are reported to the Council of the Institute include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

Based on internal management reporting structure and services provided, the Institute is organised into the following operating segments:

Geographical segments

- North (Includes provinces namely Punjab and Khyber Pakhtunkhwa)
- South (Includes provinces namely Sindh and Balochistan)

Service segments

- Examination
- Education
- Membership
- General Services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

2.18 Appropriation of General Funds

Appropriations of general funds are recognised in the financial statements in the period in which these are approved.

2.19 Related party transactions

Transactions with related parties are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

2.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal amount. For the purposes of statement of cash flows, cash and cash equivalents comprise of cash in hand, balance with banks and short term investments realizable within three months.

	Note	2011	2010
		(Rupees)	
3	PROPERTY, PLANT AND EQUIPMENT		
Leasehold land - Preedy Street, Karachi	3.1	18,233	18,233
Operating fixed assets	3.2	149,290,981	160,239,789
Capital work in progress		751,234	-
		<u>150,060,448</u>	<u>160,258,022</u>

3.1 Leasehold land - Preedy Street, Karachi

The Institute's leasehold land at Preedy Street, Karachi, is occupied by squatters. The Institute has formed a task force, which is currently trying to find a way forward in this regard.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

3.2 Operating fixed assets

Description	Note	Leasehold land	Freehold land	Building on leasehold land	Building on freehold land	Generators	Electric fittings and appliances	Furniture and fixtures	Vehicles	Office equipment	Total
(Rupees)											
As at July 01, 2009											
Cost		1,601,450	4,581,500	88,848,678	15,521,510	5,884,920	35,493,593	20,965,275	29,027,576	29,113,775	231,038,277
Accumulated depreciation		-	-	(23,055,726)	(5,176,938)	(2,353,161)	(10,705,345)	(7,345,964)	(9,178,721)	(12,608,947)	(70,424,802)
Net book value as at June 30, 2009		1,601,450	4,581,500	65,792,952	10,344,572	3,531,759	24,788,248	13,619,311	19,848,855	16,504,828	160,613,475
Net carrying value basis											
Year ended June 30, 2010											
Opening net book value	3.2.1	1,601,450	4,581,500	65,792,952	10,344,572	3,531,759	24,788,248	13,619,311	19,848,855	16,504,828	160,613,475
Additions		1	-	1,672,250	312,260	-	3,413,420	100,813	9,663,681	5,696,533	20,858,958
Deletions:											
Cost		-	-	-	-	-	-	-	(4,965,549)	(205,275)	(5,170,824)
Depreciation		-	-	-	-	-	-	-	2,889,840	120,063	3,009,903
		-	-	-	-	-	-	-	(2,075,709)	(85,212)	(2,160,921)
Depreciation charged for the year		-	-	3,339,756	530,833	529,764	4,047,639	1,383,247	4,779,007	4,461,477	19,071,723
Net book value as at June 30, 2010		1,601,451	4,581,500	64,125,446	10,125,999	3,001,995	24,154,029	12,336,877	22,657,820	17,654,672	160,239,789
Gross carrying value basis											
As at June 30, 2010											
Cost		1,601,451	4,581,500	90,520,928	15,833,770	5,884,920	38,907,013	21,066,088	33,725,708	34,605,033	246,726,411
Accumulated depreciation		-	-	(26,395,482)	(5,707,771)	(2,882,925)	(14,752,984)	(8,729,211)	(11,067,888)	(16,950,361)	(86,486,622)
Net book value as at June 30, 2010		1,601,451	4,581,500	64,125,446	10,125,999	3,001,995	24,154,029	12,336,877	22,657,820	17,654,672	160,239,789
Net carrying value basis											
Year ended June 30, 2011											
Opening net book value		1,601,451	4,581,500	64,125,446	10,125,999	3,001,995	24,154,029	12,336,877	22,657,820	17,654,672	160,239,789
Additions		-	-	1,693,584	-	998,040	1,498,509	404,181	7,451,415	3,300,024	15,345,753
Deletions:											
Cost	3.3	-	-	-	-	-	(1,057,672)	-	(13,939,292)	(435,597)	(15,432,561)
Depreciation	3.3	-	-	-	-	-	907,252	-	6,242,745	350,388	7,500,385
		-	-	-	-	-	(150,420)	-	(7,696,547)	(85,209)	(7,932,176)
Depreciation charged for the year		-	-	3,222,685	506,300	494,184	3,647,526	1,258,615	4,423,881	4,809,194	18,362,385
Net book value as at June 30, 2011		1,601,451	4,581,500	62,596,345	9,619,699	3,505,851	21,854,592	11,482,443	17,988,807	16,060,293	149,290,981
Gross carrying value basis											
As at June 30, 2011											
Cost		1,601,451	4,581,500	92,214,512	15,833,770	6,882,960	39,347,850	21,470,269	27,237,831	37,469,460	246,639,603
Accumulated depreciation		-	-	(29,618,167)	(6,214,071)	(3,377,109)	(17,493,258)	(9,987,826)	(9,249,024)	(21,409,167)	(97,348,622)
Net book value as at June 30, 2011		1,601,451	4,581,500	62,596,345	9,619,699	3,505,851	21,854,592	11,482,443	17,988,807	16,060,293	149,290,981
Annual rate of depreciation (%)											
2010		-	-	5	5	15	15	10 - 20	20	15 - 33	
2011		-	-	5	5	15	15	10 - 20	20	15 - 33	

3.2.1 The cost of leasehold land represents a plot measuring 600 square yards recorded at a nominal value of Re. 1 which has been gifted to the Institute for the purposes of constructing ICAP offices, a library, examination centre, class rooms, auditorium and other similar activities. The plot of land has been gifted to the Institute by one of the senior members. The land is located at C-1, Government Teachers Cooperative Housing Society, Sector 16-A, Scheme 33, Gulzar-e-Hijri, Karachi. The title to the plot was transferred to the Institute through an allotment letter dated March 21, 2010. However, matters relating to the execution of the sub lease of the said property is in the process of completion. The subject plot of land has been gifted on the condition that it cannot be disposed off by the Institute.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

