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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

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Institute's Office

Pakistan Insurance Building
Mereweather Tower, Karachi.

Editorial Office

9, Karachi Chambers,
McLeod Road, Karachi.

Regional Offices

Karachi: 63, Motan Bldg., Bunder Rd.
Lahore: 60, The Mall
Dacca: 87, Motijheel

THE PAKISTAN ACCOUNTANT

Volume I

No. 1

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The views expressed in this journal by the contributors are not necessarily those of the Institute of Chartered Accountants of Pakistan.

EDITORIAL

.....A BEGINNING IS MADE:

The profession of Accountancy in Pakistan made little progress during the first thirteen years of the advent of freedom. However, it is our good fortune that the last two years have witnessed tremendous activity amongst the members of this important profession, and this has helped bring about a healthy change in the status and administration of the Profession in the country.

The establishment in 1961 of the Institute of Chartered Accountants of Pakistan, as an autonomous body, fulfilled the long-cherished desire of the accountants in this country. The profession can now boast of a corporate body which promotes its interests in the way similar institutions do in other countries of the world. This, in fact, was the most important step that our Government took to put this profession on a sound footing.

The publication of the 'Pakistan Accountant', we are sure, will prove to be a source of strength to the profession. It is through the medium of such professional journals that the members can keep themselves abreast of day-to-day changes in professional practice and the relevant law in other countries of the world, as well as in Pakistan. This journal is intended to serve the members of the Institute as a forum for the exchange of ideas and for the pooling of the experience and knowledge of accountancy and allied subjects, and it is expected that the members will make full use of this. It is fervently hoped that this publication will foster better understanding amongst members in this country and help promote fraternal relations between the Institute and accountancy bodies all over the world.

The accountants of our country, to this date, have not been given their due place in society, and they have yet to play their proper part in the developing economy of the country. They are still considered as machines which merely record the transactions that take place in the business world from day to day, and this misconception of their values must stop. The industrialists and businessmen in our country are not fully informed of the services and assistance that is available from the office of a Chartered Accountant and it is lack of such information which has resulted in this unhappy situation. One of the aims of this journal is that the public, the business and industrial community and those who have anything to do with the development of the country, get to know the profession and the services it can render to society.

The publication of this magazine, we hope, will fill a long felt want. It will benefit not only the members but also businessmen, the people in the related professions like banking and insurance, the students of commercial and legal faculties and others aspiring to join the ranks of the profession.

An humble beginning has been made, and it is now for the accountants to make this publication more valuable, informative and interesting for its readers. We are fully aware of our shortcomings, limitations and the hurried way in which this first issue is being produced, but we are sure that this humble effort will blossom forth into a worthwhile and effective magazine.

Our thanks are due to all those who have assisted us in producing this Journal, and we particularly express our heartfelt gratitude for the messages of goodwill, received from eminent personages in Pakistan and from abroad. These messages have been a great source of inspiration and encouragement to us; these good wishes will continue to give us hope and courage.

To the glory of the pioneering profession of Accountancy, is this humble effort of "The Pakistan Accountant" dedicated.

—EXECUTIVE EDITOR



MOHAMMED AYUB KHAN,
H. P., H. J.,
Field Marshal,
PRESIDENT OF PAKISTAN



**PRESIDENT'S HOUSE,
RAWALPINDI
10th January, 1963**

I am glad to know that the Institute of Chartered Accountants of Pakistan is bringing out its own Journal entitled "THE PAKISTAN ACCOUNTANT".

Accurate, honest and prompt accounting is essential for a developing economy like ours. It is, therefore, the responsibility of the accountancy profession in the country to keep abreast with the time and provide this essential service vital to the stability of the country's economy.

I have no doubt that in this effort the new publication will be of great assistance and that it will also help in the development and popularization of the accountancy profession in Pakistan and in raising its standards.

**MOHAMMAD AYUB KHAN
Field Marshal
President of Pakistan.**



I AM very glad to know that the Institute of Chartered Accountants of Pakistan is bringing out its official journal "THE PAKISTAN ACCOUNTANT". The profession of Accountancy has all along played and will continue to play a vital and significant role in the economic development of Pakistan. The establishment of the Institute of Chartered Accountants of Pakistan was the first step towards putting the profession on sound lines and paved the way for further progress. Though the profession of Accountancy has made good strides during the past few years, there is still much to be done. The responsibility of accelerating the progress mainly falls on the Chartered Accountants in Pakistan and this publication will, no doubt, serve the profession as an effective tool for the advancement of their cause.

The need for such a journal was keenly felt and it is a timely step for the Institute to have decided to publish this journal. I have full confidence that through this publication, the cause of the profession will be well served.

I wish this Journal all success.

WAHIDUZZAMAN
Minister for Commerce
Government of Pakistan



I am very happy to find that the Institute of Chartered Accountants of Pakistan has brought to fruition the idea mooted earlier last year of publishing a journal of its own. I take this as another sign of the growing stature and importance of the profession which has such a large part to play in the economic development of this country. I trust that the journal will maintain a consistently high standard and I have no doubt that this will be possible if all the members of the Institute take a personal interest and pride in the publication.

While wishing the journal all success, I would like to express the hope that before long, it will be found possible to convert it from a quarterly to a monthly publication.

S. OSMAN ALJ
S.Q.A., C.S.P.,
First President of the Institute



It is a matter of some satisfaction that the Institute of Chartered Accountants of Pakistan is able to arrange the publication of their official organ "THE PAKISTAN ACCOUNTANT".

It is with the publication of such journals that a profession can expect to sustain steady progress. The publication of this journal is a proof of the keen interest of the members in the affairs of this great profession. It is very encouraging that an official journal should have been started soon after the setting up of the Institute.

I have full confidence that the journal will render useful service to the profession in promoting the growth of Accountancy in this country and would be greatly welcome in industrial and commercial circles.

I wish the journal every success.

M. M. AHMAD
S.Pk., C.S.P.,
President of the Institute

MESSAGES

The Institute of Chartered Accountants of Pakistan has taken a wise decision to bring out a quarterly journal entitled "THE PAKISTAN ACCOUNTANT". Like many other under-developed countries, Pakistan is making strenuous efforts to remould its economic system so as to initiate a process of self-sustained growth. This calls for careful planning and systematic implementation. But no less important is the need for maintaining a constant watch over the trends in the cost-benefit patterns as they emerge over time after the projects get under-way. Production of quality goods at minimum costs is the aim of every enlightened economic venture and it is in this context that the services of qualified and experienced accountants assume importance.

The establishment of the Institute of Chartered Accountants in the country under the Chartered Accountants Ordinance, 1961, was in recognition of the urgency of the problem and marked the beginning of a serious effort to make up the past deficiencies in this vital field. I hope that "The Pakistan Accountant" will create an atmosphere in the country conducive to the growth of accountancy and attract talent to this important profession.

I wish it all success.

S. A. HASNIE, S.Pk.
Governor, State Bank of Pakistan

I am glad to hear that the Institute of Chartered Accountants of Pakistan is bringing out a journal entitled "THE PAKISTAN ACCOUNTANT". The need for a journal on the art and practice of Accountancy has been acutely felt by those who are concerned with Accountancy. It is gratifying that that need is being fulfilled.

I wish the new journal all success.

MANZUR QADIR
Chief Justice of West Pakistan

MESSAGES

It is gratifying to learn that the Institute of Chartered Accountants of Pakistan are bringing out a journal entitled "THE PAKISTAN ACCOUNTANT".

The success of an industry depends on its cost of production. To work out the correct cost and to cut down costs is the work of accountants. The more advanced is an industry, the sharper is the pencil of an accountant. The journal "THE PAKISTAN ACCOUNTANT" is making its debut at the right time. Pakistan's industrialists must become cost conscious to compete in the foreign markets. The cost problems, therefore, require study and dissemination. "THE PAKISTAN ACCOUNTANT", I am sure, will provide such service.

I wish this journal all success.

S. AMJAD ALI
Chairman, Investment
Promotion & Supplies

The fact that the Institute of Chartered Accountants of Pakistan is proposing to bring out their own Journal entitled "THE PAKISTAN ACCOUNTANT", is indicative of the great progress made by the profession of accountancy in Pakistan since the establishment of the Institute in 1961.

The Journal will undoubtedly provide a medium of expression for the members of the Institute and also help to forge links of friendship with similar Institutes in other parts of the world.

I wish the Journal every success and pray for its long life in the cause of Accountancy in Pakistan.

ZAL S. D. CONTRACTOR, T. Pk.
Controller of Insurance
Ex-Controller of Accountancy

MESSAGES

I am very glad that the Institute of Chartered Accountants of Pakistan has decided to bring out "THE PAKISTAN ACCOUNTANT". With the development of our economy, journals in specialised fields are necessary for the dissemination of information and ideas. I understand that the Pakistan Accountant will not limit itself to accountancy but will bring within its scope a number of allied subjects like commercial law, management, finance, banking and commerce. I have not the least doubt that there is genuine need for such a journal and I very much hope that it will achieve international standards in its contents as well as get-up.

I wish the endeavour all success.

I. H. QURESHI,
Vice-Chancellor,
University of Karachi

I am pleased to learn that you are bringing out a new journal "THE PAKISTAN ACCOUNTANT". The vital role that the profession of Accountancy plays in a developing economy needs no emphasis. The profession of Accountancy has made much progress during the last decade in Pakistan and starting of a professional journal of Accountancy marks a very important step in this direction, which will have far reaching consequences. The wide range of subjects in which the journal has shown its interest clearly indicates that it is intended to make the journal a meeting ground of related disciplines like banking, commerce, planning, management and finance. This is to my mind a very commendable decision as it will awaken a wide interest in the problems of Accountancy, which it rightly deserves.

I wish your venture every success.

M. SHARIF
Vice-Chancellor,
University of Panjab

MESSAGES

It gives me great pleasure to learn that the Institute of Chartered Accountants of Pakistan proposes to take out their first official journal "THE PAKISTAN ACCOUNTANT", which is also going to be the first journal of its kind in Pakistan devoted to such important branches of applied economic as accountancy, costing, management, finance and the like. I sincerely hope that your Journal would fill the gap in the field of research in financial and cost accounting which is so important for the developing economy of this country.

The need of training our young people in the arts of accounting cannot be over emphasised. It is reported that the country needs a large number of accountants to man all important branches of industry and commerce at the present level of development. There is no doubt that we would need a still higher number of chartered and industrial accountants as the country goes through the third and fourth Five-Year Plans.

Our industries must be prepared to compete in foreign markets both in terms of quality and price. We must find new markets for our growing industrial output particularly in view of the tariff restriction being proposed by the European Common Market. This is a big challenge to our industries and cannot be met without lowering the costs of production and effective and efficient utilization of our men and materials. I hope that your Institute would play a great role in this task of building a prosperous Pakistan.

I wish your Journal a long and prosperous future.

M. RAZI UDDIN SIDDIQI
Vice-Chancellor
University of Sind

I am glad to learn that the Institute of Chartered Accountants of Pakistan is bringing out a quarterly journal of its own under the title of "THE PAKISTAN ACCOUNTANT".

