The Pakistan
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COMPANIES ACT 2017
Revamping Pakistan's Corporate Law

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Editor's Letter

The Pakistan Accountant and New ICAP Council

It is a pleasure to communicate with the honourable members through **The Pakistan Accountant.** This forum has been serving the cause of our community since long. It is not merely a journal, it is a platform for learning and sharing, which not only highlights the issues but also brings out the solutions. We intend to use it even more effectively within Pakistan and abroad.

At the time of election we avowed that it was most important to build up the brand of chartered accountancy on the strength of the most modern techniques of marketing and image building including the productive use of all types of media. **The Pakistan Accountant** is a great means of carrying out this and many other objectives. We anticipate that it shall be immensely beneficial in keeping abreast the fraternity with the new developments and bringing our members close to each other. Furthermore, through this channel the Institute can strengthen its relations with the governments for enhancing the level of active participation in economic policy making processes, particularly, in the fields of corporate affairs, finance, business, trade, banking, taxation and other related matters.

It is not out of place to mention here that the Institute has always been the harbinger in advising the governments on various laws and procedures. The recent example is its contribution in refinement of the recently enacted Companies Act 2017, which has simplified the procedure for incorporation of companies, induced electronic means in corporate compliances, provided more protection to shareholders, inculcated corporate governance principles and introduced certain concepts to counter and control anti-money laundering and ensure transparency in beneficial ownership disclosures. Since the issue of the draft Company Bill in 2016, the Institute has actively participated in the consultative process with the Securities and Exchange Commission of Pakistan (SECP) and arranged proactive seminars and meetings for various stakeholders to create awareness and deliberate on the new regulatory regime. The Institute's comments on the draft Companies Act, submitted to the SECP and the Senate Standing Committee, have triggered certain useful changes in the final draft.

The Institute always remains committed to creating awareness amongst members on important subjects. For this, the Members' Information & Education Series (MIES) – 29 'Brief Memorandum on the Companies Act, 2017 – Financial Reporting and Audit Related Sections' was launched. The Memorandum aims to provide a snapshot on the changes in the Companies Act 2017 relating to the financial reporting and audit related sections along with a comparison of these sections with the relevant sections of the Companies Ordinance 1984. Also, as part of Continuing Professional Development (CPD) program, the Institute has been issuing various publications in hard and soft forms for its members to improve the general understanding of the new law.

We request for your kind advice and assistance in further lifting up the standard of **The Pakistan Accountant.**

Muhammad Awais, FCA

President's Page

The repealed Companies Ordinance 1984, which determine legal framework for the corporate sector in Pakistan, was due for revision for a long time, owing to the evolving business environment, impact of technology and globalisation. The Securities and Exchange Commission of Pakistan (SECP) lead the process for proposing changes in the Company Law after extensive deliberation with various stakeholders, resulting in the eventual promulgation of the Companies Act 2017 (Companies Act) on May 30, 2017.

The Companies Act is developed with the objective to facilitate all stakeholders as well as to strengthen the regulatory framework, incorporate new concepts, simplify the requisite provisions and remove the unnecessary regulatory requirements. The changes in the Companies Act impact all major stakeholders across the business cycle from simplifying company business, easing regulations for small companies, focusing on the use of technology, protect investors and creditors interest, to simplified winding up and merger requirements.

Due to significance of Islamic Finance, the Companies Act has introduced the concepts of 'Shariah-compliant company' and 'Shariah-compliant security.' Further, in an increasingly global world, new concepts have been adopted like specie dividend, mediation and reconciliation, complete regime for the valuation of assets, certification of real estate, shifting of jurisdiction to approve the amalgamation of companies, compromises and arrangements from court to the SECP, e-intermediaries for filing the returns of the companies having no IT infrastructure, and removing redundant and unnecessary obligations contained in the repealed Companies Ordinance 1984.

The new Companies Act also provides added responsibilities for directors and auditors, requires preparation of the 'Statement of Compliance' duly reviewed by auditors, introduces new auditor reporting responsibility and requires auditor's report to be in compliance with International Standards on Auditing (ISAs) as adopted by The Institute of Chartered Accountants of Pakistan (ICAP).

ICAP, in collaboration with the SECP, organised seminars in Karachi, Lahore and Islamabad with an objective to create awareness among members and other professionals about the new Companies Act requirements so that they would be vigilant and keep adjusting to the changing business scenarios to maintain the relevance and effectiveness of their profession.

We all hope that new law will facilitate the growth of economy in general and the corporate sector in particular and will ensure better corporate governance and give a boost to corporatisation in the country.

Riaz A. Rehman Chamdia, FCA

Revamping the Corporate Regime

by Saira Shamsie

"Progress is impossible without change, and those who cannot change their minds cannot change anything." – George Bernard Shaw.

As the years pass the whirlwind of change encompasses all, nothing is stagnant, everything is evolving with time. Over the last decade global business dynamics have changed with the emergence of technology, social media, greater stakeholder awareness, all earmarking the need for greater transparency in disclosure and better corporate governance. The recent growing awareness has brought a shift in focus from corporate greed and profit maximisation to the triple bottom line concept of social, environmental and financial impact.

Corporate law safeguards the interest of all stakeholders. The principal function of corporate law is to provide business enterprises with a legal form that possesses five core attributes: legal personality, limited liability, transferable shares, delegated management under a board structure, and investor ownership. By making this legal form widely available and user-friendly, corporate law enables entrepreneurs to transact easily through the medium of the corporate entity, and thus lowers the costs of conducting business.

Pakistan scenario

With this backdrop, let us explore the developments in corporate law in Pakistan.

Great Britain passed Companies Act in 1908 which introduced several important provisions relating to company administrations. In 1913 after five years, Companies Act of 1913 was passed in British India. Pakistan came into being on August 14, 1947 and adopted the companies Act of 1913. In 1959, a company Law Commission was set up to make laws in accordance with modern times. Report of Company Law Commission of Pakistan was published in 1960. Finally, the Companies Act of 1913 was replaced by the Companies Ordinance 1984.

Revision of law is no simple task– for an all-encompassing and holistic approach, a proper strategy is needed involving all stakeholders. The project of the second revision was initiated by Securities Exchange Commission of Pakistan (SECP) in 2005 by establishing the Corporate Law Review Commission. In December, 2015 the Companies Draft Bill was issued for stakeholder comments. After a thorough consultation process, spread nearly over a year, the draft law was debated in the Senate and the Parliament before its approval.

May 30, 2017 was another historical moment for the corporate world of Pakistan with the promulgation of the Companies Act 2017.

Consultation process & ICAP's role

The Institute of Chartered Accountants of Pakistan (ICAP) participated in the consultative process by forming three taskforces comprising of Council members and other eminent personalities who have extensive corporate law knowledge and understanding. Accordingly, detailed comments and suggestions in relation to audit and auditors, preparation of financial statements and other corporate provisions were provided to the SECP. These were also published and provided to the members. Subsequently, series of meetings were held with senior SECP officials including the chairman and discussions were held on the proposed draft.

Based on various comments received and consultations carried out, SECP issued further changes to the draft law. Such changes included matter relating to the audit right to Institute of Cost and Management Accountants of Pakistan (ICMAP) and Global Register of Beneficial Ownership. The Institute again provided its comments in this regard and also made representation at the public hearing by the Senate Finance committee.

The Institute arranged seminars on the draft law in all the three major cities along with the SECP representatives to explain the new provisions. Now, after the promulgation proactive seminars have also been held in Lahore, Karachi, Islamabad and Faisalabad that were attended by a large audience.

The primary role of the Institute included dealing with matters relating to audit and accounting. In order to facilitate members, the Institute has issued a guidance that provide details of the changes in the law concerning the audit and auditor and the preparation of financial statements. A clause by clause comparison along with comments and explanations have also been provided.

The change

The Companies Act 2017 has brought about many positive changes which will promote growth, transparency, better governance in Pakistan's corporate sector. The Act has simplified processes and has encouraged the use of technology.

The new law has made many changes facilitating the shareholders and corporate sector such as the one pager Memorandum of Association, new provisions relating to disposal of cases by courts, concept of fresh election of directors, protection of independent and non-executive directors, holding of general meetings, resolution of disputes through mediation, etc.

Some of the most debated and contentious matters forming part of the Companies Act 2017 include related party transactions, arm's length basis of transactions, global register of beneficial ownership, anti-money laundering, powers of the commission, financial statements disclosures, etc.

Chronology of Companies Bill 2015 to Companies Act 2017

▪ Draft Companies Bill issued	December 2015
▪ Second draft of the Companies Bill	April 2016
▪ Third draft	July 2016
▪ Fourth & Fifth draft	September, 2016
▪ Promulgated as Companies Ordinance 2016	November 11, 2016
▪ Ordinance 2016 was disapproved	December 15, 2016
▪ National Assembly approved Bill 2017	February 6, 2017
▪ Senate Standing Committee on Finance commenced its review of the bill	Feb 17, 2017
▪ Senate open house held	April 3, 2017
▪ Companies Bill 2017 was approved by Senate	May 15, 2017
▪ Companies Act promulgated.	May 30, 2017

An interesting provision in the new law relates to the incorporation of enabling clause for the code of corporate governance. Under this provision SECP has recently issued the draft corporate governance regulations for comments. Various changes have been made.

The Companies Act has also made us closer to the implementation of new audit report that for listed companies include the incorporation of key audit matters.

Over the past many years, the Institute has been advocating for the full adoption of International Financial Reporting Standards (IFRS) that in view of certain provisions in the Companies Ordinance 1984 was not implementable. Now, the Companies Act apart from removing many differences with IFRS, has provided the option of unreserved statement of compliance of IFRS.

Change inevitably brings implementation challenges and teething problems – time will improve the understanding of the corporate law bringing clarity and dispelling misconceptions.

It is going to be a long journey requiring conscientious effort by all the stakeholders. ICAP has been proactive in creating awareness and providing guidance wherever possible in consultation with SECP to make the implementation path easier.

As it is said, 'We don't grow when things are easy; we grow when we are faced with challenges.'

The next two to three years will set the pattern completing the cycle of implementation, testing the mettle of the new law, ironing out the anomalies and addressing the hardship.

Companies Act 2017 Highlights

by Bushra Aslam

Introduction

The newly promulgated Companies Act 2017 replaced the repealed Companies Ordinance 1984. The majority of changes impact on the facilitation to the corporate sector and other stakeholders as well as strengthening of the regulatory framework. Some notable 'highlights' introduced by the 2017 Act include:

Ease of Doing Business for Corporate Sector

- Incorporation made easier.
  - One form with model Memorandum of Association (MoA) and Articles of Association (AoA).
  - Engage in any lawful business.
  - Name availability and incorporation application can be filed simultaneously.
- Public company can start operations by filing documents for commencement of business, certificate not required.
- Simplification in procedure of alteration of memorandum and articles.
- Compliance requirements reduced for Single Member Company (SMC) and private companies.
- Cost audit not mandatory.
- Additional director can be appointed mid-term.
- Easier to call meetings and pass resolutions through use of technology.
- Decisions can be made through circulation resolution by companies.
- Pledge can be registered as charge.
- The procedure for satisfaction of charge simplified. If No Objection Certificate (NOC) filed with application, the charge satisfaction certificate would be issued instantly.
- Special return for change in shareholding of more than 25%.
- Introduction of concept of inactive companies. If company is not in operation, can attain status of inactive company with reduced compliance requirements.
- Service of documents and notice, participation in meetings, voting and filing has been eased through the use of technology.
- Intermediaries providing corporate services need to be registered by November 13, 2017 to continue providing services to companies.
- The formation of 'mediation and conciliation panel' to aid alternate dispute resolution.
- Facilitation of exit of 'defunct companies.'
- No approval required for amalgamation of subsidiaries into the holding company.

Introduction of New Types of Companies

- Shariah compliant companies aiding value based investors.
- Agriculture promotion companies formed by farmers aiding its members by managing their produce.
- Free zone companies situated in notified Export Processing Zone (EPZ) and having limited disclosure requirements.

Better Corporate Governance and Corporate Social Responsibility

- CFO also required to sign the financial statements of listed companies.
- Private companies with paid-up capital up to Rs. 1 million need to file an affidavit by chief executive/director that the accounts have been approved by the board.
- Classification of companies introduced.
- Transaction for consideration in kind with, and loans to, directors require approval of members.
- Liability for undesired activities of shareholders introduced.
- Concept of database for selection of independent directors for certain classes of companies introduced.
- Public company to have company secretary.
- Public interest companies required to ensure female representation on the board.
- Separation of the offices of CEO and chairman for public interest companies.
- Policy by board required for non-arm's length related party transactions.
- Directors duty bound to look after the interests of all stakeholders such as employees, community, environment, etc.
- Enhanced corporate disclosures in director's report.
- Disclosure of global beneficial ownership of foreign company or body corporate by substantial shareholders and officers of a Pakistani company.
- The Act casts a duty on 'every officer' to prevent fraud or money laundering.
- A quota of two percent has been proposed to be kept for disabled persons in the public interest companies employing fifty persons or more.

Strengthening Regulatory Framework

- Serious fraud investigation can be conducted by the Securities & Exchange Commission of Pakistan (SECP).
- Global register of members have been introduced to improve transparency and disclosure of ownership information.
- Directors can be disqualified by SECP.
- Registration of valuers required.

The writer is executive director of Securities & Exchange Commission of Pakistan (SECP).

Corporate Law Global Developments in the last two decades

by Saira Shamsie

As the global economy has been evolving with time, the dynamics of business and corporate reporting have also changed. The last two decades have been marked with corporate scandals starting with Enron, Satyam, the subprime mortgage crisis which led to the financial meltdown crippling the world economy; each stumble has made it clear that governance matters. The importance of information to the general public about the way corporations are governed and regulated has taken centre stage with the advent of social media and technology.

Shareholder activism has also been growing on a number of fronts as was seen in the Occupy Wall Street movement. To change the corporate landscape and prove that corporations can do good and also do well, reforms were needed and various jurisdictions have been addressing these issues through revision in their laws and regulations.

Following is a brief on the developments in corporate law in the last two decades in various jurisdictions:

S. No.	Country	Year of Revision	Brief History	Key Changes in the latest enactment/amendment
1.	UK	2006	Joint Stock Companies Act 1844 was replaced by Joint Stock Companies Act 1856, introducing the concept of limited liability. The Joint Stock Companies Act 1856 was repealed by the Companies Act 1862. Since 1862 to 1985 there were periodic amendments in the Companies Act, notable being the Companies Act 1929 and the Companies Act 1948. Finally, the Companies Act 1985 was superseded by the Companies Act 2006.	▪ UK companies are now required to maintain a register of Persons with Significant Control. ▪ UK companies will not be permitted to appoint corporate directors. ▪ Bearer shares have been abolished and central register option for private companies has been introduced.
2.	India	2013	The first Joint Stock Companies Act was passed in the year 1850 which was based on the English Companies Act 1844. The Companies Act, 1857 introduced the concept of limited liability. This was replaced by the Companies Act 1866. Subsequently, this was replaced by the Companies Act 1913 which was repealed in 1956. The Companies Act 1956 was superseded by the Companies Act 2013.	▪ To encourage corporatisation has done away with minimum paid-up capital requirement for incorporating private as well as public companies. ▪ Has reduced filing requirements and has simplified approval processes. ▪ At the same time has introduced stringent provisions to protect investors.
3.	Ireland	2014	The redrafting of the Companies Acts 1963–2012 ushered in significant changes to Irish company law. Major change after 2014 is through the Companies (Accounting) Act 2017.	▪ The most important changes affect smaller companies in the form of more relaxed accounting and disclosure regimes for entities falling below certain thresholds. ▪ A new concept of 'micro company' has been introduced which must satisfy at least two of the following three requirements: • Turnover not exceeding €700,000. • Balance sheet total not exceeding €350,000. • Average number of employees not exceeding 10. ▪ The Act curtails so-called 'non-filing structures' which allowed unlimited companies, whose ownership was structured in a particular way, not to publicly file their accounts while effectively maintaining the limited liability of their ultimate owners. ▪ Expanded Branch Definition. ▪ Merger Relief.
4.	Singapore	2006	The Singapore Companies Act was enacted in 1967 and was revised in 2006.	The Companies (Amendment) Bill 2017, passed on March 10, 2017 targeted three primary areas: (i) Improving transparency of ownership and control of companies in line with international norms; (ii) Reducing regulatory burden and improving ease of doing business in the country; and (iii) Enhancing the country's debt restructuring framework.

The importance of information to the general public about the way corporations are governed and regulated has taken centre stage with the advent of social media and technology.

S. No.	Country	Year of Revision	Brief History	Key Changes in the latest enactment/amendment
5.	Australia	2001	Enactment of company legislation based on the Companies Act 1862 of England. Companies Act 1981. Corporations Act 2001.	Covered provisions on company constitution, shareholders rights, shareholders litigation and takeovers.
6.	Sri Lanka	2007	Companies Act No. 17 of 1982 had been based on the 1948 Companies Act of the UK. Companies Act No. 7 of 2007 came into operation on May 3, 2007.	Revised to build a private sector, developing therein the confidence of the constituency of the people. ▪ New concept introduced of a 'single individual' Shareholder Company. ▪ Board required to determine whether a Company satisfies the 'Solvency Test.' ▪ Minority Shareholder and Derivative Actions. ▪ Minority Buy-out. ▪ Companies Dispute Board.
7.	Malaysia	2016	Companies Act 1965 revised in 1973 then superseded by the Companies Act 2016.	▪ Directors to be aware of solvency. ▪ Issuance of all shares no longer to carry a par value. ▪ Company's share premium account and capital redemption reserve account to be merged with the company's share capital. ▪ Memorandum and Articles of Association (M&A) deemed to be the Constitution. ▪ For private companies new written shareholder resolutions procedure.
8.	Japan	2005	The old Company law was amended under the influence of US corporation law in 1950. Companies Act of Japan (Law No. 86, 2005).	The Reform Act in 2014 brought the first substantial amendment to the Companies Act of Japan (Law No. 86, 2005). It focused on corporate governance issues for listed companies: (i) The facilitation of appointments of outside directors; (ii) New requirements on outside directors or outside statutory auditors; and (iii) The introduction of an entirely new corporate governance system.
9.	China	2013	After 1993 third time revised in 2013.	▪ Removing the registered capital requirements for company establishment; ▪ Replacing the paid-up capital registration system with a subscribed capital registration system; and ▪ Removing the minimum cash requirement.
10.	South Africa	2008	After 1973 the Companies Act No. 71 of 2008 came into force on May 1, 2011. There were delays and problems with the implementation.	Introduced provisions on: ▪ New liability rules for directors. ▪ New rules for the incorporation. ▪ Registration, organisation and management of companies. ▪ Memorandum and Articles of Association were renamed the Memorandum of Incorporation.

Trailing Corporate Steering

by Qaisar Mufti

Section 192 of the Companies Act, 2017 provides that board of directors of a listed company is required to appoint a chairman to hold office for three years. The period can be less than three years in circumstances cited by the Act. With reference to appointment of 'chairman', sub-section (1) of Section 192 reads: "The board of a listed company shall within fourteen days from the date of election of directors, appoint a chairman from among the non-executive directors who shall hold office for a period of three years."

Webster's New World Dictionary defines the word 'executive', inter alia, in the following terms: "Any person whose function is to administer or manage affairs, as of a corporate, school, etc."

The law gives no leeway for avoidance or circumvention in this respect. This being one of the main law provisions, it may not be possible to dilute the play effect through another provision.

Sub-section (3) of Section 192 is: "The chairman shall be responsible for leadership of the board and ensure that the board plays an effective role in fulfilling its responsibilities."

According to Section 181(2) of the Act, a non-executive director means a person on the board of the company who: (a) is not from among the executive management team and may or may not be independent; (b) is expected to lend an outside viewpoint to the board of a company; (c) does not undertake to devote his whole working time to the company and not involve in managing the affairs of the company; (d) is not a beneficial owner of the company or any of its associated companies or undertakings; and (e) does not draw any remuneration from the company except the meeting fee."

Section 181(1) suggests that for laying hand on an independent or a non-executive director on account of acts of omission and commission by a listed company or a public sector company has to be proved that: (i) the same had occurred with his knowledge – attributable through the boards process and

(ii) with his consent or connivance where he had not acted diligently or (iii) he had not acted diligently.

Notwithstanding, any other provision contained in this Act, an independent director and a non-executive director shall be held liable only in respect of such acts of omission or commission by a listed company or a public sector company which had occurred with his knowledge, attributable through board processes and with his consent or connivance or where he had not acted diligently, so reads Section 181(1) of the Act. This is a strong, efficacious protection to an independent or a non-executive director. One may not favour making available a strong protective wall that way when there are too many faults recurring at different times attributed to board of a company having independent and/or non-executive directors.

The chairman is to be a non-executive director. The law does not allow the chairman to be an 'executive director' as against a chief executive, engrossed in working of the company. To do away with a possible misunderstanding between functions and responsibilities of chairman and chief executive, sub-section (2) of Section 192 reads: "The board shall clearly define the respective roles and responsibilities of the chairman and chief executive."

This is with a proviso reading: "Provided that the Commission may specify the classes of companies for which the chairman and chief executive shall not be the same individual."

The words 'executive' and 'non-executive' are diametrically opposed. Thus offices of chairman and chief executive cannot vest in the same person. In view of this, the provision appearing after Section 192(2) above, in negation of Section 192(1), may not hold ground. Obviously, one cannot imagine a non-executive director as a chief executive because, by his very designation, he has to be 'executive.'

Securities and Exchange Commission of Pakistan's (SECP) access to power to merge the offices of chief executive and chairman subsisting does not appear in sight. It appears that bar on the chairman to be non-executive director in terms of the companies law may not be possible to do away with. However, the SECP may specify the classes of companies for which chairman and chief executive shall not be the same individual, so reads parenthesis of Section 192(2). The law pundits hold that words in a parenthesis of a Section of the law, when in conflict with words in the main law do not hold ground.

Sections 186 to 192 deal with appointment and removal, etc. of a chief executive. Within 14 days of its election, the board has to appoint a chief executive. One not eligible to become director of a company can not be appointed or allowed to continue as chief executive. Section 187 restricts tenure of a chief executive to three years. The law appears to provide that such a person should be an elected director. If not already a director, the chief executive is a deemed director of a company, provides Section 188(3).

Since the law appears to be not specific, SECP has to clarify and give a ruling in respect of the following issues: (i) whether chairman of a company has to be a non-executive director or he can be a common (elected) director; (ii) whether a chairman can take remuneration from the company and whether such a person in receipt of remuneration shall per se cease to be a non-executive director and as such chairman; (iii) can a director be a non-executive chairman with ability to draw remuneration in addition to fee for attending meetings of the board; and (iv) shall a chairman, on receipt of remuneration, cease to be independent director.

In respect of independent directors, Section 149(4) of the Indian law reads: "Every listed public company shall have at least one-third of the total number of directors as independent directors and the central government may prescribe the minimum number of independent directors in case of any class or classes of public companies."

Our law could better have something like the Indian law's Section 149(7), reading: "Every independent director shall at the first meeting of the board in which he participates as a director and thereafter at the first meeting of the board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided in sub-section (6)."

Section 192(2) calls upon the directors to define the respective roles and responsibilities of the chairman and chief executive. When read with sub-clause (1), the law provides that the two shall be different persons. However, as pointed earlier, sub-section (2) has a rider reading: "Provided that the Commission may specify the classes of companies for which the chairman and chief executive shall not be same individual." This apparently means that the two can be the same. However, at the option of SECP, certain specific (type of) companies may not be allowed to have the two offices pooled in the same person, meaning thereby that ordinarily the two offices can vest into one person. Thus, there appears a dichotomy in the law on this account. The Code of Corporate Governance's draft in unambiguous terms bars the two offices vesting in the same person. However, this is restricted to listed companies.

Section 223 of the Act requires the board of every company to lay 'before the company in a general meeting' its financial statements. Section 192(4) mandates that financial statements shall contain a review report by the chairman on overall performance of the board and effectiveness of role played by it in achieving the company's objectives. This Section strengthens hands of the company in dealing with contentious stands. The directors can reiterate that in keeping with the law, their role is commented upon by the chairman. Implicit otherwise, the law (Section 192(4)) forcefully provides for the chairman's review on overall performance of the board and effectiveness of role played by the board in achieving the company's objectives. The review may be meaningful, effective and persuasive in the event of the chairman being an independent director – not on payroll of the company.

