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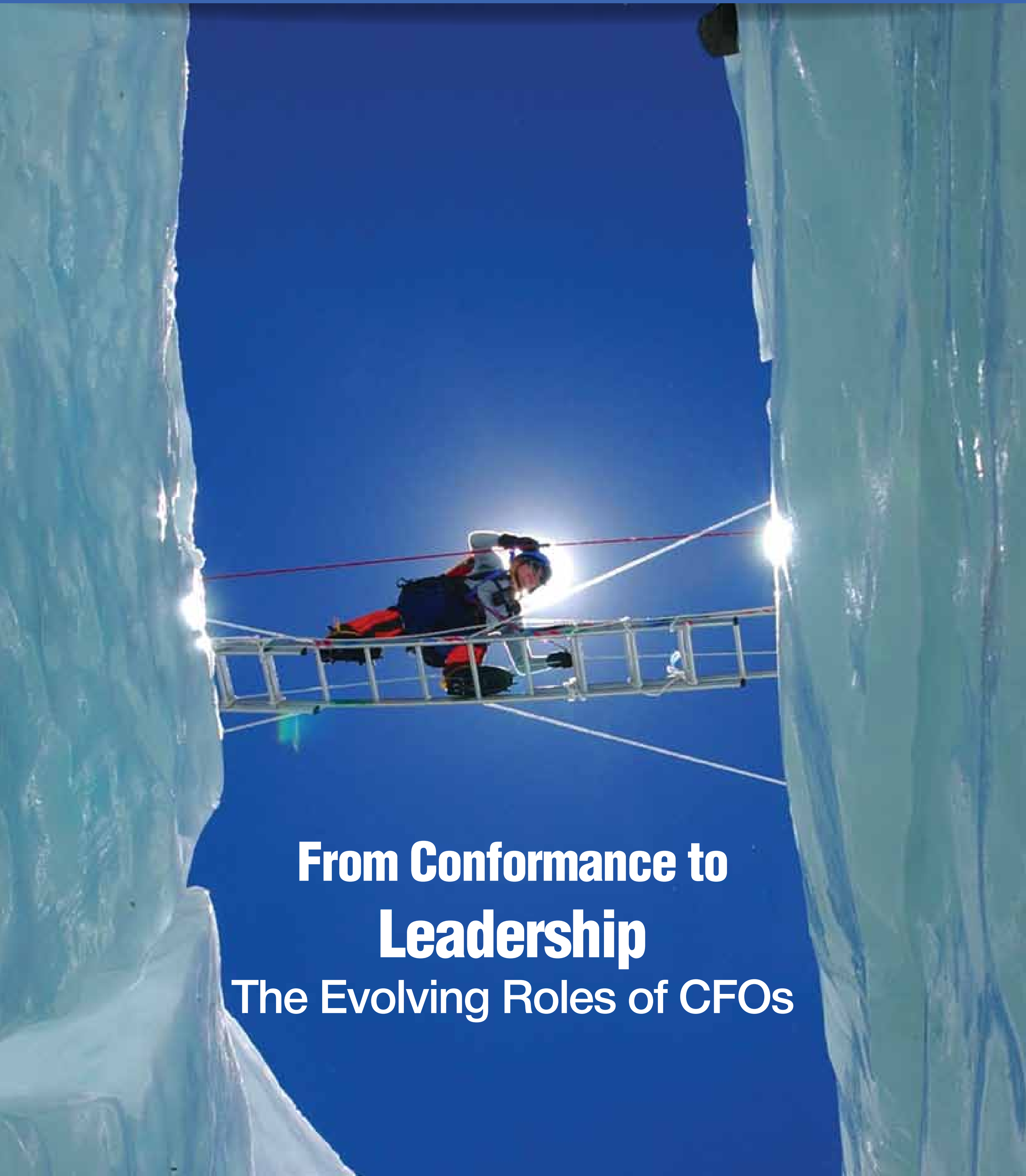

From Conformance to Leadership
The Evolving Roles of CFOs

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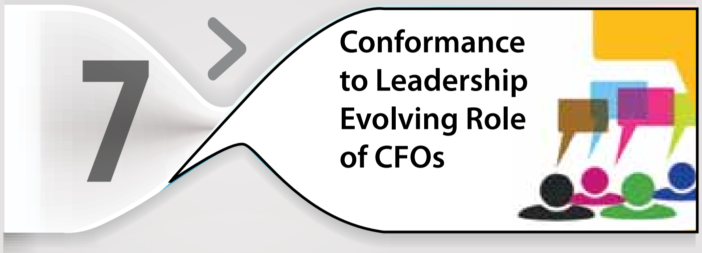
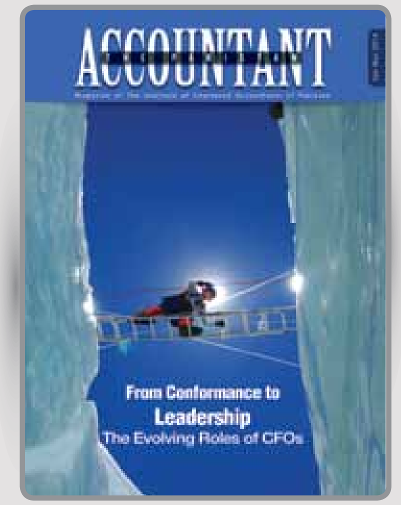


From Conformance to Leadership



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Editor's Letter

The c-suite role that has changed the most in the last decade is that of the Chief Financial Officer (CFO). The transformation occurred from bean counting to strategist, dealmaker, risk officer and development leader and second inline to the CEO in importance. They are the future finance leaders. Companies now desire to improve their future CFO's talent, and professionals with ambition and aptitude to become future CFOs– whether that will be their next career step, or something they aim to achieve over the next decade and more.

In the changing world of finance, CFOs will have more finance roles. They will be involved in supporting strategic growth and required to work closely with the management on strategy formulation and execution as their main area. Over the next decade the business landscape will be reshaped by a combination of market volatility, globalization and transformational innovation. It is imperative for the prospective CFOs to seek out greater mobility in and out of the finance organization, structure all the needed qualities, and the internal associations to expand their career paths.

Today, risk management area is considered as one of the important area of influencing the future role of the financial leaders and CFOs are expected to gain experience in this area to compete in the ever changing professional environment of finance. To advance in the future more effectively, merger and acquisition activity is also an area of experience for future CFOs to obtain. It gives specific technical finance experience in structuring deals, also help to develop wider skills in change and project management.

Aspirants CFOs need to perform such roles that escalate their breadth of stakeholder engagement and cultivate strong relationship. The future finance organization will need to be attuned to the needs of different consumers and develop a culture which is customer centric. This will be an important milestone on the transition from back to front office for the finance organization.

The ultimate measure of a CFO is his role in helping to create value, and this includes contributing to society. They are now expected to be involved in all aspects of the business to optimize profitability and pursue growth for the least amount of risk.

M. Sharif Tabani, FCA

President's Page

The world is constantly evolving and changing. I never cease to be amazed by the speed of innovation. Change is the only true constant, and each year the pace of change only accelerates. Transitions that once took place over three or five years now happen in a few months. I believe we are currently experiencing the biggest fundamental change the world has seen since the initial development of the Internet as people, processes, data, and things become increasingly connected and it is having a profound impact on individuals, businesses, communities, and countries.

Advancement in technology has progressed far beyond the imagination of human kind. From laptops to notebooks and from notebooks to ultra-books the progression is now towards more stripped down versions of ultraportable items. Social media has become a pervasive means of communication. People now have become the power users of the social media through Google, Facebook, Twitter and LinkedIn and businesses struggle to tie their social media efforts to demonstrable business results.

Accountants are no exceptions in adopting this continuity of change. Change with the time that has kept our profession in a leading position in the country for decades. As has been well said, 'continuity gives us roots; change gives us branches, letting us stretch and grow and reach new heights'.

The demand for accountants is expected to grow up every year. Chartered Accountants have always been playing a proactive role in their varied capacities, as financial advisors, consultants and internal auditors, etc. in helping organizations establish adequate risk management systems and ensure informed and reliable decision making. Their role is becoming more multi-faceted with every passing day.

The newfound visibility and expanding responsibility of today's CFO shows it's a more dynamic position than ever before; it's a role that requires an increasing amount of attributes to think broadly and holistically across the organization. The CFO is expected to be a key strategist and leader, help the CEO and the rest of the executive team in shaping overall strategy and direction, and act as an agent of change who can instill a performance driven culture throughout the company. The key challenge here is maintaining the balance between encouraging entrepreneurial behavior and ensuring the highest standards of financial Stewardship. To perform the role successfully, the aspirant CFOs will need to focus on transformation and change management, changes in reporting requirements, technology transformation, manage carefully the different demands between mature and emerging markets and align their finance strategies accordingly. CFOs that can bring cross cultural, cross market business and finance experience to the table will be highly valued.

The Institute as the regulator of the profession will do everything which is expected of it. We have initiated a range of steps to bring change at all levels. At the pre-certification level, the Institute has initiated zero based evaluation of the entire education and examination regime and bring the Education Reforms in 2013, successfully developed learning outcomes and study material, printed study packs comprises of study text, revision notes and question bank, implementing computer based examination of Assessment of Fundamental Competencies (AFC), started evaluation process of Specified Degree Awarding Institute (SDAI) status for various Universities and Institutions to name a few. At the post-certification level, the Institute has been most prompt in taking action against its errant members and has painstakingly tried to ensure adherence to a code of conduct by all its members. One of the principal objectives underlying the implementation is to ensure that all these measures will meet the fast changing international standards and help in improving the governance and regulation of the accounting profession in the country.

My dear members, It's time for all of us to be extra-vigilant while delivering our services and performing our duties. We need to re-prove our worth as the backbone of the country's financial system and justify the epithet of being the 'conscience keeper' of the economy. I am sure all these initiatives will prove to be a great service to the nation and professionally rewarding for the entire CA fraternity.

Naeem Akhtar Sheikh, FCA

Join the Discourse

This issue's topic is:

"**Finance Needs to Step up Its Game**: Companies are giving CFOs more tools to work with, but they expect better results…What is your point?"

Muhammad Kamran, FCA (R-3161)
Melbourne - Australia

Businesses are getting bigger, global and complex; hence the challenges faced by them are also enormous. These businesses are producing large amount of data requiring CFOs to produce fresher and faster analysis to support decision making. The traditional gatekeeper responsibilities of CFOs are still there, as CFOs are considered to be partnering with CEOs in strategic and business planning, and to retain their role they are required to counterbalance traditional responsibilities including cost reduction, ensuring control environment, working capital management and risk management with emerging responsibilities like financial planning and analysis, partnering with commercial teams and providing business insights to support effective decision making. In order to deliver consistent efficiency and effectiveness, CFOs are required to have good financial management and analytical skills to analyze vast amount of data and deliver good analytical support for decision making. Therefore, in order to get better results through improved decision making, companies have to invest in their analytical-decision-making-capabilities.

Muhammad Ali, ACA (R-6930)
Faisalabad

The CFO's role has always been a demanding one, but rapid developments in information technology, regulation and the economy are defining a new era for the CFO, characterized by a significant expansion in his role and responsibilities. Technology is playing a greater role in the finance function as well as having a profound effect on the business units around it. At the same time the nature of IT itself has changed. The imaginative and creative application of IT is now opening up opportunities for new revenue streams and novel ways of engaging with customers. Whether the CFO is seeking to enhance productivity, reduce costs, or to grow the top line, the relationship with IT is becoming crucial to success and is reflected in stronger alliances between the CFO, CIO, and IT function. Recent developments in IT are allowing the CFO to drive a culture of performance management more pervasively across the enterprise. As a result of this increased visibility, the CFO's role is becoming more strategic, supporting business units to achieve superior performance through better decision-making.

Usama Sohail, ACA (R-6441)
Unilever Arabia, Dubai

In this ever changing dynamic environment, Finance definitely needs to step up its game. The concept of Finance is much more diverse than ever before. It is not only controlling or monitoring the business anymore. Finance has to act as Business Partner and Value Addition to the business while performing the traditional roles simultaneously.

Mujeeb Ul Haq, ACA (R-6661)
Islamabad

Companies used to consider finance teams just as a record keeper and not being actual part of business. However, different companies have realized the importance of finance as an integral part of the business. With the use of IT applications, business automations, trainings, international integrations, involvement in the business decisions and organizational structure provide opportunities for the finance to step up their game and be part of the business. Companies are facilitating the CFO with the resources and tools they want. Considering the facilities provided to the finance, the companies are expecting a lot more from CFOs like effective planning and generating self-explanatory analytical reports, better analyses of growth drivers and profitability, provide faster, fresher and more granular analyses of vast amounts of data, modeling performance risks to better understand deviations, identification and modeling of factors creating different risks and developing controls to avoid those risks. Being chartered accountants (including CFOs) it is our role to use these facilities and tools as a weapon for becoming an essential part of the business. The key is to understand the business and the requirements of the stake holders and as a leader work hard with full motivation and commitment to achieve a head of what is expected from us.

Mudassar Ghulam Nabi, ACA (R-6036)
Islamabad

The game involves strategic decision making and smart movement of funds. It turns into an interesting mode when opportunity is to be exploited without having requisite resources and that is the point when CFO should come up with his/her tools and a strong skill set to use them in a way to get best out of it. Higher expectations often end with disappointment, so put your expectations on the right track with a full knowledge of available resources and abilities. The right approach would be to muster the available resources and guide them in a way that they start multiplying with a factor, the magnitude of which was designed by you.

Sumair Ali Khan, ACA (R-7498)
Karachi

Companies today have been continuously striving to transform the finance function from an inward-looking organization focused primarily on financial reporting and controls, to one that spends more time focused on strategic decision-making and value creation. CEOs expect the CFOs to contribute to all major decisions including growth and acquisition strategy, risk management strategy, and the evaluation of investments. They want Finance to use its knowledge and understanding to provide the mechanism, the metrics and the analytical insight to evaluate potential growth opportunities and to make decisions about resource allocation. I totally agree with the point that Companies are giving CFOs more tools to work with but at the same time it has been observed that Finance is being pulled in many different directions. New legislative requirements, amendments and financial reporting standards have required CFOs to devote significant time and resources to improving controls, procedures and processes to ensure compliance. CFOs are leading the change in restoring trust and accountability with the Company's stakeholders. Regulatory compliance in particular has absorbed time that could have been spent profitably elsewhere. For good or bad, however, it is clear that regulatory compliance initiatives will continue to be a major focus for the foreseeable future. Given these conflicting demands, how should CFOs divide up their time? If Companies expect better results from Finance function by using the provided tools and substantial participation of CFOs in strategic matters they will have to develop a clear vision and well-defined objectives that are communicated throughout the organization otherwise the role of Finance is often misunderstood and undervalued.

Saleem Ahmed, FCA (R-2345)
Karachi

It's the time to accept that finance and accounts discipline has become obsolete. F&A is unable to cope up with the pace of current business need. What we were doing is now being done more precisely and accurately by software and applications. We need to drastically amend, improve and extend the syllabus to include the subjects in demand like business strategy, forecasting, stakeholders interest, holding transparency higher than profitability and shareholders interest.

Ali Akbar Syed, ACA (R-6010)
Oslo, Norway

The fundamental role of finance is to create shareholder value. Too often finance is much more focused on just protecting and preserving existing value rather than actually creating shareholder value. To step up its game, finance has to drive shareholders' value agenda by getting involved in influencing strategy and commercial decision making. Finance needs to be robust, confident, and commercially focused by providing proactive support to decision making, while remaining steward and conscience of the business and its assets. In order to accomplish the fundamental role and meet shareholders expectations, CFOs have to do the basics really well from both effectiveness and efficiency perspective. That means complete integrity in transactional process, timely and accurate financial reporting of the results and safeguarding of assets. In addition, they must be able to develop and maintain robust system of internal controls. Finance has to be customer focused, credible business partner, who challenges constructively, impartially and actually provide alternative solutions. Finance has to mirror and drive the culture of the business, be analytical and data driven in approach, and finally be able to make tough decisions and be accountable for them. In nutshell, to be a real true business partner, finance needs to have a delicate balance of being a policeman, a coach, and a supporter, sometimes all at the same time!

Kamran Rasool, ACA (R–5945)
Lahore

In today's world, the work pressure on CFOs is many-fold. They are not only the men to maintain internal controls but also to support the business in ups and downs through their decision making. Companies always invest wherever they find expected returns. Giving additional tools to work with implies giving additional responsibilities and expecting more. The more tools to work with are in itself a challenge. CFOs have to keep themselves abreast of everything new coming to them to meet the expectations. So, the challenges CFOs have in their daily work life need more support and that's what companies are investing in.

Shahzad Ahmed Chandio, ACA (R-6983)
Muscat

Companies are giving CFOs more tools to work with, but they expect better results. What is the name of the game? Is it finance ? Risk Management? Audit? Operations? or HR? None. The name of the game is Operations and Strategic Planning. Why the finance professionals have mostly been limiting their career to the position of CFO and not beyond that? The two major reasons are:

a. oversimplification of the roles that a CFO plays and could play in a company.

b. the conventional thinking of a finance person that finance experts are back-office analysts and people who have to do more with numbers related to past.

There are few emerging trends that could help finance play the role of a leading department and CFOs become ideal CEOs to be:

Business vision: Most of the CFOs are already contributing to the long term business plans using the data generated by finance department itself, CFOs could add business vision with much better strategic steps to be taken in future.

Strategic planning: From a bigger decision of a business expansion to a comparatively smaller decision of implementing a reporting system, the financial consultancy is being provided by CFOs as they already have an idea of company's financial capability and expected returns.

Operational knowledge: CFOs are the one having complete knowledge and understanding of the operations, the limitations and comparative advantages that a company operates with. So they are in a better position to develop business vision or strategic planning.

Marketing / selling ability: CEOs sell and market ideas, the ideas of new business plans and expansions being sold internally and externally. These ideas motivate stakeholders to invest in the new business ventures; and company management to work pro-actively towards achieving results across the operations. Finance professionals who aim at acting as pioneers for establishing a hierarchy that leads to Finance Manager-CFO-CEO, have to work on their selling and marketing skills and competencies.

Exception reporting: CFOs always identify problems, and the exception reports come from Finance Department. These small efforts, in addition to conventional role of CFO, would create a perception of the CFO as a leader instead of a policemen or back office guy.

Talha Bin Hamid, ACA (R-3862)
Karachi

Yes, CFOs have more tools. However, being an accountant, I can testify that tools are not enough. Tone at the top, as well as in the middle, and even bottom, matters a lot. A CFO cannot work in isolation; however, the onus of compliance seems to be the CFO's sole property. Something is not right here. The entire management team of a company needs to be well versed in the issues of control and compliance. CFOs, in turn, also have to expand their horizons: these days a CFO is a major strategic partner to an entity and he or she should leverage this position to take the company to new heights.

Badar Yousuf, ACA (R-6136)
Karachi

Gone are the days when the core job of the CFO was to run a control oriented department focused totally on reporting, controls and transaction processing - often clichéd as the back end department. Today CFO needs to be the right hand of the captain of the ship, providing input for business decisions. Be a facilitator to business, helping them make informed decisions. With the introduction of smart ERP's controlling and reporting should be automated to the fullest extent possible helping relieve the resources towards the business decision making. In the end it is the delivery of the results that makes / breaks the company.

Fawad Hassan, ACA (R-7108)
Islamabad

A healthy catalog of tasks already exists for CFOs which include but not limited to maintenance of accounts and arranging its audit, budgeting and managing finances, advice on upcoming ventures, streamlining corporate and tax affairs etc. Yet it takes a lot more to be a strategic partner. CEOs are concerned with achievement of business objectives whereas CFOs have to balance compliance of regulatory requirements in such a manner that business objectives are not compromised. You talk of any business advancement today like refining business objectives, incorporating values in organizational culture, automating business processes or even implementing Balance Score Card software, you will find CFOs playing role of a nucleus by delivering their Value Added Services (VAS). In coming days when Integrated Reporting Framework will be in place, CFOs have to gear up their skills if they want this feather to be in their cap. The statement that "CFO is the culture of an organization" would definitely not be an exaggeration of CFO's role in near future.

