The official flagship Journal of ICMA Pakistan

MANAGEMENT ACCOUNTANT

Retail Sector

Special Feature

CMA Graduation Ceremony at Lahore

Focus

Retail & General Management
Under the light of Management by Quran

Retail Industry & Role of Management Accountants

Calling all Retailers: IFRS 16 will impact your Balance Sheet

Survey Report

Consumer Preferences for Retail Industry

Exclusive

Robotic Accounting

Volume : 26.6

Nov-Dec 2017

ICMA Pakistan

Estd. 1951

Institute of Cost and Management Accountants of Pakistan

From the Holy Quran

In the name of ALLAH,
the Most Magnificent, the Most Merciful

They ask you about the spoils. Say, “The spoils are for Allah and the Messenger.” So, fear Allah, and set your relations right, and obey Allah and His Messenger, if you are believers. (1) Certainly, the believers are those whose hearts are filled with awe when (the name of) Allah is mentioned; and when His verses are recited to them, it makes them more developed in faith; and in their Lord they place their trust. (2) They are) those who establish Salah, and give away from what We have given to them. (3) Those are the believers in reality. For them there are high ranks with their Lord, and forgiveness, and dignified provision. (4) It is like when your Lord made you leave your home for the sake of truth, while a group from the believers were averse to it; (5)

Surah Al-Anfal, Ayat 1 to 5

Translation: Mufti Taqi Usmani
http:///www.quranexplorer.com

Vision Mission & Core Values

Vision

To be the Preference in Value Optimization for Business

Mission

To develop Business Leaders through imparting quality education and training in financial and non-financial areas to bring value-addition in the economy

Core Value

- Competence
- Innovation
- Ethics
- Transparency
- Professionalism

This Journal is also available on ICMA Pakistan’s Website : www.icmap.com.pk

From the Desk of
President

Retailing is now-a-days a booming industry worldwide. The global retail industry represents almost 30 percent of world's GDP and its revenues is estimated in the range of US$ 23 to US$ 25 trillion. The factors that propel and drive phenomenal growth of retail market globally are burgeoning population, rising disposable income, higher consumer spending and e-commerce. Retailing is also the largest source of employment and in USA alone it employs around 22 million people. The retail industry plays a predominant role in economic development. A healthy retail sector growth speeds up the economic growth. The nations that have enjoyed the greatest economic and social progress have a vibrant retail sector. The retail industry in Pakistan is also growing rapidly. According to Euromonitor, Pakistan's retail outlets are expected to double to one million by 2021. As per State Bank of Pakistan, the retail growth has jumped from US$ 96 billion in 2011 to US$ 133 billion in 2015. At present, the retail market size in Pakistan is estimated to be around US$ 152 billion with an annual growth rate of 8 percent.

To highlight the immense growing business and employment opportunities in retailing in Pakistan, it was decided by the Research and Publications Committee to bring out a special issue of Management Accountant on the 'Retail Industry'. A very interesting survey report on 'Consumer Preferences for Retail Industry' is included in this issue. I appreciate those members who have contributed articles on retail industry and robotic accounting and hope that these would provide knowledge and insight to our readers.

This issue also provide a special feature on 'Robotic Accounting' which is presumably an unfamiliar terminology for most of the professionals in Pakistan, but this is having a significant impact globally on the finance industry. Some articles on robotic accounting are included to provide knowledge and awareness among our members with the hope that they remain updated and prepare themselves for challenges posed as a result of technological advancements.

Let me share with our members two major milestones achieved on research front during Nov-Dec 2017. Firstly, the Research and Publications Directorate has released the first issue of ICMAP Research Journal and by doing so the Institute has made history to become the first professional accounting body in the world to have published a pure academic research journal after getting ISSN from Geneva. I congratulate the Research & Publications Committee and Directorate on this accomplishment. Secondly, we have also signed a Memorandum of Understanding with the Lahore University of Management Sciences (LUMS) for collaboration in research, development and innovation (RDI). We are in final stages of negotiations to sign MoUs with NUST Islamabad and Pak-China Joint Chamber of Commerce.

This would probably be my last communication as Chief Editor of Management Accountant as the Institute's elections are just around the corner and hopefully a new leadership will take over the charge. Being one of the contestants, I hope and expect that Insha Allah I may get another opportunity to serve the Institute and continue my efforts for revitalization of the research activity and move ahead on my unfinished agenda, certainly with your continued support and cooperation. By the time, I wish all the best and thank you for your encouraging remarks and appreciations on different initiatives taken by me for promoting and strengthening research at the Institute.

Wish our readers a happy New Year 2018.

Mohammad Iqbal Ghori, FCMA
President

MANAGEMENT ACCOUNTANT
Official Journal of Institute of Cost and Management Accountants of Pakistan

Contents

Volume : 26.6 I November-December, 2017

Special Feature

Focus Section

Exclusive Section

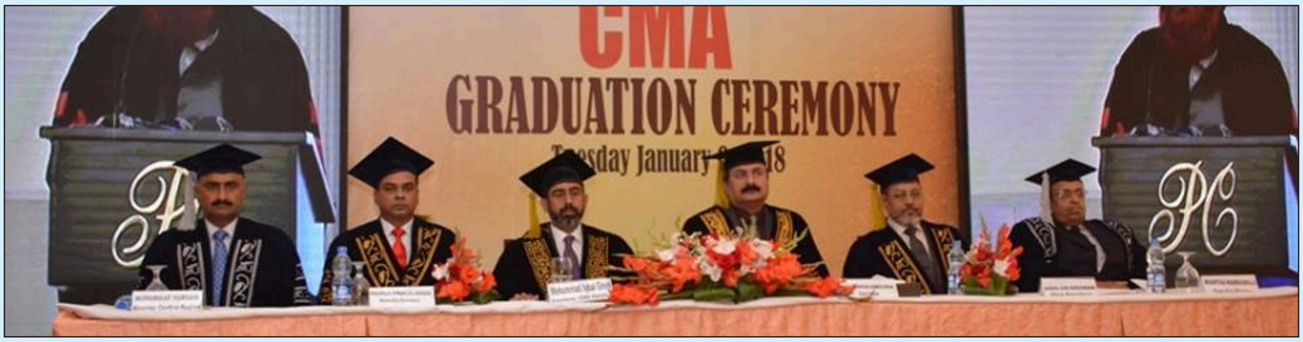
Articles Section

Other Features

Our Next Issue
Jan-Feb, 2018
Integrated Reporting

Research & Publications Committee would welcome articles on the above-mentioned topic for Journal's forthcoming issue.

CMA Graduation Ceremony at Lahore



ICMA Pakistan organized a CMA Graduation Ceremony at Lahore where Mr. Rana Mashhood Ahmad Khan, Provincial Minister for School Education, Government of Punjab, was the Chief Guest and awarded degrees to more than 100 graduates. The Convocation was attended by Mr. Mohammad Iqbal Ghori, President; Mr. Anees ur Rehman, Vice President and Khawaja Ehrar ul Hasan, Honorary Secretary of ICMA Pakistan, in addition to the faculty, students and their parents

The Education Minister in his speech said that management accountants are experts in accounting, finance, management, leadership and law with vast experience in handling business and running institutions. He informed that the government is introducing reforms in education sector and 10,000 schools would be handed over this year to the private sector under the Punjab Education Foundation.

Mr. Mohammad Iqbal Ghori welcomed the Chief Guest and said that ICMA Pakistan is a regional professional accounting body which has adopted the Non-Compliance with Laws and Regulations (NOCLAR) to set new standards for auditors and accountants.

Khawaja Ehrar ul Hasan, Honorary Secretary presented the welcome address whereas as Mr. Anees ur Rehman delivered the vote of thanks at the conclusion of the CMA graduation ceremony.

Miss Aqsa Israr, a qualified from ICMA Pakistan Lahore received the Gold Medal and Certificate for her outstanding performance.


Tuesday January 9, 2018

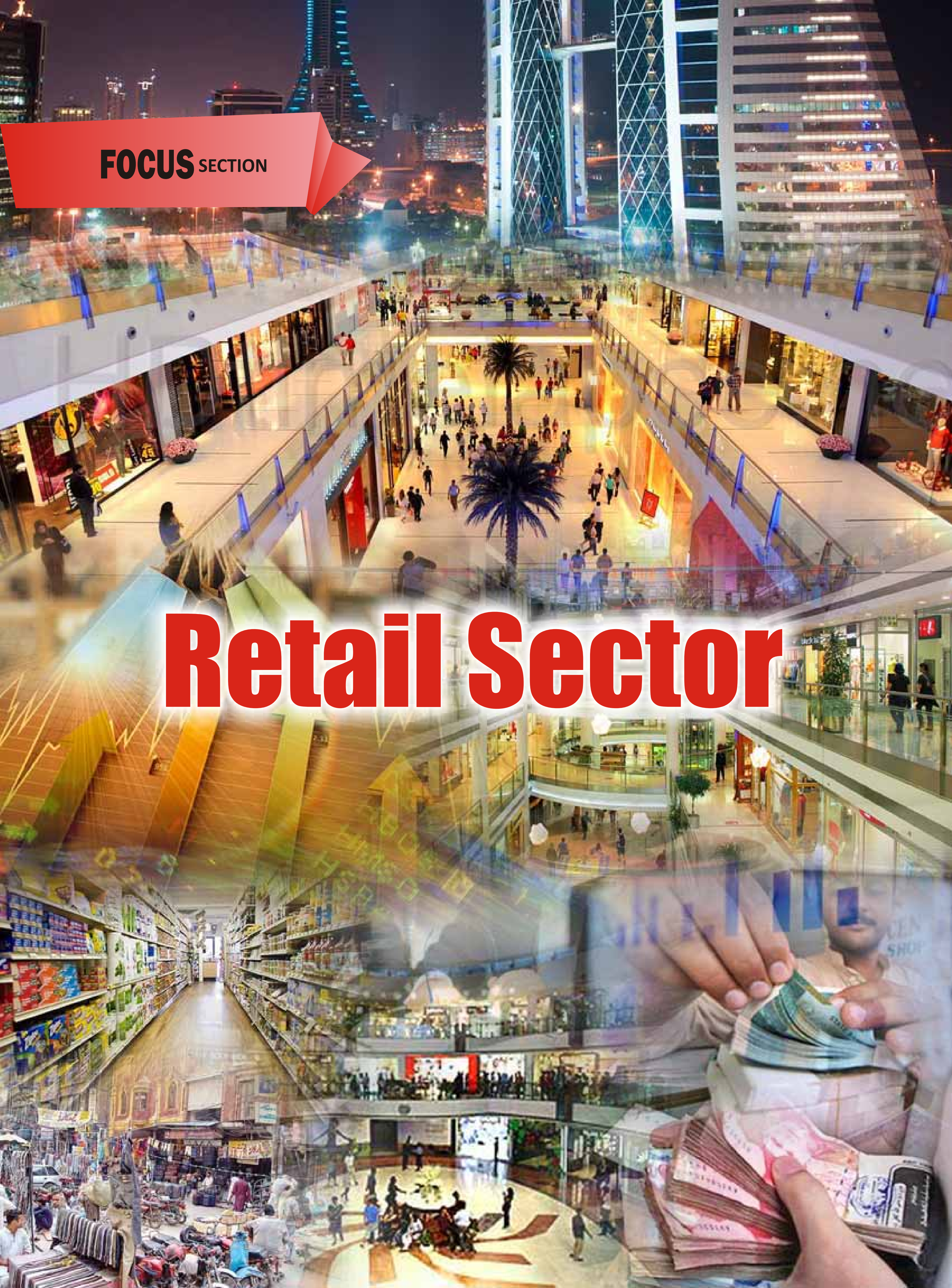

CMA


CMA


CMA


CMA
GRADUATION CEREMONY

Retail Sector



Retail & General Management

Under the light of Management by Quran

By Mohammad Babur Ayub

The exclusive topic "Management by Quran" is research based subject and the relevant Quotes (Verses) from the Holy Quran are not presented here as re-interpretation, rather a humble initiative is taken to find the relevance between divine laws and its business application in the modern times, new understanding is inferred as solutions according to the issues faced in business enterprises.

Management as commonly understood & Defined in modern times

- Simplest form is, Management is defined as "Getting things done through others"
- Following the above concept, manager is now understood as a professional who works through others.
- A good manager therefore is a professional who not only knows what is to be done but exactly knows how to get the work done through others.

The Gracious Quran confirms the above in a beautiful fashion as;

(Surah AZ-Zukhraf 43) verse 32 "We raise some of them above others in ranks, so some may command work from others"

The common understanding of management is verified by The Holy Quran in terms of its spirit and core ethics.

The Ayah reveals in a nutshell as to why Allah raised some people over others in ranks, this Ayah also encompasses the entire philosophy and wisdom of the modern management, it emphasizes, in essence, the creation of :

- Appropriate hierarchies.
- Division of responsibilities subject to individual capabilities.
- It basically implies the creation of "Organizational Chart" from top to the lowest management tiers.

Retail management is defined as :

The various processes which help the customers to procure the desired merchandise from the retail stores for their end use refer to retail management. Retail management includes all the steps required to bring the customers into the store and fulfill their buying needs.

Retail management makes shopping a pleasurable experience and ensures the customers leave the store with a smile. In simpler words, retail management helps customers shop within their disposable income limits, needs fulfillment and get esthetic gratification through spending.

Here it is important to understand first as how the divine laws constitute the frame work of basic management practices which work as back bone for the Retail management intelligence:

The holy Quran has also laid down the "Institutional frame work" for putting the golden rule into practice. Let us further unfold the Ayah to disseminate the application areas:

Obedience & respect for Authority

The first protagonist feature that helps in establishing a structure to bring in desired results in line with the company/brand vision is ensuring respect & obedience for Authority in an organization which is understood in modern days as Management Hierarchy.

- Obedience and respect for authority is the basic fundamental requisite for getting work done from others as desired.
- Working through professionals/skilled workers actually presupposes “the willingness of people to obey" it is therefore necessary for those people who are given the job to complete the particular task, to obey all " The legal and Reasonable orders and perform it with utmost honesty and responsibility: The Glorious Quran instructs as

Surah Al-Nisa 4: Verse 59:

Obey Allah & his Messenger and those in position of authority among you.

It is unwrapped as under:

- The Ayah is a commandment and not a plea.
- To be a good / Responsible and Honest human being it is incumbent upon the believer to observe the rule with willingness and dedication.
- When the spirit of Voluntary Obedience is instilled in the mind of an employee ,the scope of hierarchy as envisaged in the Ayah , is strengthened. *(Ref to Surah AZ-Zukhraf 43: Verse 32 : below)*

Joint consultation & Team Work

The modern world realizes the importance of Joint consultation (Arabic Shurah) and team work.

The Holy Quran Advocates this concept:

Surah AZ- Zukhraf 42: Verse 83 "And those who do their work through mutual consultation"

(3: 159) Pass over (Their Faults) and ask for (Allah's) forgiveness for them; and consult them in affairs (Of

Moment) then, when you have taken the decision put your trust in Allah, for Allah loves who put their trust (In Him)

In modern management ,the companies call periodic meetings , get reports, establish opinions, develop consensus and reach a common goal to be achieved, this is done through team involvement at each and every step of progress so that the fruits of the success are celebrated by the organization as a whole.

Take the example of an apparel (Garment), designed at a design studio, best sample using R & D is produced, presented in the meeting, opinions are gathered, changes are made as per the customer needs and fashion trends and finally approved for production.

The little weaknesses after hard work are ignored, displayed at the retail store with best of presentation and customer services so that the customer feels at ease to buy and feel respected, continuity of this process helps establish a trust based relationship between retailer and buyer which helps the brand to make it an ongoing concern.

