Blockchain Technology – A Game Changer in Accounting

The Angry Accountant

Taxation in Gilgit Baltistan

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Editor's Letter

Dear readers

Assalam u alaikum!

As you open the first issue of The Pakistan Accountant 2018, the World is discussing probably the most disruptive and rapid technological development to impact businesses across the globe: Blockchain. The speed and scale with which cloud-computing, cryptocurrencies and Blockchain technology are impacting our day-to-day financial matters (particularly banking) is, on the one hand, an area of concern for any finance professional vis-à-vis the need to remain relevant and abreast of significant developments, but on the other hand, creates a significant opportunity for chartered accountants to prove their mantle.

This edition of The Pakistan Accountant has therefore focused on this rapidly emerging phenomenon; you will find across the coming pages, topics ranging from an introduction to Blockchain that fulfills the appetite of a newbie building up their initial understanding to a thorough analysis of the impact on banking, asset management, services, assurance and various other sectors and what we, as chartered accountants, need to do to stay up-to-speed with the key changes. Whether Blockchain significantly impacts your current or future role and how? Read on and decide!

Also in this edition, we cover certain taxation topics including Super Tax, the concept of exempted person in Pakistan and the taxation regime in Gilgit-Baltistan which can impact many businesses, especially consumer products and telecom businesses which generate income from that part of the country. Several other topics including accounting and reporting, corporate governance and Islamic economics will be a matter of interest for our esteemed readers. The Discourse topic this time seems to have generated a lot of interest from readers: you can find out about the pros and cons of flexi-hours working environments for individuals, teams and organisations. Thanks to all who participated in the discourse!

Also introducing this quarter a column, From Around the Globe, to keep members updated with the latest engaging news and views from far and beyond.

I hope you will find the topics covered in this edition interesting. A sincere note of thanks to all the contributors who spent time researching and writing the technical content for the benefit of members. Thank you!

In the coming months, the team of The Pakistan Accountant shall be working on revamping the entire accounting magazine experience for our esteemed readers. We are focused towards deploying technology, add more interesting content and make reading the magazine an enjoyable and learning experience for all of you. In this respect and as has always been the case, we welcome any suggestions, comments and/or feedback and would be happy to incorporate the same to make OUR magazine the most sought-after finance magazine of the country.

Happy reading!

Muhammad Awais, FCA
The wild swings of Blockchain and other cryptocurrencies dominate the business world today. Blockchain promises to be a disruptive technology for the accounting and auditing professions.

Blockchain technology has the potential to shapeshift the work of accountants mainly those focused on transactional tasks. It has the capability to increase the efficiency of the process of accounting for transactions and assets, functioning as a system of universal entry bookkeeping. Blockchain certainly has to resolve some legal and technological challenges before it can be completely incorporated into the financial record-keeping systems of the world. However, the accounting profession with its distinctive business and technical expertise is well-positioned to support blockchain with these struggles.

Professional accountants should consider diversifying into areas that are more creative, because blockchain will make the audit process streamlined, fast, and automated. Accountants’ mix of business and financial intellect can add more value by delivering strategic advice than by undertaking basic bookkeeping functions and the advent of blockchain technology should expedite firms’ transformation away from these tasks.

Blockchain technology is already disrupting the accounting profession and will continue to do so. Understanding the implications and possibilities of this technology on the profession is essential for practitioners seeking to keep up to date and relevant in a rapidly changing marketplace.

Blockchain is an accounting technology that will provide future prospects and professional accountants have both the mindset and opportunities to take advantage of them and elevate accounting to the role of strategic business partner.

Riaz A. Rehman Chamdia, FCA
Blockchain promises to be a disruptive technology for the accountancy and auditing professions. Here the Institute of Chartered Accountants in England and Wales’s (ICAEW) IT faculty collates useful information and resources on the distributed ledger technology and its applications.

**What is blockchain**

Some call blockchain a foundational technology with the ability to transform how many tasks are done, and predict that its adoption will spell the end of the audit profession, or even the whole of accounting. But beneath the hype, there is a complex and developing technology that has a long way to go before its true use cases and effects are identified.

Blockchain has the potential to disrupt the work of accountants – particularly those focused on transactional tasks. It has the potential to increase the efficiency of the process of accounting for transactions and assets, operating as a system of universal entry bookkeeping. Undoubtedly, blockchain has to solve some technological and legal challenges before it can be fully bedded into the financial record-keeping systems of the world. However, the accountancy profession with its unique technical and business knowledge is well-positioned to help blockchain with these struggles.

**Opportunities and challenges**

Blockchain is a foundational change in how records are kept and updated. Rather than having one single owner, blockchain records are spread out among all their users. The genius of the blockchain approach is in using a complex system of consensus and verification to ensure that, even with no central owner and with time lags between all the users, there nevertheless remains a single, agreed-upon version of the truth.

**Key features of blockchain**

Blockchain is unusual for a hyped tech trend in that it is a back-office solution to how to transfer ownership of assets and record data online – in other words, it is a platform for accounting and business to be done on, rather than a novel application or business model. The technical details of how blockchain works and what makes it proof against attack and theft are outside of the scope of this paper; however, a brief overview is provided in the appendix of the report.

We split the most important facets of blockchain technology into the “three Ps” – three key terms that explain what makes blockchain different from the more familiar ledgers of today, which are databases owned and run by a single party.

<table>
<thead>
<tr>
<th>FEATURE</th>
<th>BLOCKCHAIN LEDGERS</th>
</tr>
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<tbody>
<tr>
<td>Propagation</td>
<td>New transactions originate with one user but propagate to a network of identical ledgers, without a central controller.</td>
</tr>
<tr>
<td>Permanence</td>
<td>All transactions and records are permanent, unable to be tampered with or removed.</td>
</tr>
<tr>
<td>Programmability</td>
<td>Many blockchains are programmable, allowing for automation of new transactions and controls via “smart contracts.”</td>
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Blockchain and the future of accountancy

Details on the potential of blockchain, its implications for auditors, how the accountancy profession can lead and what skills are necessary for the future.

The potential of blockchain

Blockchain is an accounting technology. It is concerned with the transfer of ownership of assets, and maintaining a ledger of accurate financial information. The accounting profession is broadly concerned with the measurement and communication of financial information, and the analysis of said information. Much of the profession is concerned with ascertaining or measuring rights and obligations over property, or planning how to best allocate financial resources. For accountants, using blockchain provides clarity over ownership of assets and existence of obligations, and could dramatically improve efficiency.

Blockchain has the potential to enhance the accounting profession by reducing the costs of maintaining and reconciling ledgers, and providing absolute certainty over the ownership and history of assets. Blockchain could help accountants gain clarity over the available resources and obligations of their organisations, and also free up resources to concentrate on planning and valuation, rather than recordkeeping.

Alongside other automation trends such as machine learning, blockchain will lead to more and more transactional-level accounting being done – but not by accountants. Instead, successful accountants will be those that work on assessing the real economic interpretation of blockchain records, marrying the record to economic reality and valuation. For example, blockchain might make the existence of a debtor certain, but its recoverable value and economic worth are still debatable. And an asset’s ownership might be verifiable by blockchain records, but its condition, location and true worth will still need to be assured.

By eliminating reconciliations and providing certainty over transaction history, blockchain could also allow for increases in the scope of accounting, bringing more areas into consideration that are presently deemed too difficult or unreliable to measure, such as the value of the data that a company holds.

Blockchain is a replacement for bookkeeping and reconciliation work. This could threaten the work of accountants in those areas, while adding strength to those focused on providing value elsewhere. For example, in due diligence in mergers and acquisitions, distributed consensus over key figures allows more time to be spent on judgemental areas and advice, and an overall faster process.

Implications of blockchain for auditors

Blockchain has applications in external audit. Performing confirmations of a company’s financial status would be less necessary if some or all of the transactions that underlie that status are visible on blockchains. This proposal would mean a profound change in the way that audits work.

A blockchain solution, when combined with appropriate data analytics, could help with the transactional level assertions involved in an audit, and the auditor’s skills would be better spent considering higher-level questions.

For example, auditing is not just checking the detail of whom a transaction was between and the monetary amount, but also how it is recorded and classified. If a transaction credits cash, is this outflow due to cost of sales or expenses, or is it paying a creditor, or creating an asset?

These judgemental elements often require context that is not available to the general public, but instead require knowledge of the business, and with blockchain in place, the auditor will have more time to focus on these questions.

How the profession can lead with blockchain

The move to a financial system with a significant blockchain element offers many opportunities for the accountancy profession. Accountants are seen as experts in record keeping, application of
complex rules, business logic and standards setting. They have the opportunity to guide and influence how blockchain is embedded and used in the future, and to develop blockchain-led solutions and services.

To become truly an integral part of the financial system, blockchain must be developed, standardised and optimised. This process is likely to take many years – it has already been nine years since bitcoin began operating and there is much work still to be done. There are many blockchain applications and start-ups in this field, but there are very few that are beyond the proof of concept or pilot study stage. Accountants are already participating in the research, but there is more for the profession to do. Crafting regulation and standards to cover blockchain will be no small challenge, and leading accountancy firms and bodies can bring their expertise to that work.

Accountants can also work as advisers to companies considering joining blockchains themselves, providing advice on weighing the costs and advantages of the new system. Accountants’ mix of business and financial nous will position them as key advisers to companies approaching these new technologies looking for opportunity.

**Skills for the future**

The parts of accounting concerned with transactional assurance and carrying out transfer of property rights will be transformed by blockchain and smart contract approaches.

The reduction in the need for reconciliation and dispute management, combined with the increased certainty around rights and obligations, will allow greater focus on how to account for and consider the transactions, and enable an expansion in what areas can be accounted for. Many current-day accounting department processes can be optimised through blockchain and other modern technologies, such as data analytics or machine learning; this will increase the efficiency and value of the accounting function.

As a result of the above, the spectrum of skills represented in accounting will change. Some work such as reconciliations and provenance assurance will be reduced or eliminated, while other areas such as technology, advisory, and other value-adding activities will expand. To properly audit a company with significant blockchain-based transactions, the focus of the auditor will shift. There is little need to confirm the accuracy or existence of blockchain transactions with external sources, but there is still plenty of attention to pay to how those transactions are recorded and recognised in the financial statements, and how judgemental elements such as valuations are decided. In the long term, more and more records could move onto blockchains, and auditors and regulators with access would be able to check transactions in real time and with certainty over the provenance of those transactions.

Accountants will not need to be engineers with detailed knowledge of how blockchain works. But they will need to know how to advise on blockchain adoption and consider the impact of blockchain on their businesses and clients. They also need to be able to act as the bridge, having informed conversations with both technologists and business stakeholders. Accountants’ skills will need to expand to include an understanding of the principle features and functions of blockchain – for example, blockchain already appears on the syllabus for ICAEW’s ACA qualification.

**Blockchain case studies**

Blockchain applications divide into several categories depending on the element of the technology that they are most focused on.

Some applications are built around the automatic synchronicity of the ledger and the ability to simplify the reconciliation processed around these activities while also gaining additional transactional certainty.

Others are more interested in the ability to remove middleman institutions from the system, reducing cost and bias while opening up access to more participants. And still others are interested in using blockchain as a platform to host smart contracts, automating and adding certainty to contractual arrangements and transactions.

A few case studies are illustrative in understanding how blockchain could form a part of a range of implementations.

**Bitcoin – cryptocurrency**

Bitcoin is an online cash currency, which was created by an unknown person or persons under the pseudonym Satoshi Nakamoto. Posting their seminal white paper in late 2008 and launching the initial code in early 2009, Nakamoto created bitcoin to be a form of electronic cash that could be sent peer-to-peer without the need for a central bank or other authority to operate
The engine that runs the bitcoin ledger was named blockchain, a name which is now used to refer to all similar distributed ledger technologies. The original and largest blockchain is still orchestrated by bitcoin transactions today. Others run the several hundred “altcoins” – other similar currency projects with different rules – as well as truly different applications such as Ethereum or Ripple. The system has several features that have caught the attention of investors and disruptors across the financial services systems and it is thought that blockchain, the underlying technology, has the potential to be a disruptive technology and perhaps grow to be a bedrock of the worldwide record-keeping systems.

Bitcoin works by paying miners – those that do the computational legwork of posting new transactions – with newly-minted bitcoins. As long as the currency is desirable, it is self-sustaining. The system also automatically adjusts the difficulty of posting transactions and the reward for doing so in order to control inflation.

Blockchain leverages economic incentives originally designed for bitcoin. Only adding to the longest existing chain is rewarded, so that miners are incentivised to take on new transactions rather than forking off into differing subgroups. But standardisation is a challenge, as new updates to the bitcoin client are effective only when an overwhelming majority of participants agree to install them.

Bitcoin is attractive to users for several reasons:
- payer-borne transaction costs are low;
- the valuation of the currency has generally been growing strongly since its creation; and
- the system is much less restricted than traditional banking.

Bitcoin has no ‘Know Your Client’ or identity requirements – anyone with a working internet connection can join and start receiving and sending bitcoins. While this does make the system cheap and easy to access, it has also made it attractive to criminals in much the same way as paper cash, with the Silk Road ‘dark net’ black market site having mostly used bitcoin before being shut down by the Federal Bureau of Investigation (FBI) in October 2013.

As an internet-based currency, bitcoin also observes no international borders, meaning that transfer across territories is no different from any other payment. There are other blockchain projects that are looking to capitalise on this for international payments applications in central bank issued fiat currencies, such as Ripple.

**R3 – interbank reconciliation**

Blockchains are designed to be useful in systems that require reconciliation between parties. Many of the major players in banking are backing the R3 consortium, which is researching the use of a blockchain-like distributed ledger for interbank reconciliations and other financial applications. Currently, millions per year are spent reconciling ledgers between banks; however, if a distributed ledger solution could be created that is able to handle the volume of transactions between the banks, then this could be greatly reduced.

This kind of application would be a private ledger – one where only invited parties can view the records or participate in creating new entries. However, it would allow for interbank transactions to form a single, authoritative record that all parties could verify. This could reduce the considerable efforts currently spent reconciling books with counterparties, and allow for a more efficient banking system.

A solution of this kind is not feasible with the present implementations of blockchain, either in volume or in speed, and indeed the R3 project has now morphed into other distributed ledger applications for the financial sector. However, assuming that these significant challenges could be overcome, this is potentially a very impactful area of application for blockchain. Others are looking at supply chain integration for similar reasons.

**Land registry**

Perhaps the clearest case for where blockchain could be advantageous is provenance and transfer of ownership of assets, and land registry is a particularly good case. There have been several pilot studies and proofs-of-concept made, but none have reached full operational maturity as of yet. One proof-of-concept in this field was for land registry in Honduras, which has no current public land ownership registry and experiences difficulties with corruption and misappropriation; other projects have been proposed or developed in Georgia and Sweden, but none have yet reached large-scale testing. Creating a clear and permanent record of ownership and transfers of ownership would help create additional liquidity in the economy by increasing security, and fight corruption by distributing the maintenance of records to all parties rather than just to some.

As a public register, the open visibility of the blockchain is not an obstruction for land registry. It is acceptable for participants to see who owns, sells, and divides land; furthermore, the verifiability aspect can help to add transparency where needed. A land registry blockchain would have to start by tokenising the land assets in question – that is, creating a representation of each section of land as a legally-equivalent digital asset, stored on the blockchain. This would be followed by making sure that the present owners had the ownership of the appropriate tokens assigned to them. This is no small undertaking as existing systems are already very complex, and there is a need to be flexible in future if existing land deeds are altered or split. What’s more, if corruption in state officials is a concern, then getting approval from those same officials for a project that would reduce that corruption is challenging – and indeed this is what stalled the Honduras pilot scheme.

There is a larger lesson for blockchain in this example – bitcoin works because it is a wholly online system, with all participants agreeing to the ownership and provenance records of bitcoin due to how blockchain works. But many other areas are more...
complex – ownership still needs to be registered, but also be tied to the real world. This causes problems in both directions: the register must reliably reflect real-world existence and condition of assets, and there must also be legal mechanisms for enforcing ownership rights when blockchain records indicate these are held, even against parties who are not part of the blockchain, or do not recognise it as legitimate.

Assuming that these challenges could be overcome, then a land registry blockchain could thereafter record sales of land (or other similar transactions), creating a verifiable and permanent record. Furthermore, the distributed nature of the ledger would mean that neither downtime nor server failure would ever affect the availability of the service. While the costs of transacting on a blockchain can be relatively high, for a low-volume, high-value channel such as purchases and sales of land, they would likely be competitive.

**Smart contracts**

There are already many examples of automated contracts in place in the present-day financial system – from the mechanical simplicity of a vending machine, to a bank-operated standing order or direct debit. The idea of a smart contract is to allow for all kinds of transactions to be made automatically and simply, in the same way as a vending machine purchase – and without the need to rely on (or pay) a central party to adjudicate the operation of the contract terms.

Blockchain technology offers opportunities in this arena, because smart contract code can be written directly onto a blockchain and is examinable by the contracting parties ahead of time, just like a traditional legal contract. If it is agreed to, then the smart contract – armed with appropriate rights – will automatically execute its own terms. This could mean releasing a payment following a certain trigger, running a software escrow account, making an investment, or anything else.

Other than disintermediation, one potential advantage of smart contracts over traditional law is that they reduce counterparty risk.

With a traditional legal contract, the courts act as a cure to breach – if the contract is broken, they can enforce the terms after the fact. However, smart contracts can be preventative – they operate on the stated terms regardless, which binds its parties without the ability to choose to default. What’s more, smart contracts are unambiguous – the contract will carry out the one and only meaning of its code.

To reach this world of smart contracts, there are some challenges that must first be resolved. While the process of executing a smart contract might be disintermediated, there may still be a need for a trusted professional – in this case, a programmer to create the smart contract. If institutional trust (and cost) moves from the lawyers drawing up the contract to the programmers encoding it, there is no real advantage to be gained. There are some projects out there, such as Legalese, which are seeking to build a computer language for legal contracts that can easily be translated into natural language.

However, we are currently a fair way away from this reality. Courts would have to recognise that the operations of smart contracts are legitimate ways to transfer ownership and value between parties, and that the terms of smart contracts are enforceable in case a breach somehow does occur. What’s more, an answer would have to be found to the question: What redress is available if the smart contract is exploited in a way not expected by one of the parties? Could intent override the letter of the code?

This last issue is not theoretical – when the Decentralised Autonomous Organisation (DAO) (a smart contract-driven investment vehicle created for the Ethereum blockchain) had much of its funding hijacked through a loophole in a poorly-written smart contract, there was a fierce debate over how to resolve the issue that eventually led to a fork, with most participants agreeing to roll back the loss of funds. But some kept the status quo and became a separate blockchain, which now exists under the name Ethereum Classic. This rollback was only possible because more than half of the participants agreed to implement it.

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**Blockchain: how does it work?**

Blockchain is tipped as a technology game-changer, set to transform accounting, audit and banking. But how does it work?

A blockchain is a single ledger that records transactions between organisations. Everybody with permission to join can see the same information in real time. It is claimed that blockchain could reduce fraud and accounting errors. Groups such as the Australian government’s research organisation, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), and the Australian Securities Exchange (ASX) are investigating its use.

Blockchain could have a profound effect on supply chain management and transactional
How does blockchain work?
A blockchain is a single ledger that records transactions between organisations, their suppliers and customers. An audit trail is created as data is added in linked “blocks” and as more information is added, a chain of blocks is built.

You can see who added each block, and at what time. Blocks can’t be removed or changed. All the users – rather than just one controller – own the blockchain, and they are all responsible for maintaining it.

In a private blockchain, the users decide who can join the ledger and their level of access. Some information can be encrypted to protect commercial confidentiality. A company could have a blockchain with a supplier, with a client, with its bank and with the tax office.

So what does this mean for accountants?
By creating a single ledger over a network of computers, companies, their clients, banks and tax authorities record and share information.

When any of them adds information, the ledger automatically verifies and reconciles the data. There won’t be any need for each party to maintain its own private ledger. So accountants won’t be required to do all the transactional processing and reconciliation.

How safe is blockchain?
Blockchain could reduce fraud and accounting errors. When a block of data is added to the chain, the rest of the network has to verify it.

If you are doing business via the chain, all the computers on the network will identify you and check you have permission to transact. So, if you’re due to pay $120 and you transfer only $100 by mistake, other blocks will pick up the error.

Cybersecurity is strong with blockchain
A hacker would have to get into the entire network of computers at around the same time to do any damage. If they hacked only one computer, the other users would be able to see and react.

Blockchain could disrupt the audit profession
The chain itself creates an automatic audit trail in real time, so if blockchain is widely adopted, there won’t be a role for auditors to verify transactions conducted within the blockchain.

It’s not only accounting and audit that face disruption
Blockchain is a peer-to-peer network that cuts out intermediaries such as banks.

The Australian Securities Exchange is looking at how blockchain could replace the existing clearing and settlement system for share trades.

Blockchain could make international payments and land transfers faster, and enable safer authentication of an individual’s or a company’s identity.

That’s why the Australian government’s scientific and research organisation, the CSIRO, is investigating how blockchain could work across government and the private sector.

Promises such as these are why more than US$14 billion was invested worldwide in blockchain technology in the three years to 2018.

These are early days for blockchain, but if it lives up to the promises, it will change accounting and audit functions significantly.

Accountants and auditors will have to rethink the way they work and perhaps offer clients higher value work that involves strategic insights and thinking.

Blockchain – it might just open a whole lot of doors.

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History of Blockchain
Blockchain was created by the unknown person or persons that created the online cash currency bitcoin under the pseudonym of Satoshi Nakamoto.

Posting their seminal white paper in 2008 and launching the initial code in 2009, Nakamoto created bitcoin to be a form of cash that could be sent peer-to-peer without the need for a central bank or other authority to operate and maintain the ledger, much as how physical cash can be.

While it wasn’t the first online currency to be proposed, the bitcoin proposal solved several problems in the field and has been by far the most successful version, now accounting for a market capitalization of around US$39 billion in issued bitcoins.
With present technology, there are some barriers to blockchain becoming a central element of the financial system. For example, with bitcoin three issues can be identified:

▪ The fee per transaction posted has historically averaged US$5 to US$8 (currently over US$40 due to the strong BTC); most of this cost is met with new bitcoins and not passed on to those transacting.

▪ It takes a minimum of between four to five minutes between a transaction being initiated and officially recorded.

▪ The maximum capacity for transactions is around seven transactions per second for the smallest possible transactions, or around three transactions per second for the average actual transaction size (compared to thousands or tens of thousands of transactions per second for Visa).

Additionally, blockchain requires each participant to be furnished with a full copy of the ledger to operate. If the ledger is commercially sensitive, this would require the data to be encrypted. Furthermore, for a large or active ledger, there could be a barrier for new participants, who would need to download very large historic data files before being able to join in.

**How could blockchain overcome barriers?**

The answer is two-fold. First, the more immediate applications will be in areas where these figures are better than existing alternatives, and blockchain can be of use in its current state. Second, the transformational applications of blockchain to areas such as payments or inter-bank reconciliation, will come only after Research and Development (R&D) and innovation are applied to reach a point where the technology’s limitations have been greatly reduced.