3.3 Statement of disposals of operating fixed assets

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Particulars of purchaser	Mode of Disposal
(Rupees)							
Vehicles							
Honda City	882,000	540,913	341,087	341,087	-	Maria W.MC Kenna, Ex Key Management Personnel	Sale as per Institute's policy on written down value
Honda City	846,000	496,585	349,415	349,415	-	Shahid Hussain, Key Management Personnel	Sale as per Institute's policy on written down value
Suzuki Cultus	595,979	348,174	247,805	247,805	-	Khaled Nadeem, Ex Key Management Personnel	Sale as per Institute's policy on written down value
Suzuki Cultus	595,979	341,235	254,744	254,744	-	Kamran Ahmed, Key Management Personnel	Sale as per Institute's policy on written down value
Suzuki Alto	504,000	321,101	182,899	430,000	247,101	Mohammad Sheeraz	Tender
Honda Civic Vtec	1,710,480	450,827	1,259,653	1,470,000	210,347	Naeem Hussain	Negotiation
Honda Civic Vtec	1,829,180	491,326	1,337,854	1,667,000	329,146	Muhammad Yousuf	Tender
Honda Civic VTI	1,904,830	488,342	1,416,488	1,777,000	360,512	Muhammad Yousuf	Tender
Honda Civic VTI	1,710,780	630,485	1,080,295	1,487,770	407,475	Wali Ahmed Khan	Tender
Suzuki Cultus	600,000	392,779	207,221	581,000	373,779	Mohammad Abid	Tender
Suzuki Baleno	774,000	581,200	192,800	676,000	483,200	Abdullah Malik	Tender
Suzuki Alto	508,383	267,420	240,963	563,999	323,036	Mohammad Junaid	Tender
Suzuki Alto	513,279	253,986	259,293	606,888	347,595	Muhammad Tariq	Tender
Suzuki Alto	504,000	347,822	156,178	510,900	354,722	Rehan Mithani	Tender
Suzuki Hi Roof	460,402	290,550	169,852	469,000	299,148	Zahid Qadir	Tender
	13,939,292	6,242,745	7,696,547	11,432,608	3,736,061		
Office equipment							
Laptop	67,500	58,931	8,569	37,500	28,931	Premier Insurance Company	Insurance claim
Computer	30,800	18,498	12,302	20,480	8,178	Premier Insurance Company	Insurance claim
Printer	27,500	25,220	2,280	4,000	1,720	Premier Insurance Company	Insurance claim
LCD Monitor	16,000	14,676	1,324	2,000	676	Premier Insurance Company	Insurance claim
Laptop	69,000	55,353	13,647	13,647	-	Khaled Nadeem, Ex Key Management Personnel	Negotiation
Laptop	69,000	51,523	17,477	20,000	2,523	Zafar Abbas Badami, Ex Key Management Personnel	Negotiation
Printer	19,500	18,828	672	2,000	1,328	Pako System	Negotiation
Printer	37,617	34,587	3,030	700	(2,330)	Bashir Cooling	Negotiation
Computer	73,025	51,920	21,105	1,000	(20,105)	Bashir Cooling	Negotiation
Printer	21,505	16,762	4,743	4,000	(743)	N. K. Computers	Negotiation
Printer	4,150	4,090	60	200	140	Bashir Cooling	Negotiation
	435,597	350,388	85,209	105,527	20,318		
Electrical fittings and appliances							
Air conditioners	51,000	44,945	6,055	11,000	4,945	Shahid Auctioneer	Negotiation
Air conditioners	735,172	625,791	109,381	69,000	(40,381)	Bashir Cooling	Negotiation
Public Address System	271,500	236,516	34,984	3,000	(31,984)	Bashir Cooling	Negotiation
	1,057,672	907,252	150,420	83,000	(67,420)		
Grand total	15,432,561	7,500,385	7,932,176	11,621,135	3,688,959		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees)	
4 INTANGIBLE ASSETS			
Computer software			
Cost as on July 1		3,137,725	1,832,980
Additions during the year		99,200	1,304,745
Cost as on June 30		3,236,925	3,137,725
Less:			
Amortisation as on July 1		(1,166,599)	(754,666)
Amortised during the year		(650,679)	(411,933)
Amortisation as on June 30		(1,817,278)	(1,166,599)
		1,419,647	1,971,126
5 LONG TERM INVESTMENTS			
Held to maturity			
Special Saving Certificates	5.1	53,800,433	13,377,398
Term Deposit Receipts	5.2	10,095,890	-
		63,896,323	13,377,398

5.1 This represents investment in Special Saving Certificates, having an aggregate face value of Rs. 47 million (2010: Rs. 12 million). These have been placed for a term of 3 years, carrying markup, ranging between 11.99% and 13.57% (2010: 13.48% and 13.57%) per annum, and maturing upto August 01, 2013. Accrued markup of Rs. 6.800 million (2010: Rs. 1.377 million) is included in the carrying value.

5.2 This represents investment in Term Deposit Receipts, having an aggregate face value of Rs. 10.00 million (2010: Nil). These have been placed for a term of 3 years, carrying markup rate of 14% (2010: Nil) per annum, and maturing on June 05, 2014. Accrued markup of Rs. 0.096 million (2010: Nil) is included in the carrying value.

	Note	2011	2010
		(Rupees)	
6 LOANS ADVANCES AND DEPOSITS			
Advance for booking of cars		3,851,000	-
Motor Cycle loans (secured - considered good)	6.1	477,769	438,316
Recoverable within one year shown under current assets	12	(118,916)	(116,577)
		358,853	321,739
Interest Free Education Loans (unsecured - considered good)		5,994,265	7,786,476
Interest Free Education Loans (unsecured - considered doubtful)		2,392,690	925,856
Provision for loans considered doubtful		(2,392,690)	(925,856)
		5,994,265	7,786,476
		6,353,118	8,108,215
Deposits		1,259,866	1,533,866
		11,463,984	9,642,081

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

- 6.1 These are interest free motor cycle loans given to employees and are recoverable between 2 and 5 years. Motor cycles provided under this scheme are registered in the joint names of the Institute and employees. The said loans are secured against employees' retirement benefits.

	Note	2011	2010
		(Rupees)	
7 ASSETS RELATING TO SPECIFIC FUNDS			
Prize Fund			
Term Deposit Receipts - Held to maturity	7.1	1,400,000	1,400,000
Special Saving Certificates - Held to maturity	10.2	-	379,313
		<u>1,400,000</u>	<u>1,779,313</u>
Qarz-e-Hasna Fund			
Loans to students (interest free and unsecured)		-	181,320
IFEL Fund			
Loans to students (interest free and unsecured)		-	546,225
		<u>1,400,000</u>	<u>2,506,858</u>

- 7.1 This represents investment in Term Deposit Receipts, having an aggregate face value of Rs. 1.4 million (2010: Rs. 1.4 million) carrying markup at the rate of 12% (2010: 12%) per annum. This has been placed for a term of 5 years, maturing on November 15, 2014.

	Note	2011	2010
		(Rupees)	
8 ASSETS RELATING TO ENDOWMENT FUNDS			
Students' Endowment Fund			
Special Saving Certificates - Held to maturity	8.1	32,174,379	28,756,305
Term Deposit Receipts - Held to maturity	8.2	19,087,940	11,010,000
		<u>51,262,319</u>	<u>39,766,305</u>
Receivable from students			
Qarz-e-Hasna loans	8.3	181,320	-
Interest Free Education Loans (IFEL)	8.3	528,100	-
		<u>709,420</u>	<u>-</u>
Libraries Development Fund			
Special Saving Certificates - Held to maturity	8.1	5,475,469	4,895,345
Term Deposit Receipts - Held to maturity	8.2	1,009,742	-
		<u>6,485,211</u>	<u>4,895,345</u>
		<u>58,456,950</u>	<u>44,661,650</u>

- 8.1 This represents investments in Special Saving Certificates, having an aggregate face value of Rs. 30.676 million (2010: Rs. 30.676 million), carrying markup at rates ranging between 11.99% and 13.57% (2010: 13.48% and 13.57%) per annum. These have been placed for a term of 3 years, maturing upto June 2013. Accrued markup amounting to Rs. 6.974 million (2010: Rs. 2.976 million) is included in the carrying value.