Accounting is a large and expanding field. Along with the constantly changing panorama of business activity, the function of accounting and the role of accountant are also changing. Today's accountant is no longer merely a "keeper of books". He is interpreter and consultant on the meaning of the accounting reports, he has prepared—an indispensable factor in scientifically solving many new and complex problems of modern business.

I sincerely hope that the new magazine will go a long way in raising the standard of accountancy profession in the country.

I wish success and continued progress to "THE PAKISTAN ACCOUNTANT".

MOHAMMAD ALI
Vice-Chancellor
University of Peshawar

MESSAGES

I am glad to learn that the Institute of Chartered Accountants of Pakistan is bringing out a quarterly journal of its own under the title "THE PAKISTAN ACCOUNTANT".

There is a great dearth of standard journals and magazines in Pakistan. The gap is all the more acute in the vital field of Accountancy. I am confident that this journal will be able to remove such deficiency to a great extent.

At a time when we are engaged in taking great strides in economic development, the innumerable problems must be faced with courage and conviction. I hope that the able organizers of this journal will come out with constructive suggestions and proposals that will help project such solution.

I wish all success for the journal.

A. AHAD
President,
Federation of Pakistan Chambers
of Commerce & Industry

I, on behalf of members of the Institute of Cost and Works Accountants of India, have pleasure in conveying our best wishes on the occasion of the first publication of "THE PAKISTAN ACCOUNTANT", the official organ of the Institute of Chartered Accountants of Pakistan. The pace of progress and development in the accounting field is so rapid today that a great responsibility falls upon any accounting body to bring home promptly to its members all new and modern thoughts in the field. A vital role in this regard is played by professional Journals, as it is through these Journals alone that new ideas are transmitted and members of the profession are acquainted with what are happening in the outside world.

I sincerely believe that "THE PAKISTAN ACCOUNTANT" will be of immense help and a source of knowledge to the accountants in Pakistan and elsewhere. I wish this Journal every success.

V. SRINIVASAN
President
Institute of Cost & Works
Accounts of India.

MESSAGES

I congratulate your Institute on the commencement of a quarterly journal to be known as "THE PAKISTAN ACCOUNTANT" as the official organ of your Institute. I welcome the invitation given to me to send this message for publication in the inaugural issue.

Your journal should provide a valuable means of helping your members to keep abreast of professional developments and this is of very great importance for the future of the profession in your country.

I wish your new journal every success and I take this opportunity of sending to your Institute the greetings and good wishes of mine.

PERCY F. CARPENTER
President,
Institute of Chartered Accountants
in England and Wales

I have learned with considerable interest that the Institute of Chartered Accountants of Pakistan intends to publish an official journal, "THE PAKISTAN ACCOUNTANT".

I hope that this publishing venture by the Institute of Chartered Accountants of Pakistan will prosper, and I am sure that THE PAKISTAN ACCOUNTANT will prove of great benefit to its readers.

JAMES C. STEWART
President,
Institute of Chartered Accountants of
Scotland

MESSAGES

On behalf of the Institute of Chartered Accountants of India, it gives me great pleasure in welcoming the publication of the new quarterly Journal "THE PAKISTAN ACCOUNTANT". I feel certain that this publication will prove of immense value to the members of the Institute of Chartered Accountants of Pakistan and will promote a better understanding of Accounting and Auditing principles and techniques.

I wish every success to this new venture of the Pakistan Institute.

P. BRAHMAYYA
President,
Institute of Chartered Accountants of India

I was interested to learn that the Council of the Institute of Chartered Accountants of Pakistan have decided to publish a quarterly journal.

I am sure that this will be found to be a wise innovation, which will be much appreciated by members of the Institute and by all your readers.

I wish your Council every success in this venture, and I feel sure that a regular exchange of opinions will help to promote the happy relationship which exists between the members of the profession in your country and in ours.

W. BISHOP
President,
Institute of Cost and Works Accountants,
London

The publication of a journal represents an important step forward in any professional organization. It provides a link between the Institute and its members, it offers a means by which individual members of the profession may be informed of important developments in practice or changes in the law, and it facilitates the exchange of information between nations in an ever-shrinking world.

I am confident that "THE PAKISTAN ACCOUNTANT" will assist in raising professional standards in Pakistan and make a significant contribution to the sum of world accounting knowledge.

I congratulate the Institute of Chartered Accountants of Pakistan on the publication of the first issue of "The Pakistan Accountant", and I wish it every success in the future.

D. S. COX
President,
New Zealand Society of Accountants

MESSAGES

Arthur M. Sargent
CHARTERED ACCOUNTANT

I was very interested to read that the Council of your Institute has decided to publish a quarterly Journal entitled "The Pakistan Accountant" and I shall look forward to receiving a copy of your first issue. I feel sure that you will find the publication of your own professional Journal will provide a most worthwhile service for all your members.

I should like to take this opportunity of wishing you every success.

J. R. SPAREY
Assistant Secretary,
The Association of Certified and Corporate Accountants,
LONDON

Congratulations on your new quarterly magazine. We shall indeed be happy to receive it and to send our own in return. Our best wishes for the success of your new magazine, and continued success for your organization.

ARTHUR M. SARGENT
Executive Director,
The California Society of Certified Public Accountants,
SAN FRANCISCO

I was very interested to read in your letter of 1st November of your intention to commence publishing a quarterly journal, "The PAKISTAN ACCOUNTANT", as the official organ of your Institute. It is only by the publication of such magazines that members are kept abreast of developments within the profession both in their own country and overseas, and also of the activities of their fellow members.

May your magazine reap the success it deserves.

R. C. MORPETH
Secretary,
The Incorporated Institute of Accountants of New Zealand,
WELLINGTON

Starting a new journal is always an exciting venture and I feel sure that your members will appreciate the work involved as well as the value that they will undoubtedly derive from being constantly brought up-to-date on all matters of concern to the profession.

Congratulations and all good wishes.

RENNY ENGLEBERT,
Editor,
"The Canadian Chartered Accountant",
ONTARIO

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*N. M. Uquaili,
Vice President*



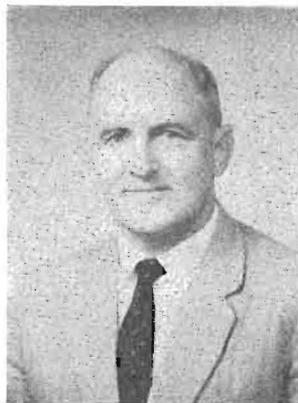
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Note : The photographs of Mr. Rahim A. Jan & Dr. S. M. Ali, members of the Council were not available for publication in this issue.



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A BRIEF HISTORY OF THE ACCOUNTANCY PROFESSION IN PAKISTAN.

By J. P. BRAY, F.C.A., O.B.E.

The profession of accountancy in Pakistan is young but is growing in stature each year. A great opportunity has been given to develop the profession along sound and useful lines by the establishment of the Institute of Chartered Accountants of Pakistan on 1st July 1961 by the Chartered Accountants Ordinance of 1961.

It is however necessary to look back a number of years to see the steps that led to the establishment of the Institute.

Accounting records were originally lists of receipts and payments, and a note of indebtedness between two or more parties. As business became more complex and government activities more widespread, the need for checking the accounting records grew.

The first Companies Act in India was enacted in 1850, and one of its provisions was a half yearly audit and a report by auditors; then the Act of 1857 introduced the concept of limited liability.

In this sub-continent it was at first common practice for public companies to appoint a European auditor to safeguard the interests of the European shareholder and an Indian auditor who was supposed to safeguard the interests of the Indian shareholder.

Accounting and auditing developed during the first decades of the present century. The Indian Accountancy Board was appointed to advise the Government of India on all matters, relating to accountancy, and the Government Diploma in Accountancy was instituted during the 1920's. In 1932, the Auditors Certificates Rules were published to regulate the profession and these rules were administered by the Department of Commerce of the Government.

In 1947, after World War II, the sub-continent became independent of British control and Pakistan came into existence on 14th August, 1947.

Pakistan made use of the old rules for some time, then a new set of rules known as the Auditors Certificates Rules, 1950 was published in the Gazette of Pakistan on 30th December 1950 for regulating the profession in Pakistan. These rules were mostly based on the old rules.

A person who satisfied the conditions laid down as to both practical training and theoretical knowledge could have his name placed on the register maintained by the Ministry of Commerce and was entitled to use the designation "Registered Accountant".

The Companies Act in force in Pakistan allowed only a Registered Accountant to act as the auditor of a public company, but many private companies, partnerships and other organisations also made use of the services of a Registered Accountant for the audit of their accounts.

The practical training to be carried out in order to qualify as a Registered Accountant was similar to that required to qualify as a member of a professional body in the United Kingdom. A person had to serve for a period of 3 to 5 years in the office of an approved practising Registered Accountant either as an apprentice known as an Articled Clerk (the number of years depending on his educational qualifications) or for a longer period of time as an Audit Clerk.

The Articled Clerk or Audit Clerk obtained his theoretical knowledge by studying the various subjects, sometimes with the aid of a tutor, and his knowledge was tested by means of a First examination and a Final examination.

Realising that the practical training and theoretical knowledge obtained in other countries, particularly the United Kingdom was useful and conducive to the efficiency of the profession, the Government allowed persons who had become members of one of the professional bodies in the United Kingdom to become

Registered Accountants without undergoing articleship or audit service in Pakistan and without sitting for the examinations.

This became still more necessary as training facilities available locally were not adequate to meet the growing requirements of the country for qualified accountants.

The training of a Registered Accountant, as can be seen from the regulations prescribed for gaining practical experience and from the subjects to be studied for the examinations, were such that the qualified accountant was capable of many useful functions.

This fact was recognised by the business community and by government sponsored bodies, and many qualified accountants were offered appointments in industry and commerce. When they had obtained experience of the particular organisation, they were able to rise to positions of importance and trust.

Other Registered Accountants set up their practice as public accountants or served as employees with practising accountants.

In 1952, the registered accountants formed a body known as the Pakistan Institute of Accountants to look after their own interests and to take up with the Ministry of Commerce matters affecting the profession.

The Government began to realise that the accountancy profession was growing in importance and in June 1959, the Department of Accountancy was set up in the Ministry of Commerce with a Controller of Accountancy to deal with the profession instead of a Section Officer.

The Pakistan Institute of Accountants was pressing for an independent body to run the profession and the Council of Accountancy, an advisory body set up under the Auditors Certificates Rules, 1950, recommended the establishment of an Institute of Chartered Accountants. The Government accepted the recommendation and the Department of Accountancy, assisted by officials of the Institute and a number of members, prepared a draft Ordinance.

The Chartered Accountants Ordinance was published in March 1961 and the Institute of Chartered Accountants of Pakistan came into existence on 1st July 1961. Rules were drawn up and published for public comments and the amended version known as the Chartered Accountants Byelaws 1961 came into force on 1st July 1961. The Pakistan Institute of

Accountants has since been liquidated and the Department of Accountancy ceased to exist.