Principles of equal opportunities

It is defined as all the members of an organization shall have equal and fair chances to grow, contribute and be rewarded accordingly.

The Holy Quran says in this context:

(Surah Al-Hujurat 49: verse 13) O people we created you from a single male and female couple and then divided you in nations and tribes so that you may recognize one another. Verily the most honorable among you in the sight of Allah is he who is most righteous of you.

Prophet Mohammad PBUH expounded the verse for us on occasion of Hajat-ul Widaa (The last Sermon) in the following words:

" No Arab has any superiority over non-Arab nor does any Non-Arab has any superiority over Arab, neither black has any superiority over white nor white is superior to black, of course if there is any criterion of superiority and respectability in the sight of Allah, it is taqwa (Righteousness)"

The quoted verse and the last sermon reveal clearly more knowledge for those who think and meditate;

Despite the fact that human beings are equal, human beings can still excel over one another in certain aspects of life one such aspect is **"Righteousness"**

Righteousness is explained as "the quality of being morally right and justifiable "uprightness, decency, integrity, worthiness and high-mindedness are few more meanings to this beautiful attribute"

How it reflects in the Retail Management

Amazingly the same rule fits to the Brand entity while operating in the retail market, facing competition, in continuous efforts to produce the best product & services package and finally few brands excel, following the rules of righteousness; that is by laying the foundation of truthfulness, retailers who are extremely careful in offering "Justified prices, value for money, respectable environment, customer friendly services, sell by mentioning the faults, offer return and refund offers with an un annoyed approach" are ahead of those who don't follow these rules.

How principles of Equal opportunities fit to our modern days management

- A senior is giving respect to the individual and his/her work no matter how junior the individual is.
- Basic human rights are protected in the organization without any discrimination.
- The senior most or the entrepreneur is setting an example to avail the same benefits and having the in discriminative treatments when it comes to basic human rights.
- The talent is polished & recognized by rewarding the justifiable benefits in recognition of the individual talents.

The righteousness travels from top to bottom and is ensured by the organizational policies, systems and rules.

See what will happen if such an authority is commanding the organization, the poor will not remain poor but will work hard to learn more and grow, the senior will not feel insecure as the policies and the systems of the organization are strong enough to hold the individual with further capacity building which will actually contribute towards the overall development for every one working under him. This development cycle is unstoppable and the rewards will travel through generations after generations.

In the light of Ayah mentioned above "in the realm of management, it would mean that the criteria for entitlement to any benefit, reward, position or status shall be such that anyone having requisite qualifications and experience should have equal opportunity to achieve it. This will obviously go a long way towards maintaining the requisite degree of harmony in the work environment conducive to the smooth working of the management process.

Motivation & Commitment

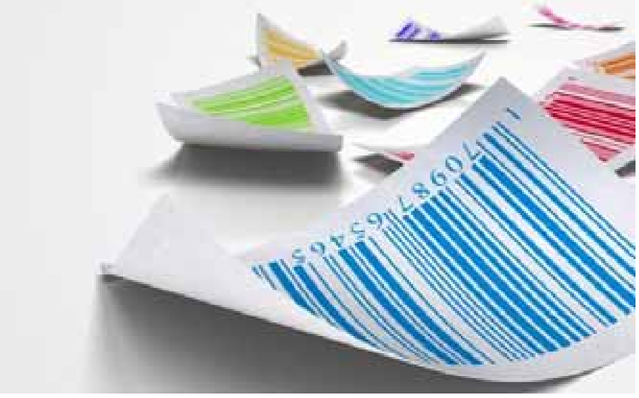
Making people/workers/team members agree to do a work with required degree of commitment, it can only be achieved through motivation.

It is an established fact that the way a senior most /middle management /junior manager behaves or deals with subordinates determines the level and vitality of their motivation and commitment to a great extent.

The gracious Quran speaks on this subject as:

(Surah Al-Imran 3:1 Verse 59)

(Telling the prophet PBUH) if you had been stern and fierce of heart they (The companions & Followers) would have disappeared from around you, so pardon them and ask forgiveness for them and consult them in conduct of affairs



This beautiful Ayah emphasizes upon two aspects:

- The compassionate and sympathetic behavior towards companions and followers.
- The adoption of participatory approach when dealing with them, consultation with them is the most effective way of management, we are aware of this great truth though our experiences of working in different organizations at different management tiers.
- Absence of these approaches will make them pay less attention that is; lack of motivation and interest in the given job that will ultimately lead to inefficiency & irresponsible behavior in all the concerned areas of job.

It is wrongly understood in mostly the developing countries organizations that money can buy anything even a professional, it is not believed in hiring the professional, it is believed in buying a professional with a misconception, that paying more money and perks will lead the team to the desired growth model of the company but it is not practical, respect along with an approach called righteousness is the key to success, the motivation is not always linked with physical needs, it's a combination of spiritual and physical needs, any part missing is a havoc.

Reflection on Retail Management

Under the light of above Ayah, retail is not only the front field of operation, the back end which covers the technical side of the business involves many processes, procedures and systems. For understanding the dynamics let us divide the management in 3 different tiers:

- On front field we have most important force, the sales force and their immediate seniors.
- The back end team that ensures the in time productions, dispatches and advertising campaigns.
- A senior tier which is linked at both ends to intelligently bridge the desired actions to bring in the target results.

Now at every management tier, the concept of motivation and commitment is applicable in different perspective, motivation is considered essential, starting from the cleaning staff to the top most executive but it generates variable energies at all levels, the company policy, if crafted smartly will actually work as dove tail process, one tier will support the other and so on.

A promotion, bonuses, increments on the physical side and respect and appreciation on the spiritual side is inevitable to generate the higher levels of commitments at work places.

Optimum capacity utilization

What The Holy Quran Says on this subject?

(Sura Albakra2: Verse 233-286)

"No soul shall have a burden laid on it greater than it can bear (Pray) our Allah! Lay not on us burdens greater then we have strength to bear"

Let us unfold this unique law

- This principal is emphasizing on the fact that physical, emotional and intellectual capacity of an individual is limited and not exhaustive.
- Additionally since every person is unique in his talents, temperaments & skills. It is important not to burden someone with a task that is beyond his/her scope to deal with (Today, this is one of the pivotal principle of modern business management)

If we add few more Ayahs', we will come across a set of very comprehensive principles of business management and personal life:

The Holy Quran Says

(Surah Al Rehman 55: Verse 7-9)

And the firmament has he raised high and he has set the balance (of Justice) in order that you may not transgress (Due) balance, so establish weight with justice and fall not short in the balance.

(Surah Isr'a the night journey 17: verse 27)

For the wasteful are the brothers of Satan and Satan is ungrateful to his lord.

(Surah Al-Aaraf 7: Verse 31)

O son of Adam wear your beautiful apparel at every time and place of prayer: eat and drink: but waste not by excess, for Allah loveth not the wasters.

So, with clarity in faith we must understand in our work places & be prepared for:

- Do not over burden any resource, whether it is a machine or an employee.
- Do not under load any machine or an employee.
- Balance out the work load onto different machines or people so that none of them is overburdened or under worked with regards to their respective capabilities.

In organizations the balance of work either in machines or work force is the utmost and inevitable requirement in order to meet the desired goals set for continuous growth.

Burdening a resource would finally collapse the total production or service being delivered which leads to a shutdown position.

The imbalance in any capacity, emotional, intellectual or physical mismanagement either through over worked or under worked resource without due rewards (Compensation/ Repair & Maintenance) would reduce level of motivation and commitments of the engaged human or capital investment.

The measure in quality, quantity or service, if not honestly done, would lead to mistrust among vendors, employees and customers, the logical end is the end of business.

The Philosophy behind Quality management system

Customer Services

- A business cannot flourish in the long run if it does not deliver to the customers what it has promised to deliver.

Being a customer it is easy to understand it but for a businessman it is usually not.

- The main focus of a businessman is to make profits and not necessarily to satisfy the customers.
- It would not be wrong to say that the only time the businessman realizes that customer satisfaction is important is when he understands that this is directly related with his profit margins.

Western organizations have realized this fact: customer satisfaction is the vital fact for the survival and growth of their companies. So in order to achieve this , they invest handsome amounts in research which is now known as Quality management systems and TQM (The total quality management) west, after years of experimentations and failures has now found out this golden rule, the same golden rule which is mentioned in the Glorious Quran 1500 years ago:

Value for money

The Holy Quran says;

(Surah Al-Tatfif Defrauding: 83: Verses 1-3)

Woe to those that deal in fraud, those who, when they have to receive by measure from men, expect full measure but when they have to give by measure or weight to men, give less than due. Do they not think that they will be called to account?

(Surah HUD 11: verses 84-85)

O my people! Worship Allah. Ye has no other God but him. And give not short measure or weight: I see you in prosperity, but I fear for you the penalty of a day that will compass (You) all around and O my people! Give just measure and weight, nor withhold from people the things that are their due: commit not the evil in the land with intend to do mischief.

If we have strong faith in Allah (The wise and benevolent) a businessman has no alternative but to satisfy the customer **just measure and weight that is value for money**.

It is a matter of fulfilling the promise to Allah (The Creator) when market forces and economic forces are not helpful, a businessman struggles against them and reduces the profits for the time being just to satisfy the customers.

The company also fears of losing the total business if such steps to remain in the market are not taken at right time, it is infact a realization of the reality and unknowingly accepting the fundamental truths either mentioned in the divine books or discovered by men through their experiences, the tunnel at the end finds the same light.

Right measure and weight applies to both tangible and intangible products and in modern term it is known as value for money.

- A businessman does not rely on means (Resources) he relies on ends (Needs) and by becoming a helpful member of business community he helps sustain customers by providing them products of basic needs because he believes in the ultimate truth:

(Surah Al-Dhariyat, the scatterers 51: Verse 58)

Allah is he who is the provider of Rizq (Livelihood) the Lord of all powers.

(Surah Albakra 2: Verse 212)

And Allah Provides Rizq to whom he wishes without any account.

When, What is promised in terms of products and customer services is not fulfilled it usually loses the trust among customers and such companies/brands are phased out in no time, we have witnessed such examples.

If commitments as promised are not fulfilled in terms of sales policies, ensuring due services and engaging customers on committed quality products ,time is not far away that such companies, brands or service providers disappear as they are no more trustworthy sellers for the loyal customers. (They will account for their deeds)

Example

Merck is one of the biggest and most profitable medicine manufacturing companies in the world: The founder of Merck believed that medicine is for the sick (End) and not for the money making out of it (Means) and the company is known as one of the most profitable in the world.

Fulfilling contracts, commitments and promises

Whereas promises are verbal commitments, contracts are written." but a businessman can not afford to make promises that he can not keep, he or she has to enter into written contracts under the prevailing law in a particular country where the activity is taking place.

If we look at it strictly from a business point of view, promises and commitments are daily routines but how must we keep up the promises we make?

Promises are seemingly insignificant as if we say " I will call you in 15 minutes" a verbal commitment which is usually not honored within a promised time frame.

Dr. Stephen Covey writes in his book "The 8th Habit"

"Nothing destroys trust faster than making or breaking a promise. Conversely, nothing builds and strengthens trust more than keeping a promise you make"

- Surah Isr'a 17:verse 34 The Glorious Quran Confirms this greatest ever truth saying;

"Fulfill your contracts. Contracts will be asked about"

- Surah Al-Nahl 16: verse 91

And The Almighty Allah says, be true to Allah's contract when you have agreed to it.

- Surah Al Maida 5 : verse 1:

The Almighty says, O you who believe! Fulfill your contracts.

- Surah As Saff, the ranks 61: verses 2-3:

And The Almighty says, O you who believe! Why do you say what you do not do? It is deeply abhorrent to Allah that you say what you do not do.

Now whenever it comes to a breach of contract contrary to the terms agreed, the total reputation of the business organization becomes questionable, it is also against human nature to digest such actions and ultimately the message travels in the community which loses the trust of the specific organization.

These acts by different tiers of management ultimately lowers the level of commitment among the employers, the performance declines, the whole structure slips to the brim of the limit and unfortunately collapses.

This culture of false commitments is more seriously viewed when applied in retail industry, the end users are frequently connected with the brand/company, any breach of contract in terms of complaint handling, price commitments, true communication through advertising tools and quality matters are seriously noticed ,in absence of these prominent features and attributes the brand is bound to disappear.

Noticeable mistakes we do in retail:

- In an apparel brand, the fabric we announce is not exactly we offer, a disguising picture is shown proving the wrong product as right product.

- Over pricing secret is usually disclosed when we offer heavy discounts, the customer usually understands the trick being played.
- In case of a fault, the refund and exchange policy is not customer friendly.
- The respectable treatment to customers is the due right of every visitor or customer which is often not taken in true spirit by the sales teams.

Under the light of divine laws if every promise is being broken, it should be obvious that results will not be fruitful for the long term and a total collapse should be expected in due course of time.

Success story of Toyota

Wastage? Either in terms of material, human capital, energy, machine utilization or processing time creates inefficiencies, resulting in the increase of costs and consequent decrease in profits

The Holy Quran has spoken vividly on wastage and lavish expenditures in the sternest words:

Surah Isr'a 17: verse 26

And Render to the kindred their due rights as (Also) to those in want, and to the wayfarer. But waste not (your wealth, time, health, talents and opportunities) in the manner of spendthrift.

Surah Al-Aaraf, the Heights 7: verse 31

"O Children of Adam! Wear your beautiful apparel at every time and place of prayer: eat and drink: but waste not by excess, for Allah loveth not the wasters"

It was Toyota motor car company which first understood and implemented this golden rule in business.

Their success thus based on two principles;

- Concept of Kaizan (The management Jihad against inefficiency)
- Kaizan is a Japanese word meaning continuous improvement. For Toyota “Kaizan" means to survive & struggle to achieve their golden rule of "Elimination of wastage" to implement Kaizan, management continuously seeks to identify areas where wastage is being done.

Once the diagnosis is done they focus on the following:

- They set out to analyze the problem
- Suggest a solution
- Plan the implementation
- Implement it
- Review the change for success or a failure.

Kaizan Application on a fashion Retail Brand

Once problem is diagnosed that sales are not improving, whole system needs to be analyzed under the following guidelines:

- Is production aligned with the seasonal and daily sales and sales forecast?
- Is supply chain smart enough to replenish the stocks just in time.
- Is product displayed as per the visual merchandizing rules?
- Is the sales team equipped with product knowledge?
- Are the prices justifiable in terms of target market selected?
- Are the target market's aesthetic needs incorporated in the product quality and pricing?
- Is customer handling quick and smooth?
- Is customer complaint process smartly devised to save time and customer annoyance?
- Are new products being displayed as per the events/launches schedule? And much more.

Absence of above is an invitation to the nightmare for a permanent time.

JIT (Just In Time) system of inventory management

The concept of JIT which has been invented by Toyota has revolutionized the inventory management systems especially in the manufacturing organizations throughout the world, the concept is equally applicable in retail industry as mostly the retail concerns are victim of delayed stocks replenishments which bounce the sales and loose the customer trust in the long run if problem persists.

The concept is based on the golden principles of:

"Keeping only that much of inventory that is needed and that too in continuous movement in order to avoid in-process buffer inventory as much as possible until it is completely transformed into a finished product in case of a manufacturing concern and shipped to the retail stores otherwise. The crux here is the timely flushing out of stocks from sales point to the customers based on shelf life concept. The carrying cost is considered as a burden in fast growing retail companies"

The Holy Quran instructs here

Surah Al-Bakra 2: Verse 219

They ask thee how much they are to spend in the way of Allah; Say, what is beyond your needs.

Circulation of money is being encouraged instead of concentration of wealth here.

One might argue that the context of Ayah is different, factually a Muslim and even a non-Muslim should understand that the Holy Quran lays down golden rules which are all applicable universally at all times in all situations.

