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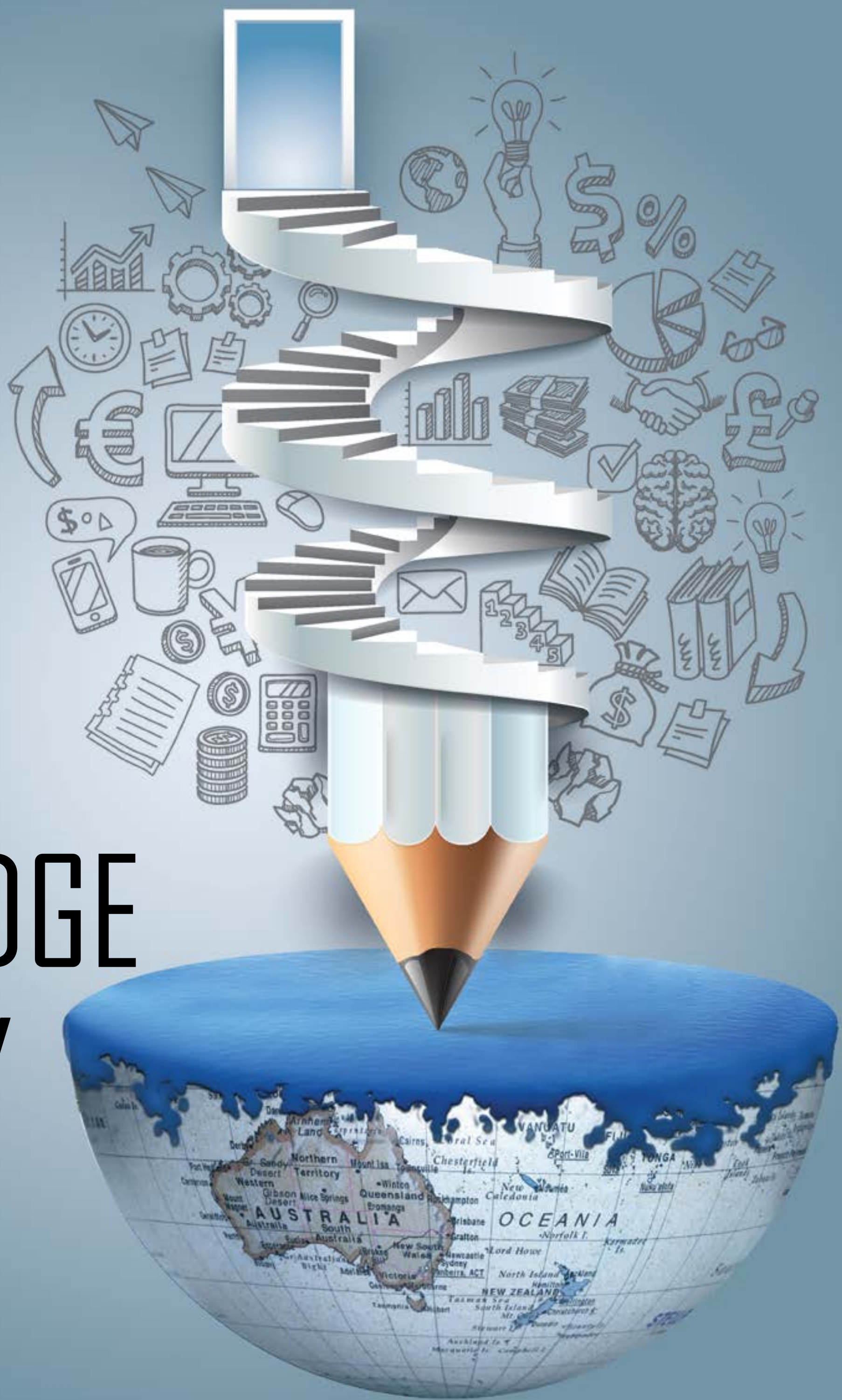

GLOBAL KNOWLEDGE GATEWAY

Be a part of
The Pakistan Accountant team…

Dear Members, Students & ICAP staff,

We would like members, students and ICAP staff to contribute features and articles for **The Pakistan Accountant**. Besides the theme of the next issue, **CFO: Sustaining Excellence, Shifting Gears**, you can contribute articles on any of the following categories:

Possible Categories

- Auditing and Accounting
- Value addition to SMP, SME
- Governance and Ethics
- Banking and Finance
- Sustainability and Social Accounting
- Student related Subjects
- Risk Management
- Information Technology
- Women in Accounting
- Tax and Economy
- Business Management and HR
- General interest
- IAS's, IFRS - recent development, impact, adoption, expected changes etc.

Kindly send your articles by **March 15, 2015** so that they can be included in the next issue. Articles received after the due date will be used for the successive issues after approval of the Publications Committee.

You are requested to send the articles on the following email addresses:
asad.shahzad@icap.org.pk
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The Institute of Chartered Accountants of Pakistan

The Institute of Chartered Accountants of Pakistan

CA PAKISTAN

Governance, Transparency and Service to Members and Students

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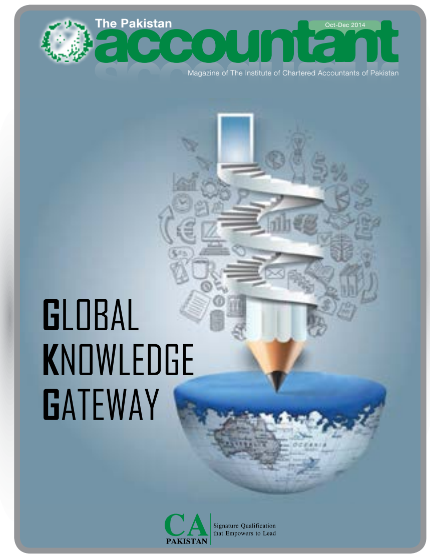



Solution

Editor's Letter

Governments the world over have recognised that one prerequisite for realising knowledge economy is that higher education, research and innovation systems need to be more tightly linked to economic and social development.

In the evolving information era therefore, technological advances are redefining the form and content of information services and reaffirming their role as gateways to the information resources of the world. The gateway to knowledge provides a basic condition for life-long learning, independent decision-making and cultural development of the individual and social groups.

The presence of these knowledge networks encourages the generation of collective learning processes and technological development, as well as the effective co-ordination of resources within knowledge networks and the integration of the local system into national and international networks in order to enhance their competitiveness. Gateway, in particular, have the potential to bridge the gap between the 'information poor' and the 'information rich' by ensuring that people from all sectors and settings of society and the economy across the country have easy access to knowledge they seek.

The International Federation of Accountants (IFAC's) **Global Knowledge Gateway** offers a mechanism to give better access to information and academic experts through a single web-based portal funded by IFAC. The portal affords a new opportunity to easily explore the entire breadth of research across all accounting disciplines and industry sectors.

Today's **Global Knowledge Gateway** for accountants marks an important milestone in promoting members' empowerment. The Institute of Chartered Accountants of Pakistan is proud to support accountants' empowerment by focusing on initiatives that increase their leadership and advance the knowledge share worldwide.

It is imperative for the Institute to change gear and develop its information sector at an accelerated pace. ICAP has used the gateway to seek comments from the international community of accountants on various accounting areas. There are plenty of useful reports and other documents to download free as food for thought.

ICAP encourages member bodies and other professional accountancy organisations to visit and promote the Gateway to help make the global hub an essential knowledge database and community for the international accountancy profession.

Working together with IFAC research communities, ICAP wants to encourage the accountants to be actively involved in thinking about how they will achieve excellence with this opportunity and to explore the pathways for realising the impact.

Man never gets tired of continuing the quest for greater knowledge. This gateway has been developed following ongoing dialogue with the research community about Pathways to Impact and is part of a wider programme of activity to improve the supporting guidance.

M. Sharif Tabani, FCA

President's Page

The world is becoming increasingly interconnected, with international sharing of knowledge. The speed at which businesses change spurs initiatives to adopt the technology needed to keep pace with the revolution.

Accountants are increasingly expanding their knowledge, expertise and areas of responsibility into the operations of their companies because the long-term evolutionary forces like globalisation, competition and technology will continue their inexorable march.

The Institute of Chartered Accountants of Pakistan is aware of the obligation it carries towards the majority of the business and finance professionals and works hard to provide platforms for the financial leaders of the country to discuss the future scenarios and their challenges. ICAP wants to equip its students and members to undertake the contemporary and forthcoming challenges of business, finance and economy with advanced knowledge and skills.

This themed issue of The Pakistan Accountant focuses on the subject of International Federation of Accountant's **Global Knowledge Gateway**, its benefits for the accounting fraternity and the role of accountants in it.

The International Federation of Accountants (IFAC) launched the **Global Knowledge Gateway** with a goal to make it an essential knowledge destination and a community for the international accountancy profession, providing access to helpful resources, keeping users informed, and encouraging discussion and debate. The global knowledge gateway stands as a rich repository and resource with a global spread to disseminate the stockpile of information among the accounting members. This platform aims to scale up capacity and leverage existing resources and networks amongst accounting affiliates.

The present selection of the articles on **Global Knowledge Gateway** addresses a wide range of topics categorised in Business Reporting, Ethics, Finance Leadership & Development, Governance, Performance & Financial Management, Risk Management & Internal Control, Sustainability, Audit & Assurance, Practice Management and Islamic Finance.

The Gateway answers the call for a global online community and accumulator of valuable, relevant content for professional accountants around the world. As the international body for the profession, IFAC was uniquely well suited to build and deliver a platform that would do just that. The Gateway was also developed as an ongoing mechanism for IFAC to better serve its members, particularly those whose membership includes professional accountants in business and small and medium sized practices.

This platform will be used as a powerful hub of information for the profession and research. The need of this initiative requires constant dialogue amongst the professional accountants, students, professional accountancy organisations, firms, regulators, standard setters, academics, and others.

The Institute's aim is to open doors to knowledge, skills, imagination and ideas presently and potentially available, or accessible, to its members. Members have a right to equal opportunities and equal access to information, resources and training. That is why I am so proud of this new platform of IFAC **Global Knowledge Gateway** to advance the empowerment of the profession. When members are empowered, the benefits ripple outwards and strengthen societies and economies. I encourage everyone to join IFAC at http://www.ifac.org/global-knowledge-gateway and be part of this exciting initiative.

Yacoob Suttar, FCA

Join the Discourse

This issue's topic:

If you don't nurture your high potential employees, you're missing out on an opportunity to boost your bottom line … Do you agree?

Syed Sheraz Mehdi, ACA
Islamabad

The companies that invest time and money on nurturing high potential employees never dry up their leadership pipeline and I agree with the above notion. In today's highly sophisticated and constantly changing world the most valuable assets for the organisation are it's employees. The high-potential employees consistently and significantly outperform their peers, they show a strong capacity and succeed more quickly than their peers throughout their careers within an organisation. A key question on the minds of senior management is how to develop the next rung of leaders in order to ensure a smooth transition when the time comes. They do so either by finding new talent outside or nurturing the existing ones. If the companies adopt the former approach they will certainly lose their high potentials in bottom lines to their competitors and will miss an opportunity to motivate and inspire the high potentials in bottom line. If you don't nurture your high potentials someone else will. Coming on the list of high potential status comes at a price. Remaining on the high-potential list is not guaranteed. People can fall off the list. Some remove themselves voluntarily because they don't have time or passion for the journey. High potential is not related to high- performance. Companies should adopt a suitable strategy to align performance with potential e.g. provide greater independence, move to a new relevant role, pair with high performing mentors, or device a performance improvement plan for high potentials. It is natural phenomenon "if employees feel motivated they opt to go an extra mile." If high potentials feel motivated that will definitely bring more than success for an organisation. If management adopts an appropriate strategy and spends time and money to nurture their high potential employees this will not only be a booster for the middle managers to fit in the future leadership streak, but will also support the company in achieving their goals more effectively.

Muhammad Nouman Shahid, ACA, ACCA
Lahore

A renowned African proverb goes, "If you want to go fast, go alone but if you want to go far, go together." It is often thought that a set of high-potential employees are key drivers in achieving the project objectives and maximisation of returns. However, team leaders often ignore the importance of team work and focus their attention, resources, reliance and expectations to a limited set of individuals. As a result, team work is hampered and members outside the favoured niche loose interest in their work. They are demotivated and feel neglected. Often they are allocated to tasks which are not mapped to their skills profile leading to catastrophic project fallouts. Teamwork is an important principle in all team activities and for organisations which are essentially a team of individuals. Being oblivious of the key requisite of teamwork, it is hard to achieve long term organisational success. Organisations can be analysed as a team of individuals carrying a back pack of unique skills and capabilities allocated to specific tasks. Each player has a distinctive role in achieving the overall objectives of the team. However, for an efficient team leader, the key success factor is to analyse the unique skill set of each individual and carve out a methodology to utilise these skills in order to achieve the best output from respective individuals as well as to improve the collective bottom line. This approach, rather than focusing on the niche of high-potential employees, enables a directed team effort, synergetic outputs and optimisation of available resources. To sum it all, it is not always beneficial to nurture high potential employees. Teamwork and consideration of each resource in its role can lead to synergies and better outcomes which outshine the benefits that can be derived by nurturing only a specific set of high potential employees.

Moneeza Usman Butt, FCA
Karachi

Employees are the most precious asset for any organisation. The world may achieve gigantic leaps and breakthroughs in the field of technology but the fact still remains that man will continue to remain superior to machine. Machines are created by man and the creator is always superior to his creation. Consequently, organisations' that nurture, nourish and value their human resource are always more successful in the long term paving way for enormous and sustainable profits. Satisfied and motivated employees work more diligently with focused approach resulting in low employee turnover and downtime for organisations. Jim Collins, the famous American Business Consultant, has very rightfully said, "Great vision without great people is irrelevant."

Ali Akbar Syed, ACA
Oslo, Norway

It's amazing yet rare when career and passion come together. Given the right autonomy, resources, due recognition and most importantly flexibility, those extra mile going employees with right attitude and intelligence can do wonders by significantly exceeding expectations of the employer. Exceptional talent needs exceptional treatment. All employees are valuable and should be treated accordingly, but in most workplaces there are certain employees who are disproportionately valuable in comparison to their tangible compensation. Their driving force is passion and that particular passion is boon to the bottom line. In order to keep that passion alive, it is vital for the organisation that it rightly identifies these creative, innovative, logically straight thinkers and develops plans to manage and retain this talent. Successful organisations are the ones which manage exceptional talent in such a way that it becomes aspiration and learning source for all other employees and hence enhances output manifold. In the end, if you as a reader are an employee, there is a beautiful quotation of Confucious for you, "Choose a job you love and you'll never have to work a day in your life."

Junaid Khalid, ACA
Islamabad

A strongest chain is known by its weakest link. The stronger the weakest link, the more the chances that an organisation can come up with competitive edge. HR must be the top most strategy for an organisation. Whether to create the leaders from within vs from outside-in. Leadership today is obsessed with management decisions, which must be a manager's choice. Since leaders are mostly busy with leading-managing conflict, forgetting that their prime role is to lead/steer the organisation. For example, Entity-A decides to make savings by printing less and its leadership is thoroughly involved in printing logs, user-wise analysis, strict monitoring. Why don't they think of new revenue streams and the HR, instead? Entire HR levels must be nurtured, trained and educated. For example, in light of a famous book **One Minute Manager**, each employee be educated to implement the framework of One minute goal setting, One minute praising and one minute reprimand, discouraging the culture of long term leg pulling and politics.

Salman Arif, ACA
Karachi

Companies need to pay closer attention to how they develop key individuals in their organisations. High potential employees are rare in most organisation and misidentifying them can have costly repercussion.

Potential-rich organisation's average employee performs better than the average employee at an organisation that does not focus on employee potential. Now companies are not only more aware of their talent development as a protective retention measure but may also capitalise on human capital as competitive advantage. The tool commonly used by companies is Succession Planning. Succession planning is not just about identifying and grooming candidate for a few top roles, but is also about identifying and nurturing high potential, high performing employees to retain them and support their career progression.

Jamshaid Iqbal, ACA
Lahore

Modern organisations require significant investment in Talent Management to retain good human resource. Employers need to develop strategies to retain high performing and high potential employees and improve employees' engagement with the organisation. Such strategies should include provision of better work environment and socialising opportunities, giving clear and visible career path, providing learning and skill development opportunities, and the right people to the right job. Unfortunately, most organisations are not willing to make short term sacrifice of investing in their human resource, to meet long-term strategic targets. Ignoring that execution of right strategies on right people will improve top line revenues and bottom line results realising long-term dividends for both partners i.e., employee and the employer.

Kamran Ahmad, ACA
Islamabad

Performance of organisations depends a lot on the performance of its employees. Whenever there is a position in an organisation, it is not always wise to recruit high caliber resources from outside the organisation which might increase cost of organisation and become a source of decrease in motivation of existing employees. Low and middle tier staff today should be groomed as leaders for tomorrow. However, there might be bias involved in deciding who is high potential employee and the essence of grooming high potential employees might be overlooked due to personal favourites or false judgment. I would prefer a culture where all employees are given opportunity to shine, and focus on development of all employees should be in the mandate of any organisation. Organisations cannot completely control retention of employees and this approach for considering all employees important is only fair.

Sumair Ali Khan, ACA
Karachi

High potential employees are the ones who have been identified as having the potential, ability and aspiration for progressive advancement in an organisation, typically in leadership positions. High potential employees share some qualities that clearly set them apart from their peers. They know the business by having true expertise and urge to learn; they take ownership of their career path; they demonstrate flexibility; they know how to make friends; they are collaborators; they have guts of multitasking, grasping instructions quickly; they have the ability to make the right decisions in the absence of clear guidelines; they are driven and ambitious; they are receptive to feedback; they earn the trust and respect of others.

Every organisation wants high potential employees because they're the ones who yield the highest return as employees – they are critical to an organization in terms of profit and productivity. If you have high potential employees in operational roles they can increase productivity, in management roles they can increase profits, and in sales positions they can generate greater revenue. But not all the companies take the time to identify their high potential employees in a purposeful and organised manner; often they go hidden or unnoticed in the organisation. And when you don't know who your high potentials are and don't actively work to develop and engage them, you run the risk of losing them and consequently the benefits associated with them. Identifying, nurturing and developing high potential employees must not be treated merely as an administrative exercise. These factors should be ingrained in the leadership and managerial teams should not be viewed as an additional task. In my experience organisations can nurture and develop their high potential employees in the following ways: make sure that the high potential employee has a clear set of expectations for his current role; make sure rewards and recognition are given in a timely fashion; make sure the manager understands about the potential employee. The manager is the key in this transition from potential performer to high performer. The manager is the coach in this relationship; sometimes the high potential employee doesn't recognize his own potential. The manager needs to communicate the traits that he sees that will make the employee a high performer; make sure the high potential employee knows what you are planning for him. If he is on a succession plan, make that explicit to the employee. It is imperative that organisations keep in mind that nurturing employees go a long way towards improving a company's bottomline. Talented, hardworking and happy employees are the lifeblood of all great companies.

Atif Riaz, ACA
Lahore

Times have passed when 3M's (money, material and machines) were thought as fundamental resources for an organisation and the only focus was on managing, developing and investing on these three. Now it's an era of 4M's (man, money, material and machines) in which the man, human resource, contains the most crucial importance. Without quality human resource, companies are unable to optimise all of the other resources. Today, investment in human resource is a priority. If we don't invest in development of our high potential employees,

it would be akin to a manufacturer not upgrading equipment, yet still expecting improved productivity. American Management Association (AMA) conducted a survey, the results suggested that success in future will require four additional skills: 1. critical thinking and problem solving skills; 2. communication skills; 3. collaborative skills; and 4. creativity and innovative skills.

How can companies ensure their workforce has these skills? Investment in training and development improves employee performance in quality, quantity, speed, safety, problem solving, attitude, ethics, motivation, leadership and communication. It enhances revenue in increased sales, increased referrals, innovation, new product ideas and improved customer satisfaction and retention.

Investment in employee training enhances a company's financial performance. A research was conducted by American Society for Training and Development on training investment of 575 companies during a three-year period. They found that firms investing the most in training and development yielded a 36.9% total shareholder return as compared with 25.5% weighted return for S&P 500 index for the same period. That's a return 45% higher than the market average. These same firms also enjoyed higher profit margins, higher income per employee and higher price to book ratios. So, I totally agree that if you don't nurture your high potential employees, you are missing out an opportunity to boost your bottomline, enhance quality and productivity, increase revenues and profits, reduce costs and save money, improve customer satisfaction and to gain sustainable competitive advantage.

Mudassar Ghulam Nabi, ACA
Islamabad

The CFO asked: What if we invest in our people and they leave? To which the CEO responded: What if we don't and they stay? This brief exchange can be read as a quote which is quite funny and also deep.

Investing in employees is a discipline. It is like sowing seeds. It does not look like much when you do it, but most of the time good things will come out of it. But if you don't sow these seeds, then it is certain that nothing great will happen. Nurturing the potential of employees is like nurturing the potential of your business and those who realise this fact will have a potential to be an employer like Google (Top Employer of the Year).

