

MONTHLY TECHNICAL UPDATES

ICMA INTERNATIONAL
lead strategically

ON ACCOUNTING, TAXATION & LAWS

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"All our dreams can come true if we have the courage to pursue them." Walt Disney

Mr. Shehzad Ahmed Malik, President ICMA met with the Member Finance and GM National High way Authority (NHA)



I am delighted to present the Monthly Technical Updates for the month of November, 2022. This month's edition comprises of news from economy, Corporate Sector, Taxation, monetary sector; updates from the stock market and foreign exchange. I believe that members will find it informative and helpful in discharging their professional assignments/ responsibilities.

Moreover, worthy members are requested to share their valuable suggestions at tspd@icmap.com.pk for further improvement in the document and identify topics of technical interest, which the Committee may consider for arranging seminars and training programs beneficial for the practicing members in terms of their capacity building and value addition.

I appreciate and look forward to receive your inputs and comments for the uplift of practicing profession. Together we can take our Institute to greater heights.

Shehzad Ahmed Malik, FCMA
President ICMA International & Chairman TSPDC



**Message from
the desk of
President**

Committee Activities

President's meetings with different dignitaries

President Mr. Shehzad Ahmed Malik had a meeting with NUML Officials



President Mr. Shehzad Ahmed Malik chairing meeting at Emerging Role of Human Resource





President ICMA & Chairman TSPD Committee was the Guest of Honor at Annual Get-together by UK Branch Council where he apprised the members regarding the activities of ICMA, particularly of TSPD Committee & his meetings with dignitaries to promote the profession in the country & abroad



Honorary Secretary visited UAE Branch Council and had a technical session with the members and practicing members of UAE



Webinar on Sustainable Cost Optimization

In line with the directions of Mr. Shehzad Ahmed Malik, FCMA, President ICMA, for arranging capacity building sessions for the students and members of Institute, TSPD Committee, in collaboration with the National CPD Committee of ICMA Pakistan, organized a Webinar on Sustainable Cost Optimization through ZOOM on November 15, 2022 for the awareness of members, students, professionals and other stakeholders. A large number of participants attended the event and benefitted from the thought-provoking speeches of eminent speaker.

Mr. Awais Yasin, FCMA Honorary Treasurer ICMA welcomed the guests with his welcome note. Eminent speaker Mr. Asim Rafat Khan FCA, FCMA presented a detailed and comprehensive presentation on the subject. Ms. Hameeza Nadeem, ACMA moderated the session. President ICMA acknowledged the efforts of TSPD Committee and thanked the speakers for their valuable input and time. The participants greatly admired the event and also had an interactive Question and Answer session.



Webinar on filing of Annual Return of Companies (Form A/B, Form-29, Form-45)

Technical Support and Practice Development (TSPD) Committee, under the guidance of Mr. Shehzad Ahmed Malik, President ICMA & Chairman TSPD Committee, organized a Webinar on filing of Annual Return of Companies (Form A/B, Form-29, Form-45), in collaboration with the National CPD Committee of ICMA Pakistan on November 11, 2022 through ZOOM. Mr. Azeem Hussain Siddiqui, FCMA, Chairman Karachi Branch Council graced the event with his presence and welcomed the participants. Sayyid Mansoob Hasan, FCMA was the distinguished speaker at the event. The speaker enlightened the participants to the various aspects of Annual Return of Companies. Amongst the Panelists were Syed Iftikhar H. Naqvi, Incharge (Company Registration Office - Karachi)/Additional Registrar of Companies, SECP and Muhammad Nasir Khan, Additional Joint Registrar SECP. The participants had an interactive Panel discussion moderated by Mr. Azeem Hussain Siddiqui, FCMA, Chairman Karachi Branch Council.



Important dates

December 15, 2022	Last date of filing of Income Tax Returns to FBR (FBR extended the last date for filing income tax returns for tax year 2022 up to Dec 15, 2022 from Nov 30, 2022)
December 31, 2022	Filing of Income Tax Returns for Companies