A final area of challenge is getting an appropriate legal framework into place. An entry created on a blockchain ledger has to gain full legal recognition as a proper transfer of value between parties, with courts having the ability to enforce this if appropriate. With no central location, it is unclear which jurisdiction(s) even would have to rule on such matters. The legalisation of blockchain is a substantial challenge. It is unlikely that specific legislation will be written for blockchain while there are so many competing approaches and standards in the marketplace. Standardisation on both the technological elements of blockchain and the use standards for areas such as asset ownership and transfer will need significant development. Only after this can the legal problem be truly tackled.

Legal recognition will also have to deal with smart contracts, which differ significantly from the form of traditional legal contracts. Not only do smart contracts self-execute, they are autonomous, and thus restrict the control that parties have once the contract is initiated. This could be particularly difficult if a smart contract does not operate as a party in good faith believed it would. There are also issues with recourse – due to the records propagating across many users, it could be impossible to enact a court’s judgement to remove a transaction or take down data stored on a blockchain.
What if you could simply open the camera app of your cell phone, point to the property plot lying in front of you, and there comes all the information regarding the property and the owner, you dial the owner, agree on the price, push couple of buttons and voila! The property is yours – all the underlying property record updated for all the departments and public without involving a single intermediary or attester or whatever the commission/fee/bribe (or any good name you could think of) earners in between you and the seller. The dawn of this era is upon us and actually approaching pretty fast; thanks to the rapid advancements in the Artificial Intelligence, Big data, blockchain and other cutting-edge technologies, science fiction of yesteryears is becoming science facts of today.

Traditionally, the record keeping of economic value embodying entities and exchange of them between parties have been costly and time consuming exercise involving tons of nods and checks and of course trees. Take an example of imported machinery; the accountants literally maintain a separate file for each so called Letter of Credit (L/C) containing dozens of papers to represent the entire trail of events, approvals and plethora of footprints of numerous middlemen. Now consider this; each person involved in this import transaction keeps his own copy of documents for his record maintenance purpose, thereby creating a great duplication of same record and even the chances of human error or tampering at any stage increase manifold. Wouldn’t it be nice if there was only one record of whole trail and this one record was readily available to each stakeholder? Enter the blockchain technology, to eliminate this very duplication of record keeping, to eliminate record tampering and even eliminate many middlemen who are just causing the record to pass from one hand to another or unnecessarily signing documents merely for the sake of ‘authentication’ like those good old ‘certified by auditors’ things.

Thanks to the rapid advancements in the Artificial Intelligence, Big data, blockchain and other cutting-edge technologies, science fiction of yesteryears is becoming science facts of today.

Accountancy is traditionally regarded as bookkeeping and reconciling ledgers. Adoption of blockchain will positively eradicate these two tenets of accounting.
Blockchain is a distributed decentralised database of information divided into encrypted ‘block’ of data and each 256-bit encrypted block contains time-stamp and link to the previous block of data thereby creating a ‘chain’ of information. This chain of data blocks is shared across peer-to-peer network of participating computers and the chain residing in each participating computer gets updated simultaneously once a new block is added to the chain. The block of data is entered by the person who has special cryptographic key; once the block of data is entered through cryptographic key, it becomes irreversible and unalterable latest block of data in the chain.

To understand blockchain, take an example of digital medical record of a patient. The complete medical record holds all the history containing appointments, diagnosis, procedures performed, tests results, etc. Each record of appointment, test, procedure (‘blocks’) contains specific date (‘time-stamp’) and all the ‘blocks’ of information are chronologically put in the medical history (‘chain’). On each appointment, the doctor (‘person having special cryptographic key’) enters his remarks, prescription, etc. and that date stamped information (‘block’) is added to the medical history (‘chain’).

Peer-to-peer networks like torrent or blockchain work on the analogy that the same information is shared across participating peers without indulgence of any centralised server or authority. A famous implementation of the blockchain technology is Bitcoin. Bitcoin is the pseudo currency carrying value through trust only without having any centralised backing authority like central bank.

The main advantages of blockchain are removal of duplication of records, robust security, authenticity of transaction (no more faking or alteration, no more ‘Calibri...gotcha’ scenarios). Coming back to import example, using blockchain the importer will add a ‘block’ of purchase order and this block of information will be added in transaction chain which is shared with all stakeholders, likewise banker will add a ‘block’ in the chain of payment received, and the shipper and clearing forwarding agent will add their ‘blocks’ of events. The resulting blockchain is a secured, single thread of records shared across all stakeholders, a well authenticated chain as acknowledged and date-stamped by each authoring party involved in the chain. Eventually, this chain would also be accessible and similarly sync on system of any querying entity such as regulatory bodies or auditors.

Going ahead, the adoption of blockchain will start to disregard unnecessary middlemen and the ultimate victim may be the greatest middlemen of the millennia i.e. bankers, with the emergence of decentralised peer-to-peer blockchain-based cryptocurrencies. As of January 2018, there are more than 1300 cryptocurrencies floating around the world, among them Bitcoin, Ethereum, Ripple, Bitcoin Cash, Cardano and Litecoin are the leading ones. A few months back Christine Lagarde, the head of the International Monetary Fund (IMF), stated that she believes Bitcoin and cryptocurrencies will eventually replace banks and existing financial systems by eliminating the necessity for intermediaries and third party service providers.

Now comes the question, how all this is going to impact the professions of accountancy and auditing. Will these professions, as we know them be, able to survive the onslaught of technology? Accountancy is traditionally regarded as

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The students of accountancy today must invest time in learning data analytics, mastering advanced analytics features of MS Excel and even cross the professional borders to learn an advanced programming language such as R or Python which are great at digging Big data and performing data analytics.
bookkeeping and reconciling ledgers. Adoption of blockchain will positively eradicate these two tenets of accounting, i.e. bookkeeping and reconciliation of accounts. As recording of transaction in blockchain is such that the information is updated simultaneously with all stakeholders, the record of economic flow will be maintained automatically. Moreover, there will be no need to reconcile anything as everyone maintaining or accessing the chain will have the same data. However, the human judgemental skills in accountancy will still be required for valuation of assets and classification of liabilities. For example, the ownership of an asset will be absolutely certain through blockchain, however, the condition of the asset, its wear and tear and how much value it embodies and whether to recognise any impairment will remain dependent upon human judgement for a foreseeable future.

Again, in the field of auditing the focus will be on proper classification of the underlying transactions in the financial statements together with the appropriate valuation of economic realities, hence, the verification of claims, rights and obligations, parties involved will be considered pointless. For example, the auditor of blockchain era will not be concerned with the proper recording of accounts receivable, the authenticity of transaction, the identification of parties involved, etc. rather the auditor will be concentrated on valuation and classification aspects such as the recoverability of the debt. Therefore, the third party confirmation process as we know it today, will be significantly reduced and transformed into mere queries into blockchain data.

Moving forward, the accountants and auditors of future will need to up the ante by equipping themselves with data analytics skills to provide better support to decision making process and to make sense out of spaghetti of data. The students of accountancy today must invest time in learning data analytics, mastering advanced analytics features of MS Excel and even cross the professional borders to learn an advanced programming language such as R or Python which are great at digging Big data and performing data analytics.

Granted, the example in opening para may seem a bit exaggerated in current Pakistani environment, however, the world is moving fast and we’ll be dragged along, if we do not embrace the change at equal pace. Just recently Dubai has laid down the roadmap to become world’s first blockchain powered government. By adopting blockchain technology, the Emirate is projected to save 25 million man hours and $1.5 billion per year. By 2020, the Emirate is aiming to digitise all visa application, billing, license issue activities through blockchain which comprise 100 million documents per year.

The real breaking news is the advent of cryptocurrency named emCash by the government of Dubai. Unlike Bitcoin, emCash is an official state backed cryptocurrency which sure is going to create waves around the globe. Only time will tell how much the blockchain technology penetrates our socio-economic fabric. However, as professional accountants, we must be ready for a paradigm shift in the fields of accountancy and auditing which is at the gates.
Blockchain Technology – A Game Changer in Accounting
by Moreeza Usman Butt

Once the mechanism of the blockchain is understood, there is no rocket science in determining its effect on the accounting profession.

Sir Arthur C. Clarke, a British science fiction writer, once said, “Any sufficiently advanced technology is equivalent to magic.” How apt this seems to be in the innovation of blockchain that has become a buzzword in erudite circles. Developed by an unknown person or group of people going by the pseudonym, Satoshi Nakamoto, the founder of bitcoin, blockchain is finding other relevant avenues for usage as well given its tremendous benefits.

Blockchain technology is a tamper-evident, shared digital ledger that records and verifies transactions between the two parties. The records of recent transaction are kept in a block which is a ‘prevailing’ part of the blockchain. Once each block is completed, it enters the blockchain, thus, blocks keep on adding in a sequence in the blockchain database with the next block containing hash of the previous block. All this transpires with a time stamp and cryptographic signature which provides in isolation from alteration and renders the technology to be trusted by all parties involved. In a nutshell, blockchain is a form of a decentralised distributed ledger that is shared amongst the members of a network (referred to as nodes) who are all equal, adhering to the same protocols. Participants in the network agree by consensus on the updates to the records in the ledger. No intermediary or third-party mediator, such as a financial institution or clearing house is involved, thus, avoiding the huge fee that is being charged in terms of the transaction fee. Hence, any alteration to the network is by agreement among the members which renders sacrosanctity to the data and saves the time that could be spent on reconciliation and verification of transaction.

Once the mechanism of the blockchain is understood, there is no rocket science in determining its effect on the accounting profession. Such technology would place the whole accounting system on auto
mode. Currently, the centralised ledgers face issues of efficiency, costs, transparency, authenticity and are also subject to misuse, stemming from the reliance on trust based third party systems like financial institutions or clearing houses and resulting in bottlenecks and slowdown in transaction settlements. Lack of transparency also leads to disputes, corruption and fraud in these systems. These issues no longer exist in blockchain technology as all confirmed and validated transaction blocks are linked and chained from the beginning of the chain to the most current block, hence the name 'blockchain'. The blockchain thus acts as a single source of truth, and members in a blockchain network can view only those transactions that are relevant to them.

Blockchain consensus mechanisms provide the advantages of consolidated, reliable data with reduced errors, near-real-time reference data, and the flexibility for participants to change the descriptions of the assets they own. Since no one participating member owns the source of origin for information contained in the shared ledger, blockchain technologies lead to increased trust and integrity in the flow of transaction information among the participating members. A secure method of performing transactions, it can be used for a wide variety of applications such as tracking ownership or the provenance of documents, digital assets, financial services, physical assets, etc. The efficient blockchain technology results in less manipulation, reduced burden of complications with a direct impact on other things to the accounting and audit of such transactions. Authenticated transactions, traceable audit trails, automated audit processes and trackable ownership of assets shall greatly reduce the time and effort put in by accountants as well as auditors. Consequently, they would need to become more tech savvy to sustain in such disruptive technologies and though their role is not likely to be completely extinguished from the system but a major paradigm shift in their standard operating procedures of conducting their business surely seems to be on the cards. A better approach would be to view this as an opportunity rather than a threat.

Given the above mentioned advantages of blockchain, it could be viewed that such technology could augment the accounting profession as time and resources tied up in centralised bookkeeping and reconciliations could now be utilised for other pecuniary matters such as budgeting, valuation and more tenacious business development activities. Ownership of assets such as a receivable or property may be made certain through blockchain but its recoverable value and economic worth would require an audit of the economic reality. The condition, location and true worth of such asset shall still need to be assessed and assured, be it debtors, loans or property. Similarly, the concept of confirmations of transactions as an audit procedure would become redundant in a blockchain environment. Hence, the auditor would rather focus on high level controls and environment and look into the accurate and appropriate classification of the elements of financial statements.

Going forward, accountants will not need to be the architects of blockchain but they will need to buckle up for an advisory role on its adoption and consider its impact on the business environment. They also need to be able to act as the conduit, having meaningful dialogue with both technologists and business stakeholders. As Bill Gates, an American business magnate, said, "We are changing the world with technology" and there is nothing more constant in life than change!

The writer is a chartered accountant working as partner KP M & S. Hadi & Co. Chartered Accountants, Karachi.
Blockchain and its Potential Uses in Pakistan

by Faisal Shuja Khan
Blockchain is heralded as the next biggest disruption after the Internet.

We have all heard of Bitcoins by now and some of us have invested in cryptocurrencies like Bitcoin, Etherium, Bitcoin Cash, etc. Other than the hype about making lots of money from cryptocurrency trading, have you ever wondered why these currencies are continuing to grow and what is different about them? And what is all this hype about?

To understand the hype, we have to look under the hood. What most of us don’t know is that cryptocurrencies were made possible because of Blockchain Technology. It is this technology, which makes cryptocurrencies phenomenon unique and disruptive.

To understand it’s true potential, we need to understand what Blockchain and Blockchain Technology is. However, please note that cryptocurrencies are just one of the implementations of the Blockchain Technology; Blockchain Technology offers much more than just cryptocurrencies.

Ability to have access to secure, yet public information, opens up tremendous opportunities for developing economies like Pakistan.

Wikipedia defines Blockchain as a “Continuously growing lists of records, called blocks, which are linked and secured using cryptography” and Blockchain consists of “Open public distributed ledger offering unprecedented security, transparency and decentralisation.” By design, every block contains a cryptographic hash of the previous block, i.e. a timestamp and transaction data. Once recorded, the data in any given block cannot be altered retroactively without the alteration of all the subsequent blocks, which requires collusion of the network majority. Some one will have to own 51% of the entire network to change/alter a block, which is close to impossible.

According to a Wall Street Journal explainer Blog, “A blockchain is a data structure that makes it possible to create a digital ledger of transactions and share it among a distributed network of computers.”

This brings us to the question of what is a block. If blockchain is a ledger, then a block is a page of the ledger. A block holds batches of valid transactions that are hashed and encoded into a Merkle tree. In simple terms, a block is like a ledger page, it includes a summary of transactions, date, time along with an opening balance (information hash) and a closing balance (information hash). Since closing balance (hash) of one block becomes opening balance (hash) of the subsequent block, it all gets linked as continuous chain of successive block linked with each other.

Blockchain’s primary features and essential functions are:
• Organise information/data.
• Allow public or permission based access.
• Keep information tamper-proof.
• Reliable, up-to-date and immediately verifiable information/data.

One of the key disruptions of blockchain technology is its ability to store data in public domain i.e., across its network and its ability to keep this data secure and transparent. This is a direct opposite to our current practice of entrusting key information to certain specialised institutes like banks, land ownership registers, etc. Blockchain moves the encrypted data onto an internet network (or a network of computers which collaborate to maintain integrity of blockchain), which can validate the information on almost real time basis. Technology has now developed to the point where transactions can be stored securely on the Internet and can be validated on real time basis, using a trusted network of peer computers.

Blockchain technology can provide the missing link of making easy accessibility and immutability of the land records a reality.

Blockchain technology brings the promise of new era of information sharing due to it’s following key characteristics:
• Transparency and immutability (of information/data).
• Empowered users.
• Disintermediation and trustless exchange (of information/data).
• Openness (of information/data).
• Decentralisation.

Such ability to have access to secure, yet public information, opens up tremendous opportunities for developing economies like Pakistan. The list of potential uses seems to be limitless but following are some of the few areas, where blockchain
implementations can be considered in near future and actively explored:

**Land registration**

Land ownership records and the ownership verification processes have been the biggest roadblocks to transparent and clean real estate transactions in our country ever since 1947. This has in fact given birth to serious exploitation and land grabbing mafias. Government of Pakistan took its first step by starting the digitising process of the land records. This is an ongoing process but certain degree of digitisation has been achieved. Blockchain technology can provide the missing link of making easy accessibility and immutability of the land records a reality.

**State Bank of Pakistan is also encouraging banks to considering Blockchain based applications. It is expected to reduce the time and costs of certain processes significantly.**

This will lead to creating public trust in the ownership records and the ownership transfer process. Once title of ownership has been transferred and blockchain records updated, there is no way to erase the transaction and it can only be reversed. This permanence is what will create trust and foster activity in real estate sector, rather than it being limited to few housing/real estate schemes. Blockchain will provide transparency and complete track record of the ownership and transfers, some of which can be in public domain and rest can be permission-based information.

**Financial institutions**

Some of the existing banking processes are slow and cumbersome, mostly because of regulatory requirements and a world-wide effort to reduce money laundering and identify sources of funds. This has also increased the cost of transactions significantly. Know Your Customer (KYC) process compliance can cost anywhere between US$ 10 million to US$ 60 million per annum for the banks.

Another example is international remittances, which have increased considerably but current processes do not support this growth the way it should. International remittance can take anywhere from three days to 10 days and can cost anywhere between 3-10% of the transaction value, due to involvement of various intermediary and central banks. Blockchain can significantly improve some of these processes, at the same time cutting costs. This will help cross border transactions and facilitate economic growth.

State Bank of Pakistan (SBP) is also encouraging banks to consider Blockchain based applications. It will require some Research and Development (R&D) on part of banks but is expected to reduce the time and costs of certain processes significantly.

**Exports**

One of the biggest promises of Blockchain technology is its ability to embed conditions into the blockchain. These are called Smart Contracts. Smart Contracts allow transactions to be carried out based on the fulfillment of conditions and may or may not require human interactions. Blockchain based Smart Contracts can be partially or fully executed on its own, without intervention from any human being.

One of the immediate areas for its implementation is import/export of goods. This currently requires various stockholders to carry out individual processes, prepare paperwork and share that paperwork for next process to start. This is a cumbersome process and takes weeks to months to complete a transaction.

Consider a scenario where a Smart Contract is executed for export of good. Various process like, pre-export inspection, goods insurance, custom clearance, shipping agent, goods delivery and acceptance can all be done using one Smart Contract. All process owners will cryptographically authenticate the transactions, as and when these are completed, and it will immediately move to next stockholders. As soon as all the stockholders approve the contract, payment is released. This will speed up the entire process and yet create a permanent record for every transaction/approval.

**Health records**

We currently have very fragmented data of patients and patients have to carry voluminous files of tests, results, diagnosis and prescriptions whenever they visit the doctor or go for various tests ordered by the doctors. This data can be lost, destroyed and/or not very useful on standalone basis. In case of emergencies, most of this information is not readily available and it is difficult to collect all of these records before rushing to the hospital. Important and timely information like possibility of allergic reaction to certain drugs, not communicated to doctor on time, can result in loss of human life. Blockchain, by virtue of its' characteristics, is ideal to store patient’s health records in public domain but in an encrypted form. This data can be accessed and used by anyone authorised to use this data.

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Imagine walking into a hospital, where your doctor has already reviewed your healthcare history and can start from there. Any new diagnosis will be added to the patient’s health care records. This is especially useful, if a person is travelling or in a vicinity where his/her usual physicians are not available.
specialisations happening in the medical field, patients now go to specialists rather than general physicians. The need to readily share patient records is becoming more and more important.

Blockchain based EMR (Electronic Medical Records) systems can retain patient's complete records and diagnosis on internet (of a system of networked computers) and a patient can walk into any hospital or pharmacy for an immediate consultation, checkup and/or dispensing of medicine, without need for carrying bulky prescriptions and reports.

As you can see, Blockchain brings tremendous potential to solve some of our existing problems and put the control of information into the public domain rather than in few institutions. No wonder, Blockchain is heralded as the next biggest disruption after Internet.

It is too immature at this stage to comment on the degree of disruption it will bring. However, one thing is sure, Blockchain is here to stay and we have just begun to tap into it’s potential. A lot of initiatives have been launched worldwide and significant research and development activity on Blockchain and its potential uses is currently happening. We need to start the process of understanding this technology right now and join the global movement to harness its benefits.

One thing is sure, Blockchain is here to stay and we have just begun to tap into it’s potential. We need to start the process of understanding this technology right now and join the global movement to harness its benefits.

The writer is a chartered accountant working as CEO Ovex Technologies Pakistan (Pvt.) Limited, Islamabad.
Blockchain in Travel Industry – Accountants’ Nightmare

by Abdul Aziz Lang

With the chain of events in the recent past and strengthening of digital currency, blockchain is already gaining its momentum. The travel industry, however, has still to adopt this future platform as the operations are a bit complex and very fragmented.

The travel leadership, mostly from airline and hotel industry, is analysing the complex nature of challenges without compromising the strength of its existing customer base. The finance professionals are evaluating the unique factors in the travel industry that are major reasons for the industry to be more careful in the adoption.

The evolution of blockchain in the travel sector, the OTA (over-the-air-program) industry will integrate the blockchain with web platforms and mobile apps. The implementation of blockchain technology while retaining and value adding the functionality of the existing OTAs processes will ensure easy adoption of fully Decentralised Travel Ecosystem. However, the accountants are facing greater challenge to come up with a system to capture the data on the real-time basis.

Where factors like performance pressures, mobile proliferation, rapid third-party innovation, growing customer expectations and uncertain marketplace economics are forcing airlines and travel companies to reconsider their business models and find a place for blockchain, the accountants are struggling to resolve accounting and mostly to develop an overall ecosystem that will generate right data on real-time basis with dynamic model that adopts changing circumstances.

Factors like loyalty program, baggage claim, settlement between operators are quite unique and present mostly in the travel industry. The accountants’ challenges can be better understood with the uniqueness of the industry and the impact of the blockchain on these factors.
Factors like loyalty program, baggage claim, settlement between operators are quite unique and present mostly in the travel industry. The accountants’ challenges can be better understood with the uniqueness of the industry and the impact of the blockchain on these factors.

**Transparency and immutability**

With blockchain, once an entry is registered on a public blockchain, it’s there for the world to see. Because it needs the consensus of users to get onto the public ledger and cannot subsequently be altered, everyone can see a time-stamped version of ‘the truth.’ The problem lies with the multiple parties’ involvement in each transaction. The airline sells tickets but it happens through travel agents, the payments are collected from the passengers by the travel agents on behalf of the airlines and pay back to airline through Billing and Settlement Plans (BSP). The chain of these transactions is not necessarily of same value and therefore, when all parties in a blockchain have to approve the entire chain, they will have problem in agreement. The accountant must come up with a system of recording this chain of transactions probably by making multiple blocks.

**Loyalty schemes**

Loyalty schemes are very common in our daily lives. But in the travel industry, we can barely book any transaction without some kind of loyalty program. Hotels, booking websites, airlines, retailers – all have different schemes to keep the customers engaged.

The points that we collect through these loyalty schemes are often left unspent and the travel companies most of the time maintain the unspent points as their liability in the balance sheet.

Once the loyalty and rewards platforms are built with blockchain and smart contract technology, it will reduce fragmentation in the loyalty business and make it easy for businesses to partner. The result is a secure system that gives customers more value from their loyalty schemes, eventually even in real-time. The accountants have to come up with a transaction based system that should distinguish each loyalty point based on its utilisation. The customers will also be able to convert the loyalty points into the digital currency and that will add more complications for accountants to consider a better way to recognising the liability in the balance sheet.

**Settlements between the operators**

The travel industry massively uses the mixture of operators, service providers and OTAs. There is a complex relationship existing between those parties, with money moving between them all the time.