The Institute is a statutory autonomous body and is administered by a Council of thirteen, which consists of a President, who is the Secretary of the Ministry of Commerce, two Vice-Presidents, who are members of the Institute, and ten other members of whom three are senior government officials representing the Ministries of Commerce, Education and Finance and seven are members of the Institute selected from all parts of the country.

The first Council is nominated by Government for three years, and is assisted by three Standing Committees known as Executive Committee, Examination Committee and Investigation Committee and a full time Secretary and staff.

The Byelaws provide for the formation of Regional Committees to look after the interests of members and at the present time, there are three such committees in Karachi, Dacca and Lahore. One of their important functions is to organise coaching classes for examination candidates in each region, to provide library facilities, and to help members to meet together for discussions.

Members are divided into two classes, namely "Fellows" and "Associates" and are known as "Chartered Accountants". To become a member, it is necessary to serve a period of time as an Articled Clerk in the office of an approved practising Chartered Accountant, or to serve a longer period as an Audit Clerk, and to obtain a certificate of satisfactory completion of service. Admission is secured by passing a preliminary test or seeking exemption therefrom which is available to graduates.

A candidate's theoretical knowledge is tested by means of an Intermediate and a Final Examination, which must be passed before admission to membership is granted.

Persons who have qualified as members of certain overseas professional bodies can also be admitted as members of the Institute.

Members of the Institute are bound by a code of ethics details of which are set out in the schedule attached to the Byelaws. It is important to remember that this code applies to all members whether in public practice or employed in government, commerce or industry.

MANAGEMENT ACCOUNTING

By A. Hussain, F. C. A.

Within recent years, Pakistan has moved from a purely agricultural economy to a position of rapid industrial development. The pace of industrialization has been rapid but still not to the degree it could expand nor exactly on the proper lines. The industrial development of a country depends to a very great extent on sound planning and efficient management. For already established industries, the question of management control assumes a very significant role. Unless the management is efficient and is on proper lines, it is very difficult for the industry to earn the desired profit and to make the products competitive in the market. To achieve this desired goal, the management should allow the management accountant to play his part fully and effectively.

The duty of the management accountant is to point out and analyse the wastage, both in material, men and machine hours, and to help the management to formulate appropriate policies so that the organization becomes streamlined and achieves maximum operating efficiency. To do this, he is required to perform the following functions:

1. Internal reporting to managers for planning and controlling current operations; and
2. Internal reporting to managers for making special decisions and formulating long-range plans.

A management accounting, planning and control system should be designed to attain and help the executive:

- (1) In searching for and the selection of short-term and long-term targets of performance,
- (2) Formulating plans and methods for attaining those targets,
- (3) Implementing the finally formulated plans,
- (4) Appraising current performance and pin-pointing deviations from standards,

(5) Finding out causes for deviations, and

(6) Revisions of budgets and standards in the light of fresh experience.

Management accounting is mainly concerned with accumulating, classifying, analysing and interpreting costs and other information to apprise the executives of the current state of their performance to help them in fulfilling organizational objectives as set by the top management.

Ideally, the management accountant's staff should have its three distinct functions manned by full-time accountants:

1. Data-keepers, who compile routine data, like time sheets and material consumption sheets and keep the information system running smoothly;
2. Operational Assistants, who attempt to understand the operating management's viewpoint most fully, and who spotlight, interpret, and explain those operating areas that are most in need of attention; and
3. Trouble Shooters, who search for alternatives, study the probable consequences, and help the management in following an objective approach to special decisions.

An accounting system is effective when it automatically calls the management's attention to the factors that need immediate investigation. The accounting system must cohesively reflect the plans and actions of all basic cost centers in the organization. Ideally, particular revenues and costs would be recorded and automatically traced to the one individual in the organization who shoulders primary responsibility for the item. He is in the best position to evaluate and to influence a situation.

The data should impel the manager toward decisions that will tally with top management objectives. It follows that the management accountant must evaluate the influence of the accounting system on the motivations of individuals.

The successful use of budgets, standards, and various other measuring sticks is largely dependent on their value as motivating devices, as mechanisms that will influence managers and subordinates to act in accordance with the desires of the top executives.

An accounting system will not mean much to the management if the mark-keeping function is inaccurate. Mark-keeping is essential for cost accumulation, but attention-directing is the key to augmenting the management's appreciation of the accounting function. The attention directing roles (for example, explaining variances) should be occupied by capable and experienced accountants. The attention-directors are the individuals who will largely establish the status of the accountant's department in the company. Close, direct and active contacts between accountants and operating managers strengthen understanding and acceptability of the standards, budgets and reports on the measuring devices of performance.

Management accountants must increasingly be aware of the desirability of distinguishing between controllable and uncontrollable items on a performance report. From the viewpoint of planning and controlling operations, little is accomplished by mixing controllable and uncontrollable items in the same report. The fundamental idea that individuals should be charged only with costs subject to their control, should be the basic approach.

The area of long-range planning and special decisions offers very imposing problems for executives.

Management accountants need to keep abreast of the growing body of knowledge and standards concerning the decision-making process.

At the same time, the need for a team-approach to these decisions is well recognized. The effective management accountant knows when to call upon appropriate specialists such as cost accountants, economists, statisticians, industrial engineers and others.

The need for knowledge of cost behavior patterns pervades all functions of management accounting.

The model income statement focuses on the appropriate data for overall appraisals of current performance. Also, special decisions such as pricing, dropping or adding products, advertising and prompting specific products and selecting distribution channels are more likely to be based on relevant information.

An enlightened chief management accountant, working with top management and qualified internal or external consultants, should bear the primary responsibility for selecting company management accounting practices. He should tap all resources, including the industry, trade-associations, the professional accounting bodies, outside auditors, government agencies in the industry and business and the literature on management and management accounting.

An understanding of the overall purposes and functions of the accounting system is basic to selecting effective accounting practices for reporting to the management. The chief accountant, in order to execute this responsibility, must see that his staff receives training and experience in its particular field so that as a team, it can establish the utility of management accounting in modern day organisations.



SOME THOUGHTS ON THE TAX HOLIDAY

By R. W. Kent, A.C.A.

Of all the recent amendments made in the Pakistan Tax Act possibly that of Tax Holiday (Section 15BB) will prove of most interest to professional accountants.

Tax Holiday was first brought into being by the Finance Act of 1959 in order to accelerate the pace of industrial development in this country. The incentive then allowed was a 2 year tax free period (beginning with the month the undertaking was set up or the start of commercial production whichever was the later) and this was granted to industrial undertakings which were set up after 1st April 1959 and which fulfilled certain conditions, amongst them being the requirement that they must use wholly or mainly raw materials produced in Pakistan—incidentally, here it can be taken that the word “use” means “use to manufacture into other goods”. In counterpoint, but with the same ultimate object of helping the growth of the new undertaking, a restrictive condition was simultaneously introduced whereby the concern enjoying Tax Holiday benefits could not distribute to shareholders more than 40% of its profits (unreduced by depreciation) for the first 5 years of operation.

In 1960, the whole concept of this Tax Holiday incentive was broadened and the original 2 years exemption period was increased to 4 years or 6 years depending on location. Then also the requirement of wholly or mainly using indigenous raw materials was relaxed by Government in special cases. Further, the benefits of Tax Holiday were extended, with certain reservations, to cover expansions of existing industrial undertakings so long as such expansions were clearly identifiable industrial units for producing goods or for carrying out an identifiable industrial process. Lastly the condition of distributing not more than 40% of profits for the first 5 years of operation

was changed to the more positive approach of retaining 60% of profits (once again unreduced by depreciation) earned during each year of the Tax Holiday period. In 1961, a further concession was granted in that the period of exemption was raised to 8 years for eligible industries set up after 1-7-61 in certain specified and less developed areas of the country.

In continuation of this short history of Section 15BB, perhaps a word should now be said about the special effect that Tax Holiday has on depreciation allowances. Tax Holiday does not, of course, deny the assessee his ultimate enjoyment of an overall 100% depreciation allowance on the asset's original cost but what it does do is to postpone the claiming thereof till after the Tax Holiday period is over and then alters the rate of such enjoyment. This comes about because of the terms under which initial and additional (double) depreciation allowances are given and because of the fact that Tax Holiday profits have to be calculated in accordance with the provisions of Section 10 without application of its depreciation sub-clauses. As every reader knows, the initial allowance of Section 10 (2) (vi) is granted only in the year of installation or first usage, whichever is the later, and it therefore follows that, if Tax Holiday is claimed, this allowance is automatically lost in respect of assets installed in the Tax Holiday years. A similar situation arises also in regard to the additional (double) depreciation allowance of Rule 8(2) issued under Section 59—this was cancelled in August 1962 but reinstated in October 1962—for, as this allowance lasts for only 5 years from the date of installation, its accelerated rate too is forfeited for that part of its life that falls within the Tax Holiday period.

Now let us study the implications of the Tax Holiday incentive as a whole.

At the outset, it is obvious that Tax Holiday is of most value to industries which, from the very start, achieve a high rate of production and which make reasonable initial profits whereon Tax would otherwise have to be paid. Conversely, it is of less attraction to undertakings whose very nature requires a slow or gradual growth before economic returns are possible. For the later, the tax saving will naturally be smaller and against this lesser gain has to be set the requirement of profit retention whose fulfillment, allied to that of having to make depreciation provisions out of the remaining element of profit that is free (see later), could mean that little or no dividends are declared during the whole of the Tax Holiday period. This situation might not prove a disenchantment to the industrialist who seeks a tax-free capital appreciation rather than quick dividends that are taxable in his own hands, but to other investors this postponement of sufficient early net returns could be decisive. Here it must be mentioned that the Britisher has a special incentive to consider for, because of Article XIV of the Pakistan/ U.K. Double Tax Avoidance Agreement; he gets his dividends declared from Tax Holiday profits effectively free of tax. Then again some investors may, in preference, seek the 20% Development Allowance of sub-section 10 (2) (via), which in effect raises the overall Depreciation Allowance to 120% of original cost but whose extra gain is lost in respect of assets installed in the Tax Holiday years; this preference for Development Allowance in place of Tax Holiday would be most marked in the case of concerns that have large original capital outlays but which expect only small profits in their early years of operation. In short, each promoter must carefully consider the pros and cons of his own case before he can really decide whether or not Section 15BB's obligations outweigh its benefits or whether other alternatives are preferable.

In most newly codified laws, uncertainties of interpretation or intent are bound to arise and normally these are later resolved in legal action or through official clarification when assesses come across inequalities or doubts as to their own particular rights. Some of the more obvious queries inherent in the present Tax Holiday legislation are discussed in the paragraphs that follow.