Conformance to Leadership Evolving Role of CFOs

Adapting to changing and challenging business environments

Moneeza Usman Butt, FCA

Introduction

"It is not the strongest or the most intelligent who will survive but those who can best manage change."

When Charles Darwin was coining his famous dictum above in the nineteenth century it would be difficult to perceive at that time how it would hold so true not only in the natural world but also for the corporate one. Financial calamities and economic challenges over the years have reshaped the global business environment acting as a catalyst for the profound changes in organizations around the world. In particular, the role of the chief financial officer has evolved and expanded as the finance function in recent times is increasingly coming into the limelight.

Conformance & Leadership

Conformance refers to compliance with certain accepted norms or standards. Leadership on the other hand signifies the position or function of a person who guides or directs a group. Leadership is synonymous with exercising control and influence, displaying stewardship and hegemony. Bringing these two behavioral aspects in the perspective of the role of CFO it is pertinent to note that over the years and especially in recent times owing to many financial misgivings globally, the role of CFO is no longer associated as one displaying only conformance. Previously, the CFO was ordinarily referred to as an accountant- in some instances given more authority and hence designated as Chief Accountant. His main area of responsibility encompassed financial reporting and record keeping and was never involved in the operational and business side of any entity. Such macro aspects of the business were usually dealt with by the CEOs, who were characterized as people displaying extremely different mindset and qualities as compared to the CFOs. To signify with the help of an example it was as if the CFO was a monotonous book worm while the CEO would be the very vibrant butterfly!

Evolution of CFO

However, in recent years, the role of the CFO has evolved significantly. Traditionally being viewed as a financial gatekeeper, the role of the CFO has expanded and evolved to the level of being a strategic partner and advisor to the CEO. This shift in paradigm took seed in the 1990s when driven by globalized capital and markets, regulatory and business drivers, growth in information and communications, greater expectations were ensued from the CFOs role in any organization. From being a guardian of the financial health of an organization, overseeing and implementing adequate financial control infrastructure, the CFO was expected to participate in driving organizations toward achieving their objectives. As part of the leadership of the organization, CFOs were expected to increase their support of strategic and operational decision making in a "business partnering" capacity in addition to fulfilling traditional stewardship responsibilities relating to governance, compliance and control, and business ethics. However, although the 1990s demanded CFOs to assume the role of business partner, helping the CEO to develop and execute successful growth strategies the economic slump thereafter witnessed CFOs switch their focus to efficiency and cost control.

Today, the CFO's role is more complex and challenging than ever, as he or she is expected to make significant contributions in three key areas:

- Providing strategic business advice and guidance to the CEO;
- Improving the company's organizational controls to comply with new regulations;
- Ensuring the cost efficiency of the finance and accounting function (F&A).

Hence it could be said that a CFO's job requires a mix of conformance and leadership though more of the latter than the former. The conformance part would include the responsibility for presenting and reporting accurate and timely historical financial information of the company. Every stakeholder in the company, ranging from shareholders, analysts, creditors to employees and other members of management - rely on the accuracy and timeliness of this information on which they base their decisions. Amid conformance and leadership lie the CFO's treasury duties including but not limited to determining how to invest the company's funds in line with the risk and rewards strategy, overseeing the capital structure and the ensuring the best mix of debt, equity and internal financing. Going forward, now occupying the seat of a strategic partner, the CFO's role in economic strategy and forecasting is of pivotal importance. Not only is a CFO responsible for a company's past and present financial situation, he or she is also an integral part of a company's financial future. A CFO must be able to identify and report what areas of a company are most efficient and how the company can capitalize on this information. For example, highlighting products that are making the most money for the organization and using this information for deployment of resources. This aspect of a CFO's duties also includes economic forecasting and modeling in other words, trying to predict (given multiple scenarios) the best way to ensure the company's success in the future.

Attributes for the CFO

Never before has the role of the CFO been more complex, multi faceted and rewarding. The CFO is now juggling more balls in the air than ever before, in front of an audience that is more demanding and knowledgeable. From being thought of a score keeper and bean counter the role has matured to being a strategic partner displaying certain key characteristics such as:

- strategic and visionary
- operationally-oriented
- lead and motivate
- communicate effectively and persuasively
- display astute business acumen and judgment
- exhibit unimpeachable integrity

Tomorrow is another day! - Challenges Faced

The CFO of tomorrow is envisaged to be a big-picture thinker, rather than detail-oriented, outspoken rather than reserved, prefer to delegate rather than be hands-on, emphasize what gets done rather than how things are done, and make collaborative rather than unilateral decisions. The duties of a modern CFO now straddle the traditional areas of financial stewardship and the more progressive areas of strategic and business leadership with direct responsibility and oversight of operations. The CFO must serve as the financial authority in the organization, ensuring the integrity of fiscal data and modeling transparency and accountability. The CFO is as much a part of governance and oversight as the Chief Executive Officer (CEO), playing a fundamental role in the development and critique of strategic choices. The CFO is now expected to be a key player in stakeholder education and communication and is clearly seen as a leader and team builder who sets the finance agenda for the organization, supports the CEO directly and provides timely advice to the board of directors.

As evident from above, the change in perceived expectations from dynamic CFOs required today is not without its share of challenges. A variety of challenges hinder CFOs' ability to reach their strategic potential. The precarious economic environment, time constraints and the lack of integration between the finance function and other parts of the business are some of the barriers that CFOs would ordinarily face in the transformation of their roles. Technology is a critical tool to help CFOs fulfill their role and hence the co ordination with CIOs needs to be strengthened. Companies in recent times are placing increased importance on disruptive technologies (such as big data, cloud computing, mobile and social media) as growth enablers. Hence, CFOs are required to place greater emphasis in becoming more involved in their understanding and leveraging by displaying a more active participation towards technology-led innovation and growth projects to help them realize their strategic, operational and professional objectives.

Another Perspective

In the most recent business cycle, growth and economic optimism have replaced retrenchment. Yet the emergence of new regulations such as Sarbanes-Oxley and Basel II and their attendant compliance costs has kept cost containment on the front burner, while putting pressure on companies to implement more effective internal controls and corporate governance.

Many CFOs have focused first on control issues, as laws and regulations require them to do so. Then, they choose to emphasize the business partner aspect of the role, although in many cases this has become more difficult because of the demands of control issues. Since Sarbanes-Oxley, relationships within finance and accounting departments have changed with companies realizing that they could not afford an informal reporting line within finance to the CFO. While such change certainly reinforces a more stringent control environment within finance, it has diluted the finance professionals' ability to have a strategic impact on the business units and has also increased the overall costs of the F&A function because of the additional headcount now reporting into the function. The related challenge of tackling cost control without compromise on quality within F&A is a formidable task.

Although CFOs may be well aware of their job descriptions and the expectations from them to be a strategic partner, run a very effective control environment, and reduce operating costs but the fact is, that it is difficult to do all three of these functions well. This explains why many CFOs have been able to effectively address the control issue, but have had less success adequately driving forward the business agenda or dealing with costs. This is a critical problem because CFOs are ultimately evaluated by the company's overall performance. If performance falls short, the CFO is usually the scapegoat one reason why CFO tenure is growing shorter each year. Besides losing their jobs, failure to successfully address compliance requirements could have legal ramifications as well.

One potential solution to the CFO's challenges is to outsource F&A processes. Such outsourcing is rapidly gaining favor world over as a way to deal with a job that has simply grown too big for most CFOs to handle on their own. We now see many companies outsourcing the repetitive finance functions which can help CFOs in a number of ways as follows:

- Significant cost savings: Outsourcing F&A typically results in lower costs because costs are spread across the outsourcing provider's entire client base, thus generating economies of scale, and the provider has automated standard F&A transactions, which reduces the cost per transaction. This benefit is coupled with the advantage of flexibility to F&A to change with the marketplace especially as it relates to maintaining profitability. Through outsourcing, fixed F&A costs become variable, which makes it easier for a company

  to scale down costs when revenues are slow helping companies to maintain shareholder value even during slow economic cycles.

- Process efficiencies: In outsourcing F&A to a qualified third party, companies can capitalize on standard system platforms and processes that more easily accommodate new acquisitions and ventures into new channels or markets thereby aiding in growth strategies of respect companies.

- Access to skills and expertise: Outsourcing offers access to a range of experts who can deliver higher-value services. While this helps all types of companies, it is especially beneficial to organizations in industries that are suffering from a dwindling talent pool.

- Address regulatory compliance issues: In an outsourcing arrangement, all processes are standardized and automated by the outsource provider, creating an environment in which highly accurate data is readily accessible precisely what is needed to help satisfy compliance requirements. A company outsourcing F&A also benefits from a vast network of professionals who are experts in understanding all the regulations and interpreting them for specific companies.

- Quality time available to CFO for other duties: By helping to address costs and to some extent, the compliance and control issue outsourcing can free up time for the CFO to pay more attention to his or her role as a strategic business partner. By outsourcing F&A processes, the CFO's time is used wisely to make the right decisions, balance the changing demands of the CFO role, and help the company on its journey toward becoming a high-performance business.

Conclusion

George Bernard Shaw once said- "Progress is impossible without change, and those who cannot change their minds cannot change anything.' To conclude, one could say that given the prevalent global economic environment a change in the skill and mind set of CFOs is not only the demand of the modern day but also a necessity for organizations that envisage growth and profitability along with regulatory compliance. So all CFOs sitting securely in their cocoons- it's time to shed the safety nest and fly out like the adventurous butterfly!

The article is contributed by Moneeza Usman Butt, Partner KPMG Taseer Hadi & Co; Chartered Accountants. She can be contacted at moneezabutt@kpmg.com

Finance Business Partners

The Evolving Partnership

Badar Yousuf, ACA, ACMA, CGMA
and Aatira Mushtaq

The dated conflict regarding the relative contribution and significance of the front and back office(s) in any organization has been a source of great contention and debate amongst professional circles. While the front office, comprising of the direct or line functions, claims it's right on the **Bread Earner** crown, the back office with its plethora of indirect and support functions, suckles in the shadows for attention. Alas, it is with no surprise that we find the integrity and synergy of organizations with such dysfunctional inter-departmental relationships vulnerable to demise and failure.

In the ever evolving paradigm of Organizational Behavior, conclusions regarding the journey of the finance function from its conventional data crunching stature to that of a trail blazer have astounded many. Seeing past the conventional "**let them control and monitor, while we work**" philosophy has helped successful companies recognize the Finance Function for its true worth as a nurturer or a mentor that can stimulate a bias for action towards growth and profitability in the company.

Modern Organizational Linguistics has coined the umbrella term **"Business Partnering"**, to highlight the aforementioned paradigm shift. The results of a research conducted by Deloitte in 2012 provided insightful evidence in this regard; according to 34% of its pool of 134 respondents, ranging from CFOs to Business Executives, approximately 30% or more of their time on the job is dedicated to Business Partnering. Moreover, 83% of the firms sampled expressed their aspiration to implement the Business Partnering Model into their organizational framework in the near future.

Finance business partnering is the arena where finance rises beyond the conventional control and transaction oriented role to one where it behaves as a navigator, working alongside the rest of the business. While the conventional model associated this phenomenon of partnership solely with those at the top, envisioning the CFO as helping the captain (CEO) in steering the organizational ship, the modern schools emphasize on the need to embed such values at all levels within the function. The need for a trickle down approach as such, necessitates that Business Partnering be looked at more as a way of life and attitude rather than a policy at work.

Moreover, given the rising popularity of this concept in contemporary schools of thought, it is imperative that its true merit be validated thoroughly. For companies aiming to stitch this concept deep into their organic framework, an understanding of the strings attached to the same is crucial. Quite astoundingly, 27% of the respondents in the Deloitte study were unclear on the value that business partnering can provide. Hence, it only makes intuitive sense that we examine both the prerequisites and challenges present in the said transformation before becoming a part of the BP bandwagon.

Figure 11 Finance competencies and business capabilities

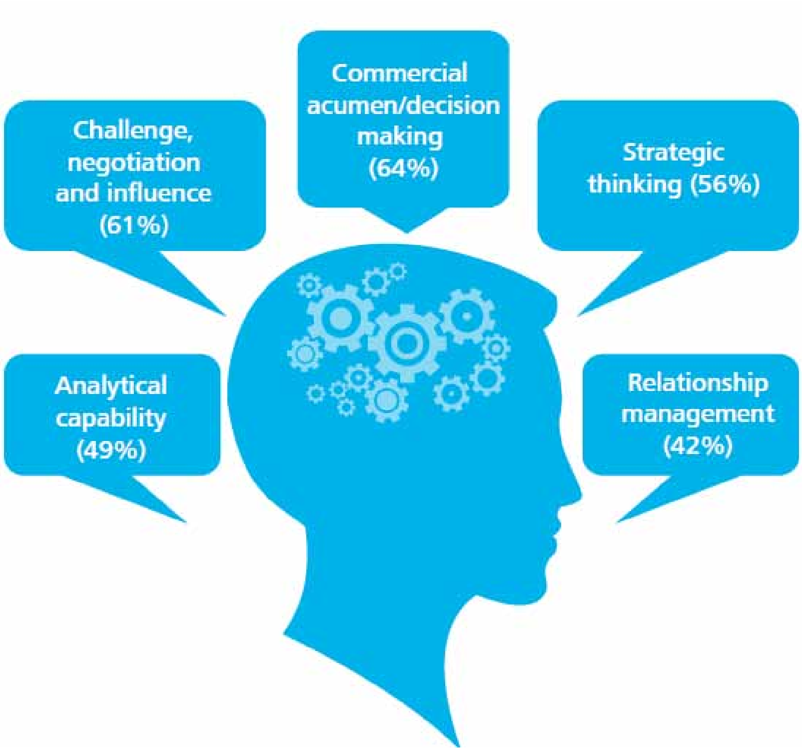
Finance competencies	Business capabilities
Reports past performance	Provides insights into the future
Inquisitive and analytical	Creative and articulate
Risk averse (mitigates)	Handles ambiguity and uncertainty
Practical with attention to detail	Sees the big picture
Pragmatic	Flexible
Supportive	Challenging
Likes to consider all options	Keen to take action
Inclined to control	Able to influence
Responds reactively	Takes initiative proactively
Technical accounting expertise	Commercial acumen
Identifies issues	Tackles problems

Scorekeepers on the sideline ⟷ Players on the team

Source: CIMA

According to a research published by CIMA in 2009, partnering with business requires a customer centric, solution oriented mindset armed with the power of credible, appropriate and timely information about the organization. Different organizations vouch for the presence of varying skill sets in their ideal business partners, however, they unanimously agree on the fact that some combination of:

a) technical accounting / decision support skills
b) interpersonal business partnering skills and
c) business / commercial acumen is necessary to thrive in such a capacity. Similarly, the Delloite research conclusively discloses five key skill sets, including:
    i) Challenge, Negotiation and Influence
    ii) Commercial Acumen/Decision Making
    iii) Strategic Thinking
    iv) Relationship Management and
    v) Analytical capability as being crucial to the success of any business partner.



The manner in which organizations structure the influx and influence of finance business partners is yet another dimension requiring a close eye. In order to ensure that the philosophy is implemented in substance and not just form, the organization needs to exhibit a readiness to accept the change wholeheartedly. Underestimating the impact and feel of such transformation is a fallacy that has taken many a ships down; as part and parcel of the exercise reporting lines not only need to be changed but also made flexible to accommodate the multiple lines of authority that come as part and parcel of the concept of partnering. It is important to note that research by Delloite show that the Finance Business Partners in 64% of the respondent organizations report into Finance but have a dotted line of reporting to the business. Hence, creating a readiness in the core functions to accept members from the finance function as an indispensible part of their own teams is a necessary first step before this modern management model is rolled out in the company.

Baring the external interdepartmental, as well as the personal inhibitions of the employees in question, we cannot ignore the fact that a majority of the resistance towards implantation of this philosophy comes from the finance department itself. Lagging information systems and a play up of professional insecurities are concrete barriers hurting the aforementioned transition. Considering the one to one correlation between the quality of the input with that of the output, one cannot expect the BPs to be at their A game, when they are unsure of the integrity and accuracy of the data bank that backs their decisions. Intuitively enough, 57% of the respondents on the Delloite research asserted that finance MIS is but the biggest hindrance to their performance as business partners. Moreover, considering the indispensible need for action orientation in this role, the existence of acute soft skills surfaced as another factor in the equation of successful Business Partnering.

Conclusively we can say that the variety of strategies being adopted by companies to address these barriers, including trainings, investments in ERP and BI tools along with their focus on the careful determination of their roles and responsibilities is definitely a step in the right direction. However, a change in the organization's culture and mindset is undoubtedly the most crucial determinant in this equation and should be lent disproportionate attention, if companies wish to succeed in the competitive world of today.

Accountants' Role in Business

Saifuddin Adeeb, FCA

The incursion of Newer Wisdom

The present day economic epoch is of the knowledge-based economies, backed by, resilient, sinuous and forceful information and communication technology [ICT], all around the sphere. There is an steady and sequential chain of changes that are inserted, inter alia, into the business world every minute and the assertive and perpetual adjustments and revisions and adaptations to these changes are inevitable. In this backdrop, doing business today is, a great deal more intricate and easier said than done and necessitates and obtains a much superior measure of the astuteness, uphill struggle and the quickened knack, to match the rapidly altering business and trade world realities, meet the newer set of challenges and adapt to hitherto untouched incursion of wisdom.

Superior and Sustained Sense of Stimulation and Fulfillment

It is an eminent fact and an illustrious, a longstanding and a recognized verity that in any business enterprise, the accountants dwell in a situation that inherently furnishes them with assorted measures of up-to-the-minute insights vis a vis every business aspect and he is repetitively faced up to challenges and owing to this distinctiveness, his occupation puts forward a superior and sustained sense of stimulation and fulfillment.

The Treatment of Multiplicity of Transaction

The multifaceted transactions that an accountant has to, in discharge of his professional obligations, solemnly behold and reflect upon, places him in a arrangement that is both unique and advantageous, for he continues to have richer and broader awareness of the business events that are taking place and changing by the minute and in every petite bit, likewise and, therefore, it takes a higher degree of vigilance and preparedness. In fulfillment of his effort, the accountant comes in contact with wider constituency of business community on both the planes - the supply and demands chain sides.

The Key Interface

He inherits and preserves archives of narratives, accounts, records and absolute and all-inclusive history of all the business transactions. He has an innate, a key, an enduring and an active interface in every single one business operation, be it plant acquisition, raw material and store item procurement, the vendor profiling and evaluation, the marketing, sale and promotions, treasury, bank, human resource, taxation, litigations and the list is stretched and infinite.

The Guardian of Enterprise Resources

There is by a hair's breadth any business activity that is not cash driven. All the business transactions have an ingrained financial side and no business transaction can be conceived, which does not have pecuniary upshot. For that reason the accountant, being the custodian of business entity resources and being the recorder of all the financial transactions has an standard and meaningful participation in nigh on each function and every department of an organization. He has to steadily, scientifically, methodically and systematically keep a thorough, scrupulous, precise, translucent and truthful record of all the transactions, whether on credit or against cash and conduct regular analytical, exploratory, indicative and diagnostic studies in relation therewith.

The Double Entry Bookkeeping

The double entry bookkeeping signifies a strong apparatus in the hands of accountants and this has universal acclaim, application and acceptance. The accountants record all the double entries, post them to appropriate accounts, balance all the accounts, and report periodic profit and loss and end of the period state of affair of the business enterprise. The accountant is one of principal beneficiaries of computing technology. The technology aided accounting has equipped an accountant with greater speed and enhanced accuracy both, above and beyond of course a monumental effortlessness. In my earnest understanding, the brain that invented double entry accounting system, must be an exceptional mastermind. This enables architecture of all the accounts in flawless, detailed and accurate manner.

