



The Pakistan

**accountant**

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Magazine of The Institute of Chartered Accountants of Pakistan

## The Power to Transform;

How Women Globally  
will Lead from the  
Inside Out



Passing through  
**Economic  
Crisis**

 **CORONAVIRUS  
& Working  
from-Cloud**

**Beneficial  
Ownership**  
– Opacity to Visibility

**Debate**  
Is Women Empowerment  
Still a Myth in Developing  
Countries?

**Audit Oversight  
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### Deputy Director MARCOM

Tahir Saeed Malik

tahir.saeed@icap.org.pk

### Editorial Office:

Chartered Accountants Avenue Clifton, Karachi-75600 (Pakistan).

99251648, 99251636-39 publications@icap.org.pk www.icap.org.pk

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## Editor's Letter

Countries around the globe are making efforts to inhibit the spread of the coronavirus, and as a result we have seen a substantial fraction of companies shutting their offices since the start of March, and 'work-from-home' emerging as the new normal. In the current uncertain business environment, some industries are better prepared than others to work from home with better established work-from-home policies and procedures, allowing their employees to connect effortlessly from almost anywhere. This strength is just one of the several important takeaways for organizations. Given the unprecedented set of challenges faced by organizations this year, it is evident that businesses with a proactive approach to technology and with better provision and direction for teams to work remotely, will outperform.

In this edition of The Pakistan Accountant, we intent to highlight the role of women in leadership. As we witness the growing economic uncertainty, the shifting balance of global power and the unfulfilled needs of masses in the country, it becomes imperative to contemplate the existing composition of governance. If we are to achieve sustainable, long-term economic development, we will have to fully utilize one of our nation's most vital resources: women, who contribute to approximately fifty percent of our population. To fully utilize their potential, it is fundamental for leadership to become more balanced.

In addition to some very well-articulated articles on this quarter's theme "How women globally will lead from the inside out", we are pleased to include insightful contributions from our members including building a better audit infrastructure in the country, assessing the efficacy of anti-money laundering legislations, an in-depth analysis of the Islamic Banking System, the economic implications of the pandemic and the emergence of 'work-from-home' as the new normal. I hope you will enjoy reading the articles featured in the magazine, as much as our team relishes bringing them together.

Lastly, while governments are posed with the challenge of controlling the spread of corona virus, we have to play our role and stringently follow the guidelines provided by the World Health Organization. Please continue to stay home, stay safe and stay healthy.



**M. Sharif Tabani, FCA**

# President's Page

Leadership remains imperative in driving organizational success. However, in dynamic and innovation driven organizations, there is an ever increasing need to develop competencies that emphasize on sustainable value creation through teamwork and collaboration, unlike the past where focus was primarily on achieving results. Over the years, organizations have witnessed cultural change as an enabler of organizational growth. From shifting organizational hierarchies to an increasing representation of women in the management, leading organizations have profoundly altered the manner in which they are governed. These organizations continue to place gender parity and female inclusivity as a priority on their agenda, and have therefore shown greater progress than their counterparts. It is astonishing how Transformational women leaders have paved way to outstanding organizational performance.

The transitioning role of women in the workplace globally has unveiled their role beyond households, and shows progress in target 5.5 of the UN's Social development goals that is to Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life. Professionally, women contribute a distinctive perspective. We therefore see an increasing number of successful businesses owned by women, a sizable increase in women on boards, and a steady decline in gender bias at the workplace. With these pleasant alterations in the business environment, it has become inevitable that women leaders are making a significant contribution in the professional ecosystem.

There is no profession where women have failed to display strong supervisory and decision making abilities, and the profession of chartered accountancy remains no exception. Female executives use cooperation, consensus and relationship building more often – and more effectively than their male counterparts. In addition, companies that have female directors on board, show better financial performance. The Institute of Chartered Accountants of Pakistan therefore remains committed to providing a platform to its female members where they can equally contribute to the organization's promising future and benefit from personal and professional growth. The election of the first woman vice-president, Ms. Hina Usmani, who received the second highest votes at the ICAP elections, and her remarkable contributions to the organization are proof of the wonders women can do in the profession.

The efforts of our CA Women's Committee and its members who have been working tirelessly in developing a stronger professional acumen in our female trainees and members cannot go unacknowledged. The launch of the CA Women's Directory, a compilation of details of over 350 CA Women who are eligible for appointment as independent directors on the Boards of public interest entities, will continue to facilitate women to embark on leadership roles. In addition, the CA women's committee continues to facilitate mentoring relationships between seasoned women mentors and trainees or female students aspiring to become chartered accountants, and has initiated various skill enhancement platforms and administers a supportive network where women can discuss challenges and propose solutions to problems faced by women in the profession. I am positive that these initiatives will add unprecedented value to the skill set of our female professionals.

For women to transform the way organizations are run, we need to create an environment that supports women in breaking glass ceilings and enable more women to step forward and take on leadership roles. I hope this issue of The Pakistan Accountant serves as a reminder of the need to accelerate our efforts in achieving leadership diversity.



**Iftikhar Taj, FCA**



# The Power to Transform – How Women Globally will Lead from the Inside Out

Moneeza Usman Butt, FCA

**7**ransformation in all aspects of life is a natural phenomenon. In fact, in the words of Heraclitus, the ancient Greek philosopher, “Change is the only constant in life”. Hence, over time we have seen a paradigm shift in the predetermined societal roles for men and women. Previously, men were envisaged as bearing the burden of driving the economy and politics of the world and women entrusted with behind the scenes responsibilities of tending to familial duties and household chores. However, with the population explosion, culminating in a figure of over seven billion people across the globe with almost an equal parity of men and women, the stereotyping of gender roles is not sustainable or viable. How can the world achieve advancement in any aspect, be it economics, technology, politics or society in general, with half of the population being deprived of the fair chance to partake equally?

There is an urgent  
need to understand  
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Over time,  
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humanity as we see  
greater involvement  
of women in various  
spheres of life.

With these thoughts in place, there is an urgent need to understand the dynamics of roles and responsibilities of the two genders. We see women achieving great accolades in academics and majority of them are securing top positions in school, higher secondary and even universities. Why is it then, that we do not see the same representation of women in the workforce? and why it does not translate into them adopting and pursuing professional careers or business ventures? It is a reality that a woman, who adopts a career path treads ahead professionally and she has to move onward in her personal life simultaneously in the form of getting married and building a family. This is where women are confronted with extreme challenges; as proving at work with endless hours on an assignment, often hinged with promotion, is concurrent with spending sleepless nights tending to a new born baby. Does this not sound like a herculean task for any person that affects one's physical, mental and emotional faculties? Only a handful of women confronted with such challenges if backed with some favorable circumstances, are able to march ahead as a real life illustration of Darwin's theory "Survival of the fittest." Alas! The intellect and talent that the world gets deprived of in the execution of this theory is in the least a shame. The world needs to reflect, in the larger scheme of things, whether such arrangement is fair and square or would it be more beneficial if a support infrastructure is in place so that the other half of the population can come forward and play their part in globally accelerating socio economic growth and development.

Over time, realization of the benefits of gender diversity and inclusion seem to have dawned on humanity as we see greater involvement of women in various spheres of life. Going back in time, almost a century ago, we can see how women have slowly but steadily proved to be a force to reckon with. In the 1900s one cannot but venerate the accomplishments of Marie Curie, the Polish and naturalized French physicist and chemist, and her contribution to the field of radio activity which made her the first woman to win a Nobel Prize, the first person and only woman to win the Nobel Prize twice and the only person to win the Nobel Prize in two different scientific fields. It would be relevant to quote here one of her famous sayings "Nothing in life is to be feared, it is only to be understood. Now is the time to understand more, so that we may fear less." It seems as if a century ago, Marie Curie was counselling women to shed their inhibitions and lead from the front.

The 1930s witnessed the accomplishment of Amelia Earhart, the first female aviator to fly solo across the Atlantic Ocean. A field construed to preclude any female admission especially in those times and for her to make a mark in it is nothing short of inspiration to other women. Her poignant words "Use your fear... it can take you to the place where you store your courage" carry enormous wisdom till today.

In 1940s, Noor Inayat Khan, also known as the spy princess, was the first Muslim female war hero, an undercover operative in France, who vehemently and bravely opposed the Nazi tyranny, with "Liberte" being her last words even when shot by her enemies.

Rosa Parks, an American activist, who in the 1950s, was called by the United States Congress, the "first lady of civil rights" and "the mother of freedom movement" provides profound inspiration to women through her courage and fortitude. Her words about transformation hold true even today. She said "To bring about change, you must not be afraid to take the first step. We will fail when we fail to try."

1960s witnessed Valentina Tereshkova, a Russian engineer and the first and youngest woman to have flown into space with a solo mission. She started with a modest beginning as a textile worker and an amateur skydiver before being selected for the Soviet Space Program. Her words "If women can be railroad workers in Russia, why can't they fly in space?" proves that there are endless possibilities and if women want, then the sky is the limit!

For Great Britain, 1970s became a huge game changer when Margaret Thatcher, the daughter of a green grocer, rose through political ranks to become its first female



prime minister. Labelled as “The Iron Lady” which became a nick name for her resounding leadership style, her celebrated words, “In politics, if you want anything said, ask a man; if you want anything done, ask a woman” have been quoted time and again to demonstrate the diligent and assiduous traits of women.

In 1980s, Wangari Mathai became the first African American to receive the Nobel Peace Prize for contribution to sustainable development, democracy and peace. Her struggle is remarkable and the advice she gave “African women in general need to know that it’s OK for them to be the way they are – to see the way they are as strength, and to be liberated from fear and from silence” holds true for not just women of her race but world over. In the same decade we witnessed Benazir Bhutto to become the first female prime minister of Pakistan and the first woman to head a democratic government in a Muslim majority nation. She very emphatically stated “It is not easy being a woman anywhere. Moreover, for women leaders, the obstacles are greater, the demands are greater, the barriers are greater and the double standards are greater.” How succinctly but blatantly she managed to describe the dilemma faced by women leaders world over. However, despite these “double standards” we witness the rise of women in leadership roles though few and far between, no longer being able to be obstructed by the glass ceiling and aspiring to break it into a million pieces.

1990s saw the phenomenal rise of JK Rowling and the hysteria she created with her wildly popular Harry Potter series, winning multiple awards and selling more than 500 million copies worldwide. Her “rags to riches” life story to become the world’s first billionaire author is awe inspiring and she motivates others by her words, “It matters not what someone is born, but what they grow to be.”

The two decades starting from 2000 saw a surge in female activism with Malala Yousuf Zai becoming the youngest Nobel Peace Prize recipient and champion of girls education activism, to Hilary Clinton who struggled for the Violence against Women Act and negotiated a cease fire between Israel and Hamas in 2012, becoming the first female to run for presidency in USA, to Serena Williams, regarded as the greatest tennis player with 23 times grand slam wins and winning 2017 Australian Open being two months pregnant, with Sheryl Sandberg the COO of Facebook and the Founder of the Lean In Foundation inspiring women all over the world to achieve their goals, to Jacinda Arden the New Zealand Prime Minister supporting feminism and one of the most popular female world leaders, to Greta Thunberg, aged 17 creating a global movement for climate change and becoming Times Person of the Year 2019 highlighting the fact that where there’s a will there’s a way and no limitations of age, size or gender can stop you from achieving your goals if you put your mind to it.

With some these prodigious examples from the global scenario it is imminent that women will be emerging in greater numbers than before as leaders in different fields. It is no longer a question of how but of when, and that when does not seem to be too far away. There is a global movement for women to be provided adequate infrastructure to pursue their careers. Such gender diversity ratings are used by certain multinationals in determining their future business prospects with stake holders. The pressure on regulators is immense as well to ensure that women are given a fair chance to prove their mettle in corporations which led to regulations for inclusion of women in corporate boards. A number of organizations are offering mentoring facilities to women to guide and counsel them. With such support initiatives, it is envisaged that sooner than later, globally women would be leading from the inside out.



Moneeza Usman Butt is a Chartered Accountant and a partner in KPMG Taseer Hadi & Co.

Rosa Parks, the “first lady of civil rights” and “the mother of freedom movement” provides profound inspiration to women through her courage and fortitude.

The two decades starting from 2000 saw a surge in female activism with Malala Yousuf Zai becoming the youngest Nobel Peace Prize recipient and champion of girls education activism,



# Strengthening the Role of Women in Business – Obstacles and Opportunities

Saira Nasir, FCA

■ e see a growing number of women in business and entrepreneurship. The year 2019 depicted some encouraging figures of women reaching the top. Thirty-three women have been appointed as CEOs of Companies ranking in the Fortune 500 list as compared to twenty-four in 2018. Although sizeable improvements have been made within the last year, the figure accounts to only 6.6% of these leading companies. (Source: Fortune 500 Female CEOs)

Challenges are a part of every business, but women are more likely to face these challenges compared to men. There are many examples of females facing a pay gap or a female entrepreneur naming a male co-founder for trustworthiness. However, this does not result in proving that women are less successful than men. Recent statistics show that women are starting businesses at more than twice the rate of male-majority-owned businesses. The growing success rate of women entrepreneurs shows that they are resourceful and able to succeed, despite the odds.

Research has also proven that companies with a better female employee ratio tend to show better financial results and productivity as compared to organizations with lesser number of female employees.

This discussion does not just revolve around the issue of sexual harassment or gender bias but there are few more issues which are big hurdles for women to shine in the corporate sector. The hurdles faced are vast and often very different than those experienced by their male counterparts. The key challenges encountered by women entrepreneurs are:

## Defying Social Expectations

It is very clear that women's equality is still a big business problem. Though, diversity has become a buzz word, the fact still remains that men tend to shy away from stronger women. Most women CEOs find themselves in a male-dominated



**Research has also proven that companies with a better female employee ratio tend to show better financial results and productivity as compared to organizations with lesser number of female employees.**

industry or workplace that does not want to acknowledge their leadership role. The challenge here is the paucity of female role models. When women try and look for leaders whom they can vie with, they are left behind. While male leaders are many and they train their successors with full potency, whereas, a women leader unfortunately learns everything the hard way.

However, this challenge is slowly minimizing as more and more women are entering as managers, politicians, presidents, CEO's and in the next few years to come, it is expected that, there will be more female leaders who will become role models for the generations to follow. Successful female CEOs believe that remaining true to oneself and finding one's own voice is a key to rising above preconceived expectations. Staying abreast on issues that present challenges for women in business and learning how other women overcame their own obstacles in the business world help in overcoming these challenges.

### **Coping With the Fear of Failure and Acknowledging Your Own Success**

In any business venture, failure is a possibility. In many cases, women let their insecurities keep them from dreaming big. Failure should not be perceived negatively, or as an excuse for abandoning your goals. The road to success is paved with losses, mishaps and mistakes, but it can still lead you to where you want to go. The pre-requisite is that you don't lose sight of your ultimate destination.