Smart Contracts, based on a blockchain system, could change the way those relationships are managed. In the current system, there is always a travel company starting a transaction. In the background, there’s an aggregator, perhaps an OTA and the travel company itself. Eventually, they will need to settle cash and commissions based on agreements already in place. With blockchain this process could be automated and executed in a way that maximises efficiency and cuts costs for everyone involved. But recording those transactions happening in real time environment will be challenging and the accountants have to design a system to capture the transactions as and when these happen between all the parties eventually doing the same transaction at their ends.

**Digital currencies**

No matter how much benefit the buyers and sellers gain from the cryptocurrencies in a blockchain based transaction, as the transactions will be happening without any bank or payment, service providers charge a commission for the transaction. A small fee has to be paid for every transaction to the miners. The accountants have to figure out two major issues – the value to assign to the digital currencies and the charges payable to the miners and again at what value. Issues like Value Added Tax (VAT) will just increase the work for the accountants.

**Regulatory authorities**

It will take some time before the regulatory authorities will start accepting the records on the distributed ledger. By that time, the accountants will have to go through a painful period of transitioning and maintaining double set of records.

**Conclusion**

The travel industry is deeply connected, such as airlines with airlines through code sharing, baggage movement between airlines, hotels, cruise, car rental companies via their internal contracts. Running all of these industry specific systems efficiently would require all to be migrated to the blockchain. If not, then the two systems will be operating in the industry and similarly the accountant will be working under two different systems, a more challenging situation.

The good news is that the blockchain will eventually replace or eliminate the legacy system of bookkeeping in a complex travel industry system that requires a never-ending work or reconciliation between all interrelated transitions. The elimination of reconciliation work will be making more room for the accountants to focus on providing more business-related services and information to the management. It is just the transition phase that will be painful.

The bad news is that the accountants must upgrade their knowledge and skills to understand the concept and ultimately the complications of blockchain system.

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The writer is a chartered accountant working as senior managing partner at Gadlang Management Consultants, UK.
Regardless of its finance department’s structure – which varies from business to business – a modern organisation’s finance function can be broadly divided into two sections: Business Partnering and Business Controlling.

In Pakistan, these sections are generally referred to as Financial Planning & Analysis and Finance Controlling, respectively. The way they are designated and how a finance department is structured depend on different business model. A question usually arises about the difference between both the sections in terms of their significance and inevitability in the organisation. This article debates their functionality and respective roles towards achieving business objectives.

**Business Controllers**

First things first, a business controller can either be an operational assets, working capital, investment or ledger controller, etc. This is an operational division. The main objectives of any controlling division can be summed up as follows:

- Safeguarding assets of an organisation.
- Accurate recording of events and information.
- Ensuring sound governance over monies and running operational finance affairs of the organisation. Here controllers act as fiduciary to stakeholders of the organisation.

In order to manage this, the business controlling divisions usually have following sub divisions:

- Services (receivables, payables, insurance, risk management).
- Ledgers (recording and reporting).
- Costing (operational, recording and reporting).
Business Partnering

Business controlling divisions are rarely involved with business leadership except for monthly reporting of information, resolution of governance issues and improvement in business processes. Business controllers need to have full technical grip over financial and legal standards but may not necessarily require soft skills. This division reports directly to finance.

Business Partners

This division is a customer facing part of finance that deals with peer department to set the direction of the company. This is a strategic division. It actively influences day-to-day decisions, shaping of strategy and direction of the business. It is mainly involved in forecasting and delivery of short-term and long-term performance (Profit and Loss [P&L]) and strength (Balance Sheet/Cash Flow [BS/CF]) of the company. Another function of this division is to carefully analyse periodic reported results against many benchmarks which may vary from organisation to organisation.

The business partnering division can have the following subdivisions, depending on the capacity of the organisation:
- Business planning (budgets, rolling forecasts, strategic plans, initiatives).
- Business analysis (variance analysis against benchmark, tracking of past decision).
- Peer partners (tracking of spends, what if's, Rate of Interest [ROIs]).

Basic expectation from a business partnering division is to clearly explain what has happened with performance of the company and, based on such findings, help peer plan future business to achieve periodic targets set for the organisation. The business partnering division operates as co-pilots to business. This division deals directly with the business leadership. External customers may include customers, distributors, suppliers and banks.

Depending on the autonomy of the business partnering division, target delivery of business could be a direct responsibility of finance instead of commercial or operations department and accordingly it will act more than a support function.

A finance business partner generally could be a:
- Commercial partner.
- Operations partner.
- Projects/new initiative.
- Investments/tax planning.

Business partnering divisions are closely involved with the business leadership in business reviews, ensuring delivery, and strategy planning.

Business partners need not only be technical experts but they should also possess essential business and commercial acumen together with big data analytical skills. Moreover, they are expected to have strong set of soft skills including presentations, relationship management, negotiations and influencing.

Depending on the nature of business, business partners may not necessarily report directly to finance.

Which division is more important to the organisation?

The importance of each division depends largely on the nature of the industry. Business partners derive more value where the nature of business is demand based and involves a range of products or where the performance of business mainly relies on how successful it is in creating demand for its product. A suitable example could be Fast Moving Consumer Goods (FMCGs).

Controlling division may be valued more where demand is constant and involves only a few products or in organisations with huge asset bases. Petroleum industry can be a good example. Trends in industrialised entities are changing where partnering concept is emerging, controlling however, is not compromised due to its fiduciary nature.

In today’s dynamic world, Finance Business Partner has a great role to add in terms of connecting business with finance and building strong partnership with the business. Their role is to work closely with the business in terms of giving financial advice to the business proposal/strategy and presenting good data analytics. Finance business partner is truly the trusted business advisor to commercial management these days.”

– Abdul Samad, finance director GlaxoSmithKline Pakistan

Business Controlling and Business Partnering Financial Planning and Analysis (FP&A) holds the essence of modern finance function. As business transforms and becomes more competitive and challenging, finance function continues to evolve in terms of supporting business. Business partnering, with timely support of business controlling, plays a critical role in driving the strategic agenda, keeping eye on business direction, competition profile and macro and micro changes enabling the business to act proactively when required.

The CFO of today and future would therefore need to understand the business, markets and should have the acumen to provide timely insight and strategic direction to business.”

– Muhammad Asdaf, chief financial officer Rafhan Maize Products Co. Limited

The business partnering division depends heavily on accuracy and timeliness of information generated from the business controlling division. It can be argued that a strong controlling division forms base of a strong partnering division.
Business partnering roles sometimes creates a conflict with the fiduciary responsibility which needs to be counter balanced by a strong controlling function.

“Finance function’s fiduciary responsibility as an upholder of governance, compliance and transparency, poses one of the most important challenges in today’s world of business partnering. It is a balancing act which must preoccupy every CFO’s mind. Setting the priorities right and predefining the boundaries can provide a tool to CFOs in ensuring value delivery without compromising on its fiduciary responsibility.”

– Syed Ehtesham Ahmed, general manager Finance Pakistan Petroleum Limited

Regardless of industry, both divisions are vital to any organisation as long as the functionalities remain separate and independent from one another. While controllers focus on correct reflection of the past and smooth operation of the present, partners focus on learnings from the past, and deriving the future strategy. Fruits of having a dedicated business partnering function are often lost when they are also actively engaged in operational controlling task.

Which division is likely to lead?
There is no ‘leading’ division in finance, as this is not predefined and it rather depends on the organisation’s circumstances as well as the quality and abilities of individuals. Business partners, however, may have better chances of becoming head of the finance as compared to the business controllers due to the former’s strategic nature and proximity to business.

“People skills and commercial acumen of individuals matched with impacts on organisation as a whole and results in financial terms provide opportunity both to Control and Planning to take the CFO position. Both ticks are required for the top slot. I have seen both positions taking the top slots depending on their influence on the organisation and the era requirement, mandated by businesses priorities.”

– Syed Farhan Ali Rizvi, director Corporate Finance National Foods Limited

Each sub-division of the business controlling section is frequently outsourced. In Pakistan, tax outsourcing is very common to professional firms. Lately, there has been a rise in outsourcing of services and ledger function as well. The concept is to eliminate or automate non-core activities and focus on core activities. In this way, a lean and agile controlling division can be formed which focuses on value creation while balancing the fiduciary responsibilities.

“The advantages and risks of outsourcing need to be carefully considered. In my experience, shared services have resulted in reduced costs, standardisation, and real improvements in business processes, which enable greater focus on strategy and driving sustainable business value.”

– Dr. Murtaza Abbas Mooman, chief financial officer ThalNova Power Thar (Private) Limited

In future, we could see rise of specialised firms in the country which can handle all sub-divisions of controlling thereby allowing more accuracy of information, specialised governance and economies.

Many multinational organisations operating in Pakistan have either outsourced many of their controlling sub-divisions or are in a process of doing so. This phenomenon can also work best with local group of companies.

With the increase in commercialisation, the concept of business partnering is on the rise where business partners are considered co-pilots to business as they set the strategic direction of the company, identify areas of risk and opportunities and ensure results. They also act as a change catalyst for the entire organisation.

With all said, creating a balance between business partnering and fiduciary responsibilities is essential for any organisation that will allow finance to emerge more than as a mere support function and become true strategic partners to CEOs.

The writer is a chartered accountant working as an executive at A. F. Ferguson & Co., Karachi.
Islamic Economics

Life Assurance or Takaful is a Necessity for Every Pakistani Family

by Syed Imtiaz Abbas Hussain

I am a chartered accountant and I joined a professionally managed private life assurance company in Pakistan as a good cause as I was shocked to know that many good families in Pakistan, working on salary basis or running family businesses, earning even more than Rs. 100,000 per month spend all their money buying new cars or furniture, renovating houses, raising standard of living, taking families to Gulf or European countries for recreation, etc., without realising that they have no saving for future family protection or to meet future emergency expenses. If a family all of a sudden faces a medical emergency or life threatening diseases, accidental/natural death or accidental disability it puts the family to financial death every day. The family is unable to maintain the same standard of living, pay personal/business loans and liabilities, etc. or even take care of the medical expenses. In USA and Europe around 90% families are on financially-need covered assurance (financially-need cover assurance means that they are actually required to cover by Rs. 400,000 premium/contribution per year but they have taken policy/cover for Rs. 25,000 per year. Such type of undercover policy will serve the family only for few days/months so this is not strategically a fully covered policy), while only around 10% families are on financially-need covered assurance/Takaful in Pakistan.
There is a dire need to create awareness about need, necessity and importance of life assurance/Takaful in Pakistani families. Just like food, rent, utilities, educational expenses, etc. this is a necessity and need of every family, not a luxury. God forbid if something unfortunate happens, then not relatives or friends but life assurance/Takaful takes care of financial needs and responsibilities.

In Pakistan, life assurance financial service comprises conventional assurance and Takaful. Conventional assurance is applicable globally and both Muslims and non-Muslims are covered. Takaful is Islamic, which is strictly Shariah complied and only Muslims are covered.

I suggest to all Pakistani families, especially young professionals – including those who are working abroad, exposed to air(sea)/road travelling or are involved in tension/under pressure/jobs/businesses and whose families are dependent of them for financial support – to obtain conventional assurance/Takaful to protect their families. In this way, they also enjoy investment from assurance policy after two years, comprising their premium/contribution and also return on investments. The amount can be utilised in getting higher education, marriage of their children, paying off loan installments, or used during jobless periods and retirement.

To achieve the above short/medium/long term financial needs of a wise family, given below are highlights of benefits one can get from a professionally managed private company's life assurance multi-purpose family financial plan (which is for life but can be terminated at any point of time by the holder); this is an example taking 30 years as age, to give an idea how a private life assurance company works and supports policyholder/participant and his/her families during and after the life of the breadwinner. For further details, one may approach a life assurance/Takaful consultant:

▪ Premium/contribution of Rs. 357,851 per annum with two riders of accidental death and disability benefit and waiver of premium benefit.
▪ On death Rs. 10 million plus cash value generated till that time.
▪ On accidental death Rs. 20 million plus cash value generated till that time.
▪ On accidental disability Rs. 10 million and policy to continue.
▪ Policyholder/participant can withdraw cash value after two premiums.
▪ In seven years the total premium/contribution paid will be equal to around cash value, if rate of return is 10% per annum and from eighth year the cash value will include huge profit, which one may withdraw for any expense without paying mark-up. The rate of return varies, if rate of return is more, one will get huge cash value.
▪ On sickness for six months or more life assurance/Takaful will pay premium/contribution till they resume office/business to earn.
▪ Policyholder/participant will be among prestigious category of private life assurance/Takaful company, which allows him/her and one guest to use Carriage and Insurance Paid (CIP) lounge at the airport, one full executive medical check-up in a top hospital in Pakistan, like Aga Khan Hospital in Karachi, gift hamper, discounts, attend their issues within 48 hours, etc.
▪ Inflation protection can be availed by paying 5% additional premium/contribution every year.
▪ Policyholder/participant having salary income and/or income from business other than limited company shall be entitled to income tax credit up to maximum premium/contribution of Rs. 1,500,000 per tax year as calculated under Section 62(2) of the Income Tax Ordinance 2001.
▪ By just saving at least around Rs. 30,000 per month, one will enjoy peace of mind by paying Rs. 357,851 per year premium/contribution against which professionally managed private life assurance/Takaful company take care of their three tier terms namely: Short Term (monthly home necessity expenses); Medium Term (higher education of children, marriage of daughters, jobless period, house purchase, etc.); and Long Term (monthly expenses after retirement when there is no/minimum income).

▪ This example is based on conventional assurance, a family can also avail private company life assurance separate Takaful financial plan, which are strictly Islamic shariah complied.
▪ Policyholder/participant can increase or decrease policy amount, as referred above as Rs. 357,851 at any point of time by paying just Rs. 2,500.
▪ This PIE based private company life assurance/Takaful family financial plan, which ‘protect’ family, create ‘investment’ and meet future ‘expenses’ supersedes wrong assumptions of many people that their company/employer has given assurance cover to them and their family without realising that a company covers only ‘protection’ (death, accident and/or hospitalisation) and such company assurance covers stop when they leave the company job.
▪ This assurance/Takaful covers ‘protection’ as a based objective and ‘investment’ as an additional advantage, so it supersedes wrong assumptions of comparing its investment part with return on investment in banks or stocks by ignoring major protection part of assurance/Takaful. Even if we compare return on insurance with return on other investments, there is no match with assurance return. For example, invest Rs. 357,851 in a bank and in life assurance company, next month, God forbid, the person dies accidentally, the bank will return Rs. 357,851 plus one month’s mark-up while life assurance company will return Rs. 20 million. So, there is no match in even the rate of return.

▪ Those Pakistanis who are financially tight due to paying property purchase installments and/or paying off loans, in addition to financially supporting dependents – persons in ‘financial danger zone’ – and, if God forbid, they are exposed to critical disease/disability/death, then who will look after their above discussed financial needs and responsibilities? In this situation, life assurance/Takaful financially supports them and their dependents to maintain their respect.

Do not underestimate the need and necessity of life assurance/Takaful cover. As you age, assurance/Takaful becomes expensive or sometimes impossible, so cover now before it’s too late.

I suggest all Pakistani families who are not on fully financially-need assurance/Takaful covered to contact sales consultants of professionally managed and reliable private life assurance companies. Consultants are available to support and co-operate with them in evaluating their actual financial needs and advise them appropriate and relevant financial plan, including those Pakistani salaried executives/businessmen who have idle/non-growth funds in banks/other modes and are looking for safe/high yield returns.

May Allah (SWT) shower His blessings upon all Pakistani breadwinners and their families and give them long life, good health, security and happiness. Ameen.

The writer is a chartered accountant with 27 years of experience in different capacities and is currently engaged as management and business and life insurance/takaful consultant, Karachi.

by Javed Akbar

In September 2017, the Committee of Sponsoring Organisations of the Treadway Commission (COSO) issued much awaited update to the 2004 Enterprise Risk Management (ERM) – Integrated Framework, one of the most widely recognised and applied risk management frameworks in the world (COSO, 2017). The newly released ERM Framework is authored by PricewaterhouseCoopers (PwC) and named as Enterprise Risk Management – Integrating with Strategy and Performance. The new framework reflects the evolution of ERM thinking and practices, and links the risk management approach with the fundamental business model and process.

The changing business and risk landscape

Profuse changes have been evident in the way we do business, the velocity with which risks emerge and the methodology we use in managing risks since the original COSO ERM framework was introduced in 2004. Bob Hirth, COSO (2017) chair, was quoted, “The complexity of risk has changed, new risks have emerged, and both boards and executives have enhanced their awareness and oversight of enterprise risk management while asking for improved risk reporting. Our overall goal is to continue to encourage a risk conscious culture.”

We are living and doing business at a time when powerful technological, socioeconomic, and geopolitical forces can rapidly alter the risk landscape, the modern day businesses need to be aware of and carefully manage the growing complexity of governance, risk, and control. KPMG Global Audit Committee Survey (2017) reflected the heightened stakeholder expectations and suggested that Internal Audit can maximise its value to the organisation by focusing on key areas of risk and the adequacy of the company’s risk management process.

The new Framework provides the fundamental understanding of the chemistry among risk, performance, strategy, and value for all those involved in modern risk management (Chambers, 2017). Dennis Chesley, PwC global lead for the COSO ERM Framework update, describes the new Framework as, “It is designed to turn a preventative, process-based risk monologue into a proactive, opportunities-focused conversation to uncover how risk management can create, preserve and realise quality and value.”
Enterprise risk management is not a function or department. It is the culture, capabilities, and practices that organisations integrate with strategy-setting and apply when they carry out that strategy.

What ERM is, and isn’t
The new framework lucidly clarifies what ERM is – and isn’t. The value of true ERM is that it promotes an enterprise-wide approach and understanding of risk. Too often, busy executives and board members pigeonhole ERM as a department or relegate it to a checklist of tasks (Chambers, 2017). The updated Framework defines ERM as: "Enterprise risk management is not a function or department. It is the culture, capabilities, and practices that organisations integrate with strategy-setting and apply when they carry out that strategy, with the purpose of managing risk in creating, preserving, and realising value."

The key highlights from the Framework
The Framework is focused on five easy-to-understand components of risk management:
1. Governance and culture
2. Strategy and objective-setting
3. Performance
4. Review and revision
5. Information, communication, and reporting

It also introduced 20 key principles that support each component within each of the five components:

- **Governance & Culture**
  1. Exercises Board Risk Oversight
  2. Establishes Operating Structures
  3. Defines Desired Culture
  4. Demonstrates Commitment to Core Values
  5. Attracts, Develops, and Retains Capable Individuals

- **Strategy & Objective-Setting**
  6. Analyses Business Context
  7. Defines Risk Appetite
  8. Evaluates Alternative Strategies
  9. Formulates Business Objectives

- **Performance**
  10. Identifies Risk
  11. Assesses Severity of Risk
  12. Prioritises Risks
  13. Implements Risk Responses
  14. Develops Portfolio View

- **Review & Revision**
  15. Assesses Substantial Change
  16. Reviews Risk and Pursues Improvement in Enterprise Risk Management

- **Information, Communication, & Reporting**
  18. Leverages Information and Technology
  19. Communicates Risk Information
  20. Reports on Risk, Culture, and Performance

The Framework follows the business model versus an isolated risk management process
While going through the update, a noteworthy change is that the new Framework follows the business model rather than an alien risk management process. The Framework flows naturally from business’s mission and vision and integrates ERM with strategy development, it’s implementation and actual performance.

Tim Leech (Leech, 2017), a leading practitioner and promoter of Objective Centric ERM/Internal Audit, from Risk Oversight Solutions Inc. commented on the update, “The new guidance makes it clear that risk management starts with objectives – strategic and operational. Without a relevant objective there can be no risks. What this new COSO guidance means is that hundreds of thousands, perhaps millions of organisations around the world that have used risk registers as a foundation for their ERM efforts (risk-centric ERM) need to transition to objective centric ERM.”

The Framework focuses on integration
Integrating ERM with business practices results in better information that supports improved decision-making and leads to enhanced performance. It helps organisations to:
- Anticipate risks earlier or more explicitly, opening up more options for managing the risks.
- Identify and pursue existing and new opportunities.
- Respond to deviations in performance more quickly and consistently.
- Develop and report a more comprehensive and consistent portfolio view of risk.
- Improve collaboration, trust, and information sharing.

The Framework emphasises value
The update enhances the focus on value; how entities create, preserve, and realise value. It embeds value throughout the Framework, as evidenced by its:
- Prominence in the core definition of ERM.
- Extensive discussion in principles.
- Linkage to risk appetite.
- Focus on the ability to manage risk to acceptable levels.

The Framework links risk management to strategy
The Framework is a comprehensive and sophisticated tool that advocates the value of ERM when setting and carrying out strategy. It explores strategy from three different perspectives:
- The possibility of strategy and business objectives not aligning with mission, vision, and values.
- The implications from the strategy chosen.
- Risk to executing the strategy.

"ERM is as much about understanding the implications from the strategy and the possibility of strategy not aligning as it is about managing risks to the implementation of the strategy and business objectives," said Dennis Chesley (Chesley, 2017), PwC global lead for the COSO ERM Framework update.
The Framework links ERM to performance

It enables the achievement of strategy by actively managing risk and performance. It focuses on how risk is integral to performance by exploring how ERM practices support the identification and assessment of risks that impact performance and discussing tolerance for variations in performance. It manages risk in the context of achieving strategy and business objectives – not as individual risks. The updated Framework enhances alignment between performance and risk management and builds awareness and understanding of the impact of risk on performance (Chambers, 2017).

- It introduces a new depiction referred to as a risk profile.
- Incorporates: Risk, Performance, Risk appetite and Risk capacity.
- Offers a comprehensive view of risk and enables more risk-aware decision making.
- The Framework provides a complete depiction of how to build a risk profile in an appendix.

It recognises importance of culture

- Addresses the growing focus, attention and importance of culture within enterprise risk management.
- Influences all aspects of ERM.
- Explores culture within the broader context of overall core.
- Depicts culture behaviour within a risk spectrum.
- Explores the possible effects of culture on decision making.
- Explores the alignment of culture between individual and entity behaviour.

The Framework is focused on decision-making

- Explores how ERM drives risk-aware decision making.
- Highlights how risk awareness optimises and aligns decisions impacting performance.
- Explores how risk-aware decisions affect the risk profile.

Links between the ERM Framework update and COSO Internal Control-Integrated Framework

- The two frameworks are distinct and complementary, with neither superseding the other.
- Both use a components and principles structure.
- Aspects of internal control common to enterprise risk management are not repeated.
- Some aspects of internal control are developed further in this Framework.
- Internal control is positioned within the updated document as a fundamental aspect of ERM.
- The updated document will focus on requisite areas that go beyond internal control; however, the Internal Control-Integrated Framework remains a viable and suitable framework for designing, implementing, and conducting and assessing the effectiveness of internal control and for reporting, as required in some jurisdictions.

The ERM compendium

To complement the new Framework, COSO plans to release a compendium later this year. It comprises of a series of case studies to illustrate the application of all of the publication’s principles across different industries, entity sizes and types, and actual and expected company practices.

Conclusion

Bob Hirth concluded, “There is no doubt that organisations will continue to face a future full of volatility, complexity, and ambiguity. Enterprise risk management will be an important part of how an organisation manages and prospers through these times.” In this unceasing firefighting, risk managers at all levels should capitalise on this much anticipated and great value framework to understand how the integration of risk, strategy and performance can create, preserve and realise value for their businesses.