The Accountant's Surveillance Silhouette

The accountant all the time travelling around the accounts, remains ever vigilant to the business transactions and its inherent dynamics. His spotless analytical abilities delivers him the impetus and drive to dig deep and create value. In this set of situations and with his business knowledge reservoir, his gifted business talent is further nourished and a time comes pretty quickly, when he finds himself in an enviable position to cultivate further and contribute enormous value in business growth. He arrives swift and brisk with all the desired savoir faire and fitness, at a position, where he turns out to be an indispensible constituent of the engine that fuels and powers the business growth.

Business Growth Modules

In bygone times, the accountants were taken as bean counters. The accountant's role has undergone a colossal conversion and in today's world he has been switched to an enhanced position and he signifies a quick-witted and imaginative in-house business consultant reachable all the time with loads and loads of value addition that he keeps creating and putting together.

It is the computing machine that does the accounting along the lines designed by the accountant. The accountants are best equipped and best suited to devise the accounting systems that these machines shall operate. The accountant keeps inventing new processes and ground-breaking analytical reports that challenge the status quo, investigate, diagnose and raise worthwhile and pertinent questions to help him and management pull out the underlying meanings assigned to the numbers. He construes and translates the numbers in uncomplicated words. The technology loaded tools and aided paraphernalia have added to and transformed and enhanced the role of the accountant to a superior and sustainable value creator. The CFO and his finance team, these days, constitute an integral part of the high ranking executive contact group in the management that drives and guides the business to conquering destinations.

The Business Sustainability

The accountants have a full scope discernment of the business activities and he is most suited to use and apply his intelligence and advise business management team from time to time, on the ways and means, to render the business more sustainable and further rewarding. He is amongst those key executives who initiate and spin a turnaround. It is important that the business while making profit endures likewise. The prosperity in isolation and in disregard to sustainability is neither envisaged nor does it have the desired meaning. It does not need to be overemphasized that amongst the decision makers the ones who are most informed and are likely to take more correct and better decision are CFO and his team.

The Chief Decision Makers

There is no one in a business entity who can claim to be more informed than the accountant. There would certainly be specialists employed in a business organization, to take care of diverse specific business operational areas. However, they remain connoisseurs and aficionadas in their chosen and preferred field. It cannot be denied that their focused interest and concentrated knowledge base and experience, in relation therewith, have their own respective immense value and gargantuan benefits. Nonetheless, when it comes to wider spectrum of business spread out and strategic business intensification, the expert knowledge and specialist proficiencies have to shift to supportive role and lend its creditable shore up, where needed. The authoritative specialist cannot occupy the front command and driving seat in such situations, for an entire perspective and outlook then becomes inevitable, which invariably vests with the CFO and his team.

The Cost Efficient and Profitable Business Conduct

There are numerous analytical and other studies that are instituted and consummated by accomplished accountants that are aimed at enhancing the cost efficiency and profitability of the business entity. For instance cost and benefit [CB] analysis are undertaken to find the preeminent from diverse preferences that are offered to engage in a business activity. Likewise, Strength, Weakness, Opportunity and Threats [SWOT] analysis is performed previous to enterprising a project. The budgetary controls and periodic, product-wise, industry-wise, trade-wise, geographical, chronological and numerous other relative relationships are attempted to measure and improve the performance and for appropriate decision making in connection therewith. There are sequences of studies that are pulled out from the data room aiming at evocative and consequential assessments. The illustrative and arrayed figurative information and illuminating data show that an accountant's imagination can put together is more often than not spectacularly far-reaching.

Dexterous Tax Efficiency

Tax efficiency is a subject that nearly all passion driven accountants find for the most part exhilarating and they enjoy and treasure the enchanting thrill of burning midnight oil and extracting favorable interpretations from letter of the law, since they have been aptly trained in proper reading of the tax laws. They prolifically put away days, nights and weeks, searching from end to end hundreds of pages of law and the case law. This furnishes them with huge occupational fulfillment. They are activated to put together nimble-fingered tax plan that can mean massive differential in the tax expense involved, given the high ubiquitous corporate rate taxes. The great break apart from the profits that walk off to the government treasury in the form of income and other such taxes and fee, at times, renders the government of the day foremost partner in terms of sharing profits of a business entity. The modules aimed at achieving tax efficiency that are formulated by accountants are startling. The accountants are most favored to bring about tax efficiency, for they cleave to and encompass a remarkable blend of expertise in appraisal of numbers and letters [of law]. The study and travel around by the accountants in this particular area is of immense appreciation, value and significance. It is the correct knowledge and understanding of intricate taxation statutes and grasp of the multipart and many-sided accounts and of other applicable laws and dexterous tax planning that can deliver colossal and lawful benefits.

The Transnational Businesses

These days it is becoming progressively more conspicuous and attractive and resultantly extra scrupulous to have physical business presence in cross border and other foreign and overseas countries and this entails comprehensive knowledge of corporate, taxation and other business laws of different countries. The accountants under these lately emerging and exigent situations need to inevitably study and enhance their understanding of those laws and practices. They network with and plug in the confined grid and stretched out global circuit of professionals. The increased interactions amongst the accounting and tax professional are the upshots of swelling trade globalization.

The accountants, to pick an illustration, engage in and cut and pace all the way through the finer points of anti dumping and anti subsidy legislations that rule and regulate the cross boarder and transnational trade and having pulled off adeptness, they are the ones who advise the business management a propos switching, pulling out, leveraging the foreign business locations, to diverse far-off and in close proximity foreign territories. In this pernickety situation, likewise, they position and install their reasoned talent to pick and choose from different options.

The accountants afresh are at the finest spot and in most select arrangement to keep an observant watch on the perpetually unpredictable and erratic country's and global economies and financial systems as well as, all the time jerky and capricious ambiance neighboring the global businesses and render judicious advice and astute caveat on significant matters, inter alia, concerning which areas to explore, when and how.

Based on his opinion, conclusions as to branch off, back off, integrate forward and backward and so on are reached. In the international business arena troubles brew and the accountants help define the foreign business limits and contours. In the major business contracts, the accountants always have a major and evocative input to afford and a key engagement role to execute. On assorted legal and financial issues, he is the one who would bridge and liaise with the local and foreign accountants, lawyers and other business professionals, involved in existing and anticipated litigations and connected matters.

The Employee Taxation

The entity management and employees by the same token look upon CFO and his team to help them constitute a tax efficient compensation structure. In this fastidious flushing meadow, the accountant has to walk on the tight rope and keep the respective interests and concerns of both the employer and employee in sight and also travel around the ways and means whereby utmost tax benefits can be pulled off for employees, sans any detriment to the employing organization. This is a multidimensional showground and only a gifted accountant in an entity has the knack to capture a meaningful part in his role flanking the tax consultants, to secure an optimum compensation configuration.

Business Wisdom Packed in Numbers

The accountant is a key lieutenant to unlock the meanings protected and secreted in numbers. The business wisdom originating in minds, acquire the words form and finding its rendition in concrete actions to end with culminates in numbers. The numbers compress the entire spectrum of absolute business transactions and the accountants in most dynamic conduct, work with and afford hold, to the executing management all the way through.

The reading and understanding of annual financial reports are becoming growingly multifaceted and long-winded with revised and added global financial standards unveiled recurrently and new-fangled corporate coverage practices like triple bottom line, comprehensive and sustainability reporting being pioneered. Only the professional accountants being equipped with the requisite capacity and expertise can unearth the true denotation from out of these financial statements. Their professional input is of deep-seated significance in comprehension of financial statements of business entities that managements contemplate to acquire.

The audit experience that the professional accountants acquire is of exceptional attribute and incredible value for the business conglomerates they work for. This experience, in particular, vest them with multiplicity, for during the course of audits of different business entities, they dig deep into the accounts, transactions and the underneath archives and this equips them with an skill set which is does not have an equivalence.

Good Corporate governance and Practical Illustration of Talent

It is for anyone to find on both domestic and transnational arena that accountants play central role in putting together the corporate governance codes and on the practical side, once employed accountants when venturing into business of their own, they more often than not succeed. They fully deploy their business acumen and pull off triumphs in substantial measure in diverse and all the time altering business showground.

Middle Eastern Experience

Capitalizing on the demand for Pakistani CFO's

Asher Noor, FCA

Let's start with some statistics that would help put the topic into its context.

Of the 6,300 plus Pakistani Chartered Accountants some 1,900 of them are abroad. Of those 1,900, some 1,200 are in the Middle East and of those at least 1,000 of them are just in Saudi Arabia and UAE itself. 1,200 Pakistani CA's in the Middle East. With Middle East basically accounting for some 60% of global expatriate CA population of Pakistan, it makes for some sobering statistics. To me this headlines two things. Firstly: Our CA's clearly like tax free countries and secondly: maybe the tax free countries like them as well!

While one way of slicing and dicing this information further is to determine what fields, what positions, what sectors, these expatriate Pakistani CA's are in. Moreover, how many of them are really in the big league and not struggling at the first few rungs of the corporate ladder. But another interesting look could be to see what landed them in those positions and what still makes them valuable to their Middle Eastern employers? That could provide a road map for many others.

But before I get into this in more detail, a quick something that I wanted to state and get out of the way. When a Middle Eastern employer looks at the resumes coming in from Pakistan, the C alphabet soup of CIA, CPA, CFA, CISA, CIMA – in addition to the CA, profusely litters the resume of almost every other candidate. This may not necessarily be a bad thing but is usually overwhelming.

The challenge for the Middle Eastern employer is determining if beyond these qualifications; whether the Pakistani CA candidate is also world wise, street smart, savvy, presentable and dynamic. Middle Eastern employers look for an all-rounder and that does not necessarily translate into a degree aggregator. We need to show that we have accounting and auditing skillset but also risk knowledge, investment acumen, treasury exposure, presentation skills, writing ability and not just 5-6 degrees that start with C.

My decade plus, observation of Middle Eastern recruitment of Pakistani CA's tells me of two streams in which they are most welcomed. One is the big 4 audit firm route (and a few second tier firms too) which many fresh CA grad's take, to come to the Middle East and then in a couple of years they move out into the industry, primarily to companies that they once audited – as financial controllers, chief accountants or if they really land it big – as CFO's. The other stream; the one I wish to focus on today, is the senior CA fraternity that is already CFO elsewhere who have then moved into the Middle East in varied sectors as CFO's. Pakistani CFO's in the Middle East. What gets them there? What keeps them there?

Let me start by quashing two misconceptions. A common misconception is that you need to have Arabic linguistic skills to climb the success ladder in the Middle East. While that is something that is highly desirable, it is not necessarily a requirement. So that should not put off the prospective CFO's from applying for positions in similar roles in the Middle East. The other myth is kind of cheeky, where Middle East is perceived as a public toilet. People outside are desperate to come in and people inside are keen to get out. That is so not true. Middle East offers career advancement, good standard of living, exceptional warmth of the nationals and local businesses and clearly 1,200+ Pakistani's CA's in Middle East can't all be wrong.

Currently we have Pakistani CFO's in the Middle East managing financial institutions, trading & petrochemical firms, industrial and manufacturing units, family offices, sovereign wealth funds etc in leading capacities all over from Jeddah, Riyadh, Khobar, to Dubai, Muscat, Manama, Doha, Kuwait & elsewhere. We HAVE a strong foothold and we ARE proving exceptional in our performance. However that momentum needs to be sustained. Undercutting salary expectations by some out of job CA's from other parts of the world have led to some employers dabbling with them for a while but you would be glad (and relieved) to know that those employers looking for quality, have come back to re-hiring Pakistani CFO's in many such organizations. This is the success & strength of Pakistani CFO's and CA's which we don't read in the financial press but there is much evidence around to support this phenomenon. We should be proud of this!

But the mother of all questions is whether all Pakistani CFO's are equal? No. Like with everything else, some are more equal than other. I would put it this way. Some are more exceptional than others. I know most of the mainstream CFO's in large organization in the Middle East and the conclusion that I have come up with is that the Pakistani CFO's in the Middle East have atleast 3 common things amongst them. I will share those with you.

Those traits are: Firstly: They majorly get recruited in the Middle East through their personal network rather than recruiters; Secondly: They have changed at least 1-2 'branded' jobs in the past 5-7 years and Thirdly: that they have at least 1 core sectoral experience. By branded jobs I mean having worked for institutions that are big in size and have some financial press coverage and by sectoral experience I mean at least 5 years sustained experience in some industry be it insurance, banking, consumers, telecom, pharma, oil & gas etc. So if you are contemplating a move to the Middle East, I would say you certainly tick the boxes.

At this juncture let me touch upon the inside story on recruitment practices as they have evolved in the Middle East in the past couple of years and how it can impact all of us.

While I do argue that much recruitment is via personal network, there is a tremendous amount of opportunities that are coming to prospective candidates via LinkedIn as well. Linkedin is IN. How many of us have an active face book account? I bet 80-90% of us do. How many of us then, have an active LinkedIn account. 40% at most, is my optimistic guess. But my real question is how many of us know how to leverage the use of LinkedIn account to one's job advantage. Well not many, for sure. Twitter? Let's just say getting into the discussion about the huge twitter potential in landing one the next job – needs an article in itself. It may be too radical and exotic for most, for now. For many it is a monologue of 140 misspelled characters that only produces revolutions, topples dictators and provides insights into celebrity daily outings. So let's park twitter for now. But ignoring LinkedIn is surely at one's own peril.

Let me detail how LinkedIn is being utilized for recruitment in the Middle East. Take Saudi for example. As no international recruitment company is present in Saudi as an autonomous organization, many in Saudi have become virtual freelance recruitment agents looking for potential expatriate profiles, linking up with them and introducing them to the local companies desperate for talent and taking their fee cut. The jobs on LinkedIn are mostly genuine and the turnaround recruitment time is very quick in most cases. But the thing is most of these jobs are really status updates on the LinkedIn profiles of these freelancers. What you need to know is how to add that Saudi free-lance recruiter to your contact list, when you have neither worked with him nor is he your friend and also when you do not have his email address. It's no secret how to accomplish that. You can ask me or Mr. Google and we will be happy to explain how.

Now I will talk about certain sectors to focus on.

Middle Eastern family businesses, which account for some 80% of all businesses in Middle East, especially those with affluence and a sense of corporate governance, are also slowly and gradually seeing the benefits a trusted CFO can bring to the business and financial affairs. This is a sector which we call "Seth ki naukri" and mostly deride. In the Middle East, this is where a Pakistani CFO is most revered; given their loyalty, acumen and professional expertise. Many Saudi and Emirati business conglomerates have Pakistani CFO's. Because unlike a routine CFO, a Pakistani CFO goes beyond the job descriptions. They streamline the finances, provide transparency for all beneficiaries, review investment decisions on their behalf, manage the cash flows mismatches and exposures and at the same time act as their custodian and conscience and strategist and advisor and educator. A Pakistani CFO, primarily through their education and internship experience or different jobs over the years, generally comes in armed with experience of other worlds, industries, latest financial products, treasury and taxation, governance, budgeting and cost minimization tactics, internal controls, system implementation expertise. This; if it can be combined with a sense of loyalty to the family and an absolute regards to confidentiality; the Pakistani CFO is what the family patriarch can dream and pray for – and will pay for.

In an unfortunate situation that many CFO can be plagued with anywhere, when asked to be creative – fortunately, of all the others, the Pakistani CFO's stand up and remind everyone that creativity is for novelists or painters. Pakistani CFO's in the Middle East are respected not just for their talent and productivity but also for their spine.

Another sector in the Middle East where Pakistani CFO's are in vogue is a very value additive function. That of being a risk manager by helping their organizations understand the risks and complexities of the business, investment decision and related activities. In finance, risk is the probability that an investment›s actual return will be different than expected. This includes the possibility of losing some or all of the original investment. As a CFO, this is the value addition that we bring – risk management. Embedding risk tolerance in the investment framework or the ability to price that risk in the cash flows, P&L and the organization's mindset. While specialist risk managers from Pakistan and elsewhere dominate this sector, I have found many Pakistani CFO's who have refused to be bracketed as just accountants and have taken up on this area within their domain due to their expertise and interest.

In Saudi Arabia, one sector that was ripe for rich picking but we largely failed to break into is investment banks. There are more than 100 licensed investment banks just in Saudi and each bank must have a CFO. But the Pakistani CFO's in them can be counted on the hand of a careless butcher. Why? Because we fell short of the checklist expectation of the employer. Let me elaborate. In investment banks, sometimes the role of a CFO is a hybrid of COO and CFO but most of the resumes of our CFO's were/are one dimensional; if not an exact copy paste in many other cases. Expert in Prudential returns, yes. IFRS, yes. Costing/Budgeting/MIS – Ummmn. Treasury/Cash Management/Compliance/ – No. HR and Admin management – Clearly not. And that's how we slip through the cracks. We fail the employer checklist. We wait to be hired; little realizing that in today's world first the resume gets hired.

As Pakistani CFO's we need to grow bigger in our existing jobs and be well rounded as well, to grab such opportunities. And just in case you think I'm merely stating the obvious, if you think you are multi-dimensional and well-rounded CFO, pause and reflect. Can you do an elevator pitch about yourself? An elevator pitch is the ideal situation where you are alone with the CEO of your dream in an elevator and have 30 seconds to grab his attention and make him consider you for the position you want at his firm. Tick. Tock. Are we ready with this speech?

In reality, gone are the days of bean counting accountants. Also gone are the days when CFO's were geeks who prepared financials that CEO's in their testimonies before the congress said they didn't understand and just signed. Gone are the days of the information provider and aggregator or mere presenter. Globally, CFO's seem to have turned a new leaf in the post-Enron / Lehman era and are establishing their credibility and stamping their expertise and usefulness; as we all come out of the carnage and haze of the economic climate of 2008 and 2009. Outmoded perceptions of CFO's are giving way to being objective, independent voice of the organization.

And to conclude, as Pakistani CFO's Middle East has been a fantastic batting pitch for us for many decades and I hope we are able to capitalize in the future too as regards the opportunities emanating from there. But then again "Hope is not a strategy".

The author of this article - Asher Noor FCA, is based in Riyadh, Saudi Arabia for the past decade. The above text is a modified and updated version of his speech delivered at ICAP's CFO Conference in Lahore earlier.

Managing Conflicts between Marketing and Finance Department…

Is there any way for Alignment?

Danish Naeem Siddiqui, ACMA

Marketing and Finance are two key departments of any organization. Keeping them strong is crucial for the success of the organizations. Marketing department directly belongs to the final product, dealing with the customers, estimating the demands, work for stimulating the demands, managing the competition, and striving for brand building. Finance department, on the other hand, concentrating on the financing and investment strategies of the organization.

EVOLUTION OF MARKETING

Marketing functions had vividly evolved in some decades. In starting there were no separate marketing departments in the organizations. These were being merged with the sales departments and perform the simple marketing functions just to "push" the product for the consumer use into the market. But, now the marketing functions have taken huge places in the organizations in term of departments, and SBUs. Even separate marketing organizations has been established, who performs the marketing functions for other organizations. Marketing through brochures/sales materials, emails, social media, events, branding, advertising (print or electronic), and websites/SEOs become most popular now a days. Today, to set the marketing budget is 'to chew the iron pellets' for finance professionals in any organization. Organizations have to keep billions of rupees for their products' promotional campaign.

CONFLICTS

Almost all organizations, regardless of their size, have one common objective, i.e. to generate money or to earn profit that should be sufficient for their survival and growth. But unfortunately inter -organizational conflicts wipe out this ultimate objective. In most organizations, focus diverts from organization level to the divisional or departmental level and the organization in there board meeting represents the following picture.

Marketing department blames finance department for their failure as the funds are not provided as required and the finance department revert back with the same argument regarding marketing department as they fails to meet their targets regarding demand stimulation thus declining targeted revenue. In the result of this, marketing department operates in its own limited area thus performance become marginalized whereas the finance department operates with its own priorities and limitations regardless of imagining the negative impact of this in term of loss of market share and off course revenue.