Women should work through moments of self-doubt and not wait for perfection before starting their business or taking on a big promotion. Take into account all the feedback but filter out the noise and learn from your mistakes.

### **Lack of Investors' Confidence**

Mostly, the financiers are reluctant to extend financial assistance to female-led projects.

One way to overcome this issue is by working to get more female investors involved in supporting one another. They should try and seek the support of such groups who are working towards encouraging female investors and are providing them with an enabling environment to the female entrepreneurs to grow through both funding and strategic educational workshops.

### **Absence of a Support Network**

Having a robust support network is essential for entrepreneurial success. Most of the female entrepreneurs and professionals feel that there is a lack of available advisers and mentors, limiting their professional growth. Majority of the

high-level businesses are dominated by men, therefore, it can be hard for women to carve their own path and facilitate the introductions and connections into some of the elite business networks.

While finding the right support system may not be easy, women-focused working networks and events organized by various organizations to encourage women in corporates and businesses may be a good start.

### **Work-life Balance**

The most inherent limitation of working women are their family commitments. A slight change in trend is being noted, mostly in western countries, that men volunteer to act as stay home dads but are vastly outnumbered in this area. Still, a common perception remains that mothers at home are best for the kids. Women entrepreneurs with kids have dual responsibilities, one of their business and the other of their family. Devoting sufficient time to both is truly achieving that elusive work-life balance. For many women, the failure to achieve this balance has forced them to leave their successful careers before the birth of their first child.

**Research has also proven that companies with a better female employee ratio tend to show better financial results and productivity as compared to organizations with lesser number of female employees.**

Hiring more women is not only profitable for the business, it also makes for a better place to work. Gender diversity in leadership roles evidently contributes to more effective and inventive decision making, sturdier stakeholder relationship management and increased organizational performance.

In the recent years, there is a visible shift in the approach and fortunately, the culture is changing and the corporate entities are endeavoring to bridge this gender gap by allowing women more flexibility, but private and government institutions are far behind. The shifting laws of maternity leave, facilities of working from home and availability of reasonable Day Care Centers are factors contributing to provide an enabling environment for working women. To strike a balance, women need to learn to set their priorities objectively.

Despite all odds, women of today can rightly be called as the new-age corporate women.



Saira Nasir is a Chartered Accountant and a freelance consultant, heading E-Learning Pakistan.



# Gender Equality and Women Empowerment

Farheen Shehzad, ACA

**\$** McKinsey Global Institute study estimated that closing gender gaps in economic participation would increase global gross domestic product (GDP) by 26 percent by 2025, adding \$28 trillion. Gender inequality is a global issue as half of the world's population is not participating in economic activity resulting in economic failures. Gender equality and women empowerment is also Goal 5 of the Sustainable Development Goals (SDGs) adopted by United Nations to create a sustainable global economy, to which Pakistan is also a signatory.



## Women constitute almost 50% of the population in Pakistan, but they constitute only 24% of the work force. In economic participation, Pakistani women have been ranked 126 out of 128 in the world 123 out of 128 in educational attainments.

Women empowerment recognizes women's rights to education, access to quality health care, work opportunities, equal pay rights and political participation, etc. It can only be achieved by educating women, developing their skills and confidence, making them cognizant of their rights and providing them equal opportunities to work. Women empowerment and increased economic activity are therefore directly linked.

Pakistan lags far behind its counterparts in Asia with respect to women rights and equality. The women peace and security index ranks Pakistan as 4th amongst the countries termed worst for women in terms of their peace, security, inclusion and justice. Gender discrimination is faced by women due to various social and cultural norms, which creates an economic imbalance. There is a need to collectively take action to curb gender inequality from the country.

Women constitute almost 50% of the population in Pakistan, but they constitute only 24% of the work force. In economic participation, Pakistani women have been ranked 126 out of 128 in the world, 123 out of 128 in educational attainments, 121 out of 128 in health and 43 out of 128 in political empowerment. Female employment rate in Pakistan is the lowest (4.3%) in the world. The World Bank, in its Pakistan@100 initiative, has identified inclusive growth as one of the key factors in a country's successful transition to an upper-middle income country by 2047. However, these targets require women participation in the workforce to rise from current 24% to 45%.

### The country is not utilizing the full potential of half of the population which is a distress to the economy.

The major reason of economic imbalance is the lack of education. Half of the Pakistani women have not attended school. Another reason is women have the primary responsibility to look after children and elders. As a result, women do not have enough time to upgrade their skill set and do full time jobs, so they confine themselves to home based or rarely, part time work opportunities. Nearly 65% of female doctors do not work after marriage, 80% of business graduates sit at home after marriage and less than 10 % of educated and uneducated women are entrepreneurs. The

country is not utilizing the full potential of half of the population which is a distress to the economy.

Despite these glooming statistics, Pakistani women continue to prove themselves on different platforms whenever they are given an opportunity, may it be politics, banking, aviation, science, medical, engineering or finance. Women are working with utmost credibility and dignity. There is a need to recognize their efforts and provide them with an enabling environment. Women entrepreneurs should be given easy access to financial resources and working capital to start up new businesses. Women's contribution may act as a catalyst to increased GDP.

Even in Islam, it's not obligatory on women to confine themselves to their household. They are encouraged to get education and work. There are various examples in Islamic History; Hazrat Khadijah (Holy Prophet's Wife) was a famous business woman in Arab; and under the governance of Khalifa Umer (R.A), women used to participate in trading market of goods and services, where Shaffa bint-e-Abdullah was appointed as the supervisor of the market. So, it is proven that women have never been debarred from contributing financially towards their families and societies.

Gender diversity brings a positive impact on corporate performance. It is evident from various examples across the globe that countries focusing and investing on women empowerment tend to grow at a faster pace and more equitably. A self-sufficient woman is necessary for a self-sufficient country. Women can play a vital role in the economic prosperity and in poverty eradication. The recent initiative by SECP for inclusion of a female director on the Board of listed companies will also provide an opportunity to women to step up the ladder. However, there are still gaps that need to be filled, as women inclusion is imperative to economic development. It is necessary to make them economically independent to curb the gender gap that exists in our society. Empowering women means empowering a nation. When both men and women positively contribute to the economy, it is only then that Pakistan can progress towards becoming a developed nation.



Farheen Shehzad is Chartered Accountant currently working as Unit Head Financial Management at UBL.

# CA Girls Nurturing Program

Bushra Iqbal, ACA

*‘An initiative of CA Women’s Committee  
to bring more women in the profession  
of Chartered Accountancy.’*



## Currently, female students of The Institute of Chartered Accountants of Pakistan (ICAP) comprise 20% of the total student population, which depicts an increase of 2% since the year 2017.

### Why the Need for CA Girls Nurturing Program?

The profession of Chartered Accountancy is becoming one of the most preferred professions globally for women. The overall percentage of women studying accounting worldwide was approximately 49% in 2019, up from 48% in 2013. However, female Chartered Accountants in Pakistan are only 8%, significantly lower than the global ratio of women in this profession and even below the regional standards of 22% in India and 30% in Sri Lanka.

Currently, female students of The Institute of Chartered Accountants of Pakistan (ICAP) comprise 20% of the total student population, which depicts an increase of 2% since the year 2017.

The CA Girls Nurturing Program (GNP) is an initiative of the CA Women's Committee of the Institute, undertaken primarily to bring more women in the profession.

### Objectives of GNP

The objectives of the GNP are:

- To make the CA profession 'Larger than Life' amongst young girls, so that they choose CA profession over other accounting bodies.
- To groom and nurture young girls entering the profession and enable them to become successful leaders of tomorrow.
- To mentor and guide CA female students who are stuck somewhere in their academics so that they can complete their profession.
- To provide grooming opportunities to girls from underprivileged areas/parts of the society.
- To arrange for scholarships/financial assistance for girls with financial difficulties.

### Strategy

Previously, the Marketing & Communication (MARCOM) department at ICAP used to reach out to schools and colleges to build awareness of the CA profession amongst students. The GNP has built a broader and comprehensive strategy to attract female talent towards the CA profession while working in close co-ordination with the MARCOM team.

### Highlights of the Activities

Activities will be conducted in schools and colleges at the grass root level. GNP will be an annual engagement program and will have similar building blocks with enhanced creativity to attract female students.

Quarterly activities targeted at building a stronger brand image of CA Pakistan such as:

- Career counselling sessions will be arranged at schools. These sessions will be attended by both, parents and students.
- Introductory/open house sessions will be conducted at the Institute for all participating schools whereby female students from various schools will be invited to the Institute, with an opportunity to meet successful women Chartered Accountants.
- An initial ice-breaking event will be held at the targeted schools, such as a quiz, a business simulation game, a brief workshop on how to write an effective CV or a session on Enhancing your presentation skills.
- Activities like building leadership skills or a panel discussion on how the CA profession is different from other finance professions.
- Arrange visits to offices of the Patrons of the Girl Nurturing Program to help female students to understand the Corporate Culture and the various functions in an organization.
- Internship programs of six weeks during summer breaks for promising female students.
- All Pakistan quiz competition would be held annually, and female students across Pakistan will be encouraged to participate.

CA GNP is being run by members of CA Women Committee along with MARCOM in Karachi, Lahore and Islamabad under the leadership of Khursheed Kotwal, Senior Member CA Women's Committee.

Quarterly progress reporting will be made to the CA Women Committee by the responsible teams.



Bushra Iqbal is a Chartered Accountant working as Head of Reporting & Budgeting at Al Ghazi Tractors Limited.



# Women on Board

Bushra Aslam, FCA

The concept of Women on Board is somewhat new in Pakistan. Internationally, almost 20.0% of directors were women in 2019, up from 17.9% in 2018 and 17.3% in 2017. The Pakistani corporate structure is dominated by private companies. Approximately 94.65% companies are private and only 0.45% are listed companies. The other companies are section 42 companies and public sector companies.

At the end of financial year 2018, women occupied 416 Board positions in the public listed companies out of 3,942 total Board positions as per Women on Board survey. This number represented a percentage of 10.55%.

With the introduction of Companies Act 2017, the concept of mandatory female directors for listed companies came in existence in Pakistan. The definition of public interest company includes a listed company and as per section 154(d) of Act:

**“a. listed company shall have not less than seven directors: Provided that public interest companies shall be required to have female representation on their Board as may be specified by the Commission.”**

Further, Listed Companies (Code of Corporate Governance) Regulations, 2019 states:

**“7. Female Director - Subject to section 154 of the Act, it is mandatory that the Board shall have at least one female director when it is reconstituted after the expiry of its current term.”**

The current female directors on the Boards of companies are primarily associated with the owners of the companies. Majority of the companies in Pakistan are closely held family based companies whether listed or not. In order to fulfil the mandatory requirement, the existing directors of the companies tend to appoint females from their relatives as

directors. As their qualification and training is not up to the mark and to make them part of the Board, sometimes they sent these female directors to attend the Director Training Program from the approved institutions of Securities and Exchange Commission of Pakistan. But mere attendance at these trainings does not sufficiently equip them to play an active role on the Boards, as they mostly lack the requisite skill set.

As per the data analysis conducted by Women on Board at the end of financial year 2018, out of total 416 women directors, 290 or approximately 70% of women directors were related and 126 or approximately 30% women directors were unrelated.

In order to overcome this issue, The Institute of Chartered Accountants of Pakistan (ICAP), Women's Committee has constituted a committee of Women on Board. It has already launched the CA Women Directory 2020 at Pakistan Stock Exchange on January 24, 2020. The directory contains the names of qualified female Chartered Accountants along with their respective profiles who can serve Boards of listed companies.

In order to train the female Chartered Accountants and make them aware of the corporate world and its challenges, the Women's Committee would conduct training programs in collaboration with Women on Board on understanding of law, Board practices and role of directors in Karachi, Lahore and Islamabad. These were planned in March 2020, June 2020, September 2020 and December 2020 but due to COVID 19 these have been postponed.



Bushra Aslam is a Chartered Accountant and currently working as an Executive Director Information Security Department/Registrar Modaraba, Securities and Exchange Commission of Pakistan (SECP).

# CORONAVIRUS & Working-from-Cloud

Usman Zafar, ACA

#Lockdowns, #Social distancing and #Pandemic are the few buzz words which are in the air due to global spread of a novel disease called COVID-19 better known as Coronavirus. Apart from these terms, in professional circles, we have been hearing another term; 'Telecommuting' better known as Working-from-Home. News are coming in from all parts of the world that organizations have started to recognize Telecommuting as an alternate work style option and therefore, asking their employees to perform the office work from their homes in order to reduce the risk of virus spread. But the questions here are; Is this really possible? And, are we capable enough to put this in practice?

Telecommuting is an alternate style of working where unlike a conventional style people do not commute between their dwelling and work places for performing their official duties. Telecommuting is perhaps as old as conventional style of working but it was first came into formal fold in 1970's. This was still a fantasy until information technology revolution brought this to the limelight. Information Technology, where it revolutionized the other business sectors, also gave birth to new avenues of trade and business including, digital marketing, content writing, offshore outsourcing, freelancing and so on. All these business sectors either emerged or matured with the support of technology. So, to answer the question of possibility of Telecommuting, it is a big 'Yes', but devil always lies in detail.

The second part is our technological readiness to adopt this change in our environment. We all heard about the concepts of online storage and Cloud-Computing, which has been doing this trick for last many years therefore, instead of calling it

'Work-from-Home', we may term it as 'Work-from-Cloud.' Unfortunately, in Pakistan, a vast majority is still unable to adopt this practice due to various factors. Typical anti-change mindset has webbed arguments against Cloud-Computing as it did in the past with other technological advancements but time proved them all wrong. We understand that this is not an over-night change for setups, as it requires the futuristic approach, but sometimes the only option we have is to make or break.

"If the rate of change on the outside exceeds the rate of change on the inside, the end is near." - Jack Welch

We are not ready enough to embrace technology which has been knocking our doors since long, regardless that, its advantages are far more than its disadvantages. The major impediment to this changes is the organization's concerns over confidentiality and data security, which they feel could be compromised in cloud environment. With the current state of technology and advancements it had during last 8-10 years, experts consider these concerns over-valued.

So, we should not wait for, God forbid, another calamity like Covid-19 to hit us hard, for embracing the long-due inevitable.

"Change before you have to." - Jack Welch



Usman Zafar is a Chartered Accountant currently working as CEO ValYou Consulting.



# Beneficial Ownership – Opacity to Visibility

Farrukh Rehman, FCA

In February 2020, the Securities and Exchange Commission of Pakistan (SECP) issued proposed amendments to the Companies Act 2017 for public consultation.

The draft changes to the corporate law were consequent to the Pakistan Mutual Evaluation Report 2019 (MER) on Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) measures by Asia/Pacific Group on Money Laundering (APG). The MER stated that Pakistan needs to introduce legislation and regulations, as necessary, to require legal persons and legal arrangements to obtain adequate,

accurate and timely beneficial ownership information of the natural persons who ultimately own or control those structures.