What the Holy Quran intends as a whole is to create a specific mind set and a world view.

Once this mind set is created, these rules automatically become part of life style. Thus a businessman will never accumulate large amount of inventories as prescribed by **the economies of the scale philosophy (because it goes against the belief)**

The business activity specially the retail including FMCG and apparel, the secret lies in the fast movement of goods, low margins, more sales, fast replenishment and fast production, now in this total cycle if any of the area is showing weaknesses in terms of resources wastage, delays, un-consulted production, improper displays, unfriendly customer services policies, over pricing and cheated discounts, it is to be clearly understood that the business is not meant to be on canvas for a long period of time.

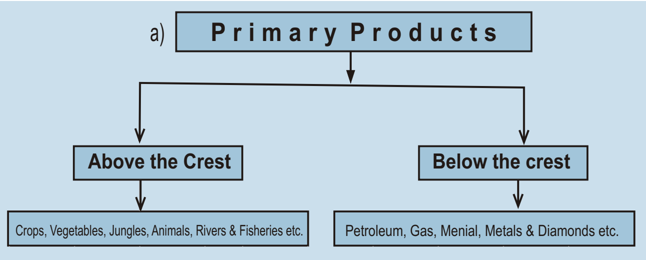
Chapter from the up-coming book "Battle of the Brands" in process by Darrus Salam publications, Lahore Pakistan.

Retail Industry & Role of Management Accountants

Retail business means selling the finished goods or services to end user / consumer. Entire retailers, in term of individual or organization, in a country engaged in activity of selling the finished goods or services to end users / consumers is called the Retail Industry. Entire production in the country or in the world can be sold in retail that makes it prominent industry for different stakeholders including business community, job seekers, manufacturers, advertisers, landlords of real state, transporters, print / social/ electronic Medias etc. Following are the major issues related to retail industry.

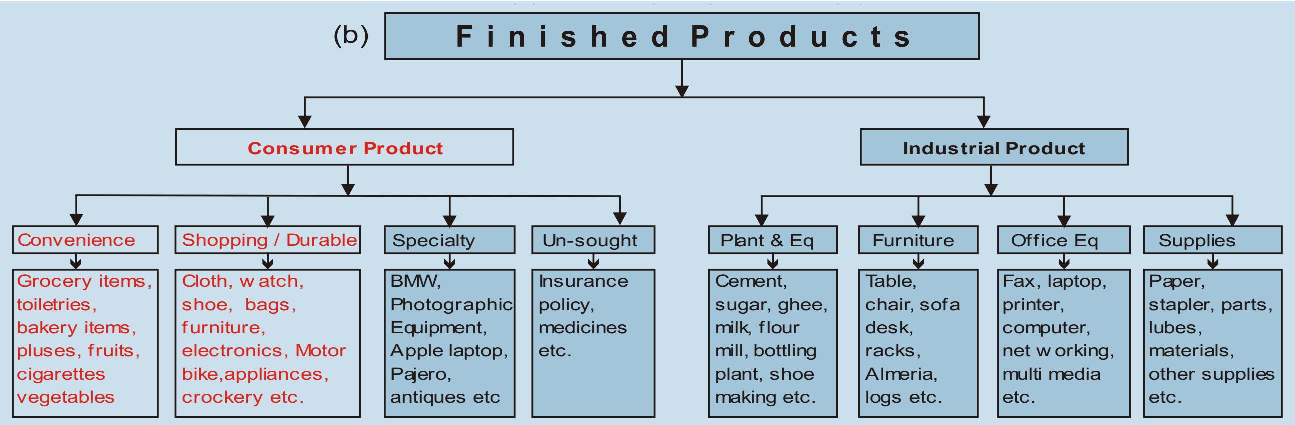
Types of Products

It's very important to know types of goods / products and our focal products to be discussed in retail industry. There are two following types of the products as given below.



These primary products are further processed to make the different finished products to be sold onwards from B2B, B2C or G2C. Following are the classification of finished products;

Our focus is on first two CONSUMER PRODUCTS which are selling in retail industry. These are called convenience products and shopping / durable goods. This portion is marked in red color.



Mazhar Mahmood, FCMA

Stages of Retail Industry

This was the progressive trend since inception to present position of retail industry. One can see all types of modern retail business in almost all metropolitan cities of Pakistan including Karachi, Lahore, Rawalpindi, Islamabad, Faisalabad and Peshawar etc. This retail industry have observed three stages since the first human being at the planet. These stages were briefly explain as under:

a. **Pre-production age:** This was the age when production was the matter and people used barter exchange system. Too many lacunas in barter system compelled the man to produce the goods according to choice or demand. There was no proper shops during this period. Open market,

Old Style	Remarks	Modern Style	Remarks
Batter	When there were limited consumer items sold in Mandi, Meela or itinerant salesman (Pherey Wala).	Departmental stores	IT supported big stores with almost all shopping / durable items. (Metro and Al-Fateh, Sana Ulla)
Hatti	Limited grocery items without proper display of selling shop.	Super Store	IT supported big stores with almost all grocery items (CSD, USC, Cosmo, Metro, Cash & Carry etc).
Dokan /Karyana	More grocery items with proper display.	Supply Chain	Nationwide stores under common management. SC is also defined as goods from production to end user.
Store	Considerable consumer items with limited shopping items.	Spatiality Stores	Big sized shopping malls selling variety of single items or variety of related items.(Shoe, cloths, electronics & utensils).
		Direct Selling	Selling any retail item from production to end used / consumers (B2C). (Tines, DXN and Oriflamme)
		Online selling	Selling any retail item from production or store to end user / consumers and delivering at door step. Daraz.pk
		Instalment Store	New trend of retail stores selling the durable goods on instalment (Mian Group & other small store).

"Mandi", "Meela" and "Pherey Wala" was the best option or style to create link between seller & buyer. Economic transactions were very limited.

b. Production age: Sales was the matter. Production age induced the human beings to become entrepreneurs by establishing the Hatti, Dokan, Keryan Store or Store without customer focus. The focus was sales without customer services.

c. Marketing age: Mass production forced the entrepreneurs to shift the focus on customers instead of product. It was hard task for entrepreneurs to sell the entire production without marketing. Hence they shifted the focus from product to customer. They stared heavy advertisement through different marketing channel to attract the customers in shopping malls, supply chain, direct and online selling. Below is given the pictorial understanding of the stages of retail industry.

Target Market

Target market of retail industry is complex one, because almost all products produced in world can be sold in retail to end user. There are three major market targets such as individuals, groups and organizations. Market segmentation is navigated according to product or products to be sold. Demographic, geographic, psychographic and consumer behavior are few of the major determinants of market segmentation. It's vital to analyses where to start the retail business and what type of product to be sole and which of strategies of marketing to be adopted.

Market Situation

It's an important to know that in which category the product, under consideration, is falling either convenience, shopping, plant or supplies. For example;

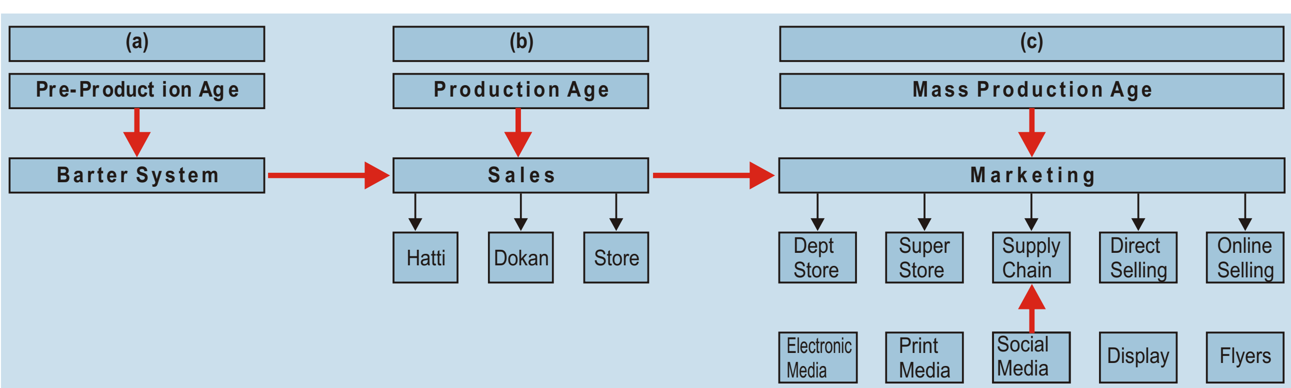
a. Convenience products: which are perfectly homogeneous with normal profit. Here the entrepreneur is always price taker and can earns maximum profit with only maximizing the sales volume. Economics defines such a situation as perfect competition.

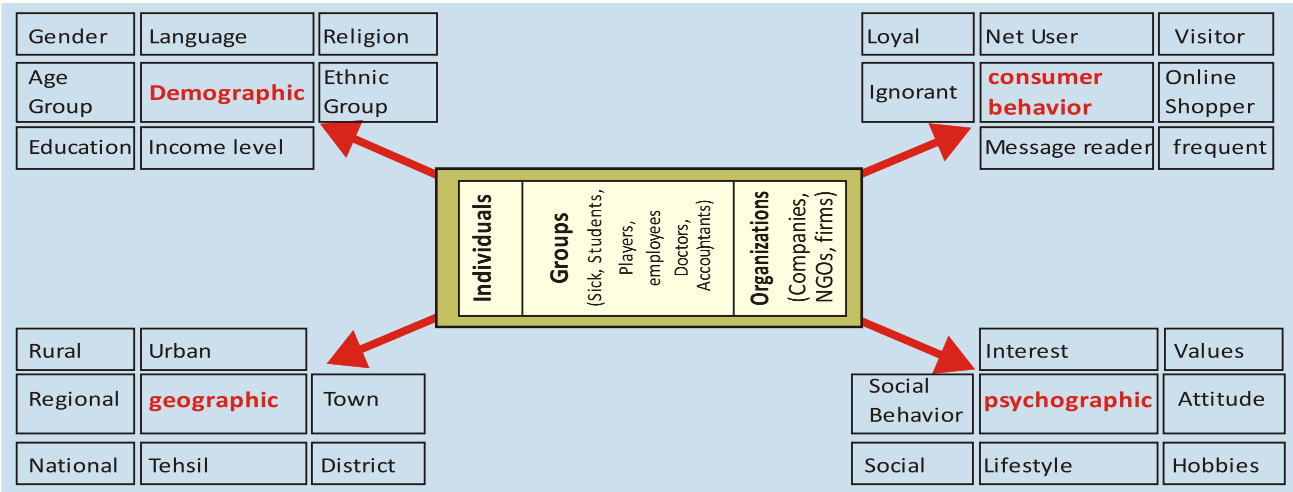
b. Shopping / Durable products: Products are not homogeneous and are distinguished with different brands to make the price. An entrepreneur can earn maximum profit with both sales volume and optimal price.

Distribution Channels

Distribution channel plays an important role to reduce or increase the cost of product. More distribution channel in supply chain would increases cost to product instead of value. The expensive channel of distribution makes the business uncompetitive. Now-a-days the end user takes the advantage of direct selling or prefers online shopping. Some abbreviations used are explained here;

i B2B = Business to Business (Producer to Customer).





ii B2C = Business to Consumer.

iii B2G = Business to Government.

iv G2C = Business to Consumer.

All distribution channels are shown at a single glance;

The retail supply chain consists of manufacturers, wholesalers, retailers and the consumer (end user). The wholesaler is directly connected to the manufacturer, while the retailer is connected to the wholesaler, and not to the manufacturer.

i **Producer:** Here producers also include the new trend of cottage or home industry mostly stitching the shirts, Hijabs, apparels and other similar products to sell online only.

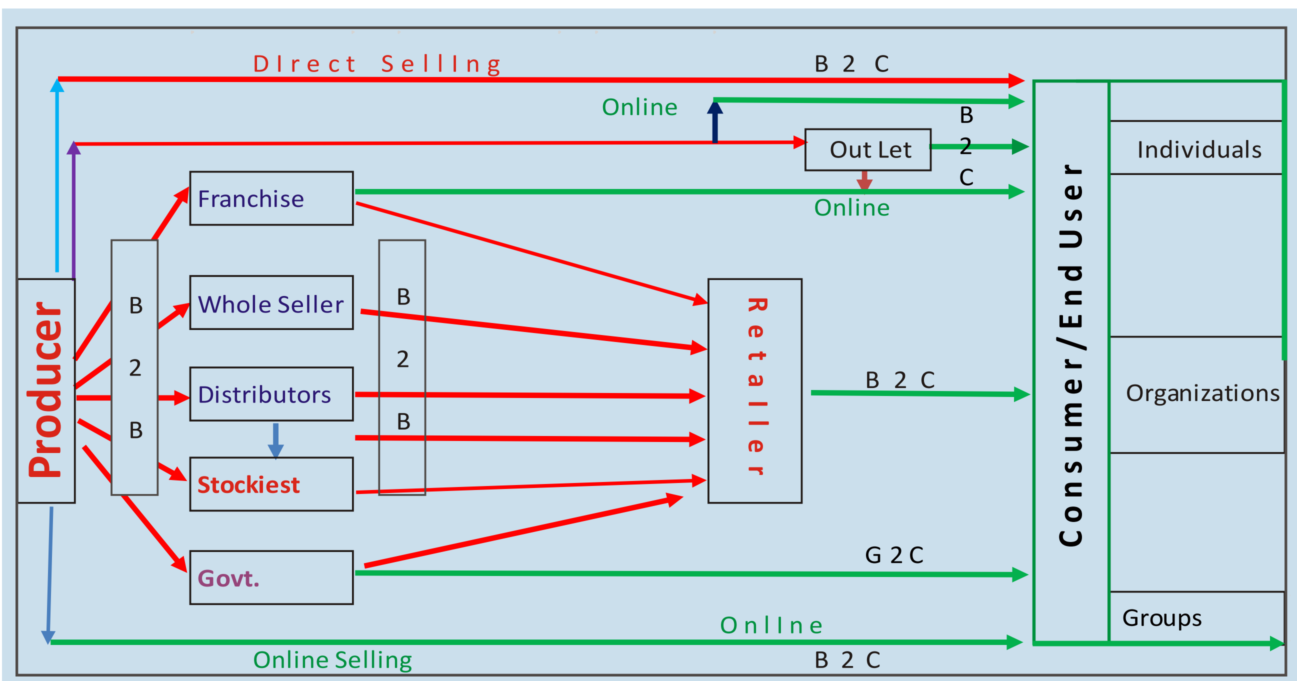
ii **Franchise:** It is an authorization, license or contractual relationship between producer/ owner and individual / group to act as an agent for certain commercial activity on his behalf under his brand name or product. For example the most common franchises in Pakistan are Mother Care, Sub Way, KFC, Gloria Jeans, Best Western, Marriott, DHL, TCS, Allied School and Bata Shoes, Nike and Hang Ten etc. Customers approach to these franchise physically or place, sometimes, online orders.