Section 172 of the Act spells out that SECP may pass a disqualification order against a person to be a director on the grounds listed in the law. Such an order may be passed by SECP on its motion or upon a complaint made in this regard. 'Expedient in the public interest so to do' is cited as a ground under Clause (o) of Section 172(1). It can be said to be an extension of Section 220. An important interesting feature of


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law in this connection is that provision of Section 220 apply to 'the books of accounts,' also such books of accounts which a liquidator is required to maintain and keep.

Section 226 has guidance in relation to 'duty to prepare directors' report and statement of compliance.' Section 227 is a guide on contents of directors' report and statement of compliance. In the case of a listed company, the business review is necessary for understanding the development, performance or position of the company's business. The directors' report and statement of compliance approved by the board should be attached to the financial statements. "Any material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statement relates and the date of the report" is a highly welcome feature provided under this Section.

A very interesting provision is in terms of Section 166 of the Act, detailing manner of selection of independent directors and maintenance of data bank of independent director. The theme of 'independent director' in our law appears to be a derivative from the Indian Companies Act, 2013. Section 150 whereof carries the provision of maintaining a data bank, containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained in accordance with provisions of the said law. Section 166 of Pakistani Companies Act lays down manner of selection of an independent director. As in India, he is required to be selected out of a data bank of persons eligible and willing to act as independent directors. Such data bank is to be maintained by any institute, body or association as may be notified by SECP. The data bank is directed to be posted on the website for use by the company desirous of making the appointment of such director(s).

As per Section 166(1), the Companies Law has introduced details of independent director to be selected and elected. In the statement of material facts annexed to notice of the general meeting is to be given justification for choosing the person for appointment as independent director. Section 166(2) of Pakistani law provides that no director shall be considered independent in the wake of any of the following circumstances: (a) he has been an employee of the company, any of its subsidiaries or holding company within the last three years or a person nominated as a director under the Act's Sections 164 and 165; (b) he is or has been the chief executive officer of subsidiaries, associated company, associated undertaking or holding company in the last three years; (c) he has or has had within the last three years, a material business relationship with the company either directly or indirectly as a partner, major shareholder or director of a body with such a relationship with the company; (d) he has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits, from the company apart from a director's fee or has participated in the company's stock option or a performance-related pay scheme; (e) he is a close relative of the company's promoters, directors or major shareholders of he holds cross-directorships or has significant links with other directors through involvement in other companies or bodies not being the associations licenced under Section 42 of the Act uplift for social, educational or professional; and (f) he has served on the board for more than three consecutive terms from the date of his first appointment, and for more than two consecutive terms in case of a public sector company, provided that such a person shall be deemed 'independent director' after a lapse of one term or is a person nominated as a director under the Act's Sections 164 and 165.

Requirements with regards to the manner and procedure of the 'selection' are to be laid down by SECP. Provision with reference to appointment of the independent director, the law provides, "shall be deemed relaxed till such time a notification is issued by the Commission."

According to the Indian law, an independent director is one who, inter alia, has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year. A highly interesting disqualification is: "none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year."

In terms of Section 159, an independent director shall be elected in the same manner as other directors are elected. Law does not give an edge, reverence or special treatment for election to the (would be) an independent director. With no special treatment to the one to be an independent director candidate, he has to contest the election as a commoner. Then, what is the use of a data bank to select an independent director, who may not feature as such during the election process, e.g. for voting purposes. Probably, the law provision will be re-worded in future. Either, the concept of 'independent director' will be consigned to obscurity or special provision for his election in the law as such shall feature.

The Companies Act omits to tell what a company secretary is like or should be like. Appears called for is law providing space to the Institute of Corporate Secretaries of Pakistan (ICSP). The law may provide who is or can be a corporate secretary, be guide and driver, sine qua non for the companies' lawful sailing. Needless to say that per se a chartered accountant or a cost accountant may not be a corporate secretary. The SECP may have arrangements to see what goes to crown one as corporate secretary. To this end, it should have 'supervisory' or 'overseeing' woven in the structure of ICSP. This the Commission can do best through its representation on the Council of the Institute. The government may consider representation of the Institute of Cost & Management Accountants of Pakistan (ICMAP) and The Institute of Chartered Accountants of Pakistan (ICAP) on the ICSP Council. Other known professionals may also be nominated to ICSP Council if so deemed fit. To this end, ICSP charter will have to be amended which would strongly appear called for. Amendments in the charter of ICSP, a company limited by guarantee may not be a far cry.

New Approach for Financial Analysis

by Umair Ismail

The rapid industrialisation and global trade during the last century, was a phase of massive improvements in productivity and growth in companies. As we moved up the learning curve, with the advent of this century, our productivity and growth has declined. It has compelled corporates to focus internally for streamlining efficiencies within their existing process through business process re-engineering and/ or automation. This phenomenon has put finance function on the front seat from the beginning of the last decade. That's why we hear repeatedly that the role of modern day finance has evolved from 'cost controller' to 'business enabler.'

Finance can play the role of business enabler by understanding the raw data in a better way and providing simplified yet meaningful information to other functions for decision making. The increased focus on financial analysis has exposed its limitation. The major limitation is their inflexibility to cope with variabilities in underlying assumptions as all work on averages or point estimation rather than ranges.

In our traditional breakeven analysis, we assume one estimate for each of three variables. Like, in Table 1 the break volume works out to be 178,571 units. More likely than not, these variables will be different and, therefore, our analysis becomes inadequate for decision makers.

Table 1

Variables	Units	Values
Selling Price	PKR per Unit	14
Overhead	PKR	1,000,000
Contribution Margin	Percentage	40%

In recent years, the statistical solutions are being embedded with traditional financial analysis whereby, simulations are generated by using third party software or simply Microsoft Excel. However, these analyses are mainly restricted to net present value (NPV) (Monte Carlos simulation) whereas, it can be used in all types of financial analysis including breakeven.

Table 2

Variables	Units	Minimum	Maximum	Mean	Standard Deviation
Selling Price	PKR per Unit	12	16	14	1.22
Overhead	PKR	800,000	1,200,000	1,000,000	121,581
Contribution Margin	Percentage	35%	45%	40%	3.04%

I used normal distribution in the breakeven analysis presented in Table 1 by using Microsoft Excel. Assumed minimum and maximum ranges of data, for these three variables, mentioned in Table 2 along with their average. The standard deviation for each variable is computed by using the following formula:

$$1.645 = \frac{\text{Maximum Range+Average}}{\text{Standard Deviation}} \quad \text{or} \quad 1.645 = \frac{\text{Average-Minimum Range}}{\text{Standard Deviation}}$$

I have assumed 95% confidence interval implying to seek 95% accuracy. The constant of 1.645 will vary if we use a confidence interval other than 95% based on z distribution table.

With these inputs, we have run 10,000 simulations per variable and computed breakeven volume independently for each variable.

High number of iteration per variable will ensure that results are normally distributed. For computing every scenario, following formula in the Microsoft Excel has been used:

=NORM.INV(RAND(), Average, Standard Deviation)

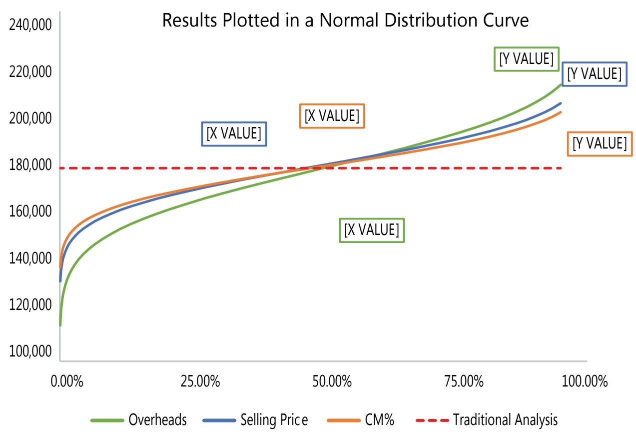
The 'Rand()' formula will generate random number between 0 to 1 and the 'norm.inv' formula will generate numbers for each normally distributed variable by using their mean and standard deviation.

The outcome of the simulation is summarised in Table 3. As random number generation function is used, therefore, these results will be different every time we run the simulation. However, it will be consistent directionally as normal distribution function has been used in Microsoft Excel.

Table 3

Variables	Overhead	Selling Price	Contribution Margin
Number of Iterations	10,000	10,000	10,000
Mean	178,554	179,902	179,438
Median	178,644	178,749	178,296
Standard Deviation	21,661	16,020	13,958
Breakeven Volume at 95% Confidence Intervals	214,187	206,254	202,399
Confidence Intervals or Accuracy Levels for Breakeven Volume 178,571	50.0%	46.7%	47.5%

Results of Table 1 and 3 are graphically represented below:



The conclusion of the above graph or Table 3 is as follows:

- Overhead is the most sensitive variable having high standard deviation followed by selling price and contribution margin;
- Outcome of simplified breakeven volume, as shown in Table 1, has relatively low level of confidence interval ranging from 46.7% to 50.0%. It implies that more likely than not, the outcome of the traditional analysis presented is incorrect; and
- Breakeven volume is 214,187 with 95% accuracy. It implies that keeping variability of three variables in consideration and with 95% accuracy, the breakeven volume is 214,187 instead of 178,571.

This method has two limitations as well:

- Variable may not be normally distributed in real life situation. Therefore, the confidence interval of 95% (or whatever assumed) will not give 95% accurate results; and
- Assigning ranges for variables with certainty is not possible in all cases and therefore, it will be done on an arbitrary basis.

Despite these limitations, the method shared is by far superior then the basic traditional method. Similarly, it can be used across various other financial analyses including budgeting and forecasting. As the importance of finance function has evolved therefore, we cannot afford to provide analysis which does not account for complexities and variabilities. Hopefully, in future, we use more statistical methods for financial analysis.

In Search of Excellence – Internal Control & COSO

by Sohail Malik

It is said that internal control is common sense, and the existence of the internal control dating back to 3600 B.C. suggests its origination prior to auditing.

The internal control is considered essential to effective operation of companies. However, internal control failures are common, as common sense is not common.

We have witnessed that the internal control grabs worldwide attention and makes into the headlines only when it fails to do its job. The corporate scandals across the globe, the scale of collapses and consequences for the rest of the global economy are well documented. It's said, if you want to know the end, know the beginning, and the central common root cause of all the major corporate fiascos is internal control failures. The headlines from the recent past such as, "UBS company admits failure of internal controls," "Morgan Stanley's fined for internal control failures," "Toshiba, the 140-year-old pillar of Japan Inc. is caught up in the country's one of the biggest accounting scandal," point to fact that internal control cessation adversely affects not only that particular company but the global economy as well. While these corporate failures act as lessons and warning signposts for others, the fundamental lesson is that cost of internal control failures is high, potentially extinction.

The ineffectiveness and failures of internal control draw attention and resources for the development and implementation of sound internal control systems. Various jurisdictions have focused on the development of internal control fram eworks to safeguard the stakeholders and capital markets. Generally, a framework provides a structural blueprint of how body of knowledge and guidance fit together. In the context of internal control, a suitable framework is one that is free from bias, permits consistent qualitative and quantitative measurements of company's internal control, sufficiently complete and relevant to various industries for application and conclusion.

The internal control frameworks recognised globally by all the stakeholders include Committee of Sponsoring Organisations (COSO), Turnbull and Criteria for Control (CoCo).

While other frameworks do exist, the COSO framework is the most widely accepted and used in the world. The original COSO model released in 1992 played a fundamental role in establishing a scalable framework for internal control. Under this framework, internal control is a process intended to provide reasonable assurance that the objectives related to operations, reporting and compliance with applicable laws and regulations are achieved. Though released in 1992, COSO's real claim to fame came from the subsequent release of the Sarbanes-Oxley Act (SOX). SOX required a company to adopt a 'suitable, recognised internal control framework.'

The underlying concepts of the COSO framework have proven themselves over time as a solid base for the set-up and functioning of internal control in companies worldwide. Over a period of twenty-five years, it has become the world's most widely acknowledged and used control model. In US, 99% of public companies have adopted the COSO framework. In 2014, Chinese ministry of finance signed an MoU with COSO to translate the COSO framework in Chinese language. Further, the European Union (EU) Principles of Public Internal Control are based on COSO. Moreover, the use of COSO framework in EU corporate sector is well established. In this context, the use of COSO framework by the Top 5 EU companies, namely, Shell plc, Allianz, BNP Paribas, Total S.A. and AXA Group are leading examples of worldwide recognition and applicability of COSO framework.

In 2013, COSO issued the revised version of its framework to account for the evolution in technology and business practices in the last twenty years. The revised framework is based on the extant five components (Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities). However, it has introduced 17 underlying principles. In COSO's own words, the precise summary of its objectives for the revised framework is as follows:

"In the twenty years since the inception of the original framework, business and operating environments have changed dramatically. Becoming increasingly complex, technologically driven, and global, at the same time, stakeholders are more engaged, seeking greater transparency and accountability for the integrity of the systems of internal control that support business decisions and governance of the organisation."

Various global accountancy bodies, including International Federation of Accountants (IFAC) have lauded COSO's efforts for being one of the first and foremost thought leaders in internal control. It is believed that the revised COSO framework will help improve implementation of internal control.

In the context of Pakistan, the Code of Corporate Governance mandates the listed companies to maintain an effective internal control system. In the last few years, the corporate regulator, Securities & Exchange Commission of Pakistan (SECP) has further expanded the requirement of adequate internal control to various sectors and organisations such as Securities Broker, Central Depository Company, Stock Exchange, etc. The companies are required to select an internal control framework and then assess and report on the design and operating effectiveness of their internal control annually. The increased attention of SECP points to heightened significance of effective internal control that is aimed at enhancing confidence and transparency in Pakistan capital markets.

Based on the worldwide recognition and application, scalability, alignment with latest global business developments, COSO framework is considered as a world leading framework for internal control. It is relevant to companies and institutions of all sizes, industry and maturity. Accordingly, entities in Pakistan engaged in developing and implementing an internal control system may consider implanting the COSO framework for their institution.

It is likely that the implementation of internal control, based on the COSO framework, will take time and effort, both on the part of the entity's management and its auditor. The COSO framework starts with the tone at the top, and a cross-functional team should be assembled to own the conversion. The companies may make transition with two goals in mind. First, give new controls, implemented upon transition, enough time to operate so that management can conclude on effectiveness; and second, make this transition before the statutory auditors' come in and conduct their initial testing. It is important to remember that auditors' cannot tell management what internal control framework to use – they can only audit the system of internal control that management has put in place.

In recognition of the fact that there are other relevant frameworks available, the global approach is not to mandate a particular framework. So is the case in Pakistan, and the fundamental idea is that whichever framework is used, internal control is more than just a compliance issue.

It is said that "change starts when someone sees the next step," so, the opportunity is always there to be better. Internal control is an area where improvement adds real benefits to the operation and management of a business. Companies that elect to take the right approach will reap the rewards of reduced fraud risk, minimal financial reporting surprises, and sustained business performance over the long term.

International Accounting Standard 16

Property, Plant and Equipment

by Yasir Rizwan

International Accounting Standard (IAS) 16 deals in accounting for Property, Plant and Equipment (PPE). It gives certain elements to be considered as part of the cost of assets, one of which is cost related to the obligation for dismantling, removal or restoration. The previous version of IAS 16, Property, Plant and Equipment, included within its scope only the costs incurred as a consequence of installing the item.

The cost of dismantling, removal or restoration is normally to be paid sometime in future and it is difficult, most of the time, to ascertain the exact amount. Para 16 (c) of IAS 16 with respect to such cost is reproduced below:

"The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period."

Here, we get one relief by reading the first three words of the quoted text that it is "an estimate." As we know that under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, an estimate is the only thing which has no effect retrospectively and always recognised prospectively.

The factors causing a change in the present value can broadly be categorised in three main sets:

- change in the present value due to change in the future payable amount;
- change in present value due to the change in discount rate; and
- change in present value due to the change in length of discount period.

So, if you had included an amount as part of the cost of the property, plant and equipment based on your prior judgement and due to change in circumstances that estimate of cost has changed, you will only need to adjust the present value of the liability with corresponding effect to the asset. It is not necessary that the effect of change in estimate will always go to asset, some other factors need to be considered, which will be discussed in the following scenarios regarding the change in dismantling cost estimates and how those should be accounted for.

Para 23 of IAS 16 says, if payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with IAS 23 Borrowing Costs.

Interestingly, if the finance cost is arising out of the unwinding of the obligations resulted from dismantling, restoration, etc. then you will have to take it to profit and loss as period expense. It is prohibited to capitalise such finance cost under para 8 of IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

The initial estimate of cost of dismantling and removing the item and restoring the site is always added in the cost of PPE at its present value.

Take the example of an asset acquired in January 1, 2000 at the cost of PKR 90,000 having a useful life of 10 years and estimated cost of obligation to dismantle the asset after 10 years amounting PKR 16,300 approximately. Let's assume the risk-adjusted discount rate of 5%. Let's analyse it in four scenarios.

i. Asset gets depreciated over 10 years and unwinding of liability at 5% annually without any other changes.

Description/Year	**Asset**	**Liability**
Cost of the asset Present value of the liability	90,000 10,000	10,000
January 1, 2000 Cost of the asset as per IAS 16 Present value of liability	100,000	10,000
December 31, 2000 WDV/PV	90,000	10,500
December 31, 2001 WDV/PV	80,000	11,025
December 31, 2002 WDV/PV	70,000	11,576
December 31, 2003 WDV/PV	60,000	12,155
December 31, 2004 WDV/PV	50,000	12,763
December 31, 2005 WDV/PV	40,000	13,401
December 31, 2006 WDV/PV	30,000	14,071
December 31, 2007 WDV/PV	20,000	14,775
December 31, 2008 WDV/PV	10,000	15,514
December 31, 2009 WDV/PV	0	16,290 or say 16,300

ii. Asset gets depreciated over 10 years and unwinding of liability at 5% annually, however, at the end of FY 2005, it is observed that present value of obligation is decreased to PKR 10,000 from PKR 12,763. (i.e. the obligation of PKR 16,290 after 10 years is now reduced to PKR 12,763 resulting a change of PKR 2,763 in present value). Let's analyse how our Table will change after this.

Description/Year	**Asset**	**Liability**
Continue from the last Table		
December 31, 2004 Revised WDV (50,000 – 2,763) Revised PV (12,763 – 2,763)	47,237	10,000
December 31, 2005 WDV/PV	37,790	10,500
December 31, 2006 WDV/PV	28,343	11,025
December 31, 2007 WDV/PV	18,895	11,576
December 31, 2008 WDV/PV	9,948	12,155
December 31, 2009 WDV/PV	0	12,763

iii. Let's assume if present value of obligation is changed so much that even the change exceeds the written down value of asset. For example, as on December 31, 2008 the present value of obligation was PKR 12,155 (see Table in ii) and if, due to change in circumstances, there is no more obligation for dismantling the asset then the present value of obligation as on December 31, 2008 will be zero. Now, as a result, asset will be reduced to zero from PKR 9,948 and present value of obligation will be reduced to zero from PKR 12,763 and the difference will be charged to profit and loss.

iv. Let's assume another scenario, if present value of obligation has been increased instead of decreasing. In this case, present value of the increment in obligation will be added to the cost of the asset. But if the value of the asset is increased, one more step is required that is, impairment testing. Since the cost of the asset is increased, this may be an indicator that perhaps the whole amount may not be recoverable now. Therefore, in this scenario IFRIC 1 comes to guide us to perform the impairment testing of the asset by comparing the carrying amount of the asset with its recoverable amount as required by IAS 36 and account for any impairment loss accordingly in accordance with para 5 (c) of IFRIC 1.

Sustainability & Social Accounting

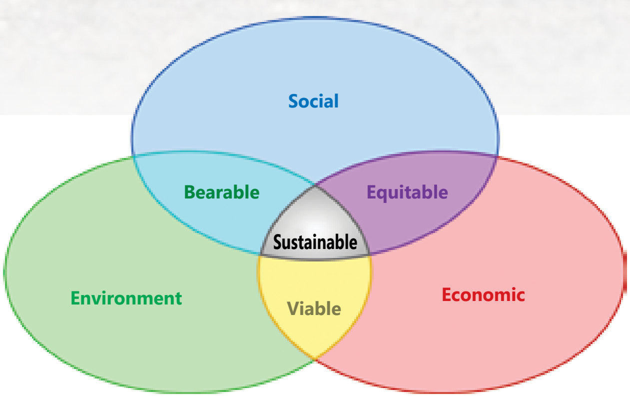
by Aurang Zeb Khan

In recent years, Sustainability and Social Accounting (SSA) has gained significance due to its considerable impact on financial reporting requirements. Nowadays, progressive managers of worlds' fast growing organisations do not rely only on financial figures but also on non-financial targets which are considered equally important effecting the entity's operating environment. In precise terms, non-financial targets are defined and pursued under corporate social responsibility reporting or SSA. Being specific to Pakistan, the concept still seems to be under developed and needs more attention especially from chartered accountants and other management personnel of the companies.

Based on the above reasoning, I have tried to highlight how organisations can adopt activities that could impact society, environment and economic performance of an organisation. This can be ensured via proper sustainability accounting and corporate social reporting by the entities operating in a particular market and community.

An Overview of Sustainability and Social Accounting

We may not have seen in common daily practice the concept of Sustainability and Social Accounting (SSA) although a general declaration of its importance prevails in a focused way for the last decade.



SSA as a compound subject and the concept through its major components are addressed below.

SSA is a concept where organisations focus on non-financial reporting in the form of communicating environmental and social implication of the organisation's activities to the stakeholders, specifically, the interest group in society. It is actually recording and reporting of social and economic responsibilities of an organisation and so also called social responsibility reporting or social and environmental accounting. The concept is emerging and leading organisations are becoming more sustainable and conscious of their social responsibilities.

Comparing to the routine financial accounting, SSA goes beyond and demands more from us than merely sticking to the financial targets like: not being exclusive of financial terms and focusing on more than only economic events; theoretical approach to reporting corporate social and environmental responsibilities; accountability to extensive group of stakeholders; and keeping the entity engulfed with more than mere a financial success.

SSA's Historic Development

The concept of social accounting developed in early 1970s which received serious considerations from professional and academic accounting bodies. The focus on the concept strengthened more during the last decade where enterprises felt that social and environmental performance are necessary for their business success in the region and global diversification. It was rooted first in USA where many well-known organisations and businesses experimented with social accounting.

Pakistan also saw its adoption in early 1980s where regulatory compliances and other disclosure requirements against social contributions, ecological impacts, contingencies and donations got more extensive and obligatory for enterprises working in the country.

Many researches linking accounting to the emerging concept of sustainability surfaced in the early 1990s. It has received continuing attention in academic and professional accounting literatures across the globe. The concept was strengthened with the release of the Sustainability Reporting Guidelines at the World Summit on Sustainable Development in August 2002, formulating various approaches to sustainability accounting framework. This resulted in a comprehensive reporting model that presents an enormous challenge to business organisations these days, requiring a significant commitment of resources to achieve its widespread implementation.

We must consider how accountancy can contribute to sustainability reporting of various sectors in a country, and what implications it could have in terms of opportunities, challenges and skills prevailing in these sectors.

Components of SSA

Social Accounting: The National Association of Accountants (NAA) Committee in USA defined social accounting as "The identification, measurement, monitoring and reporting of the social and economic effects of an institution on society." We can see it as a key element of Triple bottom line approach which is being adopted by many social entrepreneurs and socially innovative companies these days.

This approach includes a corporate's concerns towards not only financial targets, rather engulfing social and environmental impact of the company's operations too and incorporating these aspects into traditional financial accounting. In modern times, accounting efforts have been extended to the assessment of the state of society and of the social programs, not for the satisfaction of any individual or group but for better allocation of resources and social well-being as a whole.

Many researches linking accounting to the emerging concept of sustainability surfaced in the early 1990s. It has received continuing attention in academic and professional accounting literatures across the globe.

Referring to past, debates initiated in 1960 with slogan, "Profits should not be the sole objective of the business" in the management literatures, is now dominating in accounting frameworks, and so attempts are being made to align profit to other social goals of a company. This in turn resulted into a term 'social profit' which is now being considered as a barometer of responsible business behaviour. Previous studies initiated in earlier decades clearly demonstrate the importance of social accounting in today's business and corporate culture. Some of the well-known published material includes that of C.G. Mobley. Coopers, 1972, AICPA committee on social measurement, 1977, Owens, 1992 and Roberts, 1992.