- 8.2 This represents investment in Term Deposit Receipts, having an aggregate face value of Rs. 20 million (2010: Rs. 11 million) carrying markup at the rate of 12% per annum (2010: 12%) per annum. These have been placed for a term of 3 to 5 years, maturing upto January 2015. Accrued markup amounting to Rs. 0.098 million (2010: Rs. 0.010 million) is included in the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

- 8.3 The Council in its meeting held on May 11, 2011 approved Qarz-e-Hasna and IFEL of Specific Funds to be transferred to Students' Endowment Fund along with their respective receivables.

	Note	2011	2010
		(Rupees)	
9 SHORT-TERM INVESTMENTS			
Term Deposit Receipts - Held to maturity	9.1	84,671,416	55,482,468

- 9.1 This represents investment in Term Deposit Receipts with various banks and financial institutions, having an aggregate face value of Rs. 82 million (2010: Rs. 54 million) carrying effective markup, ranging between 12.50% and 13.40% per annum (2010: 11.00% and 12.15% per annum), maturing upto June 2012. Accrued markup amounting to Rs. 2.671 million (2010: Rs. 1.482 million) is included in the carrying value.

	Note	2011	2010
		(Rupees)	
10 ASSETS RELATING TO SPECIFIC FUNDS			
Prize Fund			
Term Deposit Receipts - Held to maturity	10.1	1,055,137	1,058,770
Special Saving Certificates - Held to maturity	10.2	413,538	-
Balance with bank - PLS account	10.3	220,818	64,984
		1,689,493	1,123,754
Qarz-e-Hasna Fund			
Balance with bank - current account		-	625,052
IFEL Fund			
Balance with bank - current account		-	38,700
		1,689,493	1,787,506

- 10.1 This represents investment in Term Deposit Receipts with a bank, having an aggregate face value of Rs. 1 million (2010: Rs. 1 million), carrying markup at the rate of 12.50% per annum (2010: 11.00% per annum), maturing in July 2011. Accrued markup amounting to Rs. 0.055 million (2010: Rs. 0.058 million) is included in the carrying value.

- 10.2 This represents investment in Special Saving Certificates, having an aggregate face value of Rs. 0.300 million (2010: Rs. 0.300 million), carrying markup at the rate of 15.02% per annum. These have been placed for a term of 3 years, maturing on December 23, 2011. Accrued markup of Rs. 0.114 million (2010: Rs. 0.079 million) is included in the carrying value.

- 10.3 The PLS bank account carries markup at the rate upto 5% per annum (2010: upto 5% per annum).

	Note	2011	2010
		(Rupees)	
11 ASSETS RELATING TO ENDOWMENT FUNDS			
Students' Endowment Fund			
Term Deposit Receipts - Held to maturity	11.1	1,047,984	9,557,682
Balances with banks - current account		731,200	-
Due from the Institute of Chartered Accountants of Pakistan		580	-
		1,779,764	9,557,682
Libraries Development Fund			
Term Deposit Receipts - Held to maturity		-	1,066,410
Due from the Institute of Chartered Accountants of Pakistan		-	257,989
		-	1,324,399
		1,779,764	10,882,081

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

11.1 This represents investment in Term Deposit Receipts with a bank having face value of Rs. 1 million (2010: Rs. 9 million), carrying markup at the rate of 11.75% per annum (2010: 11.75% and 12.00% per annum), maturing in August 2011. Accrued markup of Rs. 0.048 million (2010: Rs. 0.558 million) is included in the carrying value.

	Note	2011	2010
		(Rupees)	
12 LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Loans:			
Current portion of Motor Cycle loans	6.1	118,916	116,577
Advances (considered good)			
Secured			
Executives (Key management personnel)		138,402	308,765
Employees		445,662	108,606
		584,064	417,371
Unsecured			
Income tax		822,306	553,177
Rent		1,100,200	401,167
Suppliers		1,714,586	1,273,967
		4,221,156	2,645,682
Prepayments		1,041,440	883,196
Other receivables (considered good)			
Advertisement income receivable		92,500	354,335
Due from Students' Endowment Fund	12.1	4,170,255	3,233,098
Due from Libraries Development Fund		1,265,418	-
Due from Chartered Institute of Management Accountants		-	1,203,984
Due from South Asian Federation of Accountants		-	286,262
Due from Registered Accounting Education Tutors (RAETs)		44,000	44,000
Due on account of rental of facilities		133,500	148,000
Due from Sponsors - CFO Conference		-	800,000
Due from Employees Provident Fund		231,310	145
Fee in transit	12.2	889,300	34,700
Miscellaneous		387,631	482,902
		7,213,914	6,587,426
		12,595,426	10,232,881

12.1 This amount has been given to students from the Institute's Fund, which is receivable from the Students' Endowment Fund.

12.2 This represents fee in transit against membership fee to be received through a bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	Note	2011 <u>(Rupees)</u>	2010 <u>(Rupees)</u>
13 CASH AND BANK BALANCES			
Cash in hand			
Local currency		121,884	92,675
Foreign currency		221,743	114,404
		343,627	207,079
Cash at bank			
Current accounts			
Local currency		1,548,803	553,331
Foreign currency		85,965	85,300
		1,634,768	638,631
PLS Saving accounts			
Local currency	13.1	10,921,644	9,849,915
Foreign currency	13.2	1,888,211	2,433,152
		12,809,855	12,283,067
		14,788,250	13,128,777

13.1 The PLS Saving accounts in local currency carries mark-up at the rate upto 5.00% per annum (2010: upto 5.00% per annum).

13.2 The PLS Saving accounts in foreign currency carries mark-up at the rate upto 0.01% per annum (2010: upto 1.00% per annum).