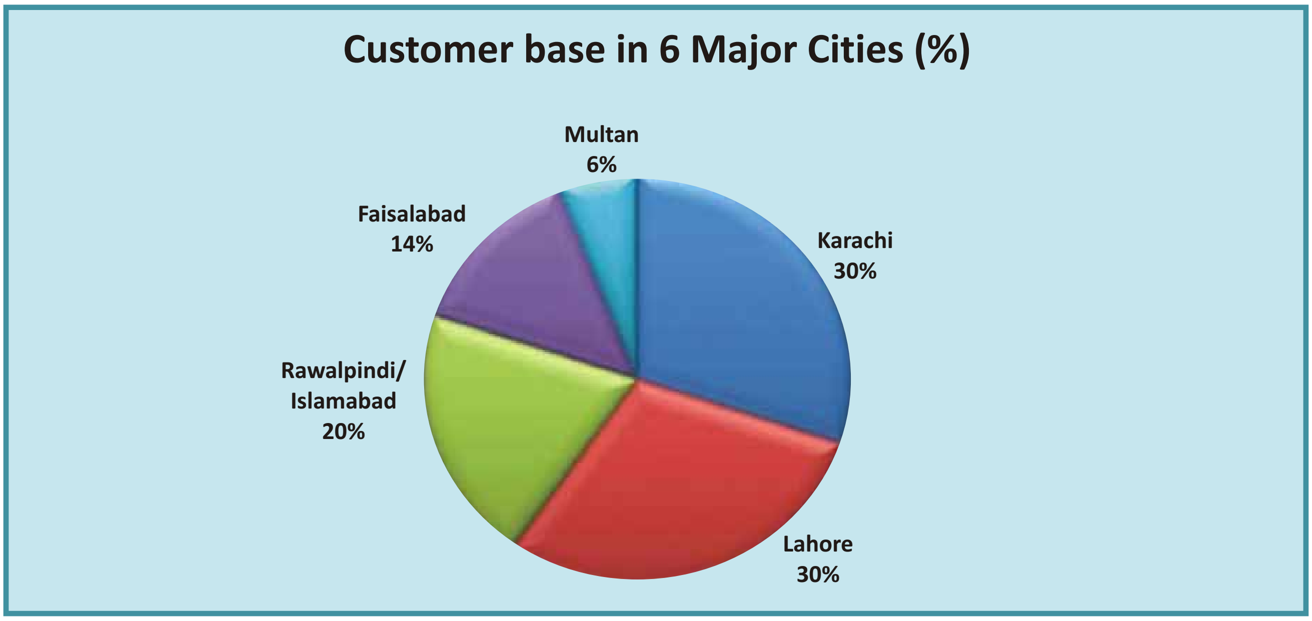
iii **Wholesaler:** It's a basically an agent or customer of producer where retailers approach to purchase the stocks / finished goods for reselling to end user.

iv **Distributer:** An individual or company is an agent or customer of producer where it approaches to retailers to sell the finished goods.

v **Stockiest:** Dose not holds the stocks but take the orders from market and pass on to the distributer who delivers the stocks to retailers. Sometimes gets online order and delivers through courier service.

vi **Outlets:** Producer establishes and manages the outlet in the market where stocks are purchased by the consumers. Sometimes consumers place online orders through Facebook, Website or Whatsapp and these orders are served through courier to consumers' door steps from outlet or factory.





Drivers of retail Industry

Retail industry has travelled a long before its present shape. With the passage of time, new products, channels, transportation, advertisement, technology and markets are emerging. Following are the major drivers of behind the advanced retail industry.

i **Basic needs of 7.5 billion Consumers:** Increase in population demanded the mass production to cater their basic needs including grocery, clothing, housing, furniture, electric appliances, utility services and many more. Retail industry swelling along with innovative approaches to production & selling to cater the needs of all human beings on the planet.

ii **Globalization:** It means sharing of technology, intellect and cultural awareness created under wake the globalization. Globalization improved and promoted branding, mode of shopping, fashion and big shopping mall culture that drives the industry with greater pace.

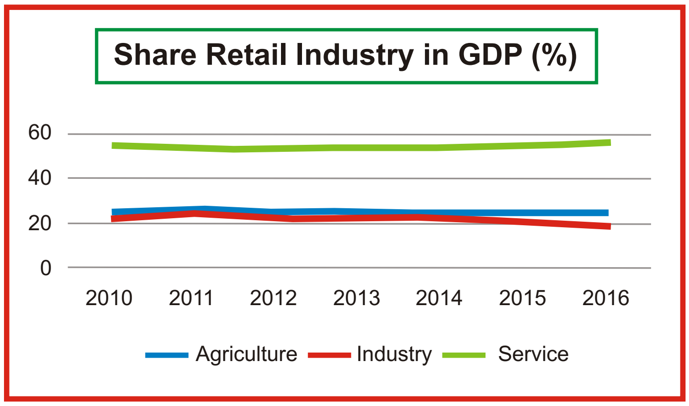
iii **Technology:** Technology played the most vibrant role to augment the retail industry. Advance technology has made it easier for the retailers to handle large scale business & cater the needs of consumers. With the introduction of computerized billing system, electronic media & marketing techniques, barcode system has changed the face of retailing in providing products & services to customers / consumers.

iv **Invention of new products:** Invention of new product and methods of production brought real change. Incremental, radical and disruptive inventions brought revolution by increasing the size of this industry substantially. For example new induction / products in retail industry include cell phone, computers, K&Ns, Packed foods, plastic bags and other electronic gadgets have a big share in total volume of industry.

v **Electronic Media:** Consumes get awareness about the product, its quality, availability and usage. An extensive marking is done to make consumers aware about certain products to be used to fully take the advantage of price paid.

vi **Social Media:** Social media further accentuated the range of the products in retail industry. Consumers, especially the young generation, is more inclined to shopping through Facebook Page, Whatsapp and Websites. The volume of Online selling in Pakistan soared to many fold.

Growth Rate of Retail Industry in Pakistan		
Period	**Retail Sales (US$)**	**Growth Rate (%)**
2010	88	7.88
2011	96	5.95
2012	105	9.48
2013	114	8.18
2014	123	8.44
2015	133	8.87
2020 (Est.)	200	50.3



vii Mass Production: Mass production played double role to boost the retail industry. On one hand by producing huge quantity and on other hand using the media to induce the consumers to create the demand for the products.

viii Transportation: Now transportation is no matter to carry the goods from one place to another placed. Mass transits through Cargo, Rail, Ships and long vehicles made the industry prosperous. Fast transportations / delivery of goods given birth to JIT inventory to maintain its optimal level and saved the business community from stock out cost.

ix Franchise Model: Most of the producers or traders, in Pakistan, got firsthand experience and, after thorough study, build a team of skilled professional to run the supply chain, shopping mall, super stores and specialty store dealing from B2B, B2C, B2G, G2B and G2C. Mostly the big retailers are bases on franchises of well know products.

x Shift of income Structure: Few decades back, service sectors income nonaligned part of was GNP. Now it has surpassed the industrial income with 34% share while industrial and agriculture shares in GDP are 44% and 22 %

respectively. This has further led to increase in the demand for quality products & services. People nowadays tend to try new things & improve their look thus increasing the spending habits & giving an opportunity to grow & expand their business. Creation of middle class is an additive advantage to retail sector for further growth.

xi Government Policy: Taxation structure under Fiscal policy may affect the growth of retail sectors.

Role of Retail Industry in Economy

Retail industry has major impacts on two segments of macroeconomics i,e economic growth and employment.

Retail Sector not only generated the huge employment but also boosted the Mall Shopping culture in Pakistan many fold. Growth rate of retail industry is leading one with pace of 8%. Its third largest sector, having 18% share, after agriculture and industry. It accommodates 16% of total labor force in Pakistan. Retail sector is setting a new trend of approaching direct to growers / formers for procurement to reduce the cost and to maintain the quality of products.

Retail industry is playing a vigorous role to drive transport, banking, whole sale trade, real state and agriculture sector. The trend of big malls is starting point towards progressive retail industry. Major segments of retail industry are as under;

i Grocery: There are multi-million grocery stores selling food items to multi-million consumers for onward selling to all classes ranging from labor to CSP officer. Product range is from few hundred items to 10,000 and above items. Big malls for educated, quality conscious, middle class and above are increasing day by day in almost all cities of Pakistan. For example, Naheed Super Store, Al-Fatah, CSD & Cosmo and Metro in Karachi, Lahore, Rawalpindi and Islamabad respectively. Recent entry of Hyperstar retail store has further accentuated to swell the retail industry. CSD is pioneer in retail industry that is followed by USC and then many others with modern super stores.

ii Clothing / Apparels: Different designers in Pakistan promoted the fashion industry and created the market of Rs. 9.6 billion. Renowned 128 designers introduced the popular Lawn brands like Warda, Veneeza, Asim Jofa, Sana, Deepak Parwani, J. and Sobia etc. Young generation purchases these brands online. Other popular brands of cloths selling in retail market are Gul Ahmad, Al-Karam, Nishat, Sitara and Khadi etc.

iii Footwear: There are 500 local manufacturing units producing 120 million pairs of shoe with brand names Ehsan, Starlet, Metro, Liza, Calza, Don Carlos and Stylo etc. International brands are also getting popularity in retail stores. Bata has about 370 outlets in Pakistan. Other

Global Retail Development Index										
Period/Position	1	2	3	4	5	6	7	8	9	10
2017	India	China	Malaysia	Turkey	UAE	Vietnam	Morocco	Indonesia	Peru	Colombia
2016	China	India	Malaysia	Turkey	UAE	Turkey	UAE	KSA	Peru	Azerbaijan
2015	China	Uruguay	China	Qatar	Malaysia	Georgia	UAE	Brazil	Malaysia	Armenia
2014	Chilly	China	Uruguay	UAE	Brazil	Armenia	Georgia	Kiewit	Malaysia	Kazakhstan

international brands Service, Hush & Puppy, Cardin, Logo, Borjan and Nike etc have their outlets in almost all big cities of Pakistan.

iv **Cell Phone:** Cell phone retail business is increasing with the pace of 13% having volume to the tone of $33 billion per year. There are 150 million users of cell phone. Retail stores are operating in Multi-Stored plazas.

v **Electric Appliances:** Washing machines, dryers, cooking ranges, Air-conditions, fans, refrigerators, electric geysers, irons, vacuum cleaners, hair dressers, Juicers, blenders and a long list of such electric appliances are sold in retail stores. Branded products of international brands like Haier, LG, Whirlpool, Orient, Dawlance, PEL and Waves etc are very popular in retail industry. Global sales of major appliances for 2017 was $ 194 billion.

Global GDP is comprises of 60% share of retail industry & 30 % employment. Globally, Logistics is a $4 trillion business segment. These goods are moved through shipping, warehousing, courier services, road/rail transportation and air freight.

Global Retail Development Index (GRDI)

GRDI is determined by the vibrant factors of economy such as growing middle class, consumers' shift from tradition shopping centers to modern shopping malls and demand of skilled labors and professional management to run these shopping mall of retail products. India was placed at top position due to leading growth rate in retail industry in 2017. Four years DRDI is depicted shown in above table.

Distinct Characteristics of Retail Industry:

a Most of the transactions in Retail industry are bases on cash which is real booster of retail business.

b Stocks are available on credit due to competition among the producers.

c It easy to manage the working capital by selling the goods on cash, stretching the credit period and management of inventory. Receivables, the established business worm, is nominal in retail industry, especially in urban areas.

d There is a variety of products that can be sold on retail stores.

e Expansion and diversification is easy.

f Most of the people have no brand loyalty especially with grocery items.

g It's not a high tech business.

h Prices are fixed and barging is few and far between.

i Bar coding makes the operation and accounting more feasible.

j Marketing cost is the responsibility of producer while benefit is enjoyed by retailer.

k There is a nominal sunk cost involve in case of business frailer.

l Grocery items are very conveniently available at door steps than specialty or industrial goods.

Role of Management Accountant

Need of the Management Accountants is felt to resolve the issue related to advanced and swelling retail industry. Our 1825 Management Accountants are already working in service industry and 81, out of that, in trade industry. Retail industry is the part of service and trade industry. Following are the areas where Management Accountants can use their knowledge and expertise to make the business feasible for entrepreneurs.

i Cash management,

ii Creditors' management.

iii Product cost, especially, for shopping / durable goods.

iv Delivery cost in case of supply Chain Company.

v Warehousing - time & motion study and capital budgeting.

vi Feasibility for expansion or diversification of business

vii Internal audit and to develop internal controls for all financial and operational activities to provide safeguard to assets of the business.

viii To produce accurate & timely information for quick decision making.

ix To handle the legal matters related to tax, corporate and other local taxes matters etc.

About the Author: ***Mr. Mazhar Mahmood,*** *M.A. (Economics), M.Com, FPFA, FCMA is CEO at Mazhar Mahmood & Co. Earlier he was GM (Finance) at NFRD - a business incubation centre of 8 commercial units. He also worked as a Zonal Manager Accounts at Muller & Phipps Pakistan (Pvt) Ltd. and Chief Accountant at Kaghan Brick Works Ltd.*

Calling all Retailers: IFRS 16 will impact your Balance Sheet

By Paul Fry and Hannah Coleman, Strategic Consulting

In 2016 a new standard on lease accounting was published. This standard, IFRS 16, will fundamentally change the way leases are recognized in financial statements and the impacts will be share-price sensitive. The new rules will probably affect retailers more than any other sector. Industry-wide, retailers' balance sheets are expected to inflate by >20% on implementation.

IFRS 16 needs to be implemented by 2019, are you prepared?

Why is this change needed?

It is estimated that there are currently £2.6 trillion worth of lease commitments globally. Of these £2.2 trillion do not currently show up on the balance sheet. There have been a number of high profile retail failures where the extent of lease commitments entered into had been significantly underestimated by the market, ultimately proving fatal for the retailer. In the UK notable examples include Clinton Cards, HMV and Woolworths, each of which had lease commitments of between 7 and 11 times greater than reported debt of at the time of insolvency. IFRS 16, and the equivalent US standard, seeks to provide visibility of lease commitments and enable investors to easily compare the performance of comparable companies on a like-for-like basis.

Why is Retail heavily impacted?

In future all leases will appear on Balance Sheet as an Asset and Liability. The P&L profile will also change; leases will be recognized in a similar way to a repayment mortgage with a high initial charge that decreases over the term of the lease. This will impact key financial metrics including:

- debt ratios
- equity
- profit

Retailers generally have small Balance Sheets and enter into long-term property leases; as a result the impacts will be disproportionately large compared with other sectors. Recent analysis has indicated that Tesco will see net debt increase by more than 100% from £8.6bn to £17.6 billion solely as a result of the new lease accounting rules. To put this into context Tesco is estimated to lease only 40% of its real estate portfolio, so 40% of its stores, warehouses and offices will effectively double the company's debt.

Are there specific opportunities / risks for retailers?

For retailers there are a number of areas to consider, including whether various contract types will fall inside / outside of the scope of the new standard and opportunities to mitigate the impact through specific lease terms. Some non-lease contracts may fall within the scope of the lease accounting standard. For retailers there is a risk that certain third party logistics contract (3PLs), where a retailer outsources it logistics operations to a third party, may be treated as a lease. This will mean that the contract for logistics operations may also come on Balance Sheet.

Concessions within department stores or stands in shopping centres are unlikely to fall within the scope of the new standard. As a result, those retailers with a proportionately large number of these types of retail space will be less impacted by the new standard. Turnover based rents will also reduce the potential impacts of the new standard and are therefore likely to become more popular. As the 'turnover' element of the rent is uncertain, it is ignored for the purposes of the calculations, therefore resulting in a lower Balance Sheet and P&L impact.

Data is king!

Detailed and accurate lease data is the starting point for implementing IFRS 16. Don't underestimate the time and resources required. The days of running a property portfolio from an Excel spreadsheet are over; retailers may therefore need to invest and upgrade their data systems. Given the volume of calculations required for a typical retail portfolio to generate the accounting entries, it is essential to put in place the right technology platform.

The key data points:

– **Non-cancellable lease term**

Where leases include breaks or extension options, the occupier will need to make a judgment whether they are likely to be exercised or not. Store trading performance / profitability will provide a good indication for this judgment.

– **Discount rate**

The applicable discount rate will need to be assessed on a lease-by-lease basis

– **Rent reviews**

The type of rent review mechanism will directly impact how the lease is recognized. Uncertain future increases in rent are ignored from the Balance Sheet calculations, providing a clear advantage for open market and CPI based rent reviews.