Sustainability Accounting: Sustainability accounting focus on sustainability challenges of an organisation which are unprecedented today. In a narrow sense, the concept of sustainability accounting emerged in the last two decades and engulfed multinationals, small and big enterprises to look for long term sustainable development in their organisations.

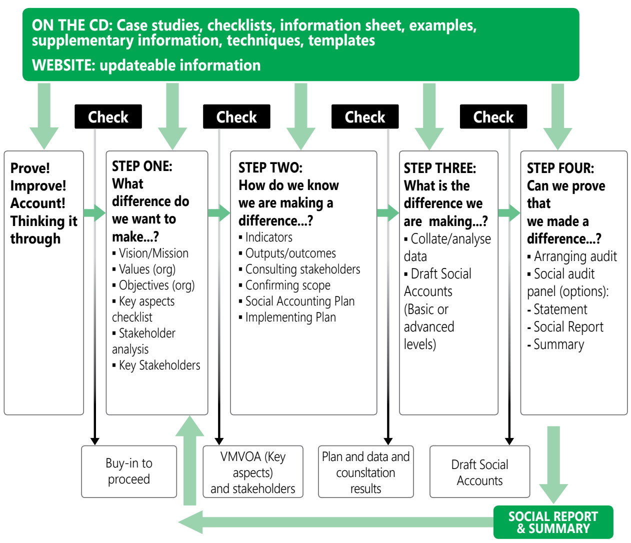
The United Nations (UN) Brundtland Report (1987) states: "Sustainability is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The Brundtland definition emphasised both on future focus for sustainability, and sharing of the world's limited resources between poor and rich. It has a strong moral element to it in that it emphasises the need to focus on the poor. It is, in-fact, a useful thought of two elements; one concerns environmental issues (eco-efficiency) and other deals with social elements (eco-justice).

Sustainability reporting involves a number of professions. We must consider how accountancy can contribute to sustainability reporting of various sectors in a country, and what implications it could have in terms of opportunities, challenges and skills prevailing in these sectors. Many companies are adopting new methods and techniques of sustainability accounting in terms of financial disclosures and reporting, summarised details about its core activities which are influencing the environment and constant growth of an entity. This concept provides stakeholders, suppliers and government institutions a better understanding of how companies could manage their resources to achieve their goals for an accomplished sustainable development.

Accounting and Reporting Framework of SSA

Social Accounting & Reporting: Today, social accounting and reporting is a rapidly developing and diverse field of practice. At its simplest, it relates to the collation and communication of financial and qualitative data about an organisation's interactions with society. This collation may be undertaken by the organisation to which the social account relates (as is typically the case with financial statements and environmental reports) or it may be the work of an external body often independent of the organisation. The communication of the social account might be limited to internal management use in the form of social bookkeeping and information systems or it may be for external consumption as a published social account.

Overall process of social accounting and audit



From time to time, business and industry regulating bodies have produced codes and guidelines on aspects of social reporting. Some of the most prominent in the past have been on such matters as reporting to employees, development of the value-added statement and the disclosure of information about employment. More recently, the possibilities of guidance on social reporting have emerged and reported by the newly formed Institute for Social and Ethical Accountability (ISEA). ISEA was founded as a cooperative venture between Non-governmental Organisations (NGOs), universities, businesses and consultancies to encourage and codify best practices in social accounting.

Probably, the best way to envisage the emerging best practice of social accounting and reporting is to think of the social account as comprising three layers of information. These three layers are:

▪ **Descriptive data about the organisation's stakeholder relationships:** This includes information as employee numbers, pay by category of employee, community involvement initiatives and provision of facilities for customers. Mostly this information is included in the annual report.

▪ **Information relating to the accountability of the organisation:** This relates to reporting the extent to which the company is meeting current legal, ethical and industry standards, for example, it may include accident rates and sickness leaves, numbers of disabled employees, noise levels, fair trade conditions and assessments of compliance with the company's own mission statement. An obvious element of this is the sort of data being currently produced in the better environmental reports.

▪ **Stakeholder dialogue information provides the third layer of information:** This data relates to the processes undertaken by the organisation to consult and listen to all its stakeholders and provide public feedback on what the stakeholders had to say about the company, its ethical positioning, community responsibility and provision of reliable information about its activities.

Sustainability Accounting & Reporting: In today's fluctuating and highly uncertain political and commercial environment, sustainability will certainly prove to be the most important policy issue governments, business entities and society will have to grapple in the near future. There are no current requirements that companies should report on the extent to which their activities are in harmony with the demands of sustainable development.

Principles – Content of the Report

Content

Materiality	Stakeholder Inclusiveness	Completeness	Sustainability Context
▪ Cover topic and Indicators reflecting organisation's significant economic, environmental, and social impacts, ▪ Topics which would substantively influence the assessments and decisions of stakeholders.	▪ The reporting organisation should identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests.	▪ Coverage of the material topics, Indicators and definition of the report boundary. ▪ Reflect significant economic, environmental, and social impacts. ▪ Enable stakeholders to assess the reporting organisation's performance in the reporting period.	▪ The report should present the organisation's performance in a wider context of sustainability.

Current environmental reporting and management practices have only the most tenuous connection with sustainability and do not ensure that a company is moving towards sustainability. Even current guidelines issued by the International Chamber of Commerce's Charter for Sustainable Development and the Pronouncements from the World Business Council for Sustainable Development fail to address the deeper questions about total resource allocation, methodology and best practices to deal with eco-justice issues and instabilities appearing in businesses.

In today's fluctuating and highly uncertain political and commercial environment, sustainability will certainly prove to be the most important policy issue governments, business entities and society will have to grapple in the near future.

More pertinently, for accounting and reporting, both the European Union (EU) and the UN have explicitly addressed the role that accounting procedures and reporting will have to play if corporations are to cope with the sustainability challenges. The EU Fifth Action Program on the Environment (towards sustainability) has signaled its desire for accounting to redefine its concepts, rules, conventions and methods so that the full cost of consuming and using environmental resources are calculated and included in the product cost and its ultimate price. It is believed that this will lead to economic and efficient approach towards resource allocation and hence, will assist in the pursuit of sustainability.

The Global Reporting Initiative (GRI) has developed a leading sustainability reporting framework for the private sector and public agencies to promote sustainability practices through appropriate and useful reporting. However, we have a long way to go before detailed and systematic accounting and reporting for sustainable development can become a common practice.

The UN Conference on Trade and Development has instigated a range of research projects intended to explore how accounting might contribute to a move towards sustainability. The most recent of these projects are summarised in International and Accounting Reporting Issues 1995 Review, which outlines the lack of progress towards accounting for sustainability and offers a number of explorations for potential future growth to deal with related challenges. Many countries have already worked on the concept that needs to be adopted for sustainable growth in future.

Conclusion

Environmental, social accounting and reporting are becoming increasingly relevant and mere reports based on financial figures will not serve the purpose. Whilst not always popular with companies, the increasing importance of environmental issues, the re-emerging awareness of the social dimensions of organisations, the growing importance of stockholding as a concept and the absolutely essential imperatives of sustainability are all ensuring that we must embrace these new forms of accounting and reporting. Recent years have seen not only an increasing acceptance for these new reporting approaches, but also energetic and innovative experimentation by far-sighted organisations.

This concept, in light of the above elaborated facts, can easily be adopted and considered in Pakistan by the entrepreneurs and corporate sector, as this country has already been in depth of environmental and social issues due to the industrial sector and the general prevailing circumstances.

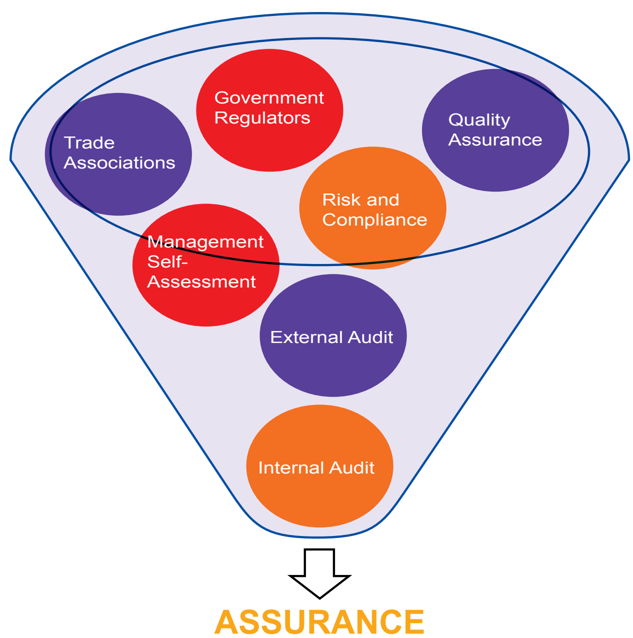
Assurance Mapping – How Internal Audit Can Lead the Way

by Omer Iqbal

The role of internal audit in an organisation continues to grow significantly, both locally and internationally. Since the introduction of the Code of Corporate Governance in 2002, internal audit has come a long way in terms of establishing itself as an independent function, with direct reporting line to the chairman of the audit committee of the board of directors. Internal auditors make valuable contributions to the governance of an organisation by providing assurance on matters of vital significance, enhancing the audit committee's understanding of the organisation specific risk environment and last but not the least, improving controls and risk assessment in a dynamic and ever evolving business environment.

Despite the value addition and representation on the audit committee, internal audit is still not considered a primary source of insight on all matters relating to risk and assurance. While the audit committee seems comfortable to rely on internal audit's assurance in the areas of operational risk, risk management and financial reporting controls, they still seek assurance from a variety of other sources including project managers, management and external auditors.

In order to be considered the top assurance provider in an organisation, internal audit needs to establish itself as a focal point in addressing the entire spectrum of assurance needs. The number of different sources which provide assurance over varying aspects of risks and issues can be overwhelming for the senior management, audit committee and the board of directors which may lead them to think that an effective risk management system is in place when, in fact, it is not. Without a system of coordinated assurance in place, there could be gaps as well as overlaps and some of the assurance may not be reasonable against the underlying risk leading to inappropriate reliance. Internal audit needs to seize the opportunity to overcome these weaknesses by making use of 'assurance maps' to meet the the full suite of an organisation's assurance needs.



What is an assurance map?

An assurance map is a systematic way of identifying and mapping the main sources and types of assurance in an organisation, and effectively coordinating them to successfully manage and mitigate risk.

An assurance map provides a visual and informative summary for the senior management, audit committee and the board of directors to assist them in understanding and assessing the organisation's assurance process for key risks as well as identifying gaps and overlaps in assurance.

In view of increasing complexities in the business environment, the role of internal audit needs to evolve. Assurance maps can be leveraged by internal audit to provide meaningful insights to the audit committee and the board of directors.

Assurance map is not an end in itself but a means for developing and enhancing effective risk oversight and generating more value in an organisation's risk governance. Assurance maps add value by facilitating discussions between the stakeholders and a variety of assurance providers.

How internal audit can leverage assurance mapping?

Assurance mapping promotes collaboration between executive management and internal audit though which the internal auditors can develop sophisticated commercial skills to gain and maintain the respect of the leadership team.

Through the process of assurance mapping, internal auditors get a holistic view that would enable them to evaluate efficiently and effectively the state of an organisation's risk and control in line with management's perspective. This will not only increase the credibility of internal audit within the organisation but also identify areas where audit coverage could be enhanced through the annual audit plan.

Assurance mapping development phases

1. **Align risks:** This phase involves identifying and documenting the risk universe for which assurance is expected or required. While defining the risk universe it is important to take stock of principle risks and core business processes for which the organisation requires oversight to ensure sound running of the business.

Step 1: Identify Enterprise Risk Management (ERM) categories – operational, financial, reputational, regulatory.

Step 2: Document related business unit risks.

2. **Establish risk to process relationship:** For each risk that is included in the risk universe, this phase identifies the area of risk control requiring assurance – documenting specific systems of control and risk mitigation processes that exist in respect of the risk universe and for which assurance is expected or provided in an organisation.

Step 3: Identify and document the organisation's operational and supporting processes.

Step 4: For each key risk, identify and document all relevant processes.

3. **Identify process oversight:** This phase documents ownership of the risks and the related system of control and risk mitigation required. This phase also identifies the different layers of assurance provided for each risk by a variety of assurance providers (management, risk and compliance, internal audit, external audit), and analyses them.

Step 5: Identify and document the organisation's process assurance activities.

Step 6: Identify and document process assurance activities of external assurance providers.

4. **Build a picture for assurance:** This phase documents the conclusion in respect of the assurance provided by the internal and external sources against each of the risks.

Step 7: Document conclusion from each assurance provider, highlighting the last date of review.

5. **Finalise assurance map:** Once the assurance map is completed, it is important to identify gaps in assurance coverage as well as determining areas of redundant oversight. The internal audit should optimise the internal audit plan and management's assessment activities based on the current level of assurance and the expected level of assurance.

Step 8: Update audit universe and audit plan leveraging the assurance map.

Challenges to assurance mapping

In order for an assurance map to be meaningful, it is important to establish a definition of assurance in the context of the work done by various assurance providers. Management, risk and compliance function, internal audit and external audit are all assurance providers providing varying degrees of assurance within an organisation. It is important to have clarity on what the stakeholders consider to be an acceptable level of assurance, keeping in view the independence of each assurance provider, to be included in the assurance map.

The process of developing and maintaining an assurance map is a time consuming activity. For an assurance map to continue to be relevant in the evolving business environment, it needs to be periodically updated and may require dedicated resources. In addition, the coverage of an assurance map is dependent on a variety of assurance providers outside of internal audit and will require frequent communication and interactions to keep it meaningful.

Assurance mapping best practices

The following practices improve the accuracy of an assurance map and help to gain the buy-in of the management:

1. Obtain the contents of the assurance map from those directly responsible for the business processes. The risk identification by the corporate risk and compliance function in an organisation should be leveraged as an input to the assurance map. Internal audit should partner with business unit executives to identify organisation specific risks, business processes and control activities.

2. Initiate a review exercise from operational managers up to corporate executives in order to validate the map's accuracy.

3. Update the assurance map on a periodic basis.

Conclusion

In view of increasing complexities in the business environment, the role of internal audit needs to evolve. Assurance maps can be leveraged by internal audit to provide meaningful insights to the audit committee and the board of directors. Before implementation, it is important for an organisation to align its corporate risk language, the accepted definition and level of assurance, and the limitations of assurance provided by a variety of assurance providers. Being aware of these challenges will ensure that the relevant stakeholder draw appropriate comfort over the assurance received, maximising the value from assurance.

Sources: Integrated Assurance: Risk Governance Beyond Boundaries by Vicky Kubitscheck; and The IIA Assurance Mapping – Charting The Course for Effective Risk Oversight by Anthony Reyes and Nathan Ives.

Reimbursement of expenses subject to income tax?

by Mohammad Ali

The Income Tax Ordinance, 2001 has many sections with respect to withholding of tax while making payments against specified transactions. One of many sections is Section 153 (1)(b), which requires prescribed persons to deduct income tax at specific rate while making payment to service provider on account of providing or rendering the service.

In above sort of transactions, sometimes in addition to service charges, the service recipient makes payment as reimbursement of expenses already paid by service provider to third party on his behalf and he deducts income tax on gross payment including reimbursement of expense.

Let's take an example to understand the concept of reimbursement of expense. Suppose A and B enter into an agreement that B shall arrange and provide labour forces to A on terms that B will pay wages to workers and shall take back the same from A in addition to service charges. The taking back of amount of wages from A is reimbursement of expense. The question is: is A liable to deduct income tax on gross payment including wages or services charges only?

To answer the above question, I give the reasoning below and also reproduce the relevant section for ready reference:

153. Payments for goods, services and contracts: (1) every prescribed person making payment in full or part including a payment by the way of advance to a resident person or (a) for the sale of goods; (b) for the rendering of or providing services; and (c) on execution of a contract, including contract signed by a sport person but not including a contract for the sale of goods or the rendering of or providing of services.

At the time of making payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in division III of part III of the first Schedule.

1. Part (b) of the above Section requires income tax deduction on gross amount of payments for rendering of or providing of services. The plain reading unequivocally proves that gross amount shall be related to service charges only. The Section does not require tax deduction on reimbursement of expenses. If the intention of the lawmaker is to bring reimbursement into tax deduction subject, he shall add ensuing line at the end of sub-section 1(b): 'Including reimbursement of expense.'

   Owing to the absence of words 'reimbursement of expenses' it seems that the lawmaker intentionally did not bring reimbursement of expenses into tax deduction subject.

   Further, as per law where two interpretations are possible, the one in favour of tax payer will be adopted.

2. The deduction of tax on gross payment including reimbursement of expenses is against Scheme of the Income Tax Ordinance 2001 and increases cost of doing business sans any cogent reasoning. Let's check out the ensuing table to understand how deduction on gross amount including reimbursement of expenses is against the Income Tax Ordinance 2001 and the Constitution of Pakistan increases cost of doing business.

S. No.	Reimbursement of wages and other benefits per employee	Service charges@10% (1% is increased on every row)	Gross amount	Tax deduction @ 10% on gross payment	Profit/(loss) to labour contractor per labour
1.	Rs. 20,000	Rs. 2,000	Rs. 22,000	Rs. 2,200	(Rs. 200)
2.	Rs. 20,000	Rs. 2,200	Rs. 22,200	Rs. 2,220	(Rs. 20)
3.	Rs. 20,000	Rs. 2,400	Rs. 22,400	Rs. 2,240	Rs. 160

It is not justified as per the Income Tax Ordinance 2001 and the Constitution that labour contractor pays more tax than earned income as per row number 1 & 2 of the above table.

In a situation where service recipient deduct tax on gross amount and labour contractor bears loss, the labour contractor obviously makes a request to the company to bear whole or part of income tax. The question is: is reimbursement of income tax again subject to deduction of tax? If the answer is yes, it amounts to tax on tax which is not Scheme of Income Tax Ordinance 2001.

3. The Sections related to deduction of tax are not charging Sections and additional source of tax revenue collection. Tax is always to be deducted on income so that at the end of year, the taxpayer, whose tax is deducted, adjusts the same against his total income tax liability. Where there is no income, the deduction of tax become meaningless. The definition of income as per the Income Tax Ordinance 2001 is given below:

   "2(29) Income includes any amount chargeable to tax under this Ordinance, any amount subject to collection or deduction of tax under Section 148, 150, 152(2), 153, any amount related to income under any provision of this Ordinance and any loss of income."

   The definition of income is inclusive, meaning thereby that general meaning of income will be intact for the purpose of tax liability, however, whatever is included additionally in definition of income by law. The definition of income in general, as per black law dictionary, is given below:

   "The money or other form of payment that one receives, usually periodically from employment, business, investment, royalty, gift, and the like."

   In case of reimbursement, the service provider just collects money for onward payment.

   Where the expenditure incurred is reimbursed as such without having element of income in the hand of recipient, it cannot assume the character of income deemed to accrue or arise in Pakistan and accordingly, there is no obligation to deduct tax at source on reimbursement.

4. The fact is realised by the Sindh government that tax should be levied on income not on reimbursement. While charging sales tax on labour service, it excludes reimbursement of wages. Rule 3 of Part III of Rule 42C of the Sindh Sales Tax on Services, 2011 with the title 'Procedure for collection and payment of sales tax on labour and manpower supply services' is reproduced below:

   (3) The value of taxable services for the purpose of sales tax levy shall be charged on the gross amount for the services provided or rendered:

   Provided that the amount of salary and allowances of labour and manpower supplied by such persons to a service recipient, where reimbursed by the service recipient on actual basis, shall be excluded from the value of the services for the purpose of payment of tax under this rule.

5. There is no exact case law on this issue, but nearest case law is 2008 Pakistan Tax Decisions (PTD) 787 regarding the reimbursement of expenses, the bar council has referred the decision reported as 2001 PTD 1816. He has contended that these reimbursements of expenses are regarding product handling charges/freight and these expenditures were initially incurred and paid by the distributors on the distribution of goods to sub-distributors, which are then reimbursed to them by the assessee. Tax was deducted and paid by the distributor at the time of making payment to third parties. He has contended that this position is not disputed in the assessment order: so deduction of tax again on the disbursements made to such distributors will lead to double taxation which is neither permissible nor justified.

   In this case, labour contractor will deduct tax where applicable and deduction of tax again will amount to double taxation.

   In case 2016 PTD 1519, it is settled that the next controversy in hand is relating to the addition on account of non-deduction of withholding tax from salary and perquisites. The Assesse Representatives (ARs) of the appellant have produced a Schedule of 13 employees who were paid non-taxable allowance on account of Petroleum Oil Liquidation (POL), maintenance of vehicle and reimbursement of medical expenses as per annexure. It was stated at bar that these allowances were either reimbursement of expenses to these officials or directly connected with the business of the appellant and were in accordance with the banking industry practices. It was submitted at bar that these expenses were not part of take-home salary but are sort of privilege to the employee and vary with the usage and occurrence of certain event. In a nutshell, these amounts were not offered for tax because these were relating to maintenance of car and medical allowance and other reimbursements which are not taxable by employee. The provision of vehicle was in accordance with Rule 5 of the Income Tax Rules 2002. We are of the opinion that the tax department has not acted in accordance with the law and arbitrarily added the amount on the pretext of withholding regime. First of all, POL are not subject to withholding tax under S.R.O. 586(I)/91 dated June 30, 1991 as all the oil marketing companies are exempt from withholding provisions. The other expenses are relating to reimbursement of expenses. The revenue could not produce a single piece of evidence which shows that such reimbursement was paid as part of monthly salary and was part of take-home salary. There is no withholding tax on account of reimbursement of expenses. In view of the above situation, the appellant's appeal on this point succeeds.

Conclusion: In my opinion, the reimbursement is not subject to deduction of income tax.

The Emerging Business Paradigms

by Hashim Abid Hussain

These are very interesting times to be leading a business whereby the most consistent thing is the changing business dynamics. The leading chief executive officers (CEOs) around the world, being the enablers of businesses, are faced with continually changing risks and opportunities and are grappling with multiple uncertainties, forcing them to adapt to the changing business dynamics. Chartered accountants play a critical role in enabling the CEOs in deriving the requisite strategy and the remaining on course to achieving organisations' objectives. In pursuit of adding value to the system, it is critical that the chartered accountants be aware of recent business trends and understand the challenges, risks and business insights that are intriguing todays CEOs.

To get an insight into the challenges and opportunities faced by CEOs, we look into publications of consulting firms like the 2017 Global CEO Outlook published by KPMG International in 2017 which summarised interviews of 1300 CEOs of the world's leading companies and the 20th Annual Global CEO Survey of 2017 published by PricewaterhouseCoopers which summarised interviews of 1379 CEOs. These surveys give an understanding of the pertinent global business trends and risks playing on the minds of the leading CEOs. The primary business insights and trends emanating from these surveys are as follows:

Businesses see disruption as an opportunity

In today's business conventions, the thriving businesses are aiming to be positioned as disruptors as they view disruption as an opportunity rather than a threat. The CEOs feel that to remain relevant, the businesses need to continue to evolve and they see their businesses to be radically redefined in the next three to five years. Classic examples would be companies like Apple moving into retail segment; Tesla disrupting the automotive industry. Innovation continues to be a top strategic priority and a key driver of growth. The speed of change is and will continue to be exponential and will continue to be fuelled by technology and innovation.

Businesses are creating new products to respond to the ever changing paradigms many times by mixing technology platforms to create new solutions and capture new opportunities. Understanding market signals has become more critical to be able to capture new opportunities. The lines between industries are blurring where new entrants are disrupting the existing business models. As a response, the businesses and their processes are being structured to become more flexible and agile whereby enhanced focus is on achieving a greater speed to market, increased digitalisation, implementation of disruptive technology and becoming more data driven. The key factor to drive innovation is to create a culture of openness to ideas, curiosity and optimism.

In short, CEOs remain confident of the global outlook. They understand that they are competing in an age of divergence which mandates them to foster a culture of innovation. This involves challenging convention and driving change. The digital environment has enabled multiple channels for creating value. They feel that they can succeed in transforming their business and thus are confident in future growth.