INTEGRATION

Richie Norton once said: "Mission matching: an ask that creates synergistic congruence (aka win-win) between missions".

Integration of marketing and finance departments means "moving from cost to contribution." This will make the remedy against the conflicts that arise between departments as the objectives of the two become similar. Finance department's input in the marketing department can be productive and can help in boosting overall business value. Through integration of finance and marketing department, the personnel of both departments become knowledgeable about the functional areas other than their own. Every one tries to utilize their skills in understanding the strategies and mould those strategies into financial performance.

In the result of that, finance department, who thinks marketing cost as a burden on the operational budgets, when integrate with the marketing department, considered it at as investment.

WAYS OF INTEGRATION

There are some ways to integrate these two departments.

1. Consider marketing cost as investment:

Finance personnel in the organization should consider the marketing cost as investment rather than a burden on the overall operational budget. Practically, it is possible by using analytical approach to the marketing department's cost. What need to be done is that the ratios applicable to the overall businesses should be implemented to the marketing department. Return on investment (ROI) should be transformed in to (MROI) marketing return on investment. Instead of cutting of marketing budget, finance personnel needs to use the incremental profitability approach first, to analyze real profitability from additional investment putting in marketing department. MROI can be calculated as:

$$\text{MROI} = \frac{\text{Inc. Profitability from Mkt. Inv.}}{\text{Inc. Investment in Marketing Depart.}}$$

Incremental profitability from marketing investment means that Incremental revenue attributable to marketing multiply by contribution margin percentage minus incremental investment in marketing.

Marketing ROI is not exactly similar to the "ROI" because the cash invested in marketing is not similar to the cash invested in inventories, receivables, and non-current assets (CAPEX). In accounting point of view, it is operational expenditure and should be expensed out during the period. The main purpose behind the calculation is to ascertain the contribution from marketing investment in the overall profitability.

2. Bifurcation of short term and long term marketing investment:

No bifurcation between the short term and long term marketing investment create huge misunderstanding between the two functions i.e. finance and marketing. It is very difficult to identify the long term (Creative) and short term (routine) marketing cost. Short term (routine) marketing cost means costs incurred on advertising through different channels like electronic media, print media, social websites, internet etc., while long term (Creative) marketing cost generally referred to the costs incurred on brand building. Short term marketing investment's profitability reflects immediately in the profit and loss account while long term marketing investment's profitability takes time to realize and this generates conflict. Therefore, finance department needs to understand the facts behind the scene before reaching towards any sort of conclusion. They have to keep an eye on the future prospects of the marketing benefits that can add long term value towards the shareholders return.

3. Focus on maximizing shareholders' value:

Marketing department's personnel often claims the number of prospective consumers they reached for-example; they said we have reached 1 million likes on the Facebook, we have gathered 50,000 people on an event; these sort of litigations are useless unless they add some value to the profit. Therefore, both the finance and marketing department should concentrate on one single motive that is to maximize the shareholders' return and that is the key to align the two functions.

4. Benchmarking:

To cope with the conflicts between the two functions, one way is to set those companies, who perform well in the industry, a benchmark, for marketing expenditure and the value these companies generate from that expenditure. This will create the confidence of the marketing department and the accountability as well if the marketing strategy goes wrong.

The benchmarking need to be done with both two costs; i.e. creative marketing cost (the cost incurred for brand building) and routine marketing cost (Cost incurred on routine marketing of different products). After creating the benchmark, it is necessary to wipe out the unnecessary cost duplications by taking directions from the expert marketing consultants. This will reduced the overall marketing cost by unnecessary spending and boost up the MROI.

5. Two sides of the same coin:

Another way to resolve conflicts between the finance and marketing departments is to convince the both that they are on the same board. Marketing personnel should involve finance personnel in planning process of marketing department whereas the finance personnel should invite marketing personnel input in formulating the marketing budget. This will not only result in shrinking the communication gap between the two departments but also allow both departments to make the necessary adjustment in the budgets time to time as required by the global norms.

CONCLUSION

The synopsis of the whole showcase is that finance and marketing departments have to focus on improving the internal communication. Marketers seem to be the excellent communicators but unfortunately they totally fail to utilize this skill internally, with their own finance department. If they want to get the key objective of maximizing the shareholders' return by maximizing the targeted customers (revenue) outside the organization, they have to improve the inside.

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Qualitative Characteristics of Financial Reporting

An Evaluation of Users' Perception in Bangladesh

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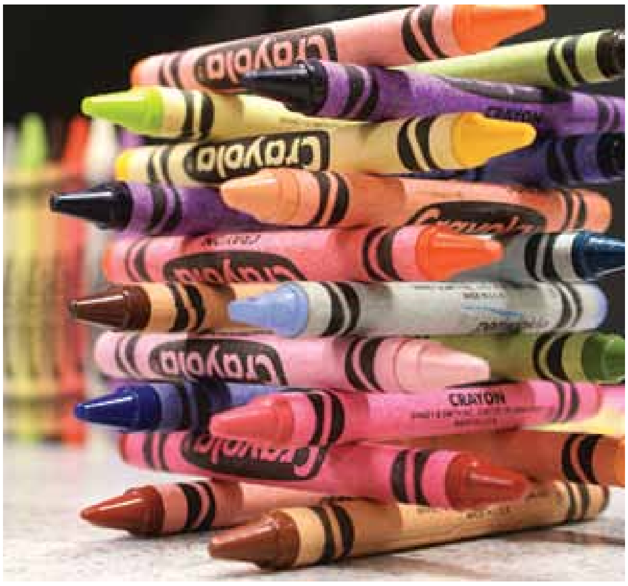

Abstract

This empirical study evaluates the views and perceptions of external users about selected qualitative characteristics of corporate financial reports in Bangladesh. The selected qualitative characteristics were predictive value, feedback value, timeliness, verifiability, representational faithfulness, neutrality and comparability. An opinion survey was conducted on one hundred ninety external users specifically shareholders, stockbrokers, bankers, academicians and tax officers. The users' perception about the qualitative characteristics of corporate financial reporting is far below the acceptable level and as such users have a negative attitude towards disclosures of financial reporting. The study suggests that Board of Directors (representatives of the majority shareholders) should try to resuscitate the confidence level of external users through ensuring good corporate governance with utmost sincerity and integrity. The BOD should also ensure that financial statements reflect the true and fair view of financial position, performance and the state of affairs of the reporting entity. This research may help policy makers, regulators, reporting entities, academicians, stakeholders, and other interested groups to endorse good corporate financial reporting environment in Bangladesh.

Key Words: Qualitative Characteristics, Corporate Financial Reporting, Bangladesh.

INTRODUCTION

Financial reporting is a system of communicating the outcome of operational activities of a corporate entity to its stakeholders. Corporate financial reporting plays an important role to both the reporting entity and its outside users. It provides information to assist present and potential investors, creditors and other users in assessing the amounts, timing, and uncertainly of prospective cash receipts from dividends or interests and the proceeds from sale, redemption, or maturity of securities or loans (FASB:1978). Since disclosures are used by external users in making their economic decisions, it is expected that these should have some qualitative characteristics. All over the world especially in developed countries, many researches on this field have been done to develop a sound financial reporting system. The study group on the objective of financial statements constituted by American Institute of Certified Public Accountants (AICPA) has stressed certain qualitative characteristics of information disclosed in the financial statements. According to the Study Group "the qualitative characteristics of financial statements, like objectives, should be based largely upon the needs of the users of the statements. Information is useless unless it is relevant and material to a user's decision. Information should be as free as possible from any biases of the preparer. In making decisions, users should understand not only the information presented, but also should be able to assess its reliability and compare it with information about alternative opportunities and previous experience. In all cases information is more useful if it stresses economic substance rather than technical form" (Gupta: 1989). Financial Accounting Standard Board (FASB) has defined the qualitative characteristics of accounting information that distinguish better (more useful) information from inferior (less useful) information for decision making purposes (FASB:1980). According to the hierarchy of accounting information developed by Keiso, Weygandt and Warfield (2004), qualitative characteristics have been classified as primary quality and secondary quality. Primary quality includes relevance and reliability and secondary quality includes comparability and consistency. Relevance includes predictive value, feedback value, and timeliness, while reliability includes verifiability, representational faithfulness and neutrality. Theses qualitative characteristics of accounting information have also been shown in the conceptual framework for financial reporting developed by Norby (1998). Wood (2005) discussed ten qualitative characteristics of accounting information. They are relevance, reliability, objectivity, ability to be understood, comparability, realism, consistency, timeliness, economy of presentation, and completeness.

The qualitative characteristics of financial reporting are very much important to the external users in making their economic decisions. The wave of accounting scandals happened in recent times in the international financial community has raised many criticisms about the financial reporting quality (Agrawal and Chadha, 2005). Several prominent companies were involved in accounting frauds, such as Enron, WorldCom, Marconi, Parmalat, and many others, which have weakened investors' confidence on the management team and on financial reports. The extensive failure of financial disclosures has created a need for improving the quality of financial information and for strengthening the control of managers by setting up good governance structures (Karamaou and Vafeas, 2005; Beekes and Brown, 2006; Brown and Caylor, 2006; Firth et al., 2007; Petra, 2007; Klai and Omri, 2011). Indeed, financial information serves as a basis for investment decisions of the capital market participants. It is useful for shareholders, analysts, creditors, bankers, portfolio managers, and regulators, since it assists to determine the company's past performance, predict its future profitability and monitor the managers' actions (Bushman and Smith, 2001; 2003; Klai and Omri, 2011). In this context, the objective of the study is to measure users' perception regarding the qualitative characteristics of financial reporting according to the conceptual framework for financial reporting, as suggested by Norby (1998).

RESEARCH MOTIVATION

Rationale: Measurement and analysis of users' perception of financial reporting is a wide- ranging and important area of accounting research especially in Bangladesh because it is a developing one and uses' here are not capable like users' of developed countries to analyze and understand financial reports. History of accounting scandals like Enron, Sunbeam, and WorldCom has damaged the image of financial reporting and integrity of external auditors. A few literatures have been found prior to the present study but they are not enough for policy makers to understand the importance of changing or introducing new policies for protecting stakeholders' interest. The degree of volatility of stock price of Bangladesh capital market is too high. The shedding of index by 600 points in five minutes in Dhaka Stock Exchange (DSE) by crashing the market circuit breaker limit of 225 points is an indicator of high volatility (Khaled Hyder: 2011). In the history of Bangladesh capital market was crushed two times. The first one was in 1996 and another was in 2011. The speculative bubble was the main reason for crashing the capital market in 1996 (ADB Report: 2005) and asset pricing bubble was the main reason for crashing the capital market in 2011 (Hossain: 2011). Majority of the capital market participants not only lost their original investment but also lost their margin loan investment due to market price manipulation. As a result, they have been suffering from financial pressure especially for margin loan since 2011 due to lose of their repaying ability of margin loan. Most of the cases, the merchant bank and brokerage house forcefully sold the shares to recover the loan without informing the investors. This unethical activity also hits the investors' confidence. The prediction of analysts, experts, regulators, merchant bankers, policy makers, and media reports did not work properly in the less developed capital market in Bangladesh. Eventually, all misdeeds or misstatements affect the level of confidence of market participants on corporate financial reports. According to a Chinese proverb, there is a golden formula to follow three tactics in both a stock market and a casino room if one must try his fate for quick money: the rules of the game, the stakes, and the quitting time. Investors in Bangladesh Stock Market who vandalized cars and blocked roads out of frustrations perhaps ignored any or all of the three tactics (Khan:2011). The bubble of capital market in 2011 was created by using asset pricing mechanism (Probe Committee Report: 2011). Therefore, the qualitative characteristics of financial reporting are now questionable in Bangladesh. The idea of investigating users' views and perception about the qualitative characteristics of corporate financial reporting was conceived from the above situation as they are directly or indirectly affected if fraudulent financial reports are produced.

Research Gap: There is hardly any study on external users' perception about the qualitative characteristics of financial reporting in Bangladesh. Finding clue from this gap the present study has been planned.

THEORETICAL IMPLICATION

Stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization (www.wikipedia.com:2013). External users of financial statements are mainly considered as stakeholders who are highly dependent on corporate financial reports for making their economic decisions (Hasan: 2013). Corporate financial report has some qualitative characteristics that have been developed in conceptual framework of financial reporting by Financial Accounting Standard Boards (FASB). From the perspective of stakeholder theory, external users have every right to get a corporate financial report that must have the qualitative characteristics i.e., predictive value, feedback value, timeliness, verifiability, representational faithfulness, neutrality, and comparability (Hasan: 2011). Besides, legitimacy theory posits that managements are bound by the social contract in which the companies agree to perform various socially desired actions in return for approval of its objectives and other rewards, and this ultimately guarantees its continued existence (www.ventureline.com:2013). From this perspective, managements are responsible for producing corporate financial reports that bear above characteristics. External users deserve it and it is also socially desirable accounting output. In this study we have examined the perception regarding qualitative characteristics of different user groups in Bangladesh from stakeholders' perspective.

LITERATURE REVIEW

Huge literature has been found in the field of disclosure study in Bangladesh but most of them did not cover users' perception especially about qualitative characteristics of corporate financial reporting in Bangladesh. Razzaque (2004) conducted a users' perception study. The selection of respondents included bankers from state owned banks which do not operate like a commercial bank. He selected chartered accountants as a respondent group who certify the corporate financial reports. They never admit that there are some shortcomings in disclosing accounting information in Bangladesh. He also selected Financial Analysts as a respondent group who are very few in numbers in Bangladesh; the profession has not yet built up like developed countries. The study reveals that users' impression on this issue was not positive, that is satisfactory. Ahmed (2009) conducted a users' perception study with 100 respondents from five groups including both accountants and financial analysts. He did not use Likert type scale which is considered as an important tool to measure the views and perceptions of the users through a structured questionnaire; rather he used yes/no questionnaire format. This study did not cover the qualitative characteristics about financial reporting in Bangladesh and it covered only banking sector. Gold et al. (2009) conducted a perception study of the users of Germany and Netherlands on unqualified audit reports. Their study investigated the differences in perception concerning the reliability of audited financial statements between auditors and financial statement users. They measured audit expectation gap taking auditors, financial analysts and students as respondents. The Association for Investment Management and Research (AIMR:2003) used five point Likert type scale in their survey of Global Corporate Financial Reporting Quality and Corporate Communications and Disclosure Practices (www.aimr.org). Naser et al. (2009) conducted a study on users' perception regarding financial reports of listed companies in Palestine Securities Exchange (PSE). He assessed the availability, adequacy and perceived usefulness of information disclosure for investment decision. Results of the study demonstrated that users perceive reported information as neither adequate nor relevant to investment decisions. In particular, reported information was insufficient, as listed companies did not comply with the minimum disclosure requirements of international standards. This unfavorable perception, along with poor credibility and bad timeliness of the disclosures, has prevented information from being impounded into stock prices. The study did not cover the qualitative characteristics of corporate financial reporting and it is absolutely effective only for listed companies in PSE.

METHODOLOGY

Primary Data Collection

For the present study survey method was used for collecting primary data. All the first hand information was collected from the field with a view to obtain the fresh information.

Questionnaire and Scale Used

The primary data was collected through structured questionnaire. In order to measure the respondents' perception about the financial reporting system that is practiced by the corporate entities in Bangladesh, a five point Likert type scale was used.

Selection of the Respondents

Usually, quality, acceptability, reliability and availability of data depend to a great extent on the knowledge of the respondents on the concerned area or topic. By keeping this in mind; utmost effort were made in selecting the respondents to ensure availability of desired information with maximum reliability within a given period of time. Thus, those individuals and institutions have been taken as respondents who are affected, directly and/ or indirectly, by the companies' activities and use corporate financial reports frequently or annually to collect information regarding the companies for making economic decisions or for other purposes.

For the sake of homogeneity, respondents are classified in five groups by occupation. These groups are bankers, shareholders, stockbrokers, academicians and tax officials. In addition to the above five groups, there are many other individuals and institutions who are affected more or less by the activities of companies and use their annual report occasionally. They were not considered as respondents for the current study.

Primarily 280 respondents were selected from five groups. Of which 60 were bankers, 65 were shareholders, 45 were stockbrokers, 55 were academicians and 55 were tax officers. But finally a total of 220 respondents responded to the questionnaire. Of which 45 were bankers, 55 were shareholders, 45 were stockbrokers, 40 were academicians and 35 were tax officers. Again, the responses of 30 respondents were rejected; of which 5 were bankers, 15 were shareholders, 5 were stockbrokers and 5 were tax officers. None of response of academicians was rejected. At last, 190 respondents from five groups were valid for current study. Out of which 40 were bankers, 40 were shareholders, 40 were stockbrokers, 40 were academicians and 30 were tax officers. The opinions provided by them were used for measuring users' perception of corporate disclosures of financial reporting.

The sample size, number of actual respondents and the number of valid responses of each group and in total are presented in the following table:

Table-1: Distribution of the Respondents' Sample Size, Responses, Valid Responses

Respondents Group	Sample Size	Responses		Responses Rejected		Valid Responses	Percent of total valid Responses
		Number	Percent	Number	percent		
Bankers	60	45	75	5	11	40	21
Shareholders	65	55	85	15	27	40	21
Stockbrokers	45	45	100	5	11	40	21
Academicians	55	40	73		0	40	21
Tax Officers	55	35	64	5	14	30	16
Total	280	220	79	30	64	190	100

Analysis of Data

Descriptive analysis such as frequencies, percentile analysis, mean, standard deviation, and co-efficient of variance have been adopted. Empirical analysis such as Chi-square test and F test have also been done by using statistical software SPSS in the current study in order to arrive at a concrete result.

RESULTS & DISCUSSIONS

Predictive Value of Accounting Information

Predictive value is concerned with the quality of information that assists users to increase the probability of correctly forecasting the outcome of past or present economic events. Corporate financial reports must provide knowledge concerning future events. Generally, users prefer those predictive values that facilitate them to take right decision at right time. The following table reflects users' opinion about the predictive value of accounting information included in the corporate financial statements.

Table-2: Distribution of Users Perception on the Predictive Value of Accounting Information

Users	f & %	Descriptive Statistics									F-value (Several mean test)
		Frequency					N	Mean	SD	CV	
		5	4	3	2	1					
Bank	F	4	17	3	13	3	40	3.15	1.21	38.41	7.1698**
	%	10	42.5	7.5	32.5	7.5	100				
Shareholders	F	9	19	2	9	1	40	3.65	1.14	31.23	
	%	22.5	47.5	5	22.5	2.5	100				
Stock Brokers	F	10	25	1	4	0	40	4.02	0.832	20.70	
	%	25	62.5	2.5	10	0	100				
Academicians	F	3	13	5	14	5	40	2.87	1.22	42.51	
	%	7.5	32.5	12.5	35	12.5	100				
Tax Officers	F	3	9	4	14	0	30	3.03	1.09	35.97	
	%	10	30	13.33	46.667	0	100				
Total	F	29	83	15	54	9	190	3.36	1.18	35.12	
	%	15.26	43.68	7.89	28.42	4.74	100				

5 = More correctly predictive, 4 = correctly predictive, 3 = Neutral, 2 = Not correctly predictive, 1= Not correctly predictive at all, f = Frequency. ** Significant at 1 percent level.

It is evident from above table that the mean score of opinions about the predictive value of accounting information is more than four for stockbrokers' and more than three for bankers, shareholders, and tax officers. Conversely, the mean score of the academicians is less than three. The highest variation (CV 42.51 percent) exists within the academicians and the lowest variation (CV 20.70 percent) within the stockbrokers. So as to examine the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users with regard to predictive value of information furnished in corporate annual reports in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation among the respondents at one percent level. Therefore, the null hypothesis is rejected. This situation suggests that the predictive value of accounting information in Bangladesh is not upheld properly by the reporting entities.