	Note	2011 <u>(Rupees)</u>	2010 <u>(Rupees)</u>
14 CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES			
Creditors		3,525,344	5,259,713
Accrued expenses			
Examination conducting charges		8,762,470	4,254,930
Bonus to employees		1,514,227	1,512,861
Due to South Asian Federation of Accountants (SAFA)		94,270	290,020
Due to Accounting and Auditing organisation for Islamic Financial Institutions (AAOIFI)		-	170,600
Others		792,968	1,124,949
		11,163,935	7,353,360
Other liabilities			
Provision against EOBI payable	14.1	3,785,470	3,055,720
Chartered Accountant Students' Association (CASA)		101,052	50,600
Regional committees			
South		611,165	752,157
North		399,418	331,233
		1,010,583	1,083,390
Retention money		1,367,386	1,620,139
IASC Foundation royalty		804,600	351,980
Defined benefit plan - gratuity fund	14.2	1,248,867	547,194
Due to Library Development Fund		-	257,989
Others		383,313	1,510,802
		8,701,271	8,477,814
		23,390,550	21,090,887

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

- 14.1 The balance under this head relates to amounts payable to Employees Old Age Benefits Institution (EOBI) on the basis of legal advice / clarification obtained during 2009-10, as per which it has been concluded that the Institute is not exempt from the requirement to make necessary deductions and contribution towards EOBI. An amount of Rs. 3.786 million has been made for present employees including an amount of Rs. 3.056 million relating to prior years.
- 14.2 This represents amount payable towards Defined Benefit Plan (Gratuity Fund), estimated through actuarial valuation as at June 30, 2011 using the Projected Unit Credit Method. The relevant information is as follows:

	2011	2010
	<i>(Rupees)</i>	
Actuarial assumptions for valuation		
Discount rate	14.00%	14.00%
Salary increase rate	14.00%	14.00%
Expected return on plan assets	12.50%	12.50%
Composition of plan assets		
Government securities	83.00%	77.00%
Term Deposits	17.00%	23.00%
The amount recognised in balance sheet		
Present value of defined benefit obligation	14,078,417	12,304,323
Fair value of plan assets	(12,829,550)	(11,757,126)
	<u>1,248,867</u>	<u>547,197</u>
Unrecognised actuarial gains / (losses)	-	-
Liability at the end of the year	<u>1,248,867</u>	<u>547,197</u>
Movement in net liability recognised in balance sheet		
Opening balance	547,197	-
Charge for the year	<u>2,597,957</u>	<u>3,794,921</u>
	3,145,154	3,794,921
Contribution by the Institute	<u>(1,896,287)</u>	<u>(3,247,724)</u>
Closing balance	<u>1,248,867</u>	<u>547,197</u>
Amount recognised in statement of comprehensive income		
Current service cost	3,222,035	3,535,558
Interest cost	1,580,943	1,457,116
Actuarial (gain) / loss	(752,285)	240,654
Expected return on plan assets	<u>(1,452,736)</u>	<u>(1,438,407)</u>
	<u>2,597,957</u>	<u>3,794,921</u>
Movement in present value of defined benefit obligation		
Obligation at the beginning of the year	12,304,323	11,088,859
Current service cost	3,222,035	3,535,558
Interest cost	1,580,943	1,457,116
Benefit paid	(2,023,749)	(3,296,106)
Actuarial gain on defined benefit obligation	<u>(1,005,135)</u>	<u>(481,104)</u>
Obligation at the end of the year	<u>14,078,417</u>	<u>12,304,323</u>
Movement in fair value of plan assets		
Fair value at the beginning of the year	11,757,126	11,088,859
Expected return on plan assets	1,452,736	1,438,407
Contribution by the institute	1,896,287	3,247,724
Benefit paid	(2,023,749)	(3,296,106)
Actuarial loss on plan assets	<u>(252,850)</u>	<u>(721,758)</u>
Fair value at the end of the year	<u>12,829,550</u>	<u>11,757,126</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	2011	2010	2009	2008	2007
	(Rupees)				
Actual return on plan assets					
Expected return on plan assets	1,452,736	1,438,407	960,729	558,365	-
Acturial gain / (loss) on plan assets	(252,850)	(721,758)	(564,788)	1,031,829	-
	<u>1,199,886</u>	<u>716,649</u>	<u>395,941</u>	<u>1,590,194</u>	<u>-</u>
Five years data on surplus / (deficit) of the plan and experience adjustment					
Present value of defined benefit obligation	(14,078,417)	(12,304,323)	(11,088,859)	(8,729,703)	(5,583,647)
Fair value of plan assets	12,829,550	11,757,126	11,088,859	8,729,703	-
Deficit	<u>(1,248,867)</u>	<u>(547,197)</u>	<u>-</u>	<u>-</u>	<u>(5,583,647)</u>
Experience adjustment on plan assets					
[(loss) / gain]	(252,850)	(721,758)	(564,788)	1,031,829	-
Experience adjustment on plan liabilities					
[loss / (gain)]	(1,005,135)	(481,104)	(723,631)	2,327,771	-

Expected charge for the year ending June 30, 2012

The expected gratuity cost charge for the year ending June 30, 2012 amounts to Rs. 3.383 million. The actual cost will be determined after valuation of the Fund as at June 30, 2012 when the actuarial gains and losses arising during the year ending June 30, 2012 will be available.

	2011	2010
	(Rupees)	
15 FEE AND CHARGES RECEIVED IN ADVANCE		
Members	18,578,289	13,561,800
Examinations	8,042,600	11,864,820
Others	19,000	47,500
	<u>26,639,889</u>	<u>25,474,120</u>
16 LIABILITIES RELATING TO ENDOWMENT FUNDS		
Students' Endowment Fund		
Due to the Institute of Chartered Accountants of Pakistan	4,170,255	3,233,098
Libraries Development Fund		
Due to the Institute of Chartered Accountants of Pakistan	1,265,418	-
	<u>5,435,673</u>	<u>3,233,098</u>
17 DUE TO BENEVOLENT FUND		
Balance as on July 1	1,696,240	2,231,602
Subscription and group insurance premium received during the year	9,250,893	3,385,990
	<u>10,947,133</u>	<u>5,617,592</u>
Transferred to Benevolent Fund / adjustments made during the year	(8,860,260)	(3,921,352)
	<u>2,086,873</u>	<u>1,696,240</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

18 CONTINGENCIES AND COMMITMENTS

18.1 The Appellate Bench of the Competition Commission of Pakistan has passed an Order, dated March 11, 2009, in response to an appeal filed by the Institute against an Order, dated December 4, 2008, of single member bench of the Commission. In both the Orders, it was contended that fixing of minimum fee, through ATR-14 by the Institute, is in violation of Section 4(1) of the Competition Ordinance, 2007 and imposed a penalty of Rs. 1 million as a result thereof. The Institute has filed an appeal before the Honourable Supreme Court of Pakistan which was pending for hearing in the year 2009. During the pendency of the appeal the Competition Commission Ordinance, 2010 was promulgated on March 26, 2010. The judgment has now been suspended by the Honourable Supreme Court of Pakistan. As per opinion of the Institute's legal council, it is likely that the appeal will be transferred to the High Court. Since the Council is confident that the outcome will be favourable, no accrual has been made in these financial statements relating to the above referred penalty.

18.2 During the past years, deduction and contribution towards Employees Old Age Benefits Institution (EOBI) has not been made. Provision has not been made for amounts due on account of past employees of the Institute as the amounts cannot be accurately quantified at present. There is a contingent liability in respect of contributions not made in respect of past employees.