– **Informed decision-making can mitigate the impacts**

When an occupier first adopts IFRS 16 there are various options available for recognizing existing leases. Each of these options will result in a significantly different result for the Balance Sheet and P&L. Companies therefore have the ability to select the option that provides them with the best financial outcome, for retailers the focus is likely to be on mitigating impact to P&L and retaining profit margins. Ensuring that these decisions are based on robust financial analysis will be the key to obtaining the best outcome.

Next steps

Change is coming! Implementation in 2019 will lead to fundamental changes to financial statements and key performance indicators. Not only this but there is a significant resource requirement to implement the standard, make sure you are prepared for the change ahead.

1. Validate existing leased portfolio
2. Undertake financial assessment of impacts
3. Determine optimum option for transition of existing leases
4. Lease data audit / data collection
5. Identify preferred technology solution
6. Implement IFRS 16
7. Review real estate strategy

(This article first appeared in the British Retail Consortium's online magazine The Retailer)

About the authors: ***Paul Fry*** *is Partner in Strategic Consulting at Cushman & Wakefield, UK, and* ***Hannah*** *is Associate in Strategic Consulting at Cushman & Wakefield, UK.*

Survey Report

Consumer Preferences for Retail Industry

By Mohammad Iqbal Ghori, FCMA, President, ICMA Pakistan
Research and Publications Directorate, ICMA Pakistan

Survey Objective

The objective and rationale for conducting this survey was to know about the consumer preferences for retail buying of wide arrange of consumer products such as food and beverages; clothing and apparel, footwear, health and beauty, electronics etc. The outcome of this survey would be highly beneficial for the retail business sector, especially FMCG and fashion clothing industry, to comprehend the preferences and mind set of educated class of society who has purchasing power. It is expected that the survey results would also help the retail industry to align their business strategies with consumer preferences.

Survey Methodology

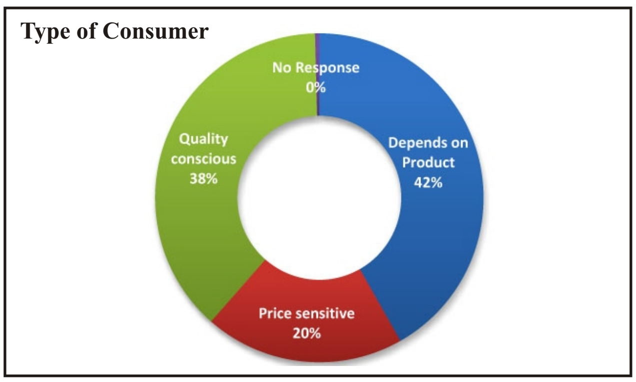
The feedback survey questionnaire was uploaded on Institute's website on 22nd November 2017 with connecting link to Google Drive to provide an opportunity to survey participants to submit their responses online. The deadline for filling-up the online survey was 10th December 2017.

Survey Statistics

By the deadline, total 981 responses were received from the online survey participants. The gender analysis reveals that almost 73% survey participants are male and 23% female. The age bracket of participants indicate that majority of them are young in the age limit of 15 to 25 years whereas 22% fall in age bracket of 26 to 40 years. As far as geographical representation is concerned, participants from Multan leads with 23% response; followed by Karachi 21%; Lahore and Islamabad/Rawalpindi 18% each and Faisalabad 17 percent. Around 4% response came from other smaller cities.

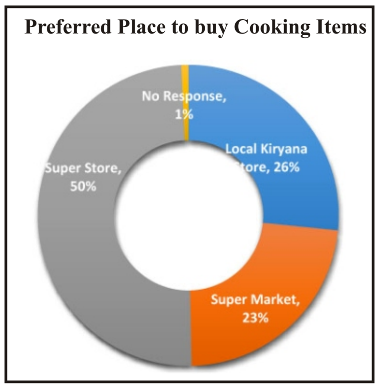
Survey Results

Pakistani consumers are becoming more 'quality-conscious' than ‘price-sensitive'



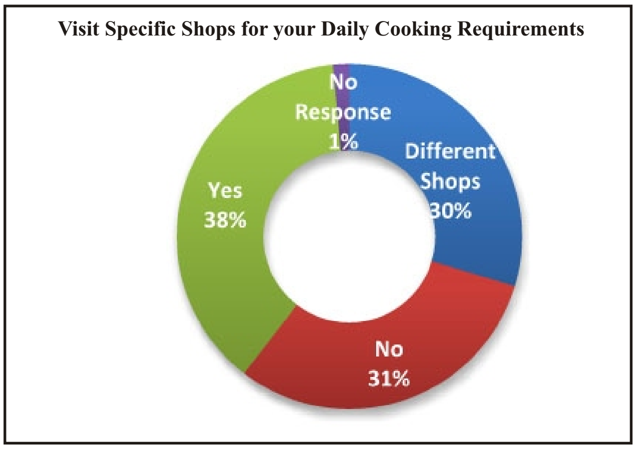
The Survey reveals that the Pakistani consumers of retail products are becoming more quality conscious than price-sensitive. Around 38% respondents categorize themselves as 'quality conscious' whereas 20% say they are price-sensitive. However, a majority of participants (42%) responded that their decision to opt for quality or price varies from product to product. This reflects a consumption behaviour approach of consumers i.e. they just want to purchase for their consumption irrespective of the price or quality of product.

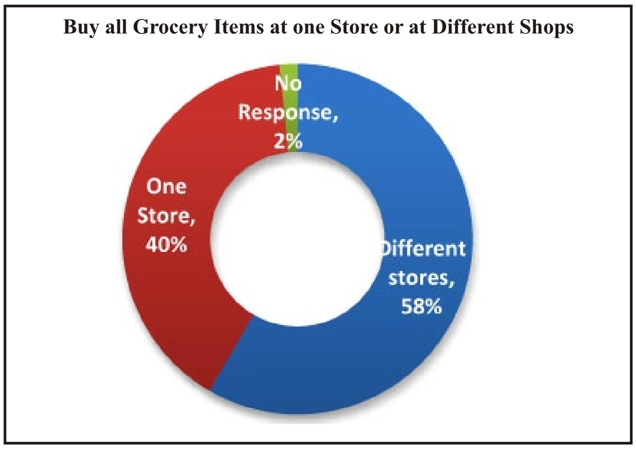
Local Kiryana stores losing charm among consumers with opening of Supers stores and markets



With the opening of more and more super stores and marts the local Kiryana stores are losing their charm as well as business in daily item purchases. These small stores were once the preferable options for purchase by the consumers; however, this trend is changing gradually. The survey indicates that around 73 percent respondents have shown preference to make purchases of day to day cooking items from Super store (50%) and Super markets (23%). Only 26% of participants are still resorting to local Kiryana stores for making daily cooking use items. The main reason for this shift in preference is presumably due to availability of bulk items, convenience of buying other items under same roof and price discounts offers by super stores and marts.

Consumers prefer to buy cooking items and groceries from different shops instead of specific shops

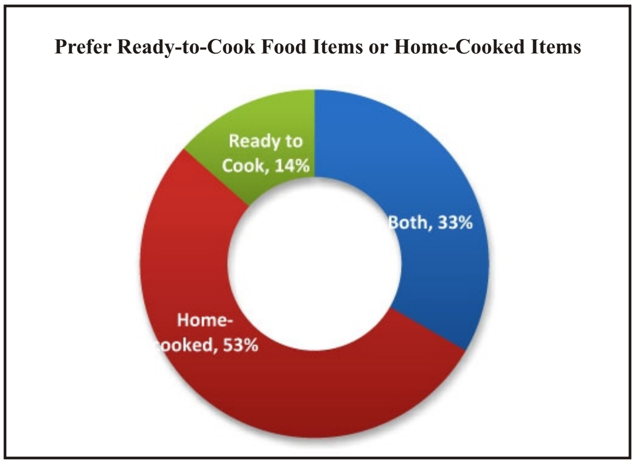




The respondents were asked whether they prefer to purchase daily cooking items from the same shops or different shops. The survey results shows that around 61% prefer to buy from different shops instead of relying on specific shops. This points towards the consumers' mentality to look around for different varieties of products and price discounts offers that could be available at different shops and not offered by specific stores of shops for where they had been buying since long.

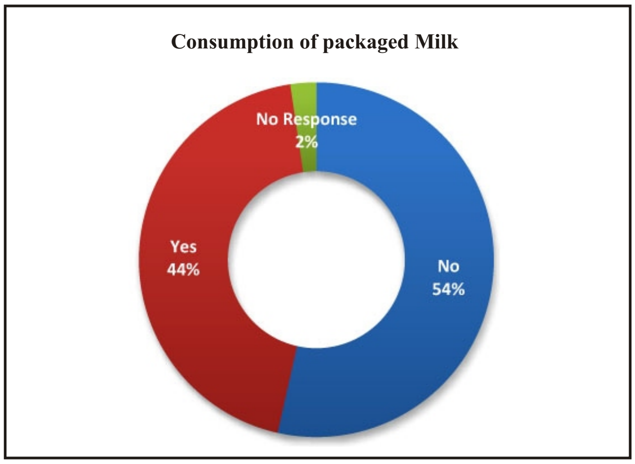
As far as purchase of grocery items is concerned, the survey shows a mixed trend with 58% prefer to buy it from different shops whereas 40% have preference of buying from same stores. This indicates that consumers want to purchase groceries from same shops form where they are getting good quality instead of trying another shops.

Preference of home-cooked items more than ready-to-cook food



Unlike the consumers in western countries, the Pakistani consumers prefer to consume home-cooked items instead of ready-to-cook food. This is reflected from 53 percent survey responses favouring home-cooked items and just 14 percent responses for ready-to-cook. This is due mainly to the fact that home made food are fresh, healthy and consume less money whereas ready-to-cook items available in markets, though hygenic in nature, are not so demanding due mainly to cost factor as well as a new entry into the food offers in Pakistan. The companies marketing ready-to-cook items need to do lot more effort to penetrate the market.

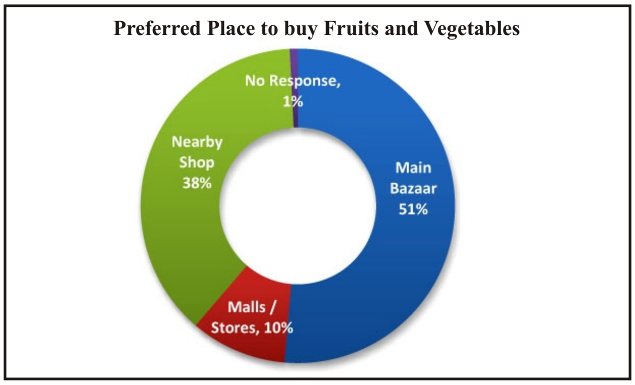
Packaged milk consumption increasing in Pakistan



The packaged milk consumption by Pakistani consumers, especially in urban areas, is increasing gradually. This is evident from the fact that 44 percent respondents have communicated that they are using different brands of packaged milk. The varied reasons cited by the survey participants for their preference of packaged milk are quality, hygiene, taste, longer shelf life and ease of use.

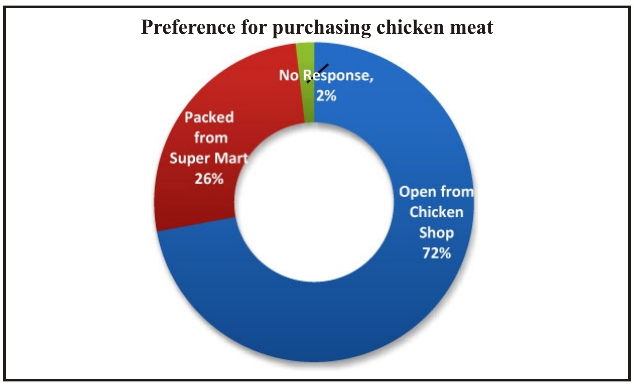
Albeit this emerging trend, the consumption of open milk is still high in our society with 54 percent survey participants indicating that they do not prefer packaged milk and are more convenient with purchasing fresh milk from the cattle farms and milk suppliers.

Fruit buying mostly preferred from main fruit bazaars



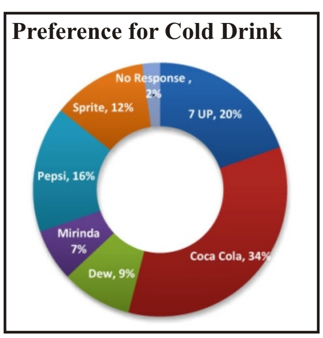
The consumers of fruits mostly prefer to go to main fruit bazaars [a market where there are many fruit sellers] as they get benefit of price difference in case they buy from their nearby fruit sellers. Around 51% respondents have indicated 'main bazaars' whereas 38 percent ticked the box of 'nearby shops'. Fruit buying from Malls and big super markets is not being preferred by consumers with just 10 percent survey result in its favour.

Packaged Chicken Meat not preferred by Consumers



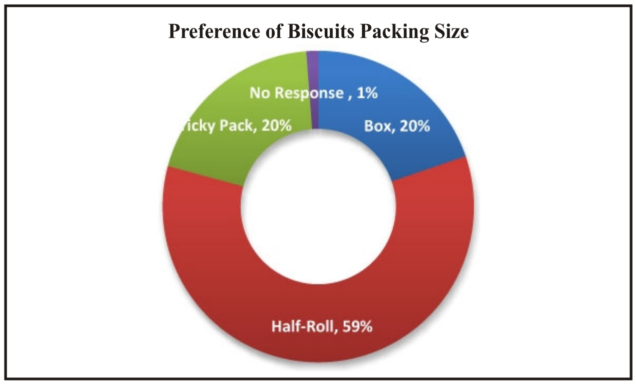
The respondents were asked to share their preference for purchasing open meat from ordinary chicken shops or in packed form from the super markets. A majority of survey participants (72%) have shown their preference of ordinary chicken shops as they get fresh meat and also get at reasonable prices than to buy the packaged meat from super stores. Around 26% go with packed chicken from the super markets.

Coca Cola most liked Cold Drink



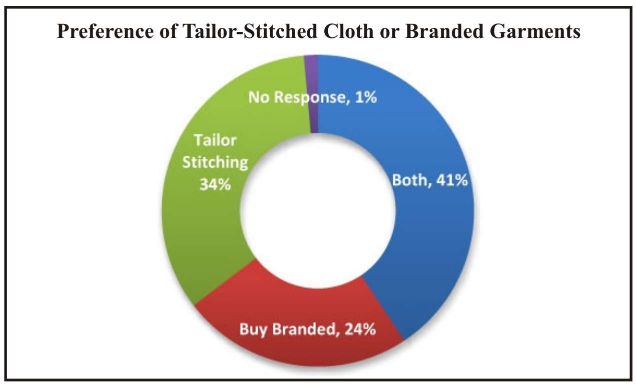
Around 34 percent respondents say they like to consume Coca Cola in cold drink. The second preferred cold drink is 7Up which is liked by around 20 percent people. Other drinks that follow in popularity are Pepsi (16%); Sprite (12%); Dew (9%) and Mirinda (7%).

Half-Roll size preferred by biscuit consumers



The half-roll size is mostly preferred by biscuit consumers as around 59 percent respondents stated that they buy half-roll biscuits. Ticky pack and full box are preferred by 20 percent each by the people.