Businesses can and should be a force for good, as they are in most cases across the globe. However, companies and other legal entities can be abused to facilitate corruption, tax evasion, money laundering and terrorist financing. In many situations, they are transnational by nature and the criminal activities adversely affect the markets and people, especially hurting the poorest in society.



## Under FATF recommendations, the database of beneficial ownership may be maintained as a national registry or by individual companies.

When corporate structures are used to launder money, this often involves adding layers of 'legal distance' between the beneficial owner and their assets. These layers are placed strategically in several jurisdictions making it difficult for the local regulators in accessing information and identifying the real owner of the assets.

With this background, let's now look into the most significant amendment in the Companies Act, which is the proposed section 123A 'Register of Ultimate Beneficial Owners'. Under this proposal, companies would be obligated to obtain information from their shareholders who are not natural persons, to identify the individuals who are the ultimate beneficial owners of the companies.

The term 'ultimate beneficial owner' is explained, under the proposed amendments, as a natural person who ultimately owns or controls a company and includes the person who exercises ultimate effective control through a chain of ownership or by means of control other than direct control of such percentage of shares, voting rights or controlling interest in that company.

The threshold of a minimum of twenty-five (25) percent of ownership or control rights of the ultimate beneficial owner in the reporting company through the multiple layers of intermediate holding companies has been proposed to be specified through the relevant regulations.

The collection of ultimate beneficial ownership information from shareholders of the company that are not natural persons has been proposed to be made within six months of the effectiveness of the amendment in the Companies Act, 2017.

Another important feature of the proposed changes is that companies, in addition to maintaining the register of ultimate beneficial ownership, would also be obligated to provide the beneficial ownership information of shareholders to the SECP through submission of a return.

As noted earlier, SECP has proposed these amendments to the Companies Act with the objective to bring in the necessary statutory requirements for technical compliance with the Financial Action Task Force (FATF) recommendations relating to the transparency and beneficial ownership of legal persons.

Under FATF recommendations, the database of beneficial ownership may be maintained as a national registry or by individual companies.

In these recommendations, it is also noted that beside access of government authorities and agencies to beneficial

ownership and control information, the financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) like accountants, lawyers, etc. should also be facilitated for obtaining and verifying the information related to beneficial ownership. Further, these recommendations also require countries to apply similar measures as those required for companies to foundations, trusts and limited liability partnerships, considering the specificities of their different forms and structures.

Internationally, the ownership transparency is becoming a new norm. Countries are following the course by implementing beneficial ownership registers, though pace of application and direction across jurisdiction varies.

United Kingdom, New Zealand, Singapore, Malaysia, Denmark, Ukraine are amongst the list of countries that have already prescribed the requirement for maintaining the register of beneficial ownerships. The European Union in 2018 has adopted the Fifth Anti-Money Laundering Directive, pursuant to which all EU member states are required to pass legislation creating publicly-accessible registers of beneficial ownership information. Canada has also prescribed the requirement to private federal corporations for creating and maintaining a new and separate register showing individuals with significant control. United States is moving towards beneficial ownership register. In October 2019, U.S. House of Representatives passed the Corporate Transparency Act 2019. Once enacted, this law would require corporations and limited liability companies to disclose their beneficial owners.

There is a view that beneficial ownership information from around the world should be linked and shared to form a 'Universal Beneficial Ownership' register. The proponents of this view consider that in the public interest, this approach would realize beneficial ownership data's potential in exposing transnational networks of illicit financial flows and improving transparency and governance. In this regard, several jurisdictions are bringing the beneficial ownership registers to public.

Organizations such as 'Open ownership' are working to consolidate all publicly available and voluntarily disclosed data of beneficial ownership. In fact, they have already made available the beneficial ownership data of over 5 million companies on [www.openownership.org](http://www.openownership.org). Anyone can carry out a free search and extract information about an entity or individual.

Both locally and internationally, we should expect to witness changing norms around corporate transparency, leading to more visibility.



Farrukh Rehman is a Chartered Accountant, partner A. F. Ferguson & Co. and ICAP Council member.



# What Accounting Professionals Can Learn from Academia

Dr. Muhammad Asif Jaffer

■ When we look for accounting expertise, we can find them in one of the three places. There are some in practice, some in industry and some in education. From personality and ethos point of view, accounting expertise can be categorized in two broad classes, that are, accounting professionals and accounting academicians. Accounting professionals encompass those in practice or

industry, whereas accounting academicians represent those associated with teaching accounting and research in higher education. The writer of this article has had the liberty of working in industry for almost ten years and then in academia for almost 12 years. During this professional journey, or to be more specific, learning journey, two relatively different mindsets have been



observed, with each having its own strengths and attributes. A combination of the two may be ideal, but probably not practically possible or even optimal. In this article, some of the strengths of academia have been discussed, which accounting professionals in industry and practice can learn from and to expand their perspective. In another article (second in this series), strengths and attitudes of accounting professionals in industry and practice shall be presented that academicians usually miss out and can learn from.

To start with, probably the first important attribute that differentiates academicians and professionals is entrusting attitude. For accounting professionals in practice, trust does not exist in the workplace; and even if does, it must be substantiated by sufficient objective evidence. We tend to trust documents, signatures, emails, far more than individuals. System and controls get supremacy over humans, and this is what professional accountants are usually taught and are known for. Regardless of whether this attitude is right or wrong, desirable or undesirable; accounting teachers in academia suffer least from this kind of attitude. They usually tend to accept words, and trust humans, even in absence of documentary evidence and keep the flow of work and information, rendering the documentation and formalities follow the main business. Generally, this results in more respect for humans and mutually entrusting relationships. It might have some costs, but probably the long term benefits outweigh the apparent short term costs.

If we reflect upon this difference deeply, one finds a very basic difference in the orientation of the two groups. In academia usually, truth is a norm and falsehood has to be established, whereas in professionals, falsehood is taken as a norm and truth needs to be established (express or implied). One might argue that there are little financial consequences of mistaken trust in academia than in the industry or in practice. However, the writer believes that we can learn to be trusting from academia and reduce the tendency of distrust, giving more importance to humans rather than tasks, systems and

control. Many a times, both can go together, yet a basic sense of a different orientation and trust need to be realized.

Another related attribute that accounting experts in academia have more is tolerance. Not exactly tolerance for defiance per se, but tolerance for genuine human issues and resulting defiance. System controls and penalties are assumed to be there to fulfil some objective and facilitate, not as an objective for itself and to penalize per se. As such, providing rooms for genuine policy violations can be seen relatively more in academia than in professional

## The most important attribute that differentiates academicians and professionals is entrusting attitude.

settings. There can be a debate on the extent to which such tolerance and compromises can be made, and where it eventually leads, yet the take is that we, in professional settings usually do not consider tolerance as an option. Special cases and exceptions, not to the extent of favoritism, but to the extent justifiable, are more frequent in academia than in professional settings.

Another facet of this tolerance is what one can call intellectual accommodation. Good academicians, though having a highly scholarly name, fame and publication, keep room for differing opinions and opposing ideas. Good academicians are seldom found making sweeping statements that show conclusiveness of their opinions, but carry an element of 'it can be wrong'. Professionals, on the other hand, are usually more ego centric in their interpretations and opinions than good academicians. A statement that is

usually attributed to Imam Shafi is worth mentioning, he says "I am convinced about the veracity of my opinions, but I do consider it likely that they may turn out to be incorrect. Likewise, I am convinced about the incorrectness of the views different from mine, but I do concede the possibility that they may turn out to be correct". Good academicians are more close to this stance in making and delivering their understandings and opinions.

Thirdly, when faced with a problem to solve or a decision to make in a business context, academicians are more focused on analyzing the problem and understanding the root cause than reaching a solution. Research lies at the root of problem solving exercises in academia. Though costs delays in solutions which probably an academic context can afford, the solution, though late, usually addresses fundamentals and is long sighted and sustained. Problem solving in professional settings is very quick and objective but usually symptoms oriented which gives only a short term solution, and usually results in symptoms in other areas in the workplace, as the root cause remains unaddressed.

Finally, a liberty that accounting experts in academia enjoy more is the quality of life. This is usually referred as work life balance in professional literature. However, this is a misnomer as work is for life, not the other way round, so work must follow. It is not that there are no deadlines or compelling targets, or lack of earning opportunities, for the writer has witnessed professors refusing to take extra paid classes on weekends. Yet good academicians value their personal and family time more than financial opportunities and are less inclined to compromise over it.



Dr. Muhammad Asif Jaffer is an Assistant Professor at The Institute of Business Administration (IBA). He is also a DBA, FCMA, MSCS and a certified SAP application associate.





# Passing through Economic Crisis

Khayam Nasim, FCA

How would the world look like after COVID 19? Experts are trying to assess social and economic impact; however, nothing can be substantiated at this point of time. The only thing which is quite certain is that the aftermath of this pandemic is another economic recession across the world. As pointed out by Organization of Economic Co-operation and Development (OECD), the global economy will suffer for years to come. Currently, the focus of international leaders is to implement control measures in order to reduce the spread of the novel virus and save precious human lives. While the governments are locking down cities to ensure social distancing, and rightly so because it is proven as the most or arguably the only effective measure so far, it comes at a significant cost. Unfortunately, the cost is severe in terms of adverse economic and financial consequences.

Although, many governments are intervening with bailout packages to manage the economic damage being caused to avoid L shape of economic downturn curve, U shape negative effect is still expected. This becomes more threatening for weak economies in general and particularly Small and Medium Enterprises (SMEs) of such countries. Considering the expected slow recovery of the economy, despite support packages from the governments, SMEs in developing countries would be soon forced to apply strict measures to sustain. In such desperate times, there is a probability that crucial actions are taken with a determination to fix this debacle quickly while ignoring long term focus, resultantly compromising on future growth strategies. In order to avoid such a situation, critical factors must be evaluated to ensure a balance between short and long-term plans. This very need of organizations increases the significance of strong leadership

where financial impact of available options is assessed with a clear picture of the future in mind and making the right choices to sail their companies through the economic recession. Some of the key actions, their pros and cons, and the considerable aspects are discussed below.

## Staff Layoff

Most commonly, when organizations face an economic burden, the first step is to reduce the workforce. While this makes a lot of sense that the staff level must be aligned with the level of operations, it can have profound effect on moral of the employees in the short term and growth rate of the organization in the long run. As said in HR, 'firing an employee is like firing a bird, you fire one and the rest fly themselves.' Thus, it is very important that the process for redundancy is managed properly so that the resulting negative vibes can be controlled. Similarly, a careful assessment of redundancy cost (severance pay, Golden handshakes, possible legal cost etc) versus cost savings must be done to ensure that the decision makes financial sense. Another significant factor to be kept in mind is potential economic recovery. Sooner or later, the economy would gain an upward inclination on the growth curve, providing opportunity to the players to regain the growth momentum. At that time, companies would need experienced and capable resources to capitalize on available opportunities. If an organization lacks the necessary resources, this would leave a room for competitors to seize the major share. Therefore, due care must be taken when taking decisions regarding staff layoff. Alternative of downsizing, companies can rationalize their



resources among different functions as well. To illustrate, inter department relocation to strengthen the key functions can be considered a better option than firing a performing employee in one department due to redundancy while having shortage in another. However, necessary skill set must be accounted for before deciding such movements.

### Cost Control

Another action along with staff reduction is cost cutting. Economic challenges carry a blessing that they give organizations an opportunity to review operational activities, identify no or low value adding expenditures and take corrective actions to save money. Since most of the cost in short term, including salaries, are fixed, companies normally put strict control on variable costs. Although it is sensible to reduce the operational costs in line with volume decrease, it is also critical that a reasonable investment is maintained in necessary activities such as financially feasible projects, capital investments, marketing activities, and human resource development programs to ensure that the company remains compatible with the market. The difficulty here is to find the right balance, which requires a reasonable review of the financial and economic indicators. On one hand, strict expense control can not only result in losing profitable projects but also makes an organization incompetent in the long run, while on the other hand, expenditure on nonessential activities or risky projects could lead to disasters. Hence an exhaustive review must be done before executing cost cutting plans and proper monitoring must be continued on regular basis.

### Improve Operational Efficiency

This provides a quick breathing space in testing times. At the beginning of an economic recession, organizations must perform a thorough analysis of their operational processes, functional practices and sourcing options. By removing the bottlenecks, enhancing productivity or reducing processing cycles, efficiency can be improved which reduces cost of operation. Similarly, negotiating price with vendors, securing better payment terms or finding new suppliers with decreased cost of purchase, could also save a lot of money that can be used for potential viable projects/investments. Having said that, this needs to be done carefully as the cost of switching a supplier and changing the existing process, may cause damage to the quality of product and loss of business ultimately. Considering that, appropriate testing and trial must be given reasonable attention before any decisions are made.

### Working Capital Management

As the organizations enter economic crisis, working capital management becomes a big challenge. Organizations that are rich in cash enjoy much relief while the burden is felt by companies struggling with cash availability. Additional pressure comes from the market in the form of collection difficulties, extended credit terms requests from customers, liquidity crunch and default of certain customers (mostly small businesses). Actions to ensure timely collection of receivables, managing right level of inventory to guarantee that the customers are served without interruption but neither piling stocks nor losing orders, and paying creditors based on credit terms rather than being generous, enhance the ability

to live in challenging times. A strong cash pipeline established in growing times also supports to finance the running operations during recession. It also provides flexibility in making choices and gaining a competitive advantage in tough conditions such as securing volume, funding longer projects, capital investments, and even acquiring a struggling competitor. A healthy cash reserve is the biggest safeguard in tough conditions; however, it requires watchful monitoring and sensible utilization. Without careful decision making, a risk of burning own funds and becoming bankrupt is not unimaginable.

### Future Focused Mindset

Actions must be focused on future growth. Be it the decision of divesting from a non-profitable business segment to avoid burning the cash flow, acquiring a low volume but cash cow business to support necessary operational activities in short run, avoiding or entering into price war, offering extended credit terms or emphasizing on working capital management, exiting any market or entering into a new one, introducing a new product or removing an existing portfolio, borrowing for financing a possibly feasible project or holding back the investment, organizations must keep their focus not only on survival during economic turmoil but also on growth strategies in the long run. Any decision with short sightedness would not only make potential growth vulnerable after economic recovery but could also threaten the very existence of the company. For example, investing or delaying an investment in AI or Data Science may be proven as key factor for the success or failure of a company in the future. Likewise, reducing prices to secure volume today could make it very difficult to regain it in future and result in loss of overall sales. However, contrary to the popular practice of offering discounts, competing on value addition and maintaining quality for the customers could have competitive disadvantage now but lead to strong market standing in the future. Therefore, due diligence with the right mindset is mandatory before making such decisions.

To conclude, economic slowdown seems inevitable with a potential risk of no or very slow recovery in near future. In such testing times, leadership of an organization would have to take strong steps to ensure survival. There is no impeccable solution for facing this challenge but some of the above-mentioned approaches may help the management to remain competitive in the market and walk through tough economic conditions. However, it is highly important that any action taken in this regard should not compromise future growth strategies.