The first of questions that comes to the mind is whether Tax Holiday is permissive or mandatory;

in other words must Section 15BB apply, without option, to eligible concerns whatever may be the wishes of the entrepreneur? Clearly Tax Holiday would tend to defeat its own purpose if it was made compulsory for it would, amongst other things, automatically deny the promoter the possibly greater investment attraction of Section 10 (2) (via) mentioned above. It can be accepted, therefore, that Tax Holiday follows only on application made voluntarily by the undertaking itself and only when that application has been conceded by Government, will the benefits and conditions of Section 15BB become effective in toto.

Next one could fairly ask: what is to happen finally to these 60% profit retentions which meantime have to be set apart in a special fund for the expansion or development of the industrial undertaking, the issue of super-tax free Bonus Shares or for investment in any other specified industry? Certainly, for some investors at any rate, much hesitation in applying for the Tax Holiday incentive would be dissolved if they knew that such profit retentions were not required as a permanent feature but were releasable in due course. Since the object of Tax Holiday is to attract capital into new industries, it is not surprising that official opinion confirms that, once the Tax Holiday period is over, such retained profits would, in fact, be freed for use by the company in whatever manner it desires.

One of the requirements of Company Law is that Companies, before they declare dividends, must first make sufficient provision for depreciation in their Profit and Loss Accounts. The funds so reserved are, of course, thereafter applied in the company's business and, as this is also the end usage of profits retained under Section 15BB, one is persuaded to wonder if such depreciation provision satisfies part or all, depending on its magnitude, of this 60% profit retention requirement of Tax Holiday. As the Act now reads, one is forced to conclude that, because Section 15BB profit retentions are to be "set apart in a special fund," any provision made for depreciation must perforce have to come from the remaining 40% profit element that is free. This, for some, could act as a deterrent towards applying for Tax Holiday since it further diminishes the hope of early dividend returns and doubtless Government have this point in mind for possible future amelioration.

Allied to this issue of depreciation provisions made during the Tax Holiday years is the problem of loan repayments effected in the same tax-free period. Present indications are that repayment of loans, even those used to purchase business assets, have also to be made from funds generated by the free 40% profit element and not from reserves created by the 60% portion of profits that is retained. As the purpose of profit retentions is to expand or develop the undertaking, there does seem to be a case for treating such loan repayments as forming part of the 60% profit retention requirement. This could be an important consideration especially to those who need big foreign loans to set up their plant initially.

Earlier in this Article, readers were reminded of the 1960 amendment whereby Tax Holiday benefits were extended to existing industrial undertakings in regard to their expansion through identifiable industrial units. The mechanics of correctly assessing

the profits attributable to such an extension are not precisely defined in the Act and so it must be left to individual assesseees to arrange either that a separate subsidiary company is formed for the purpose of operating the new unit—the parent company will be exempt from intercorporate taxes thereon—or that separate accounts are maintained for it. If this is not possible, then overheads and other common expenses should be allocated between the old and the new portions either on the basis of capital investment or on the basis of turnover whichever is the more equitable. In cases of complication, the matter of allocation will finally have to be decided by the Tax Authorities.

In an introductory Article such as this, it is just not possible to discuss every nuance of a complicated subject like Tax Holiday but if what has been written merely persuades readers to make their own study of Section 15BB, then its purpose will have been served.

PROFESSIONAL HUMOUR

Some of you may have heard the story of the Russian factory manager who was trying to hire a chief accountant. It seems there were three applicants for the job. Two were eager young men. The third was a grizzled old timer who had been an accountant under Lenin, under Stalin and under Malinkov. As the story goes, the first young man was ushered into the manager's office and the manager asked him one question: "How much is two and two?" The young man came to attention. "Comrade Factory Director, it is exactly four."

He was waived from the room and the second applicant appeared. "I see by your application" said the factory manager, "that you are a graduate of the University of Moscow. Perhaps then you can tell me how much is two and two." The young man snapped to attention. "Comrade Factory Director, two and two is precisely four." He too was dismissed and then the old man shuffled in.

"Boris, I see by the resume that you're an experienced Soviet accountant. I would judge that you are a man who understands basic accounting principles under Communism. Perhaps you can answer my simple question. How much is two and two?"

The old man slouched. He shuffled his feet and cleared his throat. "Comrade Factory Director, how much do you NEED?"

(Reproduced from the speech of Mr. Arthur K. Watson, President, IBM World Trade Corporation, delivered at the 8th. International Congress of Accountants).

EIGHTH INTERNATIONAL CONGRESS OF ACCOUNTANTS-1962

“The world economy is dependent on the flow of capital, international trade, and management skilled in the organization of personnel and use of tools to produce goods and services wanted by the people. The flow of capital is stimulated by the opportunity for profit and confidence in the political and economical stability of the countries comprising the free world”.

No less than four thousand official delegates from sixty two countries, all over the world, and one thousand lay guests besides, thronged to the Grand Ballroom of the famous Waldorf-Astoria, to listen and discuss the above proposition of the theme of relationship of the professional accountant's major functions—accounting, auditing and financial reporting—to the world economy. The auspicious occasion was the Eighth International Congress of Accountants held in New York from the 23rd to 27th September, 1962.

The entire programme of the Congress was meticulously chalked out months ahead and nothing, however small, was left to the moments whim, for such a Congress is held only once every five years.

“Congress News”, a bimonthly bulletin which started publication as early as in May, 1961, rendered valuable information to the prospective participating organizations to keep them informed of the progress and plans of this great event.

A Committee of six capable men was appointed to plan out and look after the details.

A Reception in the Grand Ballroom of Waldorf-Astoria Hotel, on Sunday evening (23rd September) followed by Cocktails and a Buffet Supper, socially inaugurated the Congress.

The opening plenary session of the Congress commenced with its President reading out a message from President John F. Kennedy which is reproduced below:—

“I am pleased to extend greetings and warm best wishes to the delegates and their families attending the Eighth International Congress of Accountants. I especially welcome those from other nations of the world and wish them a pleasant visit to the United States.

“Your Congress, meeting at the invitation of the American Institute of Certified Public Accountants, offers an excellent opportunity for the exchange of information and ideas. As we gain confidence in each other's policies of economic disclosure, accounting can, indeed, become an international language of business. As a result, capital will flow more freely, and the international exchange of goods and services will increase more rapidly. Many of the problems with which you will concern yourselves during your meeting will, I feel sure, bear directly on the ability of all of us to strengthen the spirit of international economic confidence.

“With all good wishes to those attending the Eighth International Congress of Accountants for the successful and constructive meeting.”

Mr. Foye, then went on to welcome the assembled representatives of 91 accountancy bodies from the 62 countries. In his inaugural speech, he explained the usefulness of such International Conferences, and emphasised the contributions the accountants could make to the peace and prosperity of the world by way of encouraging the flow of capital and trade and increased productivity, so essential to the steadily rising standard of living, all over the world. To facilitate this, he said, mutual exchange of views and techniques was imperative.

The session was then addressed by some eminent authorities, business leaders and other dignitaries. Most prominent amongst them being Sir Harold Howitt, President of the Sixth International Congress held in 1952 in London, Mr. J. Kaayenhof, President

of the Seventh International Congress, held in 1957 in Amsterdam, Mr. Arthur Watson, President, IBM World Trade Corporation and Mr. P.F.S. Otten, Chairman, Phillips Gloeilampenfabrieken of the Netherlands.

The speeches delivered were of a very high calibre, which even the lay man admired and applauded with genuine acclaim. The speech of Mr. Watson was most interesting, delivered in his own unique style. He started his long speech with really creditable words for the accountancy profession. He said: "An early exposure to accounting did give me one thing—a deep respect for the subtlety and the complexity of your work. It taught me to listen with both ears when my Company's accountants or one of our outside auditors has something to say. I've learned to respect accounting and accountants. You people have the curious habit of being right. There are, I'm told, over four thousand accountants and their guests attending this congress. And as Mr. Foye told us in the opening session, there are sixty nations represented. I'm told also that twenty one of these nations are represented for the first time. This I believe, is ample proof of the vigor of accounting and ample proof of professional recognition on an international scale.

"Everyone in business is well aware of the great strides your profession is making. In the industrialized nations, you are doubling your ranks every decade. You are at the same time raising your standards of technical proficiency and of ethical conduct. The business community applauds you for this. My argument with the accounting profession is not over what it has accomplished, for the record is impressive. It is rather with what you must accomplish and with the urgency you attach to it."

However, it was Sir Harold Howitt, who carried the day with his conversational diction and pithiness of detail, touching over the whole field of accountancy, yet in a very few words and never losing the audience's attention for a moment.

The plenary session was followed by a luncheon at the same venue, to all the accountants registered at the Congress. A celebrity luncheon was arranged for the ladies at the Imperial Ballroom of the Americana Hotel.

The first technical session started at 2.30 p.m. the same day. Fifteen simultaneous sessions were arranged, some at the Waldorf and others at adjacent hotels.

At each session, three papers—one on auditing, one on accounting and one on financial reporting—were presented.

In the evening, a variety of entertainment was planned to suit every taste. It included a Concert by worlds most outstanding and magnificent symphony Orchestra of Eugene Ormandy, at the Carnegie Hall, specially arranged for the visitors to this Congress where a typical Ormandy—a programme packed with musical vitality, balance and interest was presented.

Another Concert of truly American music was arranged at the Town Hall where the world famous composer and unique band leader Duke Ellington delighted the audience with his contemporary jazz.

Reservations were also made for those who preferred to visit the famous Radio City Music Hall to see the cinema version of a popular Broadway musical—"Music Man" played by Robert Preston, the role he portrayed at Broadway.

Next day started with Technical Discussion sessions arranged at Boardrooms and Conference rooms of various New York corporations, spread over the midtown area and in lower Manhattan.

In the evening, the "Official Delegates Dinner" was arranged at Hotel Pierre where in addition to a sumptuous dinner, the participants had the opportunity to listen to an interesting talk by Mr. Linder, President of the Export Import Bank, Washington.

In all some fifty papers were read or summarized at the technical sessions, with further consideration which took place at the discussion group meetings.

The closing plenary session started at 9 a.m. on the 27th September, at the Waldorf-Astoria Hotel, under the presidentship of Mr. Arthur B. Foye.

In his preamble of the summarized version of some highlights of the Technical proceedings of the Congress, Mr. Paul Grady, Chairman of the Programme Committee, defined the accountancy community in very interesting terms. He said:

"It has been tersely stated that a civilization may be judged by the extent to which the unenforceable is obeyed. Much of the attractiveness of the statement rests on the image or images created. At one extreme, perhaps we might picture a docile society so burdened with regulation that all edicts of authority are implicitly obeyed regardless of the practicability of enforcement procedures. However, it seems clear that the author intended to portray a much advanced civiliza-

tion, one comprised of people having the maturity of judgement to insist, not only on maintenance of law and order and the honoring of public and private contracts, but also on the establishment of voluntary ethical standards in the conduct of affairs to assure fair treatment to all persons having bonafide interests. The latter aspect must be effected by the intelligent self-interest decisions of individuals and the force of opinion rather than by compulsion of government.