Muhammad Ali, ACA
Faisalabad

Employees capacity building, training and development is indispensable for an organisation to achieve its mission and business goals. The difference between success and failure depends on a skilled, competitive work force. Companies' bottomlines are negatively impacted by employees who don't have the increasingly complex skills needed to consistently perform their work and positively influence customer loyalty. Recognising the reality of training and to be competitive, good organizations allocate substantial budget for training and development of their employees and expect to increase company's ROI due to such investment in their workforce. The primary reason training is considered optional by so many business owners is because it's viewed more as an expense than an investment. This is completely understandable when you realize that in many companies, training and development aren't focused on producing a targeted result for the business. As a result, business owners frequently send their people to training courses that seem right and sound good without knowing what to expect in return. But without measurable results, it's almost impossible to view training as anything more than an expense.

Shafiq Ahmed, ACA
Muscat, Sultanate of Oman

In current era of technological advancement and continuous emergence of infinitely abundant opportunities for entrepreneurs, identification, selection and retention of right people for the right job is increasingly becoming pivotal to achieving organisational objectives. Self-motivated and result-oriented human resources with an unrelenting attitude towards aligning their objectives with that of the organisation are the most valuable gems of the current era. A carefully devised remuneration and work-load management plan, giving due care to the work-life balance along with organising and encouraging employees' participation in the social events regularly will do wonders to the organisation. However, an overly naïve attitude towards employee management may result in employees losing focus and objectivity. Organisations also need to set up continuing professional development programs and encourage their employees to participate in the research and development activities.

Adil Farooq Qureshi, ACA
Kot Addu

Companies are not run by systems or equipment, but by people, their employees, who are using those systems and equipment. They are the face of the organisation and if properly developed and nurtured, they in turn take the organisation to higher levels (in monetary terms, higher bottomline). The skill and expertise of employees are what an organisation have in essence. Great businesses know that while most other assets are replaceable and become obsolete, developing and nurturing people, and exploiting their knowledge and experience is paramount. The systems created to recruit, reward and develop people form the major part of any company's internal worth — more than other property, plant and equipment. In the words of Jack Welch, a company has so much money and managerial time. Winning leaders invest where the payback is the highest. They cut their losses everywhere else. The same is true for people and businesses. Hence organisations should differentiate their people by 20-70-10 rule. Differentiation rewards those members of the team who deserve it, i.e., the top 20%. The mid 70% are enormously valuable to the company; they are managed differently, kept engaged and motivated. It is about managers looking at the middle 70, identifying people who have the potential and intent to move up and cultivating them. It clarifies the business, brings transparency in processes and make them run in a better way.

Mansoor Ahmad Siddiqui, ACA
Karachi

Boosting your bottomline is all about investing in your human capital. Performance and potential are two very different things, and for the successful growth of an organisation, it must be able to correctly distinguish high performers and high potential employees, and manage them accordingly. Obviously, you need high performers, but being great at one role, however, does not necessarily mean an employee will make a terrific manager or supervisor down the road. Meanwhile, high potential employees might be working in positions in which only some degree of their talent is being used. In order to build a thriving workplace, organisations need to identify their high potential employees and develop a challenging, fulfilling path that keeps them engaged and maximises their abilities. High potential employees are an organisation's next generation of leaders and given the costs and high failure rate associated with hiring new leaders, if they are not nurtured, then corporate potential is not maximised and thus an opportunity to boost the bottomline is definitely missed.

Sana Ahmad, ACA
Lahore

The simple rule is that if you want to grow in an organisation, you must nurture the high potential employees, create a professional team of them. Trust them and progress as a team.

M. Asad Mirza, ACA
Karachi

Human capital (i.e people) is undoubtedly the most precious asset of any organisation and is often the source of its competitive advantage. It's the people at all levels (i.e. production, sales, top tier/management, etc.) who run the company. They are creating value according to their assigned roles.

Talent will always be there in all departments and at all levels but its unleashment depends mainly on the mindset of the people at the top. Those who think that their employees are their distinctive competence will implement policies and procedures for talent exploration and its management because they know that this will eventually increase efficiencies in all aspects of company's performance whether financial (revenue, costs optimisation, EBIT, etc.) or non-financial (employee motivation, more imaginative thoughts, etc.) The organisations in which the high potential/talented people are worthless will soon find their overall performance dilapidated due to the fact that there will be no flow of ingenious and resourceful ideas which is of utmost significance in today's dynamic business environment and where every company is trying to outperform its competitor with new concepts, ideas and strategies. Talented and high potential employees are the prized asset of any organisation and if they are not being handled well, the deterioration in performance will come sooner or later.

A Global Gateway of Knowledge for the Accounting Profession

Eli R. Khazzam, Editor-in-Chief,
IFAC Global Knowledge Gateway

Today, the accounting profession is truly a global one. Accountants throughout the world not only need information about their local jurisdictions, but also the international marketplace. The International Federation of Accountants (IFAC) is inviting members of the Institute of Chartered Accountants of Pakistan (ICAP) to enjoy the benefits of news, resources, opinions, and interactive discussions from experts on a global level. The IFAC Global Knowledge Gateway (www.ifac.org/Gateway) was established earlier this year as an information center for the accounting profession worldwide. The objective is to provide a powerful interactive website where accountants can both contribute and receive knowledge.

It Began with a Vision

IFAC's newly appointed chief executive officer Fayez Choudhury established the vision for the Gateway upon assuming his role in early 2013. Choudhury stressed that although there were many institutions in the accounting profession producing information, research, and guidance, there was a need for "information synthesis." This process is not only about bringing information together in one central place, but about bringing it together in a smart way. In this respect, all of the information that comes into and goes out of the Gateway is reviewed and qualified by the professionals on the IFAC technical staff. Volunteers on the boards and committees associated with IFAC frequently author articles on the website and contribute to its strategic direction. Choudhury was also eager to draw upon IFAC's unique strength as a global organisation consisting of Professional Accountancy Organisations (PAOs) from around the world, many of which he hopes will become regular contributors and distributors of Gateway information.

Connect Yourself to the Rest of the World

In the Gateway, you will discover resources in the form of documents, reports, videos, and audio podcasts through links to hundreds of websites. You can explore news channels and a listing of accounting-related events from around the world. All resources and news are searchable through a powerful keyword search. Resources can be filtered by subcategory, source, and type. You can select your language from the top-right portion of the page to translate the entire site using Google translate. In addition, you can share and exchange views with others, via the comment fields that follow short articles known as Discussions and feature-length articles known as Viewpoints. You can also suggest resources, news items, events, and article topics as well as recommend them. In order to interact in the Gateway, you must register at https://www.ifac.org/user/register. This will also enable you to subscribe to a bi-monthly alert, **Accountancy News**, summarising all recently added content in the topics of your choice.

Become a Voice in the Gateway's Global Audience

The Gateway's audience is global. It consists of members of IFAC professional accountancy organisation - over 175 members and associates in 130 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce. Who should contribute to the Gateway? Anyone who can offer useful information for the global accountancy profession: practitioners, accountants in business, academics, regulators, professional accountancy organisation CEOs (and their staff), policymakers, lawmakers, politicians, students, individuals in positions of financial leadership (e.g., CFOs), and even the general public.

What Can You Learn from the Gateway?

On a practical level, accounting professionals can use the Gateway for many different purposes. Here are some:

- Best Practices: Learn how businesses are managing their operations and delivering their services in an optimal, profitable way.
- How-To Guidance: Gain insights into how professional standards and methodologies are being applied by experts and authorities in the field.
- Trends in the Accounting Profession and the Marketplace: Gain ongoing awareness about changes in technology, risks and opportunities, economic factors impacting the profession, and the regulatory environment.
- Content Development: If you frequently engage in presentations and speech-making, the Gateway is a rich source for subject matter and research.
- Networking: Use the Gateway's discussion blogs as a means for peer-to-peer contact and relationship building.
- Professional Awareness for Students: The Gateway is a convenient portal for students and those preparing themselves to enter the profession as it contains many introductory resources and links to authoritative institutions.

Explore the Accounting Profession through Ten Topic Areas

The Gateway offers a practical mixture of expert opinions, thought leadership, technical guidance, and much more. It is currently organised around nine topic areas:

- **Business Reporting:** Learn about improving the usefulness of reported information for internal and external stakeholders. Find information on non-financial, public sector, regulatory, and sustainability reporting. This also includes IFRS, GAAP, IFRS for SMEs, XBRL, and information about the financial reporting supply chain.
- **Ethics:** Learn how the profession is reinforcing ethical practices and encouraging an ethical workplace. Find information on codes of conduct, ethical dilemmas, independence, and the relationship between ethics and culture.
- **Finance Leadership & Development:** Discover ideas on how the profession is responding to changing expectations of society and organisations, and preparing for leadership roles. Find information on career development, finance function effectiveness, finance leadership, learning and education, PAO development, and the role of the DFO.

- **Governance:** Learn about improving the systems and structure by which entities make decisions, execute them, and monitor the results. This section contains information on corporate governance, organisational culture, public sector governance, and how organizations are integrating governance into different functions and areas.

- **Performance & Financial Management:** Get information on how to improve organisational performance through better support for strategic and operational decision making. This includes information on access to finance, business intelligence, corporate finance, cost management, IT, performance management, predictive analytics, project and investment appraisal, and treasure and cash management.

- **Risk Management & Internal Control:** Addressing uncertainty in setting and pursuing the organisation's objectives. This includes information on cybersecurity, internal control, and risk management topics.

- **Sustainability:** Discover how organisations are integrating sustainability into management, reporting, and assurance practice. This includes information on accounting for sustainability, corporate social responsibility, natural capital valuation and measurement, sustainability assurance, sustainability management, sustainability strategy, and sustainable development.

- **Audit & Assurance:** Learn about facilitating the adoption, implementation, and development of international standards. This includes information on audit, review, compilation, agreed-upon procedures, quality control, and other assurance.

- **Practice Management:** This section provides support to practitioners in managing and growing their practices. Learn about strategy and planning, practice models, business development, marketing, networking and networks, human resource management, information technology, risk management, succession planning, and more.

- **Islamic Finance:** This section is designed to increase awareness of the ethical principles, standards, regulations and features of Islamic finance globally.

December 2014: A New Area on Islamic Finance

This newest section is designed for accounting professionals who would like to learn more about Islamic finance from the perspective of doing business, the regulatory environment, and the financial services industry. This covers:

- General principles and ethical framework
- Accounting and auditing
- Governance
- Banking and financial services
- Insurance/takaful
- Capital markets and investment
- Doing business
- Financial management

The Gateway as a Repository of Knowledge and Information

The Gateway's repository of resources, news stories, event listings, original articles (discussions), and front-page features (viewpoints) is growing daily. IFAC anticipates that it will continue to grow at a rapid rate, as more and more PAOs and accounting professionals discover its benefits. To date, the Gateway contains the following:

- over 1,325 resources from 270 unique sources, including studies, reports, technical guidance, standards and pronouncements, interviews, and articles

- over 1,270 news items from 340 unique sources including professional accounting organisations, accountancy journals, speeches, news releases, and mainstream media

- over 125 events in 65 cities around the world, including international conferences, roundtables, seminars, continuing education, and annual events

- nearly 100 discussions from contributors and IFAC staff technical experts

- over 20 front-page viewpoints on topics ranging from integrated reporting, taxation, trade-in-services, public sector financial management, and much more

The Future of the Gateway

IFAC envisions that the Gateway will continue to grow and diversify in 2015. In addition to an increase in the volume and scope of content, IFAC anticipates the following:

- an increase in multimedia-style resources such as video, podcasts, and web-based components such as interactive polling

- more articles and resources in languages other than English

- improvements in navigation

As the world rapidly globalises, information is playing an increasingly critical role. The Gateway is providing a means to bring it all together, region by region, professional by professional.

Enhancing Performance through Aligning Objectives

Mansoor Ali Zaidi, FCA

Accountants try to assign a number to everything, a value to all happenings. They provide valuable data for measuring performance of other departments. Ironically this data is hardly ever used to measure their own performance!

Yes, accountants are vital for a thriving business but the million dollar question is whether the accountants are doing everything they can do to support the business? Are they adding enough value? And, above all, can their value contribution be measured? Given that most of us have, at one time or another, faced skepticism about the real value we add; it is fair to say that these questions deserve attention. In a highly competitive world it is becoming more and more difficult to shrug off others' reservations merely as 'they don't know the importance of being prudent/following the procedures.'

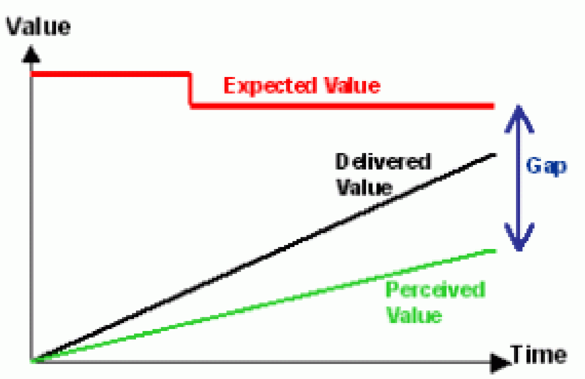


Figure 1: Expectation Gap

The major reason behind this apparent gap in expectation (Figure 1: Expectation Gap) is often the fact that we don't have a way to assign a value to our own performance and hence we don't know ourselves, or about our true contribution.

At the same time, many of us tend to struggle in finding a good balance between maintaining conventional financial discipline while appearing progressive business partners. 'Don't be too creative' is the clear message in our trainings.

In our local finance team, we faced a similar dilemma. We were able to approach the problem more effectively using some existing tools and a bit of creativity.

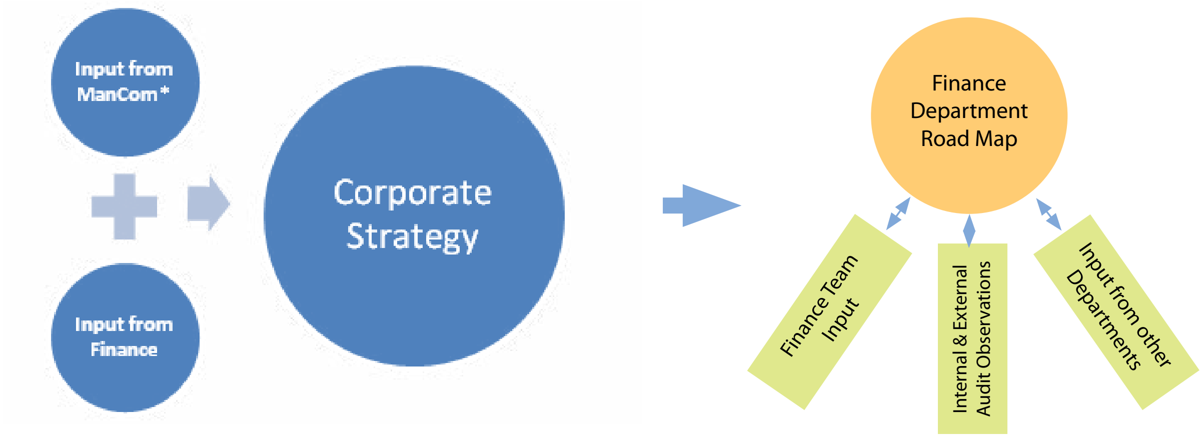
STEP 1: Gain in-depth Understanding of the Business Strategy

The first step was to participate actively in the annual strategy development process for the company. Such an exchange of inputs not only adds value to the strategy formulation process but also allows finance to gain a more holistic view of the business strategy and corporate objectives.

STEP 2: Communicate Extensively and Discuss Future Course

It was then necessary to communicate these objectives extensively to members of the finance team to ensure common understanding of the purpose.

Once that was done, we held several departmental meetings to review things that we were currently doing to help the company move towards its strategic objectives. This review also provided several insights into initiatives that can be taken or procedures that can be improved to enhance our value addition towards the business as well as improve departmental efficiency. We used this to create a road map for the next year (Figure 2: Developing Finance Department Objectives).



*ManCom: Management Committee

Figure 2: Developing Finance Department Objectives

To further ensure that our road map for the next year thoroughly addressed all important issues we took into account the following:

1. Open internal audit observation
2. Open external audit management letter observations
3. Feedback from other departments about our performance/areas of improvement

This added to the list of ideas and initiatives that could be implemented to quickly enhance performance. Many did not require any significant investment but only a different approach to tackling routine tasks. We summed this up in a Growth Ladder (Figure 3: Growth Ladder).

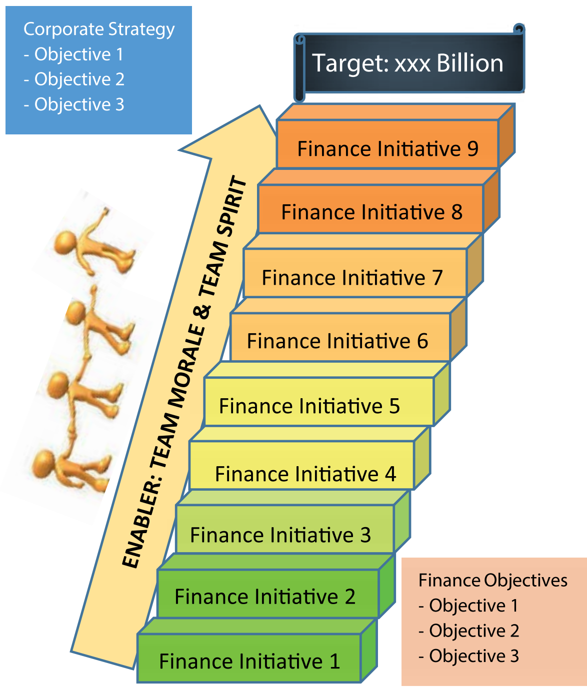


Figure 3: Growth Ladder

STEP 3: Assign SMART Targets

The initiatives on the Growth Ladder were assigned to relevant sections within the department using SMART approach to target setting (Specific, Measureable, Achievable, Relevant, Time-bound). Certain other initiatives were allocated to one or two key individuals within the team who had consistently shown business acumen and the energy to lead.

We did not stop here. Each section head was responsible to breakdown the initiatives and action points into actionable and measureable inputs for each team member. This gave us huge clarity in roles and a sense of commitment from everyone as team members could clearly see his/her contribution to the overall success of the organisation. To ensure these targets were accessible and remembered, we used a standard template to show how individual members of the team were linked to the

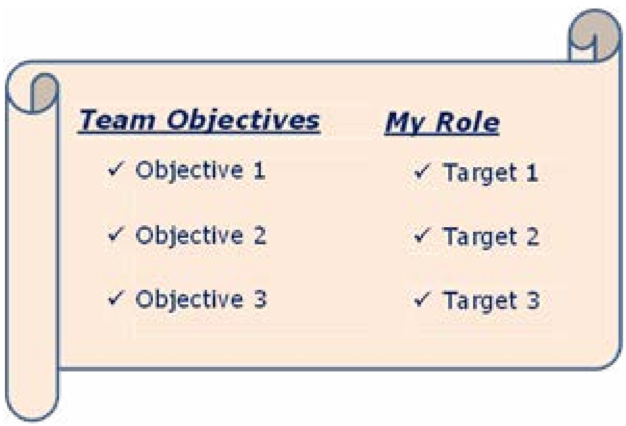


Figure 4: Individual Targets

overall company objectives. This personalized template was then displayed next to every team member's seating area (Figure 4: Individual Targets).

STEP 4: Measure Performance

The next step was to measure progress. Based on their nature, complexity and priority, different targets had different deadlines. Some were individual dependent while others required team effort. We used various reporting formats which were often color coded for ease of understanding (Table 1 Follow-Up on Open Audit Observations).

Table 1: Follow-Up on Open Audit Observations

Closed	In process	Open
9	5	4

The follow up had to be led from the top. We followed up in bi-weekly one-to-one meeting, fortnightly project meetings, monthly departmental meetings and quarterly Key-Issue-Talks (KITs as we call them). Reminding the team about the objectives, referring to them constantly as a guideline for actions and celebrating successes helped in building excitement around the targets.

STEP 5: Arouse Interest

Another important step was to engage the management committee (ManCom). It was important to be simple and brief while keeping things interesting enough. For that we initially focused on areas that had been raised in the ManCom as operational stumbling blocks. To achieve that, each section head in the finance department was asked to consult his team and come up with two key indicators that can be reported to the ManCom on monthly basis.