Disclaimer: The views expressed in the article are of the writer, and do not represent view of his organization.



Khayam Nasim is a Chartered Accountant currently working as Country Finance Controller in a multinational company.



Companies often find it difficult to decide what is material. Consequently, rather than exercising judgement about what to include in financial statements, they use the requirements in the International Financial Reporting Standards (IFRS) as if they are a checklist. This results in financial statements that comply with the accounting requirements but do not communicate information effectively to investors.

# Making Sense of Materiality

**T**he accounting concept of materiality means that only information that is important to investors needs to be included in the financial statements. Information about trivial matters can be excluded. Even though this sounds straightforward, applying the concept in practice is not always easy.

Companies often find it difficult to decide what is material. Consequently, rather than exercising judgement about what to include in financial statements, they use the requirements in the International Financial Reporting Standards (IFRS) as if they are a checklist. This results in financial statements that comply with the accounting requirements but do not communicate information effectively to investors.

The International Accounting Standards Board (IASB) is working to make the communication of financial information more effective. Hence, helping companies to decide whether information is material is an important part of the Board's **Better Communication in Financial Reporting** theme for the next few years.

## Concept of Materiality

Whether information is material is a matter of judgement. The concept of materiality works as a filter through which management sifts information. Its purpose is to make sure that the financial information that could influence investors' decisions is included in the financial statements. The concept

of materiality is pervasive. It applies not only to the presentation and disclosure of information but also to decisions about recognition and measurement.

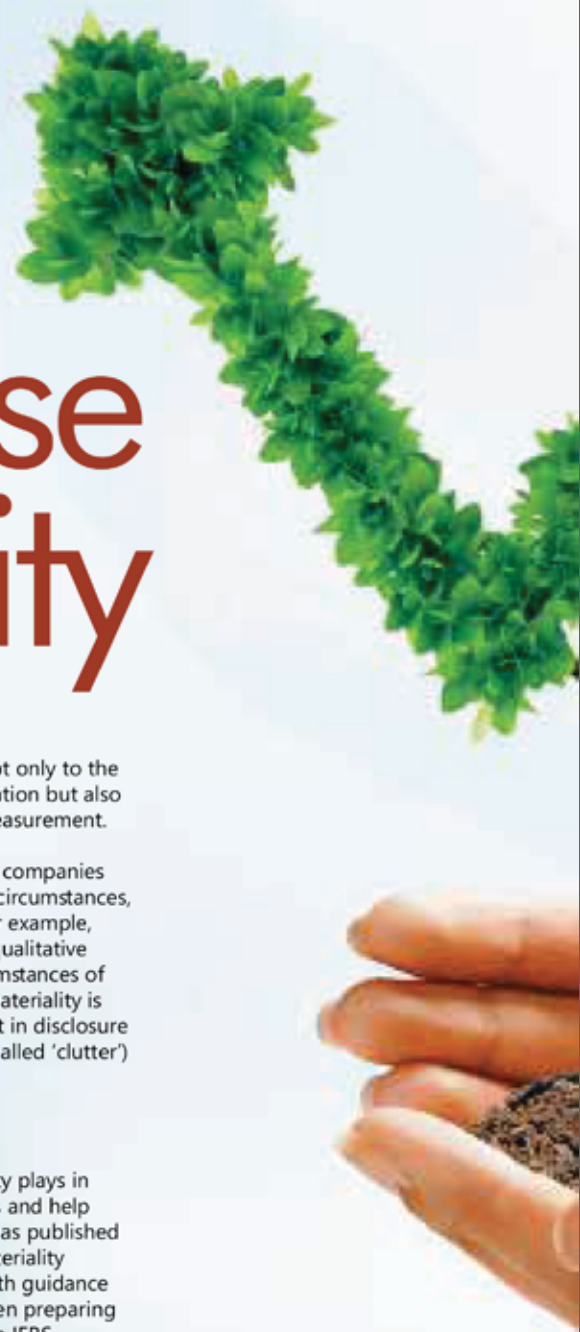
When making materiality judgements, companies need to consider a range of facts and circumstances, including both quantitative factors (for example, how big the amount involved is) and qualitative factors (for example, the specific circumstances of the company). When the concept of materiality is not applied appropriately, it may result in disclosure of too much information (sometimes called 'clutter') or too little information.

## Practice Statement

In order to reinforce the role materiality plays in the preparation of financial statements and help companies exercise judgement, IASB has published IFRS Practice Statement 2, Making Materiality Judgements. It provides companies with guidance on making materiality judgements when preparing financial statements in accordance with IFRS Standards.

This non-mandatory document gathers in one place all the IFRS requirements on materiality and adds practical guidance and examples a company may find helpful in deciding whether information is material.

It also suggests a four-step process for companies to follow when preparing their financial statements. Applying that four-step process, a company:





The concept of materiality works as a filter through which management sifts information. Its purpose is to make sure that the financial information that could influence investors' decisions is included in the financial statements.

- Identifies information that has the potential to be material;
- Assesses whether the information identified is, in fact, material. In other words, whether an investor could reasonably be expected to be influenced by the information when making investment decisions;
- Organises the information so that it is communicated in a clear and concise manner; and
- Reviews the draft financial statements considering materiality from a wider perspective and as a whole.

In addition, the Practice Statement includes specific guidance on how to make materiality judgements

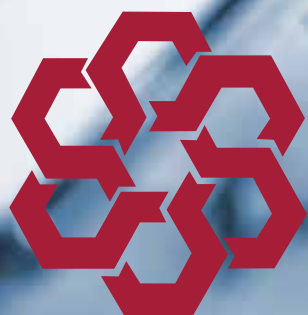
on prior period information, errors, and covenants, and in the context of interim reporting.

### Changing Behaviour

Practice Statement is designed to promote positive changes in behaviour, encouraging companies to exercise judgement when deciding what information to include in their financial statements. For behavioural change to take place, however, it is important that companies, auditors and regulators work together towards the common goal of providing better information to investors.

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





# IFRS 9 – The Expected Credit Loss Method

Aamer Abdul Razzak, ACA

In Numerology, Number 9 is known as the number of Universal Love, though in the International Financial Reporting Standards (IFRS) 9 'Financial Instruments' was certainly not welcomed with much love.

After the financial crisis of 2007 and 2008, the accounting standard bodies were blamed for not adequately catering the impairment provisions of financial assets. The legacy standard was blamed to only recognize the incurred loss, not looking at the events and circumstances that have occurred resulting in impairment of the financial asset. This resulted in the emergence of a new accounting standard to deal with complex financial instruments.

## IFRS 9 - Timeline

The issuance of IFRS 9 was a lengthy process which started in July 2009 and the final standard was issued in July 2014, with effective date of period beginning on or after January 1, 2018 (i.e. almost a 4 year period for corporates and accounting managers to get ready for the new accounting standard). See diagram on page 29

## Key changes

Some of the key changes brought about by IFRS 9 are as follows:

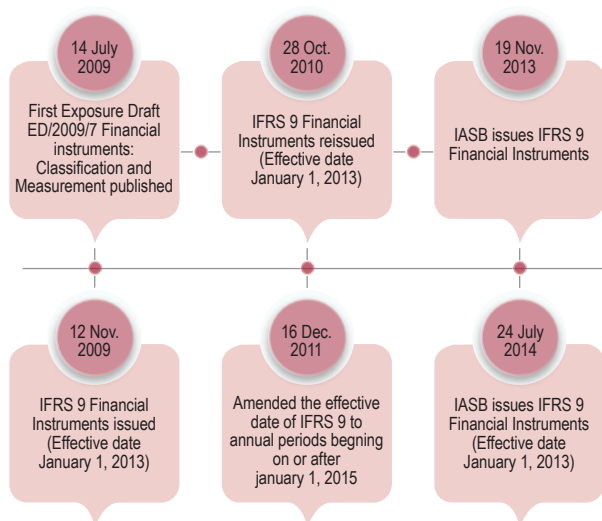
- The classification categories of financial assets were changed, previously, we had four classifications i.e. Held to

maturity, loans and receivables, fair value through profit and loss (FVTPL) and available for sale. These were replaced with categories that reflect measurement, namely amortised cost, fair value through other comprehensive income (FVTOCI) and FVTPL.

- IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the entity's business model for managing the financial asset, whereas IAS 39 bases the classification on specific definitions for each category.
- Under IFRS 9, embedded derivatives are not separated (or bifurcated) if the host contract is an asset within the scope of the standard. Rather, the entire hybrid contract is assessed for classification and measurement. This removes the complex IAS 39 bifurcation assessment for financial asset host contracts.
- IFRS 9 introduced the concept of Expected Credit Loss method for impairment testing of financial assets. In addition to past events and current conditions, reasonable and supportable forecasts affecting collectability are also considered when determining the amount of impairment in accordance with IFRS 9.
- IAS 39 allows certain equity investments in private companies for which the fair value is not reliably determinable to be measured at cost, while under IFRS 9 all equity investments are measured at fair value



## IFRS 9 - Timeline



## Expected Credit Loss (ECL) Model

Among the changes brought about by IFRS 9, the introduction of the ECL model was the most talked about. Under the ECL method, an entity always accounts for expected credit losses and changes in those expected credit losses. In other words, an entity does not wait until a credit even has occurred before credit losses (or impairment) are recognized. This exercise of impairment testing has to be conducted at each reporting date.

There are two approaches laid down in IFRS 9 for assessing impairment using ECL method namely, the general approach and the simplified approach.

**General approach** – It's a two-step approach where the entity initially measures the expected losses that may occur in 12 months' time. However, if the credit risk increases, lifetime expected losses are to be recognized.

**Simplified approach** – This applies to trade receivables and contract assets within the scope of IFRS 15 and lease receivables. Under the simplified approach, the entity at all times must recognize lifetime expected credit losses rather than using the two-step process under the general approach.

## How to calculate the ECL/or how to build an ECL model?

IFRS 9 provides the following guidelines on what factors should be accounted for when developing an ECL model:

1. An unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes.
2. Time value of expected recovery (Cash flows).
3. All reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

Example: (ECL calculation using valuation method). An entity has trade receivable of Rs. 100 million from a customer. The

company believes that following outcomes are possible along with the expected probability weightage.

Scenario	Description	Probability weightage
Scenario 1	All receivables will be received within normal credit period of 60 days	60%
Scenario 2	50% payment will be received within 60 days and remaining 50% after a delay of 1 year	30%
Scenario 3	50% payment will be received after a delay of 1 year and 50% will not be recovered	10%

The relevant discount rate is 10%.

The calculation of expected credit losses will be as follows:

	Expected Cash flow	Probability weightage Cash flow
Scenario 1	100	$100 * 60\% = 60$
Scenario 2	$50 + (50/(1 + 10\%))^{*1} = 95.5$	$95.5 * 30\% = 28.7$
Scenario 3	$50/(1+10\%)^{*1} + 0 = 45.5$	$45.5 * 10\% = 4.6$
<b>Total</b>		<b>Rs. 93.3 million</b>

Impairment Loss to be recognized:

Rs. 100 million – Rs. 93.3 million = Rs. 6.7 million

Alternatively, a provision matrix approach can also be used where a default rate can be applied to different age brackets of amounts receivable. For e.g. Rs. 100 million in the age bracket of 0-30 days overdue can have a default rate of 1%. The ECL calculated will be Rs. 1 million.

## Specific Exemption in Pakistan

In Pakistan, the companies suffering from circular debt approached Securities and Exchange Commission of Pakistan (SECP) to exempt them from the application. These companies believed that amounts receivable from Government of Pakistan (GoP) being sovereign should not be impaired, further these companies do not have any control on the settlement of these outstanding circular debt, hence they should not be penalized for it.

SECP through its SRO 985(I)/2019 granted exemptions to companies holding financial assets due from the GoP, the requirements contained in IFRS 9 with respect to application of Expected Credit Loss Method till June 30, 2021. These companies will follow the relevant requirements of IAS 39 – Financial Instruments: Recognition and Measurement in respect of financial assets due from GoP.



Aamer Abdul Razzak is a Chartered Accountant and an experienced finance professional, currently working as Senior Manager Finance in Hub Power Company Limited.



# Audit Oversight in Pakistan – A Slippery Slope

Omar Haroon, FCA

**\$**udit Oversight Board (AOB) was established in Pakistan in 2016 in order 'to function in the public interest and enhance the quality of audit of financial statements of public interest entities.' Financial audits play a valuable role in enhancing financial reporting quality, and consequently increasing investors' confidence in reported financial performance and decreasing cost of capital. However, there are concerns being raised by accounting and finance professionals regarding the efficacy, mode of operations and enforcement by AOB. This article describes the global emergence of oversight over auditors, its antecedents and implications for auditors and auditees. This article also contains a framework to think about a structured way of implementing such oversight mechanisms.



Financial audits play a key role in enhancing financial reporting quality and increasing investors' confidence in reported financial statements.

Pakistan's corporate paradigm is relatively different in a number of ways from several developed countries.

Up to the start of current century, auditing profession around the world has largely been self-regulated around the world. Since then, the quality of corporate governance, especially financial reporting and auditing, came into serious scrutiny following several high profile corporate scandals. Several reforms were introduced in many countries to strengthen the corporate governance regimes as a response to such growing concerns. One stream of such reforms has resulted in establishment of public oversight systems of auditors in different countries. For example, Public Company Accounting Oversight Board (PCAOB) was created in the United States in 2002. Many developed and developing countries including Australia, Brazil, Canada, China, Finland, Ireland, Japan, New Zealand, Norway, Russia, The Netherlands, and Turkey have similar structures for public oversight of auditing profession. With 55 regulators from around the world as members, International Forum of Independent Audit Regulators (IFIAR) is increasingly becoming a platform for exchanging ideas and solutions for such regulators.

Westermann, Cohan and Trompeter, in an article published in 2018, document institutional context of creation of PCAOB. The article argued that a series of audit failures in early 21st century can be attributed to a shift in position of auditing profession from a public service to commercial activity in the preceding two decades. The scope of work of auditing firms expanded into other lucrative businesses including advisory, legal services, cyber security, human resource services, advertising and marketing campaigns. The perception of auditors shifted from being dedicated professional 'watchdogs' to entrepreneurs. These shifts in the audit 'market' and public perception led the US government to replace self-regulation with statutory regulation, passing Sarbanes-Oxley Act and establishing PCAOB. Speaking at a conference held at University of South Florida in 2014, Martin Baumann, Chief Auditor at PCAOB announced that, "Audit self-regulation is dead and independent audit regulation and oversight, around the globe, is alive and well."