Feedback Value of Accounting Information

Feedback value means the quality of information that enables users to confirm or correct prior expectations. It is not possible to predict future trend of business without evaluating its past activities. So, feedback value is extremely important in case of relevance. Information can affect a decision by conforming or correcting the decision makers' earlier expectation. Users cannot take right decision if the information does not bear feedback value. The following table shows users' perception about feedback value of information in the corporate financial statements.

Table-3: Users Opinion towards Feedback Value of Accounting Information

Users	f & %	Descriptive Statistics									F-value (Several mean test)
		Frequency					N	Mean	SD	CV	
		5	4	3	2	1					
Bank	f	6	17	6	8	3	40	3.38	1.19	35.31	2.456**
	%	15	43	15	20	8	100				
Shareholders	f	2	17	3	12	6	40	2.93	1.25	42.68	
	%	5	43	8	30	15	100				
Stock Brokers	f	5	17	4	12	2	40	3.28	1.18	35.92	
	%	13	43	10	30	5	100				
Academicians	f	7	20	5	6	2	40	3.60	1.10	30.69	
	%	18	50	13	15	5	100				
Tax Officers	f	5	15	5	5	0	30	3.67	0.96	26.15	
	%	17	50	17	17	0	100				
Total	f	25	86	23	43	13	190	3.35	1.17	34.81	
	%	13	45	12	23	7	100				

5 = Maintain high feed back value, 4 = Maintain feed back value, 3 = Neutral, 2 = Not maintain feed back value, 1 = Not maintain feed back value at all, f = frequency. ** Significant at 1 percent level.

The mean score of opinions of all user groups is less than four which indicates that the users are unable to predict future trend of operating activities of the reporting entity appropriately. Variation level among the respondents' opinion within the groups is dissimilar. The highest CV is for shareholders (42.68 percent) and the lowest for tax officers (CV 26.15 percent). With the intention of examining the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users with regard to feedback value of information furnished in corporate annual report in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation among the opinions of the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be concluded that the quality of feedback value of accounting information in Bangladesh is not maintained properly by the reporting entities.

Timeliness of Accounting Information

Timeliness is an important quality of corporate financial reporting. Information must bear timeliness to treat as relevant. Accounting information is capable of affecting a decision if it is available at the time the decision is made. Timeliness alone cannot make information relevant, but information that is not timely is irrelevant. Timeliness of accounting information is a major factor that can affect the decision making process. But, it is alleged that the companies operating in Bangladesh do not maintain timeliness in disclosing their accounting information. In this respect, the users were asked about the timeliness of accounting information and their opinions are presented in the following table.

Table-4: Perceived Timeliness of Corporate Annual Report

Users	f & %	Descriptive Statistics									F-value (Several mean test)
		Frequency					N	Mean	SD	CV	
		5	4	3	2	1					
Bankers	F	4	15	7	9	5	40	3.10	1.24	39.88	3.765**
	%	10	37.5	17.5	22.5	12.5	100				
Shareholders	F	1	9	5	18	7	40	2.48	1.11	44.81	
	%	2.5	22.5	12.5	45	17.5	100				
Stock Brokers	F	6	10	4	15	5	40	2.93	1.33	45.40	
	%	15	25	10	37.5	12.5	100				
Academicians	F	0	16	2	17	5	40	2.73	1.13	41.54	
	%	0	40	5	42.5	12.5	100				
Tax Officers	F	5	11	8	6	0	30	3.50	1.01	28.82	
	%	16.67	36.67	26.67	20	0	100				
Total	F	16	61	26	65	22	190	2.92	1.21	41.49	
	%	8.42	32.11	13.68	34.21	11.58	100				

5 = Very rapidly, 4 = Rapidly, 3 = Neutral, 2 = late, 1= very late, f = frequency. ** Significant at 1 percent level.

Around one third respondents have alleged that the companies are late in disclosing their accounting information. As against this, 32.11 percent respondents pronounce that the companies are preparing and presenting their financial statements rapidly and 8.42 percent believe that companies are disclosing their accounting information very rapidly. While, 13.68 percent respondents were abstain from giving their opinions about the timeliness of publishing corporate annual reports and 11.58 percent believe that the companies are too late in disclosing their accounting information.

The mean score of opinions of bankers and tax officers are more than three, stockbrokers are close to three and shareholders and academicians are below three. The highest (CV 45.40 percent) variation is noticed in stockbroker group and the lowest (CV 28.28 percent) in tax officer group. To examine the difference among the users on this issue, the following hypothesis is formulated.

> *Ho: There is no significant difference of opinion among the users regarding the timeliness of information furnished in corporate annual report in Bangladesh.*

The result of several mean tests (F-Value) shows that there is significant variation among the opinions of the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be concluded that the quality of financial reporting in terms of timeliness of accounting information in Bangladesh is not maintained properly by the reporting entities.

Verifiability of Accounting Information

Verifiability involves the ability through consensus among measures to ensure that accounting information is, and can be verified as, what it purports to present (Gleen et al., 1981). The usefulness of information is enhanced if it is verifiable. Users opinions about verifiability of information incorporated in the corporate annual report are shown in the following table.

Table- 5: Users Opinion Regarding Verifiability of Accounting Information

Users	f & %	Descriptive Statistics									F-value (Several mean test)
		Frequency					N	Mean	SD	CV	
		5	4	3	2	1					
Bankers	F	4	13	7	11	5	40	3.00	1.24	41.34	6.608**
	%	10	32.5	17.5	27.5	12.5	100				
Shareholders	F	0	10	10	14	6	40	2.60	1.03	39.72	
	%	0	25	25	35	15	100				
Stock Brokers	F	30	10	0	0	0	40	3.73	1.09	29.15	
	%	75	25	0	0	0	100				
Academicians	F	0	16	5	16	3	40	2.85	1.05	36.89	
	%	0	40	12.5	40	7.5	100				
Tax Officers	F	0	9	4	16	1	30	2.70	0.95	35.27	
	%	0	30	13.33	53.33	3.33	100				
Total	F	13	68	29	64	16	190	2.99	1.15	38.32	
	%	6.84	35.79	15.26	33.68	8.42	100				

5 = Effectively verifiable, 4 = Verifiable, 3 =Neutral, 2 = Not verifiable, 1= Not verifiable at all, f = frequency.
** Significant at 1 percent level.

It is evident that only 6.84 percent respondents believe that the information is effectively verifiable and 35.79 percent opine it is verifiable. As against this, 34 percent consider that the information is not verifiable and 8.42 alleged that it is not verifiable at all. The mean score of opinions on verifiability of information for stockbrokers is above three, for bankers is three, but for the remaining three groups is less than three. So as to examine the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users with regard to verifiability of information furnished in corporate annual report in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation among opinions of the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be anticipated that the verifiability level of accounting information provided in corporate financial report in Bangladesh is very low.

Representational Faithfulness of Accounting Information

Faithful representation of information in the financial reports increases its reliability. Accounting information must be free from bias and incompleteness so that nothing substantial is left out. It is possible to achieve representational faithfulness through confirming freedom from bias and bring completeness in disclosing accounting information.

The following table reflects users' perception regarding faithfulness of corporate financial statements.

Table -6: Perceived Representational Faithfulness

Users	f & %	Descriptive Statistics									F-value (Several mean test)
		Frequency					N	Mean	SD	CV	
		5	4	3	2	1					
Bankers	F	4	14	6	11	5	40	3.03	1.25	41.34	4.633**
	%	10	35	15	27.5	12.5	100				
Shareholders	F	2	10	4	18	6	40	2.60	1.17	45.09	
	%	5	25	10	45	15	100				
Stock Brokers	F	7	21	2	10	0	40	3.63	1.05	29.09	
	%	17.5	52.5	5	25	0	100				
Academicians	F	0	16	5	16	3	40	2.85	1.05	36.89	
	%	0	40	12.5	40	7.5	100				
Tax Officers	F	3	12	3	12	0	30	3.20	1.10	34.23	
	%	10	40	10	40	0	100				
Total	F	16	73	20	67	14	190	3.05	1.17	38.38	
	%	8.42	38.42	10.53	35.26	7.37	100				

5 = Very faithfully represent, 4 = faithfully represent, 3 = undecided, 2 = Unfaithfully represent,
1 = Highly unfaithfully represent, f = frequency. ** Significant at 1 percent level.

The above table reveals that 8.42 percent of the respondents believe that information is very faithful and 38.42 percent believe it is faithful. Contrarily, none of the academicians think so. Again, 35 percent bankers, 25 percent shareholders, 52.50 percent stockbrokers, 40 percent academicians, and 40 percent tax officers are in the opinion that the information is faithfully presented. On the contrary, 27.50 percent bankers, 45 percent shareholders, 25 percent stockbrokers, 40 percent academicians, and 40 percent of tax officers gave negative response. Even, some bankers, shareholders, and academicians gave very negative responses. The number of undecided respondents in giving their answer is also remarkable.

The mean score of users' observation regarding representational faithfulness of information is more than three for bankers, stockbrokers and tax officers, and below three for the rest two groups of respondents. The highest variation (CV 45.09 percent) is existed in shareholders group and the lowest (CV 29.09 percent) in stockbrokers. In order to examine the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users relating to representational faithfulness of information furnished in corporate annual report in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation of opinions among the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be concluded that the representational faithfulness of accounting information is not maintained properly by the reporting entities in Bangladesh.

Neutrality of Accounting Information

Neutrality means that information should not be selected to favour one set of interested parties over another. Without neutrality, information cannot meet users need. Users' opinions on the neutrality of accounting information are provided in the following table:

Table-7: Users Perception towards Neutrality Level of Accounting Information

Users	f & %	Descriptive Statistics									F-value (Several mean test)
		Frequency					N	Mean	SD	CV	
		5	4	3	2	1					
Bankers	F	2	19	3	11	5	40	3.05	1.22	39.95	8.499**
	%	5	47.5	7.5	27.5	12.5	100				
Shareholders	F	0	12	2	13	13	40	2.33	1.23	52.80	
	%	0	30	5	32.5	32.5	100				
Stock Brokers	F	6	23	2	9	0	40	3.65	1.00	27.43	
	%	15	57.5	5	22.5	0	100				
Academicians	F	0	12	9	14	5	40	2.70	1.04	38.62	
	%	0	30	22.5	35	12.5	100				
Tax Officers	F	4	13	7	3	3	30	3.40	1.16	34.20	
	%	13.33	43.33	23.33	10	10	100				
Total	F	12	79	23	50	26	190	3.01	1.22	40.57	
	%	6.32	41.58	12.11	26.32	13.68	100				

5 = Highly neutral, 4 = Neutral, 3 = Undecided, 2 = Partial, 1 = Highly partial, f = frequency.
** Significant at 1 percent level

Above table reveals that about 48 percent respondents believe that the information included in corporate financial statements are highly neutrally or neutral. As against this, about 40 percent respondents believe it is partially neutral or highly partial, while around 12 percent is undecided. Even some bankers, shareholders, academicians, and tax officers think the information is not neutrally presented at all.

The mean score of the users' opinion regarding the neutrality level of accounting information furnished in corporate financial statements is more than three for bankers, stock brokers, and tax officers, and below three for shareholders and academicians. To examine the difference among the users on this issue the following hypothesis is formulated.

> *Ho: There is no significant difference of opinion among the users pertaining to the neutrality level of information furnished in corporate annual report in Bangladesh.*

The results of several mean tests (F-Value) show that there is significant variation of opinions among the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be concluded that the quality of financial reporting in terms of neutrality of accounting information is not maintained properly by the reporting entities in Bangladesh.

Comparability of Accounting Information

In case of external financial reporting, information is provided in the corporate financial statements in such a way that can aid users in making decisions, which by definition involve comparison between alternatives. It is expected that the information will facilitate the users to determine the relative financial strengths, weaknesses and prospects between two different periods of the same firm or between two different firms in the same industry. Users' opinions regarding this issue are shown in the following table.

Table-8: Users Opinions on Comparability of Accounting Information

Types of Comparability		Bank	SH	SB	ACAD	TO	Total	F – Value
Inter firm Comparability	N	40	40	40	40	30	190	5.856
	Mean	2.25	2.58	2.68	1.73	2.73	2.37	
	SD	1.17	1.18	1.04	0.75	1.14	1.11	
	CV	52	46	39	43	42	47	
Inter period Comparability	Mean	3.50	2.8	3.43	4.15	3.43	3.36	2.53
	SD	1.28	1.42	1.41	0.80	1.25	1.34	
	CV	36.57	50.71	41.17	19.28	36.44	39.88	

Table 8 shows that the mean score is the highest (2.73) for tax officers, followed by stockbrokers (2.68), shareholders (2.58), bankers (2.25) and academicians (1.73) in case of inter firm comparability. Users' responses are less scattered (SD 0.75) for academicians and more scattered (SD 1.18) for shareholders. Again highest variation (CV 52 percent) is existed among the bankers and lowest (CV 39 percent) among the stockbrokers. Moreover, from the result of several mean tests (F-Value), it is clear that there is significant variation among the responses of all respondent groups at one percent level.

But, the users perception is comparatively better in the case of inter period comparability than the above. The mean value of users opinions about inter period comparability is above 3 for four out of five respondent groups, even it is 4.15 for the academicians. The mean score for the remaining group i.e. shareholders is very much near to 3. Highest variation (CV 50.71 percent) is existed among the shareholders and the lowest variation (CV19.28 percent) is existed in the opinions of academicians. Moreover, from the result of several mean tests (F-Value), it is clear that there is significant variation among the responses of all respondent groups at five percent level.

Conclusion

Apposite and high quality information is essential for judging operational performance, managerial effectiveness and financial position of a reporting entity. An appraisal of information has an influence on future economic decision. The main purposes of producing corporate annual report are to convey right messages, at right time with predictive value, feedback value, clarity, applicability, reliability, verifiability, neutrality, completeness and the like to the stakeholders especially to the shareholders. If shareholders believe that the information provided in the annual report is dressed up and the report is prepared only for legal compliance then a bad impression may be developed in their mind regarding the governance of the reporting entity, which can destabilize the capital market and slow down the economic growth of a country. Unfortunately, shareholders and other stakeholders believe that Bangladeshi companies produce annual reports for legal compliance instead of providing necessary information to the stakeholders at right time and at right quality. In these circumstances, regulatory authorities, professional bodies, academicians, professional accountants, and other concerned bodies should come forward and discuss the matter candidly and comprehensively to identify the problems that stand in the way to quality corporate financial reporting and good corporate governance. We believe that if the board of directors of corporate entities could be motivated towards long-term benefits of quality financial reporting, they will ardently produce financial reports with necessary qualitative characteristics for their own benefit and for the benefit of the economy as a whole. In reality, nothing will bring any positive change to the quality of corporate financial reporting until and unless there is a pragmatic approach to the whole issue by all concerned persons, corporate entities, professional and regulatory bodies.

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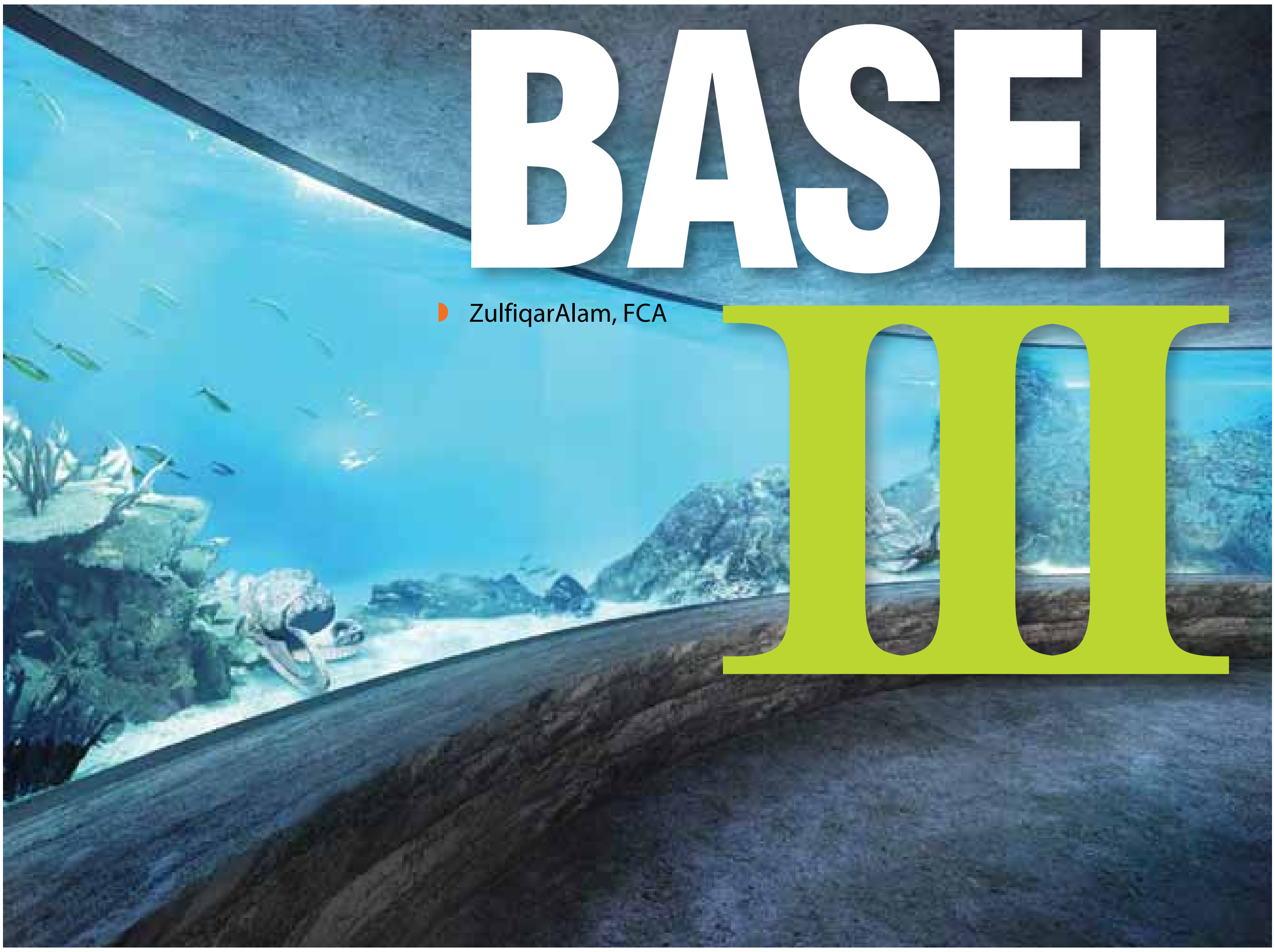
BASEL III

Zulfiqar Alam, FCA



On September 12, 2010, the Basel Committee on Banking Supervision (the Committee) approved the Basel III accord to improve the banking sector's ability to absorb shocks arising from financial and economic stress thus limiting the their impact on real economy. It represents the next phase in the Committee's ongoing efforts to strengthen global capital and liquidity rules to achieve a more resilient banking sector. The significance and comprehensiveness of reforms set forth by the Committee aim to incorporate lessons learned from the recent financial crisis, especially related to the loss of confidence in the solvency, capital adequacy, and liquidity of banking institutions, which extended quickly not only throughout the financial system, but also ultimately through the economy at large, resulting in a contraction of liquidity and credit availability.

Basel III introduces new capital, leverage, and liquidity standards to reinforce regulation, supervision, and risk management of the financial sector. It reinforces the three Basel II pillars - Minimum Capital Requirements (Pillar 1), Supervisory Review (Pillar 2), and Market Discipline (Pillar 3)) through Rules that must become laws and regulations in each participating country by January 1, 2013. This article summarized the key changes in Basel III.

Narrower Definition of Regulatory Capital

Recent financial crisis demonstrated numerous weaknesses in the banking sector and their risk management practices for which the Basel III has introduced a new and stricter definition of capital. The new definition have both qualitative and quantitative measures to ensure that the banking sector can retain and attract adequate levels of capital under Basel III while remaining capable of supporting economic growth.