A changing geo political climate is shifting the strategic balance

On the global front, it is becoming important to distance political noise from economic reality. The businesses in 2017 have seen an increase in protectionist policies which have, in turn, led to change in trade policies and also had taxation implications and revisions. Wage stagnation, income inequality and high unemployment are certain factors driving the political shifts. Changes in the political landscape have forced the CEOs to continue to reassess their global footprint. Their market strategies are changing. Recent trend shows that businesses have focused on increasing penetration in established markets. CEOs are more open to alternate ways of working and are considering collaborations as a tool for extending reach. For businesses, it has become important to make globalisation work for everyone by ensuring benefits are distributed more evenly. The UK referendum on European Union (EU) membership in June 2016 and the US presidential elections in November 2016 exposed deep divisions among masses.

Disruption in globalisation is a key emerging trend whereby the trade agreements could be most seriously affected. Hostility to globalisation will cause governments to look inwards. Global trade wars have the potential to disrupt entire supply chains. Even a single event can lead to a number of strategic changes. This is expected to have significant impact on businesses operating in developed and developing markets.

Reputation and operational risk

Reputation risk is expected to have a large and permanent impact on growth and sustainability of businesses. Increased technology and digital outreach has made things become much more transparent. Transparency has become a primary consideration of how business leaders engage with stakeholders. Impact of social and mainstream media has increased manifolds. Harmful videos of poor customer service can go viral rapidly. Customer perception through effective use of social media has now become an overriding focus area for most consumer oriented businesses.

In the times of heightened uncertainty, the CEOs see an increased need to maintain operational flexibility. The direct result of heightened uncertainty is that operational risk has become a big concern for CEOs as it is directly correlated to reputation risk. Trust, in a time of disruption, has become a highly sought after virtue. The businesses are striving for greater emphasis on trust, values and culture to sustain long term growth.

New paradigms demand a new style of leadership. To be successful, CEOs need to optimise the use of technology through a culture for people inclusiveness. Competitive advantage will go to those who have the capacity to build relationships on trust which comes from sharing deep, sustainable values and purpose.

It's important for corporates to have strong corporate purpose to build and maintain trust. It will be critical to have robust risk and governance frameworks. Effective crisis management has become very crucial. Investment in processes and leverage of digital means enable businesses to connect with customers and create loyalty.

Understanding consumer behaviour through data analytics

Technology is changing customer behaviour. The pace of change in communication and networking channels have seen increasingly sophisticated consumer behaviour patterns. Intuition and analytics in understanding the customer has become paramount for survival and disruption. The new skill to harness is to use technology to sense market signals and to build and maintain good quality data to be used for making decisions. The back offices need to be more customer centric, data needs to be more predictive rather than historic. The importance of data and reliance of security systems has raised alarm bells for cyber security. Improved cyber resilience continues to be a significant risk area. The ability to adopt advance Artificial Intelligence (AI) and to integrate AI into basic automated processes has become another focus area for CEOs. They need to start considering how robots and androids will impact the society and businesses. Technology related challenges include attracting new strategic talent, integrating cognitive technologies, piloting emerging technologies, optimal use of data analytics and predictive technologies and reskilling the current workforce.

Way forward

The coming times bring with them innumerable opportunities wrapped in uncertainties and paradigm shifts. The key to success is for the new generation of leaders to have the right vision and purpose together with a team having the right skill set and inclusive culture to enable them to use technology to navigate through the path of uncertainties and bring the maximum gains.

Note: This article is influenced by the 2017 Global CEO Outlook published by KPMG International in 2017 and the 20th Annual Global CEO Survey of 2017 published by PricewaterhouseCoopers.

DISCOURSE

DOES 'THINKING

LEAD TO SUCCESS?

Muhammad Usman Hanif, FCA
Lahore

Thinking big leads to success if, there is no illusion in thoughts. Taking small steps in the right direction ensure fulfillment of dreams. Thinking big is basically to challenge your own selves. It stimulates your thoughts and actions and also of those around you. If we set small goals, it means we are underestimating not only ourselves but human nature itself. These achievable goals will lower the expectation and hence the bar of standards one could set. Every successful company and individual sets long term goals. Immensely successful corporations follow medium and long term strategy to set medium and long term goals to achieve the imagined future dream. In management books, these motivating goals are called Big Hairy Audacious Goals (BHAG). BHAG is defined as 10 to 30 year goals to triumph the visualised destiny. It is a well-defined path having a focal point of medium to long term growth.

Some individuals set aspiring goals in their career and they plan the requisites to achieve them. It is not necessary they are able to achieve what was exactly envisioned. However, in the process they can explore new ways which distinguish them from the rest of their peers and competitors. Time spent on a single business can be used for multiple businesses also if driven by right thinking process holistically. There is always less competition at the top whereas more competition for a common services business offers less advantage.

There are many ways of thinking big. Take time out and think hard what you want to achieve in your life. A list of rough points on a board may help to keep your focus and with the use of technology, it could be easy. There is an old quote: "Without a plan a dream would be not more than just a wish." Therefore, a roadmap of activities breaking into weeks and months will keep reminding of the small steps to reach that big goal. Thinking big should not be unrealistic, however, one should not limit oneself in a way that human capabilities are undermined. Getting a mentor even in a professional career is very important. This necessity has been recognised by every university, professional body and forum. Mentor advice and insightful thoughts become critical when one starts to realise that goals envisioned might be unattainable. Meeting new people give new perspectives and dimension to thoughts. Many untraditional tasks and ventures are possible now through ideas generated with the help of technology. IT company Amazon is buying whole food market. Biggest taxi service company Uber does not own cars. In the end, I would say nothing comes easy in life. Dreams can be realised only with consistent efforts, self-belief as failure on this journey is just an invitation to try one more time.

Mustafa Zohair, ACA
Luxembourg

"Nothing big comes out of thinking small except big disappointment." I believe that success has many ingredients and equivocal definitions. Hard-work, dedication, devotion, enthusiasm, perseverance, fervour are all seeds that produce success. But there is one element which determines the direction and magnitude of success and that is thinking big to achieve success.

Thinking big goes together with dreaming big and the power to visualise. No real success can be achieved unless the dream that you most craved for has turned into a reality. Thinking big requires taking into account a lot of variables, the outcome of which is individually uncertain but collectively splendid to turn the un-doable into doable. You don't dream big enough unless it scares but motivates you. Every big achievement by someone was once a foolish idea for others. For example, the idea to fly, the notion of wireless communication, travelling to space or even connecting millions of people by smart gadgets and providing access at fingertips. Such was the power of thinking big which creates new demands for today and shapes the challenges for tomorrow.

Thinking big to achieve success goes parallel with discreet short-term small goals which are meticulously planned and articulately executed. This is necessary as this ensures tracking direction and gauging probable success at each stage and revising the strategy, if required. This also boosts confidence when the outcomes at each stage are clear and planned targets are met.

Your thoughts are the virtual boundaries/limits that you create for yourself. So think BIG.

Asad Nouman, ACA
Karachi

Today's competitive era is an era where one can achieve big targets in life only if one has the power to think big.

The one major factor that separates the most successful people from the rest begins with a single thought. This single thought, if cultivated, grows over time into the empowering habit of thinking big that eventually takes over this person's psychology, and propels them towards the achievement of their goals and objectives.

If you have something valuable in mind, a service to offer, an idea to develop, or even your own raw talent to use, then you owe it to yourself – and to others – to increase its scope. Why settle for anything less than the full potential of what you can do with it?

Thinking big, I discovered, needs:
- Vision: To think big, you need to see big.
- Courage: Nothing ventured, nothing gained.
- Thick skin: If what you have in mind is at all worth doing, then others will express doubts about it along the way.

The fact is, when you have a strong enough vision, the courage takes care of itself. When you can see, hear, and feel your vision, then you simply have to pursue it, however crazy it might seem to others.

We must, however, keep in mind that over years this single thought is analysed, criticised and condemned by others. People believe it's impossible, improbable and unimaginable. When people around you laugh at your dreams, never get disillusioned, move on. When people say, "You dream too big" you say to them: "You dream too small." Yes, this single thought knows very well that to think big is to do big.

Muhammad Suleman Zahid, ACA
Lahore

Yes, thinking big lead to success. This is an ideology that needs to be followed by every professional. Think big means to visualise your dream job or dream future and where you want to be.

Think big is a wide term which should be applied in everyday life, even if a person is doing a low caliber job he/she has to think big in current situation as well. Thinking big is required if you want to survive in the current market scenario, because when you are thinking big, you are placing yourself in a higher position and your confidence and morale will be at its extreme. Especially, in case of young CA professionals entering the job market. They have to think big in order to be ahead in their lives. They should focus specifically on their abilities and should try to capitalise on their inner strengths because of competition in the field of accountancy, finance and audit job market. So, if young CAs want to kick start their career, they should develop the habit of thinking big, and continuously working on how they can achieve what they are thinking."

Shahbaz Farooq, ACA
Lahore

The concept of Thinking Big (TB) is not new. David J. Schwartz, American motivational writer and coach, introduced it in 1959, through his book, The Magic of Thinking Big. The concept emphasises that if we put high standards, objectives and targets for ourselves, we would be able to succeed. Whereas, Stephen Covey, American educator and author, proposed a better approach and suggested that TB alone cannot bring success to one's life. Although TB is an essential ingredient to pursue success in today's corporate environment but it is merely a cool sounding jargon unless applied wisely alongside with other core success principles like purpose clarity, continuous skill development, area exposure, smart work, habits alignment, etc. We can lead to success if we use TB in the right quantity, with other components of success.

Masood Ahmed, ACA
Karachi

Thinking big creates possibility of creative ideas which leads to success. A person who thinks big must have the determination to achieve goals which is only possible with effective implementation of plans. There are two categories of people who think big. The first category is of people who thought of bigger ideas after facing a number of failures in their lives like owners of KFC, an American fast food restaurant chain and AliBaba.com, a Chinese online marketplace company. The second category is of people who thought big, started-up with smaller ideas and achieved great success in their lives like owners of Student Biryani, a Pakistani food chain and Imtiaz Super Market, a Pakistani retail store.

Danish Akbar, ACA
Islamabad

One of the things I have learnt in life during this past decade is that we have to keep a vision in mind well before actually putting in any sort of effort for our future. Creating a vision plays a vital role in focusing our efforts in the right direction. If we let the winds of time sail our boat, I'm afraid we won't be able to get to the shore of success. 'Thinking big' is actually a phrase explaining this activity of setting a particular vision, no matter how extraordinary or difficult it is. Whether it is academic or personal development, no one can stop you from dreaming big, from inspiring yourself that you are capable of doing wonders, from being amongst the few who have achieved unmatched success in life.

And when we truly dream, think and aim for the best, our own efforts would be so dedicated towards the fulfillment of that desire, that we would actually enjoy every bit of it. Even the temporary set-backs would empower to strive with more force. Just that 'dreaming' would be enough to help you through thick and thin. And in the end, when you stand on the top reflecting on the effort you have put through in getting there, I bet you'll say: "Yes, all that was definitely worth it."

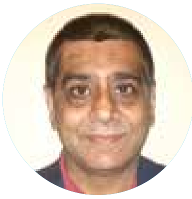
Muhammad Athar Jamal, ACA
Karachi

David Joseph Schwartz, an American motivational writer and coach, once said, "Think little goals and expect little achievements. Think big goals and win big success."

I believe it's very true that if you think big, it would definitely lead to success. But success can be achieved only if you work for it with dedication in addition to being positive through the process. Hence, if we apply it to our studies, professional or family life, we would always achieve fruitful results.

According to the people who have made it to the top, the key factor that helped them to reach these heights was simply the desire for it. Some people decide to lead while others choose to follow. Thinking big allows us to move out of our comfort zone and make things possible which we don't believe in the first place that we could do. It can help us overcome our failures and weaknesses and can help in rebuilding ourselves which would facilitate in succeeding at our task. Moreover, thinking big brings bigger plans, bigger ideas, and bigger success. If we could manage to think big, we can possibly bring big changes in our lives. In a nutshell, key to success in every age is to, 'think big.'

Vince Lombardi, an American football player and coach, rightly said that "the price of success is hard work, dedication to the job at hand, and determination that whether we win or lose, we have applied the best of ourselves to the task at hand."



Shiraz Noordin, FCA
USA

When I contemplate this topic, two quotes by two famous people come to my mind. One is by New York Times and Wall Street Journal bestselling American author, entrepreneur, and public speaker, Tim Ferriss, "Think big and don't listen to people who tell you it can't be done. Life's too short to think small." and the other one is by renowned American neurosurgeon and runner-up in the Republican party's 2016 presidential nominee elections, Dr. Ben Carson, "By thinking big, we can transform our world."

I completely agree with these two gentlemen and personally also believe that thinking big does lead to success. I think that this kind of a mind-set leads us to being bold and taking risks – very important if we want to achieve something out-of-the-box. And of course, by taking risks, I mean calculated risks not just any fantasy risks. For example, just take the example of the late Steve Jobs, chairman and co-founder Apple Inc. Had Jobs not thought big and not stepped forth confidently with the first Apple product, you and I would not have the MacBooks and iPhones. And just look at the tremendous success he achieved by thinking big in his vision for Apple. This is not to say that thinking big will always lead to definite success. But it's worth pondering that we have only one life and little time, so why not be bold, take calculated risks and think big? The future belongs to those who believe in the power of their vision.

Nauman Ashfaq Qureshi, ACA
Rawalpindi

Apparently from the idea no one would differ that 'thinking big lead to success' and this is not a far-fetched belief. Contrarily, it is a generalisation and as per a wise man all generalisations are false; albeit I would go with this advice that thinking big lead to success; provided one who is thinking or taking decision knows his/her strengths and weaknesses for a rational course of action. Knowing yourself is the underlying prerequisite to think big. One should think big and remain positive, as there is a saying that "Shoot for the moon. Even if you miss, you'll land among the stars." Also, it's a must to remember that Allah (SWT) says: "Humans can have only that for which they make effort."

Hina Kazi, FCA
Karachi

'Thinking big' is the secret to big success. Yes, not only thinking big but thinking positive definitely leads to success and accomplishment but only if accompanied by utmost dedication, commitment and hard work to achieve one's goals. One cannot predict the future but with a positive thought process and attitude, one can shape the future accordingly and turn dreams into reality. With a positive mindset and sense of motivation on a daily basis targets can be achieved. Thinking of new possibilities and innovative ways to achieve the desired goals result in the execution of the optimistic big thinking. However, the path to success is often hindered by obstacles and failures but as it is said, "The biggest successes have to go through the biggest failures", so it's not the end but the beginning of a new life. On the other hand, if you are afraid to invest in yourself and take the right decision at the right time and lose opportunity when it knocks on your door, you are not strong enough and confident to pursue the world of your dreams. The difference between these two sets of people is their attitude or thinking.

In today's world there are lots of examples of successful people who have adopted the formula of thinking big which changed their lives and they have achieved what they dreamt of. They are the ones with strong belief and confidence that they will reach the top and overcome all hurdles coming in their way. There is no such word as 'impossible' in their dictionary. So, let's follow them, think big and positive and accept every challenge on the way to success.

Syed Muneer Hussain, FCA
Karachi

What does thinking big mean? It's thinking and day dreaming for bigger ideas, plans and success. Thinking big allows us to move out of our comfort zone and make things possible which we do not believe to be possible in the first place.

Thinking big leads to success. However, it has to be backed by planning, consistent positive action, faith and positive attitude coupled with some personal traits like willpower, self-discipline, courage and motivation to follow thoughts and dreams. Just dreaming, staying passive, and waiting for things to change with no effort will not change dreams into reality.

Zuhair Akram Shaikh, ACA
Karachi

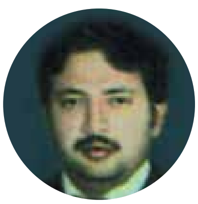
"The best way to predict the future is to create it." In order to create something from scratch, there has to be an idea/dream with an objective to materialise it through continued efforts. The burning desire to achieve something is indeed a blessing that opens the avenue for success.

I am a strong supporter of the idea that 'thinking big does lead to success.' However, I do appreciate that merely having something big in mind without a formal plan to execute, often results in failure. No life on earth is born an expert; rather, it is the continued effort and commitment that helps a person to win the tag of success.

On the highway to success, failures do cross the path. But at the same time, they do teach best lessons and help a person grow stronger. In fact, majority of the successful people have gone through the biggest nightmares in their lives at the early stages of their careers but they survived because they knew that 'biggest successes have to go through the biggest failures.'

Michael Jeffrey Jordan, an American retired professional basketball player, dreamt of becoming a star player that led him to start his career as a novice; he practiced, practiced, practiced, and finally reached to the top of the pyramid.

In the words of Jordan: "I have missed more than 9,000 shots in my career. I have lost almost 300 games. On 26 occasions, I have been entrusted to take the game winning shot, and I missed. I have failed over and over and over again in my life. And that is why I succeed."



Khizar Hayat, ACA
Lahore

Thinking or creative thinking, being basic human instinct, might be done by a human with average intellect. Success, being very subjective, might vary from inner motivated state to progressive refinement.

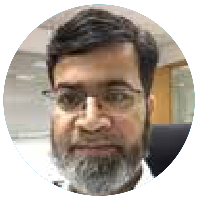
Thinking patterns might vary from exemplary, imaginary, casual, routine, optimistic, positive, pessimistic, targeting, strategic, visionary and, above all, cognitive.

Theorist Edward de Bono narrated 'six thinking behavioural norms' and writer Franklin Kewei's 'effective people thinking approach' might be exercised to convert optimistic or pessimistic emotions into satisfactory and streamlined outcomes.

The above expert thinking has culminated into modernisation of today's life. History has witnessed how great thinkers achieved excellence: Quaid-e-Azam Muhammad Ali Jinnah, the founder of Pakistan, emphasised for optimisation of resources; Muhammad Mahmood Alam, Pakistan Air Force (PAF) pilot who was awarded the Sitara-e-Jurat, during Indo-Pak war 1965. Heroes like Nelson Mandela, South African revolutionary and political leader, Mustafa Kemal Atatürk, Turkish revolutionary leader, and Gamal Abdel Nasser, Egyptian leader were great survivors and thinkers; Mahmoud Ahmadinejad, Iranian president is known for his simplicity and ideology; Hugo Chávez, Venezuelan politician and revolutionary leader and South Korea's present regime developed their countries by self-sustained indigenous efforts; Abdul Sattar Edhi, Pakistani philanthropist; Mother Teresa, Albanian-Indian Roman Catholic nun and missionary and Dr. Ruth Katherina Martha Pfau, German-born Pakistani physician had contributed to lessen human sufferings; and the Great Wall of China was constructed to make China unconquerable.

As quoted in the Holy Quran, (The Day) when Allah will say, "O Jesus, Son of Mary, remember My favour upon you and upon your mother when I supported you with the pure spirit and you spoke to the people in the cradle and in maturity; and (remember) when I taught you writing and wisdom and the Torah and the Gospel; and when you designed from clay (what was) like the form of a bird with My permission, then you breathed into it, and it became a bird with My permission; and you healed the blind and the leper with My permission; and when you brought forth the dead with My permission; and when I restrained the children of Israel from (killing) you when you came to them with clear proofs and those who disbelieved among them said, this is not but obvious magic." (Quran 5: 110)

The conclusion is: humans have been bestowed with best traits which may lighten the way around the clock. A saying of Hakim Suqraat, the philosopher, may be relevant here: "I can't force anyone to learn; but only I can strive to ponder over."



Iftikhar Ahmed, FCA
Jeddah, KSA

If you look at the correlation of a person achieving great success in their work or various aspects of life and becoming rich or powerful, you will discover that they found and executed the formula of thinking big. Which in turn have assisted them in becoming an expert in the field, live the life of their dreams, and unlimited financial freedom.

Big thinking needs the person to dream big. Once you are done with it, upsize it. Make your dream as majestic as you can. Often we shrink our dreams and objectives according to our present circumstances, which lead you to limit things. You should not allow this. You tend to be attracted towards the life you are always thinking about. So start now, supersize your dreams and objectives, as your life can rise as high as your thought process will permit it.

Thinking big directs in adopting positive action and attitude which in turn makes it possible to accomplish. Thinking big can help you to overcome your failures and weaknesses and could help in rebuilding yourself which would facilitate in succeeding at your task.

Adil Farooq Qureshi, ACA
Rawalpindi

Of course, thinking big leads to success. But then, success has different meanings for different people though one thing is for sure – thinking big prepares you for success. It inculcates the habit of analysing situations and people around you, especially your supervisors and preempting inquiries/questions that might be put up to you while reviewing work or project, etc. The more you correctly foretell the queries you are going to face, the better you understand your supervisor's working methodology and the larger the scope of responsibilities. This, in turn, prepares you for succession, which we all aspire, or at least should. In fact, organisations should make this quality a part of developmental program for each department and in their reports appraise the supervisors on how far they have been able to develop such abilities or skills.

Qasim Abbas, FCA
Toronto, Canada

Yes, thinking big definitely leads to success, subject to firm determination, well planning and proper implementation with struggle. The result is a definite success.

Thinking big is the foundation of success in any field. The most practical example is the vision of Pakistan, which was the result of big thinking and firm determination of the Father of the Nation, Quaid-e-Azam Muhammad Ali Jinnah, resulting the creation of Pakistan.

Thinking big is every human being's inborn and democratic right. Practically, it can be considered as a foundation of success, if it is well planned with firm determination and struggle.

Thinking big as wishful thinking is a waste of time as per the famous English proverb: "If wishes were horses, beggars would ride, day dream and build castles in the air."

Let me reiterate that my own rags to riches story was the result of thinking big published in The Pakistan Accountant (April-June 2017).

The bottom line is that think big for achieving success, not merely as day dreaming.

Awais Farooq, ACA
Sialkot

From my point of view yes, surely it does. All the innovation/progress in this world has been possible due to thinking big and out-of-the-box. From a touch screen mobile to satellite communication, all has been a result of thinking big and doing more. It develops a clear path or road map for one to follow. It helps to identify the ways in which things are done and most importantly, the ways in which things aren't done. Thinking big develops confidence and a positive attitude. Thomas A. Edison was once asked about his failures while inventing the bulb, and he said: "I didn't fail. I just found 10,000 ways in which a bulb cannot be made."

There is a saying I truly believe in: "If you only do what you can, you will never be more than what you are now."

Ahmad Sana, FCA
Dubai

I still remember way back in June 1999 when I qualified CA, some of my friends asked me the car I will have? I replied: Jaguar. I had a motor bike at that time, and had no clue of how would I even ride a Suzuki Alto. Six years later, I bought my first Jaguar in Dubai.

The relationship between my reply and the topic here is that you need to dream big even though it may not be clear to you at that particular time how you will achieve your dreams. But once you have a target in mind, plans fit in place on its own.

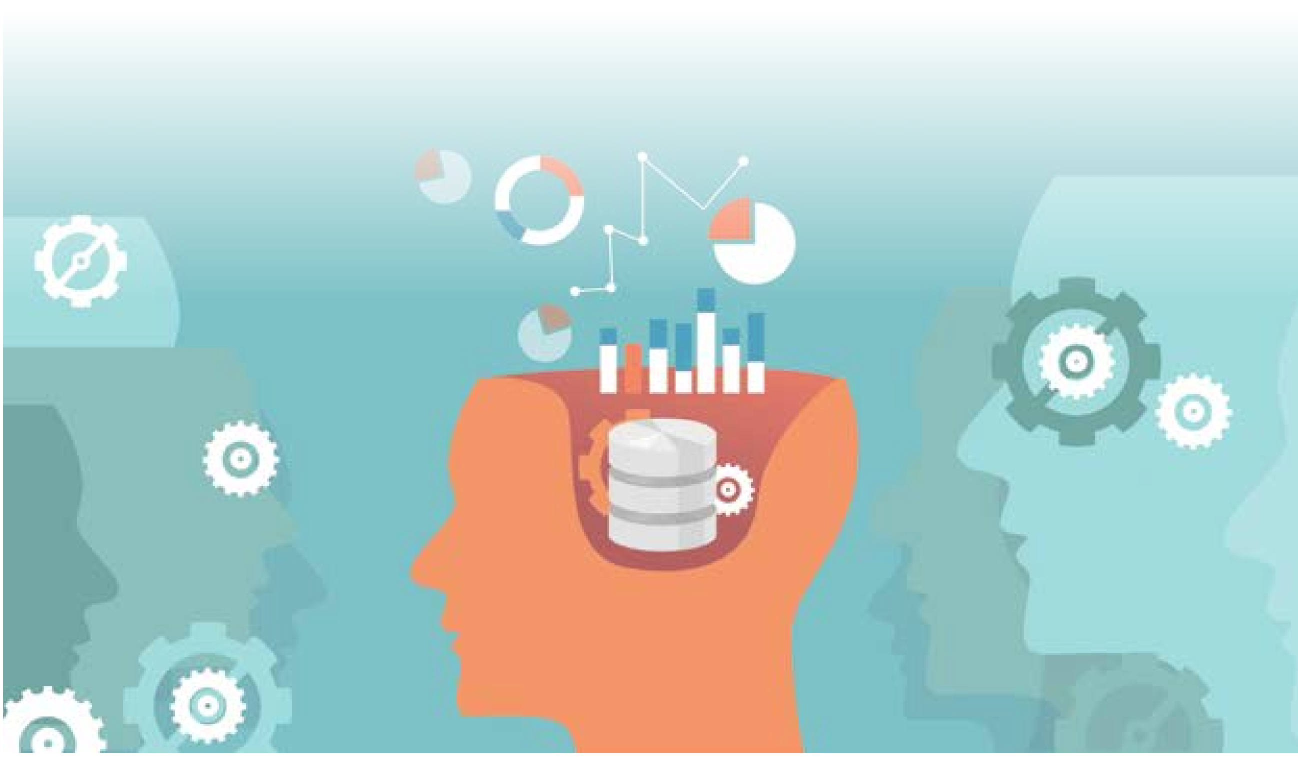
Talha Bin Hamid, FCA
Karachi

'Thinking big' means thinking in terms of business and corporate strategy. Accountants are often accused of taking a myopic view over strategic decisions; our contention is that all businesses should be conducted in a fully compliant manner. It is time for us to change our approach. Rather than asking "How can we ensure 100% compliance?" our question should be "How can the company achieve its strategic goals while ensuring 100% compliance?" This subtle change in approach will actually require us to think more creatively, look for new solutions and, in the process, become a much more effective business partner.