Despite increased regulation and oversight, the IFIAR found 'serious problems' with 40% of 918 audits they inspected in 2017<sup>2</sup>, raising concerns about the quality of audits around the world. The Australian regulator found deficiencies in 20% of the audits they inspected for the 18 months ended June 30, 2018<sup>3</sup>. One intended or unintended consequence of such regulations is what is now called 'inspection risk'. This risk is exhibited in the auditors' response to increased regulation and oversight. The auditors carry out audit work which can be described as a good quality audit, but then they add more work just out of fear of inspections. This behaviour impacts the cost and (in)efficiency of audits. Another major concern is capital markets' perceptions of PCAOB inspections and reported deficiencies. There have been concerns raised regarding investors interpreting the reported deficiencies as indicators of quality of audit firm as a whole. The audits chosen for inspections may not be a representative sample, and therefore, such perceptions can be misleading. Daugherty and Tervo (2010)<sup>5</sup> reported perceptions of leadership at audit firms which were inspected by PCAOB. They highlighted the difference in opinions between small and large audit firms. The smaller firms felt that PCAOB inspections resulted in negative consequences for the firms (e.g., decreasing acceptance and retention of public audit clients, increasing hours and billings on engagements, and decreasing their ability to attract and retain audit personnel). However, the larger firms reported positive outcomes of the inspections. A major criticism of such inspections was that while the audit was being carried out, auditors need to make judgements based on the facts known at that time. PCAOB inspections are carried out much later when much more information is known about the client and industry which unfairly put the auditors' judgement in bad light. The authors also reported that, "the firms collectively disagreed that PCAOB inspections are an improvement over the prior peer-review process". In this study, the questions were also raised on the qualification and experience of PCAOB inspectors, especially with regards to industry-specific knowledge.



External audits are designed to primarily reduce the information risk in the financial statements being presented by managers (agents) to the shareholders (principals). Pakistan's corporate paradigm is relatively different in a number of ways from several developed countries. An example of such differences is concentration of ownership within few hands in Pakistan as opposed to dispersed ownership common in North-America and other developed economies. Agency theory posits that shareholdings by managers can help align their incentives with interests of shareholders. Considering the above, it seems essential that Pakistani regulators and policy makers need to cater for the local context while borrowing regulations from relatively developed world. Code of Corporate Governance, for instance, could be an example of importing regulation without robust, rigorous research into the local context. The Investigation Committee of the Institute of Chartered Accountants of Pakistan (ICAP) is entrusted with investigating breaches of auditing standards and principles by the auditors in Pakistan. A cursory review of the committee's annual reports reveal that very few cases have been reported which might be considered as serious financial crimes. It is either a testament to the quality and competence of our Audit firms or to the lack of incisiveness of existing quality controls at ICAP.

While implementing an oversight over auditors, the authorities might want to think about tradeoffs between costs and benefits of voluntary and mandatory compliance mechanisms. Kirchler et al. (2008)<sup>6</sup> developed a framework of thinking about tax compliance by citizens in an economy which can be modified for this purpose. They proposed that "in conditions where trust in (tax) authorities is low and power of authorities is weak, it is likely that citizens seek to maximize their individual outcomes by evading taxes, bringing compliance to a minimum...". However, "compliance increases with the power of the authorities to raise audit and detection probabilities and to inflict severe fines". Such increases in compliance are assumed to yield diminishing returns such that, "similar increases in compliance can be gained only by increasingly high investments in power". The framework also proposes that, "compliance increases with the degree of trust (in authorities)". Therefore, "High compliance can result both under conditions of strong power of the authorities [enforced compliance] as well as under conditions of strong trust in the authorities [voluntary compliance]." This framework has been successfully tested in several countries.

Dowling et al. (2018)<sup>7</sup> adapted this framework for studying the audit inspection regime in Australia. Figure 1 below describes their adapted version of the framework. This study concluded that, "partners perceive the regulator's enforcement style has shifted from being more collaborative to being more coercive. A consequence of this shift is that partners believe the development of trust between the two parties has been inhibited and a forced compliance climate has emerged. In response, firms have mandated strategies to increase the visibility of compliance, such as increasing mandatory use of checklists. Audit partners express some concern that oversight of the profession has resulted in firms adapting their audit process in ways aimed at minimizing inspection risk and not necessarily improving audit quality."

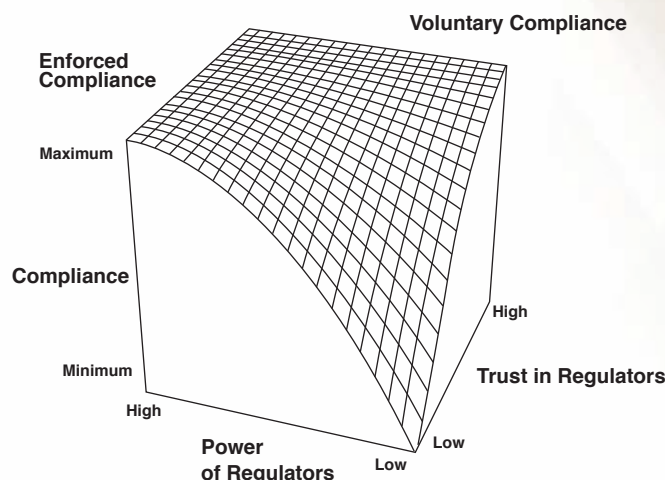


Figure 1: Slippery Slope of Audit Inspections

Source: Dowling, C., Knechel, W. R., & Moroney, R. (2018). Public Oversight of Audit Firms: The Slippery Slope of Enforcing Regulation. *Abacus*, 54(3), 353-380.

These dimensions of effectiveness in enforcement and trust in its operations need to be carefully monitored in order for Audit Oversight Board (AOB) in Pakistan to achieve the objective of "...enhancing the reliability of quality and effectiveness of audits of public interest companies".

There have been several concerns raised by accounting and auditing professionals on different platforms regarding the objectives, ability and operations of the AOB. These concerns need to be addressed quickly and effectively in order to restore trust and build better audit infrastructure in Pakistan. We should learn from the experiences of countries where such oversight has been implemented in the last few years. Building trust of the auditing community on the objectives and mechanisms of oversight board should be of immediate concern for the regulators. This should lead to enhanced efficiency and efficacy of the AOB, while reducing costs for auditors and other stakeholders.

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Omair Haroon is a Chartered Accountant and a PhD in Accounting, working as Assistant Professor at Lahore University of Management Sciences (LUMS).





# Strengthening Anti-Money Laundering Regime

Bilal Hassan

According to the Financial Action Task Force (FATF), money laundering is a criminal act of processing the criminal proceeds with the purpose to disguise their illegal origin. Pakistan will remain in the grey list of the FATF until it fully implements the 27-point action plan by February 2020. However, the international terrorist financing watchdog has further extended the deadline until June 2020 with the warning of stern action in case of its failure in combating money laundering and terrorist financing. Needless to mention that the FATF was established in 1989 to combat money laundering and terrorist financing by setting standards, providing policy support and helping member countries in implementation of policies.



According to the Financial Action Task Force (FATF), money laundering is a criminal act of processing the criminal proceeds with the purpose to disguise their illegal origin.

Undoubtedly, a considerable amount of money is being laundered every year in Pakistan. According to the March 2020 report on Pakistan by the US State Department of International Narcotics Control Strategy, the black market, the informal financial system, and the permissive security environment generate substantial demand for money laundering and illicit financial services. It is estimated that around \$40 billion have been sent abroad during the last 40 years with the aid of money changers and exchange companies.

Money is being laundered from and within Pakistan through different channels. Hawala and Hundi is the most prominent channel. Under invoicing of exportable commodities is another source of money laundering. Moreover, benami transactions are also major sources of money laundering and terrorist financing. Taxable persons also exploit/misuse certain provisions of the Income Tax Ordinance, 2001 (ITO 2001) for this purpose. For example, gifts and remittances are exempt from income tax under the provisions of ITO 2001. Taxable persons laundered untaxed money by declaring them gifts and remittance in the tax returns. Similarly, tax rate on prize bonds is less as compared to maximum tax rate on the income of individuals. There is a considerable tax evasion through buying and selling of prize bonds by business individuals. Major facilitators and enablers in money laundering include money changers, exchange companies, professional accountants and persons employed in the financial institutions such as banks, trust companies, insurance companies, brokerage firms, and investment dealers.

Money laundering defeats the government's efforts to accelerate economic growth by distorting investment and depressing productivity by diverting resources to less productive activities and encouraging luxury imports, contributing to a widening trade deficit. Money laundering also broadens fiscal deficits by depriving the government from much-needed tax revenue as laundered money is usually untaxed. Less than the required revenue, forces the government either to close the existing growth-oriented projects or discourages the government to take on similar new projects and hence, limits job opportunities. Limited revenue also impacts negatively on the quality of public service delivery in vital sectors such as education, health, security, etc. So, money laundering has serious adverse effects on the economy and society. Therefore, curbing money laundering is

essential and the role of the FATF is of utmost significance in this regard.

The government of Pakistan is fully committed to curb money laundering. The Anti-Money Laundering (Amendment) Act, 2020, which received the assent of the President on 21 February, 2020, was published in the official gazette of February 27, 2020. The main objective of the Act 2020 is to strengthen the existing Anti-Money Laundering Act, 2010 so as to enable the Financial Monitoring Unit's admission to the Egmont group, which is the requirement under the FATF recommendations for avoiding blacklisting. The Act 2020:

- Enhances a monetary fine for the offence of money laundering from Rs. 1 million to Rs. 5 million;
- Requires a reporting entity to maintain and keep record of Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) up to 10 years instead of 5 years;
- Increases period for provisional attachment of property involved in money laundering from 90 days to 180 days, which can be extended up to 180 days by the Court;
- Enhances term of imprisonment for failure to comply with the suspicious transaction reporting requirements or providing false information from 3 years to 5 years besides increasing a monetary fine from Rs. 100,000 to Rs. 5,00,000; and
- Extends term of imprisonment for disclosure of information prohibited from disclosing from 3 years to 5 years besides increasing a monetary fine from Rs. 500,000 to Rs. 2 million.

Furthermore, to strengthen the anti-money laundering regime, predicate offence relating to tax evasion under ITO 2001 has recently been included in the schedule of the AML Act. The predicate offences concerning income tax evasion to be investigated and prosecuted under the provisions of the AML Act include: giving false statement knowingly and deliberately for verification in any return or any other document submitted under the ITO 2001 will be predicate offence, provided tax sought to be evaded is Rs. 10 million or more; knowingly or recklessly using false National Tax Number (NTN) in return or in any other prescribed document where tax sought to be evaded is Rs. 10 million or more also constitutes predicate offence; and knowingly and willfully aiding, abetting, assisting, inciting or inducing any other person to commit an offence under ITO 2001 which results in tax evasion of Rs. 10 million or more.

Certain offences under section 33 of the Sales Tax Act, 1990 are included in the list of predicate offences and are punishable under AML Act. These offences include: Submission of false or forged documents to tax authorities; destruction, alteration, mutilation or falsification of the records, including sales tax invoice; knowingly or



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fraudulently making false statement, false declaration and false representation; giving false information or issuing or using forged or false documents; and committing or causing to commit or attempting to commit the sales tax fraud or abetting or conniving in commissioning of sales tax fraud.

Inter alia, the offences under section 19(3) of the Federal Excise Act, 2005 also included in the list of predicate offences and include: Illegally removing, storing, keeping or withdrawing of goods; conveying, removing, depositing or dealing with goods to defraud the government of the excise duty; evading or attempting to evade excise duty fraudulently; claiming, taking or availing adjustment of inadmissible excise duty; and manufacturing dutiable goods in contravention of the provisions of the Federal Excise Act, 2005 or the Federal Excise Rules, 2005.

For the purpose of investigating and prosecuting aforementioned predicate offences concerning taxes, the Directorate General of Intelligence & Investigation (Inland Revenue) has been notified as investigating and prosecuting agency pursuant to section 2(j) of the AML Act to investigate and prosecute the predicate offences concerning sales tax, federal excise duty and income tax mentioned in the schedule of the AML Act.

More importantly, to curb money laundering and terrorist financing due to benami transactions, the Benami Transactions (Prohibition) Act, 2017 (Benami Law) was gazetted on February 17, 2017. Subsequently, the Federal Board of Revenue (FBR) issued the Benami Transactions (Prohibition) Rules, 2019 through SRO 326(I)/2019 of March 11, 2019 to make the benami law operational.

Dealing with tax evasion and black money especially in the real estate sector; adequately punishing the ultimate beneficiary and persons who abet or induce any person to undertake benami transactions; enabling the tax authorities to seize benami property, including the

proceeds from such property and to prosecute those indulging in such activities; bringing unaccounted money into the fiscal system; shutting down channels for the flow of illicit financial funds, whether proceeds of crime or financing of terror activities; and restoring the credibility of Pakistan's financial system are the major goals associated with the implementation of the Benami law, among others.

It is because the Benami Law prohibits a person from entering into a benami transaction, which is defined as a transaction where a property is transferred to a person (a benamidar) but the consideration for such property has been provided or paid by another person and the property is held for the immediate or future benefit, direct or indirect, of the person who has provided the consideration (the beneficial owner); a property transaction carried out in a fictitious name; a property transaction where the owner of the property is not aware of, or denies knowledge of, such ownership; or a property transaction where the person providing the consideration is not traceable or fictitious.

Moreover, the Benami Law provides strict punishments for persons entering into benami transactions. Any person found guilty of the offence of benami transaction or holding benami property will be punishable with imprisonment of at least one year, which may extend up to seven years; and fine up to 25% of the fair market value of the property. Furthermore, any person or any officer upon furnishing false information or documents to any authority in any proceeding under the Benami Law will be punishable with imprisonment of at least six months, which may extend up to five years; and fine up to 10% of the fair market value of the property. However, instituting prosecution will require approval of the FBR.

Besides the above, a series of measures for curbing money laundering and terrorist financing have been adopted by the Security and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP).


In conclusion, it can be said that Pakistan has introduced sufficient legislation on curbing money laundering and terrorist financing in the recent past, but complete eradication of money laundering and terrorist financing depends on how effectively the concerned authorities and agencies will implement the legislation. The future will tell us whether these measures prove effective in curbing money laundering and terrorist financing.



Bilal Hassan is currently working as an Additional Director Intelligence & Investigation (Inland Revenue) at the Federal Board of Revenue (FBR).



# Why automation is a positive turning point for accountants



**What's wonderful about machines is that they do the same things the same ways all the time. But that's also their downside — once programmed, the math doesn't change.**

**No matter how proficient machines become in automating transactional accounting tasks, they will never come close to the abiding value of an accountant — his or her judgement.**

It's a downer these days to be an accountant. Business literature overflows with ominous articles proclaiming the anticipated demise of many accounting jobs, with robotics and other automated software solutions playing the role of villain. In an era of lightning-fast machines processing traditional accounting tasks, companies are told they need fewer accountants on the payroll.

That's good news for businesses eager to trim labour expenses, but not much of a ringing endorsement for the future of the profession. Like everything in this era of hyperbole and superficial "hot takes" on Twitter, the implications are more nuanced than robots trampling accountants.