The writer is a chartered accountant and a certified internal auditor, working as head of Internal Audit at RAFAL Real Estate Development Company, KSA.
In May 2012 International Accounting Standards Board (IASB), as part of its annual improvement program 2009-11, amended paragraph 8 of IAS 16 ‘Property, Plant and Equipment (PPE)’ to state that “items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this IFRS when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.”

The above amendment opened a new pandora box for accounting of such spare parts, stand-by equipment and servicing equipment, which were previously accounted for as inventory in accordance with IAS 2 ‘Inventories.’ IASB did make the above amendments to include the recognition of spare parts, stand-by equipment and servicing equipment in accordance with IAS 16. However, no detail guidance was provided. Therefore, different interpretations have been developed to address this so-called accounting ‘grey area.’

Recognition criteria
General recognition criteria of PPE are as follows:
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset to the entity can be measured reliably.

Recognition criteria for spare parts, stand-by equipment and servicing equipment is as follows:

Items such as spare parts, stand-by equipment and servicing equipment should be recognised as PPE when they meet the definition of PPE i.e. those spare parts, stand-by equipment and servicing equipment are held for use in the production or supply, for rental to others, or for administrative purposes and are expected to be used during more than one period. Otherwise, they should be classified as inventories in accordance with IAS 2 ‘Inventories.’

Useful lives and depreciation
There is no clear guidance on the useful lives and commencement of depreciation of such item. Whether the item should be the date on which it is available for use (but the item is not put to use but kept idle) or when it is actually put into use i.e. the date on which the stand-by equipment is put into service.

From various guidance issued by accounting firms and professionals, the depreciation of spare parts, stand-by equipment and servicing equipment will depend on the underlying nature of the spare part. These may be classified as follows:

Critical spares or stand-by equipment: These are major items and parts critical to be kept on hand to ensure uninterrupted operations of the equipment. The depreciation period on these critical spares or stand-by equipment should start immediately over the lesser of its useful life or the remaining expected useful life of the equipment to which it is associated.

Classic example of critical spares or stand-by equipment will be a turbine kept as backup for the first turbine. The probability that the spare turbine will ever be used is very low. The spare turbine is necessary, however, to ensure the continuity of the production process if the first turbine fails. The useful life of the stand-by turbine will be equal to the life of the plant, which is the same as the useful life of the primary turbine.

Although the definition in IAS 16 requires that the entity should expect to use the turbine during more than one period, it does not state that such use should be regular. Therefore, the spare turbine is classified as property, plant and equipment and should be depreciated from the date it becomes available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management).

Capital spares: These parts are not considered as critical and are used as a replacement part at a future point in time. The depreciation period commences when they are put into use, rather than when they are acquired.

Example of capital spares: An entity buys four machines for use in its production facility. Simultaneously, it purchases a spare motor to be used as a replacement if a motor on one of the four machines breaks. The motor will be used in the production of goods and, once brought into service, will be operated during more than one period. It is therefore classified as PPE. The motor does not qualify as stand-by equipment because it will not be ready for use until it is installed. Therefore, the useful life of the motor commences when it is available for use within the machine rather than when it is acquired.

Derecognition
The carrying amount of the spare parts, stand-by equipment and servicing equipment will be derecognised:
- On disposal; or
- When no future economic benefits are expected from its use or disposal.

The writer is a chartered accountant working as manager Finance at Hub Power Company Limited, Karachi.
Shared Services —
A Comprehensive Glimpse
by Danish Akbar

The Concept
Since inception, organisations have tried to enhance their productivity by instilling efficiency and effectiveness in their style of work. Whether it is the production of goods, delivery of services or the provision of support services to the core business, perfection has always been a key vision of organisation.

In the famous and often quoted 1776 book, Wealth of Nations, economist Adam Smith had introduced the concept of enhancing productivity via specialisation of labour. In the industrial revolution era, it was indeed a striking concept; division of workforce activities into simplified task that could be repeated over and over again, thus creating a learning curve effect for the labour. This in turn resulted in two things: more and better units or efficiency and effectiveness of process.

However, this concept of division and specialisation of labour meant that an organisation had to move towards a wider and decentralised operating model. Along with increased production, this model resulted in increased costs and duplicated supervisory positions. Hence, the productivity was limited by a cost constraint and resulted in a trade-off between division of labour and cost of decentralisation.

As a result, the concept of Shared Services was given in 1990s by Bhavesh Shah, an Indian writer, in his book, *Industrial Management.* This concept entailed the consolidation of non-core support services (like finance, HR, IT, etc.) and handling them separately from the core business of the organisations. Such consolidation may result in the formation of a separate entity that can benefit from standardisation of processes and use of enterprise solution systems. Unlike outsourcing, it brings forth the concept of creating internal customers (also known as business units) and providing services to them from a centralised location.

The Philosophy and Objectives
The primary objective of the concept of Shared Services has been cost efficiency and process effectiveness.

In this context, cost efficiency is achieved by using a central location with qualified/trained workforce and a standardised process that can be used to provide services to various functions within the organisation as well as to the external customers. Such locations can be used to provide services globally as well, resulting in substantial cost savings for the users.

As far as processes are concerned, there is a strong emphasis on Business Process Reengineering (BPR) and the removal of non-value added processes. These are coupled with implementation and monitoring of strong internal controls which further solidifies the standardisation of value added processes, thus achieving specialisation.
The Organisational Evolution
The evolution of shared services happens in five stages:
1. Decentralisation: all activities are decentralised
2. Centralisation: simple geographical consolidation of activities
3. Functional Shared Services: processes are improved within a SS (finance Shared Services Centre (SSC))
4. Multifunctional Shared Services: multiple SSCs exist together (finance + HR SSC)
5. Global Business Services: end-to-end BPR with Cross Functional SS Support
Conversion from stage 2 to stage 3 includes the creation of internal customers (business units) to whom the shared service serves. Multiple non-core functions are transferred to the Shared Services model during stage 4. While in stage 5, all the functions are integrated to one another, processes are improved and standardised, and national/global presence is often desired.

The 4Cs Model
Shared Services tend to operate under a governance framework which is inspired by 4Cs: Cash, Customer, Compliance and Cycle. This model explains that all of these Cs are interconnected. For example, bad compliance results in reduced customer satisfaction, increased cash outflow and larger operating cycles. Using this model, Shared Services aim to reduce cash outflow and utmost levels of compliance that ensures high customer satisfaction and reduced operating cycles.

The Governance Mechanism
It is important to understand that the overall philosophy and culture of various Shared Services might be different. Some might make it mandatory for the business units to adopt the change (Mandated Control) while others might make it solely a call for the customers to decide (Market Control). In some cases, the top management and the business units might even mutually decide how to serve the external customers using the Shared Services (Negotiated Control). But there exists a form that fully involves the business units’ key tasks and targets that should be adhered to in order to fulfill the SLA.

The Finance Function
Shared Services are usually transferred such non-core activities that are more common, less risky and have limited customer interaction. As a result, the core-business activities are retained by the business units and now they tend to have more time to invest in the operations of the organisation.

The most popular back office service that is transferred to Shared Services initially is the finance function. At first, the SLA might be designed to obtain a transactional support for the business units. However, depending upon the maturity level of the Shared Services, it may be later on converted to decision-making transformational support. From transactional to transformational, this includes cash management, financial accounting and management accounting areas of finance.

The finance function in a Shared Services involves formation of certain processes. Teams and personnel are usually divided according to these processes in more matured Shared Services. A short overview of the processes is given below:
1. Order to cash process Customer order and credit management
2. Bank to treasury process Cash and bank accounts management
3. Purchase to pay process Procurement, invoicing and payment management
4. Time to expense process Employees’ time-based remuneration
5. Account to report process Preparation of accounts and reports for analysis
6. Report to account filing process Tax filing, external reporting and business analysis

The Non-Core Activities
Other than the finance functions, many Shared Services tend to provide HR, procurement and IT services as well. The qualified workforce, specialisation in a particular field and the use of latest enabling technology are key factors that such activities are transferred to Shared Services.

The Question
After this discussion, a question does indeed pop up in our minds, “Shared Services – yes, or no?” Well, that really depends on the way an organisation perceives this operating model.

It is no hidden truth that every organisation aims at cost efficiency and customer satisfaction. Why not leave the cost part to an expert whose purpose of life is the reduction of cost. The 4Cs would automatically be taken care of in this way and the organisation would have the peace of mind to fully dedicate themselves towards future business strategy and operational activities.

Fear of employee redundancy, operational success and data confidentiality indeed exist, but they are not unsolvable at all. What is needed is a carefully drawn up business case, taking all stakeholders on board and an expertly designed SLA and OLA. These can definitely ensure that the Shared Services model overcomes the fears of failure and succeeds in achieving its primary objectives.

The writer is a chartered accountant working as a senior analyst at VEON Global Services (Pvt.) Ltd., Islamabad.
Taxation

The federal government vide Finance Act 2015 levied a super tax for tax year 2015 one time for rehabilitation of temporarily displaced person. However, the federal government has extended this levy up to tax year 2017.

The super tax is levied on ensuring persons:
- The banking company shall pay super tax @ 4% of specified income.
- The persons other than banking company shall pay super tax @ 3% of specified income if the income exceeds Rs. 500 million.

For purpose of levy of the super tax, income is defined as given below: It is pertinent to mention here that since introduction of Section 4B (super tax), few amendments have been made in this definition. However, for sake of clarity, the latest version is as follows:

‘Income’ shall be the sum of the following:
1) Profit on debt, dividend, capital gains, brokerage and commission;
2) Taxable income other than brought forward depreciation and brought forward business losses under section (9) of this Ordinance, if not included in Clause (i);
3) Imputable income as defined in Clause (28A) of Section 2 excluding amounts specified in Clause (I); and
4) Income computed under Fourth, Fifth, Seventh and Eighth Schedules.

Many persons all over Pakistan went to high courts with many constitutional and other grounds under article 199 of the Constitution of Pakistan, 1973. The Sindh High Court (SHC) granted stay against such levy, however, the Lahore High Court (LHC) did not grant interim relief in shape of stay order. The LHC vide judgement dated December 29, 2017 dismissed all petitions. It is interesting to know that the LHC gave verdict on ensuring two constitutional grounds only and did not consider other grounds:
- On grounds of nature of the levy, the LHC held super tax to be in nature of tax, it is therefore passed legally vide Finance Act.
- On ground of double taxation, the LHC held that double taxation falls under domain of federal government except when the law prohibits it.

Against the order of the LHC, many persons filed petitions before Intra Court Appeal (ICA).

The objective of this article is to discuss other points which the LHC has not adjudicated upon.
- As per Section 2(28A) and Clause (iii) of definition of income defined in Section 4B, the super tax is also levied on the person whose income falls under final tax regime. There are many incomes which fall under final tax regime. However, for the sake of discussion, we will consider Section 153(3), which is related to contraction business and its income falls under final tax regime.

As per Section 4(4) and 169(b), tax deducted or deductible on income of construction business is final tax. How can extra tax in term of super tax be imposed? The imposing of super tax creates inconsistency within the Ordinance 2001. Section 4 is a charging section whereby it is established that tax deducted on income received by construction business
is final and nothing will be payable above final tax as specified in Section 4 and 169(b). The introduction of Section 4B creates conflict with Section 4 and makes liable certain persons to pay above final tax. Further, the federal government made Section 4B new charging Section which has no provision to have overriding effect over Section 4. In view of this, the super tax is not sustainable for person whose income falls under final tax regime.

- As per Section 4B(3), the super tax payable shall be paid, collected and deposited on date and in the manner as specified in sub section 1 of Section 137. However, Section 137(1) says that the tax payable by a taxpayer on the taxable income of the taxpayer including the tax payable under Section 113 or 113A for a tax year shall be due on the due date for furnishing the taxpayer’s return of income for that year.

The perusal of above reveals that super tax is due when return to file is due. It is settled law that statement and return under Sections 115(4) and 114(4) run parallel to each other and person whose income falls under final tax regime is not required to file return. When filing of return is not required, it means the super tax on person whose income falls under final tax regime is not due.

- Article 3 of the Constitution stated elimination of exploitation: The state shall ensure the elimination of all forms of exploitation and gradual fulfillment of fundamental principles, from each according to his ability, to each according to his work. It is settled law that classification for the purpose of taxation shall be reasonable. In normal course without involving super tax, reasonable classification is already made. The income from business earned by company is subject to tax @ 31% for tax year 2017 and maximum rate for taxation of income from business earned by Association of Persons (AOP) shall be round 35%. However, super tax rate is same for both category of person.

Further, super tax is levied @ 4% on all banking companies irrespective of amount of income and @ 3% on all persons other than banking companies having income exceed 500 million.

- The principle of tax is that tax should be unambiguous and tax payer should be aware what amount to pay and when and how long he is required to pay. The federal government every year extended this levy. Initially, it was levy for one time for tax year 2015. Further, the federal government always imposed tax vide Finance Act for tax year which has already closed.

- A title of Section 4B shows that this levy is collected for rehabilitation of displaced persons. This is collection for welfare. As per amendments made through the Constitution (Eighteenth Amendment) Act 2010 in the Constitution of Pakistan, the subject of social welfare has been made a provincial subject and the federation cannot legislate on it. Please note that the purpose for which super tax was levied has almost been resolved then why now such extra direct tax is still levied on specified category of taxpayers.

- Finally, in Pakistan, the compliant taxpayers are already complaining that they are not getting any benefit against the direct taxes that they are paying and super tax is in addition to what they are already paying.

The writer is a chartered accountant working as partner at Ali Akhtar & Co., Lahore.
n Pakistan, income tax shall be imposed on ‘every person’ who has taxable income for the year as required under the Income Tax Ordinance 2001. The income tax payable by a taxpayer for a tax year shall be computed by applying the rate of tax applicable to the taxpayer under the Ordinance to the taxable income (total income from salary, income from property, income from business, capital gains and income from other sources minus deductible allowances under Section 60 to 60D of the Ordinance) of the taxpayer for the year, and from the resulting amount shall be subtracted any tax credits under Section 61 to 65E of the Ordinance, allowed to the taxpayers for the year.

However, the following persons are not required to pay income tax in Pakistan under the Income Tax Ordinance 2001 and related Income Tax Rules 2002:

1. **Salary**
   1.1 Salaried person whose taxable income is up to Rs. 400,000 per year is not required to pay income tax (First Schedule, Part I, Division I, Clause IA attached to the Ordinance).
   1.2 The income of an individual entitled to privileges under the Diplomatic and Consular Privileges Act 1972 or under United Nations (Privileges and Immunities) Act 1948 shall be exempted from income tax (Section 42 of the Ordinance).
   1.3 Any income received by a spouse as support payment under an agreement to live apart shall be exempted from income tax (Section 48 of the Ordinance).
   1.4 Salary income received by a person who, not being a citizen of Pakistan, is engaged as an expert or technical, professional, scientific advisor or consultant or senior management staff by institutions of the Agha Khan Development Network is exempted from income tax (Second Schedule, Part I, Clause 3 of the Ordinance).
   1.5 Salary received by a Pakistani seafarer working on Pakistan flag vessels for 183 days or more during tax year is not required to pay income tax (Second Schedule, Part I, Clause 4 of the Ordinance).
   1.6 Salary received by a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant tax year through normal banking channels is not required to pay income tax (Second Schedule, Part I, Clause 4 of the Ordinance).
   1.7 No income tax on any income derived by the families and dependents of the Shaheed belonging to Pakistan Armed Forces from the special family pension, dependent pension or children’s allowance (Second Schedule, Part I, Clause 16 of the Ordinance).
   1.8 No income tax on any income derived by the families and dependents of the Shaheed belonging to the Civil Armed Forces of Pakistan from any like payments made to them as to Pakistan Armed Forces (Second Schedule, Part I, Clause 17 of the Ordinance).

2. **Income from property**
   2.1 Individual and association of persons whose gross amount of rent is up to Rs. 200,000 per year are not
required to pay income tax and who does not derive taxable income under any other head under Section 15(7) of the Ordinance (First Schedule, Part I, Division VIA attached to the Ordinance).

3. **Income from business**

3.1 Individual and association of persons whose taxable income is up to Rs. 400,000 per year is not required to pay income tax (First Schedule, Part I, Division I, Clause I attached to the Ordinance).

3.2 Agricultural income derives by a person shall be exempt from income tax (Section 41 of the Ordinance).

3.3 The income of the federal government shall be exempted from income tax (Section 49(1) of the Ordinance).

3.4 The income of a provincial or a local government shall be exempted from income tax other than income chargeable under the head Income from Business from a business carried on outside its jurisdictional area (Section 49(2) of the Ordinance).

3.5 No income tax on any income from voluntary contributions, house property and investments in securities of the federal government derived by National Investment (Unit) Trust of Pakistan if it’s at least 90% units are held by the public at year end and at least 90% of its income of the year is distributed among the unit-holders (Second Schedule, Part I, Clause 57(1)(i) of the Ordinance).

3.6 No income tax on any income from voluntary contributions, house property and investments in securities of the federal government derived by any mutual fund and set up by the Investment Corporation of Pakistan if at least 90% certificates are held by the public at year end and at least 90% of its income of the year is distributed among the certificate-holders (Second Schedule, Part I, Clause 57(1)(ii) of the Ordinance).

3.7 No income tax on any income from voluntary contributions, house property and investments in securities of the federal government derived by Sheikh Sultan Trust (Second Schedule, Part I, Clause 57(2)(i) of the Ordinance).

3.8 No income tax on any income (other than capital gain on certain investments held for less than 12 months) derived by any mutual fund, investment company, or a collective investment scheme or a Real Estate Investment Trust (REIT) Scheme or Private Equity and Venture Capital Fund or the National Investment (Unit) Trust of Pakistan from any instrument of redeemable capital if at least 90% of its income is distributed among the unit-holders (Second Schedule, Part I, Clause 57(2)(ii) of the Ordinance).

3.9 No income tax on any income of (i) a provident fund to which Provident Fund Act 1925 applies; (ii) trustees of approved funds; (iii) benevolent fund or group insurance scheme; (iv) service fund; (v) Employees Old Age Benefits Institution (EOBI); (vi) any unit, station or regimental institute; (vii) any recognised regimental thrift and savings fund; (viii) pension fund under the Voluntary Pension System Rules 2005; (ix) any profit or gain derived by pension fund manager on redemption of seed capital invested in pension fund; (x) Punjab Pension Fund; (xi) Sindh Pension Fund; and (xii) Punjab General Provident Investment Fund (Second Schedule, Part I, Clause 57(3) of the Ordinance).

3.10 No income tax on any income derived from donations made by non-official or private sector sources in Pakistan to *Waqf* for Research Centre for Islamic History, Art and Culture (IRCICA), Istanbul (Second Schedule, Part I, Clause 65 of the Ordinance).

3.11 No income tax on any income derived by 39 organisations (Second Schedule, Part I, Clause 66 of the Ordinance).

3.12 No income tax on any income of a text book board of a province (Second Schedule, Part I, Clause 91 of the Ordinance).

3.13 No income tax on any income derived by any board or other organisation established by government in Pakistan for the purpose of controlling, regulating or encouraging major games and sports except Pakistan Cricket Board (PCB) which is subjected to concessional rate of tax of 4% (Second Schedule, Part I, Clause 98 of the Ordinance).

3.14 No income tax on any income derived by a Collective Investment Scheme or a REIT Scheme if at least 90% of its accounting income of that year as reduced by capital gains is distributed amongst the unit or certificate holders or shareholders (Second Schedule, Part I, Clause 98 of the Ordinance).

3.15 No income tax on any income, not being income from trading activity, of a modaraba if at least 90% of its total profit as reduced by the amount of transferred to a mandatory reserve are distributed amongst the shareholders (Second Schedule, Part I, Clause 100 of the Ordinance).

3.16 No income tax during tax holiday period to be paid by the following persons as stated in Part I of the Second Schedule attached to the Ordinance:

3.16.1 Venture Capital Company and Venture Capital Fund profits and gains derived between July 1, 2000 and June 30, 2024 (Clause 101).

3.16.2 Income derived by China Overseas Ports Holding Co. Ltd., China Overseas Ports Holding Co. Pakistan (Pvt.) Ltd., Gwadar International Terminal Ltd., Gwadar Marine Services Ltd., and Gwadar Free Zone Co. Ltd. for a period of 23 years (Clause 126A).

3.16.3 Taxpayer from businesses set up in the Gwadar Free Zone Area for a period of 23 years (Clause 126AA).

3.16.4 Contractors and sub-contractors of China Overseas Ports Holding Co. Ltd., China Overseas Ports Holding Co. Pakistan (Pvt.) Ltd., Gwadar International Terminal Ltd., Gwadar Marine Services Ltd., and Gwadar Free Zone Co. Ltd. for a period of 23 years (Clause 126AC).

3.16.5 China Overseas Ports Holding Co. Ltd., being dividend received from China Overseas Ports Holding Co. Pakistan (Pvt.) Ltd., Gwadar International Terminal Ltd., Gwadar Marine Services Ltd. and Gwadar Free Zone Co. Ltd. for a period of 23 years (Clause 126AD(1)).

3.16.6 China Overseas Ports Holding Co. Pakistan (Pvt.) Ltd., being dividend received from Gwadar International Terminal Ltd., Gwadar Marine Services Ltd. and Gwadar Free Zone Co. Ltd. for a period of 23 years (Clause 126AD(2)).

3.16.7 Khaliifa Coastal Refinery for a period of 20 years (Clause 126B).

3.16.8 A taxpayer, being company, from an industrial undertaking set up in Larkana Industrial Estate for a period of 10 years (Clause 126C).

3.16.9 A taxpayer from an industrial undertaking set up in Gwadar Export Processing Zone for a period of 10 years (Clause 126D).

3.16.10 A special economic ‘zone enterprise’ and developers of zone for a period of 10 years (Clause 126E).

3.16.11 A taxpayer from a fruit processing or preservation unit set-up in Balochistan province, Malakand division, Gilgit-
Baltistan and Federally Administered Tribal Areas (FATA) for a period of five years (Clause 126H).

3.16.12 A taxpayer from an industrial undertaking set up by December 31, 2016 and engaged in the manufacture of plant, machinery, equipment and items for generation of renewable energy from sources like solar and wind for a period of five years (Clause 126I).

3.16.13 A taxpayer from an industrial undertaking engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years (Clause 126J).

3.16.14 A taxpayer, being company, from an industrial undertaking set up for establishing and operating halal meat production unit for a period of four years (Clause 126K).

3.16.15 A taxpayer from an industrial undertaking set up in the province of Khyber Pakhtunkhwa and Baluchistan for a period of five years (Clause 126L).

3.16.16 A taxpayer, being company, from a transmission line project for a period of 10 years (Clause 126M).

3.16.17 A taxpayer from an industrial undertaking engaged in the manufacturing of cellular mobile phones for a period of five years (Clause 126N).

3.16.18 Boscor Oil Pakistan Ltd. for a period of 7.5 years (Clause 132A).

3.16.19 Exports of computer software or IT services or IT enabled services up to June 30, 2019 (Clause 133).

3.16.20 No income tax on profit and gain derived by Liquefied Natural Gas (LNG) terminal operators and terminal owners for a period of five years (Second Schedule, Part I, Clause 141 of the Ordinance).