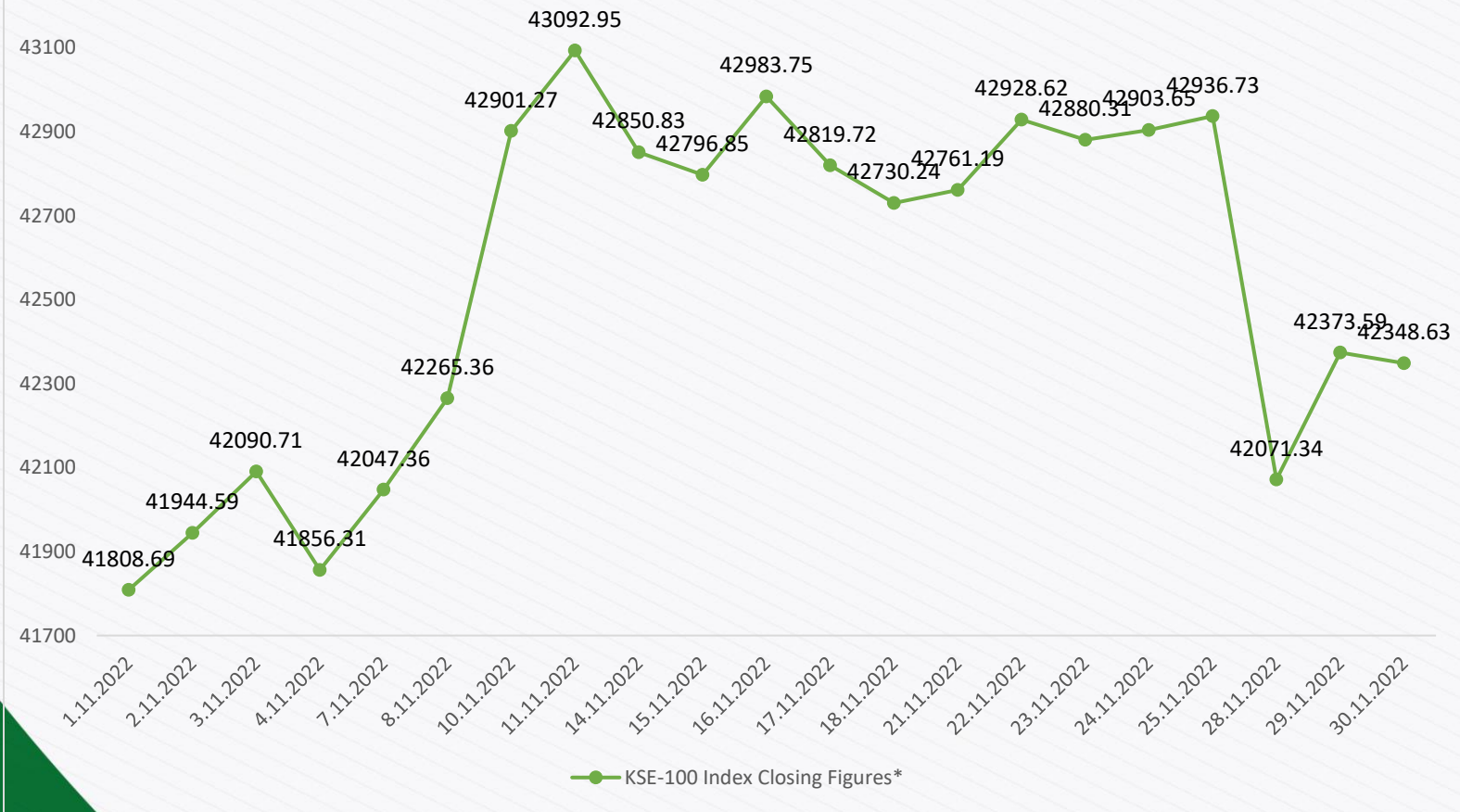
Pakistan Stock Market

Pakistan Stock Market - KSE-100 Index Fluctuations during November, 2022

Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*
1.11.2022	41808.69	11.11.2022	43092.95	22.11.2022	42928.62
2.11.2022	41944.59	14.11.2022	42850.83	23.11.2022	42880.31
3.11.2022	42090.71	15.11.2022	42796.85	24.11.2022	42903.65
4.11.2022	41856.31	16.11.2022	42983.75	25.11.2022	42936.73
7.11.2022	42047.36	17.11.2022	42819.72	28.11.2022	42071.34
8.11.2022	42265.36	18.11.2022	42730.24	29.11.2022	42373.59
10.11.2022	42901.27	21.11.2022	42761.19	30.11.2022	42348.63