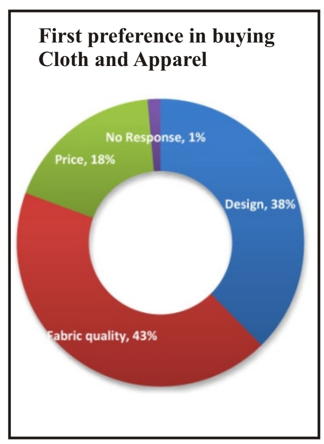
Tailor-stitched cloth still favored over branded garments



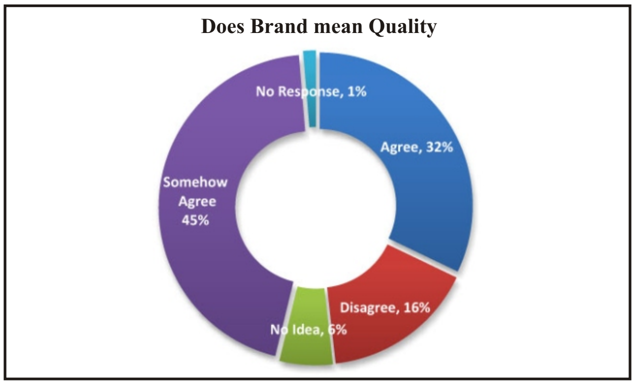
The respondents were asked whether they prefer to buy branded product or stitched cloth from tailor. Around 34 percent said that they prefer tailor-stitched whereas 24 percent favored branded products. However, majority of respondents i.e. 41% indicated that they also stitch from tailor and also buy branded garments.

Most of Fabric consumers look for quality and design

The survey reveals that majority of consumers look for quality and design than the price of fabric. The statistics that comes out of survey results indicate that 43% prefer fabric quality whereas 38% prefer design. Only 18 percent respondents say they look for the competitive price of the cloth. This outcome provides evidence to the fact that the Pakistani consumers are becoming more quality conscious.

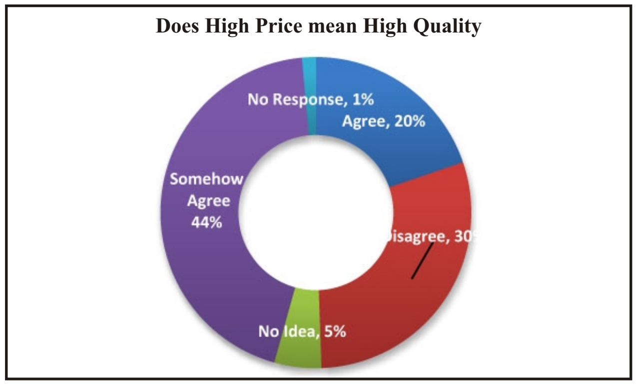


Consumer think branded products have reputation for good quality



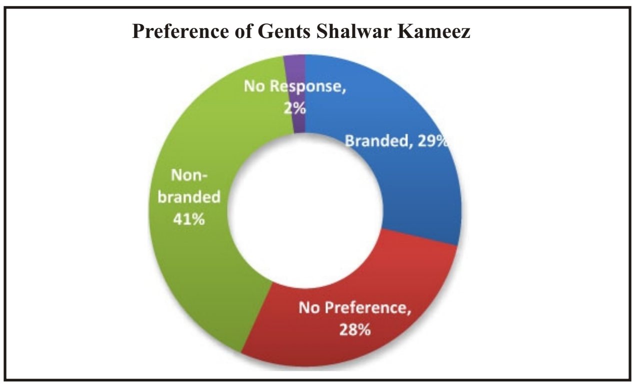
The consumers have a general mindset that branded products are good in quality as it is the question of their reputation and goodwill. Around 32 percent fully agreed to this perception whereas 45 percent somehow agree. Only 16 percent say that they disagree that any famous brand means quality product.

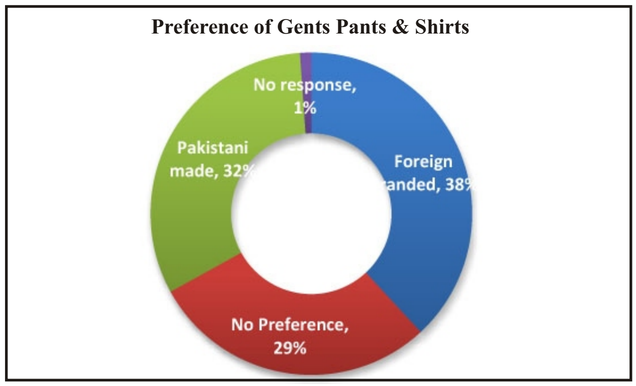
Consumers perceive highly-priced products as good quality



The survey reveals another perception of consumers with regard to price and quality nexus. One question was posed to survey participants whether they think high-priced product mean good quality. Most of them agreed to this perception i.e. 20 percent fully agreed and 44% somehow agreed. Around 30 percent disagreed.

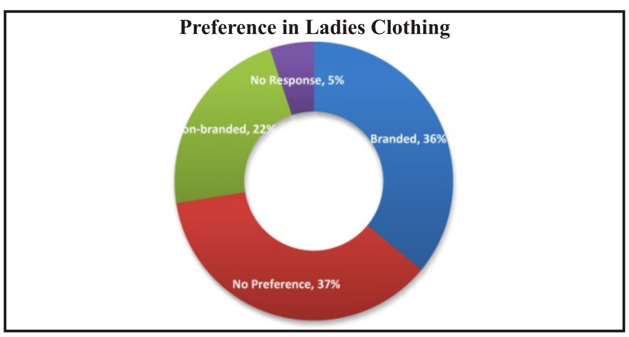
Non-Branded Gents Shalwar Kameez mostly preferred





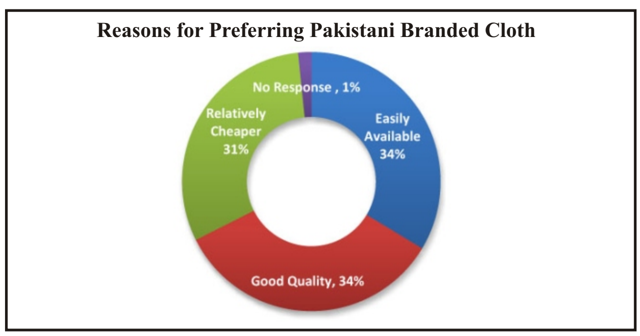
The consumers have given a mixed response on the question relating to buying of gents clothing i.e. Shalwar Kameez and Pants and Shirts. Non-branded Shalwar Kameez is mostly preferred (41% responses) as compared to branded (29%) whereas foreign branded gents' pants and shirts are in demand with 38% responses as against 32% for Pakistani-made gents' garments. Almost 28% consumers have said that they have no preferences.

Branded and Non-branded Ladies clothing preferred equally



It was asked from survey participants as to what is their preference for ladies suits and lawns. Majority of the respondents said that they like both branded and non-branded equally, whereas 36 percent indicated that they preferred branded clothing. Only 22 percent participants were in favour of non-branded suiting.

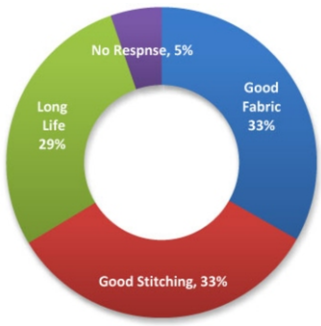
Pakistani branded clothing preferred for quality, easy availability and competitive price



The survey indicates that the consumer prefer to buy Pakistani-branded clothing for their quality (34%), easy availability (34%) and relative cheaper in price than branded clothing (31%).

Foreign branded clothing preferred for quality fabric and stitching and longer life

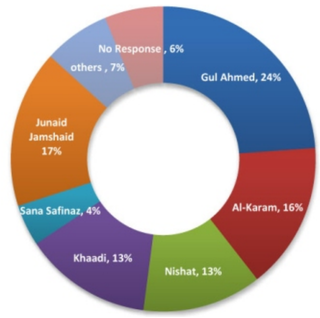
Reasons for Preference of Foreign Branded Cloth



The consumer of foreign branded clothing have mentioned in their survey responses that they prefer foreign brands because of good quality of their fabric and stitching as well as for their longer life than local brands.

Gul Ahmed tops in leading fashion brands

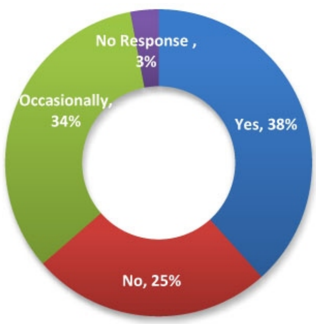
Ranking of Pakistani Fashion Clothing Brands



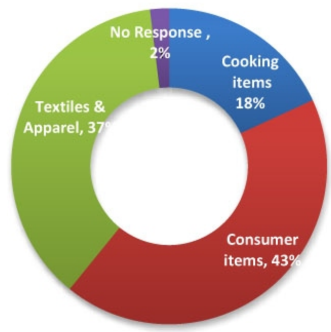
The participants were asked to share their opinion as to which is the top ranked fashion clothing brand in Pakistan. On the basis of survey results, it transpires that Gul Ahmed comes first with 24% responses, followed by Junaid Jamshed (17%), Al-Karam (16%), Khaadi and Nishat (13% each) and Sana Safinaz (4%). There were 7% responses for other brands.

Those Retail outlets preferred which offer discounts mostly in consumer items

Preference of Retail outlets offering discounts



Products on which discounts mostly preferred



Those retails outlets which offer huge discounts are being preferred by consumers and around 72 percent of survey participants indicated that either always or occasionally look out and visit such retails outlets which have a regular policy of offering discounts on different products. Almost 43 percent of respondents said that they prefer discounts on 'consumer items' whereas 37% prefer discounts in textiles & apparel. Cooking items comes at third position in preference of consumers on which discounts are availed.

Another question in relations to discounts was that if any retail outlets offer huge discounts then would they prefer to buy more quantity or stick to their budget. Almost 59% consumers said that they would limit themselves in their monthly budget whereas 38% showed their willingness to pay more to avail discounts.

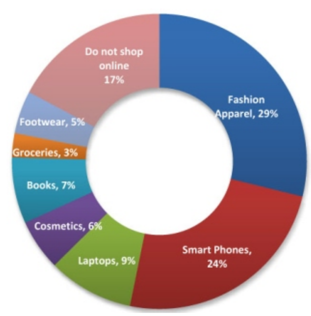
Online Shopping: Daraz.pk top website; fashion apparel, smart phones top buying products

Preferred Online Shopping Website

The survey participants were asked whether they have made any online shopping of products and if so what is their preferred online shopping website and what products they mostly buy online. Almost half of respondents (48%) said that they buy online whereas similar percentage of people said they do not do online shopping. Out of 48% respondents who prefer online shopping, almost 44% said that their favorite website is 'Daraz.pk', followed by homeshopping.pk (16%). Around 13 percent said they use all popular online shopping websites.

As far as major products purchased online are concerned, fashion apparel and smart phone tops the list with 29% and 24% respectively. The other preferred products purchase online are laptops, cosmetics etc. The main factor which prompt the consumer to go for online shopping seems to be comparative lesser or discounted prices of these products than available in the markets.

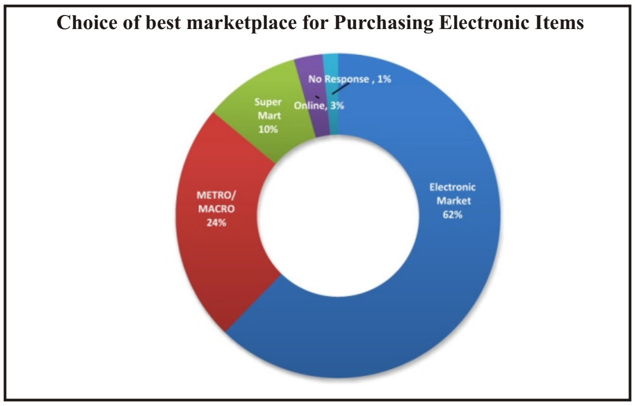
Products mostly purchased online



Shopping Malls: Consumer Mostly Visit on Need-basis; top Reason Is Buying Cloth & Groceries

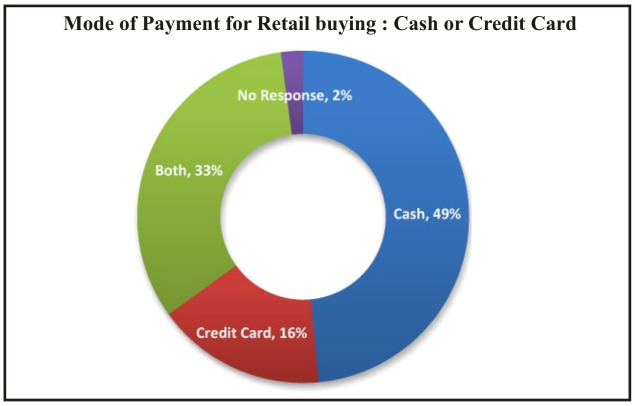
The survey results show that around 35 percent respondents prefer to visit shopping malls on need basis and not frequently. Further, 30 percent say that they visit malls once a month to purchase necessary items. To a question about the prime reason for visiting shopping malls, almost 45 percent respondents pointed out that they visit to buy clothing which is available there in different designs and varieties. Around 26 percent participants indicated that they visit shopping malls to buy grocery items. Interestingly, 10 percent of survey participants said that they visit malls for leisure and to pass time. This means that shopping malls are developing into a place of amusement for the general people due to lack of recreational facilities in the country.

Consumers prefer to buy Electronic Items from Main Electronic Markets

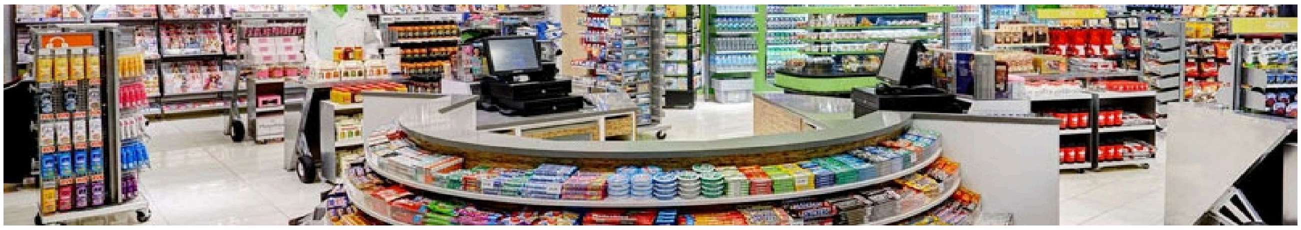


The survey participants were enquired as to from where they prefer to buy electronic items and appliances. Majority of them (62%) indicated that they prefer to buy these items from the main electronic markets. The result indicates that consumers are much conscious about the right place where a wide variety of equipments and gadgets are available as compared to other choices viz. Superstores, online, etc. On the other hand, there exist market competitions among different sellers which give an opportunity to consumers to purchase the quality items on a reduced price. The next option for consumers are METRO and MACRO which are also selling electronic items in large quantity almost at the same price and buyers visit there for sake of convenience.