3.16.21 Profits and gains derived by a start-up as defined under Section 2 (62A) of the Ordinance for the period of three years. (Clause 143(ii)).

3.16.22 Profits and gains derived by a start-up as defined under Section 2 (62A) of the Ordinance for the period of three years. Start-up also means any business of a person or class of persons, subject to the conditions as the federal government may, by notification specify (Clause 143(iii)).

3.17 Libyan Arab Foreign Investment Co. being dividend of Libyan Libya Holding Co. (Clause 104).

3.18 Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Co. Ltd. (Clause 105).

3.19 Kuwait Foreign Trading Contracting and Investment Co. or Kuwait Investment Authority being dividend of the Pak-Kuwait Investment Co. in Pakistan (Clause 105A).

3.20 Any subsidiary of the Islamic Development Bank (IDB) and engaged in owning and leasing of tankers (Clause 107).

3.21 Islamic Development Bank from its operations in Pakistan in connection with its social and economic development activities (Clause 107A).


3.23 A public sector university established solely for educational purposes and not for the purposes of profit (Clause 126).

3.24 A company as is derived by it by way of royalty, commission or fees from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right or information or in the consideration of technical services (Clause 131(a)).

3.25 Any taxpayer other than company as is derived by him by way of fees for technical services rendered outside Pakistan to a foreign enterprise (Clause 131(b)).

3.26 Profit and gains derived by a taxpayer, being company not controlled by federal, provincial or local government, from an electric power generation project and also available to the expansion projects of the existing Independent Power Producers (IPPs). However, exemption not available to Hub Power Co. Ltd. and oil fired power plants (Clause 132).

3.27 Profits and gains derived by a taxpayer from a coal mining project in Sindh, supplying coal exclusively to power generation projects (Clause 132B).

3.28 Any income of a special purpose vehicle as defined in the Asset-backed Securitisation Rules, 1999 (Clause 136).

3.29 Income from ‘social security contributions only’ derived by social security institutions of Balochistan, Khyber Pakhtunkhwa, Punjab and Sindh (Clause 142).

4. Capital gain

4.1 Where the security was acquired before July 1, 2013, there will be no capital gain on its disposal (First Schedule, Part I, Division VII attached to the Ordinance).

4.2 There will be no capital gain on sale of securities by banking company and an insurance company (Section 37A).

4.3 There will be no capital gain on first sale/disposal of immovable property, irrespective of the holding period, acquired or allotted as an original allottee, if seller is dependent of a Shaheed belonging to Pakistan Armed Forces or a person who dies while in the service of the Pakistan Armed Forces or the federal and provincial governments (First Schedule, Part I, Division VIII attached to the Ordinance).

4.4 There will be no capital gain on sale/disposal of immovable property, where holding period is more than three years and not covered under serial 4.2 above (First Schedule, Part I, Division VIII attached to the Ordinance).

4.5 Profit and gains on sale of immovable property to a Developmental REIT Scheme with the object of development and construction of residential buildings shall be exempt up to June 30, 2020 (Second Schedule, Part I, Clause 99A of the Ordinance).

5. Non-Residents

5.1 No income tax on foreign source income of a non-resident person (Section 11(6) of the Ordinance).

5.2 No income tax on foreign source income of a resident individual who is present in Pakistan for a period not exceeding three years solely by reason of the individual’s employment (Section 50 of the Ordinance).
5.3 No income tax on any foreign source income derived by a citizen of Pakistan in a tax year and in the following tax year, who was not a resident individual in any of the four tax years preceding the tax year in which the individual became a resident (Section 51(1) of the Ordinance).

5.4 No income tax on salary earned outside Pakistan where a citizen of Pakistan leaves Pakistan during a tax year and remains abroad during that tax year (Section 51(2) of the ordinance).

5.5 Any salary received by an employee of a foreign government as remuneration for services rendered to such government shall be exempted from income tax (Section 43 of the Ordinance).

5.6 Any Pakistan-source income which Pakistan is not permitted to tax under a tax treaty shall be exempted from income tax (Section 44(1) of the Ordinance).

5.7 Any salary received by an individual (not being a citizen of Pakistan) shall be exempted from income tax to the extent provided for in an aid agreement between federal government and a foreign government or public international organisation provided salary is paid out of funds or grants released as aid to Pakistan (Section 44(2) of the Ordinance).

5.8 Any income received by a person (not being a citizen of Pakistan) engaged as a contractor, consultant or expert on a project in Pakistan shall be exempted from income tax to the extent provided for in a bilateral or multilateral technical assistance agreement between federal government and a foreign government or public international organisation provided the income is paid out of the fund of the grant (Section 44(3) of the Ordinance).

5.9 Any profit received by a non-resident person on a security issued by a resident person shall be exempted from income tax where such security issued and profit was paid outside Pakistan (Section 46 of the Ordinance).

5.10 No income tax on profit on debt derived by any foreign lender or any local bank having more than 75% shareholding of the government or the State Bank of Pakistan under a financing agreement with the China Overseas Ports Holding Co. Ltd. for a period of 23 years w.e.f July 1, 2016 (Second Schedule, Part I, Clause 1126AB of the Ordinance).

5.11 No income tax on any income derived by a non-resident from investment in Oil and Gas Development Company Limited (OGDCL) exchangeable bonds issued by the federal government (Second Schedule, Part I, Clause 135A of the Ordinance).

6. **Income from other sources**

6.1 No income tax on any income derived by Sukuk holders in relation to Sukuk issued by Second and Third Pakistan International Sukuk Co. Ltd. and also on gain on disposal of such Sukuk (Second Schedule, Part I, Clause 72A of the Ordinance).

6.2 No income tax on any distribution received by a taxpayer from a Collective Investment Scheme including NIT or REIT Scheme or a private equity and Venture Capital Fund out of capital gains of the said scheme or trust or fund. Provided that this exemption shall be available to only such mutual funds, collective investment schemes that are debt or money market funds and these do not invest in shares (Second Schedule, Part I, Clause 103 of the Ordinance).

6.3 No income tax on any income received by a taxpayer from a corporate agricultural enterprise, distributed as dividend out of its income from agriculture (Second Schedule, Part I, Clause 105B of the Ordinance).

6.4 No income tax on all payments on account of principal, interest or fee received by the Overseas Private Investment Corporation (OPIC) from development project undertaken (Second Schedule, Part I, Clause 140 of the Ordinance).

6.5 No income tax on any profit on debt received by Japan International Cooperation Agency (JICA) from Islamabad-Burhan Transmission Reinforcement Project (Phase I) undertaken (Second Schedule, Part I, Clause 140A of the Ordinance).

**Conclusion**

Pakistan is a tax haven for resident Pakistanis, overseas Pakistanis and foreigners because of the following advantages in addition to the income tax exemptions stated above:

a. Income tax rates in Pakistan are the lowest in the world.

b. A lot of concessions in income tax has been given which includes reduced rate of income tax, reduction in tax liability and exemption from the operation of many income tax provisions under Second Schedule attached to the Income Tax Ordinance 2001.

c. Simple and straight system of filing of income tax return under Self-Assessment Scheme with exemption to many persons under Section 114 of the Ordinance.

d. Many persons are not required to furnish income tax return under Section 115 of the Ordinance.

e. Many persons who are subjected to final taxation under income tax withholding regime are just required to furnish to the commissioner a statement instead of furnishing Income Tax Return under Section 115 of the Ordinance.

Businessmen living in Pakistan and abroad may take advantages of tax holidays, exemptions and concession in income tax given by the government of Pakistan for their growth and attractive rate of return on their investments.

The writer is a chartered accountant with 27 years of experience in different capacities and is currently engaged as management and business and life insurance/takaful consultant, Karachi.
Taxation in Gilgit Baltistan: A Glimpse into the Mystical System

by Zafar Abdi

After weeks of widespread protests, long marches and shutters down across Gilgit Baltistan (GB), the provincial government and the GB Council (presided by prime minister of Pakistan, and now dissolved) suspended the Income Tax Adaptation Act 2012. This Adaptation Act of Finance Act 2012 gave relief to salaried individuals of Gilgit Baltistan by providing reduction in tax liability of 50% but surprisingly, this relief was being applied across the board on all payments be it services, goods or even payments to non-residents. This doesn’t stop here, a uniform rate of 1.5% and later 2.25% was applied to all kinds of payments which was not only sheer mockery of the system but also depicts a lack of clarity about taxation. On the other hand, private sector entities including Non-governmental organisations (NGOs) applied the bill in letter and spirit.

As a matter of fact, the business community and common people were indifferent to wrong applicability, but their major concern was taxation without representation. The withholding tax on banking transactions proved to be the last nail in the coffin as the domicile holders weren’t required to file income tax returns to the federal government thus providing them with no apparent remedy. Furthermore, the arm of the Federal Board of Revenue (FBR) in GB reporting to the GB Council was running affairs on manual basis thus no registration on the ITNIS and consequently, no CPP number could be generated unlike elsewhere in the country. Moreover, individuals and companies registered outside of the province had to face obvious problems for claiming/deducting income tax withheld on their revenues. Thus, effectively a parallel and poorly functional system existed in the province and the situation was aggravated by the raising concern in the masses.

While the status of Gilgit Baltistan is in quandary being internationally recognised as annexed to the resolution of the Kashmir dispute, the question that whether the application of income tax in such an aggressive manner was justified or not is beside the point and is left on the readers’ judgement but factually, the Rs. 54 billion budget of the GB as well as development programs and allocation under Public Sector Development Program (PSP) comes from federal resources which are more than Rs. 20 billion in total. On the other hand, residents
Given the potential of GB in tourism, minerals, gemstones as well as being the threshold for China Pakistan Economic Corridor (CPEC) in Pakistan, the importance of revenue generation through taxation cannot be overestimated.

Taxation is an inevitable part of any economy yet alone a robust one and a self-sufficient system of governance. GB had become used to not paying income taxes for six decades and it would have been understandably difficult to persuade people to pay. With a non-coherent applicability, lack of remedies and abstinence of the fulfillment of the universal social contract, this system was heading for a crash. The federal government has as bounced suspension of the previous adaptability act till further legislation.

Being an advocate of payment of taxes despite the political status, I am anxiously awaiting the would-be legislation. It will be disappointing if things are carried forward from the last day of the previous bill being applicable. Taxation should never be taken as collection of sums of money without providing the tax payer any avenues for lawful reliefs and remedies. Rebates and reduction in tax liability should be available to any citizen of the country irrespective of their domicile as the earlier act taxed two individuals in the same office in the same slab differently on account of their origin of birth which resulted in resentment from employees hailing from other provinces of Pakistan. Moreover, this legislation shall have more support from the people of GB if the constitution of Pakistan is either extended to the province or a set-up similar to Azad Jamu and Kashmir is established or any other way forward which addresses the concerns of the patriot masses of GB. Currently, the status quo viz-a-viz the provincial status shall be maintained and without constitutional cover the taxation adaptation might as well quell yet another series of protests.

Given the potential of GB in tourism, minerals, gemstones as well as being the threshold for China Pakistan Economic Corridor (CPEC) in Pakistan, the importance of revenue generation through taxation cannot be overestimated. Sales tax on services, being a provincial subject, can earn billions in revenue for the region from where trillion dollars’ worth of imports and exports of China will pass. This is just the tip of the iceberg as more foreign direct investment shall come to the region and small and medium businesses shall spring in huge quanta. The various fruits including cherries, apricots, apples and grapes shall make way into national as well as international market due to better infrastructure as a result of CPEC. Fruit processing and gems cutting and polishing centers shall be established in the region thus accounting for the wastage of product in GB which was otherwise not put to use.

As you read this, the federal government has suspended the GB Council which will not only give more autonomy to the provincial legislative assembly but might also pave way for FBR to launch system of Income Tax in GB under a constitutional umbrella from the National Assembly of Pakistan but that is a long shot ahead. Confusion still exists whether in letter the powers of the Council shall confer upon ministry of Kashmir Affairs or the legislative assembly. Moreover, GB shall be given observer status in the Council of common interest, National Finance Commission and Indus River Systems Authority. Till that time, the provincial assembly has to step in building consensus and bridging the gap between the federation and the masses while suggesting viable options to the federal government as well as tabling reservations of the people in terms of a constitutional setup which will in turn build confidence in the system. The federal revenue collection should be undertaken by the FBR and any other intermediary or a provisional set up as existing till the dissolution of the GB Council will only lead to poor controls on revenue collection and a defacto system which not only a silo to rest of the country but also shall be lethargic and inefficient. For first few years of implementation, the federal government should introduce GB specific tax-credits and rebates to local small businesses for certain period of time to incentivise filing of returns. The last adaptation act strangely gave reliefs only to salaried individuals while local businesses had no tax relief apart from fruit processing units which was already provided for by the federal Finance Acts. Small and medium enterprises are the back bone of any economy and concessions would go a long way in widening the tax net of the country even if by an iota.

Contrary to the belief in rest of the country, GBians want to pay taxes and the popular demand in GB is representation in the parliament and other federal institutions of the country thus waiting to be recognised as constitutional citizens of Pakistan. The federal government should pay heed to constitutional representation without compromising the issue of Kashmir.

The writer is a chartered accountant working as deputy director Finance in a development sector organisation, Gilgit.
Does flexi hours make employees more productive?

‘A happy employee is a productive employee’ and for most people happiness equates to freedom; freedom of being able to manage their own time and being in control of their tasks while maintaining a work-life balance.

Productivity of employees within the workplace has direct nexus to their motivation levels. An American psychologist, Frederick Herzberg’s Two-Factor Theory comprehensively discusses this aspect with the conclusion that certain factors can cause job satisfaction/dissatisfaction. While most employees recognise money as the biggest motivator, others may find recognition, rewards, work environment and flexible hours as the key drivers of productivity and efficiency.

Most employers (as well as the employees) strongly advocate the concept of flexi hours as having a direct positive linkage with the productivity of the workforce. A recent study conducted inside a Fortune 500 company further endorses this view point and reveals that employees who were placed on a flexibility program proved to be more productive and less prone to psychological stress than others.

The application of holistic approach to analysing the subject question, however, presents some practical issues, the major one being ‘no clear delineation between work and home.’ Using flexible schedules can mean working 24x7 i.e., if your boss allows you the flexibility, then he/she may not feel guilty about calling you after normal office hours or during weekends. This attitude may sometimes make the model of flexi schedule as ‘counterproductive.’

In my opinion, the question, Do flexi hours make employees more productive? is subjective. This all depends on one’s specific circumstances and requires some careful analysis. ‘Choose what Suits,’ in order to strike the work-life balance.

“Work is a rubber ball. If you drop it, it will bounce back. The other four balls – family, health, friends, integrity – are often made of glass. If you drop one of these, it will be irrevocably scuffed, nicked, perhaps even shattered.” – Gary Keller, American entrepreneur.

Zuhair Akram Shaikh, ACA
Karachi

‘A happy employee is a productive employee’ and for most people happiness equates to freedom; freedom of being able to manage their own time and being in control of their tasks while maintaining a work-life balance.
A balance between flexibility level and companies' position on discipline is vital for obtaining the desired result i.e. higher productivity.

Flexi hours, also called flexi-time or flex-time, is an arrangement whereby the employee is allowed to alter the traditional working hours of the day from arrival till departure in agreement with the employer in accordance with their circumstances. Such arrangements could be compressed work days, flexible working hours, work from home or telecommuting. It is commonly seen that flexible working hours make an employee a lot more productive, effective and efficient in terms of increased engagement and commitment towards the employer, producing quality work and meeting deadlines, than their regular 9 to 5 colleagues.

Why is that so? Apparently, it seems that the employee who is not working within the regular prescribed working hours will not be a useful and worthwhile resource for any organisation; but over the years, it has been proved that employees on flexible working arrangements have demonstrated themselves to be more motivated, determined and competitive in achieving their targets and goals. Not only ambitious and aspiring, they have improved job satisfaction and high morale as they are able to accommodate their work schedule along with their family commitments and obligations; thus achieving a desired work-life balance and strong professional development at the same time.

Due to the fact that such employees are working on their own convenient time, they have better health and safety as they do not undergo long continuous hours of stressful work; better health thus means reduced levels of sickness absence and tardiness. This results in a happy, dynamic and vibrant worker who is an asset for any organisation. Researches have proved that strict and long monotonous hours of work are often hazardous to employees' physical and psychological health which, in turn, affects a company's profits and business objectives.

It is not only the employee who benefits with the flexible working pattern but the employer also reaps the advantages. Such an arrangement results not only in cost savings and reduced overheads for an employer but an ideal working environment for the employee which in the long-run attracts and retains a skilled and diverse workforce and also prevent turnover of valuable and experienced staff. A satisfied employee will be more loyal and thus, strong employer-employee relations are built this way.

Nearly all jobs these days can offer flexibility to employees as an incentive. However, there are still exceptions and many are not suitable to provide flexibility due to the nature and requirements of the work, like nursing care, front-end customer relationship management, assembly-line manufacturing, etc. Nevertheless, a number of professions owing to their nature of job attract employees offering themselves for flexi-working hours such as on-line jobs, consultants, advisors, business analysts, project managers, account managers, lawyers, etc. So, a mix of flexible working hours and fixed traditional hours can create a healthy working style for an organisation which enables to recruit and retain the best possible workforce.

Productivity in industrial terms is the rate of output per unit of input. This definition may have been valid for employees working in the industrial age but maybe not so much now in the digital age. In the digital age productivity is a derivative of innovation and creativity. To thrive in the digital world, you have to outpace competition by novelty and invention. Hence, the notion of a 9 to 5 desk job is being challenged more and more and being replaced with more flexible work schedules, as creativity doesn't follow a 9 to 5 path; it can strike at any hour. A happy employee is a productive employee and for most people happiness equates to freedom; freedom of being able to manage their own time and being in control of their tasks while maintaining a work-life balance. This becomes even more important for working parents who also need to look after their young ones. It is also understandable that not all jobs can be moved to flexi hours, as you will, for instance, require doctors, fire fighters, factory workmen or security personnel to be available during certain hours of the day or probably around the clock in some cases. However, technology is making it possible for more and more jobs to be carried out offline, with a more flexible work schedule without compromising productivity, on the contrary, increasing productivity for the more innovative tasks. So, in the digital world as we continue to redefine productivity, we should also endeavour to redefine work schedules for an organisation's most valuable resource – people!

Flexi timing for work not only makes an employee more productive but also encourages and motivates him/her to perform in a more efficient, effective and well-organised manner. Flexi time allows the employee to get involved in other activities and also meet his personal commitments. On the other hand, for employers it resolves the issues of absenteeism due to personal commitment of employees during office timings. Also, it plays a significant role to reduce employee turnover and helps in retention of valuable and quality staff. By adopting flexi timings, employees can easily select their best hours' time to do the work. This is good for both the employee and the employer.

Flexi hours is a buzzword nowadays. You cannot say Yes or No straight away for flexi hours. It depends on the type of work, office location, commute time, personal needs, one to one contact with the boss and subordinate, etc.
In the digital world as we continue to redefine productivity, we should also endeavour to redefine work schedules for an organisation’s most valuable resource – people!

Asif Mahmood, FCA  
Karachi

Flexi hours, more commonly known as flextime, is a management approach whereby the employees of an organisation are encouraged to work at a flexible time schedule, effectively allowing them to allocate their own working hours, with the view of enhancing their productive potential. This technique was developed due to the advent of the contemporary view that employees should be allowed to develop a work-life balance as opposed to spending a disproportionate amount of time at the job; which has evidentiary links to poor mental and physical health. The proponents of this theoretical view suggest that the conventional 9 to 5 working hours are not conducive to sustaining the unstructured and modernised lifestyle which most employees currently enjoy. From an organisational perspective, introducing flextime has the advantage of providing the management with a cost-effective solution to improve the motivation level of their employees and consequently evoke better productivity. In fact, the use of this technique aims to improve the health and well-being of people within the organisation, leading to a reduction in sick leaves which in turn reduces the per annum medical costs. As a consequence, there is also an improvement in employee retention which further enhances the productive potential of the organisation.

Danish Akbar, ACA  
Islamabad

In a recent conference held in Ukraine, we, a team of representatives from Pakistan and Ukraine office got the chance to discuss the concept of work-life balance with the introduction of flexi hours.

It is a fact that the human population is divided between early-birds and night-owls. Each having their own internal day-night clock, they tend to be more productive during various zones of the 24 hour cycle. Just like some people tend to study early in the morning while others find the calm and solace of the night as a concentration factor, the same formula applies to the professional life of an employee.

Those who favour the concept of flexible hours have several arguments in their favour. These include long travel hours, family responsibilities, syncing with the customer’s clock, serving international stakeholders and following their time zones, studying late at night or simply, inability to sleep properly because of a crying toddler. Making several work hour alternatives like 8am-5pm, 9am-6pm, 10am-7pm, etc. would definitely increase their ability to arrive at work on time and be more productive. Entrepreneurial bosses and companies approve of this arrangement, as they are more concerned with the quality of work and meeting deadlines and not clocking of times and the ever-presence of employees.

However, sometimes, this flexibility does come with the price of the employees being too lenient or abusive of this benefit. So, if the employer and employee can overcome these negatives, I’m sure, flexi hours would be fruitful for organisations in terms of productivity and effectiveness.

Oan Ali Mustansir, ACA  
Karachi

With time being a limiting factor considering our busy schedules at work and modern technology is creating distances, hampering our social and work-life balance, having flexi hours has its own pros and cons. It is good to have 9am to 6pm routine timings at work; however, the idea of flexi hours is to get the work done rather than to be at work. Allowing flexibility keep employees motivated and happier to manage work in their own way which in turn promotes efficiency and better work quality. This also benefits in maintaining mental health and reducing work stress.

However, not all jobs are suited for flexible work hours when the work of one is dependent or inter-related to another. Like in case of team oriented tasks in which employees need to follow the schedule and combined efforts are the key to productivity.

To sum up, it is the structure of the entity, the nature of business and the job role of the employee that matters in determining the appropriate work schedule. The employers should weigh the benefits with costs and choose the one which best suits them in achieving their business objectives.

Shiraz Noordin, FCA  
USA

While there are both advantages and disadvantages of having flexible hours for employees, such as more autonomy and control for employees with respect to their work schedules, I personally think that in a business or work setting, flexi hours can have a negative effect on employees’ productivity and work outcomes. A structured work day helps keep employees accountable for their tasks within the prescribed daily work hour period. It provides a disciplined and structured framework for employees and without which work that requires collaboration with others would be all over the place due to different work hours. Furthermore, it would also be hard for the management to keep track of everyone’s work if it’s coming at different hours.

Moreover, following an unstructured work schedule where employees are working from home or coming in and leaving the office whenever they want, also impacts the group dynamics and culture within an organisation. With flexible hours, there may also be extra usage of resources, such as lights, AC, heater, etc. if people come in late and work till late.
I agree with the statement 200%. Flexi hours give employees an opportunity to be less stressed, meaning more productive. For example, it allows one to commute outside the morning and evening rush hours, saving time and lowering fatigue; it allows one to tend to personal/family commitments and emergencies (medical visits, parent-teacher meetings, banking and other chores) without worrying about what the colleagues/boss would think about and say coming late or reducing leave balance; one can work remotely at a convenient time when ill or without spreading the viral flu to other staff; and people tend to have different ‘productive hours’ based on their individual lifestyle and anatomy. Flexi hours provide one an opportunity to utilise that ‘productive hour’ window.