To increase the quality of the capital, Basel III has placed an increasing emphasis on **common equity capital,** including paid-in common shares and retained earnings, which will constitute the predominant form of Tier 1 capital under Basel III. It incorporates internationally-standardized regulatory deductions to create, across country boundaries, more resilient regulatory capital comprised of instruments:

1) without maturity or redemption features;
2) that are subordinated; and
3) for which the payment of dividends must be discretionary.

The new regulatory deductions will **phase out hybrid capital instruments** that offer redemption incentives and may comprise up to 15 percent of the Tier 1 capital base under Basel II. Regulatory deductions extend to Tier 2 and eliminate Tier 3 capital instruments, such as those created to cover market risks. Over time this will result in a strengthened capital base and a higher common equity component of that capital base.

Increased Capital Charges

During the recent financial crisis, the disruption to the financial markets was exacerbated by **off-balance sheet derivatives and related exposures.** In response, the Committee set forth reforms to the Basel II framework designed to raise capital requirements for the trading book and complex securitization exposures, including a stressed value-at-risk (VaR) capital requirement. The Committee also introduced measures that include risk-management incentives, including incentives to move over-the-counter derivative contracts to central counterparties, to reduce systemic risk across the financial system from counterparty exposures.

Increasing Capital Ratios

Transitional arrangements for implementing new standards specify levels of Common Equity Tier 1, Tier 1, and Total Capital as a percentage of risk weighted assets as of January 1, 2013, with phased-in increases occurring through January 1, 2015. As of January 1, 2013 banks are required to achieve the following new minimum requirements in relation to risk-weighted assets (RWAs):

- Common Equity Tier 1/RWAs: 3.5%
- Tier 1 capital/RWAs: 4.5%
- Total capital/RWAs: 8% (in Pakistan it is 10% RWA)

By January 1, 2018, defined regulatory adjustments will be fully deducted from Common Equity Tier 1 capital. Further, the Committee hopes to increase the resiliency of the banking sector during strong economic periods through measures such as promoting more forward-looking provisions toward an Expected Loss (EL) approach, building buffers and establishing protection from excess growth. This will require changes to current accounting standards for certain mark-to-market assets and margining practices.

supports each Basel Pillar, especially the transparency and market disclosures under Pillar 3, risk-based capital requirements will be supplemented with a leverage ratio that represents a base percentage of regulatory capital across the board as a backstop mechanism. The capital measure will be based on the new definition of Tier 1 capital in the Basel III framework, plus findings from data collected during a transition period to understand the impact of using total regulatory capital and Common Equity Tier 1. The transition period for the leverage ratio began on January 1, 2011, with a parallel run period (using risk-based capital) beginning January 1, 2013 and continuing until January 1, 2017. Bank-level disclosure of the leverage ratio and its components will begin January 1, 2015.

Raising Standards for the Supervisory Review Process

Reforms to the Basel II framework completed by the Committee in July 2009 raised capital requirements for trading book and securitization exposures (Pillar 1). The reforms also raised the standards for the Pillar 2 supervisory review process and strengthened Pillar 3 disclosures. Pillar 1 and 3 enhancements were to be implemented by the end of 2011, with Pillar 2 standards becoming effective when introduced in 2009.

Introducing Minimum Global Liquidity Standards

The loss of liquidity throughout the financial system during the recent financial crisis highlighted for the Committee liquidity's importance to banking sector stability and led to the development of liquidity standards in Basel III. The standards have been developed to achieve the objectives of:

- Ensuring that sufficient high-quality liquid resources are available to meet an acute stress scenario lasting for one month

Phase-in Arrangement and full implementation of the minimum capital requirements:

Period	Total Capital	Capital Conservation Buffer (CCB)	Total Capital Plus CCB
2013	10.00%	0.00%	10.00%
2014	10.00%	0.00%	10.00%
2015	10.00%	0.25%	10.25%
2016	10.00%	0.65%	10.65%
2017	10.00%	1.28%	11.28%
2018	10.00%	1.90%	11.90%
2019	10.00%	2.50%	12.50%

Source: State Bank of Pakistan

Introducing an internationally standardized leverage ratio

Until the risk management maturity of the banking sector achieves a level of precision that consistently

- Highlighting funding sources with one year stability

The measures used to assess these two objectives are known respectively as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR is to be

introduced January 1, 2015; the minimum standards for the NSFR are to be established by January 1, 2018.

BASEL III in Pakistan

SBP via its circular dated Aug 15, 2013 has instructed commercial banks to implement the Basel III reform package from Dec 31, 2013 in a phased manner with full implementation intended by Dec 31, 2019.

In this regard, banks are advised to submit CAR (Capital Adequacy Ratio) returns in parallel run with Basel II in 3Q2013, while starting from 4Q2013 returns are required to be filed under new regulations. Major changes under the Basel III reform package pertain to the Capital Adequacy Ratio (CAR). Previously under Basel II, the Total Capital of banks had to be maintained **at a minimum 10%** of their total risk weighted assets (RWA), while under the revised Basel III requirement, an additional Capital Conservation Buffer (CCB) has been introduced. Furthermore, it also imposes distribution constraints on banks when their capital level approaches the minimum requirement. As per our understanding of the rule, in case the CAR falls in the range of **10-12.5%**, distribution constraints will be imposed based on CE (Common Equity) Tier I, (previously, Tier I of Basel II) of CAR.

Implications on the banking system

Taking a closer look at the changes in the capital requirements, there are a number of negative effects whose interplay can stress banks' capital base significantly. On the one hand the stricter capital definition lowers banks' available capital. At the same time the risk weighted assets (RWA) for securitizations, trading book positions and certain counterparty credit risk exposures are significantly increased.

Both effects decrease banks' realized capital ratios enormously. On the other hand the required capital ratio is increased over the next few years till 2019. These two counterbalancing effects will pose a major problem for some banks to meet the required capital ratio, making corresponding measures inevitable.

In In, Pakistan, excluding the four banks (three private and one government) that have come under the limelight with regards to their inability to meet the mentioned regulatory requirements, we see no new bank that fails to meet the CAR criteria for 2013. However, going forward, as the Basel III implementation rolls further, some mid-tier banks have to focus on increasing their capital base as the CAR requirements is increased to 12.5%. On the dividend front, we see no material impact as the majority of banks have adequate CETI in their capital mix.

Bank	Ratio:
SBL	43.92%
BOK	25.07%
MCB	22.13%
HMB	17.05%
NBP	16.48%
JSBL	16.46%
ABL	16.17%
BAHL	15.96%
BIPL	15.25%
HBL	15.14%
UBL	14.81%
SCBPL	14.28%
MEBL	14.08%
NIB	12.96%
BAFL	12.67%
SNBL	12.40%
AKBL	11.81%
FABL	10.75%
BOP	7.72%
SILK	5.69%
SMBL	4.42%
KASB	-0.61%

Source: Annual Reports

Stock Exchanges

Corporatization, Demutualization & Integration Act, 2012

Adil Ghaffar, FCA

Government of Pakistan (GOP) floated the concept of Demutualization and integration of stock exchange in year 2006. To develop the consensus and sale this new concept, GOP gave sweetener to the then existing members of all the stock exchanges by way of tax exemption on transfer of membership rights of guarantee limited stock exchanges to a company, as defined in Companies Ordinance, 1984, in form of Trading Right Entitlement Certificate (TREC) and certain number of shares of relevant Limited stock exchange. This initial sweetener of tax exemption was made part of Income Tax Ordinance, 2001 through Clause 110(B) vide Finance Act, 2007.

Clause 110 (B) states that:

> *"(110B) Any gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange, for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange.]"*

It is clearly evident that with the inclusion of this tax exemption, GOP and its legislation were aware of the fact that the then prevailing market price of the memberships rights were exorbitantly higher than the historical cost of membership card. Hence to pass the legislation, GOP, legislatures along with Securities and Exchange Commission of Pakistan (SECP) and Federal Board of Revenue (FBR), were all on board to offer sweetener to the existing members in terms of phenomenal capital gains that will be incurred by merely a book entry transfer of membership card in form of membership right and shares in a company. Members might also have demanded this due to the fact that membership cards were acquired way back at minimal cost and transferring these cards at current market value would yield taxable capital gains. Rationale behind was simple as nothing in cash was being received by the then existing members and therefore **one time capital gain tax exemption** was made part of law.

Act passed, members transferred their membership cards to company and in lieu of that were entitled to TREC and certain number of shares in newly formed limited stock exchanges. TREC was valued by relevant stock exchanges in consultation with SECP for base minimum capital requirement and shares of limited stock exchanges were issued at par i.e Rs. 10 each.

The technical committee of the Institute of Chartered Accountants of Pakistan (ICAP), issued a Technical

Opinion (TO) and made it obligatory on its members to report where membership rights along with the shares are booked in excess of historical cost due to requirements of International Accounting Standards (IAS). This TO, never considered the sweetener offered by GOP to make demutualization a success story. Unfortunately the Regulatory corridor SECP also endorsed TO leaving members at the mercy of their external auditors.

SECP did not played its due role, as initially in 2007, it proposed, accepted and advocated capital gain tax exemption in Income Tax Ordinance and thereafter, when members opted, SECP declared that any deviation from the TO issued by ICAP would construed to be deviation from International Accounting Standards and therefore made it compulsory for external auditors to qualify their opinion if members book TREC and shares at value higher than their respective historical cost. Thereby clearly negated the sweetener offered by the GOP.

EXAMPLE

KSE Member's historical cost of membership card is Rs. 20 million.

In the course of corporatization of an existing stock exchange, members were given:

1. TREC valued at Rs. 15m by KSEL for Base Minimum Capital (BMC);
2. 4 m shares of KSEL @ Rs. 10 each (rounded off)

ACCOUNTING TREATMENT

With above valuation old member is entitled to a capital gain of Rs. 35m (15m+40m–20m). If this gain is booked in P&L then external auditor will qualify his opinion based on restrictions imposed by SECP through TO of ICAP.

TAXATION

It would be interesting to note that Clause 110B of the Income Tax Ordinance, 2001 clearly states "timing" by using words **"in the course of corporatization of existing stock exchanges"**

Corporatization has been defined in Demutualization Act 2012 as:

- Section 2(1)(VIII) "Corporatisation" means the conversion of a stock exchange from a company limited by guarantee to a public company limited by shares;
- Section 2(1)(ix) "date of coporatisation" means the date on which the Registrar issues a certificate of registration to the stock exchange as evidence of its change in status from company limited by guarantee to a company limited by shares;

KSEL has been issued certificate of registration which completes the "course" of corporatization as KSEL is a public company limited by shares. Law does not state "listed" company, it only states public company. Hence it is categorically clear that capital gain tax exemption is only available ONE TIME i.e. from transferring of membership card to shares of KSEL.

Now, if SECP restricts external auditors through ICAP and a member do not stand and accept qualification then he has to book shares for a total remaining cost of Rs 5 m (Rs.20m – Rs. 15m) without any capital gain, i.e. @ Rs. 1.25 per share (rounding off no. of shares to 4 m). Later on, when KSEL will be listed and members willing to sell their holding, at say Rs. 20 per share, capital gain of Rs 18.75 per share will be taxed.

CONCLUSION

Had GOP and legislatures, historically in 2007, were of the same opinion then they would not have included this tax exemption in the Finance Act 2007. It appears that SECP is now twisting members on its own without any merits and blessings from Federation. Decision makers at the helm of affairs should take cognizant in the matter and serious steps should be taken to restore the original thoughts translated through law. SECP should waive the relevant requirement of IAS based on which ICAP issued TO and / or SECP should not take stern action on the members whose accounting reports are qualified on this basis.

Revisiting Stamp Duty Schedule-I Read with Stamp Duty Act, 1899

Abbas, FCA

Fundamentally, stamping of an instrument is crucial because any instrument required to be stamped under the schedule to the Act if not stamped may not be admissible in evidence before a court of law under section 35 of the Stamp Duty Act,1899. For instance a promissory note if not adequately stamp or stamped but stamp not cancelled is an invalid note. So every citizen has to be careful while executing contracts, deeds or any other instrument so as to make them legally valid. There cannot be a severe punishment to one other than this invalidity for not stamping the instrument in accordance with the law of the land.

Besides, the unstamped instruments not being acceptable there are provisions for inspection/audit of the records maintained by a **public office** for the purpose of ascertaining compliance by such public office. Furthermore, the public office is also burdened with the responsibility of ensuring that instruments generated by third parties and received at such office must be duly stamped and in case of non-compliance of either of the above requirements there are penal provisions for the same. For the purpose of a better understanding I would like to reproduce below the relevant provisions from the Stamp Duty Act. 1899.

"Section 2 [(22-A) **"Public Office"** includes a Government Office, a People's Local Council, a Local Authority, a Statutory Corporation or a similar body set up by the Central or Provincial Government, **commercial or industrial concern whether singly owned or run through partnership having more than twenty employees, a body registered under the Companies Act, 1913, and a Co-operative Society;**

Section 2(22-B) **"Public Officer"** includes an Officer-in-charge of a Public Office;

Section 73. Books, etc., to be open to inspection.– Every **public officer** having in his custody any registers, books records, papers, documents or proceedings, the inspection whereof may tend to secure any duty, or to prove or lead to the discovery of any fraud or omission in relation to any duty, **shall at all reasonable times permit any person authorised in writing by the Collector to inspect for such purpose the registers, books, papers, documents and proceedings**, and to take such notes and extracts as he may deem necessary, without fee or charge.

Section 33. Examination and impounding of instruments.– (1) Every person having by law or consent of parties authority to receive evidence, and **every person in charge of a public office,** except an officer of police, before whom any instrument, chargeable

in his opinion, with duty, is produced or comes in the performance of his functions, **shall, if it appears to him that such instrument is not duly stamped, impound the same."**

However, the above legal requirements now need to be reviewed in respect of certain instruments executed for movables in view of their large volume being of continuous and recurring nature, e.g., routine business agreements with multiple customers, more particularly minor contracts the breach of which are less likely to result in litigation, routine purchase orders, payment vouchers etc.

It is suggested that the businessmen should take up this matter with appropriate authority to amend the present law to grant suitable exemption from stamp duties in respect of routine business documents referred above. Or request the authority to make it optional for the business entities to affix the stamps on such instruments only which they consider vital in using as admissible evidence under the law and to exempt them from other supplementary or incidental penal provisions.

Notices are being issued to the concerned business entities for inspection of records under section 73 of the Stamp Duty Ac, 1899.

The businessmen already burdened with multiple taxes and numerous and frequent examination of their records by various federal and provincial government departments, would face undue inconvenience if existing provisions are widely and liberally used/implemented by the concerned authority. It is, therefore, suggested to delete the following from the definition of "Public Office" as provided in section 2(22-A) of the Stamp Duty Act, 1899.

"commercial or industrial concern whether singly owned or run through partnership having more than twenty employees, a body registered under the Companies Act, 1913, and a Co-operative Society"

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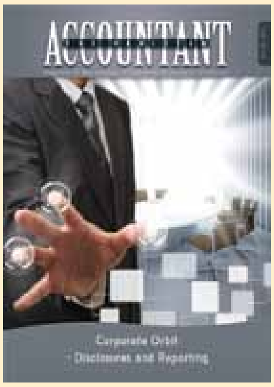

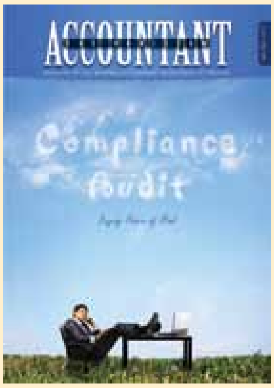

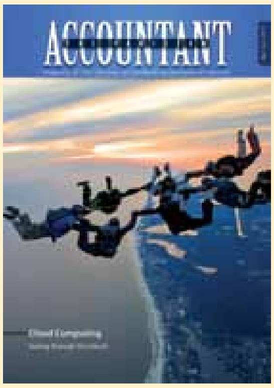

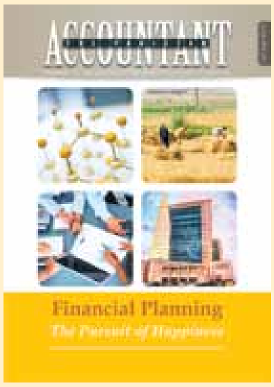

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Islamic Banking
Another Point of View

Qasim Abbas FCA, FCMA

An interesting article was published in the prominent newspaper with the caption “So-called Islamic banking products: do they have correlation with interest?” The essence of this article, clearly says: “That these (Islamic Banking) companies have been availing debt financing from (commercial) banks, which is obviously interest based. Hence even this interest free mode has been adulterated so far. Stricter policies need to be implemented.”

In Pakistan, there are too many Islamic banking companies, as compared to North America. If we compare the Pakistan’s Islamic banking companies with North America, the scenario is the same. In North America, majority of Islamic banking companies and Shariah-compliant mortgages companies do avail finance from (non-Muslim) commercial banks and commercial credit and finance houses, which is obviously interest based.

The recent example in Canada is a collaboration/partnership of a Shariah-compliant mortgages company with a commercial company, owned by a non-Muslim i.e. Jew, to provide finance to Shariah-compliant mortgages company, so that this Shariah-complaint mortgages company can provide Islamic mortgage to Muslims. This has duly been reported in main stream media of North America.

Unfortunately, these Muslims, who have no in-depth knowledge of “Sharia-compliant mortgages” i.e. “Interest-free housing loan”, they are generally convinced that by accepting all the terms and conditions - without properly understanding fine prints of the deal - they are following the Divine Commands forbidding interest/usury in Islam. However, based on public opinions, which have duly been published in main stream as well as community print media from time to time, the conclusion is that in the name of Shariah-compliant mortgages, the lenders are charging more than what a commercial lender i.e. the bank is charging. In other words, the overall payment made to lender under Shariah-compliant mortgages, would exceed the total payment that should have been made to the commercial lenders i.e. banks.

Under the modus operandi of Shariah-compliant mortgages, the lender has to arrange the funding from another commercial lender i.e. prime lender, who may not be operating under Shariah or Islamic laws, as it is common in Pakistan as well. It means that the original fund obtained from the commercial lender i.e. prime lender may be having “interest” factor, which may not be known to the end-use borrower, who has obtained mortgage or loan from the Islamic banking company or Shariah compliant mortgage company. And in long run, the end-use borrower has to pay more to lender under Islamic banking Shariah compliant mortgages as compared to what should have been paid to commercial lender i.e. the commercial bank. This is because the Islamic banking company or Shariah-compliant mortgage company has to pay charges (in this case “Interest”) to the prime lender and also he has to keep his share of profit as well.

Here are some of public opinions obtained from the published articles/letters/news:

1. “There is no need to hype up the phenomenon of Islamic Banking in Canada. The so called Islamic mortgages are only formally different from their

conventional counterparts. They unnecessarily increase the cost of being Muslim through their fire and brimstone warnings."

2. "In the name of Shariah-compliant mortgages, they charge extra fees."
3. "In answering the question that how much would a person buying the same house through Shariah-compliant mortgages pay before the house reverts to his name, the lender was categorical in his response that at today's low interest rates on mortgages offered by banks, the payment to Shariah compliant mortgages lender would definitely exceed the total paid to the bank."
4. "Higher charges by lender under Shariah-compliant mortgages may make purchase through them a far more expensive proposition."
5. "I would like nothing better than to have Shariah-compliant mortgages lender explain why the higher charges are not really financially injurious to Muslims?"
6. "I want those Muslims, who wish to finance their homes through Shariah-compliant mortgages, take a close look to see what they are getting into and that they don't end up contributing to the very Ribah (Quranic word for "Interest") which they seek to be free from. Also the effective rate of Ribah may exceed the legal limit of interest rates allowed in Canada and Shariah-compliant mortgages lender has a legal obligation to disclose this to the members."
7. "The rate of Shariah-compliant mortgages is the same as ordinary i.e. commercial mortgage. At present, generally people pay app. $500 monthly on $100,000 mortgage from commercial lender. However, Shariah-compliant mortgages lender demands $600 monthly on the same mortgage amount, and additionally he demands the share of profit as well, when the house is sold."