Tahir Maqbool Ahmed Khuwaja, ACA
Ontario, Canada

In my opinion, thinking big leads to success more often than not. Both 'thinking big' and 'success' to me are relative to what a person aspires from his/her life. It can provide the right attitude and right mind-set to approach situations that can prove to be critical moments in one's life.

The only downside of thinking big attitude is if it makes one feel that he/she has a right to belittle others because they cannot think big.



How Technology is Disrupting Accounting – and Why the Industry Must Adapt

Over 20 years ago, the Internet was beginning to explode with the introduction of the browser and HTML in the early '90s. Apple® was a struggling company, literally on the brink of extinction. Michael Dell's infamous words at a tech conference in October 1997 came back to haunt him later. When asked what he would do with Apple if he were in charge of the beleaguered company, he responded, "What would I do? I'd shut it down and give the money back to the shareholders." It's a different world today.

Google® didn't even have a website in 1997. Yahoo was the king of search, and AOL was king of email, among other things. Paper was still dominant. We read newspapers back then, and Amazon® was just three years old. In 2013, Red Sox owner John Henry paid $70 million for the Boston Globe. Twenty years earlier, it had sold for $1.1 billion! And Jeff Bezos was able to acquire the Washington Post and some other newspapers for $250 million in 2013 as well.

In the late '90s, the monthly cost per Mbps of bandwidth was $1,245. Today in North America it's less than $5.

In the early 2000s, BlackBerry® was king of the smartphone, only to be crushed shortly after Apple's release of the iPhone® in 2007 and the accompanying App Store. We entered a world where everything was reimagined.

The next 20 years will see the profession evolve very rapidly. In short, it will be a very different profession from what we see today. Everything that we do will be different.

We've gone from the desktop Web of the late '90s through mobile with the smartphone, then the tablet and now we're into wearables.

Currently, we have a plethora of cloud storage options – Google Drive™, Apple iCloud®, Dropbox and Amazon's cloud drive, among others.

It's hard to believe the impact that technology has had on all of us, including the accounting profession.

The next 20 years will see the profession evolve very rapidly. In short, it will be a very different profession from what we see today. Everything that we do will be different.

For us in accounting, the last 20 years of technology have brought many advances in service capabilities and efficiencies. We work very differently now. The late '90s saw the introduction of document management systems specifically for the accounting profession with the introduction of FileCabinet CS®, and later GoFileRoom®, making the paperless firm truly possible.

Over the years, accounting firms got on board with websites, which allowed them to market differently and far more effectively. Personal client portals were introduced by Thomson Reuters in 2001, effectively eliminating geographic constraints for firms. With portals, they could serve clients 24x7, regardless of location, and communicate and collaborate far better than they could previously.

The Web, mobile and social media have had an enormous impact on how firms can operate today. Social marketing has proven to be very effective in many firms. Audits have changed radically. Now they can be done online, with content also accessed online. We can research anywhere, anytime as well.

The next 20 years will see even more dramatic change for the profession. Artificial Intelligence (AI), cognitive computing/ machine learning, natural language processing and blockchain are the hot topics today – of course, converging with big data. Now the Web is allowing us to collect and analyse massive amounts of unstructured data. The amount of data we are able to collect is rising exponentially, driven by the Internet of Things. Looking out to 2020, the number of connected devices will be three times the number of people in the world, according to Cisco. More people will be connected, as various projects are working on connecting the "other 4 billion."

The convergence of machine learning/AI and blockchain will impact the profession in that our work will effectively be "assisted" by machines in the near future. As an example, we'll be assisted far more efficiently through the processing of tax returns, as raw data will be analysed and we'll be guided through the process. Tax systems will simply be smarter, not only in guiding us through the calculations and highlighting areas we might need to review, but also in providing advice and guidance for the client. True business analytics will come into play – given the amount of data we'll be able to collect and the machine assistance we'll have – to put real meaning around the data and guidance for our business clients.

There will be massive changes in how we perform audits. "Sampling" will fall by the wayside as data can be ingested and catalogued in total, with the computing power we have today. The concept of the continuous, real-time audit will come into play, and we'll be assisted in our judgements – although the human element won't entirely disappear. Fraud detection will be easier and far faster. Blockchain will move the auditor's role away from having to check transaction data, and it will be used to test audit assertions as well.

The next 20 years will see the profession evolve very rapidly. In short, it will be a very different profession from what we see today. Everything that we do will be different.

These are exciting times. Our biggest challenge may simply be managing the pace of change. On the positive side, we should be able to move where we want to go – beyond compliance work to becoming truly trusted business partners for our clients that can help them grow their businesses. Disruption provides opportunity for those who see it – and adjust.

Engaging With Disruptive Technologies

'If the accounting profession continues to adapt, disruptive technologies will open up new opportunities.'

In 1963 Stanley Harding, an Institute of Chartered Accountants in England and Wales (ICAEW) member at Shell, was seconding his most talented staff to the IT department. He was predicting that soon "there will be no books to keep" and, if his staff were to remain relevant, they would need to keep up with technological developments. He was no doubt swayed by the 1960s buzz around artificial intelligence (AI). Despite his prediction being wrong, his vision helped ensure that finance professionals made the most of the realities of technology at the time.

Similarly, today chief financial officers (CFOs) and the accounting profession need to keep ahead of the game by engaging with disruptive technologies. Big data, narrow AI, chatbots, blockchain, robotic process automation (RPA) and so on all hold out the possibilities of higher-quality finance work carried out by significantly fewer people. This is not only with respect to routine transaction processing, reporting and query answering, but also work requiring pattern recognition and some level of judgement, for example forecasting.

It is easy to see why there is some scepticism around what might be achieved and when. Most CFOs have experienced technology promises that failed to deliver, be that due to sales hype, flaws in the software, bad design, lack of processing power, poor implementation and, of course, dysfunctional human behaviours. These risks remain. How many software packages genuinely use AI with some learning capability rather than just follow more sophisticated rules? Moreover, while something may be technological possible that does not make it economically and socially viable.

But there are reasons to think this time it will be different. The cloud makes it easier to experiment with new technologies before deciding and many providers offer free trials. The open source movement and the willingness to share code challenges the proprietary model, with some aiming to democratise AI. Projects can be carried out more quickly and cheaply through agile approaches. There are now more and relatively inexpensive ways of getting different systems to talk to one another. Indeed one of the key issues these days is choosing between the multiple IT options available to address a business problem. For example, those pursuing increased automation have the options of system upgrades, software add-ons, RPA, blockchain and so on.

CFOs have a key role to play in seeing through the hype, but taking advantage of the realities, both within finance and across the organisation. This means exploring new technologies through experimentation, speaking to other organisations, including technology suppliers, and developing knowledge within the finance team. ICAEW is playing its part, and has published a report titled 'Artificial intelligence and the future of accountancy.'

If the accounting profession continues to adapt, disruptive technologies will open up opportunities for accountants to exploit their skills in new areas. For example, we currently only measure and analyse a small subset of what is important to business and society. What if the accounting professions were able to access new data and develop new analysis which supported the implementation of the United Nation's 17 sustainable development goals?

It's difficult to predict the precise impact of the disruptive technologies we are seeing today. But impact they will. Although CFOs and the accounting profession have adapted to technological change in the past, we should not be complacent. Adaptation did not happen by accident. It was the result of thinking ahead, being open to new ideas and collaborating with those from different professions. CFOs who continue to do so can look forward to exciting, but maybe very different, roles in the future.

Technology Brings Opportunities to Attract Young Talent

Technology has a very wide ranging impact on our everyday activities as well as our work environment. For this reason, an increasing number of professional accountancy organisations (PAOs), as well as IFAC and the Small and Medium Practices (SMP) Committee, are determined to help professional accountants adapt to the challenges technological change brings to continue serving their clients and the public interest.

Technology affects the auditor's work environment, both on the methodology applied in performing an audit as well as our relationships with clients and employees. Today, the firm's visibility in the marketplace, our own internal management processes, internal and external communication, and many other aspects of our professional activities depend and even thrive on technology.

Specifically, information technologies are increasingly core to recording financial transactions of our clients. On one hand, confidence in the financial statements depends on the ability of the information technology systems to ensure the completeness and accuracy of the data being captured. On another hand, internal control in any medium-sized or large organisation involves reliance on their information as well as communication systems operating under a proper technological framework. After all, the strength of established controls is essential for auditors to be able to rely on the underlying economic and financial data obtained through an information technology system.

For example, thanks to the development of cloud applications, which allow access from any location, updating accounting data can now be performed instantly and remotely. Once again, a detailed analysis of the strength and weaknesses of such systems, procedures, and communications security is essential for our work as an auditor when it comes to the issue of data integrity.

Currently, information systems have enabled us to access a huge amount of data like never before. Using data analytics helps us detect abnormalities (both in time and volume) that may then allow us to drill down on "exceptional" transactions requiring more detailed analysis. This includes, for example, exceptional transactions such as repeated payments to the same client or for the same product, adjustments or exceptional accrual at certain specific dates, etc. All this allows us to focus our audit efforts on the potential risks of irregular transactions not being detected during the audit process.

When our work is based on the analysis of significant risks (and exceptional reporting) and on the reliance in the internal control systems of our client, does annual audit as we conceive it today continue to make sense? Certainly, our role as auditors is still relevant, as we are the independent experts who can verify the appropriate presentation involving complex financial transactions (based on some applied criteria or reporting framework) and conclude that it is being presented in a true and fair manner. But probably, society and the client will appreciate a more continuous information flow than just our audit opinion delivered once a year.

Certainly, we must analyse and continue to emphasise, from the perspective of our code of ethics and independence, the main risks of the company we are auditing, how it is responding to them, and our opinion with regard to the appropriateness of these responses. However, it makes far less sense for our opinion to be expressed in a single annual report that merely reflects historical

situations a few months after the fiscal-year end when we are talking about the real value of an audit to our clients.

Market operators require periodic information that is more dynamic and, in many ways, more focused, including financial and non-financial information. If we can have access to data in real time, and the internal control systems are functioning reliably, we only have to evaluate whether the criteria applied to certain abnormal transaction or some new situations (that the current system may not be able to adequately deal with) are the appropriate ones pursuant to the applicable financial reporting framework. This is where the power of exceptional reporting can be most beneficial. The quarterly information required by stock markets is a sign of the trend of what market might appreciates—short, brief, and very focused.

And what can we say about our work environment? Values of our society, and especially those of the younger people, are changing. The long hours and characteristic of auditing is hardly appealing to the new generations. This certainly make our profession less attractive, although our profession is sometimes treated as a training ground for other careers as there is still unquestionable value in the experience obtained in an auditing firm. But, beyond this, we start to lose talent. If we don't adapt our procedures and change our work environment, we are running a serious risk of losing the greatest talent among the younger generation.

Furthermore, if we do not have a team that is better trained and better prepared than our clients, we will not be able to add much value for clients. Technology can help us in this sense. A continuous analysis regarding clients' operations, tracking the myriad risks any company faces using and responding to technology, and the completeness and accuracy of transactions being captured and reported make it possible to distribute work more homogeneously with technology over time.

In addition, technology obviously also allows us to work remotely and our staff are able to access clients' systems from anywhere. This also is a better fit to the younger generations' values.

There is no doubt that a technologically advanced auditing firm will be more attractive to young talent than another with a more traditional approach, which can be seen as obsolete and irrelevant. The newer generations are digital natives and easily recognise a forward-looking firm that fits in with their professional aspirations.

Being prepared for changes is essential in order to continue responding to the general interest of our profession. And this has to do with a forward thinking management within our practice. Of course, mere technological adaptation is not sufficient. We can ask for advice from PAOs and other experts but we will need to change how our firms face the future in the technological age.

Many organisations, including IFAC, are sensitive to the need to support members facing these technological issues. The IFAC SMP Committee is finalising a new edition of the Guide to Practice Management for SMPs, which will include a new chapter devoted to technology and its possible impact. The challenges and opportunities that technology offers SMPs can be extraordinary, and the Guide shares reflections and advice for the efficient use of technology from the perspective of a forward-looking SMP.

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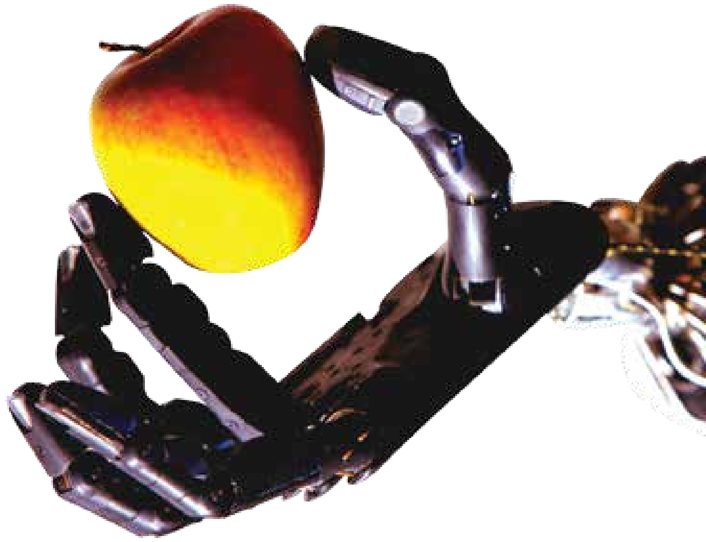
Emerging Markets in the Surge of Fourth Industrial Revolution

by Saira Nasir



With every passing year, the momentum in the tide of technology is on the rise, not only bringing with it a promise but also challenges for the global economy. To face these challenges, we have to prepare for a future of disruptive change, as assumptions about growth models have overturned the international balance of power. The Fourth Industrial Revolution (4IR) is reshaping the economic, social, ecological and cultural contexts; in this changing landscape, embryonic technologies play a key role.

4IR technologies can be used to achieve solutions from the ordinary to the marvelous. Creation of robots that pick ripe strawberries to the ones that can interact with an autistic child is no longer a dream. Genetics used to clone a sheep and to cure chronicle disease is a reality. Now, what we are looking for is not the incremental change but for the quantum leaps.

The urgent need of the hour is to without succumbing to hype or helplessness we must focus ourselves to lay down norms and regulations to shape the world of this 4IR. Our aim must be to remain human as it will only be through comparing ourselves to robots that we will know what it is to be humane and how we can be better humans. The year 2015 was a game changer; it stirred excitement about Artificial Intelligence (AI). We were able to see major breakthrough and could see these technologies play active role in our world.

The global economy with a bang has entered the era of 4IR – defined by evolving technological trends that will fundamentally change life for millions of people around the globe. The physical world is being connected to the digital world with the aid of technology, giving rise to artificial intelligence, big data, the internet of things, Nano and biotechnology and autonomous vehicles.

Technology has its perks, making the use of inventions cheaper day by day; but this fast transition can also cost workers jobs. Recently, the labour-saving technology has reduced jobs particularly in the manufacturing sector. Numerous studies predict job losses as a result of automation. It is predicted that almost half of US workers would face risks of their job being automated by 2030. Developing countries are highly vulnerable towards this trend. This situation becomes more severe for the youth for the reason that if automation takes over more of manufacturing in developed economies, it will reduce the demand for such work in emerging markets. At least 600 million new jobs will need to be created over the next 15 years to overcome this challenge, most of them in Asia and Sub-Saharan Africa (The World Development Report 2013). As per the report, India and China alone will have about a half billion young people joining the workforce in the next 15 years, and 11 million young Africans are expected to join the labour market every year for the next decade.

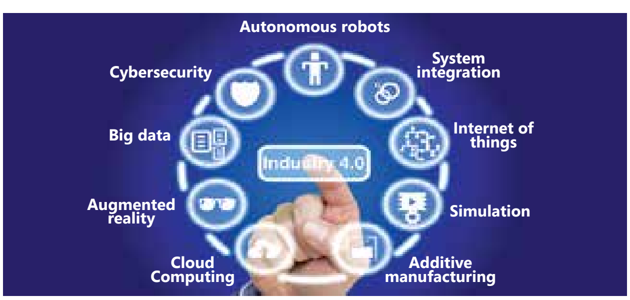
The argument that technology kills jobs and increases inequality is not all true. We would be deeply mistaken if we blame technology for the rise in inequality or unemployment. What we need is not only to focus but to understand and grapple how we want these technologies to help us. The bright side is that while these emerging technologies may create destruction of some jobs; it will also open doors to a lot of new avenues. In the past, technology has ended up creating more jobs than it wiped out. The invention of computers resulted in redundancy of typists' jobs but it ended up creating demand for computer related works and resulted in creation of new jobs such as developing, programming and operating computers. The extent of these opportunities could not have been envisaged two or three decades ago. The incapability to anticipate what type of new jobs will be created by these emerging technologies; losses from jobs we know today tend to grab headlines.

As per a survey conducted by Statistical Analysis System (SAS), a US based software & research company, on AI – The Enterprise AI Promise: Path to Value 2017 reveals the order of importance of the factors affecting the challenges: Trust emerged as a major challenge in many organisations. A number of respondents mentioned the importance of getting those within the organisation to trust and use the results of advanced analytics. Data integration to support AI was also identified as a major issue, the second most crucial. Skills shortage was the third most important challenge identified. Some respondents said that their organisation would probably hire consultants rather than try to develop in-house expertise, perhaps recognising that shortages of data science skills might make the latter impossible.[1]

Trade is shifting progressively to digital goods and services. The magnitude of impact of the 4IR seems to be associated with a worker's skill level, and what determines vulnerability to automation seems to be whether a task is routine. A few studies predict that this tide of technology will affect lower-skilled the most, while others predict middle-skill jobs will be most impacted. Most studies tend to agree that high-skilled workers would be least affected, which is a scenario that could result in rising inequality. Based on a study of the labour force in 46 countries, McKinsey Global Institute concludes that almost half of work activities globally have the potential to be automated.[2]

The pertinent question is: How can we shape these transformations to address the most pressing challenges, and not aggravate them and at the same time prepare ourselves for these challenges?

According to Bloomberg, South Korea is the most innovative country of the year 2017. The country is a rare example where industrial promotion of technology-intensive sectors is driven by the government. In the candidates' debate in recent presidential elections, the 4IR was the most discussed topic. To take maximum advantage of this progression the president of South Korea has proposed the formation of a committee under his direct control which will spearhead policy making on the 4IR.



Based on the findings published in Global Information and Communication Technology (ICT) Development Index (IDI), International Telecommunication Union says that technologies like the Internet of things, big data analytics, cloud computing and artificial intelligence will enable tremendous innovations and fundamentally transform business, government and society and will ultimately serve to improve the lively hood around the globe. The effect of technology-led transformations is not restricted to technology-related sectors. They are also impacting manufacturing, retailing, transportation, thus, in short, all the economic activities taking place around us. Intellectual skills are increasingly being replaced by technology-led productivity decreasing the need of labour both in developing and developed countries. The lesser prepared countries will suffer the most as such developments may require cultural changes. Automation is reducing the cost of traditional labour-intense industries, shifting the cost structures that benefited emerging economies.

Trade is shifting increasingly to digital goods and services. Knowledge-intensive flows of trade are already growing about 30 percent faster than capital- and labour-intensive trade flows.[3]

At this same time, opportunities are also stemming from this widespread propagation of technology. The innovation model of large capital intense businesses is no more effective. Both in developing and developed economies, innovation from start-ups are increasing, upsetting traditional business and building new industries. These ecosystems also generate new sources of jobs emerging from the organisational changes generated by technology. Technology can also be an enabling factor allowing cheaper access for individuals and small enterprises such as hi-speed broadband, cloud computing, etc.

Governmental and regulatory support will be of critical importance to encourage small players to enter the global market. In Pakistan, the ministry of IT & Telecom has established 'Ignite,' formerly the National Information and Communication Technologies (ICT) Research and Development (R&D) Fund, to aid research in AI and robotics and expand national human resource development capacity through funding R&D projects. AI and Robotics research at 60 universities in Pakistan, including Lahore University of Management Sciences (LUMS), National University of Sciences and Technology (NUST), National University of Computer and Emerging Sciences (FAST-NU), Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI), Center for Advanced Studies in Engineering (CASE) and University of Engineering and Technology (UET) is primarily focused on AI, Intelligent System Modeling, Intelligent Machine Engineering, Industrial Automation and more.

Foresight, clear policies and technological governance is the need of the hour. As a result, the real benefit will be a level playing field which will allow more small players and individuals including developing countries to catch up faster. Entrepreneurship that creates new sectors and businesses should be nurtured. The employment effects will purely depend on the nature and efficacy of labour reallocation. Enabling mechanisms are required to be put in place to enjoy the innovations and economic value unlocked by the 4IR which has resulted in positive social and environmental impacts. Only our positive attitude towards change will help overcome the most pressing challenges of the day. "No nation is greater than what its people make it." – **M. Adam Patel**

Footnotes:
1 SAS-AI-Survey 2017.
2 "Harnessing automation for future that works" by James Manyika, Micheal Chui, Mehdi Miremadi, Jacques Bughin, Katy George, Paul Will mott and Martin Dewhurst-MeKinsey Global Institute-January, 2017.
3 "Global flows in a digital age" by James Manyika, Jacques Bughin, Susan Lund, Olivia Nottebohm, David Poulter, Sebastian Jauch, and Sree Ramaswamy.

FinTech – Key to Success

by Junaid Shekha

Developed nations are now moving towards global business sharing and FinTech, while the developing countries are edging towards outsourcing and co-sourcing.

Let's first understand what is meant by FinTech. It is a short form of financial technology. It means taking advantage of technology for speeding up financial services. Basically, it is a combination of finance and technology. It describes the evolving intersection of financial services and technology i.e. simplifying financial transactions using technology. The term can refer to startups, technology companies, or even legacy providers.

The word FinTech is used frequently in casual conversations or on media but only a few are aware of its actual meaning.

FinTech is the intersection of financial services and technology when new businesses bring innovations to the existing products and services provided by the traditional financial services industry. With the increase in globalisation, FinTech is becoming significant and is intercepting the traditional value chain.

Background

It is difficult to imagine a world without the internet or mobile devices. They have become an important part of our lives and have changed the landscape of every business for example, introduction of phone banking. The financial services industry is no exception; FinTech is changing the way customers access financial products and services. This sector is evolving in recent years and is involving new technology-based application in all segments of financial services.

Let's look at some of the examples how technology and communication has changed our lives over the past few years:

- London's red telephone booths used to be an iconic part of London. The boxes are now gradually disappearing and are now being used for capturing photograph rather than using it for calls. They have now been replaced by smart phones.

Public Call Office (PCO) used to be a very lucrative business. We used to find these in every corner even in big cities and privileged areas. These PCOs are also disappearing and are being replaced by mobile phones.