Cash payment preferred over Credit Cards by Retail Buyers



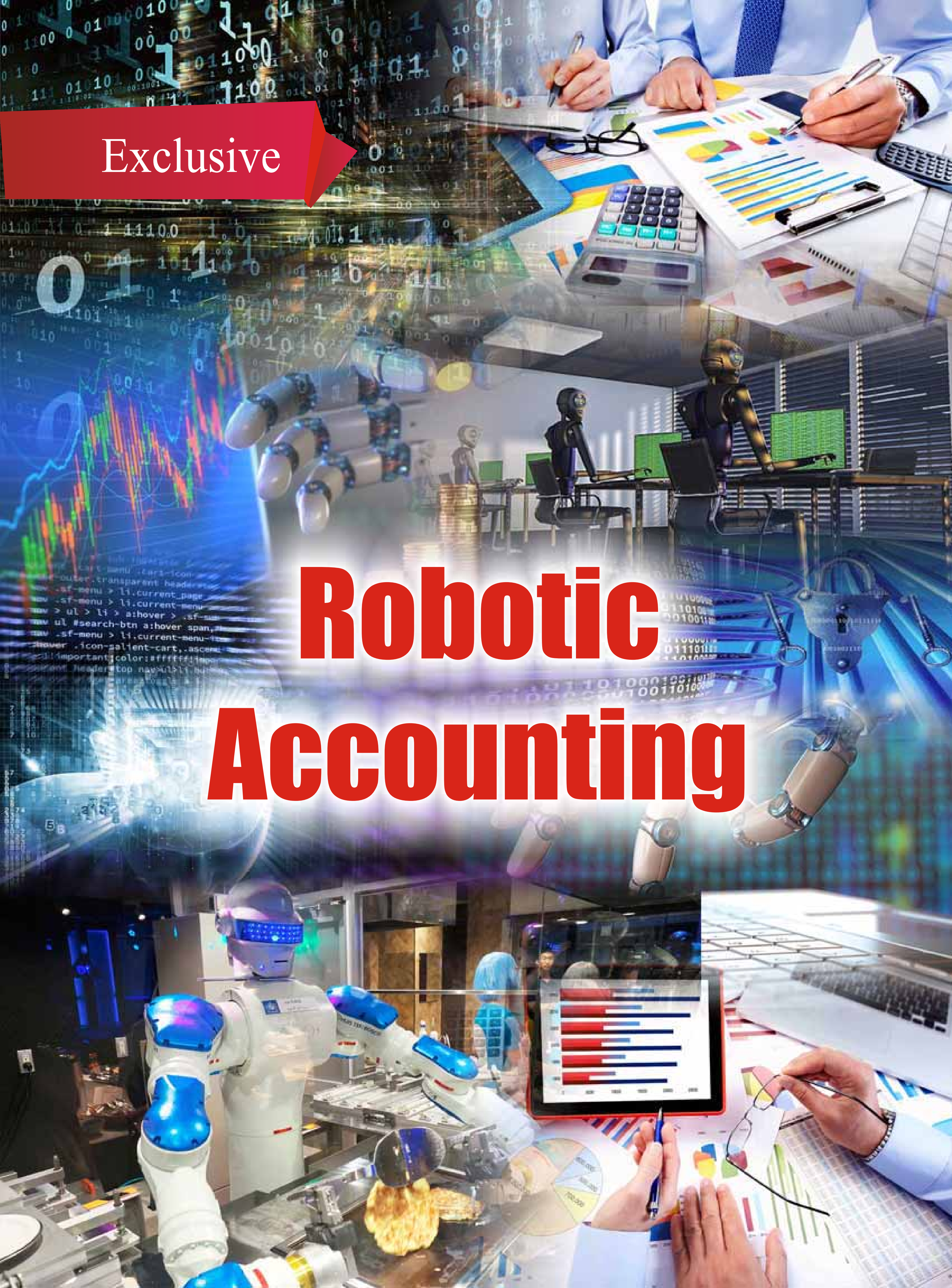
The survey participants were enquired about the mode of payment i.e. cash or credit card for retail buying. The responses shows that majority of consumers (49%) prefer to pay cash instead of using credit cards. Around 33 percent respondents said that they use both cash and cards depending upon the purchase or shopping place. One reason for preference for cash payment by consumers is to save time and avoid risks associated with computerized payments and also tax payment on transactions on credit cards.



Giants of Retail:

The World's 25 Largest Retailers by Revenue, 2017

Rank	Company	Country	Retail Revenue
1	Wal-Mart Stores, Inc	US	482.1 billion
2	Costco Wholesale Corporation	US	116.2 billion
3	The Kroger Co.	US	109.8 billion
4	Schwarz Unternehmenstreuhand KG	Germany	94.4 billion
5	Walgreens Boots Alliance, Inc. (formerly Walgreen Co.)	US	89.6 billion
6	Home Depot, Inc.	US	88.5 billion
7	Carrefour S.A.	France	84.9 billion
8	Aldi Einkauf GmbH & Co. oHG	Germany	82.1 billion
9	Tesco PLC	UK	81.0 billion
10	Amazon.com, Inc	US	79.2 billion
11	Target Corporation	US	73.7 billion
12	CVS Health Corporation	US	72.0 billion
13	Metro Ag	Germany	68.0 billion
14	Aeon Co., Ltd	Japan	63.6 billion
15	Lowe's Companies, Inc.	US	59.0 billion
16	Auchan Holding SA (formerly Groupe Auchan SA)	France	59.0 billion
17	Albertsons Companies, Inc.	US	58.7 billion
18	Edeka Group	Germany	52.4 billion
19	Casino Guichard-Perrachon S.A.	France	51.2 billion
20	Seven & i Holdings Co., Ltd.	Japan	47.7 billion
21	Wesfarmers Limited	Australia	44.6 billion
22	Rewe Combine	Germany	43.6 billion
23	Koninklijke Ahold N.V. (now Ahold Delhaize)	Netherlands	42.4 billion
24	Woolworths Limited	Australia	41.3 billion
25	Best Buy Co., Inc	US	39.5 billion



Exclusive

Robotic Accounting

Robotic Accounting – A Step ahead in Automation

Syed Asadullah, FCMA

What is Robotic Accounting?

Robotic Accounting is software that uses Artificial Intelligence (AI) and possesses machine learning capabilities to handle high-volume, repeatable tasks which generally called, "Robotic Process Automation" (RPA). It integrates automation with artificial intelligence, enabling it to be smarter and more capable of mastering the process.

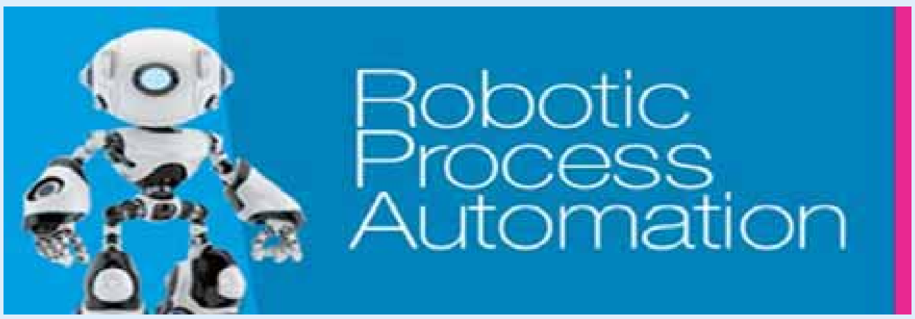
This method replaces human force which means that the tasks that are performed manually can be completed via RPA with much more efficiency and credibility. RPA is that mimics the task executions of humans by capturing and interpreting existing applications, manipulating data, and triggering communications with other systems and so on via existing user interfaces.

Second Phase of Automation

Introduction of internet gives a new edge and trend in steps towards automation of accounting and finance which was extremely innovative. Thereafter Social Networking revolution came into exists. Today there is about an 80% automation rate for common processes like AP/AR and aggressively outsourced. Business volume of Finance and Accounting Outsource (FAO) rapidly growing and annual turnover crossed 50 billion dollar.

Next phase of Automation

Next phase of the innovation trend is RPA. It allows shifting your focus from time consuming predictable tasks to more productive, value adding tasks for clients. Robotic Accounting is the future of accounting and finance industry and



Before discussing on impact and prospects of RPA on business and accounting profession, briefly go through automation history of accounting and finance.

First Phase of Automation

Proper computerized accounting systems were first introduced after World War II, in the 1950s.Prior to that period, accounting was exclusively done manually. SAP and Peachtree was the first business software introduced for microcomputers and the oldest microcomputer software program for business, introduced in 1973 and 1975 respectively. Further finance and accounting processes automated through ERP systems arrived in the 90's.

estimated that 80% tasks to be automated in coming years.

Impact on Business

Cost Effective

RPA is cost effective and hope that companies will save from 20% to 70% by this automation. It significantly reduces the cost of manual labor by automation of repetitive processes and also eliminates the need for back office resources. RPA will eliminate unnecessary expenses by more speedup process and lessen errors.

Better Productivity

There is no working hour limitation. It works round a clock to cater customers and

> RPA is cost effective and hope that companies will save from 20% to 70% by this automation. It significantly reduces the cost of manual labor by automation of repetitive processes and also eliminates the need for back office resources. RPA will eliminate unnecessary expenses by more speedup process and lessen errors.

allows for much better customer care and services. Robotic Accounting works in real-time, and is also capable of performing overtime, on weekends and holidays, round the clock with zero error.

Better Performance

Performance of software robot is definitely better than an employee as it has the ability to do error free tasks in minimal time at a much faster pace. Its system provides with faster execution without sacrificing accuracy and quality of work.

Over-All Efficiency

Considering the above-mentioned features, RPA in accounting and finance does provide a more efficient system with fewer resources consumed. Workplace culture will be changed by shifting of accountants from repetitive tasks towards more productive works. RPA promises more efficiency to finance and accounting industry by facilitating broader integration of disparate financial systems and software.

Impact on Finance Leaders and Accountants

With advances in technology affecting every sector of the workforce and RPA may lead to reduction in headcount of accountants. Robotic Accountant is not actual accountant and despite of power of efficiency, always be needed for the human connection. This automation system will replace traditional forms of work and it will open the door of other options. This system will helpful for accountants to become strategic accountants. Finance leaders and workers will be more creative and productive by handling robotic processing. For instance, currently imports millions of data from internet for business decisions, but there is no provision in software to interpret the data to determine the supportive answer to take decision. Through RPA, accountants can perform the function, filter and analyze related data to assist the CFOs in making more informed and best decision.

CFOs and accountants across all industries are looking for ways to have higher efficiencies, lower costs and better reporting. They've been facing these challenges from last five decades. CFOs have automated finance and accounting processes since ERP systems arrived in the 90's.

FAO and RPA

Finance and Accounting Outsourcing (FAO) rapidly growing since last decade considering cost reduction for principal companies and it will be easier by automation technology. FAO

and RPA can co-exist but not without some changes. Service Providers are already aggressively accepting robotic process automation and making strikes to incorporate it as part of their service offerings. Conforming business models to the reality that RPA undercuts the FAO global delivery model will be a much greater challenge. Those providers who can leverage process expertise with a reformulated delivery model will survive.

The Age of Technology: Introducing Robotic Accounting

By Cedric Joshua Martinez

There's no doubt about it - robotic accounting is the future of the accounting industry. The technology is already within our reach. Accenture estimates that 80% of the finance and accounting tasks to be automated in the next few years.

With these innovation coming in faster than they can count, some accountants, even those among the best, are afraid for their jobs. The misconception is that robotic process automation in accounting will make their tasks obsolete. While their reaction is not surprising, experts say that automated accounting is something that accountants, bookkeepers, and auditors should all welcome with open arms.

To help you understand the issue better, here are some key facts that you need to understand and why you should consider integrating robotic accounting into your process:

What is Robotic Accounting?

Robotic Accounting or Robotic Process Automation (RPA) is a software that mimics the task executions of humans, therefore allowing accounting firms to operate as a virtual workforce. Unlike previous attempts in automation, RPA integrates automation with artificial intelligence, allowing the growth and advancement of the bot, enabling it to be smarter and more capable of mastering the process.

Why Switch to RPA?

1. More Income, Fewer Cost

You'll be glad to hear that robotic process automation can help you save as much as 70%. RPA allows you to speed up the processes, lessen your errors, thus eliminating unnecessary expenses for your company.

In addition, RPA allows you to shift your focus from time-consuming predictable tasks to more productive, value-adding tasks for your clients. This means that you can now provide services to markets you previously can't or choose not to enter due to logistics.

Whether you come from an SMEs or a large corporation, employing RPA together with professionals who have adapted with the technology will provide the maximum value to your clients. This in turn provides you with more opportunities for growth and income.

2. Value Creation

As mentioned a while ago, robotic accounting allows your accountants to shift from repetitive and predictive tasks towards more meaningful value-laden work. By freeing them from time demanding tasks, your staff now has the freedom to master their craft and offer high-level finance and accounting solutions to your clients.

While providing your clients with top notch services is amazing, giving your employees the time to learn and further their skills is just as, and can even be far more rewarding. This gives them the benefit of advancing their careers by taking roles within the company that are both challenging and self-fulfilling. This also gives them a clearer career path, which helps retain talents in your firm.

3. Satisfied Clients

Take it this way: the best service produces the happiest clients. Robotic accounting works in real-time, and is also capable of performing overtime, even on weekends and holidays. In spite of this, you can have the peace of mind knowing that RPA can work round the clock with minimal to zero errors. This makes robotic process automation perfect to assist you in the most demanding tasks such as payroll and month end closings (READ: How to Improve Your Month End Closing Process). The flexibility of this system provides you with faster execution without sacrificing accuracy and quality of work.

These are just some facts that help you better understand robotic accounting and why you and other accounting professionals in your firm should welcome it with open arms. Taking the step towards automation may be hard for some, but with the right knowledge stepping towards the future that is automation is both rewarding and profitable at the same time.

Source: https://www.dvphilippines.com/blog/the-age-of-technology-introducing-robotic-accounting

Impact of Robotics in Finance and Accounting

We grew up hearing stories of Robots taking hold of the world and learning interesting discoveries about Artificial Intelligence. As a consequence, all of us have wished at some point in our lives to have robots to take care of our everyday mundane tasks and make our lives easier. Today, that imagination is taking the form of reality especially when we come across Japanese robotics; it leaves us in the state of awe. Jaw-dropped; we cannot help ourselves admiring the human intelligence.

Varieties of robotics have helped us in multiple industries. We are going to analyze the impact of robotics in finance and accounting to grow our business. The working procedure of Robotics in Financial or Accounting services requires Robotic Process Automation. A fancy term you must be wondering! So what exactly is Robotic Process Automation or RPA?

Robotic Process Automation (RPA)

In simple wording, RPA is software that uses Artificial Intelligence (AI) and possesses machine learning capabilities to handle high-volume, repeatable tasks. This method replaces human force which means that the tasks that are performed manually can be completed via RPA with much more efficiency and credibility. The interesting thing about RPA is that it mimics our way of execution of tasks by capturing and interpreting existing applications, manipulating data, triggering communications with other systems and so on via existing user interfaces.

Moreover, RPA is a feature of intelligent process automation (IPA). IPA portrays a range of automated processing including RPA cognitive technology and machine learning systems. If you are thinking about how robots can possibly have a learning experience, well surprisingly, this technology has the ability to learn from prior decisions and data patterns to come up with its own decisions. However, expert supervision is still required to choose the methods that are the best fit for the desired aims or goals.

RPA in Accounting and Financial Services

RPA has helped in rethinking the financial services and it can automate a process as it is making it a clear advantage of this solution. RPA effectively helps in Operational Accounting which includes a maintained data for accounts receivable, billings and collections and so on. It helps in General Accounting procedures by taking care of allocations and adjustments and journal entry processing etcetera. It means that the entire mundane task of data entry and making account of millions of daily transactions will not require a number of people performing repetitive dull tasks sitting in front of their computer screens all day long. Other than that, it also takes care of financial reporting, budgeting, planning, forecasting and other treasury tasks.

If you are thinking that using RPA will have its own set of limitations and will not work in Shared Service Environment, well this is a wrong assumption. RPA can be successfully implemented in Shared Service Environment and yes not only it efficiently replaces human workforce but also minimizes the risk of human errors.

Why Robotic Process Automation?

So, why RPA? Are not our systems working just fine without it? As a matter of fact, people were equally, if not more, suspicious few decades ago when the internet was introduced. Today it is impossible to even think of a world without the internet. Then came the social media networking and the next phase of our development is definitely RPA and following are few major reasons for having it for Financial and Accounting Services.