And here is a statement from a lender of Shariah-compliant mortgages:

"Our long term goal is to work with a major bank to provide Muslim clients with mortgages at the same rate so there is no added cost to Shariah financing." (Copies of the above published opinions and statements are attached for publication committee's information).

Since the prime finance company is not Islamic company, how can it be expected from them that they are providing finance to Islamic banking company or Shariah-complaint Mortgage company "interest-free" or according to Shariah? It appears that the agreement to provide finance by commercial finance house is obviously on interest basis and this finance is then provided to Muslims by Islamic banking companies or Shariah-compliant mortgages company, after keeping their profit margin. In other words, it can be said that

BORROW ON "INTEREST", KEEP YOUR PROFIT, AND LEND TO MUSLIMS AT HIGHER RATE, SAYING IT IS "INTEREST-FREE" AND IT IS ISLAMIC.

This may be nothing else but like taking out label from the original wine bottle and paste a new label of "Islamic wine" or "Halaal wine". However, it is the prime duty of our scholars in Pakistan and elsewhere to guide the Muslims in this respect after studying the procedure of these Islamic banking companies and Shariah-compliant mortgage companies, with particular reference to their collaboration/partnership and arrangement to obtain finance from commercial banks and commercial credit and finance companies, who may not be following Shariah and Islamic laws.

Interest Free Economic System

Step Towards Stable Economy

Saqib Rafique

The world is changing and an era of innovation has begun. Every day new ideas bring a change. In terms of economic systems, from Capitalism to Socialism and then to Mixed Economic System, the world has struggled to find a best solution for the economy. The article is an effort to discuss an "Interest Free Economic System" commonly referred to as "Islamic Financial System" in contrast with the Interest Based Economic System. It discusses recent developments brought into the System.

Why do central banks control inflation through interest rate and why do they control money supply artificially? The basic theories of economics said that as the supply of money in the economy increases, it causes inflation and therefore by restricting money supply, inflation may be controlled and vice versa. The basic objective is to control money lending for luxurious spending and to make finance available only for the business.

But seeing through the perspective of a businessman, interest rate itself causes inflation. As a result, if someone needs money for the business, he is either required to pay a higher price or finance is made out of reach through use of higher interest rates and obviously when a business pays interest, it charges it in the price of the product which causes further inflation. Thus interest rates which are used to control inflation also become a cause of inflation in the economy.

There are various advantages and disadvantages of interest based economic system of which I will not go into detail. Now modifying question, is there any alternative to interest based economic system? Yes, in the following lines I want to discuss about an interest free economic system.

Interest Free Economic System

Interest free economic system also referred to as "Asset based System" or "Islamic Finance" is derived from the "Islamic Shariah Law". Shariah is the way of life, both professionally and personally. The main feature of this system is that it considers Money as a "Medium of Exchange" only and does not consider any time value of money. Thus it rejects the concept of money earning money. The distinguishing points are enumerated below:

S. No.	Conventional System	Interest Free System
1	Money is a commodity besides medium of exchange and store of value. Therefore, it can be sold at a price higher than its face value and it can also be rented out.	Money is not a commodity though it is used as a medium of exchange and store of value. It cannot be sold and interest cannot be earned on money.
2	Time value is the basis for charging interest in capital	Profit on trade of goods and charging for services if the basis for earning profit.
3	Money is used as a commodity which leads to inflation.	This system tends to create link with the real sectors of the economic system by using trade related activities and since money is linked with the real assets, it contributes directly in the economic development.
4	Lender is not concerned with the business risks and does not share profit and loss of the business.	This system requires sharing of Risk and Return based on equality between the borrower and the lender.
5	While disbursing cash finance, running finance or working capital finance, no agreement for exchange of goods and services is made.	The execution of agreements for the goods and services is must while disbursing funds under various modes of financing under this system.

The Islamic concept is equity based with a shared risk and return rather than a system creating debt with a fixed return over a specified period for the use of capital, i.e. "All transactions of Islamic banks should be based on exchange of commodities, goods, services or labour". Money is for trade and business activities and any profit or loss on such activities is the actual reward of such investment. It is strictly prohibited to loan out money for a fixed return on it.

Rs. 100 today is equal to Rs. 100 even after 10 years. Under Islamic Financial system it is considered immoral and exploitative of others to lend money in such a way to earn interest on it. The disparity in wealth between individuals at the top of the income group and that of the bottom has widened over the past ten years which supports the perception of Islamic adherents. Islamic Financial Institutions securitize the real assets of their operations. This securitizing process requires the transfer of risk as well as ownership to the security holders.

Recent Developments

Interest free economic system is growing at a rapid pace throughout the world. It is a known fact that the Muslims in the world constitute around 23% of the World population estimated to be 1.6 billion Muslims. For Muslims, it is their religion that restricts them from borrowing and lending based on interest but in today's time, Islamic Financial system is being adopted by the Non Muslim Countries around the world which is opening up avenues for the investors to adopt this system which is a turnaround in the financial market towards Interest free Economy.

The followers of the Interest Based System such as US, Britain, and Germany that considered it as a most effective and most efficient system are undergoing a profound change. Most recent evidence of this is the "9th World Islamic Economic Forum" that was held in London on 29th October to 31st October 2013. The British Prime Minster David Cameroon addressed the delegates from 115 countries and emphasized that London is the biggest center for Islamic finance outside the Islamic World and showed his ambition that London wants to stand alongside Dubai and Kuala Lumpur as one of the great capitals of the Islamic Finance anywhere in the world.

At present, Islamic Financial system is facing a rapid growth almost 50% faster than the conventional banking. According to a document prepared by the forum secretariat for delegates, the Islamic financial services industry has evolved in the aftermath of the financial crises to provide alternative means of financial intermediation and a more diversified platform for allocating investible funds. Islamic financial assets were estimated at $ 1.6 Trillion as at end-2012 and a growth rate of 20.4 percent year on year. Between 2008 and 2012, Islamic Finance assets have grown at a compounded annual growth rate (CAGR) of 19.5%. Market consequences are that total Islamic financial assets will reach $6.5 Trillion by 2020. (Daily Dawn).

Limitations and Further Developments

There are certain limitations at present to this system. Critics often argue that Islamic Banks are working parallel to the Conventional Banks and the end result is the same. Furthermore, as in Pakistan, Islamic Banks use Interest based system as a bench mark while determining profit; then how is it Islamic then?

The fundamental principle of the Interest free system or Islamic Banks is that it uses its funds in various trade, investments and service related Shariah Compliant activities and earns profit thereon which is then passed on to the depositors according to the agreed terms. The validity of a transaction depends on the process and activities executed and the sequence thereof in reaching the end and this is the beauty of this system that it facilitates the business transactions in a better way.

Regarding the use of benchmark, Yes, Islamic Banks should ideally have their own benchmark system for the determination of profit but since the industry is in the initial stage of its development, it is using the available benchmark for the banking industry. However, using Interest Rate benchmark for determining the profit of any permissible transaction does not render the transaction as invalid. It is the nature / mechanism of the transaction that determines its validity.

Another development recently announced by the UK Prime Minister is that their government wants to become the first sovereign outside the Islamic world to issue an Islamic Bond and the Treasury is working on the practicalities of issuing a bond-like-sukuk worth around 200 Million UK Pounds and hope to launch as early as next year. He also announced the creation of new Indices by The London Stock Exchange Group that will create a new way of identifying Islamic Finance Opportunities - a world leading Islamic Market Index.

Furthermore, International Standards are being set for its products to ensure that they fully comply with the principles of Shariah. Malaysia is contributing most towards it and the other countries are also working for its development. Accounting and Auditing Standards are being developed to bring transparency in the transactions. In Pakistan, Accounting and Auditing Standards for Interest Free Modes of Financing and Investments IFAS-1, IFAS-2, and IFAS-3 have been developed by The Institute of Chartered Accountants of Pakistan for the stakeholders of this industry. Moreover, the Central Bank i.e. State Bank of Pakistan as a regulator strictly monitors that Islamic Banks fully comply with the Shariah Principles.

Conclusion:

After the financial crisis that arose in 2007 and affected the world economies, the world economies are finding a solution to avoid happening this in future again. Interest free economic system has surely attracted the world's attention as one of the solutions towards stable economic systems and it is hoped that in near future Interest Free Economic System will be adopted in full by the world's economies. I think there is a need to create awareness about the benefits of this system, market its products and most importantly change the perspectives of the people that economies can survive without interest and inflation can be controlled without use of interest. I have contributed into creating awareness about this system based on the knowledge I possess as a student. The ultimate job is for the economists to find the best solution.

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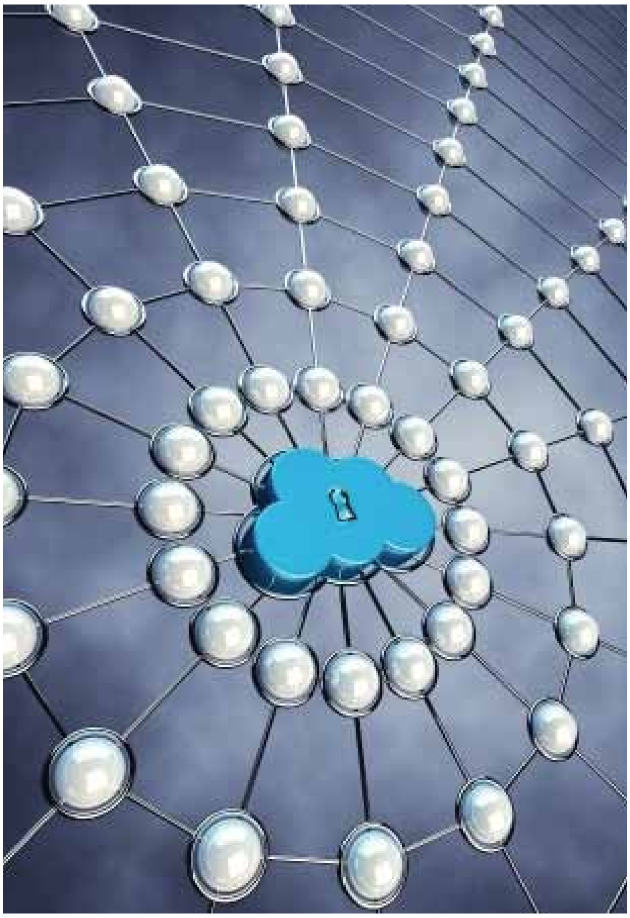
Data Privacy and Confidentiality

Faraz Ilyas, FCA



The mode of information sharing has changed manifold during recent past. Severe competition among mobile phone manufacturer and software developers is leading to rapid technological developments and inventions which may further change the spectrum of data transfer technology.

Today the exchanged messages via social network and through other means are approximately 183 billion including the emails and this is expected to grow to 206 billion emails per day by 2017. While social networking accounts are expected to grow to 4.8 billion accounts from approximately 3.2 billion in 2013.

In our capacity as auditors, tax advisors and financial consultants we are entrusted by our clients with loads of classified and sensitive information which is only available to highest level of management. In few cases, we do sign non-disclosure and confidentiality agreements while in many cases we don't. Irrespective of that, it is our responsibility to ensure that appropriate safeguards are in place to ensure confidentiality and protection on information entrusted to us. Imagine the magnitude and nature of information we carry in our mobile phones aka smart phones these days and how insecure this may be if appropriate measure are not taken to secure this information.

In addition, it is equally important for us to protect personal and confidential information of our partners, employees and trainees.

It is therefore required to at least consider below factors to ensure that we actually are abide by the confidence entrusted on us by various stakeholder:

- Defining what is sensitive and confidential information;
- Creating awareness within our organization
- Establishing safeguards to protect information; and
- Disposal of information

Identifying Data which Needs to be Protected

While most of the data we receive from clients is easily identifiable as confidential, there are cases where the data does not seem to be confidential or sensitive but actually it is for example resumes received by organizations and HR consultants may contain data which need due care.

Personal Data

Any information relates to an individual that can be used on its own or in combination with other information to identify an individual.

Any information relating to an identified or identifiable natural person ('data subject'); an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity; (Source: DIRECTIVE 95/46/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 October 1995)

This may include name, address, e-mail address, account number or other information.

Sensitive Personal Data

Special categories of personal data needs to be handled more carefully, and in some jurisdictions may not be collected and used without the individual's explicit consent.

Special categories of personal data are:

- Racial or ethnic origin

- Political opinions
- Religious or philosophical beliefs
- Criminal background
- Security measures
- Trade union membership
- Health or sex life

Confidential Information

Any **non-public** information comes to your attention as part of provision of professional services. This also includes information about former or current clients, or other third parties.

Some examples of confidential information are:

- financial, legal or technical matters
- business structure or strategy
- employee information
- information on business relationships.

KPMG collects information in various ways, including client documents, emails, meetings and telephone calls, application forms, resumes or CVs and surveys or questionnaires.

An important step in collection of personal data and classified information is to ask yourself, if this information is really necessary. Only collect minimum information and personal data.

Creating awareness

Considering the nature of services we provide and client related information and personal data we handle, it is imperative to ensure that all of our partners, employees and trainees are aware of the importance of data privacy and protection.

Due to high turnover of trainees in audit firms and the fact that most of the trainees do not have prior professional experience it is crucial to ensure that all new joiners must be educated on the proper handling and protection of data. Employers have the responsibility to provide proper training at the induction level.

Establishing Safeguards to Protect Information

In addition to providing training to staff we also need to ensure that appropriate policies and procedures are in place to protect information from unauthorized disclosure in any form. In addition to establish IT related controls to avoid unauthorized access to classified information it is equally important to protect information in paper form. Classified information after its identification must be kept separately where access is restricted to authorized individuals.

While transferring personal and confidential information for legitimate business purpose to authorized staff and contractors, we need to ensure that they are aware of the requirement to keep information confidential and they have sufficient safeguards in place to ensure confidentiality. Where confidential / non-disclosure agreements are signed , this must be read and understood by relevant staff and similar agreement must also be signed with our sub-contractors to ensure that they are aware of the arrangement and have the capacity to ensure compliance.
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General guideline to protect information

- Do not share passwords or these should not be written down close to your work area.
- Always secure your laptop using the cable lock.
- Lock your computer when leaving your desk for a short period.
- Always keep your IT equipment (laptop, Smart Phones, PDA, USB stick) in sight or store them securely.
- Be alert at public places (e.g. airports, train stations, restaurants, hotels):
- Never leave your IT equipments unattended in public
- Do not discuss confidential and/or client topics in public places (restaurants, airports, airplanes, trains, stations) "Walls have ears"
- Do a full shut down (in stead of using Stand by mode)
- Do not leave your IT equipments in your car overnight
- Keep physical & electronic environment CLEAN, SAFE & SECURE.
- Safely store paper documents containing confidential information.
- Electronic storage media (diskettes, CDROM, DVD, USB) should be treated as paper documents: store in locked cupboards.
- Wipe whiteboards before leaving.
- Destroy flip chart papers after a meeting.
- Destroy confidential paper information by using the special containers or shred it.
- Only compressed, encrypted and password protected documents are sent to third party email addresses or copied and stored on removable storage mediums.

Disposal of Information

We are also required to perform periodical review of data to ensure that information which is no more require should be appropriately removed if there is no legal requirement to retain it. It is not only important how you handle information once it is collected, it is also imperative when and how you dispose of information. We also need to consider local regulations related to retention of data to ensure compliance.

Loyalty in the Corporate World

Aamir Jan Muhammad, FCA

Human by nature is selfish; It revolves around the prime objective I. Now that can be argued that; what is it for a person doing such a noble act? He will get inner satisfaction, through taking care of people I will get satisfied, fulfilled, and happy. Believing on this notion, selfishness is not a bad behavior, provided that it is not harming others or it is not done at the cost of depriving anybody from his legitimate rights rather cause good effects; say the noble act of helping others has a positive impact on individual at micro level and on society as a whole at macro level.

I do not want to go further on this misconception of considering selfish term a negative human behavior in absolute terms like other wrong concepts we had and move on to the concept of loyalty in business and corporate world.

How would we define Loyalty? Devotion, faithfulness, a feeling of devotion, the quality or state of being loyal to something etc. Being mindful of the notion that human is selfish by nature, can we expect in the business corporate world, devoted or loyal employees, customers, suppliers and stakeholders? Why they would be loyal to the business? Loyalty is a two way process. If you are loyal to somebody in return he will be loyal to you. Concept of "What is in it for both Parties". In the competitive market, there is no such thing as customer loyalty. Customer has varied choices; he is well informed, selective, cost conscious, quality conscious and so forth. He will buy your product only if you provide them competitive edge over other products available in the market, competitive edge in the form of better quality, service and price. Here we are talking about competitive products like mobile phones and services, food products, clothing and other consumer products. For monopolistic products, the rule of customers' choice doesn't apply e.g. utilities like electricity, gas etc. Take the example of mobile phone makers Blackberry and Nokia, these giants were market leader year ago with highest number of customers all across globe. What happened, when Samsung and Apple came with new ideas and smart features products in the market; customers shifted to Apple and Samsung. How fast customers' loyalty moved to other products, customers' loyalty fizzles because of the reason that, only loyalty string attached between suppliers and customers is consistent supply of good innovative quality products and services in the competitive market at competitive price. Complacency in approach is the beginning of demise in business. Continuous improvement in products and services can only ensure survival of business in the long run.

If we apply this same rule of loyalty to relationship between employer and employee, how would it sound? In the corporate world mostly employers are in the decisive authority position to choose about the fate of his employees; their hiring, firing, promotions, career progression and so forth and enjoy the power like customers to pick and choose according to their needs by free will. On the other hand, sometimes employees, in very seldom cases, are in a position to choose their employers.

However, onus of loyalty is put on the shoulders of employees, who are in fact generally are creatures of circumstances and have very limited choices.

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Muhammad Adeel Sarfraz, ACA

I am a young professional and very enthusiastic to work. My daily routine starts from 7:30 am in the morning by reading newspaper and then continues on till 9:00 pm in the evening; and that's not the end. Most of the times, I had to update my senior regarding important tasks of the day. I then have dinner with my family, in which the only daughter of mine, having five years of age, brings joy and laughter to this family get together. The clock hanging on wall then announces shift of the calendar and we start proceeding towards bed for our energies to be recovered for the next round of life. Notwithstanding of mine being so much punctual to my profession, I am also used to work on Saturdays (although Saturday and Sunday are official holidays from my organization), but very rare on Sundays. Sunday is my rest day and during most of the Sunday hours, I am found lying on my bed.

This is the story of one of my colleagues. He might be happy in this routine, but what he is missing here is the balance of important, but so-called unimportant, dimensions of the life. From his parental dimension, his parents are waiting since morning for his son to come back and have a chit chat with them. They were waiting for the weekend, so that his son might take them to their brothers / sisters. Both of them have crossed their sixties and can even wait more with a hope that next Saturday might be off for his son and he will give time to them. His daughter has recently learnt surah Fatiha and Aya-tul-kursi; but he, my colleague, doesn't know about it for he didn't have enough time or rather he didn't intend to.

One of beautiful quality of balance is that it beautifully brings beauty to life. No doubt that despite of passing 65 years since independence, we are still far behind from where we should be. But, everything has its own space and place in our life and should be treated likewise. We have to give enough hours every day to our parents, family and friends while not compromising to our official work and vice versa.

Work–life balance is a concept including proper prioritizing between "work" (career and ambition) and "lifestyle" (health, pleasure, leisure, family and spiritual development/ meditation).