18.3 Commitments in respect of capital expenditure as at balance sheet date amounted to Rs. 11.447 million (2010: nil).

	2011	2010
	<i>(Rupees)</i>	
19 MEMBERS' SUBSCRIPTION		
Admission fee	522,400	595,905
Annual subscription	51,470,099	41,108,861
Practicing certificate fee	6,626,641	5,743,289
Foreign affiliation fee	-	100,000
Duplicate ID card fee	4,000	400
	<u>58,623,140</u>	<u>47,548,455</u>
20 EXAMINATION AND OTHER FEES		
Examination fee	177,185,369	153,307,503
Annual subscription	16,706,579	16,195,394
Examination conducting fee	2,802,252	2,194,479
Entrance test exemption fee	8,023,700	7,164,720
Entrance test fee	3,737,450	3,391,750
Fee for duplicate certificate	532,330	712,600
	<u>208,987,680</u>	<u>182,966,446</u>
21 EDUCATION AND TRAINING FEES		
Registration fee	40,687,450	40,636,950
Registered Accounting Education Tutors' fee	755,200	1,557,500
Training contract amendment fee	46,000	227,000
Student course fee and workshops	-	207,067
Training organisation fee	138,000	95,000
	<u>41,626,650</u>	<u>42,723,517</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees)	
22 PUBLICATIONS			
Accounting Standards		4,023,000	3,893,500
Auditing Standards		1,667,250	1,341,600
Gripping IFRS		1,631,800	2,774,570
Miscellaneous		579,638	737,329
		<u>7,901,688</u>	<u>8,746,999</u>
23 OTHER OPERATING INCOME			
Income derived from rental of facilities		3,303,850	2,653,675
Reversal of provision for doubtful students' loan		34,351	58,569
Net income from seminars and conferences	23.1	3,031,898	3,949,520
Gain on sale of operating fixed asset		3,784,502	-
Miscellaneous income		585,282	676,882
		<u>10,739,883</u>	<u>7,338,646</u>
23.1 Net income from seminars and conferences			
Income from sponsorship and others		9,328,693	13,587,230
Expenses incurred on seminars and conferences		(6,296,795)	(9,637,710)
		<u>3,031,898</u>	<u>3,949,520</u>
24 SALARIES, ALLOWANCES AND OTHER BENEFITS			
Salaries and allowances		98,041,387	100,910,328
Employees' health insurance		1,375,593	1,319,789
Defined benefit plan - gratuity fund		2,597,957	3,794,918
Defined contribution plan - provident fund		5,139,630	5,703,260
		<u>107,154,567</u>	<u>111,728,295</u>
25 TRAVELLING AND RELATED EXPENSE			

Travelling and related expense represents expense incurred in respect of meetings and conferences attended by the members of the Council amounting to Rs. 10.709 million (2010: Rs. 9.141 million), members of the Committee amounting to Rs. 1.871 million (2010: Rs. 2.705 million) and staff of the Institute amounting to Rs. 2.409 million (2010: Rs. 2.424 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees)	
26 OTHERS			
Fees to professional bodies		1,232,145	2,191,919
Legal and professional charges		1,253,680	1,201,497
Consultancy charges		-	718,619
Election expenses		-	112,042
Auditors' remuneration	26.1	454,929	441,296
Annual general meeting		642,616	869,715
Books and publications		248,139	301,968
Conveyance		109,832	194,199
Entertainment		2,061,395	2,007,178
Bank charges		1,604,746	1,260,429
Insurance		1,137,199	992,849
Vehicles maintenance and running cost		4,707,574	3,898,295
Publications written off		872,818	38,802
Amortisation of intangible assets		650,679	411,933
Doubtful loan to students (IFEL)		1,501,185	-
Gold medals and award ceremony		3,535,969	355,524
Entrance test conducting charges		164,200	149,250
Registered Accounting Education Tutor's appraisal cost		15,000	54,500
Training expenses		2,340,106	237,900
Golden Jubilee Celebrations	26.2	1,808,348	-
Donation		-	1,000,000
Online Education and Research Facility (PERN-2)		1,554,537	-
Loss on sale of operating fixed assets		95,543	10,772
Honoraria to article writer		129,000	190,000
Sports and recreation		324,284	339,047
Sundry expenses		1,378,504	898,948
		<u>27,822,428</u>	<u>17,876,682</u>
26.1 Auditors' remuneration			
Audit fee			
M. Afzal Munif		185,000	175,000
Qasim Ebrahim Causer		185,000	175,000
		<u>370,000</u>	<u>350,000</u>
Out of pocket expenses		84,929	91,296
		<u>454,929</u>	<u>441,296</u>
26.2 Golden Jubilee Celebrations			
Expenses incurred on Golden Jubilee Celebrations		7,285,348	-
Revenue from sponsorship and others		(5,477,000)	-
		<u>1,808,348</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	2011	2010
	(Rupees)	
27 FINANCE INCOME		
Markup on Special Saving Certificates	5,423,035	1,369,124
Markup on Term Deposit Receipts	6,917,013	6,666,293
Markup on PLS accounts	2,163,628	1,099,669
Exchange gain	47,880	141,953
	<u>14,551,556</u>	<u>9,277,039</u>

28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, balances with banks and short term investments realizable within three months. Cash and cash equivalents included in the statement of cash flows comprise of the following amounts:

	2011	2010
	(Rupees)	
Cash and bank balances	14,788,250	13,128,777
Short-term investments realizable within three months	<u>31,582,575</u>	<u>55,482,468</u>
	<u>46,370,825</u>	<u>68,611,245</u>

29 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Institute comprise employee retirement benefit plans, Benevolent Fund, Southern and Northern Regional Committees, key management personnel and certain executives. Transactions with related parties are as follows:

		2011	2010
		(Rupees)	
Name of the related party and relationship with the Institute	Nature of transactions		
Regional Committees	Collection on behalf of Committees	4,260,425	2,409,350
	Fund transfer for libraries' development	1,510,000	-
	Reimbursement of expenses to Committees	1,538,243	1,573,927
Benevolent Fund	Collection of subscription on behalf of Fund	4,651,693	1,115,143
	Collection of life insurance premium on behalf of Fund	2,997,706	1,648,972
	Collection of health insurance premium on behalf of Fund	1,601,494	621,875
	Donation given	-	1,000,000
	Expenses incurred for the Fund	435,579	409,785
Staff retirement benefit plans			
Gratuity Fund	Benefit paid on behalf of Fund	2,597,957	3,794,918
	Contribution paid to Fund	1,896,287	3,247,724
Provident Fund	Benefit paid on behalf of Fund	371,822	3,273,960
	Contribution paid to Fund	4,767,808	2,429,300
Key management personnel			
Executive director, secretary, directors	Salaries and other benefits	14,374,081	22,879,889
	Post employment benefits	1,233,073	2,285,186
	Traveling and related expenses paid by the Institute	1,186,634	1,920,159
	Consideration received for assets sold	1,226,698	1,424,153
Members of the Council	Membership fee paid by the members of the Council	335,900	272,500
	Traveling and related expenses paid by the Institute	<u>10,709,126</u>	<u>9,140,606</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

29.1 Disposals of property, plant and equipment to key management personnel are disclosed in note 3.3.

29.2 Outstanding balance in respect of related parties are included in notes 12, 14 and 17.

29.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Institute directly or indirectly. The Institute considers all members of the Council, Executive Director, Secretary and Directors as members of its key management personnel.