- Capital market structure has also changed due to FinTech. Previously, the transfer of shares was executed manually, which consumed a lot of time for change in ownership. After the establishment of depositories, shares are transferred electronically within no time and the investors are notified of the transfer via SMS and E-alerts.

We live in an age where technology and communication is evolving and has an impact on the way we think, live, work and do business.

In short, FinTech is challenging the way we do financial transactions in different sectors of the service industry such as asset management, banking, insurance, etc.

FinTech – Ecosystem

The following companies are generally included in FinTech ecosystem:

- Large, well-established financial organisations such as big banks.
- Companies that provide infrastructure or technology that facilitates financial service transactions.
- Disruptors which are fast-moving companies, often startups, focused on a particular innovative technology or process.

FinTech – Key Products

FinTech can be implemented in the following ways:

- **Payment/E-Commerce:** The trend of establishing small shops are gradually declining as people are moving towards E-Commerce, which is buying and selling of services online. Organisations have now launched unique payment schemes which allow the customers to receive the goods before payment.
- **Borrowing and lending:** New technologies have now reduced the role of banks by creating a portal where the borrowers are connected to lenders.
- **Money transfer:** Certain FinTech services allow fast, easy, convenient transfer of money from one country to another.
- **Insurance:** Through FinTech, people can insure their belongings via mobile phones.

FinTech – Key Characteristics

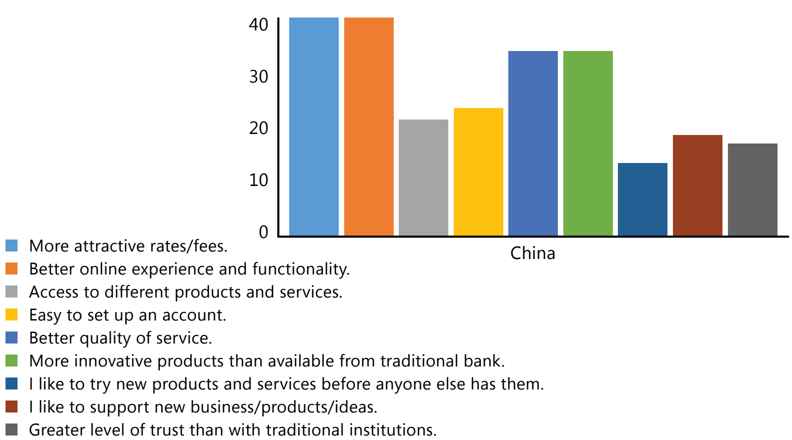
The following are the advantages and key characteristics of organisations implementing FinTech:

- FinTech has increased access to technology driven investment approaches, which has increased the accessibility via digital platforms.
- Due to the implementation of FinTech, consumers have direct access to the market and thus the middlemen are eliminated from the supply chain, making it cheaper and efficient.
- FinTech has also resulted in cost reduction.
- FinTech increases access to a diversified range of funding options, especially for small scale businesses, leading to improved cashflows and working capital management.

FinTech – Global Investment

Investment on FinTech startups more than doubled in 2015 reaching US$ 12.2 billion, up from US$ 5.6 billion in 2014. As per a PricewaterhouseCoopers (PWC) report, the global investment in FinTech would be US$ 150 billion in the next three to five years. Countries like United States, United Kingdom, China and India are the emerging FinTech markets that have or are taking lead in this area.

Reasons for Using Non-Bank rather than Traditional Bank



Source: EY Global Consumer Banking Survey 2016, September 2016 (with N - 56,000 globally and 35,000 for the 6 markets above)

FinTech – What Financial Institutions Should be Doing?

In order to succeed, incumbent financial organisations will have to implement the following measures:

- Firstly, it is important for organisations to perform SWOT analysis to identify the strengths, weaknesses, opportunities and threats. The organisations will continuously have to scrutinise the external environment and conduct market research to identify new threats and opportunities in the competitive environment.
- Secondly, it should have an understanding of the impact of emerging trends and technologies on their businesses.
- Thirdly, it should adopt strategies to respond to acquiring or working with FinTech startups and building their own innovative solutions.

Suggestions for Long Run

In the long-term, financial institutions will have to implement the following:

- **Become more agile:** Incumbents will have to change the long term planning and delivery cycles as they adopt emerging technology into their businesses and collaborate more with disruptors.
- **Manage the business differently:** FinTech offers amazing potential, but that can actually be a distraction. Institutions have to start with their own needs in mind, rather than working backwards to figure out how to use the latest technology.
- **Change the way they approach innovation:** The incumbents have to make huge efforts to find and adopt innovative ideas and should learn the innovative ideas from disrupters before implementing the ideas in their businesses.

Conclusion

The innovation in financial services is increasing rapidly leading to increased accessibility, reduced cost and improving efficiency. Organisations are gradually understanding the fact that success lies in innovation and adopting new technologies which will transform the financial services sector. The key success factor for the financial institutions is to invest in a diverse portfolio of technology approaches which will enable them to achieve competitive edge over their competitors.

References:

1. PWC's Global FinTech report, 2016, 'Blurred lines: How FinTech is shaping financial services.'
2. EY's report, 2016, 'Rise of FinTech in China-Red-defining financial services.'

Competent & Versatile

How Professional Accountants in Business Drive Sustainable Organisational Success

The Key Roles of Professional Accountants in Business

Many professional accountants are in a position of strategic and/or functional leadership, and are well placed to partner with colleagues in other disciplines to create long-term sustainable value for their organisations.

Worldwide, more than one million professional accountants work in commerce, industry, financial services, education, and the public and not-for-profit sectors to support organisations in becoming more successful and sustainable. Professional accountants in business form a very diverse constituency, and can be found working as employees, consultants, and self-employed owner-managers or advisors.

Within organisations, many professional accountants are in positions of strategic and/or functional leadership, and are well-placed to partner with colleagues in other disciplines to create long-term sustainable value for their organisations.

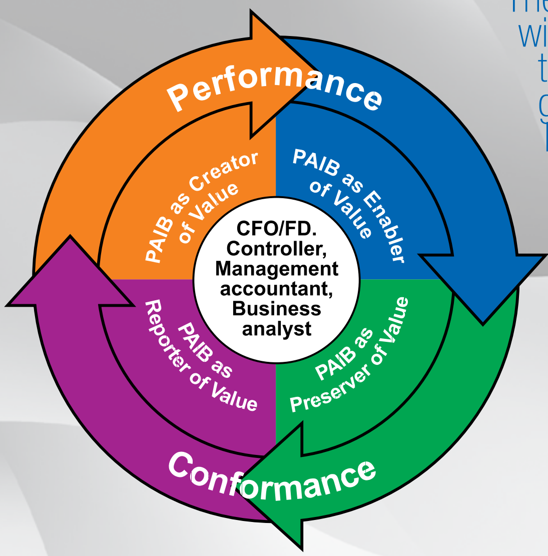
What Roles Do Professional Accountants in Business Perform?

Professional accountants also support their organisations in a wide range of job functions at various levels, including:

- Leadership/management: chief executive officer (CEO); chief financial officer (CFO)/financial director (FD); chief operating officer (COO); director of governance or operations; treasurer.
- Operational: business unit controller; financial or performance analyst; cost accountant; resources manager; business support manager; systems analyst.
- Management control: business assurance manager; risk manager; compliance manager; internal auditor.

▪ Accounting and stakeholder communications: group controller; head of reporting; investor relations manager; financial or management accountant.

Chart 2: The Roles of Professional Accountants in Business Can Play in Your Organisation



Within these roles, professional accountants can be categorised as creators, enablers, preservers, and reporters of sustainable value:
▪ As creators of value, by taking leadership roles in the design and implementation of strategies, policies, plans, structures, and governance measures that set the course for delivering sustainable value creation.
▪ As enablers of value, by informing and guiding managerial and operational decision making and implementation of strategy for achieving sustainable value creation, and the planning, monitoring, and improvement of supporting processes.
▪ As preservers of value, by ensuring the protection of a sustainable value creation strategy against strategic, operational, and financial risks, and ensuring compliance with regulations, standards, and good practices.
▪ As reporters of value, by enabling the transparent communication of the delivery of sustainable value to stakeholders.

Professional accountants in business play a key role in the performance dimension by supporting sustainable value creation—delivering adequate returns in the short- and medium-term, while continuing to develop the organisation's competitive position so as to sustain its success. They also play a key role in the conformance dimension by facilitating compliance with relevant rules and regulations.

The domain of professional accountants in business (chart 2) spans the four roles as well as capturing how the roles align to the internal working of organisation. The performance and conformance dimensions are derived from IFAC's International Good Practice Guidance, Evaluating and Improving Governance in Organisations. The principles in the guidance support an appropriate balance between conformance, or compliance, on the one hand, and business performance, through value enabling and creation, on the other. The professional accountant plays a key role in both these dimensions, and in optimising the balance between the two.

The performance of professional accountants will largely depend on their post-qualification training and development and will require a good understanding of an organisation and how it generates value for its stakeholders.

In practice, professional accountants support their organisations in a wide range of job functions (see "Example PAIB Job Roles and Functions"). In many instances, they will perform as value creators, enablers, preservers, and reporters within one job function. This is particularly so in leadership positions. For instance, a chief financial officer will focus on creating value (e.g., strategy development and striving for growth); on enabling value (e.g., supporting the governing body and senior management in making decisions and facilitating the understanding of performance of other organisational functions or units); on preserving value (e.g., asset management and mitigating strategic risk and implementing effective internal control systems); and on reporting value (e.g., ensuring relevant and useful internal and external business reporting).

Example Professional Accountants in Business Job Roles and Functions

Business leaders typically perform in director and management roles, while strategic business partners support and participate in decision making and direction at various levels of the organisation:
▪ Leadership/management: chief executive officer (CEO); chief financial officer (CFO)/financial director (FD); chief operating officer (COO); director of governance or operations; treasurer
▪ Operational: business unit controller; financial, or performance analyst; cost accountant; resources manager; business support manager; systems analyst
▪ Management control: business assurance manager; risk manager; compliance manager; internal auditor
▪ Accounting and stakeholder communications: group controller; head of reporting; investor relations manager; financial or management accountant

The performance of professional accountants in specific jobs will largely depend on their post-qualification training and development and experiences, and will require a good understanding of an organisation and how it generates value for its stakeholders. Additionally, professional accountants in SMEs usually perform multiple roles. In a SME, strategy, business planning, and performance management are equally critical functions, but may be done by one person or a few people, and because of the nature of the organisation, can involve simpler processes.

Courtesy: Used with the permission of International Federation of Accountants (IFAC) Global Knowledge Gateway (GKG): www.ifac.org/Gateway

Draft Code of Corporate Governance - Random Thoughts

by Qaisar Mufti

The draft code of Corporate Governance can be described as an extension of the Companies Act 2017 (the Act) and other corporate laws which provide details or elaborations for working these laws. The purpose is to make the laws function and avoid misgivings. Presently in draft form, it is being discussed and commented upon up by concerned quarters. It will take final shape for working by the corporate sector in due course.

The word 'code' in the context of corporate law denotes a stream of rules, principles, sets of dos, instructions, going along these laws. It is a systematic collection of rules and laws, juxtaposed to the pertinent legislations. Not just a compilation of issues, extension or expounding of statutes relating to what is written there; it is further to written laws on the subject, extension or exponent of the laws. The most conspicuous of which is the Companies Act 2017.

The draft code seeks an efficacious machinery to deal with problems arising in abiding by the law. It provides a measure and form for attainment of objects and purposes of the legislations catered by the code.

To deal with various problems that may arise during the legislation's execution, provision has to be there for a complete machinery to deal with grievances/ claims arising out by enforcement of the law or adjudicatory arrangements. To ensure effective and complete implementation of the legislation, sufficient powers should be vested in the authority/forum created under the law.

The above can be the preamble to the following random thoughts on the draft code of corporate governance.

1. It would be advisable to restrict independent directors to not more than three companies' boards to obviate possibility of independent directors eventually emerging as a pressure group. Because the more companies they are in, the more possessive, assertive and self serving they may prone to be.

2. In the event of listed subsidiaries of listed companies, not restricted to have directorships of individuals in more than five companies, possibility of more and more subsidiaries of listed companies may rise.

Bar on simultaneous directorship in not more than five listed companies may be kept intact, to avoid possible abuse of law provision with reference to the proposal of doing away with the rider in Clause 3.

To the end of good governance, one would normally vote for independent companies in preference over subsidiaries indirectly ruled.

3. To the end of hammering attention to the object of diversity growth, the following may be added at the end Clause 4: "The companies shall submit, in relation to each director, respective details of competence, diversity, requisite skills, knowledge, experience and other particulars notified by Securities & Exchange Commission of Pakistan (SECP) from time to time, by end of three months of his assumption of office."

4. What will be the status of decisions taken by a board which does not have the independent directors and as such is not complete? To the end of clarity, SECP may opt to reword the provision appearing at end of sub-clause (1) of Clause 6.

5. Clause 7 appears to suggest that female directors shall be a category of directors by itself. To secure compliance of this Clause, election of directors may be required in two phases: (a) both male and female; and (b) female.

This would require reconstruction of the law, soliciting nominations for election of directors in the aforesaid two categories, putting into process the propositions at (a) and (b) hereinabove. Thus, according to the code, the board of a company shall be deemed constituted after induction of a female director in pursuance of (b) above in disregard of entry of a female director elected in terms of (a) above. In the face of decisions taken by an incomplete board, suggested above – sans females, SECP is required to give a ruling.

6. Fixing number of executive directors, in terms of Clause 8, appears a rather harsh provision as it will allow one executive director beyond the chief executive when the board comprises seven directors. The provision appears divorced to such situations of business, which normally require more than one executive director beyond the chief executive.

7. Provision in Clause 9 is on separation of the office chairman and chief executive. To do away overlapping in the main law, apparently, it is an unambiguous and hence, laudable provision. However, it may not always be feasible to follow. Advisable may be to give powers of giving relaxation in this behalf to the SECP regional offices.

Such powers may include having some other director of the company, from any class or category, to act as chairman, when chairman is unable to act as such.

This is beside the fact that possible shortcoming in the main law may not conveniently be overcome through a provision in the code of corporate governance.

8. In beginning of Clause 10(3)(vi), relating to the decision on specified material transactions alongwith their dates of approval or updating, desirable may be addition of the words – "at the end of each financial year."

9. In 10(4) after the words "date of approval or updating" may be added the words "through well spelled minutes of the board's meeting."

10. "o" in 10(4) may be substituted by (5). Consequently, Clauses (5) and (6) shall stand renumbered to (6) and (7).

11. 10(6) is prone to be expensive for the company. It may not be convenient to bear expenses on travel, etc. of outstation directors by every company.

The intended purpose may be served through each director certifying that he or she had carefully watched and/or listened video of the specified general, ordinary and extra ordinary meeting and that he found nothing objectionable, not in keeping with objects of the company worth reporting to the authorities.

This may be required irrespective of the relevant director attending or not physically attending the relevant shareholders/general meeting.

For good order, the aforesaid evidence may be lodged with SECP within seven days of holding a general meeting.

12. Under Clause 13, the CFO and company secretary are required to attend meetings of the board of directors.

Under provision appearing after the text they are estoppels from attending such part of the meetings as takes-up their performance, terms and conditions of their service.

The board may opt not to allow attendance of secretary and/or CFO in the situations specified by holding short independent meetings after the sort of meeting, secretary of which may be one of the directors who is member of the Audit Committee.

13. A company may not have many independent directors. The word "two independent directors" to take-up conflict of interest of a director may accordingly be replaced by "an independent director" in Clause 16.

An alternate could be association of a Council member of The Institute of Chartered Accountants of Pakistan (ICAP)/Institute of Cost and Management Accountants of Pakistan (ICMAP), if the quorum is otherwise made out.

14. Clauses 17 & 18 tend to suggest that remuneration of the directors attending meetings of the board and its committees, in between them, can be different.

No director may, on his free will, agree that his level of responsibility and/or expertise is lesser than another director. However, the code perceives that a variation in the level of directors remuneration for attending the company's meetings may be possible.

In case the articles of association permits, an independent consultant may be engaged to recommend directors' remuneration.

The code is pretty hazy on this point. For the code it should not be that cumbersome. One also finds that the code does not come up with a lucid statement on this counter.

15. The movement, removal or a shift in the position of a member of the Audit Committee shall be reported by the chairman to SECP within 15 days. A clause to say that may be ushered in the code.

16. Clauses 23(b) and 24(e), in the draft code, may mean hiring for the job of internal auditor and chief financial officer who may be poised for other jobs in the companies.

Having the suggested provisions in the code would mean, other things remaining the same, doing away with the requirements of 'education for the internal auditor' and 'chief financial officer.'

Looking at type and level of education being generally imparted, Clauses 23(b) and 24(e) may not be in order. Alternatively, it could well be 'business schools' oriented.

SECP may appreciate that to the desired end, to be had is certification for educational competence from ICAP, ICMAP and SECP itself, not the authority they may have in the code.

17. The company secretary is a key officer. The 'company secretary' is described by Section 2(21) of the Act, which stipulates that his qualifications and experience may be specified. It is now for the code of corporate governance to do that which the draft before does not. Ordinarily, a professional accountant, as such, is not equipped to rein as company secretary.

Secretary's job entails sorts of jobs majority of which does not permit substantial delegation. Even when an accountant is well-versed in secretarial and legal know, it is difficult to truncate enough for a company secretary although it is an allied discipline. The secretary position is different, which should have been catered by the code.

18. To make the audit committee meaningful, in Clause 27(2)(a), after the word 'held,' "at least 24 hours" may be added before the word "prior."

19. Quality of the writing is likely to improve with deletion of the word "interim" in Clause 27(2)(a).

20. After each of the three proviso cited in Clause 27(2)(c), the word "to be recorded in minutes of the directors meeting" may be added to fully describe the issue.

21. The company secretary (defined by Section 2(21) should be different from 'chief financial officer' as defined by Section 2(15).

By having men of these two Sections independent of each other, intentions of the law makers appears to be that chief financial officer and company secretary should be different persons.

Apparently, the audit committee is not empowered to have a company secretary as 'secretary of the Audit Committee' which appears desirable.

Moreover, due to sensitivity of the subject, data and information, the committee's secretary comes to handle it may not be desirable to combine the two offices into one individual, company secretary and secretary of the audit committee, in the companies' interest.

The framers of law would have been cognisant that despite the fact that some study material to aspirants of the two qualifications viz: (a) secretary; and (b) chief financial officer may be identical, the two incumbents emerge from different academic and expertise streams.

Accordingly, required in unequivocal statement in the Code of Corporate Governance is that the two, CFO and company secretary, shall be different persons and that a company secretary shall posses the qualification prescribed from time to time.

22. Clause 28(3)(i) providing for scrutiny by the Human Resource and Remuneration Committee appears to provide a gun to the committee to shoot the undesirables, leading the process for board appointments – identifying and assessing candidates qualified for election of directors (in particular, independent directors). That is, after invoking necessary procedures for making recommendations to the board prior to publishing names of nominees for directors' election by the general meeting and to recommend to the board for a policy framework's approval to determine remuneration to both executive and non-executive directors as also of members of senior management.

Section 159 of the Act caters procedure for election of directors. The Human Resource and Remuneration Committee may have no role in the matter of election of directors who are also charged for creation of this Committee. To be clarified is whether the Committee will be the one named by the directors whose term is ending or the ones who have to come after (next) election. In the former case, directors are a spent force.

Appears missing by the code is whether the nominee director(s) will be within the number of directors fixed by the board, but joining after election. In the present corporate culture, normal is one nominee director. However, it can not be ruled out that a company may have arrangements for nomination of their director with a number of bodies.

Taking into account the relevant tits and bits, appears plausible is that board will be duly constituted, empowered to function, while formalities for 'induction' of independent director(s) and/or a female director are on.

SECP may make it a point not to take decision on any of these without prior debates at the trade/professional bodies. Input in this behalf through communications may not be really fruitful. SECP's representative should listen to debates of the cited bodies on the issues.

23. To reduce the number of committees, the Risk Management Committee may be done away with and the related job specifications may be assigned to the Human and Remuneration Committee.

24 (i). The dichotomy proposed in Clause 31(1) vis. a vis. the head of internal audit reporting to both audit committee and the chief executive will make life hell for the man, keeping in view the fact that his job is likely to point out what went wrong within his domain. This may also ignite fighting between the chairman of the Audit Committee and chief executive.

To have the internal audit man administratively under chairman of the company appears to be the solution for the issue.
(ii). In 31(2)(a) the words "listed company" may be substituted by "chairman of the Audit Committee" to make the responsibility specific, pointed and meaningful.
(iii). In 31(2)(b), the words "in lieu of" may be substituted by the words "in the event of."

25. In Clause 38 "nominee directors" should be a distinct category at (v).

26. In Clause 38(i), "including nominee director" may be added.

27. In Clause 41(2) the words "all listed companies" may be substituted by the word "chairman."

The law mentions the word "secretary." His play is interwoven with life of the company and moving its machine. However, the Companies Act and the Code of Corporate Governance omit to tell what he is like or should be like. Already an important pillar of corporate structure, the present code omits what his functions are or should be.

Appears called for is distinct law providing space to corporate secretary. The law should provide who is or can be a corporate secretary distinct from chief financial officer, guide and driver, rather *sine qua non* for the companies' constitutional affairs.

The SECP may have arrangements to see what goes to crown one as corporate secretary. To this end, it should have 'overseeing' woven in structure of the Institute of Corporate Secretaries. This, the Commission can best do through its representation on the Council of the Institute. Needless to say that, per se, a chartered accountant or a cost accountant may not, ordinarily, be a corporate secretary in view of courses of their Institutes.

SECP may also consider representation of ICAP and ICMAP on the Institute of Corporate Secretaries' of Pakistan (ICSP) Council if constitution of ICSP permits. Other known professionals may also be nominated to that Council if SECP so deems fit. To this end, charter of ICSP will have to be amended which would appear strongly called for.

Companies Act 2017 and the (draft) Corporate Governance Code enormously increase work load of SECP. Hiring for these sizeable additional technical inputs, the Commission may not find very convenient. To reduce the incremental cost with no compromise on quality, the Commission would be well-advised to form committees, from outside SECP to tackle certain issues. Members of these committees may be drawn by SECP from amongst ICMAP, ICAP, ICSP and corporate lawyers.

Governance in Family-Owned Companies

by Munawarali Cassoobhai

According to Forbes[1], the top 25 of the largest family-owned businesses include Walmart (Walton Family); Volkswagen (Porsche Family); Ford (Ford Family); Cargill (Cargill/McMillan Family), Arcelor Mittal (Mittal Family); Roche (Hoffman Roche Family); Maersk (Moller Family); etc. One of the oldest family businesses is Houshi Onsen, a 46th generation inn in Japan[2]. Even in Pakistan, some of the largest corporate groups are family-owned, many well into their third, if not fourth generation. Family-owned enterprises come in a wide range of sizes ranging from micro, small, and medium to one of the world's largest companies traversing range of sectors.

Some Interesting Statistics[3]

On a macro landscape, the following facts offer an interesting perspective on family enterprises:

- Family firms account for two thirds of all businesses around the world[4].
- An estimated 70-90% of global GDP annually is created by family businesses.
- Between 50-80% of jobs in majority of countries worldwide are created by family businesses (European Family Businesses, 2012).
- 85% of start-up companies are established with family money (European Family Businesses, 2012).
- In most countries around the world, family businesses are between 70 and 95% of all business entities (European Family Businesses, 2012).

Definition of Family-owned Business

An exacting interpretation of family-owned companies would include those incorporated under the relevant corporate law of the land, and owned by member or members of one or more families. Notwithstanding the legal status, a wider definition of family-owned companies could include family business; family enterprise; family partnership; family-owned firm; sole proprietorship; family firm, business family; families in business. According to one source, there are over 60 definitions in academia. The legal form is not as important as the fact that the owners are family or families, and carry benefits of family enterprises.

From amongst numerous definitions, I particularly like this one as it encompasses the fundamental characteristics of a family business/enterprise:

1. Any business where a **family** has **effective control** over the **strategic direction** of the business; 2. where the business contributes significantly to the family's wealth, income or identity; 3. the family has **control over the business and ownership** and have **intergenerational intent**; and 4. where multiple members of the same family are involved as majority owners or managers.