Here's my gist: It actually will be machines that unlock an accountant's ability to share their judgement, enriching their employment experience and perceived value within the organisation. No matter how proficient machines become in automating transactional accounting tasks, they will never come close to the abiding value of an accountant — his or her judgement.

I'm not attacking automation, which is a boon to every profession, accountants included. What's wonderful about machines is that they do the same things the same ways all the time. But that's also their downside — once programmed, the math doesn't change. At least not yet. If there are two things in my career I've learned, it's that the accounting rules constantly change and when this happens it requires accountant judgement. As much as accounting is mathematical, it is also *sophical* — requiring intellectual assessment.

## As much as accounting is mathematical, it is also *sophical* — requiring intellectual assessment.

This is not to say that certain aspects of an accountant's job won't vanish. If 75 percent of an accountant's work involves rote processing of spreadsheet-based data, software automation tools that can perform these tasks more efficiently, accurately and rapidly will assume these labours. Accountants are left with the remaining 25 percent of work they currently perform, involving discernment and judgement. The more these aptitudes can be applied to the strategic needs of the enterprise, the greater an accountant's employment value.

In other words, rather than marginalise the importance of an accountant in an organisation, financial and accounting automation software increases it. It unlocks the business analyst, entrepreneur, and manager within accountants, emancipating us from the mundane work occupying a majority of our time.

## Progress is Unstoppable

The current pressures on the accounting profession are nothing new. In my former job as an audit senior manager at PwC, I remember a few of the audit firm's more seasoned partners laughing about how they audited in the old days, cranking out sums on their 10-key mechanical adding machines, with the white tape running through the night, all prior to the development of Lotus 1-2-3 spreadsheets.

I also vividly recall my college accounting professor describing what it was like to study accounting when he was in college in the early 1970s. Students used to roll out 10-20

## The Computers are Coming

Probability of computerisation (1 = certain)



Source: The Economist/"The Future of Employment" by C. Frey/M. Osborne (2013)



feet of general ledger paper in the dormitory hallway to line up debits, credits, and T-accounts — the set of financial records using double-entry bookkeeping.

Spreadsheets blessedly replaced the practice, yet there was an initial reluctance to relinquish traditional practices. Many accountants were put off by the idea of entering numbers in 'cells' instead of a calculator and saving analyses in a computer rather than physically filing them as paper. Today, using spreadsheets is a virtually subconscious behaviour, despite what then appeared like a ground-breaking tectonic shift in the profession.

## Technology marches on, often leaving people behind. Both auto workers and accountants are at risk of displacement by machines. But specialists remain special.

Past is prologue, with financial and accounting software automation now untethering accountants from spreadsheets. The profession shifts with the advent of new technologies, as do all occupations. In the early 20th century, for instance, cars were built one at a time. Twenty generalists circled a car and attached different components. Then Henry Ford came along with the assembly line. Each worker now became a specialist doing one thing, focused on a carburetor or an intake manifold instead of every component, vastly increasing the speed at which a car was manufactured.

Technology marches on, often leaving people behind. Both auto workers and accountants are at risk of displacement by machines. But specialists remain special. This is certainly the case with accountants, assuming they continue to provide value. In today's more porous and collaborative work structures, there are ample opportunities to do just that.

### Retain and Retrain

Accountants have long been relied upon to produce accurate financial information to ensure clean audits and compliance. This is still the case, but the tools with which they provide this service are much better today. With machines assuming repetitive transactional tasks, accountants are liberated to apply their intellects to the business needs of colleagues across the enterprise. Sharp accountants can offer penetrating risk analyses, precise forecasting and other strategic advice.

The challenge is that many accountants are not trained to flex their entrepreneurship skills, which are valued for effective communications and collaboration. I'm a case in

point: All of my major courses in college were in finance and accounting. The university taught entrepreneurship, but the class was outside the core accounting curriculum. Historically, the profession is one where people work in isolation — hence the stereotype of the accountant in a green visor crunching numbers.

There is an obvious solution here: For companies to retrain accountants to provide strategic advice across the enterprise value chain. Let the machines generate the numbers; accountants can analyse their significance for varied business and process owners to enhance the organisation's long-term financial performance. In these collaborations, the job of the accountant is to interpret the meaning of the numbers on behalf of those closest to the business.



As accountants strategically assist their colleagues' decisions, they become more exposed to the risks and opportunities of different corporate functions and departments. The more they learn about the nuances of the business, the more valuable their analyses and advice.

What a waste to pare the ranks of these highly skilled individuals. By empowering accountants with powerful software tools to gather and make sense of wide-ranging performance data, decisions across a business become more informed and insightful. And a job in accounting is anything but a downer.

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# Islamic Banking System - Reality vs. Deception

Shahbaz Farooq, ACA

## Today's Economic Structure

Today, we are living in an era where there are two predominant economic systems controlling the overall social, political and monetary infrastructure. On one side, we have Capitalism which introduces global financial crises after every couple of decades to ensure its survival. Whereas, on the other side, we have Socialism which miserably failed in the 18th and 19th centuries but recently regained its powers in China and Russia. There are, however, advocates and critics of both systems in the world. But the question is, why are these systems so important for us. Although Pakistan was founded on the ideology of Islam, still, we as a nation have failed to introduce any Islamic economic system based on our foundational ideology. Whereas, if we look at the Muslim world, majority of the countries are primarily following mainstream Capitalism.

## Does Islam Provide any Alternative Economic System?

In reality, the Muslim world today does not have any theoretical or practical economic system in place. There is no mainstream research going on which can claim to be a competitor of either Capitalism or Socialism. Was this the situation from the beginning or did we lose the economic race in the last few centuries? Let's take a look.

**The Islamic Banks or Islamic Windows of Conventional Banks are operating under the current international banking system.**





## Interest is prohibited in Islam; There is consensus among all Islamic scholars regarding the prohibition of interest.

The human history shows us that all the prophets/leaders (revolutionaries for their nation) who succeeded in bringing a change in their society covered all aspects of human life, especially the economic and social aspects. Each religion or ideology, when it was truly implemented, provided a comprehensive solution to their society.

However, the day it (or its followers) failed to provide a solution, a gap was created which was then filled by a succeeding ideology/religion. The same process was applied to Islam. Today the Islamic world has failed to provide any ideological solution to the increasing economic problems of industrial & digital age. This, in turn, gave an opportunity to Capitalism & Socialism to lead our social & economic systems for the last 200 years.

Until the agricultural economic era, Islamic political infrastructure succeeded in providing a comprehensive economic system to the society. The ability to provide a system for the society was one of the primary reasons for Islamic ideology to spread and rule across major regions of the globe. However, after industrial revolution, the Islamic community did not provide any economic system sufficiently addressing the world's needs. Therefore, similar to other religions, today Muslims can practice certain rituals and prayers of their religion which are related to individual deeds. But they are absolutely unfamiliar whether Islam provides any alternative solution to today's Capitalism or Socialism.

### Why do Muslims Detest the Banking System?

We, as Muslims, believe that interest is prohibited in Islam; There is consensus among all Islamic scholars regarding the prohibition of interest. Therefore, as a society we discourage the banking system, we even discourage our youth who consider career opportunities in banks or related financial industries. Due to this, we try to avoid dealing with banks to the maximum extent possible.

Under these circumstances, instead of providing a comprehensive economic solution, the Islamic world began to come up with principles of Islamic Banking (IB). The objective of IB was not to provide an alternative economic system in comparison to either socialism or capitalism, but to capture the untapped wealth of Muslim population, which is currently not a part of the mainstream banking system. Therefore, we can see that major western banks spent millions of dollars in research to open their IB arms, although they have no interest in Islam.

### The Deception of IB System

In order to understand the deception of the IB system, let's take a quick example of the current IB system in which all principles of IB are compiled without challenging the overall banking infrastructure. Therefore, the results received from IB are even worse than the outcomes of Conventional Banking (CB) system.

## All Islamic laws came with an objective; they are introduced to implement an outcome, not mere rituals.

The Islamic Banks or Islamic Windows of Conventional Banks are operating under the current international banking system. Where, each bank has to follow respective central bank's monetary policy. This means that IB cannot lend to its customers with interest (mark-up) rates less than the central bank's monetary policy. In Pakistan, any Islamic Bank today, cannot lend money on less than 13.5% interest (mark-up) rate.<sup>1</sup>

As many preachers of IB believe that the difference between IB and CB is similar to the difference between 'Marriage' and 'Adultery'. In marriage, all matters are properly documented whereas in adultery documentation is missing. Unfortunately, the slavery of the last 250 years has taken our ability to understand the substance of law instead of its form. All Islamic laws came with an objective; they are introduced to implement an outcome, not mere rituals. The primary objective (among others) of a marriage is to create a responsible society where a man takes responsibility for economic and physical security of his wife and children. If the institution of marriage fails to achieve this objective, then it is, in no way better than adultery, irrespective of the nature or comprehensiveness of its documentation. Now, irrespective of the nature of documentation in IB, if IB has the same exploitative role as practiced by CB, then it is a mere deception to the general public.

### A Shocking Comparison

The principle of house loan the IB system is that the house will be owned by the bank and will be rented to the borrower. Based on a unit rate methodology, rent will be calculated for each unit. The borrower shall purchase the units from the bank through monthly instalments and pay the rent for the units owned by the bank. In this way, the borrower is paying rent instead of interest for the house/funds supplied by the bank. Let's take an example of a house loan and see the comparison between a CB and an IB:

Nature	Islamic Bank	Conventional Bank
+ RXVH9DQH	3.5 P LORQ	3.5 P LORQ
( TXLW 3RUWRQ	3.5 P LORQ	3.5 P LORQ
<b>Loan Portion</b>	<b>PKR 7.5 million</b>	<b>PKR 7.5 million</b>
/ RDQ' XUDWRQ	\ HDV	\ HDV
, QMUHAW 0 DUNXS 5 DMI		
7RMOCD, P HQWUP VWH ERWRZ HURYHSHURG RI QDQ WCKUH	3.5 P LORQ	3.5 P LORQ
<b>Total Interest / Extra Payment over 20 years</b>	<b>PKR 20.6 million</b>	<b>PKR 19.9 million</b>

6 RXUHP P DZ DJ DQD FRP

6 HSMP EHU

As per the above example, a borrower has to pay the interest/mark up of PKR 20.6 million to an IB in comparison to PKR 19.9 million to a CB. Coincidentally, the rent charged by an IB is very close to the interest charged by a CB. Whereas, the mark up rate of an IB is very close to the interest rate of a CB. How can this be possible if Islamic Bank is following Islamic principles rather than CB principles? In reality, these outcomes of IB and CB are based on principles of interest, as both are part of the same monetary and economic system.

Generally, a person can purchase a 151 square yard (5 marla) double portion house for PKR 10 million in Lahore, Pakistan. In 2019, the average rent of this house is PKR 40k. If a bank charges PKR 40k as rent per month for the whole loan period i.e. 20 years, then the total rental payment will be PKR 9.6 million which is PKR 11 million (114.5%) less than the mark-up (interest) charged by an IB (in the above example). This rental amount of PKR 9.6 million can further reduce if we use proportionate ownership of borrower over the period of loan tenure. So, in substance, if IB system is truly based on Islamic principles or working under an Islamic Economic System, then extra payment from the borrower would not be more than the market rent of the property purchased by the bank.

### Where does the problem lie?

In the above example, it is clear that there is no difference between the outcome of an IB vs. CB. If we do a little research, similar results would be received on other IB products. The issue does not lie with Islamic banks but it lies with the fundamental problem of our economic system. In Capitalism, whatever principles one uses, the result will always be in favour of the base economic system. One cannot implement true IB unless the fundamental economic principles are redefined; which provide alternative solutions to problems currently addressed by Capitalism and Socialism. Otherwise, the deception of IB is good for spiritual peace but in essence, it is a younger sibling of CB.

### The Way Forward

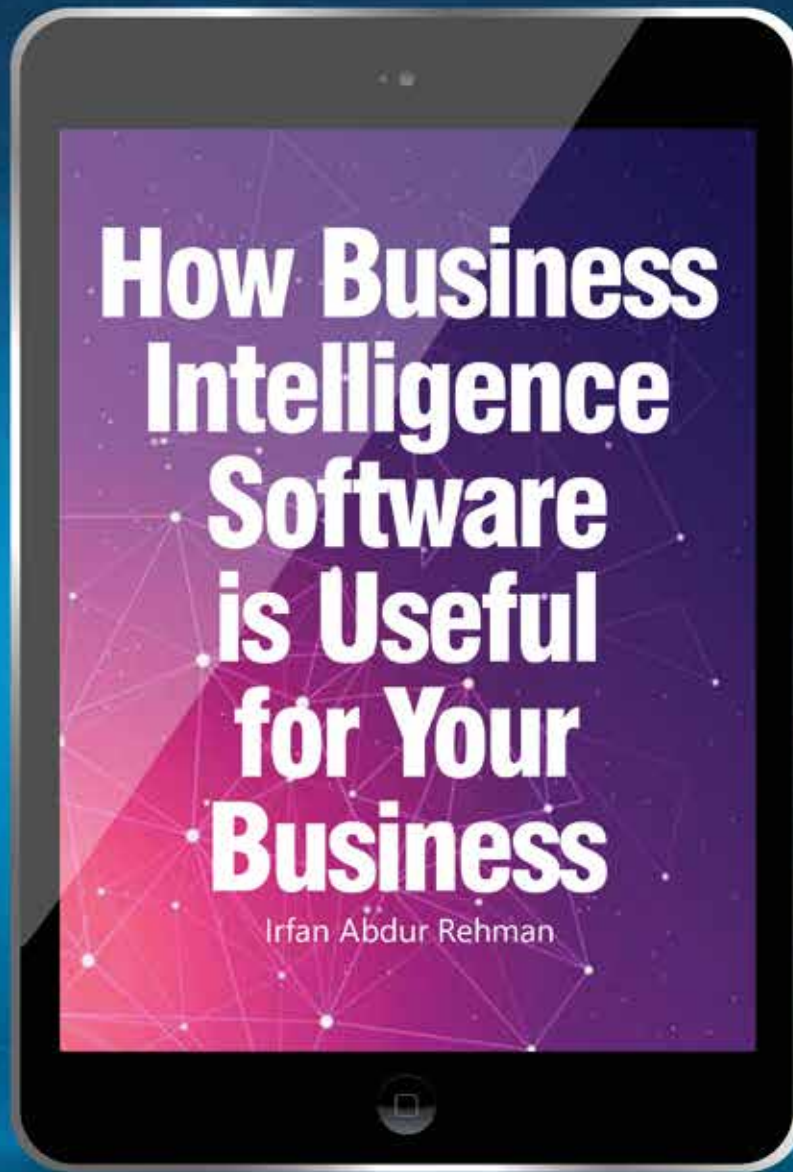
In order to define a fair economic system based on righteous principles of Islam, our universities need to play a great role in this transformation, especially Islam in order to formulate an interest free economic system addressing today's economic problems. They need to collaborate with religious and historical institutions to understand how successful societies in the past have lived a prosperous life and which economic principles they have used. It is inevitably a long journey but if we go towards the right direction, we can come up with a real IB system, not a deception.