30 REMUNERATION AND BENEFITS OF EXECUTIVE DIRECTOR, DIRECTORS / SECRETARY AND OTHER EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of remuneration to the above are as follows:

	Executive Director		Directors / Secretary		Other Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	<i>(Rupees)</i>							
Managerial remuneration	-	5,335,000	13,013,420	16,163,165	38,504,890	27,891,815	51,518,310	49,389,980
Defined contribution plan - employee provident fund	-	308,336	838,374	1,063,600	2,045,081	1,902,861	2,883,455	3,274,797
Annual membership fee	-	12,300	63,350	104,000	226,350	161,250	289,700	277,550
Defined benefit plan - employee gratuity fund	-	154,323	394,699	758,927	1,026,662	1,204,688	1,421,361	2,117,938
Fuel and maintenance	-	240,711	1,297,311	1,024,713	2,450,983	2,355,880	3,748,294	3,621,304
	-	6,050,670	15,607,154	19,114,405	44,253,966	33,516,494	59,861,120	58,681,569
Number of persons	-	1	5	7	29	21	34	29

30.1 The President and members of the Council are not given any remuneration or benefits. They are only reimbursed traveling and related expenses where they represent the Institute or participate in the Institute's meetings.

30.2 The Directors / Secretary and certain executives of the Institute are also provided with the Institute's maintained cars.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

31 SEGMENT WISE OPERATING RESULTS

A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments.

The Institute has the following two main geographical segments.

31.1 Geographical segments:

	2011			2010		
	South	North	Total	South	North	Total
	<i>(Rupees)</i>					
Income						
- from members	34,587,653	24,035,487	58,623,140	28,053,589	19,494,866	47,548,455
- from students	94,726,841	155,887,489	250,614,330	86,807,151	138,882,812	225,689,963
- others	13,835,907	4,805,664	18,641,571	9,558,888	6,526,757	16,085,645
	143,150,401	184,728,640	327,879,041	124,419,628	164,904,435	289,324,063
Expenditure (31.1.1)	116,492,362	156,055,006	272,547,368	106,956,691	146,317,878	253,274,569
	26,658,039	28,673,634	55,331,673	17,462,937	18,586,557	36,049,494
Finance Income	-	-	14,551,556	-	-	9,277,039
Excess of Income over expenditure/(Expenditure over income)	26,658,039	28,673,634	69,883,229	17,462,937	18,586,557	45,326,533
Other Information						
Segments assets employed	77,657,674	99,891,606	177,549,280	76,820,025	108,357,305	185,177,330
Unallocated assets			226,682,194			141,826,738
Total assets			404,231,474			327,004,068
Segments liabilities employed	17,016,801	33,013,638	50,030,439	15,525,275	31,039,732	46,565,007
Unallocated liabilities			7,522,546			4,929,338
Total liabilities			57,552,985			51,494,345
Capital expenditure incurred during the year	6,445,217	8,900,536	15,345,753	8,552,173	12,306,785	20,858,958

Segment assets consist primarily of property, plant and equipment, loans, advances and receivables and investments. Segment liabilities comprise of advance fee and charges and creditors, accrued and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

31.1.1 Expenditure

	2011			2010		
	South	North	Total	South	North	Total
	(Rupees)					
Salary, allowance, and other benefits	39,876,984	67,277,583	107,154,567	40,329,674	71,398,621	111,728,295
Examination charges	21,202,252	31,028,256	52,230,508	18,924,889	26,076,569	45,001,458
Depreciation	7,712,202	10,650,183	18,362,385	7,819,406	11,252,317	19,071,723
Traveling and related expenses	7,915,083	7,074,519	14,989,602	7,436,037	6,833,834	14,269,871
Publications	4,913,602	4,776,836	9,690,438	5,605,455	5,627,031	11,232,486
Utilities	8,373,441	3,527,242	11,900,683	6,828,455	3,406,612	10,235,067
Postage and telephone	3,404,804	4,701,871	8,106,675	2,934,950	4,223,464	7,158,414
Repair and maintenance	5,628,369	4,510,665	10,139,034	2,690,545	2,766,729	5,457,274
Printing and stationery	2,563,838	3,308,505	5,872,343	2,113,837	2,801,657	4,915,494
Rent, rates and taxes	907,608	3,564,860	4,472,468	968,940	2,847,081	3,816,021
Advertisement and exhibitions	891,326	914,911	1,806,237	1,849,131	662,653	2,511,784
Fees to international professional bodies	726,966	505,179	1,232,145	1,293,232	898,687	2,191,919
Legal and professional charges	739,671	514,009	1,253,680	708,883	492,614	1,201,497
Consultancy charges	-	-	-	423,985	294,634	718,619
Election expense	-	-	-	66,105	45,937	112,042
Auditors' remuneration	268,408	186,521	454,929	260,365	180,931	441,296
Annual general meeting	379,143	263,473	642,616	513,132	356,583	869,715
Books and publications	162,453	85,686	248,139	214,488	87,480	301,968
Conveyance	31,995	77,837	109,832	136,323	57,876	194,199
Entertainment	865,785	1,195,610	2,061,395	822,943	1,184,235	2,007,178
Bank charges	700,625	904,121	1,604,746	542,029	718,400	1,260,429
Insurance	496,496	640,703	1,137,199	426,960	565,889	992,849
Vehicle maintenance and running cost	1,977,181	2,730,393	4,707,574	1,598,301	2,299,994	3,898,295
Publications written off	399,959	472,859	872,818	7,000	31,802	38,802
Amortisation of intangible assets	471,303	179,376	650,679	303,653	108,280	411,933
Doubtful loan to students (IFEL)	543,019	958,166	1,501,185	-	-	-
Gold medals and award ceremony	1,428,634	2,107,335	3,535,969	355,524	-	355,524
Entrance tests conducting charges	122,200	42,000	164,200	19,200	130,050	149,250
Registered Accounting Education Tutor's appraisal cost	10,000	5,000	15,000	20,000	34,500	54,500
Training expenses	1,397,337	942,769	2,340,106	231,400	6,500	237,900
Golden Jubilee Celebrations	813,003	995,345	1,808,348	-	-	-
Donation	-	-	-	591,571	408,429	1,000,000
Online Education and Research Facility (PERN 2)	518,179	1,036,358	1,554,537	-	-	-
Loss on sale of operating fixed assets	743	94,800	95,543	10,772	-	10,772
Honoraria to article writer	129,000	-	129,000	190,000	-	190,000
Sports and recreation	300,424	23,860	324,284	332,958	6,089	339,047
Sundry expenses	620,329	758,175	1,378,504	386,548	512,400	898,948
Total expenditure	<u>116,492,362</u>	<u>156,055,006</u>	<u>272,547,368</u>	<u>106,956,691</u>	<u>146,317,878</u>	<u>253,274,569</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

31.2 Service segments:

The Institute has the following four reportable segments on the basis of service characteristics.