"The profession represented in this Eighth International Congress of Accountants and the investor-owned enterprise system which largely comprises its clientele typify this higher type of civilization based on voluntary ethical standards of conduct. While we are on this line of thought, let us point out that there is no inconsistency in the maintenance of absolute independence in rendering accounting and auditing services to industry and the simultaneous recognition of the fact that without an investor-owned enterprise system, there could be no profession of independent accountants. In this context, interdependence holds no conflict with independence.

"Accountants need no reminder of this fact but we may not be sufficiently alert to our continuous civic responsibilities to defend this system of economic freedom against unwise encroachment by government, a tendency unfortunately endemic to our times."

He appropriately commended the high standard of papers presented at the Congress, with progressive ideology and constructive suggestions. He seemed fully satisfied of the overall progress that this profession was making in the free world. In his own words, Mr. Grady Said:

"It seems fair to say that a profession may be judged by the extent to which it objectively appraises its own strengths and weaknesses and seeks ways and means to improve its usefulness in the performance of its proper functions. Analysis of the papers presented and of the tenor of the discussion meetings clearly demonstrate that, in terms of this criteria, the accounting profession of the free world is in exceedingly sound health. It is all the more pleasing to report that the evidence of constructive robustness comes not only from members engaged in independent public accounting, but from members who are serving as officers of industrial and financial enterprises and in various echelons of government.

It would be interesting to give here the impressions and interpretations of Mr. Grady on the papers presented in the general areas of auditing, internal control, accounting and financial reporting. Here is a brief of his analytical statement which will give the reader an overall coverage of a volumatic record of such technical material.

AUDITING:

It was only fifteen years ago that the American Institute first delineated in pamphlet form the meaning and significance of the term "generally accepted auditing standards." This pronouncement emphasized the importance of the personal quality standards of Proficiency, Independence and Due Care and further explained the significance and application of these standards in the performance of field work and in the preparation of reports. Although much remains to be done, the papers presented at this meeting demonstrate an encouraging degree of understanding and acceptance of these or somewhat comparable standards. There is also recognition that, where standards are different as between countries, the auditor engaged in international work should meet the higher of the standards of his own country and those of the country whose investors will be relying on his report.

There is widespread recognition of the merits of an analytical approach to independent auditing which assigns increasing attention to the substance of business operation as a major element to substantiation of the accounting records. Closely linked to this approach is the study and evaluation of internal control in the planning and performance of examinations. This is an essential foundation to auditing by tests which permit independent examinations to be performed within reasonable limits of economic cost. Since the scope of practically all annual examinations is limited to that necessary to place the independent accountant in position to give an opinion on the fairness of the financial statements, it follows that the accountant does not assume responsibility for discovery of fraud which does not impair the overall fairness of such statements.

The papers presented on internal auditing show that, in common with the view of the independent public accountant, the internal auditors recognize the basic importance of study and evaluation of the effectiveness of internal control in the enterprise. From the nature of their objectives, it follows that internal auditors, in most cases, will give greater attention to

possible irregularities and inefficiencies in the handling of transactions as a means of assisting all members of management in the effective discharge of their responsibilities. As a part of management, the scope and program of internal auditing necessarily varies greatly depending on the wishes and needs of the particular management.

INTERNAL CONTROL:

Some years ago, internal control was defined by an Institute Committee as comprising all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The major characteristics of a satisfactory system were also set forth. It is unnecessary for the purposes of this paper to detail such characteristics but a significant feature of this Congress has been the extent to which papers, prepared in various parts of the world, are in substantial agreement on the basic concepts of internal control.

Although its key importance is generally recognized by management and by the accounting profession, we may not yet have accorded Internal Control its full stature, I submit, not as a conclusion but as a suggestion worthy of careful consideration, that in a highly developed free enterprise economy an effective system of internal control should be one of the postulates of accounting. It would seem to be a fitting corollary to the postulate of indefinite life of the enterprise. When the attributes of an indefinite life are missing, the auditor is called upon to alter his customary form of report. Similarly, if a management has not provided reasonable measures of internal control, should not the auditor substantially modify or withhold his report? I know this is now done in extreme cases, but isn't there a need for extension of the practice?

Regardless of whether Internal Control is ultimately accorded the stature of an accounting postulate, we should all recognize its unique position as the essential connecting link between accounting, auditing and the systems and other advisory services rendered by the accounting profession.

ACCOUNTING:

One of the speakers at the Congress said: "The forceful instrument available for organizing, expressing and evaluating business and economic facts is accounting. It is the quantitative mean for disclosure

of information, essential to the successful conduct of national and international market economics and for appraising the overall performance of free enterprise societies. Accounting, as the best available device for understanding today's complex business transactions and their interrelationships, has become accepted as the most ideal tool for measuring the performance of individual economic units or enterprises. Accounting, an instrument based on ethical regard for truth and integrity, constitutes the base for assessment of taxes based on the entity's ability to pay, measured by its income. In short, it can be said that accounting is not only the universal language for thinking and communicating about business and economic affairs, but also the most dependable device available for measuring and appraising performance of individual business units as well as whole economies."

A primary purpose of accounting, obviously, is to supply the great quantity of dependable information needed by management for managing and operating the business. The several excellent presentations dealing with various aspects of management accounting place great emphasis on the need for close integration of long and short term financial and operating planning with accountancy. By using coordinated tools of forecasts, budgets, standard costs and accounting by areas of responsibility, industry has improved its ability to plan and control what is going to happen rather than just correct past deficiencies.

The crucial concern of management is the maintenance of a satisfactory margin between the costs of producing and distributing its products or services with the revenues it may expect to receive for them in the markets served. Decision making will be seriously handicapped and perhaps even misled if the information supplied does not reflect dependable current costs of production and distribution. This basic economic fact, especially considering the impact of inflation, has caused unadjusted historical cost to become almost as outmoded as yesterday's newspaper.

The accounting practices in Europe, particularly in the Netherlands, have been considerably in advance of those in the United States in the recognition of current costs, including price-level changes with respect to fixed assets. In our country, we have done a lot of writing and talking about the problem but there have been only a few instances where price-level adjustments have been reflected in the accounts.

It seems clear that the price-level resolution adopted

by the Accounting Principles Board of the American Institute in 1961 together with the current research project on implementation problems, will result in presentation of a considerably greater number of financial statements, reflecting complete price-level adjustments in a form supplementary to historical cost statements. It is my hope that such statements will become mandatory within the next few years. Without such statements, investors and management are largely in the dark as to the rate of real growth of the enterprise and its real profitability or earnings on invested capital.

In published statements and in accounting literature of the Netherlands, where current-cost accounting has probably had its widest acceptance, the term "replacement value" is commonly used in reference to fixed assets and inventories. In the United States, this term would be interpreted by some people to mean estimated cost of reproduction arrived at by appraisal rather than by accounting methods. Such valuations by industry during the 1920's were severely criticized in political circles in the aftermath of the depression thirty years ago. Accordingly, any such term must be rigorously avoided here. For this reason we greatly prefer the terms "current cost" or "cost in current dollars", and adjustments undertaken would be based upon objective evidence of present cost as shown by actual transactions or upon price indices prepared by government or other independent agencies. This difference, I feel sure, is one of semantics rather than substance in our objectives to produce informative and useful financial statements, but this word of explanation may promote our mutual understanding of the matter.

REPORTING:

Reporting, of course, embraces the financial statements and related comments and explanations by which the management of an enterprise fulfills its fiduciary accountabilities to stockholders, creditors, employees, customers, government and others having bona fide interests. Such statements should include an understandable and dependable showing of how the management has invested the capital resources entrusted to the business entity and the results of operations attained through the utilization of these resources by the personnel comprising the various echelons of the enterprise.

In olden days identified with the "private locked

ledgers" many companies followed a practice of telling stockholders as little as possible. Fortunately, that attitude has largely passed in America and in most of the countries attending this Congress. It is clear that unwarranted areas of secrecy will continue to diminish. In this connection it was most exhilarating to hear Dr. Otten and Mr. Watson, at our opening session, extol the advantages which business itself gains by clear and comprehensive reporting. They recognized that the annual report was considerably more than a story of historical results to existing stockholders, because of its practical usefulness as a basis for present and future decisions in the capital markets of the world.

The other important component of reporting, in addition to the financial statements, is the report of the independent accountant. The form of this reporting varies from country to country, depending on statutory requirements and actions by our national professional organizations. In our country, we have prescribed four basic standards of reporting as a part of generally accepted auditing standards and our rules of professional conduct state that:

"In expressing an opinion on representations in financial statements which he has examined, a member may be held guilty of an act discreditable to the profession if—

- (a) he fails to disclose a material fact known to him which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements not misleading; or
- (b) he fails to report any material misstatement known to him to appear in the financial statement; or
- (c) he is materially negligent in the conduct of his examination or in making his report thereon; or
- (d) he fails to acquire sufficient information to warrant expression of an opinion, or his exceptions are sufficiently material to negative the expression of an opinion; or
- (e) he fails to direct attention to any material departure from generally accepted accounting principles or to disclose any material omission of generally accepted auditing procedure applicable in the circumstances."

This rule of conduct is quoted, not in any sense to say that American standards are better than those of

other countries, but rather to convey to non-accountants, who may take notice of our search for improvement, that our profession has exercised a high degree of voluntary self-discipline by establishing standards of conduct and by providing adequate means of enforcement.

Mr. Paul Grady, in his paper, specifically pointed to the desire expressed in a number of papers, for formulating a universal code for application on international levels, as to the standards of auditing, accounting and reporting on financial statements. He said that such theme has been inherent to an increasing degree in the successive Congresses. He specially mentioned of the definitive and effective presentation of this subject by Mr. Kraayenhof, President of the Seventh International Congress, in a 1960 issue of the *Journal of Accountancy*, which recommendations were, in fact, repeated at the Opening Session of the Eighth Congress. He also referred to an Article by Mr. Alvin R. Jennings published in a recent issue of the said journal, which he remarked "timely and excellent", on the subject. He, however, agreed that the key to progress lies in an organized research by the profession, both at the national and international levels.

Having come to the conclusion of his illustrious paper, brilliantly portraying the proceedings of the technical sessions, Mr. Grady summarized the theme of the technical programme of this important Congress, in the following three inter-related premises:

1. The world economy is dependent on flow of capital, international trade and management skilled in the organization of personnel and use of tools to produce goods and services wanted by the people.

2. The flow of capital is stimulated by opportunity of profit and confidence in the political and economic stability of the countries comprising the free world.

3. The primary function of the independent public accountant in the economy, whether world or national, is the part he plays in maintenance of the mutual confidence which is necessary in business relationships.

Concluding his informative, interesting and well worded article, Mr. Paul Grady went on to say:

"If we are in agreement on these premises, it would be difficult to see how there can be disagreement on the necessity for international standards of auditing,

accounting and reporting as a means of improving the mutual confidence in business relationships which is our particular responsibility. It has been the consensus of the discussion meetings that agreement on auditing standards should not be a very difficult undertaking since this is entirely a professional matter. In the case of accounting and reporting standards considerably greater difficulties are presented and it will be necessary, through our research efforts, to reach a clearer status nationally as a condition precedent to the development of international standards.