Interfacing Life Cycles

As family businesses evolve and traverse through interfacing life cycles of family members, business and economy, the complexities also increase. For example, a business set up by parent (or parents) matures, reaching peak performance. At the same time, one would expect that the next generation would come of age to take over the reins of the business. Research[5] shows that 55% of family businesses did not have a succession plan. Barring those, which have been in existence through multiple generations, most family businesses would be in either of these phases of life cycle: (a) founder/owner phase – generation one (Gen1); (b) sibling partnerships – second generation (Gen2) comprising the children of founder/owners; and (c) cousin consortium (Gen3). Few businesses would survive beyond the cousin consortium. It is possible that at any given point in time, all three generations might be working in/on the business. Businesses that survive beyond the second or third generation can be expected to have some form of governance mechanism atleast vis-à-vis succession planning and effective transition.

A consistent theme repeats in other surveys too. According to the Corporate Governance Guide for Family-owned Companies issued by the Centre for International Private Enterprise (CIPE), Institute of Chartered Accountants of Pakistan (ICAP) and the Pakistan Institute of Corporate Governance (PICG) in 2008, suggests that **only 15%** of family-owned enterprises continue to survive to the third generation. Of those that do last, **85% either disintegrate or completely vanish** before the fourth generation takes the reins.

Challenges and Benefits in Family Businesses

Family enterprises are typically characterised by many challenges, e.g. blurred boundaries between family, business, and owners; founding owners' inflexibility and resistance to change and willing to let go the reigns; founding owners being averse to conversations around succession or transition; why change?; sense of entitlement amongst other family members (this becomes more pronounced in the cousins); disparate goals of family members in different stages of life cycle; disparate goals of family members, owners, and family members employed in the business.

Other challenges of family businesses include employment of family members in the business especially where a family member may not have the appropriate skills or attitude needed in the business; compensation and benefits of family members in business; interfacing life cycles (business, family members and competition – which I have touched upon earlier); limited capital to fund both business and family needs; absence of or un-developed next generation leadership; disagreements amongst siblings or cousins consortiums; and disparate family, business and owners' goals especially when you have family members in different stages of their life cycles. Good governance structure and frameworks can help address or partly mitigate and better manage the impact of these challenges.

Family enterprises also offer significant benefits, e.g. familiness advantage; direct communication between family members in business and owners; family control; committed family and non-family employees; family owners take a long term perspective; family identity/pride; strong culture and traditions; quick decision-making, etc.

Governance

Governance or absence thereof in family enterprises becomes more pronounced and formalised as the business matures. However, it is as critical in the early stages of the business's life cycle if one is to avoid the pitfalls as the business matures. Governance can play an effective role in shielding the family enterprise from the shocks of some, if not all, challenges mentioned earlier. So what kind of governance model is needed to suit the range of family enterprises? In case of listed companies, the Capital Market Authority or Stock Exchanges prescribe a code of corporate governance that is generally applicable to listed companies. The code is pretty much standardised. In some countries, separate code of corporate governance also exists for specialised institutions.

The Corporate Governance Guide: Family-owned Businesses

The PICG, ICAP and CIPE issued this Guide in 2008. It covers board of directors, family governance, employees and other stakeholders, ethics, disclosure, and transparency. The Guide's target audience is progressive, medium to large sized, non-listed, family-owned companies in Pakistan and seeks to establish principles and practices that, when implemented, will help directors in improving governance in their entities.

Some salient features in the Guide are:

- Duty of care, loyalty and honesty by directors.
- Guidance around number of directors, and composition including committees.
- Recommendation to have a non-executive director.
- Process for directors' training, performance evaluation.
- Family governance including formation of a family council.
- Role of shareholders to ensure continuity and sustainability of the family business.
- Fair and equitable treatment of employees and the role the board should perform.
- Suggestions around ethics, disclosure and transparency.

Governance Model for Family Enterprises

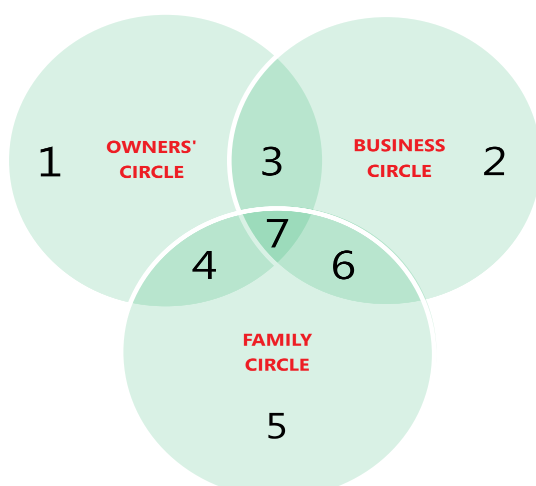
Governance of family-owned businesses is unique because of the interaction of family, owners and the business. The 3 Circle Model[6] below illustrates the potential complexity: An issue in either family owners or business circles has an impact on the other two areas. The family enterprise could be viewed as a single system[7]. This entails taking a holistic view with governance structures that support one another or are in sync. In this context, e.g. foundation for governance in the family circle could ideally flow from a Family Constitution which would define the key attributes interalia including family council and family assemblies. The foundation for governance in the ownership circle would interalia include Owners Meetings (akin to shareholders meetings). It could also include Owners' Advisory Council for family members who are also owners. In case of incorporated, especially listed companies, the annual shareholders meetings would provide alternative for owners meeting. Even so, one could also consider a family owners meeting for family members who have ownership too. This is especially relevant in case of non-listed companies or other legal structures that do not require annual shareholders meetings. The foundation for governance in business circle is essentially the board of directors. The tools typically associated with board of directors in non-family-owned companies would be relevant in case of family businesses too. These would interalia include: establishing the vision, mission, and strategy for the business; formalising policies and processes across all key functional areas; board committees; internal audit, etc. An additional consideration in case of family enterprises would be alignment of the business vision and mission to some extent at least with the family vision and mission. According to a 2012 KPMG survey, majority of family firms did not have governing body for the family system: 84% don't have family constitution and 59% didn't have family council. The gap is clear and considerable work needs to be done to introduce and formalise best governance practices in family enterprise.

THE FAMILY SYSTEM - 3 CIRCLE MODEL

1. External investors (non family) who may own non-majority of any business venture but don't work in it.

4. Family members who own shares in the business but who are not employees or working in the business.

5. Family members who are not actively involved in the business either as employees or owners.



2. Non-family management & employees who don't have any ownership.

3. Owners who work in the business but who are not family members.

6. Family members who are employees in the business but do not own any shares.

7. Inhabiting all three circles are family members who are owners and work in the business.

Source: Sauder School of Business

References:
1. http://www.forbes.com; 2. Sauder School of Business, Business Families Centre; 3. http://www.ffi.org (The Family Firms Institute); 4. Interview with John Davis, Harvard Business School; 5. 2011 PWC Global Family Business Survey; 6. Source: Adopted from The Sauder Business School. And Tagiuri, R., & Davis, J. A. (1996), Bivalent attributes of the family firm. Family Business Review, 9, 199-208. (Reprinted from Working paper, 1982, Cambridge, MA: Harvard Business School);
7. Source: Jane Hilburt-Davis & W. Gibb Dyer, Jr. Consulting to Family Businesses 2003.

Thawing the Frozen Middle Management

by Rajlain H. Qazi

What is the single and most important thing that a CEO can do that will provide their company competitive advantage over others and maximise the company's performance?

Regardless of the strategic objectives and high-end targets the CEOs choose for their companies, it is the performance of middle management which will decide the success or failure.

About two decades ago, the main commitment used to be around efficient operations which could of course lead companies to leadership position. These days, there has been a gradual shift and operational excellence has become business imperative and almost every company now is on the hunt for means and methods to manage excess costs, speed up the business processes and optimise the quality of products and services.

In this era of technology, where the operational excellence has become a norm, companies are now looking forward to a new source of differentiation which provides them competitive advantage over others. This has lead CEOs and market leaders to think about strategies to manage their overall performance rather than focusing the transactional aspects only. Like, car manufacturers try to gain insight over managing dealer relationships to derive a strategic advantage rather than only managing the traditional business process.

At this stage, one idea that strikes the mind would be – What is the single and most important thing that a CEO can do that will provide their company competitive advantage over others and maximise the company's performance? A simple answer would be, creatively, aggressively and systematically build the capabilities of the middle management i.e. vice presidents, directors, and managers. Regardless of the strategic objectives and high-end targets the CEOs choose for their companies, it is the performance of middle management which will decide the success or failure.

I recently came across the term The Frozen Middle in a Harvard Business Review article written a few years ago by a consultant and lecturer Johathan Byrnes. He made the point that CEO's at many companies are placing companies at a competitive disadvantage by failing to train their middle management to think strategically and prepare their organisations for the future. The bitter truth is whatever strategy CEOs and top executives decide to adopt, it would be slowed down by the inability of the middle management – it may sometimes be their unwillingness but that is a separate point of discussion; in either case the company loses. Like in a schooling system, whatever objectives the board of governance may decide, achievement rests on the quality of principal and teachers. If a school has good teachers but poor principal, it will suffer and vice versa.

It's evident that many companies are falling behind when it comes to preparing middle management to think, plan, and act strategically.

If any CEO finds himself constantly pulled into day-to-day issues, the underlying problem probably is that one hasn't succeeded in teaching his managers to manage.

This is evident that many companies are falling behind when it comes to preparing middle management to think, plan, and act strategically. A study by Harvard Business Publishing found that 46% of companies admit to poor investments in next-generation leaders. The study blamed the ongoing recession and cost cutting measures that leave too little for middle management development.

With insightful analysis, the middle management team can create a set of coordinated, high-end initiatives that will not only increase profitability but will also support the long term objectives to reposition the company. The essence of great management and creating future is great teaching. If any CEO finds himself constantly pulled into day-to-day issues, the underlying problem probably is that one hasn't succeeded in teaching his managers to manage.

Great teaching won't happen overnight. Even distinction holders take some time to learn a subject. Yet, clarity to essentials and enriching the understanding on routine basis are the pillars on which the sky scrapper would be built.

PERSONAL BRANDING

by Hamza Bilal

Personal branding is the process of creating, managing and maintaining one's perception, image and value in the eyes of others and especially in the eyes of prospective employers. Corporate branding or product brand has relatively been a concept well-known and understood by all, however, personal branding is a relatively new concept. The concept is thought to have been first used by Tom Peters in his article in 1997. All of us have a personal brand, whether managed or not, created consciously or in a state of being unaware and unprepared for the changing job market.

Brand: Brand is a name, term, design, symbol, characteristic, quality or a feature that distinguishes a product, company, employer, potential employee from its rivals, peers, and competitors in the eyes of the customer. Brand has the power to influence the choice and decision of others and people are willing to pay higher for the brand just due to that image or impression created in their minds by the brand.

For instance, people are willing to pay higher for Starbucks coffee as compared to McDonalds' coffee or are willing to pay higher for Nike shoes as compared to Servis shoes.

A powerful brand can influence the choice of a prospective employer during the hiring process and enables the employee to bargain in a much better way as compared to those candidates lacking ownership of that brand.

Corporate branding and product branding are well-known concepts used for marketing and creating a competitive edge in the minds of customers, but all of us have a personal brand as well that can be used as a competitive edge or differentiating factor if consciously created and managed. Not many of us have consciously cultivated these brands, but still all of us have a personal brand. All of us have a digital footprint reflected by our friends, colleagues, and bosses. According to a study conducted by AVG Technologies, a Netherland security software firm, 92 percent of children under the age of two already have a digital footprint.

Changing job market: We need to understand the reality and accept the change in job market to make us competitive in current scenario of talent market. The way companies hire and recruit now have changed considerably. Major changes in talent market can be marked as following:

Personal Branding POWER

- **Businesses are becoming a lot more efficient and productive:** Through use of technology businesses have learned to do more with less business and are becoming more efficient. In today's changing business environment, businesses are required to be more productive, efficient and economical in the way they operate to remain competitive and provide shareholders value for money. This is a continuous process for businesses as they are trying to do more with less and this is going to continue to happen.
- **Talent demand and supply is out of proportion:** With growing awareness to get educated and the will to be more competitive, more and more people are getting education and certifications.

  As mentioned above, businesses are willing to be effective and economic in their business operations and the use of technology has enabled it. As a result, demand for human resource has shrunk. As more people are getting educated supply of talent and human resource have increased. Especially in finance we can see more and more qualified financial accountants. As a result, there is a mismatch of talent demand and supply.
- **Employers are becoming less loyal to their employees:** As there is over supply of talent, businesses have become less sincere to employees because they are aware of the oversupply of talent in the job market. As a result, professionals have become a commodity for employers because businesses are aware that they have replacement available in the job market.

  Experts are predicting at least ten to twelve job changes in average career of professionals. It's no more like the trend or pattern where people used to spend entire careers in one organisation or company. No matter whether you are satisfied with the current job or employer or not as this is a statistical reality. Hence, there is a lot of hiring and firing going on in today's business environment, and the fear of job loss and job insecurity is a true feeling in modern business environment.

- **Employers and recruiters are getting overwhelmed by the response received from job seekers:** As explained above, there is a mismatch between demand and supply of talent hence, a lot of people are looking for job opportunities and are sending their CVs in large numbers to prospective employers.

Employers are using this scenario to their benefit and candidates sending CVs to employers in numbers are hardly getting any response from employers. This scenario has resulted in a change in method which employers use for hiring successful candidates for vacancies. Employees, on the other hand, are facing a constant fear of job security. So in modern business environment where employees are being used as a commodity by employers, there is a dire need for employees to get themselves prepared for significant change in job market.

Change in hiring methodology: As compared with traditional methodology where employers used to advertise jobs, collect CVs from potential candidates and then shortlist and interview suitable candidates, nowadays due to lack of time and mismatch of demand and supply in talent market and the overwhelming response received from potential employees on a day to day basis, employers and recruiters are using social media to pick candidates who are doing well at their current jobs in similar industry and offer them an interview call.

Hence, this is the time where social presence and social media brand of one is playing a vital role in being selected for an interview call with a prospective employer. Fortune magazine recently came up with a survey showing a large number of job openings in top companies which are open despite over supply of talent because employers are now looking for smart and talented employees, not average employees. This indicates that despite being an oversupply of talent, employers are unable to pick up the right candidates.

According to Society for Human Resource Management (SHRM), 84% of hiring managers are using social media for hiring. LinkedIn, Facebook and Twitter are being used for picking up the right candidates by recruiters. Many companies post jobs on Twitter before anywhere else. Hiring managers are doing this to make themselves aware about employees so that they can select the candidates who will fit in the culture of the prospective employer.

What needs to be done: As hiring is now being done mostly through online surfing of candidates working in similar industry, there is a dire need to create a well-planned and managed social media brand to distinguish oneself from other prospective candidates and appear in top list of your dream employers.

Employees need to manage and plan their careers proactively to excel and be in a better bargaining position in a job market where there is an oversupply of talent. So we need to work on creating, developing and managing a well-planned personal brand. A brand that can have a strong impact on prospective employers minds. Finance professionals are normally very busy and occupied in work pressure but it is the need of the time to invest in one's personal brand to achieve long term career goals.

A strong personal brand hence will impact our chances to get our dream jobs, promotions, and enhance our chances to attract potential employers. So, let's look at ways through which we can create our own personal brand:

- **We should mould our social brand:** We need to do this to reflect the picture, image or impression which we want to create in the minds of others especially target employers. LinkedIn is the best platform that can be used for this purpose. We need to highlight our strengths, recommendations, performance analysis and achievements that relate to the target brand that we want to create.
- **We should audit our online presence:** A very simple method to audit one's online presence is to google your name and to check whether anything relating to you appears, if it does not than you have a very week social presence and brand which needs to be improved to attract job opportunities.
- **Add more connections**: We can improve our social presence by searching successful professionals online and adding them in our connections list. LinkedIn is the best mode for this purpose where we can search and add the connections in our profile.
- **Get recommendations:** We should request our connections to recommend us on LinkedIn and endorse our skills as that supports your personal brand.
- **Write articles:** We should write articles, share our views on industry and business updates as this depicts our thought process and can be used to create the social brand that we want to create in others' minds.
- **Share your achievements:** We should share our achievements online and attach media files to prove what we are claiming as our personal brand.
- **Attend trainings and courses:** We should attend trainings and courses that strengthen our target social brand as certificates and trainings prove our credentials and skills.
- **Modify our resume:** We should modify our resumes and make them concise and more meaningful as, due to large number of applications received, recruiters don't have time to go through all the details of our resume. Hence, it is very important to develop a resume that is concise and leaves an image, a first impact in the recruiter's mind that reflects our brand. For example, you can mention along with your names terms like strategist, financial controller, and balanced scorecard, etc. The first page of our resume should show achievements, qualification summary and job experience summary all supporting our personal brand.

Conclusion: While it takes time and effort to create a strong online presence and social media brand but it's worth doing it. I know many individuals who got job interview calls due to strong online presence on LinkedIn or Facebook.

To achieve our career goals, we need to manage our career proactively and prepare ourselves for changing trends of talent market highlighted above. We need to work on developing and improving our social media brand as that will open opportunities for us to get to our dream jobs, promotions and ultimately our career goals.

Given changing trends in job market, the need for a personal brand will continue to increase. It's probably the most important factor that can differentiate you from the crowd and enable you to achieve career goals. It's a leadership requirement that lets people know who you are and what you stand for.

Diagnostic Approach in Human Capital Development

by Sohailuddin Alavi

Context

Human capital is generally defined in the context of employees' vs. employers' relationship: the former being considered as the economic-resource owned by the latter. This version, however, ignores the very basic reality that humans are subjects, not resources, as resources are assets owned by the entrepreneurs while a human cannot and should not be owned by another human or group of humans. It is but slavery. Put it differently, entrepreneurs do not pay to buy the employees but compensate for the value they contribute in the value creation process of their business.

While considering every single individual free from slavery, he or she has the right to progress. This is advocated in Islam and now acknowledged by the universal democratic societies. The concept of 'human capital' in this framework thus refers to the individuals' respective capacities developed over time, to create value (utility) in economic context. Thus, it is defined as follows:

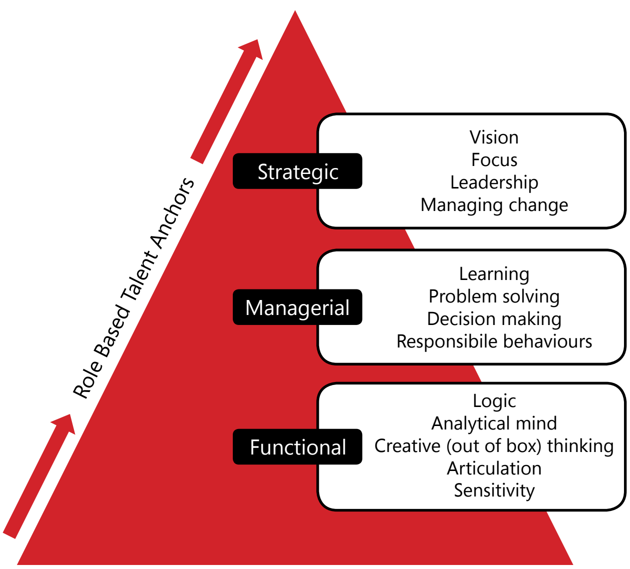
- Ability to perform effectively and efficiently on the job;
- Readiness to perform effectively and efficiently in an enriched and/or enlarged job position; and
- Secure sustained growth in professional career.

Talent Management/Development

By definition, talent or gift, or aptitude is the skill that someone naturally has to do something that is hard – a literal definition. Put it differently, it is an ability that someone is born with. People say they are 'born with a talent.' It is a high degree of art or aptitude. To be precise, it is the 'wisdom' as compared to academic preparation and training. Talent is the potential/capacity of an individual to learn, articulate and perform at par excellence, in a given context. Thus, talent provides the foundation for human capital development.

It is generally observed that every individual has a unique set of talents: some have dominant talent of dealing with difficult people, others are capable of analytical and logical tasks, and few have visionary and creative capabilities. Talent is considered to be an innate inclination or potential. Here, two characteristics of talent are pertinent: dominant and innate. Average persons have many talents, however, few are dominant while others are present but less dominant. Likewise, many people are born with a strong inclination/potential for a typical talent, and when they are exposed to a favourable environment, their potentials are unleashed.

A set of multiple talents are needed in a work for an individual to excel. Through systematic education and training interventions, talents can be developed over time. Having said this, talent management (development) hence, refers to systematically discovering the hidden talent/potential and unleashing it to build capacity at par excellence. Here, the key words are 'potential' and 'unleashing.' The latter may also refer to harnessing. The objective of talent development is, therefore, to enable the individual to learn; be able to articulate; and, go forth to attain excellence in his/her life endeavours, particularly professionally and become even more productive for the organisation. In short, it is a rigorous process that requires identification of dominant talent potentials, identifying education and training curriculum, and implementing the development through a modular approach to build talents for an individual's career progression. Refer to the diagram below:



Talent management is a paradigm shift from qualification based to talent (or aptitude/potential) based employee engagement, development, and placement. One should notice that education or training is neither being undermined nor discarded but has been linked to potentials. Put it differently, incumbents' talent/potential comes first. The beginning of this shift can perhaps be attributed to publication of the book titled, 'What they don't teach at Harvard' (by Mark McCormack, 1984). Having said this, one can argue on academic, vocational and professional education as a means to unleash and harness talent but it's not the only basis. Learning organisations, empowering job designs, structured mentoring, systematic job exposures, etc. are equally important in developing the talent.

Talent management has essentially shifted organisations' focus from cause-effect relationship of education and performance to a more complex interplay of all-inclusive variables, some of which are already identified above. To cite a few examples of talent based engagement of employees, Steve Jobs, co-founder Apple computers; Bill Gates, co-founder Microsoft Corporations, and so many other entrepreneurs around the world and in our own country merit consideration.

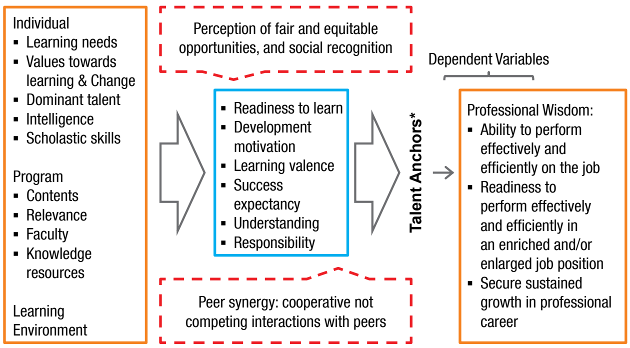
> Experience of working with the international community at an international work setting gave strength to my awakening that capacity comes from within. Our universities are producing more and more graduates in specialised disciplines but sadly, the correlation of education with capability is a question mark. The contribution of the universities is as good as of the incumbents' environment. Sometimes it is even found that the graduates lose sight of the pragmatic side of the opportunity or problem facing them and their organisations. Same is the case with social dimension. My statement may sound as a competing mindset of an illiterate. Nevertheless, it is considered as a starting point to revisit the human development process from branding and clout creation to the ground realities and requirements of an effective development process.

The prevailing development framework is based on the assumption that wisdom is a dependent variable of literacy (education). Hence, to enhance wisdom we must increase the level of literacy. Let us first define the two words: wisdom and literacy. Wisdom, as per dictionary, means pragmatic understanding; insightfulness; intelligence; and above all, balanced judgement. On the other hand, literacy is a narrow concept of ability to read and write. Having said this, literacy interventions cause duplication of information. In the absence of wisdom the information so transferred becomes static without understanding. Hence, a bounded perspective is developed. Consequently, the graduates (professionals) face constraints in analysing their situations and making good judgements that could lead to sustainable outcomes (results). So, while they are able to conform to stereotyped perceptions, they end up making mundane analyses and solutions to the ever changing situations: 'This is how it is done so, this is the standard.' Doing this, the professionals focus on actions rather than outcomes. To change the situation, it is imperative to focus on building wisdom rather than duplicating stereotype knowledge.

Theoretical Framework

The schematic diagram (below) provides a useful theoretical framework to manage (intervene) the capacity building process for attaining optimal efficacy of dependent variables. The talent anchors (see above) form the dependent-variables in the capacity building process. Logically, our next level of inquiry is to determine the back-end variables of capacity building. It is a known fact that capacity building is a complex and abstract process. It is considered complex because the dependent-variables are a combined effect of more than single back-end variable. Back-end variables are further clustered either as intervening variables (the perspective) or input variables. Inadequacy or absence of any variable makes a difference.