	2011					2010				
	Exam	Education	Membership	General Services	Total	Exam	Education	Membership	General Services	Total
	<i>(Rupees)</i>									
Income										
- from members	-	-	58,623,140	-	58,623,140	-	-	47,548,455	-	47,548,455
- from students	208,987,680	41,626,650	-	-	250,614,330	182,966,446	42,723,517	-	-	225,689,963
- others	-	-	-	18,641,571	18,641,571	-	-	-	16,085,645	16,085,645
	208,987,680	41,626,650	58,623,140	18,641,571	327,879,041	182,966,446	42,723,517	47,548,455	16,085,645	289,324,063
Expenditure (31.2.1)	114,432,839	16,774,251	45,219,555	96,120,723	272,547,368	96,467,167	20,895,208	41,866,518	94,045,676	253,274,569
	94,554,841	24,852,399	13,403,585	(77,479,152)	55,331,673	86,499,279	21,828,309	5,681,937	(77,960,031)	36,049,494
Finance Income	-	-	-	-	14,551,556	-	-	-	-	9,277,039
Excess of Income over expenditure/ (Expenditure over income)	94,554,841	24,852,399	13,403,585	(77,479,152)	69,883,229	86,499,279	21,828,309	5,681,937	(77,960,031)	45,326,533
Other Information										
Segment assets employed	42,947,622	17,578,964	22,582,410	94,440,284	177,549,280	49,304,245	24,710,038	25,515,164	85,647,883	185,177,330
Unallocated assets					226,682,194					141,826,738
Total assets					404,231,474					327,004,068
Segment liabilities employed	19,121,094	1,842,097	20,333,811	8,733,437	50,030,439	17,319,055	1,204,802	16,007,741	12,033,409	46,565,007
Unallocated liabilities					7,522,546					4,929,338
Total liabilities					57,552,985					51,494,345
Capital expenditure incurred during the year	2,563,412	1,597,471	2,882,914	8,301,956	15,345,753	760,343	6,748,976	3,151,989	10,197,650	20,858,958

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

31.2.1 Expenditure

	2011					2010				
	Exam	Education	Membership	General Services	Total	Exam	Education	Membership	General Services	Total
	(Rupees)									
Salary, allowance, and other benefits	36,718,234	9,237,290	19,987,542	41,211,501	107,154,567	32,875,914	13,353,612	19,387,309	46,111,460	111,728,295
Examination charges	52,230,508	-	-	-	52,230,508	45,001,458	-	-	-	45,001,458
Depreciation	5,359,831	1,290,330	2,183,635	9,528,589	18,362,385	5,558,045	1,525,738	2,397,588	9,590,352	19,071,723
Traveling and related expenses	947,865	211,045	12,596,466	1,234,226	14,989,602	991,690	682,066	11,356,541	1,239,574	14,269,871
Publications	-	-	-	9,690,438	9,690,438	-	-	-	11,232,486	11,232,486
Utilities	3,473,714	836,264	1,415,216	6,175,489	11,900,683	2,982,791	818,805	1,286,694	5,146,777	10,235,067
Postage and telephone	2,129,325	660,562	473,450	4,843,338	8,106,675	1,722,312	881,922	634,417	3,919,763	7,158,414
Repair and maintenance	2,959,502	712,473	1,205,723	5,261,336	10,139,034	1,590,406	436,582	686,057	2,744,229	5,457,274
Printing and stationery	2,965,576	829,862	655,303	1,421,602	5,872,343	2,277,843	545,867	1,030,236	1,061,548	4,915,494
Rent, rates and taxes	29,200	8,000	12,450	4,422,818	4,472,468	27,425	14,325	14,300	3,759,971	3,816,021
Advertisement and exhibitions	20,688	564,559	309,749	911,241	1,806,237	8,203	1,412,402	240,845	850,334	2,511,784
Fees to international professional bodies	-	-	1,232,145	-	1,232,145	-	-	2,191,919	-	2,191,919
Legal and professional charges	41,500	-	1,132,000	80,180	1,253,680	41,497	15,000	995,000	150,000	1,201,497
Consultancy charges	-	-	-	-	-	-	-	-	718,619	718,619
Election expense	-	-	-	-	-	-	-	-	112,042	112,042
Auditors' remuneration	-	-	-	454,929	454,929	-	-	-	441,296	441,296
Annual general meeting	-	-	-	642,616	642,616	-	-	-	869,715	869,715
Books and publications	56,867	-	61,819	129,453	248,139	81,622	9,833	65,105	145,408	301,968
Conveyance	7,790	5,370	5,760	90,912	109,832	82,397	15,760	9,035	87,007	194,199
Entertainment	404,808	69,193	91,822	1,495,572	2,061,395	353,893	57,302	71,393	1,524,590	2,007,178
Bank charges	1,022,851	203,734	286,921	91,240	1,604,746	797,087	186,123	207,143	70,076	1,260,429
Insurance	344,553	92,461	289,588	410,597	1,137,199	198,432	219,926	235,294	339,197	992,849
Vehicle maintenance and running cost	1,584,262	400,661	1,329,871	1,392,780	4,707,574	1,056,892	576,475	871,591	1,393,337	3,898,295
Publication written off	-	-	-	872,818	872,818	-	-	-	38,802	38,802
Amortisation of intangible assets	189,928	45,723	77,378	337,650	650,679	120,049	32,955	51,786	207,143	411,933
Doubtful loan to students (IFEL)	-	1,501,185	-	-	1,501,185	-	-	-	-	-
Gold medals and award ceremony	3,535,969	-	-	-	3,535,969	355,524	-	-	-	355,524
Entrance tests conducting charges	164,200	-	-	-	164,200	149,250	-	-	-	149,250
Registered Accounting Education Tutor's appraisal cost	-	15,000	-	-	15,000	-	54,500	-	-	54,500
Training expenses	138,872	65,000	1,827,777	308,457	2,340,106	45,207	12,603	62,240	117,850	237,900
Golden Jubilee Celebrations	-	-	-	1,808,348	1,808,348	-	-	-	-	-
Donation	-	-	-	-	-	-	-	-	1,000,000	1,000,000
Online education and research facility (PERN 2)	-	-	-	1,554,537	1,554,537	-	-	-	-	-
Loss on sale of operating fixed assets	-	-	-	95,543	95,543	-	-	-	10,772	10,772
Honoraria to article writer	-	-	-	129,000	129,000	-	-	-	190,000	190,000
Sports and recreation	94,655	22,788	38,564	168,277	324,284	98,808	27,124	42,623	170,492	339,047
Sundry expenses	12,141	2,751	6,376	1,357,236	1,378,504	50,422	16,288	29,402	802,836	898,948
Total expenditure	<u>114,432,839</u>	<u>16,774,251</u>	<u>45,219,555</u>	<u>96,120,723</u>	<u>272,547,368</u>	<u>96,467,167</u>	<u>20,895,208</u>	<u>41,866,518</u>	<u>94,045,676</u>	<u>253,274,569</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Foreign currency risk

Financial assets exposed to foreign exchange rate risk, included in cash and bank balances, amounted to Rs. 2.196 million (2010: Rs. 2.633 million).