It is certain that the excellent technical papers and stimulating discussions we have heard during this International Congress will contribute substantially to the attainment of these objectives, but it would be a mistake to let the problem rest on this generality. Therefore, I should like to conclude my summarization by conveying to the Official Delegates from the sixty-two nations attending this Congress an important mandate from the discussion meetings. The mandate is this that each delegation specifically charge itself with the responsibility of initiating the necessary research work to develop clear cut statements of your own national auditing, accounting and reporting standards and that this work be completed in advance of the Ninth International Congress in 1967. Out of this foundation material, it will be possible for our profession, on an international basis, to continue the evolutionary process of promoting the highest and soundest of these standards whenever they may exist.

Besides Mr. Grady, whose account we have given in detail, the closing session was also addressed by Mr. F. G. Donner, Chairman of the Board of Directors of General Motors Corporation and Mr. J. C. Stewart, President of the Institute of Chartered Accountants of Scotland.

The Congress had a happy ending with the Congress Grand Ball arranged at the Ballroom floor of Waldorf-Astoria starting 9 p.m. Dancing to the music of Glenn Miller's famous Orchestra under the able direction of Ray Mckinley, sipping champagne, relaxing in surrounding lounges and watching a variety of entertainment programmes presented at frequent intervals, the huge assembly that really made a big crowd, continued enjoying the evening till early hours of the next morning, shaking off all the psychological and physiological strains of the Congress.

THE THIRD CONFERENCE OF ASIAN & PACIFIC ACCOUNTANTS-1962

It was in true Japanese tradition that the Third Conference of Asian and Pacific Accountants, 1962, was held in Tokyo from the 15th to the 19th of October 1962. Nothing was overlooked to make the visit of the participating delegates an enjoyable one; on the entertainment side, there was music, there was sightseeing, there were parties including 'sayanoras', and there were theatre shows. Twice before, such conferences have been held in other Asian and Pacific countries, but this was the first time that one was held in this great metropolis. The Institute of Chartered Accountants of Pakistan was represented by a delegation of two members, Mr. M. Hussain Chaudhury from Lahore and Mr. A. Qasim from Dacca. The Pakistan Institute of Industrial Accountants sent up another delegation, with Mr. Rahim Jan and Mr. Mumtaz Mirza as its members. Besides Pakistan, fourteen other countries namely Australia, Burma, Canada, China, Hongkong, India, Indonesia, Korea, New Zealand, Philippine Islands, Singapore, Thailand, United States of America and Japan participated in the Conference. Altogether there were 222 delegates, 19 accompanists and 28 visitors. Of the total number of 269 participants, there were 147 delegates of the sponsoring body, namely the Japanese Institute of Certified Public Accountants.

The Conference sessions were held in the Tokyo Cultural Hall (Tokyo Burker Karkan). A band, that of the fine Defence Board was in attendance. There was a flag hoisting ceremony, which was performed by a representative of each participating country, the flag of which was carried by two boy scouts from the rear of the Hall, also escorting each representative, to the front, where the flags were hoisted. On behalf of Pakistan, Mr. M. Hussain Chaudhury performed the flag hoisting. This ceremony was followed by the band playing the national anthem of each country. Immediately after, an address of welcome was given by Mr. Makato Tauji, the Chairman.

Congratulatory messages from Prince and Princess Takatmaten, the Minister of Finance, the Metropolitan Governor, and the Japanese association were read out. There were other messages too, from the Federation of Economic Association, the American Accounting Association and from the various representatives. Mr. Mumtaz Mirza presented the greetings on behalf of Pakistan. Immediately after lunch, the Conference adjourned for sightseeing.

In the evening, there was a banquet at the New Japan Hotel, at which the delegates were feasted to Japanese hospitality at its most sumptuous.

The next day was reserved for the Technical Sessions at which various topics such as 'Depreciation', 'Efficiency in Auditing Procedures', 'Variance' and "C.P.A.'s in Japan", were discussed.

Mr. M. Hussain Chaudhury was Chairman of one of the sessions, at which the subject for discussion was Depreciation. Mr. Byong Kab Cho, a member of the Korean Institute of Certified Public Accountants read his paper "A Treatise on Depreciation."

Mr. Cho termed "Depreciation" as a subject of many controversial points and presenting complicated accounting. He defined Depreciation as "the distributing procedure by systematic methods, of the difference between the original cost and the residual value, to operational years of service". He said "Its real content is the same as the counting of prepaid cost. It does not have any relation with acquiring new assets in case the original assets are exhausted. That is, depreciation is not related to the acquisition cost of new assets. The common theory of accounting, emphasizes procedures of cost distribution as the core of depreciation and subsequently the recovery of capital invested in fixed assets. That is, the first objective of depreciation is cost distribution, the secondary being the counting of recovery of Capital".

Commenting on the complexities involved in charging the correct amount of depreciation in a particular



Mr. M. Hussain Chaudhury, presiding at a Technical Session at the third Conference of Asian & Pacific Accountants at Tokyo.

year, Mr. Cho continued to say that in times of inflation, the counting of correct depreciation charge which is required to correspond to the profit, becomes difficult because it is ordinarily done by means of original cost of fixed assets acquired in the past; whereas the profit reflecting the rising of commodity prices is manifested in higher amount and the depreciation charge, which is in fact the cost and is to correspond to the increased profit, cannot be expressed correctly in profit and loss account so long as this counting is done in the historical original cost.

Speaking about the different methods employed to regularize the charge of depreciation, the author differentiated the effects of the various methods including the straight line method, Fixed Rate method, Sum of the digits method, Sinking fund method, Annuity method and the Product Amount method. He said that the Product amount method is regarded as the most rational as with its ratios, the whole amount of depreciation charge is proportionately distributed in periods. In this method, the whole amount of product or of potential utilization in each term becomes the denominator and the actual amount of product or of utilization of the term becoming the numerator.

Mr. Cho's paper received thundering applause and amidst tremendous clapping, Mr. M. Hussain Chaudhury, Chairman of this Technical Session delivered his concluding speech.

Mr. Chaudhury put forth the definition of the Depreciation, as we in Pakistan understand it and which is not different, in principle, from what is under-

stood and practised in other countries. He defined Depreciation as "a process of cost allocation of the fixed assets to be distributed over the estimated useful life of such assets in a systematic and rational manner". Speaking about the responsibility of an Accountant, Mr. M. Hussain Chaudhury said that the provision for replacement, when there is a higher changing price level, may be made by the management as a prudent policy to strengthen the financial position of an undertaking and the accountant has nothing to do with it, so long as it is disclosed as an allocation of profit in the final accounts. An accountant cannot become an Engineer, as he has no scientific knowledge of measuring price levels. He will have to go by the historical costs."

He then spoke of the allowances, by way of initial, additional and normal depreciations allowed to the industries in Pakistan, a young country, developing fast in commerce and industry. He said that Depreciation allowances at liberal rates are being allowed in Pakistan and these are calculated on the cost of the asset at the time of its acquisition in the first year and on the system what is universally known as "Written Down Value" in the subsequent years.

Concluding, Mr. Chaudhury said that he was in agreement with the basic principles that an accountant has to abide by the conventions and thoughts laid down by the various authorities and take into consideration the accounting doctrines and is concerned with the consistent application of his standards and methods.

STUDENTS' COLUMNS

COACHING CLASSES

The requirement of compulsory attendance of 60% of lectures was again considered by the Council of the Institute in its meeting held on 11.12.1962. The Council decided not to dispense with this essential requirement. The condition of compulsory attendance will, however, not be applicable to those candidates who have once attended the refresher courses arranged by the Regional Committees at Lahore and Dacca or the regular training course at Karachi. Similarly, the students who have already appeared at any of the examinations of the Institute, will be exempt from this requirement for that particular examination. For admission to June, 1963 examinations and onward, the candidates would be required to furnish certificates from the respective Regional Committees, showing the number and percentage of lectures, they have attended upto the time of filing their application for appearing at any of the examinations of the Institute.

The Council has, however, decided to consider cases of difficulties in respect of articled and audit clerks permanently stationed away from the venue of such coaching classes, for exemption on special merits.

CONDITIONS APPLICABLE DURING THE TRANSITIONAL PERIOD TO CANDIDATES PASSING ONE GROUP OF THE FINAL EXAMINATION:

The syllabus for the examinations of the Institute, to be held in June, 1963 and onward, has been revised. The revised syllabus is contained in Schedule "B" of the Bye-Laws of the Institute, published in the Gazette of Pakistan—Extra-ordinary, dated 1.7.1961.

It has been decided to introduce a separate examination for the candidates who pass either of the two groups of the Final Examination, during the transitional period. The following conditions will apply:

Candidates who fail in both the groups in the Final Examination held in December, 1962 OR whose chance of passing the remaining group ended with the December, 1962 examination OR who are appearing at the June, 1963 Final Examination for the first time, will be examined according to the new syllabus at the June, 1963 examination.

Candidates who fail in one group and clear the other group of the Final Examination at the December, 1962 examination will be allowed two more chances to clear the remaining group, according to the old syllabus of the examination.

Candidates who failed in one group and cleared another group at the June, 1962 examination and who have availed or supposed to have availed one chance at the December, 1962 examination, will be allowed only one chance at the June, 1963 examination to clear the group, according to the old syllabus.

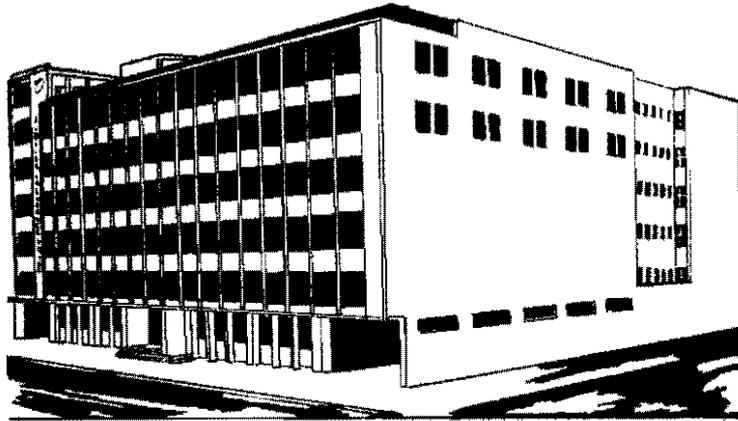
LIST OF BOOKS FOR THE GUIDANCE OF CANDIDATES:

The Examination Committee of the Institute has prepared a comprehensive list of books for the guidance of the candidates for various examinations of the Institute. The list can be had from the office of the Institute or from the Regional Committees of the Institute at Karachi, Lahore and Dacca.

Note :- It is intended to use these columns for the exclusive benefit of the candidates preparing for Institute's examinations. Contributions of articles from the point of view of students to help them in their studies, would be welcome. In its future issues, the journal intends to commission a series of articles from experienced teachers and members, interested in students problems.