STEP 6: Report

Some of the areas we initially chose to measure and report were (Figure 5: Key Reporting on Selected Focus Areas):

1. Payments made on time (Breakdown of reasons for delay was provided)
2. Availability of the IT network (LAN, Wifi, Emails, ERP Servers, etc.)
3. Timely solutions to resolve IT complaints
4. Customer reconciliation process development
5. Timely tax returns filing

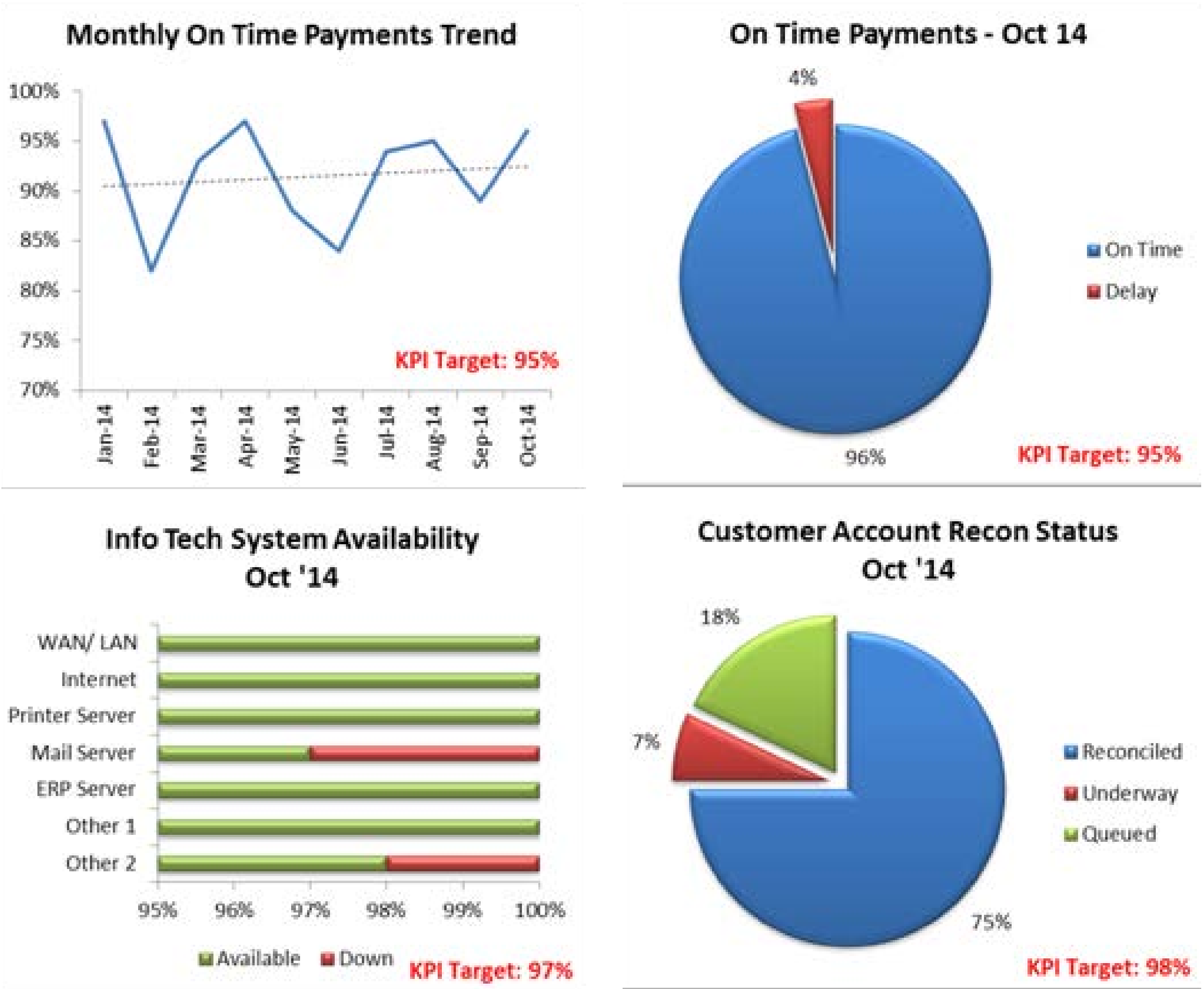


Figure 5: Key Reporting on Selected Focus Area

Through this final step:

1. Team members devised a way to measure and report their performance
2. They received a direct audience with the ManCom and became more conscious of their performances
3. We were able to guide other departments by clearly identifying what they needed to improve to enhance enterprise-wide efficiency

Outcome

The impact of this exercise was huge in terms of enhancing team performance, building team morale and improving the image of the finance department within the organisation.

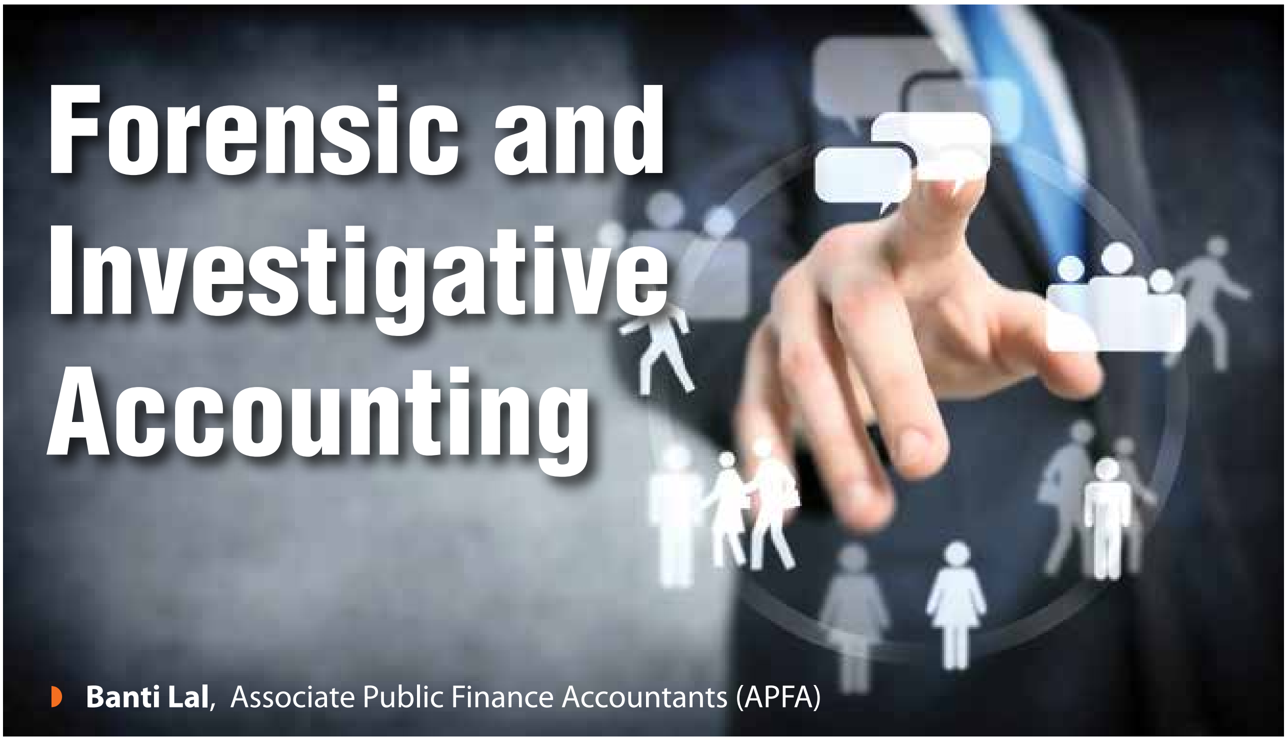
Key Takeaways

Some key takeaways were:

1. In a highly competitive landscape, accountants need to be more efficient and imaginative about the way they do things
2. Finance department priorities need to be aligned with the corporate objectives
3. Measuring own performance is the key
4. Communication and engagement with the team are critical to build the momentum
5. Focusing on other departments' complaints is the true spirit of a service department
6. Involvement of top managers is required to bridge the expectation gap
7. Finance department is dependent on others' timely action to generate useful output. This presents great opportunities to drive company-wide performance

Last, but not the least, it is important to remember that this is an iterative process. As you lead it, you will have to adjust direction and shift focus according to the need. You will also come across numerous opportunities to enhance the skill level of your team members and to develop the right attitude within the team. This ultimately has a big impact on employee satisfaction and retention.

Above all, with this process in place, people will be able to see clearly the value that YOU as the finance lead are able to add.



Forensic and Investigative Accounting

Banti Lal, Associate Public Finance Accountants (APFA)

Abstract

The insight of this research article is to uncover the background history of forensic accounting, focusing on the objective and scope, and describing how strategy and detailed plan are made which cover investigation procedures and techniques used in gathering forensic evidence which forms the base to frame the conclusion.

History

In 19th century Scotland, a young accountant advertised his expertise in arbitration support in 1824. In late 1800's and 1900's articles appeared covering the matter on expert witness, evidence arbitration and awards. It has been said that phrase Forensic Accounting was first published in an article in 1946 by Maurice E Peloubet, a partner in a New York accounting firm.

Forensic and Investigative Accounting may not sound as glamorous but the field has received more attention after the recent wave of high profile, financial white-collar corporate failures and scandals like Enron, WorldCom and Adelphia Communications in 2001 and 2002. However, it is not the new field of accountancy, which has become important and of interest to various major stakeholders like governments, investors, practitioners and regulatory bodies, especially in today's dynamic environment.

Forensic Meaning

The word Forensic means "suitable for use in a court of law" or "relating to the application of scientific knowledge to a legal problem" and it is to that standard and potential outcome that forensic accountants generally have to work.

Forensic, according to the Oxford Dictionary, means "having to do with the use of scientific methods in investigating crime or having to do with court of law".

The word forensic usually creates an image or perception that the process of work is related to crime scene. So at first, you may wonder how the word 'forensic' could ever be joined with the word 'accounting'. It's not as if accountants work with the other investigators at a crime scene. So will your favorite criminal dramas feature investigators packing calculators? Probably not.

Forensic Accountant

Forensic Accountant, also known as fraud investigator, investigative accountant, forensic auditor, fraud auditor and investigative auditor, usually does not provide opinions. The work performed and reports issued will often provide answers to the how, where, what, why and who; and it is continuing to evolve in terms of utilising technology to assist in engagements to identify deviations and inconsistencies. It is important to understand that it is not the Forensic Accountant that determines fraud, but instead the court often has to give expert evidence at the eventual trial.

Far from the stereotype accountant, number cruncher and bookkeeper, the forensic professional with a financial sixth sense possess additional skills and competencies specialised in specific industries susceptible to fraud.

Why Forensic Accountant? Forensic Accountant work mostly in accounting firms and needs for investigating mergers, acquisitions, tax investigations, economic crime investigations, civil litigation support, specialised audits and even in terrorist investigations. Forensic Accountant works throughout the business world, in public listed companies, corporations, and in government organisations.

Do you know that the first actor to play the world's most famous detective, Sherlock Holmes, was an accountant?

Do you know that the first actor to play the world's most famous detective, Sherlock Holmes, was an accountant?

All of the larger accounting firms, many medium-sized firms, and various government entities have specialist forensic accounting department. There are also firms such as Matson Driscoll and Damico (MDD Forensic Accountants) that are dedicated to providing litigation support and economic damage quantification solely for forensic accounting matters.

It is very important to understand three broader key terms i.e. Forensic Accounting, Forensic Investigation and Forensic Audit. These terms are explained in detail below:

Forensic & Investigative Accounting

Forensic and Investigative Accounting (a specific practice area of accounting engagement) is the process of carrying out a forensic investigation, preparing an expert's report or witness statement results from actual or anticipated disputes or litigation. Forensic accounting, referred to as investigative accounting too, involves the application of accounting concepts and techniques to legal problems. Forensic accountant investigates and documents financial frauds and white collar crimes, and also provide litigation support to attorneys, court and law enforcement agencies investigating financial wrong doings.

"Forensic accounting is the practice of utilising accounting, auditing, and investigative skills to assist in legal matters." In forensic accounting an accounting professional quantifies damages sustained by parties involved in legal disputes and assists in resolving disputes, even before they reach the court. If a dispute reaches the court, the forensic accountant may also act as an expert witness.

Forensic Investigation

Forensic Investigation is the utilisation of specialised investigative skills in carrying out an inquiry in such a manner that the outcome will have application to a court of law. A forensic investigation may be grounded in accounting, medicine, engineering or some other discipline.

Forensic Audit

An examination of evidence regarding an assertion to determine its correspondence to established criteria carried out in a manner suitable to the court. An example would be a forensic audit of sales records to determine the quantum of rent owing under a lease agreement, which is the subject of litigation.

Objective

The objective of a forensic accounting engagement is related specifically to the issue defined by the party engaging the accountant. The client defines a specific goal, such as calculate the loss, calculate the royalty, calculate the value of the pension plan, etc. The accountant may use certain examination techniques similar to those used in financial audits but the objective of these procedures is quite different. The ultimate objective of hiring a forensic accountant is to use the accountant's conclusions to facilitate a settlement, claim, or jury award by reducing the financial component as an area of continuing debate.

Table 1 - Comparison of Forensic Accounting and Financial Auditing

Items for analysis	Forensic Accounting	Auditing
Why, When and Where the services take place	Serve as a backing to prove a fraud in the business in an apparent risk prone environment	Continuous to certify the state of the art of a business and comply with an efficient market theory
Scope of the job	Present analytical accounting and financial information to support legal and administrative decisions	Opine on the accounting statements of business entities considering all criteria used in its preparation
Details of tasks performed	Detailed planning of tasks aimed at documenting deterministic and calculative analysis	Sampled and/or probabilistic procedures to serve as a base of concluding the financial statement
Periodicity	When necessary and particularly according to the periods stipulated by the Judge or client	Covering the fiscal year to substantiate the activities of the accounting period
Reporting	Investigative or expert reports	Financial statements, management letters or auditors' report

Scope

Forensic accountants, involved in financial investigations, discover evidence of deceptive transactions, fraud, various types of crimes, and investigate allegations of fraud of their employees, suppliers and customers, to obtain estimates of losses, damages, and assets related to specific legal cases in many areas of the law, including product liability, shareholder disputes, and breaches of contract. In criminal investigations they analyse complex financial transactions such as those in stock market manipulations and price fixing schemes.

After conducting an investigation they submit a report of their findings. When a case goes to the court, they are likely to perform the role of an expert witness.

Forensic engagements scope may fall into several categories in which forensic accountant mainly assist in:

- Fraud detection
- Business valuation
- Computer forensics
- Professional negligence
- Insolvency, bankruptcy and reorganisation
- Post-acquisition disputes such as breach of warranties
- Assessing and commenting on the work of other professionals
- Economic damages calculations due to tort or breach of contract
- Marital and family law for spousal support purposes, determining income available for child support and equitable distribution.

Private companies are not the only ones asking forensic accountants to hunt for wrong doings. Government entities also consult forensic accountants, who investigate everything from money laundering and identity theft related fraud to arson for profit and tax evasion. Law firms often use forensic accountants to help divorcees uncover their exes' hidden assets. Forensic accountants have uncovered instances of companies cooking the books to falsely inflate company profits, minimise losses or divert large amounts of money to company leaders.

Chronological Steps

Each forensic accounting assignment is unique. Accordingly, the actual approach adopted and the procedures performed will be specific to it. However, in general, many forensic accounting assignments will include the steps detailed below.

Meeting with client. Initially the forensic accountant will meet with the client or representative in order to be given the specifics of the case.

Perform initial investigation. It is often useful to carry out a preliminary investigation prior to the development of a detailed plan of action. This will allow subsequent planning to be based upon a more complete understanding of the issues.

Develop Detailed Plan. It is then possible to develop a detailed plan of action for the investigation. This plan will take into account the knowledge gained by meeting with the client and from the initial investigation which will set out the objectives to be achieved and the methodology to be utilised to accomplish them.

Obtain the evidence. The investigation itself can be conducted, potentially including interviews, the examination of paperwork, and any relevant analyses to obtain evidence. Numerous records may be investigated, including bank and credit statements, ledgers, journals, databases, emails, and any other relevant sources of information. Various computer programs are available to aid the analysis of financial data. However, there may be a limit to the evidence available, as they may only have the power to seize and examine particular documents.

Perform the analysis. Based on these findings the accountant performs analysis which form the basis to reach or design his or her own conclusion regarding the case, and establish the steps to be taken by their employer to aid in the retrieval and protection of assets if necessary.

Prepare the report. Once the investigation is complete and a full report has been prepared, often a report will be prepared which may include sections on the nature of the assignment, scope of the investigation, approach utilised, limitations of scope and findings and/or opinions. The report will include schedules, graphs, charts, spreadsheets and other methods and techniques necessary to properly support and explain the findings of the case.

Professional Bodies Role

The Institute of Forensic Accountants of Pakistan (IFAP) was established in 2009 to promote forensic accounting education in Pakistan. The Institute offers its certification training programs in the core areas of forensic and investigative accounting.

The public sector institutions can take enormous benefit from this program. The universities in Pakistan's private sector must come forward to add anti-fraud course in its curriculum. The potential of this participation can yield astounding results in the years to come.

The Association of Certified Fraud Examiners (ACFE) offers an Anti-Fraud Education Partnership to encourage and assist accounting educators in providing 'fraud examination' course. This course was developed for graduate students of the University of Texas (UT) at Austin. ACFE has provided over US $5 million of assistance since the program's inception. The fraud examination course is now offered to over 400 universities in US alone. Universities around the world have become key providers of anti-fraud knowledge and training through this unique education partnership with ACFE.

Global Flavour

It comes as no surprise to learn that economic crime such as fraud, Intellectual Property (IP) infringement, corruption, cybercrime, or accounting fraud — continues to be a major concern for organisations of all sizes, across all regions and in virtually every sector.

The American Institute of Certified Public Accountants (AICPA) has issued a new standard in response to recent scandals. In 2001, America's President George W. Bush signed an anti-terrorism bill known as Patriotic Act, containing major money-laundering changes. This new law has increased the demand for forensic accountants because of the skills and expertise required.

Deloitte & Touche has set up a worldwide network of computer forensic labs for their forensic accountants and technicians, KPMG forensic accounting has developed software used to determine how the fraud was perpetrated.

But, as our 2014 Global Economic Crime Survey reveals, the real story is not so much that economic crime stubbornly persists. The real story is that economic crime is threatening business processes, eroding the integrity of employees, and tarnishing reputation.

Conclusion

Forensic accountants are in high demand playing critical role in investigation of suspected financial scandals and misappropriation of assets. Independence and integrity are very important aspects for ensuring credibility to these investigations.

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Comment: Companies Ordinance 1984 of Pakistan

Syed Imtiaz Abbas Hussain, FCA

Companies in Islamic Republic of Pakistan, which includes Single Member Companies, Private Limited Companies, Public Unlisted Companies, Public Listed Companies and Associations not for Profit, are being regulated professionally by the Securities and Exchange Commission of Pakistan (hereinafter referred to as 'Commission') through the Companies Ordinance 1984 (hereinafter referred to as 'Ordinance') the Companies (General Provisions and Forms) Rules 1985 (hereinafter referred to as 'Rules') and the Single member Companies Rules 2003 (hereinafter referred to as 'SMC Rules') coupled with various laws related to specialised companies.

Although a lot of improvements have been witnessed in these Ordinances and Rules since a decade but still there is room for further improvements and my comments which is focused on the Companies Ordinance 1984 may support and contribute in their further improvements to some extend.

The following are the comments based on chapters/ parts of the Ordinance, to make comments structural, logical, meaningful and understandable.

1. Preliminary

1.1 This Chapter comprises of Sections 1 to 6 of the Ordinance covering definitions, inclusions and exclusions of companies/corporations in the Ordinance, etc;

1.2 The Ordinance is applicable to the whole of Pakistan except areas covered in the Constitution of Islamic Republic of Pakistan under Article 246, which includes Federally Administered Tribal Areas (FATA) and Provincially Administered Tribal Area (PATA) as the Act of parliament are not applicable on them, while the people of these areas benefit from the economies of other areas of Pakistan. Government of Pakistan need to revisit it to do justice with all the people of Pakistan (Section 1 of the Ordinance);

1.3 Section of definitions under Section 2 of the Ordinance is not exhaustive, meaningful and complete as many definitions, general and specific, have been included in many other Sections of the Ordinance creating confusion and difficulty in their reference and understanding. I suggest putting all definitions (like glossary of terms) under the umbrella of Section 2 instead of its current scattered form. Definition covering both general and specific may be mentioned as defined 'Officer' under Section 2(24) of the Ordinance;

2. Jurisdiction of Courts

2.1 This Chapter comprises of Sections 7 to 10 covering jurisdiction and procedure of the court, appeals against the court and constitution of Company Benches;

2.2 Though courts, under this Ordinance, are required to dispose of the cases and the judgment announced thereof as expeditiously as possible but not later than 90 days from the date of presentation of the petition or application to the court; and except in extraordinary circumstances and on grounds to be recorded, the court shall hear the case from day to day. But practically, the courts are usually overloaded with other cases so, it is suggested to introduce a system of corporate tribunals to handle all court related matters relating to this Ordinance as it is already in the case of Income tax, Sales tax, etc. and even in some Sections of this Ordinance the order of the Commission is final and shall not be called in question before any court or other authority like under Section 30 (5) of the Ordinance.

3. Corporate Law Authority

3.1 This Chapter comprises of Sections 12 to 13 and Eighth Schedule, covering powers and functions of the Commission and reference to the court;

3.2 These sections must have references and cross references of the Securities and Exchange Commission of Pakistan Act 1997;

3.3 The heading of Part/Chapter 3 – 'Corporate Law Authority' needs to be changed as 'Securities and Exchange Commission of Pakistan' as it is a bad patch on legal book, which is expected to be free from doubts, errors and ambiguities. Just mentioning in Section 43(a) under dissolution of the Authority of the SECP Act 1997 that "all references to the Authority appearing in the Ordinance and any other law for the time being in force shall be deemed to mean and refer to the Commission" is not suffice and not fit for general publication.