The Institute operates separate bank accounts in US dollars. It incurs currency risk as a result of the conversion of foreign currency balances held in bank accounts to Pak Rupees at the balance sheet date. The currency risk associated with this balance is considered minimal and, therefore, the Institute does not hedge its foreign currency exposure.

Sensitivity analysis:

At June 30, 2011 if the Pakistan Rupee had weakened / strengthened by 10% against US Dollar with all other variables held constant, the income for the year would have been higher / lower by Rs. 0.220 million (2010: Rs. 0.263 million), as a result of exchange loss/gain.

32.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments.

As the Institute's financial instruments are invested in fixed rate securities and are being carried at amortised cost, the Institute does not believe it is exposed to any interest rate risk.

32.3 Liquidity risk

The Institute maintains cash and cash equivalent balances to manage working capital requirements and, therefore, it does not have significant liquidity risk. Cash flows are projected on a weekly and monthly basis to closely monitor the liquidity need of the Institute and excess fund is then invested in line with the forecast requirements. The contractual maturities of financial liabilities are as follows:

	Contractual cash flows	Not later than three months	Three to twelve months	Between one to three years	Between three to five years	Over five years
	<i>(Rupees)</i>					
2011						
Financial liabilities						
Creditor, accrued expenses and other liabilities	19,605,080	18,108,178	1,496,902	-	-	-
Due to Benevolent Fund	2,086,873	2,086,873	-	-	-	-
	<u>21,691,953</u>	<u>20,195,051</u>	<u>1,496,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
2010						
Financial liabilities						
Creditor, accrued expenses and other liabilities	18,035,167	14,551,477	2,189,354	1,294,336	-	-
Due to Benevolent Fund	1,696,240	1,696,240	-	-	-	-
	<u>19,731,407</u>	<u>16,247,717</u>	<u>2,189,354</u>	<u>1,294,336</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

32.4 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 178.886 million (2010: Rs. 98.752 million) as set out in note 32.6 below, those that are subject to credit risk aggregate to Rs. 124.742 million (2010: Rs. 85.168 million). As at June 30, 2011 approximately 88% (2010: 80%) of the financial assets of the Institute that are subject to credit are held with banks having highest capacity for timely repayment (i.e. having credit rating of atleast 'A1+').

Concentration of credit risk exists when changes in economic and industry factors similarly affect the group of counter parties whose aggregated credit exposure is significant in relation to the Institute's total credit exposure. The financial assets of the Institute are broadly diversified and transactions are entered into with diverse credit worthy parties thereby mitigating any significant concentration risk as a result it believes that it is not exposed to major concentration of credit risk.

Note	2011	2010
	(Rupees)	
Loans and deposits	7,612,984	9,642,081
Investments	94,767,306	55,482,468
Loan, advances and other receivables	7,916,894	7,121,374
Bank balances	14,444,623	12,921,698
	<u>124,741,807</u>	<u>85,167,621</u>
Government securities	47,000,000	12,000,000
Term Deposit Receipts A1+	92,000,000	54,000,000

During the year no assets have been impaired.

32.5 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities reflected in the financial statements approximate their fair values, except investments in Special Saving Certificates that are carried at amortised cost, using the effective yield method, amounting to Rs. 53.800 million (2010: Rs. 13.377 million) as against the fair value of Rs. 51.862 million (2010: Rs. 13.342 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

32.6 Financial instruments by category:

	2011			Total
	Held to maturity	Loans and receivables	Liabilities measured at amortised cost	
Financial assets	<i>(Rupees)</i>			
Non current assets				
Long-term investments	63,896,323	-	-	63,896,323
Loans, advances and deposits	-	7,612,984	-	7,612,984
	63,896,323	7,612,984	-	71,509,307
Current assets				
Short-term investments	84,671,416	-	-	84,671,416
Loans and other receivables	-	7,916,894	-	7,916,894
Cash and bank balances	-	14,788,250	-	14,788,250
	84,671,416	22,705,144	-	107,376,560
	<u>148,567,739</u>	<u>30,318,128</u>	<u>-</u>	<u>178,885,867</u>
Financial liabilities				
Current liabilities				
Creditors, accrued expenses and other liabilities	-	-	18,356,213	18,356,213
Due to Benevolent Fund	-	-	2,086,873	2,086,873
	<u>-</u>	<u>-</u>	<u>20,443,086</u>	<u>20,443,086</u>
	2010			Total
	Held to maturity	Loans and receivables	Liabilities measured at amortised cost	
Financial assets	<i>(Rupees)</i>			
Non current assets				
Long-term investments	13,377,398	-	-	13,377,398
Loans, advances and deposits	-	9,642,081	-	9,642,081
	13,377,398	9,642,081	-	23,019,479
Current assets				
Short-term investments	55,482,468	-	-	55,482,468
Loans and other receivables	-	7,121,374	-	7,121,374
Cash and bank balances	-	13,128,777	-	13,128,777
	55,482,468	20,250,151	-	75,732,619
	<u>68,859,866</u>	<u>29,892,232</u>	<u>-</u>	<u>98,752,098</u>
Financial liabilities				
Current liabilities				
Creditors, accrued expenses and other liabilities	-	-	17,487,973	17,487,973
Due to Benevolent Fund	-	-	1,696,240	1,696,240
	<u>-</u>	<u>-</u>	<u>19,184,213</u>	<u>19,184,213</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

33 NUMBER OF EMPLOYEES

As at June 30, 2011, the Institute had 171 full time employees (2010: 153) and 14 part time employees (2010: 3).

34 CORRESPONDING FIGURES

Corresponding information has been re-arranged and re-classified, wherever necessary, for the purpose of comparison. For the purpose of better presentation significant reclassification include the following:

From	To	Rupees in million
Balance sheet		
Loans, advances, prepayments and other receivables (Miscellaneous)	Loans, advances, prepayments and other receivables (Fee in transit)	0.035
Current liabilities Due to Benevolent Fund	Creditors, accrued expenses and other liabilities	0.025
Financed by and current liabilities Endowment Funds (Students' Endowment Fund)	Liabilities relating to Endowment Funds (Students' Endowment Fund)	3.233
Statement of comprehensive income		
Others (Sundry expenses)	Salaries, allowances and other benefits	0.278
Others (Sundry expenses)	Honoraria to article writer	0.190
Others (Sundry expenses)	Sports and recreation	0.339

As the reclassification is not considered to be material, therefore, the Institute has not presented the balance sheet as at the beginning of the earliest comparative period presented (i.e. July 1, 2009).

35 DATE OF AUTHORIZATION FOR ISSUE

The Council of the Institute authorized these financial statements for issue on July 30, 2011.


Secretary


President





The Institute of Chartered Accountants of Pakistan

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