For a team that caters to different stakeholders and time zones, flexi hours allow total time coverage for the team while accommodating individual needs.

Flexi hours or the implementation of flexible working hours is where an organisation offers its employees the opportunity of availing an alternate to normal working hour arrangement. It is an alternative to the traditional 9am to 5pm, 40-hour work week. It allows employees to vary their arrival and/or departure times. Under some policies, employees must work a prescribed number of hours a pay period and be present during a daily core time.

It is generally considered fundamental on hiring employees to ensure whether they have: requisite qualifications and experience; willing to work; and manageable after hiring.

In a normal recruitment process, if any of the above elements are missing, recruitment is declined.

When it comes to working in a conducive working environment, depending upon the applicable laws and its compliance, empowering employees is considered productive and value adding.

When it comes to empowerment about flexi hours, it depends on the type of work, roles and responsibilities together with interaction with stakeholders and related customers.

Over the period and with the outcome from flexi hours, it is proved that flexible workers achieved more, were off/sick less often, worked longer hours and were happier in their work.

It is also established that flexibility in the workplace allows employers and employees to plan working conditions that suit them. This helps employees maintain a work-life balance and can help employers improve the productivity and efficiency of their businesses.

Sometimes, flexibility does come with the price of the employees being too lenient or abusive of this benefit.

Ahsan Maredia, ACA
Vancouver, Canada

Muhammad Sadiq, FCA
Perth, Australia

Muhammad Farrukh Siddiqui, ACA
Karachi

Yes, definitely, flexi hours make employees more productive. In today’s world, employees tend to deliver more working flexi hours compared to a rigid 9 to 5 approach. A relaxed state of mind gives a wider choice to deliver greater results. As systems
There will be some roles, mainly lower management, where this flexi working regime won’t work effectively.

and machines have taken over humans on all clerical jobs, the only choice available is to discover more and more constructive and imaginative ideas. Professionals are more towards achieving their maximum capacity and want to be more creative at times and hence flexi hours are the best option to utilise and achieve results.

Muhammad Aways, ACA  
Al Khobar, Saudi Arabia

Flexi hours thrive when employees and management communicate well and respect organisational and individual needs and obligations. Good relationship between management and employee is the key to success of flexi hour arrangement which should be planned and managed by setting clear and realistic goals and expectations.

With a well-planned flexi hour system, flexibility to meet family needs and increased feeling of personal control can be enhanced which cause employees to be more productive. There might be some potential barriers which should also be considered while planning for flexi hours such as additional cost, organisational needs and jobs that could not lend themselves to flexibility.

Well-planned flexi hours may make employees more productive, otherwise, it has its own pros and cons. For example, the head could force his subordinate to set the same slot of flexi hours as he adopts for himself. This may cause demotivation and unease and flexi hours may not help to enhance an employee’s productivity and efficiency.

Usman Zia, ACA  
Karachi

Certainly, flexi hours can make employees more productive. Gone are the days when employees were supposed to work 9am to 5pm. Today’s employers demand instant actions/replies round the clock i.e. 24 hours a day, 7 days a week – 365 days’ basis. If one is working in a multinational environment, one has to interact with colleagues in different time-zones. Also, commuting to and from office at certain hours is a challenge. Communication and information sharing is super-fast in this digital age as people have smart phones, audio/video conferencing tools, and remote access to systems, etc. So, an employee can adjust by opting to work via flexible hours or remotely. This could help to engage in social activities or spare time for hobbies which otherwise are quite difficult to pursue. Of course, the implementation would require understanding and commitment both from employers and employees after analysing pros and cons considering the work culture and requirement of different roles. Ultimately, there will be some roles, mainly lower management, where this flexi working regime won’t work effectively.

Muhammad Amin, ACA  
Karachi

Yes! Of course, flexible working hours is a phenomenon most commonly used in big organisations around the world. The prevalent emergence of freelance market can endorse this fact that each person has a different set of hours to give their 100% productivity. Some people are most productive in early morning, some people love to work in the evening with a cup of coffee and there are many others who want to work late at night.

Flexible working hours have a positive impact on employee motivation which helps in improving employee concentration levels and effort at work with a better work-life balance. There is a demanding need for organisations to pay heed towards giving their employees the freedom over their work hours as it will improve the individual, organisational and above all, national productivity and will also act as a catalyst to curb employee stress level.

Asad Nouman, ACA  
Karachi

With reference to the captioned, I came across a relevant citation which reads, “Be stubborn about your goals and flexible about your methods.” – Anonymous.

Managements maximise their endeavours to execute policies that are supposed to pledge employees will work efficiently, and effectively. Afterwards, they often check compliance, hoping the benefits of this high productivity will boost their company’s bottomline and that it’s aligned to the company’s vision. Meanwhile, they may be overlooking one proven route to happier, healthier, more productive workers: flexibility.

Flexibility in the workplace allows employers and employees to make arrangements about working conditions that suit them. This helps employees maintain a work-life balance and can help employers improve the productivity and efficiency of their business. Further, it’s also about allowing employees working from wherever they need to be, whether from home or elsewhere. By making best use of technology, such as audio and video conferencing, mobile internet, this can be achieved while strengthening collaboration and enhancing a sense of community between colleagues – even if employees aren’t physically in the same place.

Work-life balance can lead to good performance, high level of job satisfaction, low absenteeism and more organisational commitment. The provision of work-life facilities at workplace can reduce the stress due to the work-life conflicts to a greater extent, especially for women. Flexi hours can help employees to meet family needs, personal obligations and allow them to work more when they feel relaxed and motivated. However, management should also critically evaluate its own culture before introducing such policies to ensure core business activities are not affected negatively.
Flexible working hours are among the facilities that matter to employees and on availability of these facilities, they can show high loyalty and commitment to their organisation.

**Sohail Aziz, ACA**  
Karachi

Flexible hour is a big question mark when you are working in an environment where the work of one department is dependent on the other or the business is time reliant. But certainly, offering flexi time to employees procure more prolific results rather promoting a culture where the employer is very strict about time-in and time-out, and hence, employees are counting the clock tick the seconds until it’s time to go home.

If we talk about getting things done on time with accuracy, the manager’s psychology should be to focus on producing good work within the given time frame, rather than acting like a watchman or timekeeper who always sneaks on your time-in and out.

Nonetheless, allowing employees flexible hours doesn’t mean that they are allowed a time-free card to show up at work at their will. The sanctity and the decorum of the department is also essential.

Everybody has the right to keep a balanced lifestyle. The need to prioritise family and more importantly their mental health is also essential. By allowing flexi hours, employees can have the opportunity to not only manage and prioritise key aspects of life but improve the performance and quality of work. Eliminating the pressure of the clock ticking certainly helps in the cause. There are several companies that allow similar solutions such as ‘work from home’, ‘time compensation’, ‘working slots’, etc.

The debate on allowing such facility, which certainly has its advantages, should mainly depend on the nature of job. For instance, if a doctor does not show up on time, it can have grave impact. No doubt, there needs to be some established working norms to be followed.

**Khayam Nasim, FCA**  
Riyadh, Saudi Arabia

Business world is changing at a rapid pace. We are having new technologies, new ways of doing business and so are the rules of the game. New dynamics are not only challenging but also demand a much higher engagement from the very essential resource of the company – its employees. Success of an organisation is heavily dependent on efficiency and productivity of human resource. The higher the organisation is being gauged to employees productivity scale, optimum is the utilisation of potential capabilities and ultimate financial performance.

To enhance its overall productivity, organisations invest in employees’ continuous development, removing internal bottlenecks and streamlining processes to avoid procedural hurdles. That eventually enhances productivity of its employees. However, there is another side impacting the overall performance of employees and that is their personal life. The new tool in managing that very important aspect is a change of emphasis from work-life balance to work-life blending. That leads to the concept of flexi (or flexible working hours) which emerged a couple of years back. There have been lots of discussions in the business world on the merits and demerits of this concept by HR gurus. Today, it is arguably the best tactic to improve employee productivity and most of the big companies/multinationals have already implemented it in their system. The major benefits expected from offering flexibility are as follows:

- It releases stress an employee can have due to personal commitments and thus be more focused.
- Personal emergencies during office hours can be managed, resulting in peace of mind.
- An employee can match working hours with his own energy levels.
- It allows people being connected while taking off and thus feel engaged.
- It provides improved ability to prioritise work (official and personal).
- Intervals can refresh people and make them more energetic.
- It allows better alignment with international affiliates (mainly for multinationals).

This can be implemented in various forms. Employees can be given off for few hours in between full working day. There can be a flexible in and out timing for employees to work while the office opening hours should span over 12 hours a day. Another popular way these days is to allow employees to work from home. An organisation can use mixture of these suiting their needs.

However, the successful execution of flexi time depends upon various factors. The organisation’s own culture and maturity level of its employees play an important role on deciding the level to which flexibility can be offered. It also depends on nature of responsibilities an employee carries. Some department/employees can enjoy flexi policy while others may have a thin chance to get benefit from it. This can result in demotivation with a sense of being neglected. An attempt to avoid any inappropriate use of the policy is very essential to maintain healthy working environment. A balance between flexibility level and companies’ position on discipline is vital for obtaining the desired result i.e. higher productivity. As a result of any such policy, continuation of operation, working environment and culture of the company must not be compromised. There is no doubt on the benefits of having flexi policy but it is critical to monitor its execution carefully and take corrective action as necessary.

**Iftikhar A. Chaudhry, FCA**  
Islamabad

The operative word is ‘productivity’ at work. How best and consistently we can achieve the highest productivity in a given time-frame is a critical deciding factor whether to adopt flexi hours or not.
Even multinational companies operating in Pakistan mostly do not practice flexi hours while their sister concerns could be using flexi hours in other parts of the world.

or developing countries. In fact, by and large we practice rigidity and would like to stick to fixed working hours. Even multinational companies operating in Pakistan mostly do not practice flexi hours while their sister concerns could be using flexi hours in other parts of the world.

We should adopt flexi hours since it:
- helps staff to take care of family matters, e.g. pick and drop children to/from school or be with them after school hours;
- take care of elderly parents or a handicap family member;
- gives choice to staff to organise their day according to their personal requirement yet remaining very productive in their work; and
- make staff more relaxed resulting in better productivity/output.

Caution: bosses/supervisors must ensure that if they adopt flexi hours, the rest of the staff should not suffer due to regular/forced late sittings.

I think flexi hours are very useful for both employees and employers. Employees can fine-tune their official timings according to their personal schedule like pick and drop of children, exercise time and other social and religious commitments, etc. The liberty to manage your own time will shape your self-confidence and upsurge your sense of responsibility to the role and the business. This, in turn, will improve your feeling of ownership, making your job more gratifying and nourishing. In this way, employees will become motivated and productive due to more concentration on the job being free from all personal work and worries. Employers can benefit from reduction in sick and casual leaves by flexi timings. Both the parties can take full advantage by mutual understanding. In my point of view, flexi timings create a win-win situation for all concerned. However, flexi hours can challenge the culture and customs of the organisation and needs to be implemented after thorough analysis of unique values of that particular organisation.

Globalisation, a competitive environment and technological advancement mean most of us work at times and in places that don’t fit the traditional 9 to 5, Monday to Friday pattern.

I do believe that yes, flexi hours make employees more productive as compared to other employees. Employees who were placed on a flexibility program were both happier at work and highly job satisfied and less prone to burnout and psychological stress.

Hence, employees who work in flexi hours try to focus more on outcomes than face time. They have good work-life balance and strong professional development and are far more empowered and supported by their boss, whilst also getting more time to spend with their families. The main benefit of working flexibly for employees is that it offers the chance to fit other commitments and activities around work and make better use of free time. In a nutshell, through working flexi hours the focus is never on clocking the hours, but on achieving and delivering the required results.

Michael Dell, chairman and CEO of Dell rightly said: “Technology now allows people to connect anytime, anywhere, to anyone in the world, from almost any device. This is dramatically changing the way people work, facilitating 24/7 collaboration with colleagues who are dispersed across time zones, countries and continents.”

First of all, we need to understand the meaning of flexi hours and productivity.

Flexi hours is a flexible time policy which allows the staff to determine when they will work. Under flexi-time, an employee usually consents to work a certain number of hours per week, fortnight or month, but to complete them at times which suit him or her.

Productivity is an assessment of efficiency and may be evaluated in terms of output of an employee in a specific period of time.

Human beings are not machines. People have their needs and personal activities which are equally important.

Flexi timing is the solution to accommodating personal work on the required times. It’s a trust building measure, providing ease to employees to manage work-life balance. It provides stronger sense of autonomy to them; they feel more valued and will be more energetic. They will understand that the focus is on meeting goals/output.

Yes, it makes employees more productive. Flexi working hours has a positive impact on the employees and enable them to achieve their goals which are congruent with the employers' goals, alleviating the inefficiencies among the employees and help employers sustain growth. In strict working hours, employees feel stress and are less motivated and watching the clock and when the time is up, they run home.

Moreover, flexi working hours are good for employees who want to excel in their career as they can continue their progression in
Employees’ personal life impacts their overall performance, the new tool in managing that very important aspect is a change of emphasis from work-life balance to work-life blending.

the relevant field which will keep them abreast with the latest developments, trends and technologies and leading to win-win situation for employers as well.

Furthermore, employees can also be allowed to work remotely when employers don’t need them in the office which will motivate the employees to meet job deadlines and simultaneously it will give them some time to spend with their families which will help employees achieve work-life balance and also lead to some costs saving for employers in respect of utilities, coffee, soaps, toilet paper, etc.

It’s a perk for employees that make them feel motivated to have more control over time to balance their personal and professional life.

What the employer requires from employees is to achieve goals of the entity that can be done by meeting deadlines and expectations that are pinned down in the form of business targets and job description. Flexible working schedule makes it possible for employees to manage time in their own way and be more focused on work done in an efficient manner.

Some advantages of flexi hours are:

- Job satisfaction that enhance productivity of employees.
- It’s a luxury for employees to manage their time in their own way, to fulfill their wishes, follow their passion, take some time out for recreational activities or take care of their dependents (including children and elderly), etc.
- Flexible hours allow working remotely. No need to show up at office all the time saves time, money and stress.
- Employers can find competent employees willing to work.

To sit long hours watching ticking of the clock until it’s time to go home lowers productivity and causes demotivation. This decreases employee morale and increases stress and other health issues which are major disadvantages of non-flexible work schedule.

Employers can enhance throughput of the entity by allowing employees to request for flexible work arrangements ‘without fear of retaliation.’

In today’s fast paced technology based world, flexi hours/working from home is the best way to achieve work-life balance for an employee.

Flexi hours provide employees an opportunity to plan their day in their own way to achieve their personal and professional goals; it saves employees’ time and cost that they spend daily on travelling and traffic jam; they have control on their daily schedule and this gives them peace of mind which in turn leads to improved productivity. It also helps employer to attract and retain the best talent and to reduce the cost of doing business. However, it demands high level of trust by an employer on his employees as some of them may misuse this benefit. The employer has to ensure, by using technology, the data protection/retention, and that it does not negatively affect client relationship.

The demand of flexi hours is increasing because the traditional 9 to 5 working policy is not really being followed due to many reasons such as employees’ own habit of coming late to office and sitting late after office hours, some employers like those staff who sits late (bossy culture), and clients wish for people to be available whenever they want.

The employers who are not in favour of flexi hours should make sure that office timings are strictly followed and should also think about implementing policies like forced leaves to attract and retain the best talent.

"Do I have to quit my job if I have to attend prolong daily morning medical appointments of my aging parents.?”

Humans are living specie with the urge to do a more, rather than merely struggling for a loaf and survival that includes a family awaiting quality time and moral support, a society requiring our active role, etc.

Alas! We are mentally, deeply engaged in the struggle to earn and support our families for which our Creator has already guaranteed. Perhaps, we need to reconsider our own schedules plus of those who seek our approvals at work.

Work and family life are a complicated connected puzzle, demanding optimum balance, getting directly/indirectly significantly influenced by multiple factors. For example, a person being unable to attend university while working in discouraging flexi environment faces mental stress and poor performance.

We are from nature, but are not that much natural to bear tendency of maintaining rigid schedule like a holy sunrise and sunset.

In my view, depending on the nature of the job and industry, flexi hours should be encouraged to boost the productivity of employees as it releases much of the mental pressure.

Precaution: Employers acknowledging its importance need to define and ensure compliance of protocols to avoid themselves becoming victims of associated demerits of flexi timings, like exploitation of opportunity, disturbed workflow and communication gap.
Human beings are not machines. People have their needs and personal activities which are equally important.

Modern science believes that every person has different productive hours. In these hours they not only produce more but the quality of their work will also be better than the work they do at other hours of the day. But on the other hand, we cannot ignore the reality of today’s modern world, the world with rapid pace. Nowadays, the working environment has been changed. Any organisation whether business or other is surrounded by a complex outer environment with which it has to deal with intelligently in order to win the battle of survival and growth. On the other, the internal environment in modern organisation has become a big challenge. To achieve the overall organisation objective, your output should have distinctive attributes. The best output is generated through a very complex system followed by series of complex subsystems/processes. These subsystems/processes, in order to achieve its objective, require integration. One delay in action in any part of the process can affect the deliverable of the whole system. For this, not only error free but timely measures are required. So giving autonomy to individuals to choose their own working hours is a high risk organisational strategy. Being realistic, 95% of all jobs do not require innovation and creativity but involves monotonous tasks the success of which depends upon the learning curve that employees have developed over time. So an organisation makes employees follow strict timetables as offering flexible working hours cannot guarantee that employee will use their most productive time for their office work. In case of innovative and creative jobs that are not more than 5% of all available jobs, the organisation through scientific human resource management ensures the hiring of those whose productive time matches with the organisation’s set timetable.
The Competences Required to Drive Sustainable Value

Employers are demanding a broad range of professional and general business skills, which, if developed, improves the versatility of the professional accountant.

Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organisational Success

Compeptent and Versatile: How Professional Accountants in Business Drive Sustainable Organisational Success focuses on establishing the expectations placed on professional accountants in terms of the roles and activities they will need to undertake, thereby extending beyond the knowledge and skills that will be taught and tested during their professional education. This section highlights the various areas of competency needed by professional accountants to perform as creators, enablers, preservers, and reporters of sustainable value for their organisations.

Acquiring Professional Skills

International Education Standard 3, Professional Skills and General Education, usefully defines a list of professional skills for professional accountants:

▪ intellectual skills;
▪ technical and functional skills;
▪ personal skills;
▪ interpersonal and communication skills; and
▪ organisational and business management skills.8

These professional skills are part of the set of capabilities required by professional accountants to demonstrate competence. These capabilities include knowledge, skills, professional values, ethics, and attitudes. The standard classifies a non-exhaustive list of required skills under the five skill sets listed above, and recognises that not all these skills will be fully developed at the point of professional qualification. Professional skills will be acquired in part during initial qualification and training, but will need to be developed and honed throughout a career, often by performing different roles within an organisation and by undertaking continuing professional development and education.

The Attitude and Mindset of Professional Accountants in Business

Gaining practical experience in different roles will also help professional accountants acquire an attitude and mindset that enables them to enhance their own performance within organisations. Employers are demanding a broad range of professional and general business skills, which, if developed, improves the versatility of the professional accountant.
In addition, with experience, the successful professional accountant in business can typically also be characterised by a distinctive attitude, outlook, or way of thinking. This is the mindset of a professional accountant in business.

Mindset encompasses an instinctive focus on providing professional objectivity and reasoning to strategic and operational decision-making and directing resources to achieve an organisation’s objectives.

The ability of professional accountants in business to help drive sustainable value creation is based on a range of professional skills and a particular attitude and mindset. To meet the needs of organisations, the professional accountant mindset needs to embrace five key areas:

• Professionalism and ethical behaviour: Professional accountants should uphold high ethical standards in accordance with the Code of Ethics for Professional Accountants. They also have an important role in driving and supporting a high standard of ethics across the business, and fostering a values-based organisation.

• Addressing the Achilles Heels of Mid-Sized Enterprises
  “One of the more difficult challenges facing PAIBs (Professional Accountants In Business) is when they encounter an integrity issue within their own organisation,” as one of the few professionally qualified managers in a mid-sized enterprise, PAIBs have the professional standards and the responsibility for responding quickly and appropriately when issues of integrity arise. PAIBs understand the rationale for business integrity—not integrity for integrity’s sake, but because of its strong link with reputation and longer term business success, based on mutual benefit, fair play, and trust.”— Julian Clarke, director, SME Financial Systems

• Professional judgement: Professional judgement is a differentiating factor for high-performing professional accountants. This includes balancing organisational nimbleness and quick and intuitive decision making with a need for evidence-based decisions.

• From Ledgers to Leadership
  “The best CFOs will successfully strike a balance between having a robust strategic relationship with their business that is based on hard-earned trust and respect, while maintaining the objectivity, independence, and fiduciary stewardship required of them by the stakeholders of the business. Achieving that balance has, however, been made more challenging by the corporate scandals of the past decade and the subsequent increase in focus on governance, controls, and reporting.”— Mark Lubieniski, vice president of Finance, EMEA, Ariba, Inc.

• Organisational and environmental awareness: Professional accountants can be expected to perform as integrators and navigators by linking functional disciplines and organisational units, as well as facilitating a common and unifying perspective on an organisation’s business model and key success factors. Organisational and environmental awareness and understanding are critical in helping them to perform these roles and to reconcile the detailed aspects of operational performance with the strategic aims.

• An investor and wider stakeholder focus: Professional accountants, particularly those in CFO/FD roles, can be expected to lead in managing relationships with investors, other funders, and regulators. They also can bring a wider stakeholder perspective into the organisation to challenge managers to ensure risk and performance are managed in the long-term interests of various stakeholders.

• Change, uncertainty, and complexity: Professional accountants have to be able to adapt to changing circumstances and apply professional skills and judgement to often ambiguous and imperfect information. Whether creating, enabling, preserving, or reporting sustainable value, the role of a professional accountant at all levels has evolved into one focused on managing uncertainty, complexity, and strategic decision-making, within an overall context of heightened focus on implementing effective governance, risk and control.

• Overcoming the “Bad Cop” Rap
  “You become relevant when you have intellectual curiosity and a capacity to understand the needs of your colleagues and businesses, and the courage to then have a point of view. This is not about being the bad cop, it’s about having the willingness to engage in a healthy debate over a strategic direction, to listen to others’ views, and then to help effect compromises to move the strategy forward.”— Rose Marcario, chief operating officer and chief financial officer, Patagonia, Inc.
Experience in various roles helps professional accountants strengthen the attitude and mindset that enables them to enhance their performance within organisations and, as a result, the performance of the organisations themselves.

**What Employers Can Do to Make Professional Accountants More Effective**

Professional accountants in business will pursue various career paths, with some starting their training in an accountancy firm and later working in an organisation. Others may start their training by gaining practical experience in an organisation from the outset. After starting a career in one of the key areas of the finance and accounting function (e.g., planning and control, decision support, treasury, tax, audit, accounting operations), many professional accountants branch out into broader commercial and operational roles.