Following are some of the tips in order to achieve this beauty:

- As a first step, take a couple of non-disturbing minutes out of your busy schedule. While staying calm, review your past couple of days and then extend this review to almost a year. Analyze what you wanted to accomplish and what actually did you accomplish. Recall reaction of your family members when you come late from office or when you apologize to them for not being with them on weekend / holiday and you have to go to office. Imagine the faces of your parents and children, when they are waiting during five days of the week and then they have to listen on weekend about your *un-scheduled* office.
- You may take help from a family member of yours so that you are properly able to view the picture from their perspective too.
- As an outcome of above action, you must have identified the actual picture, as compared to that in your own mind. In case of identified gap, think of measures to eliminate or reduce it as practicably as possible.
- Try to allocate only office hours to your work / career and don't shift your family hours to your work hours. Strictly follow 9 – 6 rule and don't let anything overcome to this policy.
- Make this 9 – 6 rule very effective and efficient. Break time is only from 1 pm to 2 pm and not any time.
- Leave work at work: Don't let your home interfere you during *actual* office hours and likewise, don't take official calls during your family time. During a light talk with one of my colleagues, he quoted relationship of an employee to his employer as a *bahu* to her *saas*. No matter how much you do for your employer, employer will still focus on to do more (without any offence to our social relationships).
- Spend a few minutes daily on your health. A daily exercise (of any type; e.g. burst walking, sit ups, rope jumping etc.) of 15 – 30 minutes will definitely change the way of your life and you will feel new and fresh every day.

Whenever, a life is out of balance, it is more prone to be stressed and consequently, health is compromised accordingly. Life is too short to take stress and meanwhile is not a bed of roses. We have to give sufficient time to family / friends and work by not compromising the other part. We only have fixed 24 hours for each day, during which we have to manage this balance, which is one of sources for bringing beauty in life.

PS: These are general guidelines only and actual impact on any individual may vary depending upon their actual scenario / situation. The situation mentioned in first paragraph is imaginary and any kind of resemblance is purely inadvertent.

The Dos and Don'ts of Job Hunting

Mohammad Ali Dada, FCA

I decided to write this piece after receiving yet another ridiculous, unsolicited email for a job, addressed to undisclosed recipients, yet looking for a job in my esteemed organisation. The email and the detailed CV attached indicated the person, who was still in his 20's, had listed all skills possible for almost every role that could exist in the corporate and financial world. It was hilarious at first, but then a bit concerning. This person was obviously desperate for a job and had spent a lot of time on his application, but would you seriously consider a person like that for a role.

In my time, I have given a number of job interviews, successful and unsuccessful, and conducted interviews as well. With this piece, I'd like to provide my perspective on what you need to do to be successful to increase your chances in getting the job you want. And what to avoid!

The Job Cycle

Before you consider applying for a job, keep in mind how the process that leads to a position being created in an organisation works, and the subsequent recruitment and hiring process:

Job creation – Jobs are created either due to a vacancy created by someone leaving the position or the business determining that a new position has emerged in the organisation. If the position is created due to vacancy then the interviewer is clearer on their requirements for the job and the applicant is expected to fit in to that predetermined mindset of the interviewer.

If it's a new position then the applicant has an opportunity to present his/ her views more openly about what they can do for the organsiation in this new role.

Job description – Never consider the job description to be a show stopper to your application if you don't fully meet all requirements. The document is the prospective line manager's wish-list. If you feel you have skills to perform the role and can convince any interviewer about him/her, then apply.

Initial assessment – Once the CVs are received, the HR Team and the interviewing department will go through all the CVs submitted (possibly hundreds) to shortlist a few candidates for an interview. Please remember, your CV has to compete with hundreds and will be reviewed by individuals who probably are very busy with their routine jobs. How much time do you think they will spend on any CV before making a decision that affects that person's life? Something to keep in mind before you prepare your next 10 page CV!

Interview – The interview team usually comprises of HR and the Line Manager for that role. There may be an independent interviewer involved. There is usually a final interview with a Head of Department as well if you survive all the previous rounds. If it's a management role, you may also meet the staff members who would report to this position. Treat every second you spend on location for that interview as part of the interview and that you are being assessed every moment. Always remember, the interview isn't just an opportunity for the recruitment team to assess whether they want you, it's also gives you an opportunity to determine whether you want to work for this company and find the role on offer attractive.

The Dos

Grab attention immediately – As mentioned earlier, the recruitment team may have hundreds of CVs to plough through, and they also have other work. Your CV may get 10 seconds of attention and if the information on the first half of the page does not appeal to the reader, your CV isn't going anywhere. Think of it like a newspaper article and its headline. If the headline doesn't appeal to you, you won't be reading the story beneath. Design your CV to highlight everything you deem important about you to be read within the first glance.

Know about the company – An almost inevitable question: What do you know about the company you want to work with? The second most annoying thing I find about a candidate I am interviewing is that the person has not researched about my organisation which is very dear to me. And the most annoying thing is if that very candidate then pretends they have researched and tries to answer that question. It's the internet age! Everything is on Google or Wikipedia and takes minutes to research. If you show up for a job interview without have bothered to research anything about the company you intend to work for, I have serious doubts about your commitment.

Prepare for difficult questions – No CV is perfect and everyone has something that can be questioned and probed. If your interviewer has read your CV, they will mark out areas they want to probe more about. Maybe you have changed jobs too often or are leaving your job too soon. There could be a spell where you were not working or a bad move you made in your career. It will be picked up upon and questioned. You may be your own biggest fan, but try and objectively assess your CV and think about areas that make you cringe a little. Don't lie, instead anticipate the question and prepare a good answer.

Be Yourself: That's what you're good at – When you recruit a person; you always have the preferred personality characteristics you are looking for in mind. And as an interviewee, you don't know what the recruitment team has in mind. So rather than anticipate that, your best bet for success is to be yourself in a professional way. If you are not the personality they have in mind, then it was never meant to be anyway. But if you fit the bill, then you have improved your chances considerably.

Also remember that no matter how desperate you are for the job, you need to go in with at least a mindset that the job has to fit you, and not the other way around. The minute the interviewer gets a feel that you are bending your answers to fit the requirements, you are in trouble.

Ask questions – Another inevitable question that usually comes at the end: Do you have any questions for us? You better have a few good ones! Ideally, and this is subject to the interview environment and tone, a good interview is almost like a conversation. Ask questions as you go along and give anecdotal examples of situations you have been in with your answers. Don't stretch your answers too long but don't keep them very short.

Be prepared to be confident, while not being arrogant. The interviewers need to see that it isn't just them assessing you. They must also get a sense that you are here to determine whether you want to work for them.

Assess the interview real time – Be very observant to the tone of questions, the nature of questions and the body language. If the interviewers are asking probing questions, it could mean they are testing a potential weakness they have spotted in your CV. If the interview is more about the recruitment team telling you more about the role and company, rather than asking questions, then you have probably already impressed them enough. Now you just have to make sure you don't say anything to mess it up.

Research your interviewers – Once you have been invited for an interview, it's always a good idea to ask about the interview team. In fact it should be a standard question you ask. When I interview, I make it a point to instruct the HR team to let the applicants know who will be conducting the interview. What I am hoping to see is a profile check on my LinkedIn. It immediately shows me that the applicant is taking the time out to prepare for the interview. One of the best things you can do in an interview is draw association to the interviewer. I have given two interviews where I was able to connect with the interviewer based on their past roles and common colleagues we have had. And I was offered the job each time.

The Don'ts

Sending a job application to undisclosed recipients – When an application like this hits my inbox, it is truly infuriating! To the senders of these annoying emails: I am not a 'Dear Sir/Madam', I have a name and it's not too difficult to work out my gender! If you want to work for my 'esteemed organisation' as you call it, then why have you sent it to undisclosed recipients? And I don't even know why you have sent it to me as I don't have any job to offer.

I have no problems in people bypassing HR and sending a more personalised application to the Department Manager, but at least show me some genuine courtesy and interest. No matter how desperate you are, this approach is very unlikely to succeed. Apply for an existing position and to the right person directly. Let them know you have taken the time to find out all this information. It might actually give you an advantage over the other candidates and the interviewer may remember you more vividly.

Do not exaggerate – Overstretching your CV may land you an interview but it won't be fun. I have seen people stretch their experience and their qualifications. It's usually fairly easy to detect if the interviewer is familiar with each qualification you mention, the time it should take to complete and whether your work experience clashes with it. Add a qualification from a degree mill at you own peril. Even if you get through your interview and succeed in getting the job, what do you do if the company verifies your qualifications? Even if you put aside the ethical factors about lying on a job application, it is a very, very high risk strategy.

Excessive information – I have seen strange information on CVs, and these are CVs for middle management level roles. This includes Father's Name, Passport Number, National Identification Number, Number of Children, Height, Weight, Caste, Religion, a Picture taken 10 Years ago and the list goes on. Maybe some of these things are relevant in a localised environment, but when you are pitching your CV in a more international environment, it's irrelevant and you are sharing your personal data with the world for absolutely no reason.

Don't be desperate – You may really want this job or you may really need this job. But it's important to remember that no matter how desperate you are the only way you will actually get the job is if you fit the required profile. And while one of the key attributes the interviewers look for is enthusiasm for the job, an excessive display may be perceived as desperation. And that stirs many other questions and doubts. Do not show your desperation for the job.

No matter what the situation is, you will only get the job if you naturally fit that unknown criteria the person with the power to hire you has in mind. That is reality that you must accept and deal with, and always give the interview with that in mind. It will allow you to be more relaxed and give a far better interview. And while sending a short courtesy email after the interview is acceptable, don't start spamming HR's inbox. If you are the one they want, they will find you. The only thing your chasers may do is put them off.

Phone / Skype interviews – If you are being interviewed on the phone, remember you are already at a disadvantage compared to those who are being interviewed in person. Use a landline in a quiet place. Rushing out to give an interview on a mobile only increases your disadvantage further. Give the interview as if you are face to face with a person – it somehow becomes evident. I once interviewed a person who answered the first general question with a very eloquently worded but monotone statement. As he was droning on, I glanced at his CV and discovered he was reading his background on the CV word-to-word! If you are on Skype, please dress as if you are in a face to face interview and ensure that the background visible to the interviewer is decent. No silly posters or drinks visible please.

The long CV – I do not want to know how good you were in the school race you ran when you were 10 and I don't care whether you were placed second in the debate competition held when you were 14. I am busy, I have lots of CVs to go through and nothing would please me more if there is a CV in that pile that stands out immediately and provides me the critical information I need to see before I can either shortlist a candidate or select for interview. Make my life easy and send me a CV that gives me just that. Make short CVs or at least ones with the main tick-boxes of the job specifications answered on the top half of the first page.

And while I am at it, listing a hobby in your CV is only worth it if it is interesting and can trigger a five minute conversation in your interview. Reading books, watching movies, listening to music, surfing the internet and going out with friends are not hobbies. These are just things normal human beings do. If that's all you do in your spare time, remove this section from the CV until you get a life and have something interesting to write about as a hobby!

Continued from Page No. 46 *Loyalty in the Corporate World*

The real testing time for employers is under the situations when employees have choice to select their employers or in a position to change jobs freely in the market. Take the example of financial institution and telecommunication sectors boom in 2005-2006 in Pakistan where bankers and telecom employees were in great demand and IT personnel demand in international market.

The point I want to put across is that, real testing of loyalty or no loyalty is when employee/employer, customer/supplier have free will to choose, have a power to make choices in the free market. If a person is creature of circumstances, have no free will to make his choices, he seems to be loyal by default. The game is fair when he is a creator of circumstances, then we can see the real true results of how loyal one has with the employer. Personally speaking, though may sound sour, in this competitive age, where employee is not satisfied with the employer, he sees no career progression, has other better options available in the market; he has all the rights to decide what is good for him and practically he does it what he thinks is better for him based on "What is in it" for Him" ideology. Employers do the same thing, when they are in crisis, have alternative outsourcing options, employee is not up to the mark, under performer, alternative cheap labor available in the market, over age and so forth; they get rid of employees putting aside long association or any other emotional factor.

In view of the above, now you have to decide whether anything like loyalty exists in this competitive corporate free market? State is made of people; "like People like State". In the same manner, organizations are made of people; "like People like Organization". The theory of causation applies practically in all spheres of life. To retain good employees with market demand, employers have to provide them with conducive working environment where they feel fulfilled with their job assigned, see career progression and have some sort of job security. On the other hand, employees shall perform to the best of their abilities and devote their energies to fulfill company objectives through performing job assigned to them for which they are paid for and taken care by their employer.

To cut it to conclusion, in the competitive corporate world, practically there is no such thing like one sided loyalty, it is a give and take benefit relationship, whether it is customer/supplier or employer/employee relationship, if left on free choices and opportunities, this relationship will thrive and survive only on the basis of mutual benefit theorem. Now it is up to readers to decide at their own, honestly, for their own consumption, whether one sided loyalty exists in the corporate business world or not. If not then why we expect this from people and use buzz words like customers' loyalty and employees' loyalty in the corporate world?

Importance Of Leadership

Sana Quadri

The reason various big organizations have reached a level they're proud of, and the others look up to, is their determination to the achievement of their goals led by a serious character that stood as their leader at the time they needed one. In the CFO Conference 2014, I came to know a bit about people who have actually witnessed a turnaround of their organization from the front seat. People, who might have been regarded as "MAD" in their move to an organization that was at the time in turmoil, would never have thought to bring in a change that is now widely recognized and acknowledged.

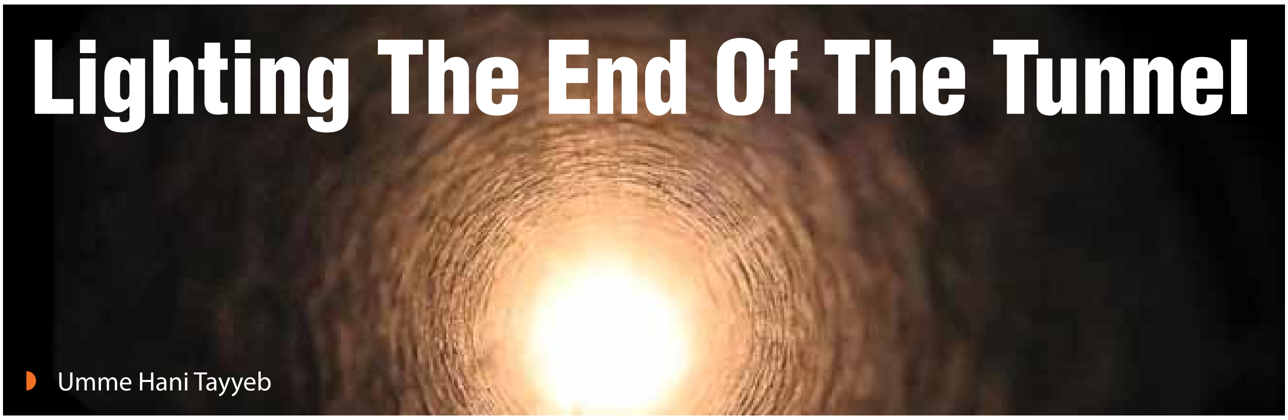
The word 'leader' is believed to have come from the 14th century middle English word 'leder', meaning a quality of character, and the suffix 'ship' is also derived from middle English that means 'to shape'. Thus the word "leadership" literally means 'to shape character'.

So, isn't it about 'character shaping' of the companies? It is in the interest of the company to hire and develop a person who would be able to shape its character in such a way that it achieves its maximum objectives and who sets the tone of the organization.

The question is, why is leadership so important, obviously because organizations are run by people and people need leaders. A Leader lifts hope, brings relentless efforts, he motivates, encourages and above all causes unity. It is surprising to see how a person can become one focal point for all others in an organization. Nevertheless it's not just the efforts of a single person, it is astonishing how we associate success with leaders; Microsoft with Bill Gates, Apple with Steve Jobs and Facebook with Mark Zuckerberg. The fact is that with a great leader, people can achieve almost everything, no matter how hard it is.

Among several characteristics of a leader, the most important is he signifies what he desires of others. He sets the standards which the people confirm with. It was Jobs vision to get computer in the hands of everyday people, and many say that while Jobs was out of Apple, the company had lost its sense of direction and pioneering spirit. Apple was once in such a bad shape that it had to take a lifeline from Microsoft in order to avoid bankruptcy in the form of investment of USD 150 million. After nearly 10 years when the visionary founder returned to rescue, the result was one of the most amazing turnarounds of the 20th century. What could have been a nightmare for some ended up as blessing in disguise.

Likewise every success has a story as well as a Hero. The need of every business today is to develop Business Leader who will stand tall with his team in this drastically changing business environment. The more such Leaders the more blooming businesses will be, considering there will always be those extremely hardworking employees who will always follow.



Lighting The End Of The Tunnel

Umme Hani Tayyeb

"Oh, becoming a Chartered Accountant then, are you? You must be very studious…. No social life?? But then you guys are paid well aren't you? You're the most intelligent of our youth today. About to clear your papers?? You'd be rolling in riches even before you learn to count it"

Sounds Familiar?

There'd be very few of us who wouldn't identify with the clichés associated with the word Chartered Accountant. Even fewer still who haven't gone through the torturous demonstration of near and dear as to their bizarre expectations of where we'd be once the last few papers are done with. And yet, as accustomed as we may be to these beliefs, there always is that little qualm lurking just around the corner, a pang of apprehension associated with the actuality of what we've learnt to work with, in the past few years.

Rolling in Riches? Really?

There were times, when people like us, Accountants in the making were prized possessions for organizations, within borders and for businesses outside the national periphery. Only now, we're a little too many, and the standing offering the monies, a little too less.

For times like these, they say

"The year you were born marks only your entry into the world. Other years where you prove your worth, they are the ones worth celebrating. "

We'd begin by assessing why it is, that the numbers of the unemployed or under employed amongst us are increasing, and then understand what it is, in us, as professionals, essential to grab the attention of a potential employer.

In an economy where the private sector is one of the major drivers of economic activity and the generator for employment, inflation has been projected to remain at around 12 percent in the upcoming year, obviously a concern for both employers, and prospective recruits. For about half a decade, with the tumultuous decline in economy, with news and views turning cynical every day and the economy transpiring into a glum state of affairs, we have all the reason to believe that the job market is crashing, don't we. And yet we hope, nonetheless we aspire.

In such a scenario, desiring to become the best wouldn't bring in ample reason for us to be hired reasonably. There's more to be brought into the spotlight, more to be marketed!!

Having gone through tons of study material in Organizational behavior, business communication and business management in course of our study period, there are very few of us who focused on learning ways to sell our own selves as the finest. From experiences to skills, strengths to weaknesses, short term ambitions to long term goals, an intelligent employer, scrutinizes every aspect before making his pick of an employee.

During the drudging past few years of our lives in firm, we learnt to complaint incessantly, sit nights, work untiringly, sometimes meeting targets within preposterous time constraints, and at other times getting things done by others, peers and subordinates in the face of rising distasteful behavior. Almost all of us have thus learnt to hate year ends and deadlines. Little do we realize that this is the best opportunity to polish our skills as team workers, front runners and leaders.

Directing the audit team, motivating them to learn, grow and perform on both an individual and unit level, is an off the record essential part of an audit team leader's job description, a quality that if refined, would provide us with a fine edge over other contenders for any position. And the point to be reflected over is, it is something that our profession offers, not only at a managerial level, but at all levels, from a semi senior to every level atop.

Another pro of audit life, which poses to improve our skills as candidates for a budding appointment, is the inclination for self-learning, inculcated in us during the assumably tedious period of articleship. It brings along a concept of individual responsibility, the concern over self-development, may it be in technical aspects, in matters of accounting importance, subjects of business decision making, or issues of economic significance. Discussions in office and the curriculum itself cause us to be acquainted with almost every matter in deliberation in the corporate sector.

What we do need to learn, however, is to ace what we are acquainted with, to stand out in what we do best! A display of traits, that brands us as exceptional for the spot, is the only way we can increase our likelihood of faring incredibly!