*As published in Daily Dawn

KSE-100 INDEX CLOSING FIGURES



Rupee-Dollar Parity

Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*
1.11.2022	220.5	226.5	11.11.2022	222.0	227.7	22.11.2022	223.5	231.0
2.11.2022	221.5	227.2	14.11.2022	222.2	227.8	23.11.2022	223.7	231.0
3.11.2022	222.0	227.7	15.11.2022	222.2	227.7	24.11.2022	224.2	231.2
4.11.2022	222.5	227.7	16.11.2022	222.5	227.6	25.11.2022	224.2	231.0
7.11.2022	222.0	227.7	17.11.2022	222.7	229.5	28.11.2022	224.5	230.9
8.11.2022	222.0	227.7	18.11.2022	223.3	229.9	29.11.2022	224.4	230.9
10.11.2022	222.0	225.6	21.11.2022	224.0	231.0	30.11.2022	224.4	231.5

*forex.pk

RUPEE-DOLLAR PARITY DURING NOVEMBER 2022



Corporate Updates

1. DRAFT UNLISTED COMPANIES (BUY-BACK OF SHARES) REGULATIONS, 2022

Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 2066(I)/2022 notified draft of the Unlisted Companies (Buy-Back of Shares) Regulations, 2022 to solicit comments.

These regulations shall be applicable to buy-back of shares of Unlisted companies, in pursuance of section 88 of the Companies Act, 2017 (XIX of 2017).

According to the proposed draft, the public unlisted or a private company fulfills the following conditions:-

- a) It has distributable profits or reserves for the purpose of purchase of its own shares; Provided that if the purchasing company is engaged in any business activity which is subject to license or approval under any law, it has obtained permission from the relevant department or the authority in respect of the purchase;
- b) the purchase is authorized by its articles of association;
- c) it has obtained approval of its members for purchase through special resolution;
- d) the purchase is recommended by the board through resolution and the board of directors has undertaken through a resolution that the funds specified for the purchase are available with the purchasing company and after the purchase, the purchasing company is capable of meeting all its financial obligations on time during the period up to the end of the immediately succeeding twelve months;
- e) the secured creditors of the company have no objection to the proposed purchase of shares by the purchasing company the board of directors of a purchasing company shall not propose or recommend a purchase in any of the following circumstances namely: -
 - i. its winding up proceedings have commenced;
 - ii. a scheme of arrangement, compromise, reconstruction, merger or demerger is approved by the board of directors unless the purchase is a part of such arrangement, compromise, reconstruction, merger or demerger; and
 - iii. it is not compliant with the provisions of the Act, rules and regulations framed thereunder.

The draft Regulations can be downloaded from the following link:-

<https://www.secp.gov.pk/document/sro-2066-i-2022-draft-unlisted-companies-buy-back-of-shares-regulations-2022/?wpdmdl=46234&refresh=638723398c1ba1669800761>

Taxation Updates

2. FBR EXTENDED THE DATE OF FILING OF INCOME TAX RETURNS TILL DECEMBER 15, 2022

Federal Board of Revenue (FBR) vide their Circular 18 of 2022 dated November 30, 2022 further extended the date of filing of Income Tax Returns for tax year 2022 till December 15, 2022.

For further details, please visit the following links:-

<https://download1.fbr.gov.pk/Docs/2022113021114947297DateExtension.pdf>

Monetary Updates

3. SBP NOTIFIED AMENDMENTS TO THE ANTI-MONEY LAUNDERING, COMBATING THE FINANCING OF TERRORISM & COUNTERING PROLIFERATION FINANCING (AML/CFT/CPF) REGULATIONS

State Bank of Pakistan (SBP) vide their BPRD Circular Letter No. 33 of 2022 dated November 28, 2022 notified amendments to its Anti-Money Laundering, Combating the Financing of Terrorism & Countering Proliferation Financing (AML/CFT/CPF) Regulations.

SBP through this circular amended relevant provisions of the AML/ CFT/ CPF Regulations, particularly Definition-25 and Para-24 of Regulation-2 regarding dormancy requirements and the dormant account activation process.

According to circular, the “Dormant or In-Operative Account” means the account in which no customer-initiated transaction (debit or credit) or activity (e.g. login through digital channels) has taken place during the preceding one year.