4. Incorporation of Companies and Matters Incidental thereto

4.1 This Chapter comprises of Sections 14 to 51 including Rules No. 2A, 3, 4, 5, 6, 7, 8, 9, 9A, 9B, 9C, 9D, 9E, 9G, 10, 28, 30, 32 and 33 with Form 1 and 2 and First Schedule, covering registration, forms of companies and their conversions, memorandum and articles of association, name of companies, association not for profit, service and authentication documents, etc;

4.2 What is the rationale in creating Rule 2A of the Rules instead of including these additional particulars in Section 19 (1) (c) and Section 27 (c) to make the issue straight and simple. Rule 2A has by mistake mentioned Section 27 (1) (c) instead of Section 27 (c), which may also be corrected;

4.3 What is the rationale in obtaining confirmation from the Commission for the alteration of memorandum as required under Section 21 (2) of the Ordinance, while the registrar has powered to issue certificate of incorporation after reviewing all matters and documents which includes declaration, memorandum and articles (if any) of the association relating to the registration of the company under section 30 and 32 of the Ordinance. I suggest that the approval authority must be allowed to confirm alternations therein;

4.4 In the era of information technology where everyone has a mobile, even the children are carrying internet backed mobiles, I suggest that every company issued a certificate of incorporation, must establish its website within a specified period, which should be mentioned on the letterhead and all legal documents. This website must display scanned copies (so it cannot be changed) of certificate of incorporation, memorandum and articles of association, certificate of commencement of business, company profile, certificate of taxation and other relevant documents and information which may be of use to members, subscribers to the memorandum, existing and prospective creditors, regulators and general public (if required). Due to such information on the website, members and other stakeholders may access up to date legal record of the company including altered memorandum and articles of association and may not bother company, and the regulators may also monitor legal compliance of the company. Frankly speaking, the companies especially private companies and public unlisted companies do not maintaining legal documents in a way it should be and even in many cases such companies do not have even a copy of memorandum and articles of association in their office, what to talk about its altered and updated status (Refer Section 35 and 36 of the Ordinance);

4.5 Conditions, which may or may not grant licence to association not for profit, should be a part of Ordinance or Rules but unfortunately still confined to Circulars (Circular Nos. 29/2008 dated Dec. 24, 2008; 4/2009 dated Feb. 27 2009; and 12/2011 dated Aug. 19, 2011). Legally circulars have no powers to reject to grant Licence as it is not Ordinance or Rules but just to carry out the purpose of this Ordinance and the Rules. (Refer Section 42 and 506B of the Ordinance and Rule 6 of the Rules). Due to this ignorance and least importance given to these associations specially those engaged in religious and charitable activities, the following discrepancies and element of corruption arises:

I- Article No. 4 (h) of Circular No. 29/2008 requires that "details of the amount of donations and grants received during last five years duly certified by the Chartered Accountants that funds/donations was/were received through 'banking channel', and details of the donors." Why ignored cash donation, etc?;

II- What about donations/Zakat received by the association in cash, which used to be in billions of rupees and create leverage to play with funds by the sponsors of the associations. Many donors do not allow associations to disclose their funding or do not take receipts in good faith

especially on religious ground. This attitude of the donors has encouraged corruption, money laundering and mushroom growth of NGOs/ NPOs with bad intentions. Regulators need to be involved in their monitoring pro-actively, religiously and seriously;

III- It is suggested that associations should get their criteria approved by the Commission for receiving, depositing and utilisation of donations/Zakat, etc. in cash, cheque and kind. Further, their monthly statements must be submitted to the Commission for review and monitoring in addition to monthly statements submitted by banks to the commission of such associations and their sponsors. Let me quote my experience as an example which includes a case where donation fund was used by the NGO/ NPO/association for a boy working in a bank and residing in Defence Karachi, to do his MBA from United Kingdom. In another case there was corruption and leakages in blood analysis by a NGO. These references are eye openers for the Regulators;

4.6 Conversion processing for public company into private company and for private company into single member company may also be entrusted to the registrar instead of the commission, as the registrar is also competent enough to protect the interest of members, creditors and other stakeholders. Further, registrar is in place where such companies, most of the members, creditors and other stakeholders are living and his processing and monitoring of the conversion case may be more effective. (Section 44 of the Ordinance and SECP's Conversion Guide);

4.7 Section 46 of the Ordinance need to be elaborated further for the sake of clarity as it is not specifically mentioned in the Ordinance about privileges and exemptions conferred on private companies "by or under this Ordinance" as people used to refer benefits under tax and other laws, which are irrelevant. Further, this section said "this Ordinance shall 'apply to the company' as if it were not a private company," which is also not clear, because this ordinance is 'applied' to private company, public unlisted company, public listed company, single member company and association not for profit and not to any other legislature;

4.8 Regarding service of document on company under Section 48 of the Ordinance, I suggest to add "against an acknowledgment of receipt duly company stamped" after or by leaving it at the registered office of the company. Further, mode of sending a document may also specifically include TCS courier as adopted by SECP;

4.9 Is there any legal difference between Rule 9 and Rule 33 of the Rules relating to mode of submission of document, statement, return, report, communication or application to the Commission?

5. Prospectus, Allotment, Issue & Transfer of Shares & Debentures, Deposits, etc.

5.1 This Chapter comprises of Sections 52 to 88 including Rules No. 11 and 12 with Form 3, 4 and 5 and Second Schedule, covering prospectus, allotment, issue of certificates, transfer, commission, discount, premium, redeemable preference shares, further issue of capital and deposit, etc;

5.2 The grey areas in the prospectus for the investors and the general public may include the following, which Regulators need to consider:

I- Fines and penalties even in criminal liabilities relating to the prospectus under Section 56, 57(6), 59, 60 and 66 of the Ordinance have not been revised as done in other sections of the Ordinance by increasing say from Rs.5,000/- to Rs.100,000/- or Rs.50,000/- to Rs.500,000 or Rs.1,000,000/- and so on;

II- Directors and experts are well protected under Section 59 of the Ordinance by declaring them innocent as they will not be held liable if they show their innocence by given "reasonable public notice" in a newspaper, which is a joke. While it is natural that after going through prospectus in the newspaper, the public never goes again to a newspaper to check fraudulent acts of directors, experts, etc. through corrigendum in a small space and place. So, how the interest of investors and general public are protected in this scenario. I suggest that a copy of such "reasonable public notice," must be attached with every form of share application submitted to bank by the applicant "after acknowledging by signing such a copy of notice and that they have read and submitting share application after going through such a notice." It may be a proper, effective and genuine communication in good faith;

III- I failed to understand why investors/general public submit share application forms in banks for subscribing shares and debentures while there is clear information in the prospectus that "all the companies in the group have not declared dividend in five years and other such poor performance and mismanagement of the group", which is very clear that the entire group is not competent to run the affairs of the company. On top of it, the management of the share or debenture issuing company publishes in the newspaper in bold letters that the "public has overwhelmingly, say six times, oversubscribed." I suggest to the regulators to investigate and unearth elements behind this type of frauds, which is against the interest of the innocent investors and general public, and Section 66 of the Ordinance has no intrinsic value and is just to cover paper formalities;

5.3 If the conditions stated under Section 68 of the Ordinance, relating to restriction as to allotment, have not been complied with, then all money received from applicants for share or debentures will have to be returned without surcharge upto 50 days after the issue of prospectus, which is the outcome of mismanagement of the company. I suggest that such money may be deposited in saving or different term deposit account and all the profit/markup thereon may be surrendered to the Regulators as the penalty, so that such profit/markup should not be used in paying off surcharge to the applicants 50 days after the issue of prospectus;

5.4 Stamp duty on transfer of shares at 1.375% is too high and is discouraging companies. It is suggested regulators reduce it to bearable lower percentage and possibly in line with tax rates under Section 233A of the Income Tax Ordinance 2001. Further, such rate may be included in Section 76 of the Ordinance;

5.5 What is the rationale in empowering the federal government, under First Proviso of Section 86 (1) of the ordinance, to allow a company to raise its capital further, without issue of right shares. I suggest that this power may be given to the Commission instead of the federal government.

6. Share Capital and debenture

6.1 This Chapter comprises of Sections 89 to 120 with Form 6, 7, 8 and 9 covering nature, number, certificate, classes and kinds of shares, reduction of shares capital, variation of shareholders' rights, unlimited company as limited, unlimited liability of directors, debentures etc.;

6.2 What is the rationale in allowing the stock exchange to verify that at least 30% of the plant and machinery has been installed and last consignment of plant and machinery, where required, has been shipped to the company under loan based project of policy for issue of capital under the Companies (Issue of Capital) Rules, 1996. It is suggested that custom may be entrusted with this task instead of the stock exchange who has no relevance; and

6.3 Section 105 of the Ordinance relating to penalty on concealment of name of creditors has not given amount of fine.

7. Registration of Mortgages, Charges, Receivers/Managers, etc.

7.1 This chapter comprises of Sections 121 to 141 including Rules 13 and 24 with Form 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20, covering mortgages and charges, receivers and managers, etc.;

7.2 Registrar keeps Register of Mortgages and Charges under Section 125 and 126 of the Ordinance enter therein comprehensive details received from the corporate entities under Section 121, 122, 123, 124, 129, 132, 137 and 138 of the Ordinance. A company gets details of their mortgage and charges maintained by the Registrar from different sources. Keeping in view the importance of such mortgage and charges details for investors, creditors and general public to protect themselves from possible fraudulent deals with the company, I suggest that the Registrar may make this Register of Mortgage and Charges accessible to the entire stakeholder which includes corporate entities, investors, creditors and general public on SECP website. Such a move will eliminate the requirement of Section 136 and 135 of the Ordinance, provide relief to all the stakeholders and make the system and procedure simple and time saving;

7.3 Corporate entity is required to maintain a company's Register of Mortgage under Section 130 and

135 of the Ordinance. Assuming this exercise is in duplication, I suggest that a corporate entity keep filed forms alongwith copies of instruments submitted to the Registrar in sequence of submission in proper order. There is no need to maintain register of mortgage, instead cross check and tally all these filed forms with SECP website, because usually companies, especially private companies, and public unlisted companies do not maintain register of mortgage and also do not maintain all filed forms with copies of instrument;

7.4 Fines and penalties under this chapter need to be revised upward keeping in view its sensitivity with the investors and creditors and other stakeholders;

7.5 The receiver or manager is required to file with the Registrar in Form 20 their receipts and payments for each six months period. I suggest that Form 20 may be audited by the form of Chartered Accountants to create comfort level for all related stakeholders.

8. Management, Administration & NBFC

8.1 This Chapter comprises of Sections 142 to 282N including Rules 14, 14A, 14B, 14C, 15, 16, 17, 17A, 17B, 17C, 18, 19, 20 and 24 with Form 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 35A, 35B, 35C and 35D and Third, Fourth and Fifth Schedules, covering registered office, publication of office, restrictions on commencement of business, register of members, debenture holders, directors and other officers, meetings and proceedings, directors, chief executive, managing and sole agents, accounts, dividends, audit, power of registrar, investigation, non-banking finance companies, investment, short selling, provident fund, shareholding, interest, contracts, etc;

8.2 Section 165 and 166 of the Ordinance relating to voting at any general meeting need to be further elaborated for special resolution and ordinary resolution in the form of show of hand or counting to confirm three fourth majority, etc.;

8.3 Section 173 of the Ordinance relating to minutes of proceedings of general meetings and directors is not being followed especially by private companies and public unlisted companies as there is no check on it;

8.4 Loans, etc. to directors by lending companies under section 195 of the Ordinance need to be specific as it is creating confusion in the presence of clear definition of bank and Non-Banking Financial Company (NBFC). Section 195 is also referring to other public unlisted companies and public listed companies as it excludes private companies, banks and holdings and their subsidiary companies;

8.5 Section 197 and 197A of the Ordinance relating to prohibition regarding political contribution and distribution of gifts, need to be revisited in current scenario where management of the companies are contributing under threats and coercion and under what head of account. This act is encouraging creation of black economy. Further, their penalties clauses are not proportionate;

8.6 The title of Section 200 of the Ordinance as "Terms of appointment of chief executive and filling up of casual vacancy" is not in line with the contents of the section which is talking about terms and condition, rights, privileges and liabilities of the chief executive. Need to be corrected;

8.7 Section 206 (2) of the Ordinance relating to exemption of the agreement or contracts from operation of Section 206(1) of the ordinance need to be updated as many seem to be missing and need deletion;

8.8 Section 209 (3) of the Ordinance relating to the minimum number of members of public company need to be changed from seven to three and may also need to consider Single Member Company;

8.9 Section 223 and 224 of the Ordinance need to be revisited in light of the following observations/ suggestions:

I- Beneficial owner of 'not less than 10% of the listed equity securities of such company' in Section 223 and showing 'more than 10% of its listed equity securities in Section 224 need to be re-checked;

II- Prohibition of short selling, under Section 223 and 224 of the Ordinance, of securities of the company if sold within a period of less than six months and make gain by purchase or sale or sale or purchase. My question is: What will happen if sold in six months or more due to their act as inside traders and get gain out of it?; and

III- Regulators treat inside traders as innocent and of high integrity, that is why they expect the inside traders to report and tender the amount of such gain to the listed company under Section 224 (1) of the Ordinance. Is it practicable? I suggest that this should be the duty and responsibility of Shares Registrar appointed under Section 204A of the Ordinance.

8.10 To make this Chapter/Part effective and result oriented, its fine and penalties clauses also need to be revisited to enhance the amount;

8.11 Section 230 of the Ordinance requires companies to keep books of accounts as are necessary to give a true and fair view of the state of affairs of the company or the branch office, as the case may be, and to explain its transaction. But practically, books of accounts, especially fixed assets and debtors and creditors, of the majority of the private companies and public unlisted companies are in a state of mess and incomplete in many respects, with no concept of accruals and narration on books of original entries and supporting vouchers;

8.12 Section 230 (6) of the Ordinance requires companies to preserve books of accounts for atleast ten years "in good order," which is not being done in companies except a few multinational and giant companies, who are maintaining purpose-built record rooms with proper record librarians;

8.13 Contents of balance sheet under Section 234 of the Ordinance is subject to the following observations and suggestions:

I- Section 234 (1) of the Ordinance mentioned by mistake "every profit and loss account or income and expenditure account of a company shall give a true and fair view of the profit and loss of the company" instead of "every profit and loss account or income and expenditure account of a company shall give a true and fair view of the profit or loss, or surplus or deficit of the company;"

II- Section 234 (1) of the Ordinance requires that "Every balance sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account or income and expenditure account of a company shall give a true and fair view of the profit or loss, or excess of income over expenditure or excess of expenditure over income of the company for the financial year, so however that every item of expenditure fairly chargeable against the year's income shall be brought into account and accounting for depreciation and amortisation." Unfortunately majority of the private companies and public unlisted companies do not even understand this section, so what to talk about its compliance. This is the basic reason that many companies have been closed overnight. I suggest that this section may be further elaborated by mentioning the following to achieve the objective of this section:

a. Principles of accounting relating to 'completeness', 'accrual' and 'matching cost with revenue' need to be applied;

b. To achieve result of matching cost with revenue, the company needs to ensure that all relevant expenses have been deducted from revenue otherwise gross profit and net profit will not compute correctly. For example, for revenue of 1000 units of 12 months, if we deduct from it expenses (cost of goods sold) of 600 units or deduct energy cost of 10 months, then gross profit will be overstated and vice versa. To achieve completeness and match cost with revenue, we need to ensure expenses of all relevant months have been recorded and also need to do quantitative reconciliation of sales, purchases, consumption and cost of sales and also to compute matching stocks valuation preferably through costing;

c. Identified assets and liabilities need to be mentioned in the balance sheet instead of mess accounts;

d. Identified tangible fixed assets and intangible assets need to have proper calculation of depreciation and amortisation and presentation of assets in the financial statements;

III- Company accountant must also have knowledge of company laws, taxation laws, labour laws and IFRS and AFRS (IFRS-SME and AFRS-SSE);

IV- Ensure company has proper accounting systems backed by internal control, which helps to provide reliable financial data in timely manner and also ensure effectiveness and efficiency of operations;

8.14 Where the special audit under Section 234A of the Ordinance has been ordered by the Commission on an application made by members of the company, one half of the expenses of the special audit shall be borne and paid in advance by such members. Is this Ordinance to protect the interest of investors and members or is it penalising them on complaining mismanagement of the company to the commissioner?

8.15 Section 240 of the Ordinance relating to balance sheet of Modaraba company to include Modaraba accounts, etc. need a correction to replace section 237 (12) with section 237 (9);

8.16 Many companies, whose management has doubtful integrity or bad attitude, are misusing Auditors' Report to the members issued by the Auditors under Section 255 (3) of the Ordinance, when they submit so-called audited financial statements to the creditors including banks and Non-Banking Financial Companies (NBFCs). I suggest that a sub-section may be introduced in this section of the Ordinance whereby creditors may be asked to obtain audited financial statements, in original, directly from auditors of the company on request letter from company to the auditors on their behalf;

8.17 What is the rationale in just signing Auditors' Report by the engagement partner without disclosing the name of the firm of Chartered Accountants under ISA and Section 257 of the Ordinance? I suggest that the name of the firm of Chartered Accountant may be clearly mentioned on the report even for those companies whose accounts are published in newspapers for the sake of transparency and to be safe from scandals;

8.18 What is the rationale in allowing audit of cost accounts to few companies only and withdrawing few companies under Section 258 and 230 of the Ordinance? I suggest that audit of cost accounts may be mandatory for all public listed companies engaged in manufacturing or trading of goods, in addition to existing industries of all companies already covered under this section;

9. Arbitration, Arrangements & Reconstruction

9.1 This chapter comprises of Sections 283 to 289 including Rules 21 with Form 36 and 37, covering arbitration, compromise, arrangement and reconstruction, etc.;

9.2 Form 37 under Section 289 (5) relating to the scheme of reconstruction or amalgamation require to mention therein financial liquidity position of the company according to the latest audited balance sheet. I suggest that since the scheme may involve dissolution without winding up, their assets and liabilities may attract current market values instead of their historical value mentioned in the latest audited balance sheet. So the statement with current values may also be mentioned in the Form 37 to know the correct net worth of the company to avoid future surprises;

9.3 Fines and penalties under this chapter need to be revised upward keeping in view its sensitivity with the members, investors and creditors and other stakeholders at the time of compromise or arrangement with or without scheme for the reconstruction or amalgamation;

10. Prevention of Oppression & Mismanagement

10.1 This chapter comprises of Sections 290 to 296, covering management by the administrator, rehabilitation of companies, etc.;

10.2 The court on the complain lodged by petition, by the members, creditors or Registrar for the conduct of the business unlawfully or fraudulently, pass an order to end the complained matter. But surprisingly the fine and penalty for these criminal acts to the company, subscribers to the memorandum, directors and chief executive are so nominal and in some section not mentioned; the amount of fine and penalty, as referred under Section 294, as punishment by imprisonment rarely executed;

10.3 Why does the commission wait for the representation of the creditors and their request to take action, having exposure to not less than 60% of the paid up capital of the company? Is it necessary to take action under Section 295 of the Ordinance after information about the dead body of the corporate body while the Registrar is constantly watching and monitoring the affairs of the company through accounts and returns filed with him? Keeping in view mismanagement or fraudulent act by the management of the company at the cost of creditors and shareholders, I suggest the following for the kind consideration of the Commission:

I- Section 295 of the Ordinance to include: (g) When there is gross loss in two consecutive years and (h) When bank and NDFC loan/facilities installments were not paid or loan/facilities have been rescheduled in two consecutive years and (i) When there is no reasonable recovery from amount receivable from the related parties in two consecutive years;

II- When any or all of the points mentioned under Section 295 (a) to (i) of the Ordinance have been applied to the company during the audit of the financial statements, the auditors should report in their annual auditors' report to the members under 'Emphasis of Matter paragraph' as required under ISA 706 of the International Standards on Auditing;

III- Registrar may use Section 295 of the Ordinance when he receives above cited auditors' report of the corporate entity;

IV- The administrator, while managing the affairs of the company and carrying on its business under the companies (management by administrator) Rules 1993, may recover fee and any shortfall in cash flow from the management of the mismanaged company, including sponsors and director, as the penalty under the Laws of land Revenue;

10.4 The federal government before declaring a company sick, due to financial and operating problems of the said company under Section 296 of the Ordinance and in accordance with the Companies (Rehabilitation of Sick Industrial units) Rules 1999, may obtain from one of the big four firms of Chartered Accountants (instead of from the Task Force which mainly comprises of bankers) the report showing the real and genuine causes and responsibilities of mismanagement of financial and operational activities of the company. The audit plan for such auditors' report to include analysis of financial statements and ageing of debtors and creditors of atleast five years, review of irrelevant utilisation of borrowed fund, transactions and balances with related parties and directors of the company, comparison of financial performance results with its relevant industry, consideration of integrity and behavior of the persons charged with governance, management and key personnel;

10.5 There must be specific sections in this chapter of the Ordinance which may severely penalising those responsible for criminal innocent acts by misusing funds of creditors (banks, NBFC and those supplying goods and services) and mismanaging the affairs of the company and they must also be held responsible for short of funds and fees and other related expenses, which is badly lacking in this Ordinance for the reasons I do not know.