This schematic diagram explains two tiered influence process on the capacity building outcomes (dependent variables). First tier refers to the input level variables comprising individual (learner); program; and learning environment. Second tier refers to the intervening level variables comprising readiness to learn; development motivation; learning valence; success expectancy; understanding; and responsibility. The relationship is considered complex because the dependent variables (capacity building outcomes) are attained as a result of collective (combined) effect of input and intervening variables. Furthermore, it is difficult to isolate the marginal effect of a single variable hence, the relationship is considered abstract. Complexity and abstractness are further reinforced by the recognition of other factors' influence, namely perception of fair and equitable opportunities, social recognition, and peer synergy – cooperative not competing interactions with peers.

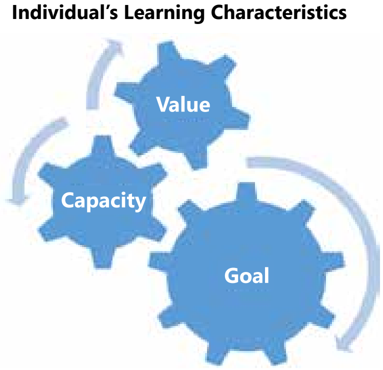


Input Variables

Input variables are clustered into three groups namely; individual focused, program focused and learning environment focused. The relationship across the input variables is complimentary, for each reinforces the other and vice versa.

The individual's characteristics are pivotal in attaining capacity building objectives, as these together determine an individual's capacity to learn. The critical characteristics are as follows:

Individual's Learning Characteristics



- Whether the learner clearly knows why he/she should learn and can he/she relate it to his/her unfulfilled learning needs.

  Needs to learn, however, can be displaced from building capacity to simply qualifying exam or attaining certification. Hence, it is pertinent that while there should be an awareness of the need to attend a program, it should be harnessed to learning.
- Intelligence, aptitude (flair) and basic scholastic skills are equally important for the learner to understand and learn concepts rather than simply memorising (duplicating) without understanding the subject in a typical academic or professional program.
- Value is an underlying belief: whether the learner values knowledge, learning and development or not, it is an important variable enabling him/her to follow a program with understanding.

Hence, we have a basis to say that selection of learners for a particular program should be based on his/her ability to pursue a program with understanding. Different individuals may demonstrate potentials in different areas (fields) of learning thus, they should be directed to their respective fields rather than forcing everyone in a stereo-type program.

Quality of the program is also one major input to influence the outcome of the process. It refers to the training contents, its relevance to the learner's needs, discourse methodology, learning resources and activities, opportunities to apply the acquired knowledge into a simulated work situation, space to articulate understanding within the real time situation and last but not the least, trainer's skills: whether the trainer demonstrates positive attitude towards the subject he or she teaches, has adequate understanding of the subject, is able to answer questions in pragmatic and understandable fashion, is able to harness learners' motivation towards the subject, commands credibility in the eyes of the students, can manage group diversity, etc.

Interestingly, examples abound of producing highly capable incumbents by institutions with much dilapidated and inadequate physical and extra-curricular learning environment: until the branding concept got into our education system, institutions used to be simple and functioned with bare resources. Yet the quality of education then and now has no comparison. There were fewer students going for higher education then but the learning was more intense. Now, it is the reverse. We are producing larger number of university graduates but with stereotype knowledge. Having said all this does not undermine the significance of learning environment but actually meant to highlight the difference between basics and frills in the learning environment. Basic factors include directions in learning; the relationship between instructors and students; reinforcements to excel; discipline; etc. In short, the environmental cues that induce and/or facilitate learning can never be more emphasised. The frills, however, are aimed at extra-curricular aspects. Such as social life, sports, fun activities, etc. These aspects are also important to build positive social attitude besides stimulating the learners' attention towards learning. Nevertheless, if this shadows the basic factors for whatever reasons, then learning will definitely suffer. It is sad to note that this displacement is very much evident in private academic institutions and corporate training events. The outcome is obvious and visible:

- **Intervening Variables:** The intervening variables (perspective) are the affective level variables that determine efficacy of ultimate learning. These include more subtle variables such as: readiness to learn, development motivation, learning valence* (perceived significance), success expectancy[1] (expectations about succeeding in the program and later in the career as direct result of the program), understanding, responsibility (ownership to make efforts). The perspective is largely developed/influenced by the input variables as well as external variables.
- **Interventions:** Having contemplated so, the scope of Human Capital Development (Capacity Building) process becomes very

clear: To optimise efficacy of the process by harnessing the learning directions and inducements from multiple directions to attain enhanced professional-wisdom and not just knowledge base. This will aid the incumbents in securing a progressive career path and also improve the chances of increasing organisational productivity and competitive advantage.

Interventions can be made from two orientations: at the input level and intervening level. To put it simply, one can bring about change in the quality of professional wisdom by altering the input variables or modifying the perspective (intervening variables). Before we describe the strategies, let's acknowledge the fact that altering the input variables can bring about more lasting improvements yet it entails long term solutions; while modifying the perspective can result in rather quick impact, nevertheless, it will not be sustainable without changing the input variables. Having said this, as a general rule, one needs to approach the interventions from both orientations simultaneously. However, in specific scenarios one has to use his/her judgement to choose between the two. Now, let's explore some intervention strategies:

a. **Input level interventions** (also referred to as indirect interventions) might include recruiting right candidates for the program. This, in the first place, would entail changing the mindset from equal opportunity to equitable opportunity. It is now widely recognised that different persons have different intelligence orientations (refer to Myer and Briggs Personality Inventory[2]) hence, different persons have different potentials. Some are more inclined towards numerical reasoning and analysis while others may be more apt to excel social sciences, etc. Second intervention strategy is to control the program: design, contents, methodology, faculty, activities, interactions, etc., to make it more relevant and interesting for the learner. Third, managing the learning environment would entail controlling physical arrangements and social interactions between the faculty and learner(s), and learner(s) vs. learner(s). A more adult like interactions (transactions) are likely to have more productive effect on the process.

b. **Intervening level interventions** (also referred to as direct interventions) might include direct supervision. Constructive discipline might be the first step followed by reinforcements (rewards and reprimands), motivational talks, supportive relationships, career counselling, etc.

References:
1. The Expectancy Motivation Theory; by Victor Vroom, Yale School of Management Valence is the importance that the individual places upon the expected outcome. For the valence to be positive, the person must prefer attaining the outcome to not attaining it. For example, if someone is mainly motivated by money, he or she might not value offers of additional time off. The three elements are important behind choosing one element over another because they are clearly defined: effort-performance expectancy (E>P expectancy) and performance-outcome expectancy (P>O expectancy):
E>P expectancy: our assessment of the probability that our efforts will lead to the required performance level.
P>O expectancy: our assessment of the probability that our successful performance will lead to certain outcomes.
2. Myer Briggs Foundation - http://www.myersbriggs.org/my-mbti-personality-type/mbti-basics/

Note: The diagrams given in this article are author's personal conceptual developments.

Sustainable Ethical Society

by Faraz Ilyas

In recent years, one can see a lot of focus by the corporate organisations, regulators, media and other stakeholders of the society on ethics and integrity. Consequently, there are increasing number of trainings on ethics and integrity. Many organisations have developed their own ethical codes and code of conduct which, among other things, also bars owners, employees and other individuals and organisations associated with them from indulging into corrupt and illegal practices.

The reason for making these policies, statements, procedures is to preclude staff and other associated with organisations from practicing unethical activities as organisations want to operate in a manner which is free from corrupt practice and any violation could significantly damage their brand and reputation. The significance and potential implication make it virtually mandatory for an organisation not only to stop these activities but also to publicise these policies to enhance public image and trust.

The question which comes to mind is, whether these one or two day trainings can change the cultural and ethical behaviour of individuals. These trainings and workshops are good tools to serve as reminder of policies, procedures and rejuvenate moral values and jog through the potential implications which will help to keep incidents at lower level. However, individual instinct is the nucleus to work on at the grass-root level, if we really want to raise the ethical standards of society as a whole. While these trainings and policies come at a very later stage of life, the personal character starts taking shape much earlier. Parents, schools and universities play a vital role in shaping an individual's personality, moral values and ethical behaviour. Consequently, we need to evaluate if parents and educational institutions give enough importance to these traits. This focus, from the early stages of life, is the core to build better society and individuals with high ethical values.

There is a lot of room for improvement, both from the educational institutions as well as from parents' side, to play positive role and contribute towards better society. We need to rethink how we are introducing this world to our future generations. Consciously or unconsciously, materialistic aspect has taken the center stage than other traits which are equally, if not more important, in helping them to become a constructive and responsible member of society. This ultimately results in a situation where kids are influenced by wealth and eventually wealthy people are their idols. Accordingly, some of them end up in unethical activities to earn wealth with which they are inspired from the initial phase of their lives. Those who become successful influence others and the chain continues. Unconsciously, we as parent are also responsible for setting up this trend by demonstrating through our daily activities and sometime small acts like reckless driving, bribing someone (Pakistan is ranked 116 in Corruption Perception Index of Transparency International), flouting rules and regulations and disregarding other's rights. One can imagine the status of young students who are being told to do good acts on one hand and on other hand, they are observing the opposite all around them. These simple examples explain the hypocrisy in our society. We need to act the way we want our future generation to be. While these short courses and workshops may work as a refresher course, we need to put our own acts together to nurture our young generation and inculcate true ethical behaviour in their personalities. We need to develop and exhibit ourselves as role models. This will serve as a game changer. Though, it's a long route but there is no quick fix and only then we can raise the next generation who understands and appreciates the importance of law and its implementation, which leaves long term impact running through future generations. We need to walk the talk if we are serious about it, otherwise, the process will take its own course which, in my opinion, will not end in the right direction.

Pakistani finance professionals are among some of the most sought after job candidates across the globe and while foreign businesses are often keen to hire Pakistanis, it is usually not feasible to fly these individuals over for the purpose of conducting interviews. This is where telephone and video interviews come in handy and candidates from Pakistan are often assessed via these medium. Based on my own experience of such interviews over the years, below are some tips for candidates applying for positions in foreign countries where they may be subject to a phone or video interview:

- **Include a professional picture on your CV:** The way you look and dress in an interview often leaves a lasting impression but when you are being assessed over a phone or video call then your appearance might not be immediately apparent. So including a professional picture on your CV will give that good first impression to the interviewers and also give them a sense of who they are talking to.

- **Dress-up professionally even if the interview is over the phone:** Dressing up professionally is a must for face-to-face and video interviews; however, dressing up properly for a phone interview will also put you in a positive frame of mind for a phone interview and although it may not have an impact on the interviewer but it will boost your own confidence and help you feel more involved in the interview.

- **Find a quiet and well-lit place for the interview:** This is an absolute must for all phone and video interviews as you may lose out in case the interviewer is not able to hear you or see you (in case of a video call) properly. Not being in a quiet place also shows that you did not make the effort to prepare for the interview and may impact negatively on the assessment.

- **Make sure that you have a proper phone/ internet connection throughout the interview:** This is an extension of the above point but nonetheless important in its own right. Making sure that you have a proper phone or internet connection is paramount for remote interviews. Losing out on a potential job due to a lost connection is probably the last thing any candidate would want.

- **Make sure that you are not due to receive any other calls during the interview time:** This will ensure that you are not interrupted during the interview. Receiving other calls during phone/video interviews can leave a negative impression on the interviewer.

Tips for Interviews over Phone/Video Calls

by Faraz Hasan

- **Speak slowly and clearly throughout the interview:** It is imperative to ensure that the interviewer understands you clearly over the phone or video. For this purpose you may want to speak slowly to ensure that your words come across as intended and that nothing is lost in transmission. It is often difficult to pick up accents over calls so speaking slowly and clearly can eliminate that risk.

- **Don't be afraid to ask the interviewer to repeat any questions:** The point about clarity applies to both the interviewer and the interviewee in the case of remote interviews, so if you are not able to understand your interviewer's accent or are not sure of any questions then don't be afraid to ask them to repeat themselves.

- **Don't read from a script:** It is always important to prepare for interviews but never put written answers to generic questions in front of you and attempt to read them out while giving an interview over a phone or video call. This comes across very negatively as it eliminates the natural conversation and gives the impression that you are not confident in your ability to communicate your thoughts without having to read them out from a 'script.'

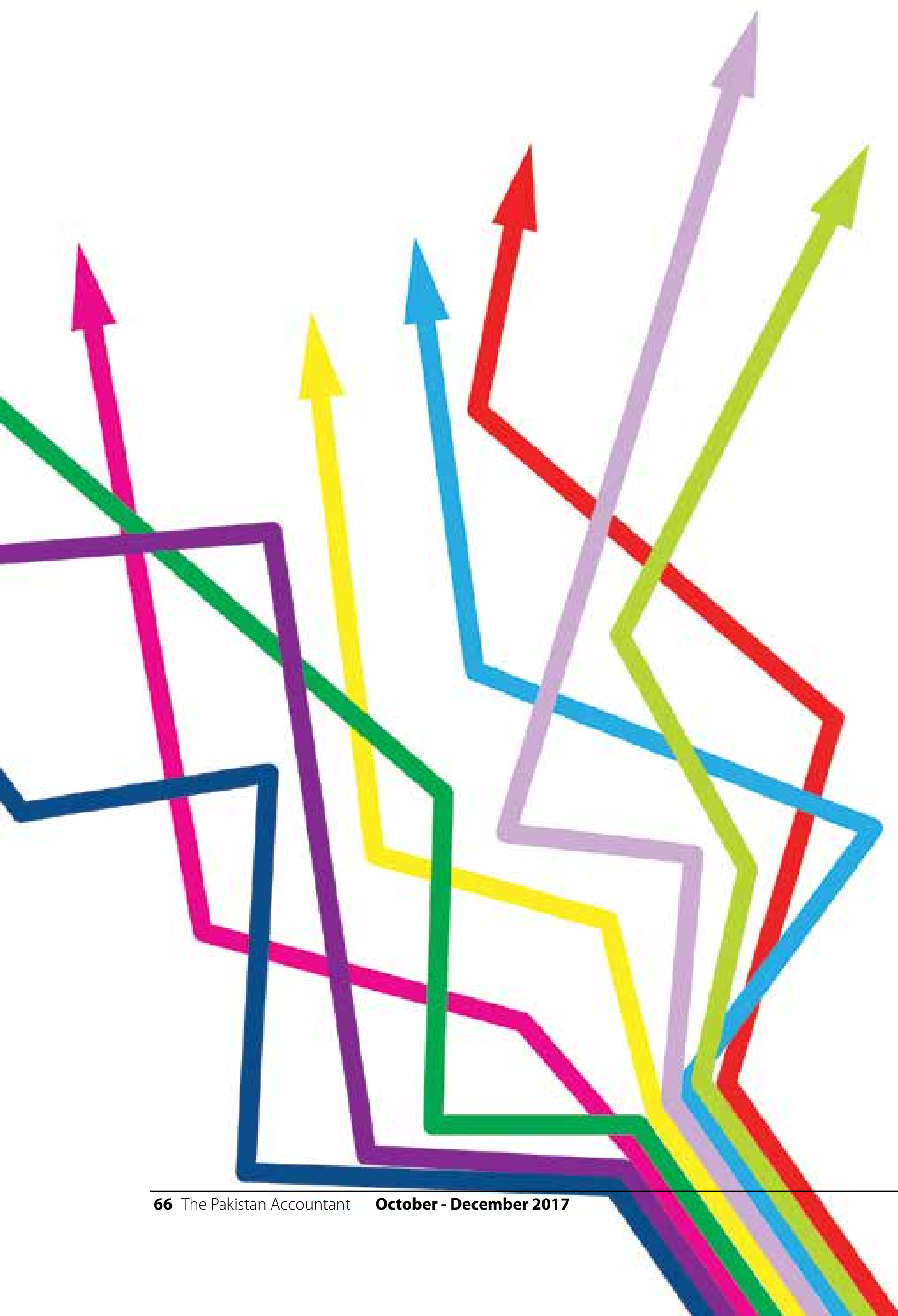
- **Prepare yourself for questions about the country/city that you are looking to move to:** Since you are looking to move to a new country/city, it is important that you do some research on your prospective place of residence. Doing so will give the interviewer a positive impression about your willingness and preparedness to move from your home country.

- **Prepare questions about anything you are not clear about and do follow-up for feedback:** Asking questions mainly ensures that you get a clear picture of what you are getting yourself into while asking for feedback shows the interviewer your intent to learn from your experience of the interview. Even if the result of the interview is not positive, asking for feedback will ensure that you do not repeat any mistakes in the future.

The above is only a guidance and by no means a fixed list of things to watch out for during phone and video interviews. Like any other interview, it is important to ensure that you leave a good impression on the interviewer and give the best account of yourself that gives you the best chance of attaining the prospective position.

Life isn't Fair: Manage Your Career Accordingly

by Talha Hamid



DON'T EXPECT ANYTHING TO BE FAIR AND TRANSPARENT BECAUSE LIFE ISN'T FAIR.

"Congratulations, you have received the historic text from The Institute of Chartered Accountants of Pakistan (ICAP) and you are, finally, a chartered accountant!"

"Completed your articles? Wow, the world is yours!"

Not so fast.

You see, where articleship ends, real life begins. If you decide to pursue your career within the profession and your firm retains you, the path is relatively easy – rise up the ranks to ultimately become a partner.

However, if you plan to build your career as a finance/audit professional within the industry, please know that it is not a level playing field. While ICAP may be transparent and equitable in its coaching and examination procedures, real life isn't fair. Real life is in fact, governed by our social structure, biases and behavioural eccentricities which, unfortunately, no professional degree can eliminate. You are either a 'player' or a 'pawn.' A player is a professional in charge of his or her career, with growth, prospects and contacts, and a huge professional support network. A pawn is a CA who, due to a combination of factors, isn't socially well-connected, is manipulated by others, and therefore ends up having a second tier career.

ARTICLESHIP IS A GAME OF CHESS

Personal discretion begins the moment you set foot inside an audit firm, on your first day as a trainee student. There are, inevitably, fellow

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students who are glib, smart, and have a natural rapport with the managers and partners. Most trainees, barely out of college, don't realise the need for these skills.

I worked honestly and diligently for four years, and was fortunate enough to have worked with very good mentors. However, lacking any social skills whatsoever, I ended up being marginalised: while my managers trusted me to deliver good work, I was never in the 'inner circle.' I got assigned to good clients and was able to develop quite a good portfolio, since in those days the big firms had not segmented their departments according to industry.

But once my articles were over, I found myself elbowed out by other trainees who were nearer and dearer to the partners, for various reasons. Inevitably, they ended up being retained by the firms or being placed at really good companies in great positions.

Managers and partners are human. Competent trainees are a dime a dozen, and sometimes work is not enough to make you stand out. In order to become a player, you have to hang out with the players.

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Don't take this lightly; the tiny distance between myself and those trainees back then, today, has translated into a large gulf in position and fortune – talk about butterfly effect.

FACTORS YOU HAVE NO CONTROL OVER DECIDE YOUR FATE

You thought all CAs were created equal?

There are so many situations where a CA is subject to discrimination. One of those is what I mentioned above – being near and dear to your firm's partners and managers. Being a second or third generation CA, with your parents or grandparents in eminent positions in audit firms or companies, is an advantage that can grant a 'player' status upon a trainee from the moment of his birth.

Alternatively, if you belong to one of the prominent business communities, and lead the sort of life which enables you to attend elite schools and later on, clubs, you are set for life. Your links made through these places will last a lifetime and never ever let you fall.

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Social status of one's parents also has other effects. For one, you can be sent abroad to complete your articles and that, my friend, is another insurmountable hurdle. Both our audit firms and companies are partial to foreign qualified professionals and if they also happen to belong to one of the fancy schools or clubs, the story is over for others.

Please don't think that I am complaining. Being in a hiring position, naturally anyone would want the best candidates and across the world, our social background and history, unfortunately, define who we are, rather than what we can deliver. That's a fact of life.

I had none of these attributes and only recently, I realised that while my seniors at my audit firm were not able to help with my job hunt at all, the 'player' trainees have been getting their references for excellent positions all along. Again, it is not necessarily discrimination, but a question of visibility and prominence.

YOUR FIRST JOB MATTERS

Most of us, including myself, are awfully glad when we receive our first job offer after qualification. The sense of accomplishment after a successful recruitment process is justifiable; however, it can often blind one to the longer term implications to his/her career.

I qualified in 2002 and by 2016, had hopped between five or six jobs. Only later did I realise that the places I worked did not exactly invite the top talent (with one or two exceptions). In fact, some of them simply could not attract top tier talent at all. My having qualified for those places was simply a result of them not having a better choice. What an encouraging realisation, 15 years into your career!

So, what do players do?

Well, they have these contacts, their seniors at firms, who are constantly guiding them to job opportunities which are seldom advertised. The positions, the compensations and the companies these jobs originate from, are the multinationals and big blue chip local companies where everyone aspires to work. Due to these very reasons, a pawn is likely to be elbowed out by a player who 1. has a better presentation, thanks to elite schooling; 2. can afford to dress to kill, thanks to his/her wealth; 3. enjoys excellent reference from a big audit firm; and 4. already has been working in an impressive position at a blue chip company. Not only that, such a winning candidate will find himself or herself on an accelerated career path.

In other words, if you start your career with an average company, if at all you are able to move to

SOCIAL SKILLS ARE AS IMPORTANT AS TALENT AND SHOULD NOT BE IGNORED AT ANY STAGE.

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a multinational or a blue chip company, it will be a long and painful process and by that time, your batch mates will be far, far ahead.

TALENT WILL ONLY GET YOU SO FAR

Everybody has talent; after all, we have all qualified one of the most difficult exams in the country. The mistake I made was: thinking that the unique talents I had would be enough to land me in a good place. See, there is no shortage of talented players; there are more presentable too. Talented pawns will always fall by the wayside.

Every trainee and aspiring CA should be concentrating on leveraging his or her talents by finding ways to evolve them into commodities that really matter: contacts and friends in high places, unique skills that can actually help an organisation. In other words, social skills are as important as talent and should not be ignored at any stage.

IS THERE A WAY TO ADDRESS THIS SITUATION?

I realise that any trainee or young CA reading this might be feeling discouraged at this point, so let me make something clear: whether as a player or as a pawn, CA as a career is rewarding and always, always worth it. It is a great advantage that has helped me and a lot of other people like me to prosper and grow.

The difference between players and pawns may seem insurmountable, but here are a few tips which I have seen as effective:

- Make sure you are in the inner circle of your manager and partner during articleship.
- Choose your first job very carefully. If it is not a multinational or a blue chip company, and you belong to the 'pawn' category, better wait for the right time and work at your firm. Trust me, you will not regret it. A few months are nothing compared to a good start to your career.
- Always, always be willing to help out your colleagues at any stage. A little help can forge unbreakable bonds.
- You cannot have more than a few sincere friends. So focus on building a positive social profile where acquaintances, colleagues, batch mates, even seniors, feel free to come to you to discuss various issues. A strong network of well-wishers will prove to be good support; also, it is easy enough to call upon favours when the need arises.
- Don't expect anything to be fair and transparent because life isn't fair. You may see that certain companies consider references during hiring, but if you were in their place, you would have done the same rather than trusting a complete unknown. That is life.
- Wherever you work, try to develop lasting relationships with CEOs, CFOs, partners and directors. These links will serve you throughout your life.
- If you didn't go to one of the fancy, elite schools, develop your communication skills to a point where this does not matter anymore.

> ACROSS THE WORLD, OUR SOCIAL BACKGROUND AND HISTORY, UNFORTUNATELY, DEFINE WHO WE ARE, RATHER THAN WHAT WE CAN DELIVER. THAT'S A FACT OF LIFE.

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Just as importantly, most of us make the mistake of making our CVs about us: where we studied or worked, who we know, what are our hobbies. Employers, on the other hand, aren't concerned about whether you won a trophy in paragliding while in school; they are more interested in what you learned in that school, how do you present yourself, and how relevant your skill set is to the company. Therefore, always, always customise your CV according to the place you are sending it to.

Most of us, like me, realise these facts too late and by that time, our position as pawns is cemented. Sometimes, it becomes necessary to manage your expectations, not your career, and wait for your lucky break. If you can fend for your family and can give them a respectable lifestyle, I say that your efforts have served you well and there is nothing to complain about.

After all, no game of chess is possible without pawns.


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