The circular directs SBP Regulated Entities (REs) to apply following measures for dormant accounts:

- a) SBP REs shall send prior notice to the account holder through any registered medium, e.g. SMS, email, etc. before marking the account as dormant. Notices shall be sent one (1) month, seven (7) days and one (1) day prior to marking the account as dormant. Notice shall also include the account activation procedures/ channels.
- b) SBP REs may allow credit entries in dormant or inoperative accounts.
- c) Debit transactions/ withdrawals shall not be allowed until the account is activated. However, transactions e.g. debits under the recovery of loans and markup etc., any permissible bank charges, government duties or levies and instruction issued under any law or from the court will not be subject to debit or withdrawal restriction
- d) SBP REs may activate the dormant account upon receipt of a formal request from the customer through any authenticated medium, including their mobile banking applications, internet banking portals, ATMs, call centers, surface mail, email, registered mobile or landline number, etc

For further details, please visit the following link:-

<https://www.sbp.org.pk/bprd/2022/CL33.htm>

International Updates

4. IFAC RELEASES ADDITIONAL SUPPORT FOR SMALL FIRMS ON THE IAASB'S QUALITY MANAGEMENT STANDARDS

International Federation of Accountants (IFAC) vide their notification dated October 31, 2022 released the first installment in a three-part publication series to help small- and medium-sized practices implement the International Auditing and Assurance Standards Board's (IAASB) new quality management standards.

The IAASB's suite of quality management standards were issued in December 2020 and will come into effect on December 15, 2022.

According to IFAC, the Installment One of the new quality management standards addresses the mindset change the new standards require and the shift in focus from quality control to quality management. It also includes developing a project implementation plan, an introduction to quality objectives, the risk assessment process, and assigning roles and responsibilities. Helpful meeting agenda templates practitioners can use with their colleagues are also included.

The three-part series will provide tips and guidance for practical implementation of the IAASB's standards. Installment two will focus on developing a detailed implementation plan and installment three will address monitoring and remediation. Installment One joins IFAC's collection of available resources that support quality management implementation, including webinars, articles and videos, as well as the IAASB first-time implementation guides, all of which are available at www.ifac.org/qualitymanagement.

For further details, please visit the following links:-

<https://www.ifac.org/news-events/2022-10/ifac-releases-additional-support-small-firms-iaasbs-quality-management-standards>

5. IASB AMENDS ACCOUNTING STANDARD TO IMPROVE INFORMATION ABOUT LONG-TERM DEBT WITH COVENANTS

International Accounting Standards Board (IASB) vide their notification dated October 31, 2022 issued amendments to IAS 1 Presentation of Financial Statements with the aim to improve the information companies provide about long-term debt with covenants.

IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12-month period.

The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

The IASB expects the amendments to improve the information a company provides about long-term debt with covenants by enabling investors to understand the risk that such debt could become repayable early.

According to IFAC, the amendments are effective for annual reporting periods beginning on or after January 01, 2024, with early adoption permitted.

For further details, please visit the following links:-

<https://www.ifrs.org/news-and-events/news/2022/10/iasb-amends-accounting-standard-to-improve-information-about-long-term-debt-with-covenants/>

6. IESBA RELEASES COMPREHENSIVE RESEARCH ON IMPACTS OF TECHNOLOGY ON ETHICS; REAFFIRMS RELEVANCE, APPLICABILITY AND NEED FOR #IESBACODE IN ACCOUNTING PROFESSION

The International Ethics Standards Board for Accountants (IESBA) released its Technology Working Group's final report which is the 2nd phase of IESBA Technology Working Group Report.

This Report is based on the phase-1 report, launched in February 2020, and documents the impacts of disruptive and transformative technologies on the work of professional accountants, and provides extensive analysis and insights into the ethical dimension of those developments. The report also discusses the relevance and importance of the overarching principles and specific provisions in the International Code of Ethics for Professional Accountants (including International Independence Standards) in laying out the ethical guardrails for professional accountants as they face opportunities and challenges in their work as a result of rapid digitalization.

The Report surveys the technology landscape and summarizes the outcomes of the Working Group's fact-finding into the ethics implications of innovative technologies such as artificial intelligence, blockchain and cloud computing. It also explores various related issues, including data governance, cybersecurity, and reliance on, or use of, experts, and

provides insights into those issues and the questions they raise. The Report includes ten recommendations which the IESBA will further consider, some of which it is already addressing in developing technology-related revisions to the International Code of Ethics for Professional Accountants.

IESBA requested all stakeholders including investors, regulators, those charged with governance, firms, national standard setters, professional accountancy organizations, public sector organizations, and academics to study and leverage the Report's comprehensive findings as they consider how best to reinforce public trust in the work of professional accountants in business and in public practice in the age of digitalization.