11. Winding up

11.1 This chapter comprises of Sections 297 to 439, covering contributories, winding up by court, official liquidators, members' and creditors' voluntary winding up, declaration of solvency, winding up subject to supervision of court, preferential payments, removal of defunct companies from register, etc.;

11.2 Contributories including members of the company limited by shares whose maximum liability to the company is upto fully paid up shares they hold; and members of the company limited by guarantee whose maximum liability to the company is the amount specified in the memorandum of association which they undertake. So a company under any form of winding up cannot ask members to pay beyond above limits. So my question here is that when obtained full amount from the members of the company limited by shares by issuing fully paid shares under Section 91 of the Ordinance, then why undertaking is being obtained for specified amount from members of the company limited by guarantee. I suggest that full amount may also be received from members of company limited by guarantee, as a result relevant sections of this chapter/part, which includes sections 301, 302, 303, 304, 329 and 342 of the Ordinance relating to contributories for calls, or recovery on death of member, insolvency of member, etc. may be eliminated, which are inhuman and unjustified. Because there is no issue on distribution of surplus assets to the contributories;

11.3 Fine and penalties sections of this Chapter/Part of the Ordinance is also need to be revisited, especially for criminal acts, to enhance the amount which seems to be not considered at the time of revision of fines and penalties for other Chapters/Parts of the Ordinance;

11.4 This Chapter/Part of the Ordinance contains 143 sections (from Section 297 to 439 of the Ordinance) and covering: (1) Winding up by the court; (2) Members' voluntary winding up; (3) Creditors' voluntary winding up; and (5) Winding up subject to supervision of the court. In order make it more clear, concise, readable, understandable and effective, I suggest that a Schedule (instead of various sections or SECP Guide) may be attached to the Ordinance showing comparable statement of these five winding up procedures and their related terminologies may be put in one place preferably under section of 'definition';

11.5 Under Proviso (a) (i) to Section 309 of the Ordinance, minimum numbers of members need to be corrected as minimum number of members of public unlisted company is three;

11.6 I suggest that the website of SECP may include status of the companies which are under the process of winding up under above stated five categories of the winding up and also show the status of companies which have been finally dissolved because this issue is in dark, and its difficult to trace their status (Refer section 402 of the Ordinance);

11.7 Preferential payments under Section 405 (1)(b) and 405 (2) of the Ordinance includes four months outstanding wages and salaries upto Rs.2,000/- per claimant, which is a big joke. I suggest to the Regulators to please revisit it and make it realistic and practicable;

12. Application of Ordinance to Companies formed and registered under previous Companies Acts

12.1 This chapter comprises of Sections 440 to 442, covering companies formed and registered under previous Companies acts;

13. Winding up of unregistered companies

13.1 This chapter comprises of Sections 443 to 449, covering winding up of unregistered companies;

14. Companies established outside Pakistan

14.1 This chapter comprises of Sections 450 to 465 including Rules 22 and 36 with Form 10, 11, 13, 14, 16, 17, 18, 19, 20, 33, 34, 38, 39, 40, 41, 42, 43, 44, 45 and 46, covering establishment of places of business in Pakistan, prospectus, registration of charges, liquidation;

14.2 Penalties under Section 459 and 462 of the Ordinance are too low while this chapter covers issuance of prospectus to the general public, registration of charges and liquidation;

14.3 Form 46 relating to intimation of ceasing to have place of business in Pakistan may need to include reasons for ceasing of place of business to know their clear intention;

15. Registration office and Fees

15.1 This chapter comprises of Sections 466 to 473 including Rules 9F, 24 and 34 and Sixth Schedule, covering registration offices, fee, etc.;

15.2 Fee for an application to the Commission seeking approval to issue securities outside Pakistan of Rs. 200,000/- seem to be unproportional;

15.3 The non-compliance of the Ordinance by the influential defaulted corporate entities is basically due to declared policy of the Commission to be friendly by allowing Companies Regularisation Scheme (CRS) and Companies Easy Exit Scheme (CEES). This step of Regulators make the Ordinance and Rules a good joke and make it zero effective by discouraging law abiding corporate entities;

15.4 Companies Registration Offices (CROs) need to automate system of filing documents and return by the corporate entities which should be filed on-line after ensuring relevant filing fee has been deposited with reference of its receipt number, just like monthly sales tax return.

16. General

16.1 This chapter comprises of Sections 474 to 514 including Rules 25, 26, 29, 31 and 35 and Seventh Schedule, covering fines, penalty, offences, appeal, revision, delegation of powers, schedules, forms, general rules, etc.;

16.2 To make the compliance of Ordinance and Rules effective and meaningful only when the provisions of Section 476 of the Ordinance relating to the punishment and adjudication of fine or penalty is executed sincerely and without favouring anyone for any reason;

16.3 Penalty for submission of false statements, return, etc. is to the extend of Rs. 500,000/- under Section 492 of the Ordinance and many more such large amount penalties of millions of rupees. I suggest that Regulators may advertise in business related newspapers in every province about fines, penalties and offence of large amount and terms of imprisonment to create awareness among corporate entities and also place it in a prominent place on the SECP website.

Conclusion

It is noticed that businessmen are interested to form a company only when they want to get huge money from general public by offering shares and securities, obtaining credit facilities from existing and prospective creditors including banks and NBFC and obtaining funds from foreign collaborators/investors, etc. as the formation of company is one of the major conditions raised by these stakeholders, otherwise businessmen are least interested in the formation of a company because, according to them, they cannot do business freely as they like, and formation, maintenance and compliance of the company is difficult, expensive and need educated expensive staff, who usually not of their liking. This level of interest and responsibilities taken by the businessmen create high level of risk for the stakeholders and the Regulators. In this scenario the regulatory duties and responsibilities of the Regulators have increased manifold as they need to supervise and control corporate entities to achieve objectives of the Ordinance and SECP Act 1997. In order to make the objectives more result oriented, effective and efficient, I suggest the following:

1. Many sections and sub sections out of the 514 sections of the Ordinance mention in scattered form about fines, penalties and offenses and in some places is repealed. It is suggested that all these fines, penalties and offenses may be put in one places under a new Schedule for the sake of constructive, simple and straight reading of the Ordinance. Further, in many sections the amount of fine and penalty is not in proportion to the expected damages and losses and in some sections highly fluctuating and in some sections seem to be overlooked at the time of revision, so I suggest that the Regulator needs to revisit them to make them just and equitable;

2. I request federal government to please withdraw Zakat and Ushr Ordinance 1980, which is being grossly misused in the name of Islam, because Zakat is Allah's money which should be recognised, measured and distributed in a manner clearly stated in the Quran. Zakat collected by the government is being distributed not in accordance with the instruction of the Quran as it is being used also on non-Muslims and is being misappropriated by

politicians, etc. which is unIslamic, and a severe and painful punishment is fixed by Allah (SWT) for those who are involved and responsible for its wrong distribution. Pakistan is unstable and going far behind everyday and suffering from natural calamities and disasters due to one of these wrong moves of the government.

3. It is suggested to the regulators to convince the general public, who pays huge amounts of donation/Zakat, etc. to the NGO/NPO/Association and are not interested to disclose their names, that to atleast obtain 'cash receipt without name' to ensure that their money has been actually received by the NGO/NPO/Association and are not in wrong hands. Further, they must make it mandatory for all the printing press to submit details of Receipt Books issued to NGO/NPO/Association, registered or unregistered to the Commission, otherwise face penalties and offence. This may help, through sequential checking of receipt books and receipt numbers, to check completeness of donation/Zakat, etc. received by NGO/NPO/Association not subjected to money laundering and misuse of funds. It is also suggested to create panel of auditors of Chartered Accountants by the Commission, who may perform audit of NGO/NPO/ Association on their behalf and report directly to the Commission.

4. As per SECP website information, more than 11,000 companies are classified as dormant/defaulter companies, more than 5,000 companies are classified as defunct companies and more than 4,500 companies are classified as strike off companies in Pakistan. These show how serious are our corporate entities in corporatisation. The incentives and benefits offered by the SECP will be of no use and will not yield encouraging result of corporatisation in the country. Maybe these thousands of companies not having assets and liabilities as stated under Section 439 of the Ordinance, but these companies must have upset undisclosed creditor, working class and general public. Further, there are hundreds of private companies and public unlisted companies which have given and are going to give surprises to the economy of the country by closing down overnight after putting thousands of workers on the road and cheating innocent shareholders and creditors including banks and NBFC. My suggestion thereon includes: (1) When any or all of the points, relating to misuse of funds and mismanagement of affairs, unlawfully and fraudulently or otherwise, mentioned under Section 295 (a) to (i) of the Ordinance, have been applied to the company during the audit of the financial statements, the auditors should report in their annual auditors' report to the members under 'Emphasis of Matter' paragraph as required under ISA 706 of the International Standards on Auditing; and (2) the Registrar may approach the Commission under Section 295 and 296 of the Ordinance to take action on the basis of auditors' report of the corporate entity and on the basis of other information they have.

5. As it was discussed above, companies especially private companies and public unlisted companies are least bothered to maintain their corporate and secretarial record, statement and reports as required under the Ordinance and Rules. What they do is that they entrust the work of company secretary to the head of accounts of the company and appoint corporate consultant to look after their filing requirements, who usually file Form A/B and Form 29 every year and a few more documents. Head of accounts, usually overloaded with others' works, in unorganised way, usually in Seth culture, so he may not be in a position to look at corporate and secretarial work in a way it should be. As a result, he never maintains updated memorandum and articles of association, timely preparation of financial statements, notice of meetings, minutes books, shares and other certificates, disclosure of interests, several registers required under the Ordinance and Rules, books of accounts especially fixed assets register as required under Section 230, 233, 234 and 235 and Fourth Schedule and Fifth Schedule of the Ordinance, and non-compliance of other provisions of Ordinance and Rules. Sometimes even the company secretary of a public listed company sign, submit and publish 'Secretarial Compliance Certificate' without reading what it contains; so what to talk about corporate and secretarial compliances. To achieve the objectives of the Ordinance effectively, efficiently and meaningfully, I suggest that Regulators should introduce yearly 'Corporate and Secretarial Compliance Audit' by Chartered Accountants for all corporate entities, who should submit report to the Commission. This step will be beneficial even to the persons charged with governance and the management of the company, who used to be in dark.

The sources of funds received for running and maintenance of Regulators (Commission including Registrars' offices) include from fee, fines and penalties received from corporate entities under this Ordinance and Rules. So revisit of the Ordinance and Rules by the Regulators in light of above discussed issues and suggestions will not only make the objectives of the Ordinance and Rules effective, efficient and meaningful, but will also enhance source of fund of the Regulators, and also real and effective compliance by the corporate entities.

The author is a fellow member of the Institute of Chartered Accountants of Pakistan and has 25 year experience in different capacities as Head of Finance & Accounts, Audit Partner, Management & Business Consultant, and Professional Examiner. He also contributes in journals and newspapers.

OPEN-SOURCE

WHAT DOES IT OFFER?

Sohail Saleem, ACA

It's a typical scenario that asking someone to have MS Office installed on a PC means to invoke a classic act of either diving into pirates friendly sea of torrents or fetching a DVD, total cost of which merely covers the plastic and packing material and margins of peasants involved, product of a plastic printing factory known as Rainbow Centre. Equally straining scene exists on the much civilized side; frowns are the reactions on hearing the cost of acquiring legitimate software and IT solutions. The good news is that this kind of polarisation could effectively be avoided or mitigated by embracing the offerings of open-source landscape.

Open-source movement has been through thick and thin throughout the modern history of computing and finally and fittingly it has emerged as a potent stream for providing solutions to the world which is writhing with digital needs.

As the name suggests open-source effectively means the software solution of which the source code is readily available for anyone to analyse, amend, improve and even redistribute under any other banner.

Traditionally the software giants like Microsoft have been harsh critics of open-source model and advocated the concept of intellectual property whereof software developed by an entity should be its property and the underlying coding of the same should remain under the wraps and be guarded as any other property of the entity. On the other hand, proponents of open-source claim that knowledge is human asset which should remain free from any profit making activity and this asset should be shared freely amongst humanity.

Be clear in mind that "free" software does not necessarily mean open-source software, for example, a widely used internet browser Google Chrome is free software. However, the Chromium browser on which Google Chrome is based is actually open-source. Similarly, mega hit Android operating system is in fact an open-source operating system which means that you can download the entire Android operating system freely, modify it as you desire and redistribute it under your own logo. This is exactly what the manufacturers such as Samsung, Sony, etc. are doing i.e. they add their own proprietary customisation to original Android OS and supply it with their hardware.

Now, having gotten basic understanding of the open-source model, let's delve into what this market offers to us – the professional accountants, consultants and business managers, and how we can help our organisations and clientele in taking cost effective decisions without getting sullied by piracy menace or committing hefty licensing costs.

ERP Software

An ERP solution could easily cost in millions when opting from any traditional choices available. Alternately, there are a number of open-source options including the following, which are readily available for the enterprises to try out:

Apache OFBiz (ofbiz.apache.org)

Apache OFBiz is open-source enterprise automation software which is highly reliable, secure and scalable and based on industry leading Java technologies. Apache OFBiz offers a great deal of functionality including ERP (Enterprise Resource Planning), CRM (Customer Relationship Management), E-Business/E-Commerce, Open Source SCM (Supply Chain Management), MRP (Manufacturing Resources Planning), CMMS/EAM (Maintenance Management System/Enterprise Asset Management), POS (Point Of Sale), and so on. It can be used out-of-the-box or can be customised to suit even the most challenging business needs. With OFBiz in place, you can get started right away and then grow your operations as your business grows, without the huge deployment and maintenance costs of traditional enterprise automation systems.

OpenBravo (www.openbravo.com)

OpenBravo ERP, one of the finest ERP solutions on the market, can meet the resource planning needs of nearly any sized company. OpenBravo is a modular, 100% web-based business management system, written in Java, and can take on a broad range of tasks, such as finance, supply chain, assets management, manufacturing, POS, business intelligence and more.

ADempiere (www.adempiere.com)

ADempiere is another bright contender among open-source ERP offerings. ADempiere is an industrial-strength combination of ERP, CRM, MFG, POS, and SCM that blend together to provide synchronised business processes. This is a monster of an application with a feature list that shames most other software of its kind. The only caveat to ADempiere is that it doesn't offer the simplistic and user-friendly interface you'll find in some of the other tools listed.

Accounting Software

When it comes to performing core accounting functions, off-the-shelf names like Quickbooks, Tally or any other custom built solution by a software house are the usual choices. Any custom built software may easily cost from Rs. 100,000 to Rs. 500,000 or more without even considering the maintenance and upgrading costs. Alternately, open-source window offers equally capable solutions which includes but is not limited to the following:

TurboCash (www.turbocash.net)

TurboCash caters to the accounting needs of SMEs segment. It's easy to setup, offers comprehensive reporting, and is one of the most robust accounting programs available for SMEs.

GnuCash (www.gnucash.org)

GnuCash offers a complete personal finance manager, as well as basic business accounting features best suited for small businesses. Based on professional accounting principles of double-entry bookkeeping, it includes investment management, bank tracking, general ledger, accounts payable, accounts receivable, invoicing, depreciation, etc.

Office productivity

Legitimate license of MS Office costs ranging from $220 to $400 per computer. Let's look at what open-source has to offer in this domain:

OpenOffice (www.openoffice.org)

Growing in the incubator at Sun Microsystems (now merged with Oracle Corporation), this project seems to be an orphan kid of open-source community changing guardian one after another. However, through continuous care and development this project has accumulated a formidable muscle power to dent the stronghold of

Microsoft i.e. MS Office. Currently under the warmth of ubiquitous Apache Software Foundation, this project is definitely in safe hands. The offerings of Word, Excel and PowerPoint are quite competently challenged by the capabilities of Writer, Calc and Impress respectively in OpenOffice suite of office productivity.

LibreOffice (www.libreoffice.org)

It's a fork of OpenOffice, led by the renegades of original project, equally dependable and sufficiently compatible with MS Office. In recent times the industry pundits are recommending LibreOffice more frequently over OpenOffice due to its rapid evolution.

Cloud solution

Cloud is a buzz word nowadays and the promise it holds against desperate IT infrastructure and incoherent deployment of software from an entity level up to global scale, is beyond doubt a very enticing one. Among a plethora of offerings, a couple of leading open-source Cloud solutions being deployed throughout the world is:

OpenStack Cloud Software (www.openstack.org)

OpenStack is a cloud operating system that controls large pools of computer, storage, and networking resources, all managed through a dashboard that gives administrators control while empowering their users to provision resources through a web interface.

Apache CloudStack (cloudstack.apache.org)

Apache CloudStack is open-source software designed to deploy and manage large networks of virtual machines, as a highly available, highly scalable IaaS (Infrastructure as a Service) cloud computing platform. CloudStack is used by a number of service providers to offer public cloud services, and by many companies to provide an on-premises (private) cloud offering, or as part of a hybrid cloud solution.

Operating System

The good thing about trying Linux is that you don't have to install the operating system on your hard disk, instead Live CDs can be used to run the whole operating system on the fly from the compact disk or USB. There are hundreds of different distributions of Linux operating system floating around the web, most of them cater to the needs of specialised segments such as for system auditing, for servers, for educationists, for musicians, etc., and each one is equipped with unique blend of software and utilities for target audience. The wide variety of acclaimed Linux distributions can be analysed at www.distrowatch.com. However, the following two distributions are the most popular ones:

Linux Mint (www.linuxmint.com)

It is a general purpose user friendly Linux distribution and the closest experience that open-source has to offer to MS Windows users.

Ubuntu (www.ubuntu.com)

Ubuntu is an African word which means 'humanity to others'. Canonical, the company behind Ubuntu Linux, advocates the motto of open-source throughout the world. Ubuntu is the most stable and complete operating system out there; in fact Linux Mint is a cosmetic extension of Ubuntu.

So, what's the catch in adopting the open-source software? For one, opponents claim that since the source code is known to everyone, it's highly risky to run mission critical operations on such software. Secondly, if the software is developed without any strings attached to profit making motives, then how come it will remain feasible for developers to spare time for further development of software let alone allocate time to provide proper support after deployment? To answer these queries a whole separate article is required, however it is sufficient enough to mention here an interesting fact that above 50% of all the global servers that are acting as web servers (computers which are connected to form the Internet) are Linux and Apache HTTP Server based, both of them are open-source software. Such an extensive use for such mission critical task in itself is an acknowledgement of the advantages that open-source software provides over its alleged shortcomings.

We don't have to go on great voyages across vast oceans towards the West in order to observe the emphasis over open-source adoption; former Indian President A.P.J. Abdul Kalam, a scientist himself, frequently emphasised that open-source software offered developing nations such as India the best opportunity to modernise. Once he said, "The most unfortunate thing is that India still seems to believe in proprietary solutions. Further spread of IT, which is influencing the daily lives of individuals, would have a devastating effect on the lives of society due to any small shift in the business practice involving these proprietary solutions. It is precisely for these reasons open-source software needs to be built, which would be cost-effective for the entire society. In India, open-source code software will have to come and stay in a big way for the benefit of our billion people."

TAXATION
The Bitter Pill

Ebrahim S. H. Dahodwala, FCA

It is idle to expect that tax provisions would cater to the palate of even the most patriotic nationals of the country for inherently such provisions are bound to generate resentment. What is unfortunately worse is their administration which makes the pinch all the more acute. The accounts of the assessees, as a rule, are viewed by the tax officers with considerable doubt and suspicion casting, in a majority of cases, an onus on the assessees which they could hardly be expected to discharge. The ability, the efficiency or the resources of various tax payers could seldom be alike. Yet invariably the tax payers suffer when their profit margins do not come up to the highest rate disclosed by one of their more fortunate ones. Rarely indeed are their explanations for variations accepted and despite the lack of defects in their accounts, their rectums are normally rejected. After the requisitions for a plethora of details are complied with, the assessees become the victims if the parties of a particular address furnished by them are neither traced nor traceable. It is of course immaterial that there has been a gap of several years between the occurrence of the transaction and the date of investigation. The onus of tracing the party concerned is thrown on the assessees who obviously, with limited resources at their disposal as compared to those of the authorities, fail in their attempt. This is one of the many ways how, more often than not, the genuine accounts get penalized. Add to these the petty bothers to which an assessee is made to succumb, such as frequent hearings, innumerable hours of waiting, transfer of officers after each have heard him for umpteen times but not deciding his case, refusal of instalments for disputed amounts and the like, and he is literally driven to the verge of tears.

It is the apology of the department that the accounts presented by the assessees are invariably replete with manipulations and inspite of the alleged arbitrary assessments, large amounts of suppressed income escape tax altogether. The excess income declarations under Martial Law are cited to give a big lie to the honesty of the assessees.

It is really the case of which came first, the hen or the egg - the intention of the assessees to conceal or the provocation to conceal through arbitrary assessments by tax officers. The problem evidently has been mixed up in a vicious circle. The inherent unpleasantness of direct taxation cannot be denied. But a large majority of tax payers believe in payment of their share of taxes so as to build up their capital, explore new avenues of investment and contribute in their own interest towards the attainment of a prosperous economy. A more generous attitude of tax officers would, therefore, go a long way towards a larger collection of revenue. The concessions announced under Martial Law would have received a far poor response, had they not been accompanied by repeated assurances of the department that the declarations would be normally accepted. The fulfilment of these assurances was indeed creditable. But this broad outlook was short lived. For subsequent assessments, fresh arbitrary basis were devised visa-vis Martial Law declaration, to pitch up the assessable income, without allowing for the fact that excess income may have had a different source altogether or that previous trade conditions no longer existed. The policy of tax collection, has once again been reduced to one of distrust with its possible outcome of driving the tax payers back to their unethical and illegal practices.