Employers can support the training and continuing professional development of finance and accounting staff and make them more effective by moving them into different and more value-added roles inside and outside of finance. This can be achieved by ensuring that professional accountants gain exposure to key areas of the organisation, such as sales, customer services, marketing, operations, and research and development. This will enable them to apply their professional training and business acumen in different situations, so they acquire and develop a diverse range of skills, perspectives, and experience.

Many leading organisations establish competency frameworks to structure the development of finance and accounting staff so they develop the necessary professional skills, which include intellectual skills; technical and functional skills; personal skills; interpersonal and communication skills; and organisational and business management skills. Competency frameworks complement diverse learning approaches, such as formal education and training—including continuing professional development programs provided by professional accountancy organisations, mentoring, and coaching—to ensure that the roles and activities of finance and accounting staff are aligned with the needs of the organisation.

**Vital Skills in the Current Environment**

There are a number of skills that we deem critical for finance professionals to have at the moment. We are operating in a constantly changing environment, so change management and project management skills are highly useful. We also want to ensure our finance professionals have a very good understanding of the global business and its value chain, that they are good at strategic planning and have well-rounded partnering skills such as communicating, influencing, and negotiating skills to make a significant difference to our business. Understanding the organisation’s priorities and having clear knowledge of how we deploy the business plans in practice are also important priorities at the moment.”—John McLafferty, head of Professional Development for Finance, Rolls-Royce

**Professional Accountants in Business Driving Sustainable Value Creation**

Employers’ expectations of professional accountants will be derived from the roles and activities they should be able to perform to support and help drive the development of sustainable organisational success. With the context of the drivers of sustainable organisational success (see Part 2, “The Drivers of Sustainable Organisational Success”), the expected key areas of competency are highlighted in the matrix below under each of the four broad roles professional accountants play: creators, enablers, preservers, and reporters of sustainable value (see Part 3, “The Key Roles of Professional Accountants in Business”).

The matrix in chart 3 provides an overview of the expected key areas of competency for professional accountants, against which IFAC members and associates are invited to benchmark their education (including qualification and training) frameworks, programs and assessment, practical experience requirements, and continuing professional education offerings. IFAC’s PAIB Committee is undertaking case studies to highlight how professional accountants support their organisations in practice in these key areas of PAIB competency.
## Chart 3: Expected Key Areas of Competency for Professional Accountants in Business

<table>
<thead>
<tr>
<th>Impact of Megatrends</th>
<th>Roles</th>
<th>Creators of value</th>
<th>Enablers of value</th>
<th>Preservers of value</th>
<th>Reporters of value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivers of Sustainable</td>
<td>Customer and Stakeholder Focus</td>
<td>Create a focus on sustainable value creation by ensuring a strong link between</td>
<td>Facilitate organisations in making sustainable customer- and stakeholder-focused</td>
<td>Monitor and ensure that organisations effectively and efficiently achieve their</td>
<td>Effectively communicate how value is delivered to customers and stakeholders, to</td>
</tr>
<tr>
<td>Organisations</td>
<td></td>
<td>customer and stakeholder focus, strategy, governance, and sustainability to</td>
<td>strategic and operational decisions, implement appropriate strategies, and</td>
<td>strategic and operational targets and goals</td>
<td>internal management and operations and, where appropriate, within external</td>
</tr>
<tr>
<td></td>
<td></td>
<td>support the delivery of value to customers and stakeholders</td>
<td>evaluate their ongoing relevance and success</td>
<td></td>
<td>reporting, such as the annual report</td>
</tr>
<tr>
<td></td>
<td>Effective Leadership and Strategy</td>
<td>Set strategic direction by defining a value proposition that takes advantage of</td>
<td>Frame key questions and issues for consideration, and provide managerial</td>
<td>Identify, prioritise, and manage strategic and operational risks within the</td>
<td>Provide management, as well as external stakeholders, with analysis and insights</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the strategic risks and opportunities, and the organisation’s strengths and</td>
<td>and operational decision makers with relevant insight and analysis</td>
<td>the context of reinforcing governance processes and practices</td>
<td>on drivers, execution, and results of sustainable value creation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>weaknesses, and being aware of the critical points at which an organisation needs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>to make strategic decisions</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Integrated Governance, Risk and Control</td>
<td>Drive the formulation of an organisation’s attitude to and appetite for risk and</td>
<td>Implement enterprise risk management and control as a strategic activity and an</td>
<td>Evaluate policies, procedures, and processes to manage governance, risk and</td>
<td>Provide management, as well as external stakeholders, with information on the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>deliver aligned and effective governance, risk, and control practices to achieve</td>
<td>integral part of an organisation’s governance system, as well as into all other</td>
<td>risk and internal control systems, including control objectives that support</td>
<td>organisation’s opportunities and risks, and the performance of the organisation’s</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a balance between conforming with rules and regulations and driving sustainable</td>
<td>decision-making, operational, and reporting processes in the organisation</td>
<td>the delivery of an organisation’s mission and strategic objectives, in accordance</td>
<td>opportunities and risks, and the performance of the organisation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>value creation</td>
<td></td>
<td>with an established risk attitude and appetite</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Innovation and Adaptability</td>
<td>Manage innovation in the finance and accounting function to facilitate its</td>
<td>Participate in the evaluation and improvement of processes and incentives that</td>
<td>Implement measures of innovation that objectively assess its financial and</td>
<td>Provide management, as well as external stakeholders, with information on the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>development, and to support its input into developing an organisation’s other</td>
<td>facilitate and nurture innovation and adaptability</td>
<td>non-financial impact, and identify possible areas of improvement</td>
<td>organisation’s opportunities and risks, and the performance of the organisation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>innovation and R&amp;D activities</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Financial Management</td>
<td>Understand and interpret the financial health of organisations and play a</td>
<td>Support governing bodies, management, and operations in understanding the financial</td>
<td>Examine systems that generate financial and non-financial information and</td>
<td>Provide a detailed knowledge of financial and other reporting standards, and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>leadership role in developing and implementing a financial strategy to deliver an</td>
<td>health of organisations and progress in delivering financial objectives, and</td>
<td>ensure that they are working within prescribed standards of accuracy and</td>
<td>guidance to ensure that they are correctly applied so that relevant, reliable,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>organisation’s strategic objectives</td>
<td>providing the information and analysis needed to improve sustainable value</td>
<td>reliability, and that such information adequately reflects the performance</td>
<td>and understandable information is provided</td>
</tr>
<tr>
<td></td>
<td>People and Talent Management</td>
<td>Participate in devising and implementing people and talent management strategies</td>
<td>Focus individual and team development on enhancing organisational skills, including</td>
<td>Ensure a questioning mindset capable of identifying risks and opportunities in</td>
<td>Report on how organisational investments in human capital development lead to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and policies for the wider organisation and the finance function</td>
<td>an understanding of business context and priorities, providing high-quality</td>
<td>the area of people and talent management, and serve as promoters of integrity,</td>
<td>the generation of sustainable shareholder and stakeholder value creation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>management information and analysis and “business partnering” to gain trust within</td>
<td>transparency, and expertise</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>wider organisation</td>
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</tr>
</tbody>
</table>
Effective and Transparent Communication

Develop and implement high-quality integrated business and financial communication strategies to enable managers, investors, and stakeholders to make an informed assessment of the organisation’s long term performance and prospects.

Support transparent communication and reporting with relevant information and analysis and effective presentation to investors and other stakeholders, while also ensuring that business reports and financial statements fairly represent the organisation’s performance.

Review performance gaps for process and supply chain improvement and ensure that processes and controls to prevent and detect fraud are put in place.

Design and implement performance-driven strategic and process measurement and reporting systems, and provide adequate information and analysis to gain insight on performance.

Impact of Megatrends

<table>
<thead>
<tr>
<th>Drivers of Sustainable Organisations</th>
<th>Creators of value</th>
<th>Enablers of value</th>
<th>Preservers of value</th>
<th>Reporters of value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Excellence</td>
<td>Manage resources and performance through understanding the drivers of shareholder and stakeholder value and aligning individual and organisational goals and objectives and rewards to these drivers</td>
<td>Support implementation of strategic and operational performance management, measurement, and reporting systems and processes</td>
<td>Review performance gaps for process and supply chain improvement and ensure that processes and controls to prevent and detect fraud are put in place</td>
<td>Design and implement performance-driven strategic and process measurement and reporting systems, and provide adequate information and analysis to gain insight on performance</td>
</tr>
</tbody>
</table>

References:
14 Ibid.

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

Listed Companies (Code of Corporate Governance) Regulations 2017

by Aamer Abdul Razzak

The board of directors plays the role of the captain of the ship that drives the direction in which to sail.

The area of corporate governance has been a cornerstone of consistent and transparent performance of duties of the board of directors, towards its shareholders, under the agency relationship they have. The concept of corporate governance is not new but its formal regulations were first approved in the form of Sarbanes-Oxley Act by United States in 2002. This created the wave of corporate governance legislations worldwide. In Pakistan, this task was entrusted with Securities & Exchange Commission of Pakistan (SECP), which issued Code of Corporate Governance (the Code) in 2002. This Code was further revised after a decade in 2012.

To make the Code in line with the newly enacted Companies Act 2017, on November 22, 2017, SECP notified the Listed Companies (Code of Corporate Governance) Regulations 2017 (CCG 2017) which replaced the Code of Corporate Governance 2012 issued under the Pakistan Stock Exchange Listing Regulations. Summary of the key changes made in the new CCG 2017 is as follows:
Composition of board
The board of directors plays the role of the captain of the ship that drives the direction in which to sail. In CCG 2017, the following amendments are made with respect to the composition of the board:
- The number of directorship in listed companies has been reduced to five from seven with the exemption of listed subsidiaries.
- The number of independent directors has been increased from one to two or one third, whichever is higher.
- A new requirement is included whereby the board is to have at least one female director.
- The executive directors, including the chief executive officer, shall not be more than one third of its board of directors.

The above amendments will have significant implication on the composition of the current board structure of the listed companies. Do we have the competent and experienced resource available in the market to entrust them with the role of director in a listed company? Is the decision of restricting the number of directorships in a listed company from seven to five a move too early? All these questions will be addressed on the next reconstitution of the board of the listed companies.

In addition to above, the independent directors will also be selected from the pool maintained by SECP, making the requirements related to independent directors more stringent.

Related party transactions
The related party transactions approval and disclosures have been discussed by all in the promulgation of Companies Act 2017. The requirements have been criticized for being too investigative and impractical. The CCG 2017 has been amended to further align it with the requirements of Companies Act 2017. One such amendment is the approval in general meeting for all related party transactions where majority of the directors are interested. This means that transactions with subsidiaries in which majority of the directors are the same or hold interest will now be required to be placed in the general meeting for approval.

The requirement to maintain party-wise record of related party transaction has been removed in CCG 2017, probably because extensive disclosure requirement is already incorporated in Companies Act 2017.

Conflict of interest
The new concept of conflict of interest is introduced in CCG 2017 (though similar requirement is also part of Companies Act 2017) where any director has any conflict of interest in any agenda item then the quorum of the meeting must include at least two independent directors when such matter comes up for the first time for consideration of the board.

This again is a very stringent requirement, increasing the power of independent directors, which will be selected from the pool maintained by SECP.

Nomination committee
A concept of nomination committee has been introduced. There is no restriction on the number of members of the committee and its composition. The role of the committee will be to:
- Recommend the board with respect to other board committees and their chairmanship.
- Review the structure, size and composition of the board committees and recommend changes where required.

Risk management committee
Risk management activities have previously been part of CCG 2012. However, the new CCG 2017 has combined all these related activities of the board and assigned it to a new Risk Management Committee. There is again no restriction on the number of members of the committee and its composition. The activities of the committee will include:
- Monitor and review all material controls (financial, operational, compliance).
- Ensured integrity of financial information and that risk mitigation measures are robust.
- Appropriate extent of disclosure of company’s risk framework and internal control system in directors’ report.

Other material changes
- All directors of the company are now required to attend the general meeting unless there is a reasonable cause.
- The chief financial officer and company secretary or in their absence, the nominee, appointed by the board, shall attend all meetings of the board of directors.
- The board of directors is made responsible for the governance of risk and for determining the company’s level of risk tolerance by establishing risk management policies. The board is required to undertake at least annually, an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the company and shareholders.
- A new section of remuneration of directors is included. It requires the board to have a formal policy for fixing of remuneration packages of individual directors. Directors are prohibited to decide their own remuneration level.
- The directors’ training program section has now become more objective with appropriate timelines for new and existing directors being defined.

The writer is a chartered accountant working as manager Finance at Hub Power Company Limited, Karachi.
The very first lesson we learn while we are being introduced to International Financial Reporting Standards (IFRSs) in the initial years of our accounting qualification is ‘Convergence.’ We have grown with the concept that accounting is a language for professional accountants and it must be standardised so one can understand, analyse and take decisions on the basis of widely understood accounting principles. We are being informed that convergence is desirable for fair and transparent accounting treatments. For this purpose, deliberate efforts are being made to harmonise the accounting conventions, while considering business rational and substance of the transactions accounted for. There are international organisations working with professional zeal and effectiveness for issuance of global accounting standards, adopted worldwide, and ultimately leading to possibly high-level of convergence.

The International Federation of Accountants (IFAC), the global association of accounting bodies, has delegated the task of this convergence to International Accounting Standards Board (IASB). IASB has been developing new standards and revisiting the previously issued standards for the purpose of bringing uniformity and removing the unwarranted hurdles in fair application of standardised IFRSs around the globe.

In Pakistan, The Institute of Chartered Accountants of Pakistan (ICAP) assumes the overall responsibility and is the torch bearer for application of IFRS as financial reporting framework, along with applicable corporate laws, defining the accounting principles to be followed by the corporate entities. ICAP rigorously makes efforts for applicability of new or revised accounting standards. As an active member of IFAC, ICAP has always played its pivotal role for adoption of IFRS as applicable financial reporting framework. For this purpose, detailed studies are conducted and national requirements are considered. Comments from Institute’s members and other stakeholders are obtained.

ICAP makes recommendations to Securities & Exchange Commission of Pakistan (SECP) which notifies the applicability of particular accounting standard/framework in part or in full along with local laws. This is done by making amendments in the corporate law (governing structure for registered companies) in force for the time being.

As per repealed Companies Ordinance 1984, all the listed companies were required to prepare and present accounts as per International Accounting Standards (as notified for adoption by SECP). Non-listed companies were categorised on a pre-defined criteria, with respective applicable financial reporting framework prescribed for each category. Details are as follows:

<table>
<thead>
<tr>
<th>Company Category</th>
<th>Applicable Financial Reporting Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Ordinance 1984.</td>
</tr>
<tr>
<td>Non-listed</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Ordinance 1984.</td>
</tr>
<tr>
<td>Economically Significant Entity (ESE)</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Ordinance 1984.</td>
</tr>
<tr>
<td>Medium Sized Entity (MSE)</td>
<td>Accounting and Financial Reporting Standards (AFRSs) issued by ICAP for MSEs.</td>
</tr>
<tr>
<td>Small Sized Entity (SSE)</td>
<td>AFRSs issued by ICAP for SSEs.</td>
</tr>
</tbody>
</table>

The primary objective was to provide flexibility and practicality to mediocre and small-sized non-listed companies by allowing them to avoid complex reporting structures as devised by IFRS.

In order to proceed with the strategic plan and to initiate a concrete move towards adoption of IFRS as reporting framework for non-listed companies, the SECP issued SRO 928 and SRO 929 in September 2015, which resulted in amendments in the Fifth Schedule to the Companies Ordinance 1984. The Fifth Schedule prescribed the accounting framework to be adopted by the non-listed companies. This SRO established new criteria for classification of companies and resultant applicability of defined reporting framework for a particular class. That SRO, through its classification criteria, had brought a large number of entities within the ambit of IFRS, which previously were not required to prepare financials statements as per the aforementioned standards. Another significant change made through this SRO was introduction and application of IFRS for Small and Medium-Sized Enterprises (SMEs), (2009 version). IFRS for SMEs are concise and structured version of full-fledge IFRSs for medium-sized companies issued by IASB. These standards are shortened in length, simple in recognition and measurement requirements, duly designed to suit the requirements of such mediocre entities, whose nature of business operations and size make it difficult (by cost benefits analysis) to fulfill the reporting requirements established by IFRSs. ICAP also issued Revised AFRSs for Small Sized Entities. This set of standards comprises easy-to-implement...
requirements under various reporting heads. The financial reporting frameworks prescribed were as follows:

<table>
<thead>
<tr>
<th>Company Category</th>
<th>Applicable Financial Reporting Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Ordinance 1984.</td>
</tr>
<tr>
<td>Non-listed</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Ordinance 1984.</td>
</tr>
<tr>
<td>Public Interest Company (PIC)</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Ordinance 1984.</td>
</tr>
<tr>
<td>Large Sized Company (LSC)</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Ordinance 1984.</td>
</tr>
<tr>
<td>Medium Sized Company (MSC)</td>
<td>IFRS for SMEs issued by IASB and adopted by ICAP.</td>
</tr>
<tr>
<td>Small Sized Company (SSC)</td>
<td>Revised AFRSs for SSEs issued by ICAP.</td>
</tr>
</tbody>
</table>

In May 2017, after being in operation for more than three decades, the Companies Ordinance 1984 was replaced by newly enacted Companies Act 2017. The Third Schedule to the Companies Act 2017 prescribed revised criteria for classification of companies. The criteria are based on the information contained in previous year’s audited financial statements. As per the criteria devised, again it is ensured that the coverage of IFRS as financial reporting framework is widened and more companies are brought into the legal parameters to prepare their financial statements as per IFRS. In certain situations, such as when a company is in its first year of its operations, or where due to other specified reasons, audit of previous year’s financial statements could not take place, the company may not have previous year’s audited financial statements. In such a scenario, it is suggested that expert advice be sought from qualified professionals for determination of applicable financial reporting framework, while considering the information extracted from current year’s/previous year’s un-audited financial statements. As per the act, the categories of companies and prescribed reporting framework are as follows:

<table>
<thead>
<tr>
<th>Company Category</th>
<th>Applicable Financial Reporting Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIC - listed/non-listed</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Act 2017.</td>
</tr>
<tr>
<td>LSC - non-listed/foreign</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Act 2017.</td>
</tr>
<tr>
<td>LSC - u/s 42/45</td>
<td>IFRS issued by IASB and notified for adoption by SECP through Companies Act 2017 and Accounting Standards for Non Profit Organisations (NPOs) issued by ICAP.</td>
</tr>
<tr>
<td>MSC - non-listed/private/foreign</td>
<td>IFRSs for SMEs issued by IASB and adopted by ICAP.</td>
</tr>
<tr>
<td>MSC - u/s 42/45</td>
<td>IFRSs for SMEs issued by IASB and adopted by ICAP and Accounting Standards for NPOs issued by ICAP.</td>
</tr>
<tr>
<td>Small Sized Company (SSC)</td>
<td>Revised AFRSs for SSEs issued by ICAP.</td>
</tr>
</tbody>
</table>

From information available in tables presented above, identifying the reporting framework to be adopted by the company, it is clearly observable that medium and small sized companies are required by law to prepare and present financial statements in compliance with other-than IFRSs reporting mechanisms, developed over the years. However, these companies are not restricted from adopting IFRSs as reporting framework. This fact was mentioned in SRO 929 which appreciated that these companies might use IFRS for external reporting purposes. The Companies Act 2017 has also brought two further noticeable changes. As per Section 235 of repealed Companies Ordinance 1984, the surplus on revaluation of fixed assets needed to be shown separately from equity in balance sheet. This was in contradiction with requirement of IAS 16: Property, Plant and Equipment, which directs that such surplus should be shown under equity portion. This inconsistency has been removed now, by not carrying forward the requirement in the new law.

The other change is quite historic in its nature. The very first time, through Section 225 of the Companies Act 2017, the corporate law of Pakistan has allowed unreserved compliance with IFRS. This means that companies have been given the option, for the very first time, to prepare and present financial statements in accordance with IFRS only. There is no need to consider the provisions contained in Fourth and Fifth Schedule to Companies Act 2017 for the preparation and presentation of such financial statements, if only IFRSs is adopted as financial reporting framework. This is a fundamental change, because IFRSs require explicit compliance only when the reporting entity prepares and presents financial statements in 100% compliance with such IFRSs. In this scenario, reporting entity does not need to consider the national requirements of a particular jurisdiction, where such requirements are inconsistent with IFRSs issued by IASB. The exercisability of this option will require companies to redraft their ‘statement of compliance’ paras contained in notes to financial statements, where reference to IFRS only is to be made now.

ICAP rigorously makes efforts for applicability of new or revised accounting standards. As an active member of IFAC, ICAP has always played its pivotal role for adoption of IFRS as applicable financial reporting framework.

The above developments reflect that there has been a progressive shift in the primary objective described above. It is now more than ever expected, and regulated through amendments in legislation, that corporate entities recognise the importance of uniform and standardised financial reporting standards, meeting the information requirements of wide range of users as a group. These steps are enhancing the confidence of stakeholders, external to the reporting entity, in financial reporting quality. This has only been possible due to the fact that corporate entities are made responsible for preparation and presentation of their financial statements in compliance with globally recognised accounting standards.

The writer is a chartered accountant working as manager Taxation in a business group having diversified stakes, Faisalabad.
Gender Equity – Indispensable to Equality in Accounting Profession

by Adnan Akhter

Women are to gender what trees are to forest, says Kiran Asher, senior scientist at Center for International Forestry Research (CIFOR), Indonesia.

Global Gender Gap Report 2016 by World Economic Forum (WEF) shook the world while vindicating a claim for women – to wait, more than two centuries for equal pay; which validates the status of women in 21st century – bête noire in corporate domain.

Gender equality remained a hot topic for decades but gender equity brushed aside. A small line can be drawn to differentiate equity and equality – equality is a goal while equity is the practice and ways of thinking that help in achieving that goal. In totality, equity is fairness in treatment.

In 1970, Great Britain passed a law of equal pay, but November 2017 Equal Pay Day disclosed the harsh reality of gender pay gap – women earn at least 14.1 % less than men and the gap is widening with the passage of time. According to Fawcett society, a UK charity campaigning organisation, gender pay gap is often larger for woman of colour, ethnicity particularly Pakistani and Bangladeshi women. On an average, this gap is widening in UK and requires attention to address this stark inequality. Iceland is the one and only country where pay gap is minimal across gender but the gap across the world, especially in developing and underdeveloped nations, is deplorable.

Women average income as percentage of men: Iceland: 84; Norway: 78.9; France: 73.9; Singapore: 70.3; Germany: 68.2; Canada: 67; USA: 64.8; New Zealand: 62.1; Pakistan: 61.4; Bahrain: 58.9; UK: 55.3; Japan: 52.4; and Kuwait: 42.6. Source: Gender Gap Report 2016 by World Economic Forum (WEF), Country Individual Statistics.
Hindrances in women’s access to higher management posts must be demolished and disdained.

Gender diversity not only provides a competitive work environment but also widen the talent pool.