The Report can be downloaded from the following link:-

<https://www.ifac.org/system/files/publications/files/FINAL-IESBA-Technology-Working-Group-Phase-2-Report.pdf>

7. IASB PROPOSES CHANGES TO THE IFRS ACCOUNTING TAXONOMY 2022 FOR AMENDMENTS TO IFRS 16 AND IAS 1

The International Accounting Standards Board (IASB), vide their notification dated November 28, 2022, proposed an update to the IFRS Accounting Taxonomy 2022 which reflects two recent amendments to IFRS Accounting Standards: Lease Liability in a Sale and Leaseback, which amended IFRS 16 Leases, and Non-current Liabilities with Covenants, which amended IAS 1 Presentation of Financial Statements. The Proposed IFRS Taxonomy Update includes changes to the IFRS Accounting Taxonomy elements to reflect the new and amended disclosure requirements introduced by these amendments. The proposed update can be accessed through the following link:-

<https://www.ifrs.org/content/dam/ifrs/project/ifrs-accounting-taxonomy-update-amendments-to-ias-1-and-ifrs-16/iasb-ptu-2022-2-ifrs-16-ias-1.pdf>

The deadline for submitting comments on the above amendments is December 28, 2022. Worthy members are requested to submit their valuable feedback/ comments on the same through the following link:-

<https://www.ifrs.org/projects/work-plan/ifrs-accounting-taxonomy-update-amendments-to-ias-1-and-ifrs-16/ptu-and-comment-letters/>

8. IASB PROPOSES ACCELERATED NARROW-SCOPE AMENDMENTS TO ACCOUNTING STANDARD ON INCOME TAXES

IASB proposed an accelerated project proposing narrow-scope amendments to IAS 12 Income Taxes.

The rules are based upon the Two model rules published by the Organisation for Economic Co-operation and Development (OECD) Earlier in December 2021. These rules aim to address the tax challenges arising from the digitalisation of the economy, and were agreed by more than 135 countries and jurisdictions representing more than 90% of global GDP. The Pillar Two model rules provide a template for the implementation of a minimum corporate tax rate of 15% that large multinational companies would pay on income generated in each jurisdiction in which they operate.

This IASB's project responds to stakeholders' concerns about the potential implications of the imminent implementation of these rules on the accounting for income taxes. In particular, the IASB has tentatively decided to introduce:

- a temporary exception from accounting for deferred taxes arising from the implementation of the rules; and
- targeted disclosures requirements for affected companies.

The IASB is expected to publish an exposure draft on the same in January 2023. Due to the accelerated nature of the project, the IASB has decided on a comment period of 60 days, which is subject to approval by the Due Process Oversight Committee.

For further details, please visit the following link:-

<https://www.ifrs.org/>

SUSTAINABLE COST OPTIMIZATION

Reducing Costs while staying ready for the Rebound

By: Asim Rafat Khan (FCA, FCMA)
CFO | Turnaround Leader | Certified Director

Sustainable Cost optimization

- Sustainability and profit maximization is the first and utmost important objectives of any business.
- Managing financial uncertainty of a business is a significant challenge; it becomes more substantial during the constraints as current COVID-19 pandemic.
- The behavioral changes needed to fight the downturn trends have led to immediate decline in revenue for most businesses and sustainable Cost Optimizations have become inevitable.
- While making the cost adjustments, the target should be to strike the right balance between sustainable and smart optimization that drives the greatest value without impacting the efficiency, productivity and growth of the business.
- Categorization of these costs on the basis of priority and close analysis thereof may help organization decide between necessary to incur versus nice.

Why is cost saving is essential to a business?

- The growth of an organization depends not only on how much it generates with its products or services, but also how much it spends.
- A company can sell a lot and please its customers, but if its costs exceed (or are too close) to the amounts collected, it will not grow.
- So when it comes to reducing costs, that seems to be one of the main considerations of every business. But it is not enough to just start making cuts without adequate planning.
- First of all, you should ask yourself:
 - Do I really know the costs of my business?
 - What impact would the reduction of each of them have on our activities?
 - Could it have negative consequences? Or positive?
 - Which sectors will be affected and how?

Cost Optimization defined

Finding an alternative with the most cost effective or highest achievable performance under the given constraints, by maximizing desired factors and minimizing undesired ones.