For a developing country such as ours, capital formation and incentive to savings and investments are admitted to be the sheet-anchor for a progressive economy. To that end, tax holidays have been envisaged, accelerated depreciations provided and export incentives included in the scheme of liberalising the taxing statutes. Apart from the letter of the law on these subjects which is not always free from ambiguity, the officials in the department pay little regard to its spirit at the time of its interpretation. To claim an exemption u/s 15 BB, for instance, it is essential among other things that the undertaking should be owned by a limited company with a minimum paid up capital of Rs. 50,000. The word 'undertaking' is nowhere defined. Under the normal commercial parlance, this would mean that the business should belong to the company that would be entitled to profits or be liable for its losses. It is too much to expect that the law intended the company to own the premises, buy machinery, and provide capital, all within Rs. 50,000 only. The premises could be hired and yet an industry could be set up fulfilling the rest of the conditions of section 15 BB. But then it is the view of the department that the industry owned by a limited company but housed in rented premises is not really 'owned' by the company and is, therefore, not entitled to relief u/s 15 BB. This is a clear instance of how the spirit of the law is thwarted and the middle class industrialist whom the government wishes to foster, is robbed of his legitimate right. What worse is that no appeal is provided against such an adverse decision on application u/s 15 BB.

While proposing new taxes in the shape of wealth tax and gift tax, the finance minister announced the commendable objects of the new tax measures as avoiding excessive concentration of wealth and economic power in a few hands and to foster the widely based middle class. The wealth tax was levied on all wealth over Rs. 4 lacs and the maximum rate prescribed was $1^{1/2}$ %. It may well mean that wealth up to Rs. 4 lacs shall be considered to be the domain of the middle class. To prevent evasion of this tax, gift tax was also introduced, the rates of which range from 5% to 30%. The limit of general tax-free gifts in a year has been fixed at Rs. 10,000 only. If the object of this tax was to prevent evasion of wealth tax and to 'foster' middle class, then all gifts by persons whose wealth does not exceed Rs. 4 lacs should have been exempted. Under the present law, smaller people seeking distribution of their wealth amongst their relatives, would be heavily penalised especially in view of the higher tax rate for gifts than for wealth. Instances of such hardships for the middle class tax payers can easily be multiplied. A glaring case of discrimination appears for assessees earning a total income of Rs. 20,000 through business, profession or vocation and those earning the same amount from salary. In the former case, the earned income allowance is 20% of total income with a maximum of Rs. 4,000 and in the latter, it is 25% with a maximum of Rs. 6,000. Both the sections of the middle class earn their living by dint of their labour, yet salaried class receives a partial treatment.

The provision of penal interest of 6% on deferred payment of income tax dues is further likely to hit the middle class. The big business may in a way prefer to pay in installments or at least afford such interest but the smaller assessees, frequently victims of harsh assessments, may find this interest on disputed taxes a last straw on their back especially in view of the delayed appeal hearings. One remembers with remorse Lord Sumner when he said " The way of tax payers is hard and the legislature does not go out of its way to make it any easier."

M/S. Kanga and Palkhiwala have summed up this malady in the country very aptly in the following words:

"The wise have said that the problem of judicial interpretation is to hold a just middle way between excess of valour and excess of caution. In income tax cases, there is too often an unfortunate tendency to incline towards excess of caution, to hold a principle in fetters and stunt its development. There is need in our time and land to recall the words of Sir Frederick Pollock: "Those who make no mistakes will never make anything, and the judge who is afraid of committing himself, may be called sound and safe in his own generation, but will leave no mark on the law."

A sane counsel, but alas' for receptive ears only.

Federation's Power to Charge Income Tax on Capital Gain

Saifuddin Adeeb, FCA

The Prelude

1. The basic purpose that the 2012 amendment, inter alia, in section 37 of the income tax ordinance, 2001 is intended to serve, is to bring the capital gain on disposal of immovable property, in certain situations, within the charging realm of income tax ordinance, 2001, which has earlier [always] remained, within the legislative domain of provincial legislature. The federation now seems to believe that the federal legislature has sourced the aforesaid mandate, from a constitutional amendment [in entry 50 of part I of the federal legislative list]. In the following paragraphs, under the caption, "The debate as to constitutional legitimacy," it has been, at length, discussed that the said constitutional amendment credibly is not good enough and the federal legislature continues to remain devoid of legislative authority to levy the tax on capital gain arising from sale of immoveable property.

Tax on Immoveable Property Held for a period upto 2 years

2. From the 2012 amendments in income tax ordinance, 2001, it is unequivocal that the lawmakers' intention is to tax capital gain from disposal of immoveable property, held for a period upto two years, at the rates specified in relevant part and division of the first schedule to the income tax ordinance, 2001.

The [absence of] Zero Rate

3. Like in the case of [specified] rate card, with regard to capital gain, on disposal of securities, the 'zero' rate is conspicuous, in its absence, in this particular instance. The absence of zero rate of tax with respect to tax on capital gain from disposal of immovable property, held for longer [than two years] period, does not pose any threat, as to levy of tax thereon, for the [amended] section 37 stipulates, that tax shall be levied, on capital gain from disposal of immovable property, held for longer [than two years] period, and at rates specified in first schedule. Non specification or absence of rate, in first schedule, in itself furnishes a reason, to shore up the contention, that there is no tax envisaged, besides the intention, not to levy tax in such situations, being, otherwise also so prominent.

4. Nonetheless, it would have been better, if the zero rate was also specified, in the first schedule. It, however, may be added that the specification of zero rate, in the first schedule, would have [technically speaking], rendered the capital gain on sale of immovable property, after being held for more than two years, chargeable to income tax, albeit at zero percent. The absence of zero rate, on the other hand, does not bring such capital gain, within the charge ability sphere.

5. There is a valid assumption, approved by the courts, from time to time, to the effect, that the change of way with words, in two otherwise matching provisions in the law, innately signifies diverse intents. Two differently worded provisions of law [prima facie to the identical consequence] cannot have the same effect and impact. Accordingly, the aforesaid deviation as to use of zero rate, can lead to some [may be consequential] inference and corollary.

The not thought through Amendments

6. It needs to be added that the amendments [if constitutionally permissible] should have been incorporated, through addition of a self governing section 37B, in the manner, it was earlier done, in 2010, when gain on disposal of securities was brought to tax, through incorporation of section 37A in the income tax ordinance, 2001.

7. It does not need to be laid on with a trowel that great care and vigilance must be exercised, in discharge of as significant an obligation as writing a federal tax law. There is needed constancy, with either putting all the capital gains under one [parent] section or capital gains under diverse [significant] heads placed under different sections, [for illustration] where tax rates are dissimilar. There can be a great world of difference [with far reaching implications] amid stipulations interconnected and clubbed within one section and those that are incorporated through different self governing sections. That the subsections are not as sovereign as different sections are, does not need to go on and on.

8. On the tangential plane, it may also be added here, that the inclusion of phrase "other than gain on disposal of capital assets representing securities" was also imperative, after the phrase "gain arising on the disposal of a capital asset," in subsection [1] of section 37, when section 37A was introduced by the finance act, 2010. The non inclusion of the aforesaid phrase has rendered gain on disposal of securities, by those, with whom securities did not constitute stock in trade, to [un-envisaged] twin taxation, in terms of section 37 and 37A both. This Himalayan blooper can lead to uncalled for disputes and court cases. It may also be added that absence of a provision in section 37A matching subsection [4A] of section 37 shall, also in most assured probability, give rise to litigations vis a vis determination of cost, of certain capital assets, in certain situations, for section 37 with a kind of significant and far reaching provision like aforesaid sub-section [4A] and section 37A, without such provision cannot, by any means, taken to have the same effect and meaning, with regard to determination of cost of certain capital assets in certain situations.

9. It was also imperative, on the part of the lawmakers, to add words "other than gain on sale of capital assets representing immovable property" after the words "gain arising on the disposal of a capital asset" in subsection [1] of section 37 and correspondingly, phrase "capital assets representing" also needed to be imperatively included in the proposed sub-section [1A], after the words "disposal of" and then there was no need to prefix the "non obstante" expression, to the aforesaid subsection [1A]. This would have brought at least some evenness amidst the provisions, with regard to tax on capital gain, arising from disposal of securities and from sale of immoveable property, even when one was promulgated through a separate section [37A] and the other included as a subsection [1A] in section 37.

10. The inconsistency, as to employment of 'non-obstante' expression in subsection [1A] of section 37 and omission thereof in section 37A, can unscrew yet another can of worms and the commissioner, inland revenue, might, with greater interpretational force, stress the imposition of [though unintended] double taxation of capital gain, arising from disposal of securities, in certain situations, inter alia, {with [unmerited] vehemence and advantage} employing the principle of fiscal [tax charging] statutes construal, that an income that explicitly falls within the four corners of letter of charging provisions of a taxing statue, shall be subject to [even double] tax, no matter how unreasonable it might appear. The commissioner, inland revenue, does not have to press forward any rationale, for the imposition of twofold levy, if it otherwise, falls within the square precinct of letter of the charging provisions.

The debate as to Constitutional Legitimacy

11. Notwithstanding all that has been stated above, in my view, the amendment appears to have been based,

on a mistaken belief, that the amendment, in entry 50 of part I of federal legislative list, confers powers upon the federation, to levy tax, on gain arising on disposal of immovable property. The removal of the words 'on capital gains' from aforesaid entry 50, does not, by any means, deliver entitlement or prerogative, to levy tax on capital gain, from disposal of immoveable property.

12. The aforesaid entry 50, after being amended reads: "Taxes on the capital value of the assets, not including taxes on immovable property". Tax on capital gain from disposal of immovable property, is a tax on immovable property and by no means, it is a tax on capital value of assets. The capital value of assets is entirely different, from capital gain on disposal of immovable property. These two - the capital value and capital gain - extricate each other, in a reciprocal manner.

13. One can, however, counter argue, that capital value includes capital gain [capital gain is part of capital value] and, therefore, the federation can levy tax, on part of capital value, if it can levy tax, on full capital value.

14. Once again, one can offset the aforesaid argument by asserting that capital value and capital gain are two distinct entities, with the first forming the value that can generate capital gain and not the one which can render capital gain, part of it and if the constitutional intent was to grant power, in relation thereto, then the taxes on income [capital gain] would have not been [purportedly] clubbed with tax on capital value, and these two would have been separated, in the manner, wealth and income taxes have been separated, in the federal legislative list. Therefore, inference that capital gain is included in capital value, would run contrary to the patent scheme, employed in the constitution, as well. The capital value and capital gain connection is akin to capital and profit kinship.

15. The purported authority, to the federation, to levy tax on capital gain, arising from disposal of capital assets, representing immoveable property, could not have arisen from any other [un-amended] entry in the federal legislative list, for it is evident that the federal lawmakers have, in their wisdom, patently thought that the removal of words "on capital gains", has equipped them, with the powers, to levy income tax, on capital gain, arising from disposal of capital assets, signifying immoveable property, for the presence of the foregoing words, had earlier, prohibited them [federal lawmakers] from embarking upon any initiative, to levy tax on such transactions.

16. The capital gain, from disposal of immoveable property was, earlier, not includible in income, under the head capital gain as, prior to aforesaid 2012 amendment, the immoveable property was explicitly excluded from the meaning and compass of capital asset and in the straight corollary thereof, the gain on disposal of immovable property fell outside the ambit of capital gain, chargeable to income tax. There cannot be fallback on the argument, to protect the levy, by asserting the imposition being sourced from any other [un-amended] entry in the federal legislative list, seeing that the aforesaid 2012 amendment has noticeably branched out, from the 2010 eighteenth amendment in aforesaid entry 50 and from nowhere else.

17. It has to be remembered that primarily, the aforesaid entry 50 is meant to empower the federation, to levy taxes on capital value of assets, not including taxes on immovable property and that is it, period. It can, by no means, be seen as an entry that delivers prerogative to the federation, to levy tax on capital gain arising from disposal of immoveable property. It has already been explained above, that tax on capital gain from disposal of immoveable property and tax on capital value of assets are two mutually exclusive entries, falling under two different legislative domains and one cannot trickle into another territory. These, inevitably, are to be kept distinct. The broadest possible subtext, undertone or overtone, of what has been stipulated, in the aforesaid entry 50, cannot bring legislation as to tax, on capital gain arising from disposal of immoveable property, within the reach of federal legislature.

18. In my view, it is not the presence of phrase "on capital gains", that had earlier restricted or prevented the federation, from levying the tax, on income from capital gain, arising on sale of immoveable property. It was, in actual fact of the matter, non presence of the entry, in either the federal or the concurrent list, that had earlier given the unshared right to the provinces, to levy tax on such income. It is also a fact that provinces had been levying tax on capital gains and, therefore, once the provinces had occupied the domain of legislation, the federation could, otherwise, also not move, if the provincial legislatures had a shared jurisdiction, under the concurrent legislative list. The federation, with the abolishment of concurrent list, has [restricted and unshared] mandate of legislations, with regard to what has been enumerated in the federal legislative list and everything else, from eighteenth constitutional amendment onwards, falls within the domain of provincial legislatures.

19. It has also to be made clear that on the subject of immovable property, it is only the legislation with regard to tax on capital value of assets, which falls within the federal domain. Everything else, pertaining to immovable property goes to provinces. The capital value of 'assets' [a general expression] is different from tax on capital gain, from disposal of immoveable property, being an specific item, taken in the general expression "assets", which signifies all moveable and immoveable properties.

20. It may also be added that the phrase "not including taxes on capital gains" only had a clarificatory attribute and it is not that the exclusion of phrase "on capital gains" shall bring the capital gains from disposal of immoveable property, within the taxing ambit of aforesaid entry 50, for, as explained earlier, capital value of assets and capital gains are mutually exclusive.

21. There can be yet another view, to the effect that since the capital value could [perchance] have been said to have included capitals gains, as well, the phrase "on capital gains" was first inserted and afterward omitted. The removal of a clarification, which may not be considered necessary, any more, cannot be seen, as federation being vested with powers, to levy tax on capital gains, from disposal of immoveable property.

22. If the purpose of the lawmakers was to bring capital gain, arising on disposal of immoveable property, within the ambit of federal legislative list, then for the federation to become competent, in levying tax on such capital gain, it was necessary, that the words "including capital gains on sale of immoveable property" were inserted, at the end of entry 47 of the federal legislative list.

23. There is an stark difference amidst the inclusion, and exclusion of exclusion. First we need to understand that if tax on capital gain, from disposal of immoveable property, was excluded from federal legislative list or it clarified that tax on income from such capital gain was outside the purview of the federation. The exclusion of a clarification cannot be taken as inclusion of power to legislate the charge of tax. On the other hand, whatever had been included earlier in the concurrent list, was within the legislative competence of both federation and provinces and the one moving first would oust the other and occupy the legislative domain. Then, the subjects that were not incorporated in both federal and concurrent lists, absolutely, permanently and straight on, fell within the lawmaking competence and jurisidciton of provincial legislature. The occupancy of legislative domain is eternal and can be vacated only by a properly expressed and appropriately worded constitutional amendment, backed by an explicit statement of amendment object, and not through [blemished or arguable] inference.

24. We are also fully cognisant that one of the predominant purposes and primary objectives of lawmakers, when they launched amendments in the constitution, through the Constitution [eighteenth amendment] Act 2010, was transference unto provinces and not exclusion of provincial legislative mandate. The flawed belief that the amendment in aforesaid entry 50 has transmitted the legislative powers from provinces to the federation also runs contrary to the aforesaid intent.

25. In this milieu, tax on capital gains from disposal of immoveable property cannot come within the purview of federal legislative powers, with the removal of the said phrase "on capital gains".

26. The correct constitutional position is that it was not included in concurrent list either, and accordingly, it meant, in so far as federation was concerned, the imposition of tax on capital gain from disposal of immoveable property, was absolutely irrelevant and the jurisdiction thereof was vested deliberately, wholly and exclusively, in provincial legislatures and the provinces moved in and started levying the tax on capital gain and some of the provinces, and later on delivered exemption. However, the deliverance of exemption cannot be seen as withdrawal of jurisdiction, to impose tax. The jurisdiction, notwithstanding the exemption, continues to remain with provinces.

27. On the other hand, the exclusion of words, "on capital gains" from aforesaid entry 50, cannot be viewed as conferring jurisdiction upon federation. The exclusion of exclusion cannot be seen as inclusion. In fact, I would go to the extent of saying that the phrase "on capital gain" in aforesaid entry 50 became redundant, the moment tax on capital gain from sale of immoveable property, was levied by any one province, for it then became a provincial subject. Therefore, the omission of the phrase "on capital gains" can be validly taken to be nothing beyond, the removal of redundancy, likewise.

28. One can also argue that earlier, it was just taxes on capital gain from immoveable property that was excluded and now all the taxes in relation to immoveable property fall outside the legislative domain of the federation. This has been further discussed and spelt out in paragraphs to follow.

29. I would be more clear and lucid in putting forth my point of view, if I cited yet another example of entry 49, in the aforesaid part I, which ends with the phrase "except sales tax on services". The omission of exception shall not entitle the federation to levy sales tax on services. In fact, the phrase "except sales tax on services" also became redundant, the moment, sales tax was levied on services by the provinces and like "on capital gains", this phrase also needed to be extricated from aforesaid entry 49. Although not directly pertinent, I may add that levy of sales tax on services, by the provincial legislature, can also be constitutionally impugned, seeing that services were already taxed by the federal legislature, through Federal Excise Law, and there cannot be two legislative domains taxing services.

30. We also have entry 47 in the aforesaid part I which reads thus: "taxes on income, other than agricultural income". This also excludes federal legislature, from the sphere of legislative power or faculty, to levy tax on agricultural income and resultantly, the provinces, having occupied the field, cannot be deprived thereof, if the words "other than agricultural income" are omitted. The constitution shall, of necessity, need to, by the book, vacate the domain from provinces and then confer it upon the federation and then only the federation would be competent to levy tax on agricultural income. It is significant that we notice and accurately grasp the distinction between exclusion and conferment of legislative domains.

31. The matter as to occupancy of legislative field needs to be properly understood. Once a field is occupied by either federation or provinces, in case of matters listed in concurrent list, it becomes their permanent jurisdiction and this jurisdiction continues to remain with them, for all times, until properly and in so many words, the conferment whereof is transferred the other legislature cannot move, to capture that legislative field. It is only upon abolishment of concurrent list, that the field has been vacated in favour of provinces. There was no other way, the provinces could have moved in, in the fields which were occupied by federation.

32. There is plethora of case law, with respect to according broad connotation, to constitutional provisions. However, this, by no means, means that legislative territory of a legislature shall be infringed, sans proper transfer of jurisdiction, from one to another legislative domain.

33. We also need to look at aforesaid entries 47, 49 and 50 together, to further appreciate the issue at hand. In case of entry 47 reading "tax on income other than agricultural income", there is no question that agricultural income is an income and, therefore, the agricultural income can properly be taken as excluded, from the purview of entry 47. However, in case of aforesaid entry 49 reading "tax on sales and purchases of goods imported, exported, produced, manufactured or consumed, except sales tax on services", it is evident that tax on sales of goods and sales tax on services are mutually exclusive and, therefore, the phrase "except sales tax on services" cannot be taken as exclusion. The services and goods are two distinct entities and if there is anything that is not included, in the first place, it cannot be excluded. It can only be seen as a clarification, in the same manner, the phrase "on capital gain" is seen [as clarification] in aforesaid entry 50, for capital value and capital gain are as different as goods and services are. It can also be said that federal legislature has already been bestowed power, to levy tax on services, in the form of federal excise duty and since another tax is not intended to be levied on services, by the federation, the exclusion has been added as further clarification.

34. In case of [i] capital gain from disposal of immoveable property, [ii] sales tax on services and [iii] agricultural income, situation is more strongly in favour of provinces, for the legislations, in respect thereof were either not included or excluded from the purview of federation and not included in the concurrent list and thus these, from inception, fell within the legislative competence of provinces and the field, which was from the day one occupied by provinces, could, by no means, be handed to the federation, by a flawed inference.

35. It is only an explicit and unequivocally expressed withdrawal of constitutional entitlement, from provinces and conferment thereof upon federation, through a constitutional amendment, that can empower federation, to levy tax on capital gain, arising from disposal of immovable property. On the other hand, there can still be another view, inviting engagement and mull over, that the omission from the federal list would suffice, if a field or fields or a part or parts thereof is [are] omitted from federal legislative list, in situations, where a deliberate devolution of federal legislative power is intended. However, given the spot on federal spirit of the constitution, wherein the federation retains the minimal possible legislative powers, that are considered necessary and where legislative freedom of federating units [provinces], within the confines of the constitution, is inherently enshrined, if and when there is a reverse transfer from province to federation, it may perhaps be of fundamental meaning that the said turn around and relocation is overtly reasoned and in an abundant manner explicated.

36. There can be added yet another consequential feature, interpretative value and far reaching implication, to the entire discussion. We are all cognisant that the transference of legislative authority, unto the provinces was one of the influential and governing intentions, underneath the eighteenth constitutional amendment act. In this milieu, if aforesaid entry 50, after the aforesaid amendment, is unmistakably read, there can be a

legitimate, sensible and erudite assertion that the federation's right [keeping in view the aforesaid powerful power devolution objective] with regard to taxes on immoveable property has been truncated or [more preferably] omitted, when aforesaid entry 50 puts forth the entire phrase "taxes on capital value of assets, not including taxes on immoveable property", meaning to the effect that federation is empowered to levy taxes on capital value of all assets, other than immoveable properties.