<sup>1</sup> September 12, 2019 – 1 year KIBOR



Shahbaz Farooq is a Chartered Accountant working as manager in PwC - Middle East (Abu Dhabi). He is also a member of ICAP Economic Advisory and Government Relations Committee.





**I**n today's customer-centric, digital-first world, many business owners and managers are bombarded with 'information overload' and are urgently seeking ways to derive greater control, understanding and intelligence from their organisation's data.

One of the best solutions to this increasing problem is to adopt a Business Intelligence (BI) strategy but, in reality, many companies have been slow to do so due to a lack of awareness of exactly what it

comprises, where to start and how long will it take to see any benefit. The truth is, BI should be an essential part of your operation.

An increasing number of businesses have found BI a critical tool to ensure competitiveness and productivity. If you're a business owner or executive, you are aware of the difficulties of assessing everyday business data and operations manually. This is where business intelligence comes in.

The business intelligence market is growing with many tools available for retrieving, analysing and gaining value from raw data. Whether you are an industry giant like Amazon, a midsize business or a small size company, BI software can turn mountains of data into business opportunities for your organisation.

In this fast growing economy, the only option is to keep up and remain updated. A well-implemented BI software can help you compile complex data and make informed business decisions in a matter of minutes. Here is how BI software can increase your business for the better.

**BI should be an essential part of your operation. BI software can turn mountains of data into business opportunities for your organisation.**

### Data-Driven Decisions

Gone are the days when important business decisions were based on guesses and intuition. BI software helps the easy collection, rendering and analysis of data through the use of analytic tools.

Reports are automatically developed based on data gathered from business departments, social media efforts, sales, marketing leads, digital initiatives and more. This provides a quick return on actionable insights. Minimum time is spent in formulating reports and more time is spent considering potential outcomes and driving business decisions.

### Visualisation and Dashboards

Some reports can seem too abstract to interpret, reducing the ability to act on important metrics. BI software offer visualisation tools to provide a better understanding of historical data, real-time updates, forecasts and trends.

All information is in a centralised database and can automatically be converted,

merged and reported with intuitive data visuals. They can also be retrieved on dashboards through mobile devices and tablets, allowing instant access to key business metrics for marketing and sales.

### Market known BI Software

- Sisense
- Looker
- Yellowfin
- Tableau
- Microsoft Power BI
- IBM Cognos
- SAP Crystal Reports
- Domo
- Qlik Sense
- Oracle Business Intelligence (BI)

### Get to Know Your Customer

Customers are the backbone of any business. In order to get more sales and profit, a company must be aware of their customers' habits and needs to retain and attract new customers.

**An increasing number of businesses have found BI a critical tool to ensure competitiveness and productivity.**

BI software allows you to increase visibility into what your customers are buying and what they are not. Based on customer buying patterns, you can make informed decisions on whether to expand on certain products or scale back. It can also help identify selling opportunities at certain customer touch points and target them more effectively.

### Benchmarking

BI assists you to track where your business was, where it is now and where it is headed. The next generation BI software involves analysing data based on both qualitative and quantitative metrics to not only understand what happened,



but also why it happened. This helps an organisation to evaluate its capabilities, compare its strengths and weaknesses, identify trends and market conditions and respond quickly to change.

According to statistics Market Research Consulting (MRC), the global Business Intelligence (BI) market is expected to grow from \$15.64 billion in 2016 to reach \$29.48 billion by 2022 with a Compound Annual Growth Rate (CAGR) of 11.1%.

By assessing your performance in terms of customer and competitor experience, you can gain a complete view of prospective business opportunities.

## The next generation BI software involves analysing data based on both qualitative and quantitative metrics to not only understand what happened, but also why it happened.

### Productivity

Organisational goal and productivity can often be overlooked in businesses. With BI software, you can input quantitative goals such as sales or target delivery time and track its progress on a daily basis. You can get feedback from software on inefficiencies in your business by identifying internal trends and flagging who or what is underperforming.

With careful management of inventory and manufacturing expenses, you can identify cost-cutting areas in your business. By monitoring your inventory and modification production accordingly, you can increase your profit significantly.

### Conclusion

In an organisation, executives have a key role in the success of operations. Executives have to take decisions that directly affect the organisation. A wrong

decision based on a poorly informed source will lead to disastrous outcomes.

## BI software offer visualisation tools to provide a better understanding of historical data, real-time updates, forecasts and trends.

The implementation of BI will improve the decisions taken by the executives. The BI software will in fact empower all the employees with enough information and make them capable of decision making.

A lot of data is available in an organisation. Data can be related to employees, suppliers, purchases, payroll, financial data, sales data, etc. It becomes difficult to manage such huge volumes of ever increasing data. BI systems can make the management of these huge volumes of data easy through dashboards and powerful reporting tools.

## Those without implemented BI software are missing out on a powerful and cost-effective tool for increasing efficiency and forecasting outcomes.

Through smart use of your BI software, you can extract patterns and insights that would otherwise be difficult to find. Those without implemented BI software are missing out on a powerful and cost-effective tool for increasing efficiency and forecasting outcomes. When BI is implemented correctly, the benefits can be significant.

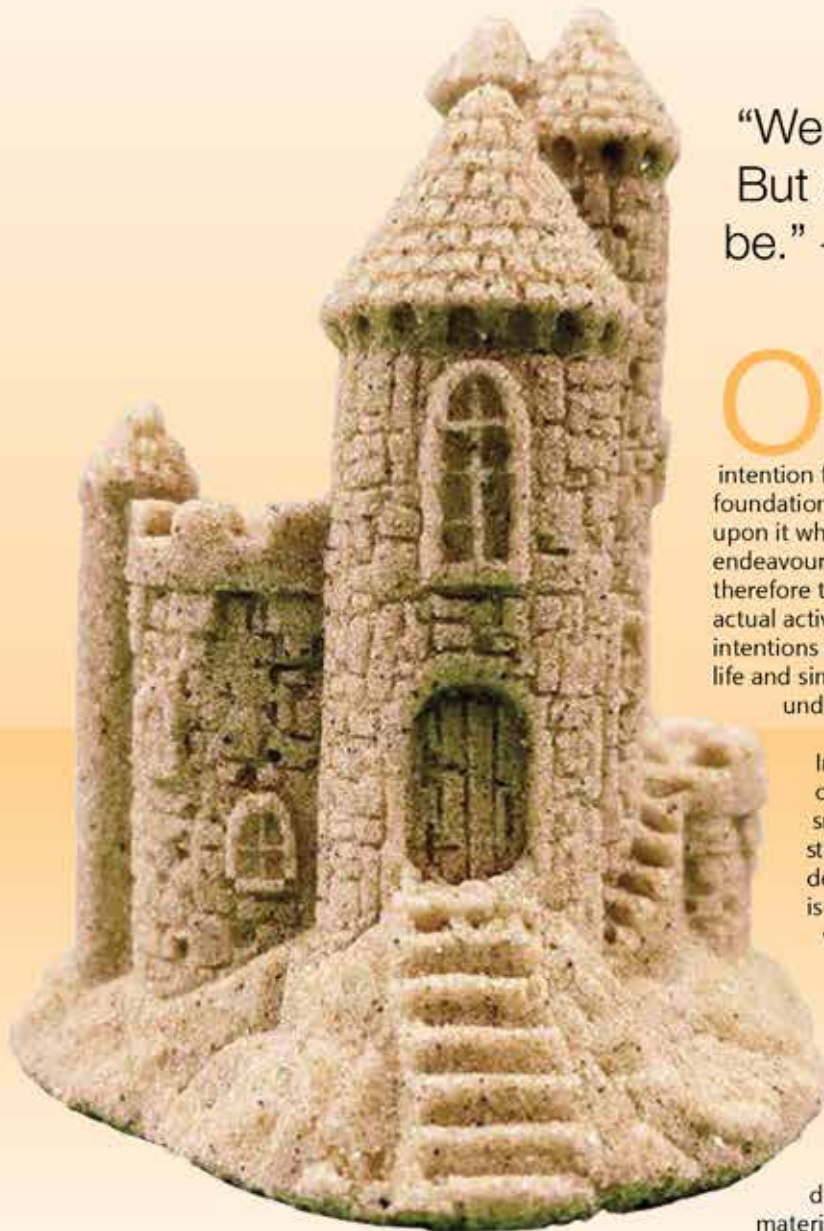


Irfan Abdul Rehman is Assistant Manager, Information Technology at The Institute of Chartered Accountants of Pakistan.



# Source to Energy – **Self-Development** & Self-Help to Understand the Role of Intentions in our Day to Day Life

Adil Farooq Qureshi, ACA



“We know what we are  
But know not what we may  
be.” – Shakespeare

**O**ur deeds are inspired by intentions. Intention defines the purpose behind the task and the outcome which would be achieved by performing that function. In other words, intention forms the basis of action. The stronger the foundation stone, the well-built/secure the construction upon it whether huge or tiny. Since it is only the endeavour that is in our control, not the outcome itself, therefore the intention gains more importance than the actual activity. We would discuss the inter-relationship of intentions and deeds to understand their role in day to day life and simple tools to harness positive energy from this understanding in various aspects of our lives.

Intentions give us the true energy for performing our functions whether biggest tasks or the smallest ones. The purer the intention, the stronger the inspiring force. Physically, the deed would be performed before its purpose is achieved, however metaphorically the intent would establish itself first and then would pull the action towards its outcome or result. At any rate, the intention becomes engraved into the act and cannot be separated. For example, every place of prayer does not come to be named as Masjid rather only the place established with the intention of remembering and spreading the Almighty's name. The real intention may be hidden and does not matter whether it is explicit or implicit, material or immaterial, worldly or natural, personal or



## Our deeds are inspired by intentions that give us the true energy for performing our functions.

impersonal. Interestingly, intention comes from the same word source as intensity, hence also gives us the power to sustain itself and carry on the task with certain momentum and zeal. American minister, Dr. Martin Luther King Jr. once wrote, "The means we use must be as pure as the ends we seek." Therefore, the real test of intention is the clarity of action. If there's no action, there's no intention. In the words of American talk show host, Oprah Winfrey, "Intention is one with cause and effect. Intention determines outcome."

So, what can we do with this knowledge in our professional and personal lives? The answer is simple: a solemn promise with our own selves of purifying intentions, continually defining and refining. We must take stock of our present and future deeds and the intentions under which we are performing those actions. We may not have previously thought about them or have been doing only because others said or did so. It is only a matter of choice, if we want to improve and take charge of our self-development or wait for others' help while wasting precious time of our lives.

Once we account for our actions, we can then start thinking about betterment or purity in our intentions. A genuine intention is clear, straight-forward, sincere, void of remorse and return, reminiscent and with the best interest at heart. Purity at heart translates into clarity and neutrality of action, steadfastness in beliefs, fresh perspective and breaking of pre-conceived notions or perceptions. This is nature that satisfaction and peace make way for those who keep on improving and learning. American poet, T. S. Eliot has said that there is no greater treason than to do the right deed for the wrong reason. Thus, we ought to work on this angle too apart from just following others' instructions. As intentions are cleansed and translated into transparency at heart, the obvious result is that the self-belief in one's own actions and their purpose increases to not only give confidence to the person but also appreciate the opinion of others. Self-belief leads the person to persistence and commitment to one's own actions because they would be backed by a thought out intention study.

True knowledge lies not only in knowing something, rather complementing it with action backed by earnest intention. The knowledge and learning which synchronises the person with the nature and universe is the real objective of learning. For example: if a person attains a certain educational qualification and starts behaving superior to others, would be unfair to the nature itself because all mankind is equal. Thus, if the acquirer of such 'academic degree' behaves in the aforesaid manner, the knowledge gained would be fruitless, rather dangerous. Only if the seeker of knowledge harmonises with the principles of nature or interpret them in

better manner for implementing effectively and efficiently, the real benefit of knowledge will be unveiled. Therefore, once again, it is reiterated that it is the eagerness, the will, the intent to acquire knowledge or self-growth and the purity of them that are of paramount significance.

It is said that – guard your thoughts as they become your words and your words, your deeds and your deeds, your character and your character, your identity – which in a nutshell means 'guard your thoughts – as they become your identity.' So much is the importance of what we think – that we cannot even begin to think what impact our thoughts have on ourselves, others around us and our environment. So, if we could just control or supervise what we think and more importantly, the way we think, it will lead us to the path of happiness and self-actualisation. No-one in the world would opt to be sad or angry, yet this is the actual outcome in many cases. Though the power has always been inside the human beings, we only do not know how to exercise it. A promise to ourselves to learn the effective and positive exercise of this power is the first step to this journey of peace and happiness. The real antidote of negative thinking lies in connecting to the positive paradigm to such an extent that no energy is left for harmful thoughts. And to improve oneself and liken others same as oneself is the height of progressive and constructive attitude. Positive energy translates into positive attitude and the attitude assists you in capitalising strengths, facing weaknesses, developing focus, managing expectations of others from you and minimising your expectations from others.

The process of learning starts with the attitude and ends with civilised attitude. To explain this, the way we behave, think and communicate, which includes listening, processing, understanding, speaking is a manifestation of our attitude. Attitude is what we observe or perceive and how we do so. Hence, the start of learning and growth is strongly tied with our behaviours. On the other side, the pinnacle is also the good manners, because for a learner, what else is there to learn other than positive attitude and way of thinking. It is the approach to an issue or an apparent problem, which makes it an opportunity for a winner and a show stopper for a loser. Attitude also helps in practicing empathy – to put oneself in someone other's shoes – understanding the perspectives of others and realising new ways/angles of thinking. This not only helps in improving and learning new things, but also teaches a natural principle that two different actions may carry same intention or same action may carry different intentions. Therefore, it would be out of place to think yourself righteous in negation of others.





## The formula for self-awareness, career planning and identifying your strengths also lies in the identification of real source(s) of energy.

The formula for self-awareness, career planning and identifying your strengths also lies in the identification of real source(s) of energy. Our internal moral strife has two dimensions: firstly, the discord in our actions and beliefs/sayings and secondly, the distortion perceived by us in what we are actually doing and what we are capable of. The inner disbelief that what we are doing is not the best can destroys us from inside and culminates into disturbed personality, anxiety, depression, etc. In order to successfully identify what you are good at, you have to be true to yourself. When you enjoy what you do, you are effectively in a position to overcome these conflicts.

The thing that gives you the most energy, that purpose is your greatest strength because it will maintain itself and you'll keep finding time, energy, resources to continue doing it with commitment and consistency, no matter what the circumstances. You won't feel the hardships on the way or complain about the obstacles and nobody will have to force you to keep doing/improving it. And the interesting part is, you would not even want something in return for your actions – that sums up the test of purity of intentions.