It is a business-focused, continuous discipline to drive spending and cost reduction, while maximizing business value. It includes: Obtaining the best pricing and terms for all business purchases. Standardizing, simplifying and rationalizing processes and services. Maximization means trying to attain the highest or maximum result or outcome against any cost or expense incurred.

Different ways to categorize costs

- Fixed and Variable Costs
- Direct and Indirect Costs
- Product and Period Costs
- Controllable and Uncontrollable Costs
- Discretionary Costs
- Out-of-pocket and Sunk Costs
- Incremental and Opportunity Costs

Controllable and Uncontrollable Costs

Controllable costs are those over which the company has full authority or Expense that a manager has the power to influence i.e. it's a cost that management can increase/decrease based on their business decisions. This doesn't mean that the cost can be eliminated or controlled at will.

Example controllable by the shop level management: Direct labour cost, direct material cost, direct expenses, marketing budgets

By contrast, Uncontrollable Cost are Expense that cannot be unilaterally changed by an individual, department or business i.e. the costs which cannot be influenced by the action of a specified member of the undertaking.

Examples: employee's rate of pay, rent for use of the company's premises, insurance

Cost Reduction Vs Cost Optimization

Cost Reduction is a technique which we used to save the unit cost of the product without compromising its quality. Cost reduction is the achievement of real and permanent reduction in the unit cost of goods manufactured or services without impairing their suitability for the use intended.

Cost reduction is the process used by companies to reduce their costs and increase their profits. Depending on a company's services or product, the strategies can vary. Every decision in the product development process affects cost.

Cost Control is a technique which makes available the necessary information to the management that actual costs are aligned with the budgeted costs or not.

Characteristics of cost optimization

- The cost is a permanent one. The reduction should be through improvements in methods of production from research. It would be short lived if it comes through reduction in the prices of inputs, such as material, labour etc.
- The reduction in cost is real one in the course of manufacture or service rendered. Real cost reduction comes through greater productivity.
- The reduction should not be at the cost of essential characteristics, such as quality of the products or services rendered.

Processes of Cost Optimization



(If YES move onto next project. If NO go back to the beginning and start again).

Advantages of Cost Optimization

- Helps in making goods available to the consumers at cheaper rates
- Improved bottom-line, more dividends to the shareholders, more bonus to the staff and more retention of profit for expansion of the business.
- Export price may be lowered as a result of reduction in cost which may increase total export.
- Cost reduction is obtained by increasing productivity, so as a developing country, which suffers from shortage of resources, can develop faster if it makes the best use of resources by increasing productivity.
- Higher profit will provide more revenue to the government by way of taxation.
- Cost reduction will provide more money for labour welfare scheme and thus improve men-management relationship

10 Business Cost Optimization Techniques



10 Business cost optimization strategy examples

- Telephone and internet
- Water and energy bills
- Paper and printing
- Bank rates and fees
- Stock
- Switching suppliers
- Planning
- Hiring and termination of employees
- Reduce logistics and freight costs
- Team help

Critical Success factors

- Communication.
- Maintain excellent staffing.
- Commitment / Get team buy-in.
- Place a “business” leader in charge.
- Re-design or re-engineer existing business processes to “fit” what the will support.
- Identify and implement strategies to re-skill the existing workforce.
- Acquire external expertise when needed.
- Develop KPIs and monitor them regularly for progress.
- Obtain and maintain top management support for the project.

Key take-away

If the decision is successful, the firm can enjoy strategic as well as operational advantage. But while the decision proves wrong, either a potential opportunity is lost or it has needlessly spoiled substantial resources.

TECHNICAL SUPPORT & PRACTICE DEVELOPMENT COMMITTEE

Mr. Shehzad Ahmed Malik, FCMA
Chairman

Mr. Azeem Hussain, ACMA
Member

Sayyid Mansoob Hasan, FCMA
Member

Mr. Zahid Farooq, FCMA
Member

Mr. Naeem-ud-din, FCMA
Member

Mr. Abdul Razzaq, FCMA
Member

Mr. Muhammad Yousuf, FCMA
Member

Mr. Naveed-ur-Rehman, FCMA
Member

Mr. Nasir Jamal, FCMA
Member

Mr. Tariq Javed Kamboh, FCMA
Member

Mr. Shan Muhammad, FCMA
Member

Mr. Imran Ashfaq, ACMA
Member

Mr. Muhammad Tayyab, ACMA
Member

Mr. Khuram Shazad, ACMA
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Mr. Nafees Ahmed, ACMA
Member

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Director TSPD