37. The phrase "assets" first integrates all moveable and immoveable assets. Having incorporated immoveable properties in the expression "assets" first, in the following half of the entry, the immoveable properties are manifestly excluded. We must place strong significance unto, recount and connect the phrase "taxes" as used twice in the aforesaid entry, which illustrates right from the onset till the last part that federation is empowered to levy taxes on capital value of all assets, with the eye-catching and amply laid-out exclusion of taxes on immoveable properties. It needs to be indispensably added that in the framework of affording liberal construction to words and phrases used in the constitution, it must be born in mind that there cannot be selective liberal construction. In case of aforesaid entry 50, liberal construction shall, in inescapability, be assigned to the phrase "not including taxes on immoveable property" likewise.

The Federal Character of the Constitution

38. Before finishing the deliberations and pondering on the foregoing subject, it is of key significance to, for the most part, notably appreciated, that in a federation, the legislative propel first and foremost exists and law making right primarily and in much higher measure, rests with the provinces and the federation has a restricted legislative mandate, confined to a very few subjects. We are all cognisant that there is steadfast demonstrability and impervious credence deeply entrenched, as a general rule, with the proponents of federal form of government, that concurrent list was a jagged impediment in the constitutional conduit of putting together a true federation and was contrary to the intuitive, intrinsic and enlightened federal character of the constitution.

39. Therefore, in so far as conferment of legislative mandate is concerned, the superior penchant or more satisfactory and acceptable presumption shall be in favor of provinces, whenever there is clouded a mistiness and resultant dispute arises, with regard to lawmaking sphere. In this backdrop, the abolishment of concurrent list can be taken as a significant stride in the precise direction of restitution of the constitution to its true federal contour and right elements.

40. It is trite code and accredited tenet of constitutional construal that in an interpretational practice, the words and phrases employed in the constitution shall be dispensed more open subtexts and broader undertones within the balanced premise and permissible precincts. We need to appreciate that as indicated earlier, the words and phrases shall be given the wider meanings, within contextualised and permitted confines, however not the subjects enumerated in the federal legislative list. The subjects are and unremittingly remain specific and there cannot be spill overs [of subjects] or interruption in focus from one to another legislative domain. If and when liberal import to a subject [and not to the words within a subject entry, which is permissible] is handed, it shall give a free rein to mayhem and it will inherently carry an overriding prospective and robust potential of weakening the federation.

41. In the foregoing backdrop the erasure of few phrases from entries in the federal legislative list cannot be looked at as transference of the legislative powers to federation and thus divesting the provinces of its legislative domain and this [the omission of few words from an entry] cannot have equivalence with paramount exclusion, imposing elimination and curative eradication of concurrent list. Accordingly, the interpretative process that will be assigned in the foregoing two situations cannot be inflexibly indistinguishable. This distinction needs to be, by the book, fathomed and penciled in. Therefore, the constitution must lay a very conspicuous eminence and unequivocal emphasis when provinces' jurisdiction is vacated in respect of an entry and the jurisidciton in respect of that entry is bequeathed upon federation.

42. It is unneeded to, in conclusion, add that it is an unshared prerogative, a singular privilege and an exclusive domain of the courts of law, to so construe the diverse provisions of the constitution and the sub-constitutional legislations, put such meanings to the words, phrases and expressions, as have been used in the constitution and sub-constitutional legislations, accord such treatment to different stipulations thereof likewise, and sit in judgment upon other related matters, as they judge fit and proper. The orders and verdicts of the courts that are issued from time to time on the various subjects are held in premier deference and highest esteem and looked upon, both instructive and illuminating to deliver the desired help and guidance. That the Supreme Court of Pakistan constitutes an ultimate interpretational authority, does not need to be laid on with a trowel.

REVENUE COLLECTION TARGETS

Myth or Reality

Imran Nawaz, ACA

Economy is in state of inertia since the last five to six years. Most of the economic indicators are nose diving due to the manifold well known reasons, so it doesn't require meticulous discussions and analysis to ascertain causes. The overview of the last several years' budget transpires that most of the budgetary components are proportionally consistent creating no fiscal space to support economic development. Growth in revenues is being swallowed up by the ever growing non-development expenditures leaving no fiscal space for development and public welfare services.

Budgeted expenditures for financial year 2014 -15 have been estimated at Rs. 4,302B out of which Rs. 3,463B have been allocated to current expenditures which comes to 80.5% of the total expenditures. On review of the breakup of current expenditures, we came to know that major pockets in current expenditure breakup are debt servicing and defence which occupies 47.8% and 20.2% of current expenditures respectively. Another significant and notorious component is loss making public sector organisations. The second component is development expenditure which stood at Rs. 838.5B, which comes to 19.5% of the total expenditure. These components are almost consistent from one financial year to the next year.

Present security conditions and geopolitical situation don't allow any slash down from defense budget and increase in public debt doesn't give any hope of reduction in debt servicing figures. Expenditures on health and education are just meager. On the other hand, keeping in view the growing population needs and for creating more business and employment opportunities development expenditures are not sufficient. Fiscal deficit is already at 4.9% of the GDP so the only possibility of creating fiscal space is to increase revenues.

Depressive economic conditions require strong initiatives hence ruling political parties and other in waiting list are presenting quite ambitious plans in their manifesto to attract public attention, which are indeed extremely needed. The plans are like building of infrastructure, spending on public welfare like health and education, revival of public sector entities new mega projects and creating more business and employment opportunities. In isolation all these initiative looks attractive and appeasing. On asking source of funding these projects the answer is additional tax collection of Rs. 1500B-Rs. 2000B and bringing tax to GDP ratio from 10% to 15% - 17% and full stop. Nobody bothers to go into the detail of how it will be done in such a short span of time with so many economic and security challenges.

Break-up of Tax Revenue budgeted for year 2014–15 is as follows:

Direct Taxes	Rs. 1,180	billion	37.70%
In-Direct Taxes	Rs. 1,630	billion	52.10%
Other Taxes	Rs. 319	billion	10.19%
Total Tax Revenue	Rs. 3,129	billion	100.00%

Last year tax revenue budget was estimated at Rs. 2513B. We observed an increase of 24.5% in revenue targets over last year. GDP growth has been estimated at 5.1% as compared to last year of 4.1%. Tax to GDP ratio has been targeted at 11.5% as compared to last year's target of 10.6% as per revised estimate. Both factors have been optimistically estimated by 1% higher than last year. Both are challenging numbers keeping in view the energy crises, law and order situation, increasing cost of production and hesitating investment behaviour and further due to depleting purchasing power of consumer. Fiscal deficit has been estimated at 4.9% of the GDP. In case of missing revenue targets either fiscal deficit will grow or we have to go for making second compromise on our Public Sector Development Program (PSDP).

GDP growth rate appears reasonable and quite achievable due to the reason that last five years GDP growth remains depressive in our country; most of the global economies were facing depression due to global financial crunch of 2008. Most of the countries are now in the revival phase after experiencing global financial meltdown of 2008. Here we can hope that by taking few basic economic measures GDP growth of 5.1% seems quite reachable, proportional increase in tax collection is equally logical.

The real challenge is optimistic target of tax to GDP ratio i.e. additional collection as compared to proportional increase in tax revenue in line with GDP growth. Targeted numbers are given in below table:

YEARS	2014 – 2015	2015 – 2016	2016 – 2017
TAX TO GDP Ratio	11.5%	12.1%	12.9%

The recent growth of 24.5% in revenue collection targeted by the government is due to increase in sales tax rate from 15% to 17% and further government is optimistic regarding increase in collection of direct taxes also by expending tax net and bringing new taxpayers. But the history of tax proposition and current breakup transpires over dependence on indirect revenues, rate of sales tax has already been increased from 15% to 17% which caused inflation and affected purchasing power of the general public. It was an unpopular decision causing a lot of criticism and public pressure on the government.

World Bank Statistics on Tax to GDP Ratio of Different Countries

Countries	Year 2010	Year 2011	Year 2012	Year 2013
Pakistan	10.0%	9.2%	10.1%	10.9%
India	10.2%	8.8%	10.7%	
Sri Lanka	12.9%	12.4%	12.0%	
Bangladesh	9%	10%		
Malaysia	13.7%	15.3%	16.1%	
Turkey	20.5%	20.1%	20.4%	
Philippines	12.1%	12.4%	12.9%	
Egypt	14.1%	14.0%	13.2%	
United Kingdom	26.4%	27.1%	26.9%	
United States	8.8%	9.7%	10.2%	10.5%
Sweden	21.3%	21.9%	21.5%	
Norway	27.2%	27.8%	27.3%	
Denmark	33.6%	33.7%	34.1%	

Note: Budget forecast of 2013-2014 for tax to GDP ratio was 10.9% which was reduced to 10.6% in revised forecast.

Comparability Factor

Different countries of the world use diverse range of economic models due to variation in economic indicators, level of income, social and economic structure, diversity in business sectors and further geopolitical perspective. Scandinavian countries have the highest tax to GDP ratio, but they have altogether a different economic model which it not very much relevant to our country. Then there are European countries that are also far away from us carrying minimal relevance. We normally compare our economic indicators with South Asian countries, particularly India and Bangladesh due to a variety of similarities in economy, income group, social and economic structure and size of population. Recent inspiration with the Turkey model is being welcomed by many analysts; despite having various disparities policy makers are trying to work on commonalities and taking it as role model for future growth.

Brief Review of Indian Fiscal Policy and Revenue Collection Challenges

Indian fiscal policy survey for financial year 2014-2015 raised severe concerns regarding tax to GDP ratio and fiscal deficit as per survey report the tax to GDP ratio was peaked at 11.9% in FY 2007-08, however following stimulus package in the aftermath of global financial crises. Tax to GDP ratio estimated at 10.9% of GDP in budget year 2013-14, which finally stood at 10.0% of GDP as per provisional accounts in 2013-14, due to slowdown in economic growth. However, with the recovery in GDP growth expected in FY 2014-15, tax to GDP ratio of 10.6% is targeted in budget year 2014-15. So, low tax to GDP ratio is a matter of concern for India as well; policymakers are trying to bring this ratio to the level ranging from

15% - 17%. The main hurdles faced by Indian economy as per Moody's are as follows:

- Financial crunch resulting slowdown in economy and many struggling business sectors.
- Structural issues like low per capita income keeps tax collection low. "Low average incomes and high poverty rate result in a very small portion of the labor force being eligible to pay personal income taxes. The government is collecting only 10% of general government's revenue from this sector.
- A large proportion of economic activities that is generated by small and medium enterprises (SMEs) are out of tax net due to variety of exemptions and compliance issues.
- Tax exemption on agriculture related activities.
- Low tax collection on 5% of total general government revenues, although they comprise about 60% of GDP.
- Due to these constrains, general government revenues have relied on manufactured goods.

Revenue Collection Challenges

Our economy is also facing similar challenges as given above viz-e-vis low per capita income resultantly a major proportion of population remains below taxable limits and get out of tax net; many sectors of the economy are out of tax net like agriculture and we also have low tax collection on services which occupies a significant portion in GDP. Apart from these similarities in economy we have some additional challenges:

- Energy crises
- Law and order situation
- Political instability
- Industry migration from Pakistan to Bangladesh and Africa
- Undocumented economy
- Tax heaven for foreign exchange remittance
- Industrial sectors struggling for revival particularly textile
- Expensive labour force
- Inflation

Economic problems have predominantly hampered growth of Small and Medium Size (SME's) industry which is key contributor in GDP growth. Increasing cost of inputs has contracted profit margins of SME's in particular. In Pakistan, corporate entities are taxes with higher rates about 35% as compared to non-corporate entities like sole proprietorship and partnership about 25%, while in other countries it is other way round to encourage corporatisation for paving the path of documented economy. Sole proprietorships and partnerships are exempt from audit also so most of the firms don't maintain proper books of accounts which results compliance issues and cause hurdle in determining their income and collection of taxes. Only 2% of the businesses are corporatised in Pakistan; in Pakistan 61,000 companies are registered against three million businesses while in UK there are two million registered companies with 300,000 new companies being registered every year. Higher rate of taxes, complicated taxation system and lack of technology also caused tax evasion.

Due to aforesaid economic problems policymakers are heavily relaying on indirect taxes, recent jump in sales tax rate is an example. Even in direct taxation FBR keeps on shifting on deductions at source and presumptive tax regimes. Key for growth in direct taxes is the use of technology, integration of different departments and documentation which can help in bringing new tax payers in the net.

Conclusion

Hopefully we will see some positive economic initiatives and improvement in law in order situation, resolution of energy crises and upcoming mega projects which will augment our GDP growth which will increase tax collection also. Expected reduction in fuel prices in upcoming years will also make a positive impact on balance of payment. But as soon as the government is able to create some fiscal space there will be an enormous pressure from business community for reduction in tax rates particularly corporate entities. Secondly, the recent shift of sales tax rate from 15% to 17% requires immediate reversal. Moreover, most of the economists and experts are convinced that sales tax rate should be reduced to 10% over the period of next five years. Indirect taxes are contributing towards inflation and reducing purchasing power of the consumer. Stability and revival of economy is not possible without increasing purchasing power of the consumer and initiating measures to curb inflation.

In short term, without making any structural improvements in tax collection mechanism, and introduction of technology before initiating measures for economic stability, chances of achieving targeted tax to GDP ratio seem quite perplexing.

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Emerging Dimensions in Indo-Pak Trade

Prof. Dr. Badar Alam Iqbal

Introduction

In South Asian Region or SAARC countries; the most potential countries, are India and Pakistan. Both the countries are the economic pillars of the region and are responsible for accelerating economic growth and development in the region. Trade is an "engine of growth" for both the economies of the region. But unfortunately, both the countries have not exploited the potential and opportunities, and as a result, the volume and value of trade between India and Pakistan has been at the low ebb much below the existing enormous potential.

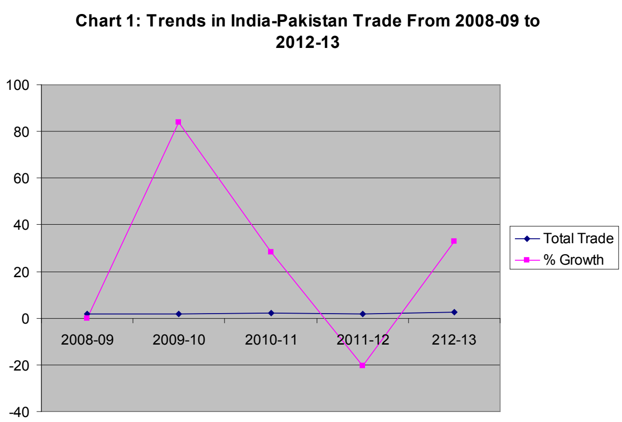
India and Pakistan started the negotiations to normalise and expand trade in January 2011. Accordingly, both the nations have already made considerable headway by extending concessions to each other which include removal of import ban on a number of Indian goods by Pakistan and lowering of duties on specific items from Pakistan by India. In 2012-13, India's total trade with Pakistan stood at about US $ 2.6 billion or 2,606 million which indicates a growth of about 34 per cent over the year 2011-12.

In the year 2008-09, the bilateral trade between India and Pakistan was amounting to US$ 1.80 billion and the same continued to rise to a level of US$ 2.36 billion during 2010-11 and, thereafter, gone down to a level of US $ 1.96 billion in 2011-12 and again went up to a figure of US $ 2.6 billion in 2012-13 (Table 1). The bilateral trade between India and Pakistan is of fluctuating nature and the gradual and steady growth in value of trade has been a missing link.

Table 1: Emerging trends in India-Pakistan trade between 2008-09 and 2012-13

Year	Total Bilateral Trade (In Billion)	% Growth
2008-09	1.80	-
2009-10	1.84	84.0
2010-11	2.36	28.3
2011-12	1.96	-20.4
2012-13	2.60	32.7

Source: The Economic Times; Mumbai; March 10, 2014; Pg. 9

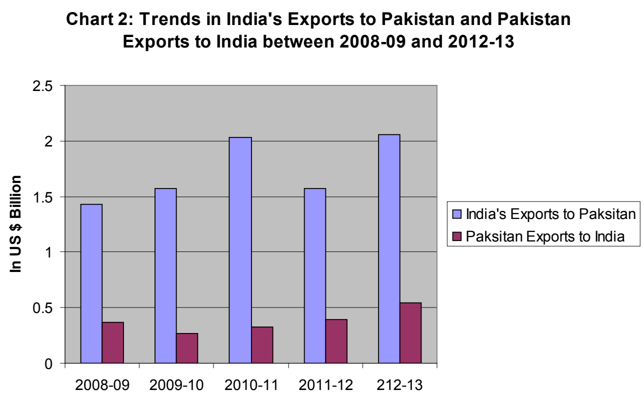


Source: Prepared by the author from the data given in Table 1

The most pertinent and strategic trend in India Pakistan bilateral trade has been that India's share of trade with

Pakistan to total trade remains minuscule at 0.7 per cent of total exports and at 0.1 per cent of its total imports in 2013-14. This has been due to the fact that Pakistan's economy is considerably smaller than India's seems natural that India should consider to universally and comprehensively liberalise trade with Pakistan despite the latter's shorter positive list which it allows trade with India.

It is in fitness of things to reveal that in absolute figure India's exports to Pakistan is much higher than India's imports from Pakistan. But in growth terms, Pakistan's export to India has performed better and accordingly the growth rate is higher in case of Pakistan exports to India as compared to India's export to Pakistan (Chart 2). The growth rate of India's exports to Pakistan between 2008-09 and 2012-13 is 44.0 per cent while growth rate of Pakistan exports to India stood at nearly 46 per cent.



Source: Same as Table 1

Silver Lining

It is heartening to note here that Pakistan is planning to expand its trade relations with India, agro-exports from India to Pakistan have become more than double in 2013-14 and the same is because of the higher demand for commodities such as pulses and vegetables (Table 2).

It is notable here that the export of agricultural goods from India has been a a biggest concern for farm lobby in Pakistan, which express fears that dismantling trade barriers with India would affect Pakistan's farmers' in a big way.

India's Agricultural and Processed Food Products Export Development Authority (APEAD) the apex body has released the data. According to APEDA statistics, India's agro-exports to Pakistan amounting to US $ 146 million during the months of April to October 2013, which is about 97 per cent more than the exports made out during the same period of 2012. Added to this, in terms of quantity too, exports registered threefold rise which comes nearly 198 per cent.

Table 2: India's Agri-Exports to Pakistan

Item	2012-13 (Apr-Oct)	2013-14 (Apr-Oct)
Total Exports ($ mn)	74	146.97
Total Export (quantity)	94,867	2,83,416
Pulses ($ mn)	28	44
Pulses(quantity)	26,342	67,571
Other fresh vegetables ($ mn)	6.66	41
Other vegetables (quantity)	18,324	105,790
Onion ($ mn)	8.90	17.65
Onion (quantity)	38,823	73,140

Source: Business Standard; New Delhi; February 3, 2014; Pg. 5

The rise in India's export of agri-goods to Pakistan can be attributed to a stellar rise in vegetable exports i.e. 520 per cent in dollar terms and 477 per cent in value terms, as well as an increase in export of pulses 56 per cent in dollar terms and 156 per cent in quantity. Similarly, there is a 170 per cent rise in terms of value

and 147 per cent in terms of quantity as far as dairy products export to Pakistan are concerned. Likewise, India also exported onion amounting US$ 17 million and 73,140 million quantities in 2012-13 as compared to US$ 8.90 million and 38,823 million tones during 2012-13.

MFN Status to Pakistan

India has already granted Most Favoured Nation (MFN) status to Pakistan as back as 1976. But Pakistan has failed in granting MFN status to India despite giving assurance many times.

What could have been the Benefits of MFN?

The following could have been the possible benefits to both countries, if Pakistan grants MFN status to India:

a. Illegal trade which is estimated at US$ 3 to 4 billion through third country could become legal;
b. Pakistan light engineering sector could be expanded;
c. Indian bicycle sector could benefit as the same could be exported to Pakistan;
d. Indian goods can enter Central Asian markets through Pakistan;
e. Traders from Haryana, Punjab, Himachal Pradesh, and North Rajasthan could benefit substantially;
f. Purchasing power of Pakistani could increase due to access to goods at competitive rates;
g. The freight cost could be reduced resulting in lower cost of business in Pakistan;
h. The existing competitiveness and productivity of Pakistan's industry could improve substantially;
i. Time frame and cost of procurement could also decline;
j. The business linkages between India and Pakistan could improve further and may in turn improve the existing degree of competitiveness of Pakistan's local industries;
k. Pakistani producers could get desired access to a large Indian market.

Bilateral trade relations between India and Pakistan are appearing to move out in the right direction and spirit, and Pakistan is likely to grant MFN status to India. According to a SAARC report, the total trade potential between India and Pakistan could be around US$ 12 billion

MFN replaced by NDMA

The government of Pakistan recently showed a keen interest to finalise a deal with the Indian government to grant the country greater access to its market in return for lower duties on its exports. The main aim of this deal was to ensure that negotiations in respect of trade normalisation between the two nations over the past few years do not go back to the drawing board with the change of government in India (UPA is replaced by NDA). Accordingly, a formal proposal known as Non-Discriminatory Market Access (NDMA) a nomenclature selected by the Pakistan government to avoid political ramifications at home of giving India Most Favoured Nation (MFN) status. The NDMA will allow India to export 1,209 items that are presently on Pakistan's negative list. In return, Pakistan wants India to prune its sensitive list under South Asia Free Trade Area (SAFTA) goods agreement to 100 items from the list of 614.