Equal pay in accounting profession is appalling around the globe. According to Catalyst Knowledge Center and Eurostat 2016 report on gender pay-gaps, 50.5% of total auditors, accountants and investment professionals are women in Canada. But the average salary for women is $54,960 while men on same cadre earn $68,314. On other hand, in European Union (EU) there are 64.3%, in Finland 67.5%, in France 68.7%, in Switzerland 57.2%, in UK 54.3%, and in USA 63 women in accounting profession which is a satisfactory sign of gender equality in the profession. According to Financial Reporting Council 2015 report, percentage of women principals in five largest firms of UK are: PwC 17%, Deloitte, EY 15%, KPMG 13% and BDO 12%, but pay gap in Big 5 is lamentable. While, in US only 47% women in the accounting profession are at top positions, but fairness in terms of pay is a delusion; women are paid $999 weekly for work for which men get $1,236. According to 2015 survey of Institute of Chartered Accountants in England and Wales (ICAEW) and Stott & May, experienced women in accounting profession are paid 5.4% less than experienced men. ICAEW is of opinion that organisations with more than 250 employees must have to report the gender pay gap annually or face the fine.

The case in Pakistan is distressing, where chauvinism in corporate hierarchy is eminent. According to Labour Force Survey (2014-15), from working women populace, only 0.3% are managers while 6.4% are at top professional positions. The latest development to empower women in corporate sector is to keep minimum one seat for female in corporate boards by Securities and Exchange Board of India (SEBI) through Companies Act 2013 and Securities & Exchange Commission of Pakistan (SECP), through revised code of corporate governance after Companies Act 2017, is said to be a step towards equality while ignoring equity. In 21st century where human rights system provide every citizen regardless of gender, freedom, equality and solidarity, there is a need to explore such regulations, which authenticate the gender disparity not just in third world countries – where lots of other problems persist – but across the globe.

What can be the remedies to resolve such issues? To achieve a goal, one has to set objectives which progressively lead towards goal achievement. First and foremost issue is of women access to accounting profession, which must be addressed. A plethora of institutes in developed countries started not just programs for support or access of females in professional studies but also help in financing their studies. Women bodies are part and parcel of all such professional institutes across the globe. The Institute of Chartered Accountants of Pakistan (ICAP) Chartered Accountants Women’s Committee (CAWC) is a good initiative to promote professional qualification in women and to enable female accountants to “transcend the barriers and break the glass ceiling.” To be at par with developed nations, accounting professional bodies must also initiate scholarship programs for women too who want to pursue this profession but their financial position holds them back. Whether it is Certified Public Accountants (CPA), Certified Financial Analyst (CFA) or Institute of Chartered Accountants in England and Wales (ICAEW), women societies or committees of respective bodies not only promote women’s professional qualifications but also help to break the financial barriers which hinder women to enter this profession. Easy access to accounting professional studies will create a win-win situation for gender; it will ensure equality.

To ensure equity too for working professionals, accounting bodies must device a mechanism to have check and balance on pay gap. Hindrances in women’s access to higher management posts must be demolished and disdained. Gender diversity not only provides a competitive work environment but also widen the talent pool. As ICAEW Economia 2017 reported that Big 4 firms do possess gender pay gap. “KPMG’s (22.3%) gap is the highest among the Big 4 followed by EY (19.7%), PwC (13.7%) and Deloitte (18.2%). But the financial services sector gender pay gap is even higher at 31%.” After ICAEW focus on equal pay gap and flexible routes for women in higher management and increasing the percentages of female partner, firms are committed to close this gap majorly by 2020.

Recent resignation of Carrie Gracie, BBC journalist from three decades, not just highlighted gender pay disparity but also reprimanded the situation in developed and world’s oldest broadcasting organisation. Her last lines of resignation letter not just shook women across the globe regarding pay-gap but also governments, authorities and administrations.

“It is a century since women first won the right to vote in Britain. Let us honor that brave generation by making this the year we win equal pay.” – Carrie Gracie.

Landmark equal pay law in Iceland not just made it imperative on organisations for equal pay to all employees of the same level work, regardless of gender, but also made it punishable offence for paying men more than women. ICAEW regulation on issuance of annual report regarding employee pays is commendable, which will not only phase-out the gendered firms from corporate arena but will also spell out equity across gender.

According to United Nations, “gender equality must be building block of any sustainable development.” United Nations Sustainable Development Goal (SDG) 5 resolve to make this world more peaceful and progressive, gender equality and women empowerment must be achieved by 2030. Closing gender gap can add $250 billion to UK, $1750 billion to USA, and $550 billion to Japan’s GDP while world GDP can go up to $5.3 trillion by 2025 according to WEF report. Inclusive development leads to sustainable growth which is only possible if human rights are respected across the globe regardless of gender and equity is considered imperative for equality.

“Gender equality is more than a goal in itself; it is precondition for meeting the challenge of reducing poverty, promoting sustainable development and building good governance.” – Kofi Annan, former secretary general United Nations.

The writer is a Ph.D scholar working as faculty member in public university, Rawalpindi.
Our way of life is piling pressure on our ecosystems

Ultimately, human health and well-being depend on the very ecosystems which nurture us and of which we are a part.
Carbon dioxide emissions from modern society are making the oceans more acidic, and the situation is being exacerbated by climate change, pollution, coastal development, overfishing and agricultural fertilizers, a major new study suggests.

Ocean acidification is happening because as carbon dioxide from fossil fuels dissolves in seawater, it produces carbonic acid, which lowers the pH of the water.

The assessment comes from the BIOACID project, which is led from Germany. The eight-year study involving over 250 scientists finds infant sea creatures will be especially harmed, the BBC reports. Meanwhile, microplastics in seawater are being ingested by small organisms. Small fish are eating these organisms, and we are eating the bigger fish that eat them. There is even evidence that plastic particles in the oceans, which cover 70 percent of our planet, can spread dangerous pathogens.

On land, toxic chemical waste from factories, sewage from cities, noxious fumes from transport systems, plastic pollution in our cities, and human-induced peatland fires are just some of the things degrading the ecological foundation of sustainable development.

Intensive farming implies excessive use of fertilizer to maximise crop yields and profits, but at what cost? Run-off from such farms is impairing the quality of our lakes and drinking water sources. In extreme cases the nutrient load from such activities (mainly in the form of nitrates and phosphorus) leads to algal blooms on lakes, rendering them useless, even hazardous. All forms of pollution impair or degrade the ecosystem goods and services we take for granted – like clean air, freshwater, wood, or the health and recreational benefits afforded by the great outdoors.

With a rapidly growing population, the world will need more energy, more water and more food in the future, placing an even greater burden on already fragile ecosystems.

With a rapidly growing population, the world will need more energy, more water and more food in the future, placing an even greater burden on already fragile ecosystems. The trick is to adopt a middle road that delivers results for biodiversity, energy, food and jobs. The good news is that consumer, technology and governance solutions exist that can support a move towards sustainable practices.

“United Nations (UN) Environment’s role in this is to help highlight the problems and broker practical, cost-effective, science-based solutions,” says UN Environment ecosystems expert Niklas Hagelberg. “Ultimately, human health and well-being depend on the very ecosystems which nurture us and of which we are a part.”

**Vital Statistics**

- By 2030, the world will require 40 percent more water, 50 percent more food, 40 percent more energy and 40 percent more timber and fibre.
- Nearly 30 percent of people still lack safe drinking water.
- 55 percent of US rivers and streams are in poor condition.
- A 2013 study found that 25 percent of fish sold at markets in Indonesia and the US had plastic or other man-made debris in their guts.
- 75 percent of honey contains traces of pesticide.
- A 75 percent decline in flying insects in German protected areas has been observed over the last 27 years.

Last month, UN Environment executive director Erik Solheim published Towards a Pollution-Free Planet, which sets out a clear framework for action on pollution. The report will inform the UN Environment Assembly under the theme of pollution. All governments as well as individuals, businesses and other organisations are invited to sign the pledge and help #BeatPollution around the world.

*Courtesy: United Nations Environment Programme (UNEP)*
The Angry Accountant
by Waqas Latif

The meeting room was full of finance team members, aka accountants, waiting for their chief to arrive for a follow-up meeting. The meeting room was buzzing with discussions all around like a busy coffee shop and then suddenly there was pin drop silence.

The chief accountant closed the heavy glass door behind him as he entered, signifying the start of meeting. After 20 minutes of briefing, the temperature of the meeting finally reached the tipping point, as the briefing only talked about missed targets, unrealistic deadlines and bottlenecks. The chief angrily stood up from his seat, took off his branded blazer, placed it on the back of his big revolving chair, untied his shining cufflinks, rolled up his sleeves and started shouting, “____.” The team was taken with an iron hand for not delivering quality work within deadline. The meeting ended after a belligerent innings by the chief with a threat to dismiss all staff if the work was not delivered within the next two days. As the chief left the room, the team shared mutual consensus that the cause of anger of the chief must have been an early morning quarrel with his wife.

Although the above is a hypothetical scenario but people in accounts and finance department are frequently seen shouting at subordinates and peers, sometimes even at clients for not paying on time or at peons who delay bringing in their coffee or tea. At other times, they are enraged at government for their inconsistent policies or the tax authorities for their unreasonableness. So, of all the employees in a company, the accountants are generally
considered hot-headed and more prone to outbursts. But the problem is that their anger issues are considered to be their personal problem and the rest of the company simply ignores it until the situation aggravates.

Although modern science considers anger as a healthy emotion but only if it’s controlled i.e. by not letting it take over the thought process. The problem with chronically angry people is that they spend too much time in this hyped-up state which puts much stress on the body over time. This results in problems on the organisational level in terms of below expectation performance and on the personal level a greater risk of heart diseases, high blood pressure, diabetes, high cholesterol and other health related problems.

So, the question is, what prompts this consistent emotion of high intensity anger especially in accountants. Let’s take a look at the common causes:

▪ A belief that only anger can get things done from others.
▪ It stems from the feeling that colleagues/peers/support staff resents people in finance department.
▪ Anger needs to be transferred to others lest it affects the person himself both mentally and physically.
▪ Legacy of anger culture prevailing in the department.
▪ Inability to maintain work-life balance, hence, unable to honour family commitments and harbouring a guilt about it.
▪ Not happy with the profession.
▪ Not maintaining healthy routine in terms of food intake and working hours.
▪ Inability to take time off frequently due to monthly closings and urgent tasks.
▪ Consuming large quantities of tea, coffee, cigarettes, etc.

The above is not an exhaustive list and is based on the writer’s personal judgement from experience of working in the accounts department.

Now, let’s talk about what can be done to control this emotion of anger if it is causing problems. Let’s call it ‘Anger Management through POP (Personal steps, Organisational steps and Peer support).’

The following table depicts a few measures:

<table>
<thead>
<tr>
<th>Personal</th>
<th>Organisational</th>
<th>Peers</th>
</tr>
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<tbody>
<tr>
<td>• Realise that consistent and high intensity anger is a big problem.</td>
<td>• Consider anger as an organisational issue like harassment or lack of discipline.</td>
<td>• Don’t resent the angry person, resent the behaviour.</td>
</tr>
<tr>
<td>• Know that controlling anger is in one’s control.</td>
<td>• Arrange planned sessions to address the issue.</td>
<td>• Have one-to-one session in a friendly environment to make an angry person realise that his behaviour is a cause of concern with negative effects.</td>
</tr>
<tr>
<td>• Look at every situation through an optimist lens first then resort to required behaviour after evaluating the situation.</td>
<td>• Arrange trainings on anger management.</td>
<td>• Don’t respond with similar behaviour.</td>
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<tr>
<td>• Keep a healthy diet and routine.</td>
<td>• Ensure employees have work-life balance.</td>
<td></td>
</tr>
<tr>
<td>• Strive for work-life balance.</td>
<td>• Arrange for therapy sessions.</td>
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<tr>
<td>• Travel, if possible.</td>
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<tr>
<td>• Have goals in life.</td>
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These are only few measures based on personal experience, if the available literature on anger management is reviewed from clinical perspective, it will provide a greater insight to the measures including therapy and medicines.

So, all the accountants out there, be advised that sooner or later this uncontrolled anger will get the better of you in terms of your health, career and personal life. Therefore, it is imperative that this emotion is not left unattended by any means. Realise it as a problem and take measures to curb it, seek help, if needed. Let’s turn the tables from perception of ‘angry accountants’ to something like ‘joyful accountant.’

The writer is a chartered accountant working as DGM Business Finance & Risk Management at K Electric Limited, Karachi.
From Around the Globe
CAs, Keep Yourself Updated
by Samina Iqbal

Briefs, updates, notes, ideas, innovations, research, surveys and smart quotes from the world of business, finance, medicine, HR, technology, marketing, education and environment... Be it management, governance, leadership, lifestyle, attitude or behaviour, career, success or failure, sports or humour, news or views... find it all here.

Are You Taking Killer Medicines?

According to the World Health Organisation (WHO), one million people die every year due to Substandard, Spurious, Falsely-labelled, Falsified, and Counterfeit (SSFFC) medical products, commonly known as fake medicines that affect every region in the world.

A measure of the toll: Forty years of terrorism kills 65,000 people globally, while 200,000 die in one year alone in China from counterfeit medicines.

According to WHO, falsified medical products may either contain no active or the wrong ingredient, or the wrong amount of correct active ingredient. They are also found to commonly contain corn starch, potato starch or chalk.

The WHO guidelines suggest that falsified products are almost identical to the genuine stuff, making it hard to identify SSFFC. So, how to differentiate? Examine the packaging for condition, spelling mistakes or grammatical errors, check the manufacturing and expiry dates and ensure details on the outer side match the ones on the inner packaging.

A report by the Pakistan Medical Association (PMA) Anti Quackery Committee mentions existence of 80,000 quacks only in Karachi, whereas the number of doctors registered with the Pakistan Medical and Dental Council (PMDC) in the megapolis is 170,000.

The Pakistan Pharmacist Association (PPA) acknowledges nearly 4,000 pharmacies registered in the country, but 100,000 illegitimate producers are selling pharma products.
Nine Pakistanis have made it to Forbes 30 Under 30 Asia 2018 list. The list features 30 game changers across 10 categories, all under the age of 30 "who are re-inventing industries and driving change" across the continent.

Spanning a region with almost 60% of the world’s population, Forbes’ 30 Under 30 Asia list highlights the best Asia has to offer across a range of industries and disciplines. In total, 24 regions were represented in this year’s list.

Young Pakistanis make more than 60% of the population - the sixth-largest in the world. Here are the winners in different categories:

**Healthcare and Science:**
Muhammad Shaheer Niazi, 17, scientist, found a way to photograph the movement of ions forming a honeycomb-like shape when electrically-charged particles try to pass through a pool of oil. His research was published in the Royal Open Science Journal and he aspires to win the Nobel in physics one day.

Another winner in the Healthcare and Science category is duo Muhammad Asad Raza and Abrahim Ali Shah, both 23, CEO and CTO of healthcare startup Neurostic, a firm which uses technology to improve healthcare services and products across the developing world. They have also developed affordable prosthetic limbs for amputees.

**Enterprise Technology:**
Sadia Bashir, 29, Founder PixelArt Games Academy, whose mission is to plug the void between industry demand and education by providing training in video game development and recruitment opportunities.

**Social Entrepreneurs:**
Hamza Farrukh, 24, founder Bondh-e-Shams – The Solar Water Project, has developed a solar-powered water extraction and filtration system. Costing $8,000, the system has a 25-year lifespan and can serve nearly 5,000 people daily.

Also in this category is 24-year-old entrepreneur, Syed Faizan Hussain, a solution-driven social activist. His non-profit Perihelion Systems aims to better the lives of many using technology. Some of Perihelion’s products include; Edu-Aid, an American Sign Language translating software; One Health, a disease surveillance and tracking system used to predict outbreaks and alert health institutions to expedite intervention; and Glove Gauge, wearable technology to facilitate professional production processes such as measurements.

**Entertainment and Sports:**
Coke Studio fame Momina Mustehsan, 26, musician and activist who advocate for social causes important to her, including women’s rights, cyber bullying and mental health awareness.

**Retail and E-commerce:**
Brothers, Adnan and Adeel Shaffi, 28 and 30, founded PriceOye, an online price comparison engine for mobile phones in second and third-tier Pakistani cities. The site enjoys over a million views per month.

"Social media is ripping apart the social fabric of how society works."
– Silicon Valley billionaire Chamath Palihapitiya, a former Facebook VP.

"Bitcoin more likely to be worth $100 than $100,000 in a decade."
– says Harvard economist Kenneth Rogoff.

Illustration by Muhammad Waqas Khalid
50 Most in-Demand Places to Work

Amazon tops the list of the 50 most in-demand places to work according to LinkedIn’s ranking of data generated by its 546-plus million members around the world.


The companies were given a blended score based on job demand, engagement with the company, interest in existing employees, and retention (where people stay for longer than a year).

LinkedIn found that workers value a company’s purpose over its perks. For instance, employees say that getting to work on industry-leading projects is a major attraction, even though free snacks aren’t provided. Healthcare coverage is also top of mind for workers and No. 6 ranked Apple is said to be working on primary care clinics for employees.

Early Birds Vs Night Owls: Who is More Productive?

The working world benefits early birds. For some reason, those that get up at the crack of dawn and fire 100 emails by 6 a.m. are often seen as productive, hardworking and disciplined, and the night owls that thrive late after the workday ends are seen as lazy and undisciplined when they can’t make early morning meetings. As a result, many night owls want to train themselves into morning people, an endeavour that will probably be futile because “it’s a genetic preposition... and there’s only so much you’re going to be able to do to try change that,” sleep expert Michael Breus tells Fast Company.

So we don’t all need to be morning people. We just need to know how we function best, then structure our days to make sure that we’re capitalising our most productive time. Whether you do your best work at 7 a.m. or midnight, what time you get up doesn’t necessarily determine how productive you are.

There’s no one right way to plan your schedule; It depends on how you structure your workday.
Look Beyond ‘Culture Fit’ When Hiring

"Both academics and practitioners have long thought of cultural matching as a process that should happen at the point of entry — some people fit, some don’t, and both employers and employees should look for matches," says Amir Goldberg, an associate professor of organisational behaviour at Stanford Graduate School of Business. "But our research suggests another ingredient, or dimension, that’s overlooked." And that, he says, is adaptability.

Be humble about knowing you are not expert in all disciplines. One of the mistakes you make when you’re the leader of a large institution is in thinking you have better judgement than everyone else in the room. The fact is, your experts are enormously more capable than you are. As leader, you can bring perspectives that the experts may not have, but I always challenge our teams to take the lead.

— George Kurian, CEO NetApp

Smartphones Killing the Planet Faster than Expected

Researchers are sounding the alarm after an analysis showed that buying a new smartphone consumes as much energy as using an existing phone for an entire decade. So before you upgrade your next iPhone, you may want to consider a battery instead. Not only will the choice save you money, it could help save the planet.

A new study from researchers at McMaster University published in the Journal of Cleaner Production analysed the carbon impact of the whole Information and Communication Industry (ICT) from around 2010-2020, including PCs, laptops, monitors, smartphones, and servers. They found remarkably bad news. Even as the world shifts away from giant tower PCs toward tiny, energy-sipping phones, the overall environmental impact of technology is only getting worse. Whereas ICT represented 1% of the carbon footprint in 2007, it’s already about tripled, and is on its way to exceed 14% by 2040. That’s half as large as the carbon impact of the entire transportation industry.

With a two-year average life cycle, Smartphones are more or less disposable. The problem is that building a new smartphone - and specifically, mining the rare materials inside them - represents 85% to 95% of the device’s total CO2 emissions for two years. That means buying one new phone takes as much energy as recharging and operating a smartphone for an entire decade.

Yet even as people are now buying phones less often, consumer electronics companies are attempting to make up for lost profits by selling bigger, fancier phones. The researchers found that smartphones with larger screens have a measurably worse carbon footprint than their smaller ancestors. And despite the recycling programs run by Apple and others, currently less than 1% of smartphones are being recycled.

In any case, keeping a smartphone for even three years instead of two can make a considerable impact to your own carbon footprint, simply because no one has to mine the rare materials for a phone you already own. It’s a humbling environmental takeaway, especially if you own Samsung or Apple stock.

Smartphones represent a fast-growing segment of ICT, but the overall largest culprit with regards to CO2 emissions belongs to servers and data centers themselves, which will represent 45% of ICT emissions by 2020. That’s because every Google search, every Facebook refresh, and every dumb Tweet we post requires a computer somewhere to calculate it all in the cloud. (The numbers could soon be even worse, depending on how popular cryptocurrencies get.) Here, the smartphone strikes again. The researchers point out that mobile apps actually reinforce our need for these 24/7 servers in a self-perpetuating energy-hogging cycle. More phones require more servers. And with all this wireless information in the cloud, of course we’re going to buy more phones capable of running even better apps.

If this all sounds like bad news, it’s because it absolutely is bad news. Indeed, tech’s carbon footprint is beyond what any one designer, one company, or even one government regulator can contain. As consumers, we have more reason than ever to hesitate when it comes to our next shiny tech splurge. The bottom line is that we need to buy less, and engage less, for the health of this entire planet.
Rare Manuscripts of Holy Quran Gifted to Faisal Masjid

A hundred rare manuscripts of the Holy Quran, some dating back to the 14th century, have been gifted to Faisal Masjid, Islamabad, says a daily Express Tribune March 2018 report. These Holy Quran manuscripts, some of which are 200 to 700 years old, have been donated by Professor Zahid Butt, an educationist, on special request of Capital Development Authority (CDA) and will be put up for public display.

“Such thrillers will give anyone a heart attack!”
— Darren Sammy, captain Peshawar Zalmi after winning by one run a nail-biting PSL 2018 semi-final against Quetta Gladiators in Lahore.

Pakistan has worst newborn mortality rate: UNICEF

“In Pakistan, a baby dies every second minute,” says head of the neonatal department at the Pakistan Institute of Medical Science (PIMS), the largest health facility in the capital, reported AFP. “We know what we must do, but the newborn mortality rate was never a priority.”

Newborns in Pakistan, with its rapidly growing population of 207 million inhabitants, face a one in 22 chance of dying in their first month, says a February 2018 UNICEF report.

That makes it worse than neighbouring war-torn Afghanistan, as well as the Central African Republic and eight other sub-Saharan African countries, which are often unstable and struggle with desperate poverty.

At the other end of the scale, Japan, which has spent decades guaranteeing the conditions necessary to protect the lives of babies, lost only one infant out of 1,111, according to the report.

In the last ten years Pakistan has spent just 0.5-0.8 percent of its GDP on healthcare. “It’s only a tenth of what WHO (the World Health Organisation) requires,” says a Kenyan doctor working for UNICEF in Islamabad.

Inadequate funding is just one of the challenges. Pakistan, a deeply conservative patriarchal Muslim country, also struggles with a complete absence of sex education, family planning, health education for mothers, and healthcare training. As a result, it has the highest birth rate in South Asia — around three children per woman, according to the World Bank.

“We human beings are not able to see our own weaknesses. Just be quick to label yourself as part of the problem and slow to label others. The best we can hope for is to have people in our lives who will tell us the truth.”
— Robert Sutton, professor of organisational behaviour at Stanford Graduate School of Business.
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