The control that emanates from above mentioned methods and techniques leads to clarity of soul and mind, translates into belief in oneself and results in continual strive for growth, improvement and harmony. The peace attained by achieving moral high ground puts the person in congruence with oneself, others and nature as a whole. This does not mean that such a person would become stagnant, rather would keep rising, but in a manner of love for the past of others and future of ownself. However, all actions – all of them – start with and ultimately come down to 'intentions.'



Adil Farooq Qureshi is a Chartered Accountant working as Chief Financial Officer and Company Secretary at a power company.





# Tactics That Make For Happy Employees

**A**ccountants and finance professionals could be more productive if they were happier at work, suggests a research.

Happy employees are better employees because they are more engaged and more satisfied, they change jobs less often, and their mental health outside of work is better, according to Marsha Huber, Certified Public Accountants (CPA), Chartered Global Management Accountant (CGMA), a happiness researcher and associate professor of accounting at Youngstown State University in Ohio. Huber suggested that these benefits can translate into saved recruiting and training costs and even fewer sick days and lower medical costs.

Surveys by staffing firm Robert Half found that two-thirds of employees in North America, Europe, and Australia are generally happy in their jobs, but accountants and finance professionals rank in the bottom half of the happiness scale among eight different professions.

Accountants came in fifth and finance professionals were dead last in being happy at work, a survey of more than 12,000 working professionals in North America found. They were also the least interested in their work.

"In general, to help any employee become happier on the job is to help them find meaning in their work," Huber said. "We need to help some accountants progress in their careers. Other accountants may need to feel they are doing something meaningful. For example, an accountant who works for a non-profit may earn less than peer accountants, but loves her work because she finds the work rewarding."

## How to Work Happy

Happiness at work is shorthand for employees being satisfied because they have a great experience on the job. Needs, goals, and preferences that change from employee to employee make this experience a highly individual one, but Robert Half concluded that the following six factors are key drivers of job satisfaction:

**Hire to fit:** Set expectations by crafting detailed job postings that clearly communicate to prospective hires what the job entails. When you select job applicants that seem suitable, conduct in-depth interviews and thoroughly check references to avoid skills alignment issues. Also, devote attention to

interpersonal abilities during the interview process to avoid hiring someone who's brilliant but is going to irritate other workers.

Finance professionals polled in the US and Canada said they did not feel well matched to their work. They said they aren't able to use their strengths on the job to a high degree.

**Reward smart risks:** Empower employees to make decisions on their own, or with minimal direction, to let them develop problem-solving skills they can use to advance their careers, build confidence, and feel comfortable suggesting new ideas. Invite your entire workforce to brainstorm new ideas and approaches.

When somebody tries something that doesn't work, capture the lessons learned through the failure and celebrate the smart risk taken.

About one-quarter of the professionals polled said they wield little or no control over their work (23%) and feel they have few opportunities to be creative (26%).

**Make employees feel appreciated:** Offer gratitude for a job well done. Be specific when you recognise an employee and deliver the praise in a timely manner. Provide frequent feedback not only to individuals or the less experienced workers but to the entire team.

Respondents in the North America survey who were 55 or older were less likely to receive constructive feedback (44%) than those under 34 (54%).

**Offer work that's interesting and meaningful:** Let employees know through multiple channels that their contributions matter and that they are part of something larger than themselves. One way to do this is to allow employees to volunteer and establish ties with the community. Research suggests employees who feel their work is worthwhile are nearly 2.5 times more likely to be happy than those who feel the job they do is 'just work.'

Workers at very large companies (2,500 or more employees) feel the lowest sense of accomplishment, according to the research.

**Play fair:** That means managers must ensure every team member knows what it takes to get promoted or earn higher pay and workers must have a chance to say when they feel a sense of inequality. To ensure employees feel their pay is equitable to that of others doing the same work, employers must periodically benchmark salaries. Knowing the going rate is vital to recruiting and retaining top talent.

Only 70% of women feel they are treated fairly compared to 74% of men. Likewise, 52% of women say they are paid fairly versus 58% of men.

**Help employees establish supportive workplace relationships:** Managers can promote a positive workplace culture by creating opportunities for employees to forge and strengthen bonds with colleagues. For example, enlist older, or more experienced workers to support their less experienced coworkers.

## Happiest at Work

Based on a survey of more than 23,000 professionals across Europe, North America, and Australia, Half ranked the following eight countries by how happy workforces are on the job:

1. US
2. Germany
3. Netherlands
4. Australia
5. Canada
6. UK
7. Belgium
8. France

Courtesy: CGMA Magazine



# Thank you, Flowers!

Altaf Noor Ali, ACA

It all started with flowers.

The advent of spring brings flowers all around us. There are so many and so colourful.

The other day I was having a chat with a gardner and during our conversation he said something that caught my attention. He said if somebody is in a bad mood bring him to the park. He will see the flowers and his temperature will go down.

This struck me as a fact. Flowers have their own way of relaxing us. Why is it that we send flowers to someone who's sick? Why the clinic that I visit has posters of red and white roses on its wall? Why do people throng to flower exhibitions?

Sometime back, I was traveling to a place and I reached the hotel almost three hours before my first meeting. I had a headache while checking-in and was wondering how am I going to make it to the meeting in three hours.

The moment I entered my room, I noticed two most pleasant things on the center table: flowers and a fruit basket.

With no energy left to wait for a proper meal, I took a shot at the mango first, as I avoid eating during flights. While enjoying the mango what was the object of my attention? Two blossoming flowers in the bunch. I admired the roses and focused my gaze on its petals, deliberately and slowly.

By the time, I was done with the mangoes, I started feeling a little drowsy and laid down on bed in my travel suit.

I got up in panic... it must be late. But there was still half an hour more to go before the appointed time and all went smoothly thereafter.

I thought that it must be the *Multani* mango that did the trick but it was the vase with those beautiful red roses that took away my headache.

These experiences made me develop a sense of presence of flowers. Now I notice them everywhere.

Now I make it a point to go to a nearby park for my early morning walk. I deliberately pass through the flower bed and greet them with an inaudible hello. I sit down by the flower bed and hold them, appreciate their fine colours without plucking them.

My time at the park increased gradually. I liked being there among the flowers, the fresh air, sunlight and the melodious chirping of birds.

I sit on a bench and enjoy the company of a good book. I greatly enjoy the reading experience in the quiet, with only the pleasant melodious chirping of birds around.

That's not all! With reading came writing. I kept a register in my car to catch morning-fresh thoughts and the things to do during the day.

What was to be a 40-minute intense walk and workout has now become the most pleasant two-hour outing with the flowers and sun, fresh breeze and the birds. The best part is that I now feel much more relaxed throughout my day and alert too. Thanks to the flowers!

This conversation makes me think how flower-deficit we are. Our daily drill and grill hardly makes us appreciate nature and greenery and the darlings called flowers.



Altaf Noor Ali, ACA is a Chartered Accountant and in public practice as Altaf Noor Ali, Chartered Accountants.

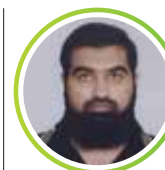
# Debate

## Is Women Empowerment Still a Myth in Developing Countries?

I agree that it is a myth. Things are no doubt improving but there is still a long way to go. Here, I would like to comment on the situation in Pakistan.

In our country, women still can't walk on the streets alone, if they do, they are followed by men in cars or bikes. Women are not even safe when using ride sharing services as we hear scary experiences of women while using such services all over the social media.

Coming to women empowerment in the workplace, in small businesses and companies women can't go beyond the traditional roles; there is an even smaller representation in upper management roles. However, things are much better at professional firms and multinationals; they clearly take gender diversity seriously and have made efforts to increase the ratio but more can be done to translate stated commitments into measurable outcomes. There is a general perception that women can't handle difficult assignments and that they are not fully committed to their jobs, though no one says it out loud. In conclusion, there is a massive need to educate men if we want to empower women for real.



**Muaaz Tahir, ACA**  
Lahore

Empowerment is a tool to prove oneself to the best of their abilities which is equal for both man and woman.

Women empowerment is a key that gives women a distinct right to take decisions and have a say. It is truly very essential to empower women in order to encourage them and allow them to undertake their assigned tasks and responsibilities in the manner they consider appropriate.

However, in the modern society, even in the developing countries, women are not empowered enough to make key decisions. Even today, we see that women are not deputed at executive positions. I believe it is still a myth because most developing countries are male dominated, and only men are delegated key tasks and given leading positions. Lack of equal opportunities for women is not only a problem faced by women at the work place, but it is a problem faced by women in all walks of life.

There is a need to change the perception of our society. Women shall be given equal opportunities as men so they can prove themselves and bring transformations through their talent, knowledge and capabilities. It is important that all members of the society take women empowerment as a positive attempt towards business improvement, quality work and betterment of the society instead of making it a self-esteem issue.



**Muhammad Faizan, ACA**  
Karachi



Guess what, a writer once said “a woman’s guess is more accurate than a man’s certainty”. Having said that, unfortunately, women have never been considered as equal to men in our society and therefore yes, women empowerment is still a myth in developing countries and societies.

The word ‘women empowerment’ does not mean women want to be superior than men nor it means that they want to be stronger or more independent than men. It’s all about involving as a soul, as a human being in all matters of life along with men. Yes, we can’t deny this fact that in Islam, Allah gives superiority to men but that does not mean that they can’t express their opinions, decisions, choice in selection of field and choice of building their career. Like men, women also want to show their capabilities in developing the economy of a country. What they say is when you educate a man, you educate a man but when you educate a woman, you educate a generation.

Woman was created from the rib of a man, neither from his feet to be stepped upon nor from his head to be on top of him, but from his side to support, listen, appreciate and stand side by side with him.

Let’s hope we try to change our way of thinking and let women shine brightly.



**Hafiz Jawwad  
Lakhani, ACA**  
Karachi

I agree with the topic. Women empowerment in developing countries is always looked at through the lens of prominent women in society; politicians, social workers, athletes and CEOs. Pakistan has plenty of such remarkable women. However, what we really need is a greater representation of women in all walks of life: business, government, judiciary, military, etc. Developing countries need to bring their women in workforce to the same level as that of men (if not higher). It’s a key economic and social indicator that impedes our prosperity.



**Sarfraz Nadir,  
FCA**  
Australia

It is gradually becoming a reality; however, due to no clarity and awareness on the concept of women empowerment in developing countries, therefore at some extend it remains still.

In developing countries, the major hindrance and real challenge in empowering women is disparity in the socio-economic rights of the two genders. Even Islam, a Religion of Peace, supports gender equity as narrated in Al-Quran (7:189) “People, be mindful of your Lord, who created you from a single soul, and from it created its mate.”

Decades earlier, developing countries realized that women can contribute equally in the development of their societies and businesses as men can, thereafter, women empowerment has substantially gained momentum. In order to be competitive and relevant, companies need to encourage equal opportunities to develop, attract and retain the best talent in the workplace.

To truly achieve women empowerment and gender equality, women should be allowed to play their role in economic, social, political, and environmental affairs. The country will not achieve sustainable development with the recognition of only men's participation in all these areas. The developing countries need to do more in empowering women, wherever possible.



**Irshad Ali, ACA**  
Karachi

A well-established notion of the 21st century is that socio-economic growth and political expansion of a country is positively correlated to gender equality. Although the world has progressed towards a more gender impartial approach with women’s empowerment being a primary concern under the umbrella of Millennium Development Goals, yet this idea is only limited to the first world countries. In developing countries, one of the main reasons of women not being able to attain basic human rights like primary education, healthcare and equal access to working environment is an outdated patriarchy where men dominate all fields. Cultural mindset in such parts of the world have led not only to occupational segregation of women but also increased the gender-based violence, thus putting shackles on women development and growth. The need of the hour is to reengineer this patriarchal system in developing countries and establish that women empowerment will in the long run ensure development of both genders, and contribute significantly to the growth of the country.



**Raza Zahid, ACA**  
Lahore



# Post COVID-19: A Game Changer in Business Dynamics

COVID-19 Pandemic has totally shake up the smooth and routine working style of Small and Medium Enterprises (SMEs) and other businesses in Pakistan and world at large and hence creates space only for **“survival of the fittest”** of pro-active and smart businesses. SMEs in comparison to large enterprises usually don't possess sufficient resources, specially financial and managerial and they highly dependent on their routine business transactions and small numbers of customers as a result running out of stocks, some hardly continue to operate etc. SMEs generally includes agriculture, manufacturing, retail, wholesale, trade and service sector.

COVID-19 has totally shake up the smooth and routine working style of Small and Medium Enterprises (SMEs) and other businesses in Pakistan and World.



## Economies in cost of seminars and management meetings by switching over to webinars and teleconferencing etc

Businesses experienced surprising changes during global lockdown period due to COVID-19 Pandemic and put business CEOs' and owners in massive dilemmas, which included:

01. Restructuring human resources utilization by doing work from home, at work places and on field;
02. New way of utilization of human resources reduces overhead of businesses by shrinking work place and economizing rent, utilities, cost of human resources and development, office renovation and other overheads;
03. Economies in cost of seminars and management meetings by switching over to webinars and teleconferencing etc in terms of meeting space, utilities, parking space, movement time, entertainments etc;
04. Enhancing enabling services of Hi-Tech due to working from home and using e-banking services etc;
05. Change physical way of sales, services and advisory into on-line and home delivery sales, service and advisory. Also changing functions and work style of sales force;
06. Forced to pro-actively watch and monitor business cash flow even every day to manage financial crisis and even avoid to go on bankruptcy;
07. Cancellation of export orders and local sales demand forced to change production system from process costing to job order costing to survive;
08. Build resilience capability of business process;
09. COVID-19 lockdown shatters business processes by creating shortage of raw materials, shortage of human resources, supply chain disruption, transportation disruption, travel ban, airline and sea shipment suspension has forced businesses

to go for "borrowing and lending concept" from other businesses on barter or cash system to meet customer demand;

10. Global oil crisis force businesses to think to go for alternate energy supply like wind energy, solar energy, bio energy etc for smooth production process;
11. COVID-19 created a prudent time for businesses not to go for expansion as it is testing time. So if business has high local and export demand for their product and services then it is advisable to businesses to go for "toll manufacturing" instead of going for expansion. Toll manufacturing means to get their product manufactured from other businesses by providing them raw and other materials and that other business will only ask for "service charges which covers overhead, labor and profit margin";

## New way of utilization of human resources reduces overhead of businesses by shrinking work place and economizing rent, utilities, cost of human resources and development, office renovation and other overheads;

12. To explore new opportunities within own business or to go for business diversification to survive.

CEOs' and persons charged with governance and owners of other enterprises need to adopt drastic changes keeping in view medium and long term benefits and purposes instead of short term benefits to keep their human resources, suppliers, lenders, customers intact and maintain consistent business.



Syed Imtiaz Abbas Hussain is a chartered accountant with 28 years of experience in different capacities and is currently engaged as management and business and life insurance/Takaful consultant, Karachi.



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