A Comparison

The following are the issues involved in NDMA:

1. Pakistan keen to grant non-discriminatory market access to Indian exports.	1. Pakistan is apprehensive as process may start from scratch under the Modi government.
2. Commerce department is to seek no objection list from India.	2. NDMA will essentially mean phasing Out 1209 items in the negative list of Pakistan, which are not allowed from India.
3. India will reduce its sensitive list under SAFTA.	3. Pakistan wants a preferential trade arrangement along with NDMA.
4. Concessional tariff of 0.5 per cent does not apply in import duty such as textile.	4. Pakistan wants prominent reduction in import duties such as textile.

Another Comparison

It is an undisputed fact that India is physically and normatively, more expansive. Hence, India has to play the bigger role by persistently extending its hand in cooperation. India-Pakistan trade remains little compared to India-Bangladesh trade. Whereas India's imports from Bangladesh and Pakistan have been comparable, the former has surpassed the latter. Further, India's exports have been much larger to Bangladesh than to Pakistan. India's integrated border posts at Attari with Pakistan and Petrpol with Bangladesh that oversee the procedures for trade and security reveal the differences in trade volumes handled despite the former's larger infrastructure to handle expansion.

Apart from lifting the ban on specific Indian items, the road map for liberalisation also required Pakistan to allow trade of all items through Attari-Wagah land route. Pakistan allows just a handful of items to be traded through the land route that results in exorbitant transportation costs for the remaining goods. Once Pakistan moves on at least one of the two main areas, India has agreed to cut down tariffs substantially on all big items imported from the country. This will be a big concession from Pakistan as it could export items such

as textiles to India at a low import duties offered to other SAARC countries.

Despite efforts to boost trade relations, border skirmishes have often played a spoilsport in furthering trade. It is pertinent to mention here that recently Pakistan occupied Kashmir officials suspended both trade and travel on Srinagar-Muzaffarabad route after the arrest of Pakistani driver on the Indian soil.

Taneja (2014) has rightly observed that India and Pakistan can boost their bilateral trade from the present level of US $ 2.6 billion a year to an estimated US $ 19.8 billion in coming years. Indian goods especially tea, coffee, and jewellery are the most liked items in Pakistan. There is also an urgent need to extend the operating hours of customs from the present 12 hours to 24 hours throughout the week.

Is FTA more Crucial than LOC?

Recently, it was rightly observed that "trade talks are crucial to normalising bilateral ties. Kashmir can wait." This observation is proved to be right as only 29 per cent of Pakistanis has opposed to the idea of trade with India. On the other side, 67 per cent of the people in Pakistan are of the view that FTA with India is more important than the LOC issue. This time Pakistan government transformed the term "MFN" into a sound term "NDMA."

Pakistan's well established and regarded economist Shakib Sherani has advocated India-Pakistan Free Trade and suggested that both the countries should conclude Free Trade Agreement (FTA). Similarly, another leading economist, Ishrat Hussain has also suggested to the Pakistan government to establish Economic Union with India.

Trade negotiations between India and Pakistan are sine-quo-non for maintaining bilateral normalisation. But unfortunately, both countries are facing mutually "unprovoked" violation of ceasefire on the LOC in Kashmir. But it is certain that people of both the countries prefer Free Trade over LOC.

Conclusion

It is clearly evident there is more potential and opportunity in expansion of bilateral trade between India and Pakistan. According to FICCI, bilateral trade has been growing at the rate of 25 per cent per year. If the momentum is maintained the target of US$ 20 billion would not be beyond the reach of India and Pakistan. The concerted and sincere efforts from both the governments are required, to put their respective heads down and think that economics is more important than politics.

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Audit
The Accounts Therapy

Muzammil Ahmed

Like every human being needs to see a doctor regularly, a company also has to. It needs a special doctor–an auditor! For a healthy lifestyle, the professional bodies have set some accounting standards and regulations so that every organisation could remain healthy and deliver its best to the world. The auditor is now supposed to fulfill their dream and create a healthy corporate environment by ensuring the compliance of these standards.

Understanding the Patient

For explaining the audit, assume that the company is like a human being. When the draft of account statement is presented to the auditor, the first task of the auditor is to understand the company structure and related backstage staff and for this purpose the auditor looks into the company's X-Ray (i.e. the organogram), body temperature, heart beats and analyses the entity in such different angles as such a doctor looks into one's eyes with a torch; whether the internal procedures are working as they are supposed to; whether the blood pressure is normal or not.

The top management is like the heart of an organisation and the brain is obviously the board of directors! For understanding the purpose of creation of the company and related objectives, the auditor also examines the birth certificate of the company (i.e. Memorandum of Association) and other related documents.

The Backstage Team

Human Resource is like the chromosomes in our body cells. The chromosomes decide how our body appearance will be, whether our skin will be fair or black, whether our hairs will be black or blonde, etc. Likewise, the employees of the company do reflect the overall performance and image of the organisation which cannot be measured in monetary terms, of course.

Information Technology is like our nervous system. Quick electrical signals are sent to different parts of the body to respond and survive in every situation our body faces. Same is the case with IT personnel, keeping themselves accurate and updated is a tough job. Therefore, the auditor cannot ignore its importance and checks it too.

Prescription of the Doctor

The readings of the thermometer indicate to the auditor how many pills the organisation needs. Then after performing detailed testing and required audit procedures to every head of account, the auditor separates the infected parts for therapy. The significant matters affecting the health of the organisation, for example, legal cases, tax cases and going concern, etc., are also observed very carefully.

The auditor then writes some prescriptions for the entity to kill the diseases found, if any and to improve the current position of the entity. Health is wealth. This quote is absolutely applicable for companies since they have to take part in today's corporate race and for this, remaining healthy is most important.

If there is any disease affecting or will affect the entity significantly, the auditor may ask the entity to disclose it in the financial statements so that the stakeholders could remain updated about the current health status of the organisation.

The Doctor's Report

After looking into everything significant and obtaining professional satisfaction, the auditor certifies that the company is healthy and good to go. The account statement is free from any material diseases and presents a true and fair view. As the normal human beings do, this checkup process shall continue and the auditor shall keep ensuring that the required objective of creating a healthy corporate environment is being carried on throughout the life of the company.

Risk Culture

Sadaf Saghir, ACA

"Risk culture is a term describing the values, beliefs, knowledge, attitudes and understanding about risk shared by a group of people with a common purpose, in particular the employees of an organisation. This applies to all organisations from private companies, public bodies, governments to not-for-profits." - Institute of Risk Management

Risk culture, in plain words, means a layer that sits over organisational culture, it evolves over time and it has formal and informal aspects. The meaningful work on risk culture poses the following challenges for management:

i- Availability of reliable data on customer and employee satisfaction;
ii- Effective interaction between various business processes and risk function;
iii- Identification of where behavioral changes are required;
iv- Gauging the level of respect the members of the organisation have for controls.

Risk is often times overly associated with the financial management, compliance with regulation and least with the way organisation runs its business; especially in the organisations that evolve from firms into private and public companies. When these organisations grow, potential risks affecting the business, as initially envisaged by promoters seep through various business processes; thereby shaping the organisation's 'risk culture.'

The most important component of risk culture is the attitude of line managers. The difference between effective risk culture and ineffective risk culture is not that of quantum of risk these managers undertake. It's usually about the risk response that can turn the risk into an opportunity. If there is a free flow of information, effectiveness of interaction between risk department and business units, and right behaviors in place it would enable the managers to take more risk and hence yield more returns. Having said that, managers would still need to look at competitors closely, because with all the desirable practices in place, there is still a susceptibility that the business unit leader would come up with a strategy that is unconventional as compared to the market competitors; here caution needs to be exercised as departing from what competitors are doing, poses a new set of risks.

An important component of risk culture is transparency and incentive for being transparent. If the line managers meet regularly and bring to table the risks that they have identified that could affect business however big or small, it can inculcate the culture of responsibility.

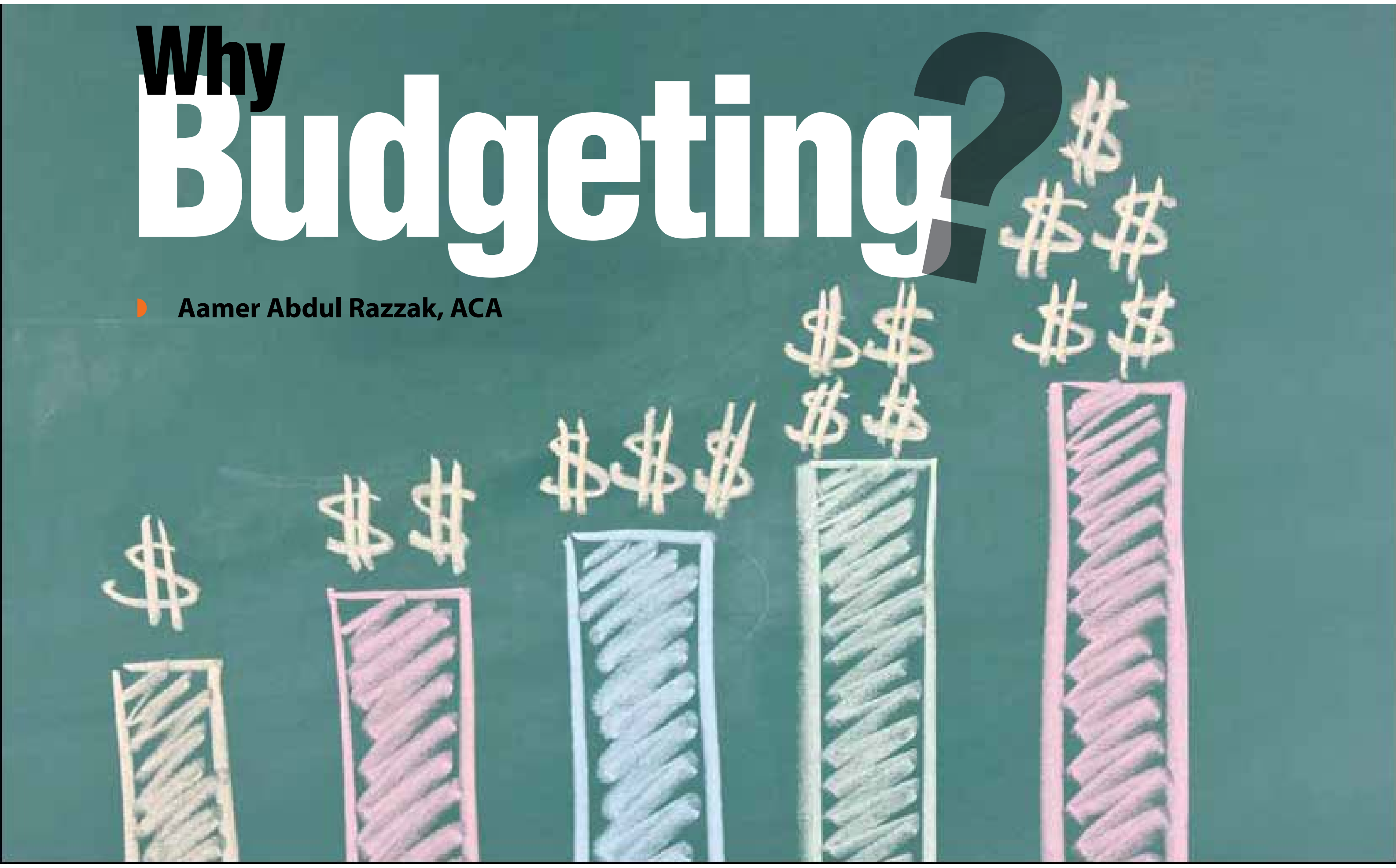
It not only the line managers who have propensity of ignoring risks and relevant controls. At times business owners promote behavior that compromise controls for short term operational gains. For example, instructions of sales director to increase sales, without any guidelines for recovery and compromising controls for credit sales. This example shows that in public unlisted companies and private companies where, there is usually no segregation of duties among the board of directors, the same person could be looking after sales and finance, thereby affecting the decision making of board of directors. When controls exercised by management are not effective, it adversely affects the stakeholders including employees, who might not feel secure in their roles. They may fear that management's attitude might cost them something that they are directly accountable for.

The risk culture cannot improve overnight, it requires policy decisions, personnel reviews, approvals and a good balance of controls. Having excessive controls at times result in circumvention of all controls, not just of least practical ones. The same happens when there are optimal controls that go unmonitored by the managers. Top management at times let the managers compromise the controls in order for them to launch new projects or obtain approvals out of the system, etc.

The top management cannot bring about change in risk culture alone, they need to engage all the business process owners and identify the weaknesses in the existing system and define what new risk culture should be like. The organisations incorporate the risk related data in appraisal process, clearly outlining the risk indicators for each line manager that they need to monitor over time and submit their reports to management. This activity, once started, needs to be monitored by the board of directors or a committee commissioned for the same, over regular intervals, otherwise this whole process would break down. The risk related inputs from the managers can be included in the strategic planning of pricing, new product introductions and company's cost position.

It could be a more than useful inclusion, if risk culture is focused at business schools alongside the organisational culture. The awareness about what might go wrong is perhaps the strongest driver for organisational culture and thus would have a great impact on how people conduct themselves in the organisation.

Why Budgeting?



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"Don't tell me what you value, show me your budget, and I'll tell you what you value." Joe Biden

That's what the significance of budgeting is for any organisation. But budgeting and forecasting process in any average size organisation takes extensive amount of resources and time of all level of management. So many times executives of the organisation are probed upon how the organisation's budgeting process adds value to the business activity against its cost of delivery. There is no simple answer to this question, it all depends on the nature of the organisation and how the budget is being prepared, used and monitored. Let us first understand what budgeting is, how budgets are being prepared, what are some of the key benefits of budgets are and how to assess what is wrong in the budgeting process.

What budgeting and forecast is:

Budgeting–process of expressing quantified resource requirements (amount of capital, amount of material, number of people) into time-phased goals and milestones.

Forecasting – is essentially a recasting of the budget. It is a planning tool that helps management in its attempts to cope with the uncertainty of the future, relying mainly on data from the past and present and analysis of trends.

The preparation of annual budget is a first step followed by a forecasts to reflect the changing market conditions, strategic plan alterations, error corrections and revised assumptions as used in the annual approved budget.

Almost all organisations preparing budgets follow more or less the same following process for the preparation of their annual budgets:

- Establishing the overall goals of the organisation to be incorporated in the detailed budgets of each unit;
- Setting up of annual targets and the level of expenditures compatible with these targets;
- Forecasting future needs, this is generally for a period of 3 to 5 years;
- Establish the assumptions to be used in developing the budgets these includes, inflation index, price and volume increases, exchange rate parity, etc.;
- Translation of organisation targets and goals to achieve into numbers;
- Address the organisational issues identified during the monitoring of last year budgets;
- Balance the requirements with resources. Life is all about series of trade-off, you can't have all your wish list in one go. Priorities need to be set in considering the expected earnings against the expected expenditures;

- Obtaining executives buy in on the numbers.

As you can see, the process is long and tedious. In an average organisation this process takes about three to four months till the budget is approved. It is necessary to clear at this stage that the above steps and time are required for the preparation of the budgets only. Monitoring and control measure runs throughout the year. The changing and increasingly complex business environment, is creating new demands for the deployment of a planning process that is agile and can enable the business to react to changing conditions.

Before we decide whether it is worthwhile spending resources and efforts in the budgeting process, we need to understand what are some of the key benefits that can be achieved from the budgeting exercise in an organisations:

- **Planning orientation:** The process of creating a budget takes management away from its short-term, day-to-day management of the business and forces it to think longer-term. This is the chief goal of budgeting, even if management does not succeed in meeting its goals as outlined in the budget - at least it is thinking about the organisation's competitive and financial position and how to improve it.
- **Profitability review:** It is easy to lose sight of whether the organisation is making most of its money, during the scramble of day-to-day management. A properly structured budget points out what aspects of the business produce money and which ones use it, which forces management to consider whether it should drop some parts of the business, or expand in others.
- **Assumptions review:** The budgeting process forces management to think about why the organisation is in business, as well as its key assumptions about its business environment. A periodic re-evaluation of these issues may result in altered assumptions, which may in turn alter the way in which managements decides to operate the business.
- **Performance evaluations:** You can work with employees to set up their goals for a budgeting period, and possibly also tie bonuses or other incentives to how they perform. You can then create budget versus actual reports to give employees feedback regarding how they are progressing toward their goals. This approach is most common with financial goals, though operational goals can also be added to the budget for performance appraisal purposes.
- **Funding planning:** A properly structured budget should derive the amount of cash that will be spun off or which will be needed to support operations. This information is used by the treasury section to plan for the organisation's funding needs.
- **Cash allocation:** There is only a limited amount of cash available to invest in capital equipment and working capital, and the budgeting process forces management to decide which assets are worth investing in.
- **Bottleneck analysis:** Nearly every organisation has a bottleneck somewhere, and the budgeting process can be used to concentrate on what can be done to either expand the capacity of that bottleneck or to shift work around it.

Well, if the budgeting exercise is not providing the organisation with the above benefits then there is something fundamentally wrong in the process. To understand where the problem lies, one needs to ask the following questions from those leading the budgeting process:

- Are we seeking the right level of details at the right time?
- Is there lengthy instruction packs involved in the process – which never gets read?
- Are the assumptions used in the preparation of the budgets appropriate?
- Are the requirements based on needs or wish list?
- Does cross functional collaboration exist in the organisation? Are the goals of all departments of the organisation in line with the overall vision of the organisation?
- Are the managers appropriately trained to understand the budgeting requirement of the organisation?

Despite its challenges and issues, virtually no major organisation can evade the budgeting cycle. There is too much value in the end result to run a business without a financial plan. Budgets are fundamental strategic tools for delegating authority throughout an organisation, ensuring that managers clearly understand the quantifiable parameters used to judge their performance. In addition, for many organisations, the budget routinely serves as foundation for periodic forecasts.

Hence, in most cases the option of escaping the budgeting process is out of question though proper planning is required to manage the budget preparation process to make it thorough, but without making the exercise long and tedious.

INNOVATIVE THINKING

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Think out of the box. Go to any seminar, workshop, training, organisational discussion on development and it is imminent that this phrase would sneak its way in the discussion. I often wonder whether there actually exists a box which I need to go out of to actually think, or if I actually step out of the box would there be a lateral change in my life and decision making capabilities. Many times I have felt myself claustrophobic and shaky on my confidence just by the daunting thought and pressure that one needs to 'think out of the box' to actually progress and work smart.

Thinking outside the box is a metaphor which means to think differently, unconventionally or from a new perspective. To think outside the box also means to look farther and try not thinking of the obvious things, but to think beyond the obvious. The phrase was coined back in 1970s and 1980s when management consultants challenged their clients to solve the nine dots puzzle which require lateral thinking.

Working smart is how I prefer to summarise the conventional meaning of this metaphor. I couldn't help but refer back to a post on Facebook regarding what Bill Gates said, "If I want to get a work done, I would prefer a lazy person to do it, since he would find the shortest possible way to do it." Now that is one prime implementation of the phrase.

Thinking lateral doesn't really mean that you have to be a genius and at a high post to be exercising it. From the level of the worker who operates the machine daily to the entrepreneur with a chief executive officer tag outside his door, all have the same opportunity to apply it, though with varying quantum and spectrum of influence.

Finance professionals, amongst others, often dismiss the metaphor labeling it as "Not applicable" to their profession. This is a prime example of limiting the thoughts inside the box. Finance professionals have as much an opportunity to apply lateral thinking as that of a marketer. From the tiny task of processing payment to the more complex task of developing financial models, the opportunities glare at each stage. It is more of a mindset to beat the status quo or the habitual method of doing things. One must understand a common misconception between smart work and creative work. The most routine of task can be smartly done and the most creative can be smartly ruined.

An interesting perspective of this metaphor was presented by Dileep Rao on Forbes.

According to the writer, there are two boxes – the real one and the imaginary one. The real box, though difficult to define, does exist. This box is the reflection of the reality, the capabilities, situation of the market, the product, the competition, in short, the existing scenario. This box though varies with time. The real box of today would be different from the real box of yesterday and hence the need is to be able to identify the real box of today and differentiate it from that of yesterday.

The imaginary box is the box you need to think out of. It is the box where the thought process of an individual is restricted by his self-created limitations. This is like dreaming to go to the stars yet defying the dream in the dream with logics and resource limitations.

The writer concludes: "There is always a real box that you should stay inside of. The laws of physics still apply. But this real box can change with new trends and technologies. The key is to be able to separate today's real box from the imaginary one. Yes, by all means think outside the imaginary box that imposes artificial constraints on your achievements. But stay inside the real box that is defined by your market and your capacity to satisfy your customers – if you want to win."

To conclude, I feel that the phrase is a challenge to the way one approaches life and makes decision. This principle like any other management principle is not restricted to a particular level in the management cadre, nor is it particularly restricted to the professional life of an individual. Neither does the application of metaphor implies to think latterly for even the basic of issues where conventional solutions provide the best ready fit. After all applying the obvious solutions to the situations requiring it is also thinking innovative. Hence, work smart not hard!