NEW JUBILEE INSURANCE COMPANY LIMITED

(Incorporated in Pakistan)



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- * WORKMEN COMPENSATION
- * AVIATION
- * MISCELLANEOUS

BRANCHES

EAST PAKISTAN

- Dacca**
74, Motijheel Commercial Area;
- Narayanganj**
Benka Bihari House, Nathiaganj;
- Khulna**
Opp: Municipal Park;
- Chittagong**
Sadat Mansion, Sadar Ghat Road;
- Rangpur**
Rangpur Bazar, Distt: Rangpur;
- Sylhet**
Zindabazar, P.O. & Dt: Sylhet.

WEST PAKISTAN

- Lahore**
Czernine Palace, Bank Square, The Mall;
- Multan**
Yakoob Mansion, Hussain Aghai Road;
- Lyaltpur**
Liaquat Ali Road;
- Sukkur**
New Cloth Market;
- Hyderabad**
Jama Masjid Auqaf, Near Tilak Incline,
Saddar Road;
- Quetta**
Jinnah Road, (Yat Road Corner), Opp: Civil
Supply Depot;
- Rawalpindi**
P. O. Box. No. 66, M-66, Edwards Road.

INSTITUTE'S NEWS

ADMISSION OF MEMBERS:

Since July last, 12 members were admitted as Associates thereby raising the membership of the Institute to 206; one member was admitted to Fellowship of the Institute during this period.

GRANT OF PRACTICE CERTIFICATES:

The following members were granted permission to practice during the period July—December, '62:

Syed Ahmad Musavi, ACA, Karachi.
Rao Noor Sher Khan, ACA, Karachi.
Md. Anowar Hossain Miah, ACA, Dacca.
Abdul Ali, ACA, Lahore.
Qaiser Mian, ACA, Karachi.
Ghulam Mohammad Gangat, ACA, Karachi.
Mohd. Saifur Rahman, ACA, Dacca.
M. Luqman Baig, ACA, Karachi.
M. Ghias Shaikh, ACA, Karachi.
Sikander Latif, ACA, Karachi.

Masood Akhtar Mufti, ACA, Chittagong.
Morris Clifford Ainley, ACA, Karachi.

PERMISSION TO TRAIN ARTICLED CLERKS:

The following members were granted permission to train articled clerks during the above period:

Ata Uddin Khan, ACA, Dacca.
Md. Jainul Abedin, ACA, Karachi.
Ahmad Moosa Gangat, ACA, Karachi.
Ahmad Adam Gangat, ACA, Karachi.
Joachim Andrew Gomes, FCA, Dacca.

NUMBER OF REGISTERED AUDIT AND ARTICLED CLERKS:

The number of Articled Clerks and Registered Audit Clerks on 31.12.1962 was as follows:—

Articled Clerks:	193
Audit Clerks:	364

NAMES REMOVED FROM THE REGISTER OF MEMBERS:

In exercise of the powers conferred by Section 19 of the Chartered Accountants Ordinance, 1961, the Council of the Institute removed the names of the following chartered accountants from the Register of Members, for the reasons and with effect from the dates mentioned against each name:

Enrolment No.	Date of enrolment	Name and address	Date of removal	Reason for removal
231	12.11.1959	Mr. Ghulam Jeelani, Chittagong.	15.3.1962	Died
172	4.4.1959	Mr. Savak Framroze Captain, 7, The Chase, London	1.7.1962	On request
161	28.5.1955	Mr. James Elgood Sifton, c/o Mercantile Bank Ltd., 15, Gracechurch Street, London.	1.7.1962	On request
87	1.4.1948	Mr. Frederic Montague Hill, c/o Price Waterhouse and Co., 3, Frederick's House, London.	1.7.1962	Non payment of annual fees.

CHARTERED ACCOUNTANTS' EXAMINATIONS
—December, 1962:

The Chartered Accountants' Preliminary, Intermediate and Final Examinations were held in Karachi, Dacca and Lahore from the 17th to 24th December, 1962. The following number of candidates were admitted:

Preliminary Examination	65
Intermediate Examination	28
Final Examination	189

The results are expected to be declared in the first week of March, 1963.

OBLIGATIONS AND DUTIES OF AN AUDITOR:

The need of reminding members of the Institute of the duties and responsibilities which devolve upon them in their professional capacity has long been felt. The Council of the Institute has decided that material on this subject may be printed in the form of a booklet which should be widely circulated. A Sub-Committee has been appointed for this purpose which is working on the project.

BROCHURES ENTITLED "WHAT IS A CHARTERED ACCOUNTANT" and "HOW TO BECOME A CHARTERED ACCOUNTANT".

The Council of the Institute has decided to issue two brochures entitled "WHAT IS A CHARTERED ACCOUNTANT" and "HOW TO BECOME A CHARTERED ACCOUNTANT". The brochures are aimed at introducing the profession to schools, colleges, parents of prospective candidates, Government departments, corporations, chambers of commerce, banks, insurance companies, etc. The booklets are under print and will be available from the Institute's and Regional Committees' offices on request, shortly.

FIRST ALL PAKISTAN CONVENTION OF CHARTERED ACCOUNTANTS:

It has been decided to hold the First Convention of Chartered Accountants of Pakistan, at Karachi in November 1963. The Council has appointed a sub-committee to work out arrangements for the Convention.

A N N O U N C E M E N T

CHARTERED ACCOUNTANTS EXAMINATIONS—JUNE, 1963

It is announced for general information that the Institute of Chartered Accountants of Pakistan will hold its next Preliminary, Intermediate and Final Examinations from Monday, the 10th June, 1963 at Karachi, Dacca and Lahore. The Examinations will be held under the new syllabus as given in Schedule 'B' of the Chartered Accountants Bye-Laws, 1961.

Candidates having passed one group in the Final Examination held in June, 1962 or December, 1962 will, however, be required to appear in the other group under the old syllabus.

Applications for admission to the examinations will be accepted on prescribed forms (obtainable from the Institute's Office) by the 10th April, 1963 at the latest.

P.I.C. Building, Mereweather Tower,
KARACHI

Ata Ullah
Secretary.
Institute of Chartered Accountants
of Pakistan

ACTIVITIES OF REGIONAL COMMITTEES

KARACHI REGIONAL COMMITTEE:

The Karachi Regional Committee was formed on 1st December 1961. Mr. I. B. Wilson, F.C.A. and Mr. M. A. Munif, A.C.A. were elected Chairman and Honorary Secretary, respectively, at the first meeting of the Committee held on 12th December, 1961. At the first annual general meeting of the Committee, held on 28th December, 1962, Mr. Ebrahim Dahodwala, F.C.A. was elected the Chairman and Mr. Munif was re-elected to hold the office of Hony. Secretary for another term of one year.

The Regional Committee formally met 21 times during the year 1962, to consider various issues of importance relating to regional affairs and also assisted the Council of the Institute on matters of special reference. Particularly, this Committee rendered material help in preparing a list of books for the guidance of the students preparing for the Institute's Examinations.

The Committee supervised the classes under the Second Coaching Scheme started by the Institute, at the Government College of Commerce and Economics. The classes now being run under the Third Coaching Scheme at the B.V.S. Parsi Boys High School are being administered by the Regional Committee, with the help of an Administrator. The course is of nine months duration and the response to these classes has been very encouraging. The coaching scheme is being financed out of tuition fees and grants received by the Institute from the Government for the purpose.

The Committee has been seriously handicapped for want of suitable accommodation for its offices, for the coaching hall, and for the library premises. The matter of acquisition of suitable accommodation has been under the constant and active consideration of the Committee and it is hoped that the efforts of the Committee will bear fruit in the not too distant a future.

LAHORE REGIONAL COMMITTEE:

The first Regional Committee was elected in December, 1961 for a term of three years. Mr. F. Alam,

F.C.A. and Mr. Hameed Chaudhury, A.C.A. were elected the Chairman and the Hony. General Secretary of the Committee, respectively. They have been re-elected for the second term, at the annual meeting of the Regional Committee held in December, 1962.

The Committee has been meeting regularly to discuss the various problems relating to the regional matters as well as those which vitally affected the profession in general. In fact, the Committee met sixteen times, during the first year of its term to consider and deliberate over many issues, significant among these being arrangements for the refresher courses, establishment of a library and acquisition of a plot of land for the building of the Institute at Lahore.

Lectures for the preparation of candidates for the Institute's Intermediate and Final Examinations were arranged twice during the year 1962, each term lasting for two months. The response from the candidates has been very poor on both the occasions and to overcome this lack of interest, the Committee arranged a meeting of the articled clerks and audit clerks of the region to impress upon them the importance of such refresher courses. This meeting gave an opportunity to the Committee members and the students for a frank discussion on a number of problems. The Committee hopes for a much better response from the students in future.

Necessary funds have been placed at the disposal of the Committee for the purchase of books for establishing a library at Lahore for the use of the members and the students.

The Committee is currently planning to arrange a series of lectures by experts on various topics of interest to the members.

DACCA REGIONAL COMMITTEE:

The first Regional Committee was elected and its members were inducted to the office on 10th December, 1961. Since then, the Committee has met a number of times to discuss various problems confronting the members of that region.

The Dacca Regional Committee took an active part in making arrangements for the First Annual

General Meeting of the Institute, held on December 10, 1962. On this occasion, it played host to a big gathering at a Dinner arranged at the Shahbagh Hotel. The dinner was attended by the Governor of East Pakistan, Central Commerce Minister, Provincial Ministers, members of the Institute and a number of industrialists and businessmen. The Committee also arranged a sight seeing tour of East Pakistan for the West Pakistan members attending the General Meeting.

The Committee twice arranged refresher courses during the year 1962. Difficulties are being encountered for lack of suitable accommodation to house these classes. The Committee has been making vigorous efforts to acquire a piece of land for construction of

the building of the Institute at Dacca. They have now been promised a plot of land by the Dacca Improvement Trust authorities.

The Institute has released funds to the Committee for the establishment of a library at Dacca. The difficulty is again that of proper accommodation at a central place. The Committee has decided to house the library temporarily at the Notre Dame College where the coaching classes are being held presently, till such time as the Institute has its own building.

The members of the Regional Committee along with the members of the Council in Dacca, recently called upon the Minister for Commerce to present a memo, seeking the repeal of the Chartered Accountants (Amendment) Ordinance, 1962.

INSTITUTES' PUBLICATIONS

PAST EXAMINATION PAPERS:

C.A. Final	(December)	Examination,	1961	—	Rs. 1.50
„ Inter.	(December)	Examination,	1961	—	1.25
„ Prly.	(January)	Examination,	1962	—	1.00
„ Final	(June)	Examination,	1962	—	1.50
„ Inter.	(June)	Examination,	1962	—	1.25
„ Prly.	(June)	Examination,	1962	—	1.00
„ Final	(December)	Examination,	1962	—	1.50
„ Inter.	(December)	Examination	1962	—	1.25
„ Prly.	(December)	Examination,	1962	—	1.00
List of members as at 30.6.1962				—	2.00

List of books for the guidance of candidates taking the Institute's Examinations.

UNDER PRINT:

What is a Chartered Accountant.
How to Become A Chartered Accountant.

THE FIRST ANNUAL GENERAL MEETING OF THE INSTITUTE

Dacca, the metropolis of East Pakistan, was the venue of a memorable occasion—that of the First Annual General Meeting of the Institute of Chartered Accountants of Pakistan, held on the 10th December, 1962.

This was the first time for the Chartered Accountants in this country to get together and know each other since the establishment of the Institute in the year 1961.

The agenda for the meeting and copies of the audited statements of accounts of the Institute for the year ended 30th June, 1962 were circulated well in time, and in addition, a special invitation to a formal dinner arranged by the East Pakistan Regional Committee had been extended to all members.

On a very fine morning, the members of the Institute assembled in the Banquet Hall of the Shahbagh Hotel, Dacca. A good number of members attended, most of whom were from East Pakistan. It was a pleasant surprise to see members from far flung areas like Chittagong, Narainganj and Kushtia; even members from such distant places as Lahore and Karachi had taken the thousand mile trip to make this meeting a success.

The proceedings of the meeting started exactly at 10 a.m. when Mr. M M. Ahmed, S.Q.A., C.S.P., the President of the Institute, alongwith Mr. A. I. Usmani, Deputy Comptroller and Auditor General, and Mr. Zal S. D. Contractor, T.Pk., Controller of Insurance and other members of the Council arrived to join the members at the meeting.

Mr. R. Rahman, Vice President of the Institute introduced the President to the members and thanked him on behalf of the members for taking this trip and attending this meeting, notwithstanding his other more important official engagements, as a senior member of the Government. Mr. Rahman, then requested the President to occupy the Chair and declare the official opening of the session.

Amidst thundering applause, Mr. Ahmad took the Chair. Delivering his presidential speech, he said that he was delighted to be there to welcome the Accountants of the country to the First Annual General Meeting of the Institute. In his opinion, the members had reason to feel satisfied on the progress that has taken place in the brief span of time of less than 18 months since the establishment of the Institute. He said that all this was due to mutual understanding and the cooperation of the members and the hard work put in by the Council and its various committees.

Addressing the members, he went on to say—“Your profession has a very vital role to play in the economic life of our country. The Chartered Accountants in the present concept do not function in their traditional role. They no longer act only as accountants and auditors of business houses. The scope of their training and education is required to be broadened to cover a number of allied fields such as finance, costing, income-tax, management accounting, law and economics. Their services are being sought after as advisers and consultants to management. They are also to assist in planning and formulating the economic policies of the country, prescribing methods for efficient management of business enterprises and devising machinery for continuously watching the execution of various schemes and plans”.

Commenting on the responsibility of the members, he continued—“As you all know, ours is a new venture; the Institute came into being very recently. Your number hardly touches the meagre figure of 200 which shows an exceedingly unproportionate supply of qualified accountants for a country which is on its way to rapid industrialization. The joint stock system of enterprise is getting more and more popular in Pakistan and the efficiency of this system depends to a great extent on a high level of competence in its financial control. The contribution of your profession in the administration of such control is of paramount

importance. By taking over the affairs of the profession from Government, you have placed upon you a burden which you did not have to bear in the past. It is now for you to put the profession on sound lines, to introduce the desired efficiency and to accelerate training programme to ensure a healthy growth in number. You are the pioneers in this field and it devolves upon you to set up the high traditions which the others will follow. Yours is, therefore, a special responsibility. Let us resolve to dedicate ourselves to



Mr. R. Rahman, Vice President, requesting the President, to deliver his Presidential address to the members, at the First Annual General Meeting of the Institute.

the service of this profession having constantly in view a high ethical standard. The task entrusted to you is not only important but sacred. It is not merely the continued progress of a firm which is dependent on a satisfactory audit of its accounts but also the interests of a large body of investors who entrust their savings to a company in order to make a provision for their future and for those who depend upon them. Cases of manipulation of accounts by management of companies are not uncommon and it rests with you to discover such manipulation early enough so that the interests of investors are not jeopardised. A sound accounting system is necessary for a healthy investment climate and it is now for you to come forward to assist in reforming the system thus contributing your bit to the growing economy of the country.”

Before concluding his address, he urged the members to encourage talented youngmen to join the profession and to assist them to make full use of the training during their service as Articled Clerks and Audit Clerks. This was necessary in his opinion, so that when they grow up and join the profession as members, they should prove an asset to the Institute, the Profession and to the Nation as a whole.

The meeting then proceeded to deal with the Agenda. The Report of the Council and the accounts of the Institute for the year ended on 30th June, 1962, together with the Auditors' Report thereon, were moved for adoption. The members appreciated the progress reported by the Council and expressed their satisfaction on the way the affairs of the Institute were administered by the Council, and the functioning of the Secretariat of the Institute. The Report of the Council and the audited accounts were passed and adopted subject to minor adjustment with regard to capitalization of the amount of Admission Fee.

The re-appointment of the retiring auditors was recommended as Honorary Auditors of the Institute for the year 1962-63, which was unanimously carried.

The agenda also included the consideration of the situation that had developed with the passing of the Chartered Accountants (Amendment) Ordinance, 1962, which was carried out by the Government without consulting the Institute. Some of the members desired to move a resolution for adoption by the meeting, requesting the Government to repeal the amendment which, they said, was contradictory to the accepted principles and practice followed by similar



A. Monem Khan, Governor of East Pak stan, the Chief Guest, being received by Mr. Akberali G. Merchant, Chairman of the East Pakistan Regional Committee.

professional institutes, in other countries. The members of the Institute present at the meeting unanimously and equivocally supported the consideration of such a resolution. The debate on this vital issue provided some fire-work and proved the keen interest of the members to safeguard the future of their Profession and the Institute.

The President then addressed the members on the subject. He disclosed that he was fully conscious of the gravity of the matter and the way members felt about

it. He assured the members that the Council of the Institute had already considered this issue and had decided that a delegation of three members should wait upon the Minister for Commerce, to express the views of the members and to explain the consequences and repercussions of the recent amendment. He said that in his judgement, this was not an opportune time to consider such a resolution as the Council was already taking necessary steps to safeguard the interest of the members. On this assurance from the President, the motion was withdrawn. It was hoped that immediate steps would be taken by the Council on this vital issue.

Mr. Zal S. D. Contractor, then proposed a vote of thanks to the Chairman, the Secretary of the Institute and his staff which was duly carried.

The members were entertained to light refreshment and then dispersed only to join an hour later at a sumptuous lunch, arranged by the East Pakistan members at the Shahbagh Hotel. The President of the Institute, the members of the Council and other members attended in large numbers.

Later in the evening, Mr. Rahman, Vice President of the Institute, invited a number of members to a

The next day was a busy day for the Council members. In the afternoon, the members were guests at a reception arranged by Mirza M. Hussain at the well known Dacca Club.

Then came the most colourful event of the whole series—the formal dinner arranged by the East Pakistan Regional Committee. The Banquet Hall of Shahbagh Hotel was beautifully decorated for the occasion and the hosts had spared nothing to give the function all the sublimity and grandeur, it deserved.



A chat before the dinner. Mr. Wahiduzzaman, Central Minister for Commerce talking to the members of the Council and guests.

Mr. Abdul Monem Khan, Governor of East Pakistan, who was the chief guest, was received by Mr. Akbarali Merchant, Chairman of the East Pakistan Regional Committee, at the main entrance. Cameras started clicking as the chief guest was escorted to the hall where he was introduced to the members of the Council.

On behalf of the hosts, Mr. A. Qasem welcome the chief guest, the Institute's guests and the visiting Chartered Accountants. He then proposed a toast for the prosperity & progress of Pakistan.

Mr. Akbarali G. Merchant then took up the rostrum to present an address to the Chief Guest. In his address, Mr. Merchant thanked the Chief Guest for accepting the invitation of his Committee. He explained the difficulties, the Dacca Regional Committee was facing in the acquisition of a suitable plot of land for construction of a Lecture Hall & premises for a library and offices of the Committee.

In his reply, the Governor appreciated the useful role being played by the Institute in providing refresher courses to the students. He said he was happy that the Institute was functioning as an autonomous body and was looking after the interests of the Chartered



The Chief guest being escorted to the Banquet Hall From left to right: Rao N. S. Khan (Executive Editor), Mr. Akbarali Merchant, the Chief Guest, and Mr. A. Qasem.

dinner at his residence, to taste the delicacies of the special East Pakistan dishes. Those present, particularly from West Pakistan, enjoyed the delicious food and the congenial atmosphere. The gathering continued till late in night.

Accountants in Pakistan, in keeping with the practice in other advanced countries. He promised that a plot of land would shortly be earmarked for the Institute.

Mr. Zal S. D. Contractor, Controller of Insurance and a member of the Council, speaking on behalf of the delegates from West Pakistan, thanked the hosts.

The dinner was attended amongst others by the



A general view of the formal dinner arranged by the East Pakistan Regional Committee, on the occasion of the First Annual General Meeting of the Institute held at Shahbagh Hotel, Dacca.

Central Commerce Minister, Mr. Wahiduzzaman, Provincial Ministers—Nawabzada Syed Hassan Ali Chowdhury, Mr. Mafizuddin Ahmad and Mr. B. A. Majumdar, and a number of senior Government Officers, prominent industrialists and businessmen.

The East Pakistan members had arranged a sight-seeing tour for the West Pakistan members, who welcome this opportunity to see this beautiful part of the country. A PIA Folker-ship carried the holidaying party to Chittagong. After a brief halt, the party proceeded to Chandragona to see the Karnaphuli Paper Mills—the largest in the country, producing over 100 tons of paper every day. The journey through

this picturesque valley was a pleasing experience. After getting a round of the mills, the visitors proceeded to Kaptai—only ten miles away to see this huge multipurpose project, which costs something like 500 million rupees. The setting of the dam is one of exquisite beauty; it has formed a lovely lake of 250 sq. miles in area. The management of the Paper Mills



Mr. A. Monem Khan, Governor of East Pakistan, replying to the address of welcome presented by Mr. Akberali Merchant, Chairman of the East Pakistan Regional Committee.

played host and the stay at the Directors' Bungalow, which commanded a magnificent view of the valley and the river flowing down below, was most amusing and comfortable. Next morning, the party cruised its way through Karnaphuli river to Rangamati—

the principal gateway to the Hill tracts area and the home of the Chakmas, the famous East Pakistan tribe which still have their traditional way of living of the primitive ages.

The visit, though brief, provided a wonderful opportunity to the visitors from West Pakistan to see this lovely land of rivers, lush green valleys and lofty mountains.



Visiting members from W. Pakistan at Chandragona (East Pakistan) L to R.: Mr. Attaullah, Secretary, Mr. S.A. Salam, Mr. M. H. Chaudhury, Mr. Riaz Ahmed, Rao N. S. Khan (members) with Mr. R. Rahman, Vice-President.