Cost Effective

RPA is cost effective. It significantly reduces the cost of manual labor by automation of repetitive processes and also eliminates the need for back office resources.

Better Productivity

There is no working hour limitation. It works 24/7/365 to cater customers and allows for much better customer care and services

Performance

Performance of software robot is definitely better than an employee as it has the ability to do error free tasks in minimal time at a much faster pace

Over-All Efficiency

Considering the above-mentioned features, RPA in accounting and finance does provide a more efficient system with fewer resources consumed.

Revolutionized Future with RPA

Does RPA have the ability to revolutionize our future? Yes, we will have relatively short implementation timelines and low maintenance costs. RPA also extends the functionality of the present legacy systems. It minimizes drawbacks related to inefficient and manual-intensive interfaces of those systems.

Another question that pops up is what would happen to the human workforce? If the system is more efficient and all, what would become of a large labor force that is currently a part of a manual system? Wouldn't the unemployment rate go much higher? Well, human work force would still be required as training and operational management of a robot is done by humans. Robots will involve humans for insights and subjective assessments in decision making.

An objection can be raised that the core skill set will have to be changed and new technical skills with advanced analysis and interpretations will have to be introduced to manage the robotic systems. It will not only be very expensive but also would require large scale educating and instructing the work force. However, it offers an ultimate lower operating cost and high productivity in minimal time. It also offers increased productivity to human employees who would no longer need to do the dull, repetitive tasks. Moreover, many high-quality jobs will also be created for the people who can maintain and improve RPA software. Also, one of the key advantages of RPA is that you do not need developers for configuration. Robotic process automation software is easy to use and manage, although it does require some testing and quality assurance.

It is Just the Beginning…

In the end, we have to keep in mind that RPA is just the beginning. It is an amazing technology with great benefits but to take the maximum out of it and fully imply it, we will have to work harder. If we are able to pull it out, among other benefits we will be able to make sense of and deploy other Artificial Intelligence related technologies.

Source: https://www.automatework.com/insights/robotics-in-finance-and-accounting/

How Enterprise Robotic Process Automation is Revolutionizing Accounting

By Steve Palomino, CPA

The accounting profession is on the verge of a significant change. Researchers at Oxford University have projected that accounting processes has a 93% chance of being automated in the next 20 years. The work of accounting and finance professionals is on the precipice of a monumental shift. While finance professionals should be aware of this transformation, they should be confident that their jobs are not going to be taken over by robots anytime soon. Just as the auto-pilot has not replaced pilots, the new wave of technological innovations will just assist the accounting and finance professional to do their jobs.

While the accounting profession has embraced technology in the last few decades, the work itself has remained by and large the same, seeing limited gains in process automation.

Somewhere in the last fifty years, the roles of accountants and financial analysts were overtaken by the abundance of laborious, manual and menial tasks. With the arrival of enterprise process automation software, finance professionals can finally get back to what they were meant to dostrategic analysis and supporting the business.

The new wave of enterprise process automation technology, often referred to as “robotics”, works by simply doing the repeatable, manual and rule-based tasks using data that exists within different applications.

There are a number of great Enterprise Resource Planning (ERP) systems that are meant to streamline manual tasks such as completing the invoice process or manage data entry to make financial professionals' lives easier. Regrettably, the reality is that businesses often requires more resources and personnel to manage ERPs. In fact, the workload of the accountant, a role that is no stranger to 80-hour work weeks, tends to remain the same after implementation.

Robotics offers a seismic step forward for finance professionals. Finance staff are trained to use data to make tactical recommendations to business leadership, so it is less than ideal that so much of their time is spent doing work that requires little critical thinking. Rather, the majority of time is often spent doing manual tasks, such as entering data into spreadsheets and performing manual reconciliations.

There is no longer any reason for accountants to spend valuable time reconciling between computer systems and ledger accounts; rather robots can take it on, freeing up staff for more meaningful, strategic tasks that benefit the broader business. Robots will enable the finance professionals to switch to the 80/20 model, where 80% of time will be spent in analysis and 20% on production.

Not only does the use of robotics in the back end free up time for finance professionals to make strategic decisions, it allows them to better handle those manual tasks in a way that is beneficial to all involved. For instance, large corporations' revenue recognition process often consists of executing thousands of steps, by dozens of personnel, consuming tens of thousands of hours. But once the virtual robots are able to perform the manual repetitive tasks, the finance team will be able to execute the revenue recognition process more frequently and efficiently. This advancement not only saves the business time, money and resources, but improves cash position of the company and significantly reduces risk of errors.

While accounting professionals are hesitant to embrace this trend for fear that it is “too good to be true.” The reality is that many accounting professionals are overworked and seek a solution to the laborious, low value repetitive tasks. Nobody ever has too much time, too many resources or too much money to solve their problems. The automation revolution is a natural progression for the finance industry, similar to what we've seen in the in automotive and airline industry.

This shift toward robotics is not far off, and in the next 36 months we will begin to see a significant change in the way finance shops operate. Similar to the airline industry, where most flights are assisted by autopilot, robotics will be driving the accounting processes, only stopping to notify the accountant when something is wrong, freeing up time, money and resources for more innovative and strategic contributions.

Redwood Software offers enterprise software and IT process automation systems, helping it's customer automate their mission-critical IT and business processes.

Source: http://www.cpapracticeadvisor.com/news/12177665/how-enterprise-robotic-process-automation-is-revolutionizing-accounting

Not Just for the Assembly Line: A Case for Robotics in Accounting and Finance

By Shawn Seasongood

Ever since the founding of the modern corporation, management teams have sought to boost efficiency. From consolidating or outsourcing back-office operations in rightsizing events to incorporating enterprise resource planning and data management systems for managing operations in real time, the best companies have always stayed ahead of the curve in seeking ways to wring out redundancies and associated expenses.

From the finance department's view, the push for more efficiency is part of an ongoing "finance transformation," wherein CFOs and finance executives are evaluating new ways to bring business intelligence, data analysis and more effective forecasting to their organizations. At its core, finance transformation is a journey in which the finance function evolves to become a valued business partner by improving service delivery, cost efficiency and compliance.

A growing number of finance departments are pursuing changes to streamline their business operations.

Today those efforts are increasingly leading CFOs and finance executives to explore robotic automation software solutions. Just as companies as disparate as automakers and semiconductor manufacturers have used robots to perform mundane tasks for hours on end, so can a wide range of companies use robotics to execute routine "white collar" administrative tasks. For example, individuals performing finance and accounting duties often spend significant amounts of time on repetitive, low-value duties. In fact, a segregation of duties already exists for the deployment of robots in those settings: robotic process automation (RPA) and robotic desktop automation (RDA).

RPA and RDA tools both use automation software to perform tasks such as processing sales and financial transactions, managing data, communicating between different systems, and access management, as well as monitoring and reporting. Lower costs, greater efficiency, improved analytics capabilities, and greater performance and quality standards are among reasons business analysts view robotic automation as the next wave of significant disruptive technology. In their view, it will eventually become part of most functions in organizations across the globe.

How They Differ

RPA is tailored for repetitive back-office jobs that typically are not client-facing. Usually the tasks are operational and span a wide spectrum of functions, including determining credit decisions, loan underwriting, insurance underwriting, insurance claim adjudication, payment processing, customer service delivery, accounting data entry and procurement, to name a few activities.

RDA, on the other hand, is typically used in retail, call center and other back-office operations where individual employees leverage an assigned robot to perform specific duties. Some of the tasks may include providing an immediate consolidated snapshot of customer data, confirming internal regulations to ensure data input and processes are complete and accurate, and measuring worker productivity. Ultimately, the idea behind RDA is to reduce the number of manual tasks associated with accessing multiple and disparate systems and allow accounting and finance staff to use a higher set of skills to focus on more advanced and complex activities.

Benefits Tailored for Today

Adopting robotic automation makes sense for any organization looking to improve efficiency, but companies that are outsourcing certain responsibilities to regions with low-cost labor, in particular, stand to reap the benefits of a more effective and less expensive strategy in robotics. Consider that robots can operate all hours of a day, every day of the year, after all. Not only does that allow the continuous performance of processes and services, but it also generally provides improvements in customer response and satisfaction.

In addition, robotic automation is not prone to human error and no training is required, which reduces risk and saves time. Robotic automation completes simple jobs with minimal expenses related to salaries, overtime, benefits and overhead costs. The cost of licensing a robot is also much lower than the compensation for a full time worker.

Effective management teams are constantly searching for ways to reshape their organizations, and, in the modern day, companies have typically gravitated toward adopting a progression of digital business intelligence solutions as technology has advanced. The need to evaluate cost centers and processes has been even more pronounced in the long-running environment of slow economic growth, low interest rates, and increasing competition for customers and qualified employees. Robotic automation is becoming a proven solution that helps achieve these business goals and enhances organizational performance in the following ways:

Reduce cost and improve profitability: Moving to robotic automation can eliminate manual processes that waste time and resources. Subsequently, margins will improve thanks to significant cost savings versus the outsourcing alternative.

Move personnel to activities with higher revenue-generating potential: The flexibility of robotic automation allows robots to work alongside employees or to take over an entire process. In either case, accounting or finance professionals can better use their freed-up time to undertake higher-level tasks and strategic initiatives. However, companies will pocket the greatest cost savings by leveraging robotics to complete repetitive, highly transactional jobs that don't depend on human judgment and are time-consuming for workers.

Support shared service centers that are often outsourced: Robots interact with systems and applications in the same way individuals do at a shared service center. Thus, they reduce reliance on the service center or eliminate the need for it. Robotic automation also diminishes disadvantages created by time zone restrictions, a common drawback associated with shared service centers.

Service delivery improvement for internal customers: Robotic automation can quickly execute tasks that, in the alternative, would consume thousands of staff hours. Accounting and finance teams, in particular, could relegate repetitive jobs to RDA or RPA, which would boost the frequency and efficiency of necessary processes.

While the pursuit of such efficiencies is hardly new, robotic automation is providing a fresh way to help CFOs and financial executives reach their performance goals. The fact that robotic automation can sync up with other application software without considerable integration or coding provides even more benefits. That is of particular importance to finance and accounting operations as well as banking and insurance functions.

Learning how to use and update robotic software is relatively easy for employees with a finance or accounting background, because the programs are designed to interact seamlessly with preexisting systems, do not require intensive information technology support, and are more intuitive than running conventional Structured Query Language databases.

Moving from Evaluation to Implementation

While RPA and RDA solutions are worthwhile for organizations of any size, perceptive leaders recognize that in some cases trying to identify and prioritize the best-suited tasks for automation can be a struggle. Consequently, executives should consider employing methodologies that can help them justify which processes should take precedence when incorporating robotics. Such an approach also will provide back-office supervisors with the clarity they need to create a baseline blueprint for automation implementation.

Arguably, the most effective way to launch a robotic automation program is to map out entire end-to-end processes. The next step consists of identifying potential opportunities to streamline each process with a critical but unbiased point of view. From there, companies can determine which functions are the best candidates for robotic automation and begin to tally the potential savings in cost and time.

For example, an international financial services company recently followed a "fit-for-purpose" methodology designed to yield logical priorities. In this case, the enterprise ultimately used the methodology to measure efficiency savings in annual hours if it did indeed adopt robotic automation.

The organization first undertook an evaluation of its processes to determine whether they were viable robotic automation candidates using the following criteria, which any company can apply:

Automation is logical: Do the process descriptions or activities include logical elements that can be programmed into a software solution? Candidates could include performing calculations, conducting variance analysis, reconciling data and systems, and reporting. Usually, any activities that require professional judgments, writing or communicating are not ideal choices.

Maturity of process: Has the function been repeated over multiple periods, and do management and other leaders have ample experience with the program and a strong knowledge of its execution and results? Are there process summaries or control descriptions that document the activity and outcomes? Repeatable and sustainable processes that have been executed for long periods, and for which there is institutional knowledge, make the most likely candidates. New activities with little performance history or documentation are less attractive.

Availability of data: Do data elements supporting the processes exist in IT systems with minimal or no manual intervention? Is data coordination limited to one or two information technology systems? The best candidates under these criteria include enterprise resource planning, business intelligence and accounting solutions that provide data with little manipulation necessary. Information that must be pulled from several different systems and require specialized handling by designated personnel are not viable choices for robotic automation.

Business value: How many hours does the process consume on an annual basis, and how much of that time could be spent on activities that would produce a greater benefit? The functions where robotic automation can generate the highest amount of savings are the most obvious candidates.

To further enhance the prioritization of robotic automation opportunities, companies can rank the importance of automating the processes as high, medium or low, in accordance with the criteria stated above. The organization that applied the described methodology detailed earlier also considered the locations where the processes were performed to take into account potential savings by automating operations in high-cost regions. This company then evaluated the automation candidates and ranked them based on estimated time savings.

One process the company identified for robotic automation - tax consolidation - saved more than 2,800 hours in time alone. The move also reduced expenses and the risk of operational errors while freeing up resources for more complex undertakings.

Building a Robotic Culture

Even after taking the appropriate steps, the successful adoption of robotic automation still faces challenges, particularly during the implementation phase. Typically issues arise when companies overlook the extent to which stakeholders have "bought into" the new system or have prepared for it.

Executives that fail to take ownership of the concept, for example, will likely stymie cross-functional implementation. To avoid that problem, companies can appoint an executive to secure the financial support to not only employ robotic automation, but also to provide the appropriate resources needed to drive change.

Similarly, companies need to establish a dedicated, cross-functional team, accountable to an executive sponsor, and task it to examine processes for automation, develop requirements and report progress.

Another potential pitfall centers on the failure to apply finance controls as processes are automated. Corporations can dodge that issue by ensuring controls are in place in the newly automated system, and that management develops and approves process maps before migration to automation begins. Functional areas and individuals are typically accountable for maintaining these controls.

Companies also need to designate at least one full-time employee - or preferably a team - to monitor the robotic automation software so system breakdowns are addressed quickly, rather than ignored for lack of a plan. The employee or team also needs to respond to general inquiries from users and perform routine audits to confirm the robotic process is running as expected.

Companies that fail to develop a plan to redirect freed-up staff could miss out on a key benefit of robotic automation. Developing a comprehensive change-management plan as well as updating the organizational structure as necessary will allow organizations to redeploy staff and resources efficiently. Process maps and operating procedures also should be brought up-to-date to reflect the new roles of affected employees.

Likewise, not explaining fully how robotic automation will affect all cross-functional groups can result in the lack of a broad buy-in. Companies can avoid that trap by establishing a communication strategy that is part of the overall change-management plan to ensure that all users are tied to the success of the program.

In a related matter, companies should test the robotic automation software thoroughly before it goes live. If an organization fails to test it and issues crop up, errors could multiply quickly since the program runs continuously.

Once a company has employed its methodology to identify processes best suited for robotic automation and taken steps to mitigate risks and challenges, it needs to identify the owner of each process and the sequence for amending the automation logic.

The business function under which the activity falls in most cases should be considered the sole owner of the process. It should also take responsibility for establishing how and when the logic needs to be updated, including instituting checks and controls to make sure the program is running accurately. In terms of process support, the IT function that may have a relationship with the software provider - or that is responsible for the hardware supporting the software - is typically a key partner in the system.

Maintaining an Edge

In most industries, disruptive technologies are emerging on what seems to be a daily basis. Swift business transformations have put a premium on performance in terms of the time it takes to move goods and services to market, product quality, cost, and innovation and of course, the accounting and finance tasks supporting these efforts. Robotic automation interacts seamlessly across an organization and helps companies satisfy those demands, while using the new standardized processes to facilitate a greater measure of control through more precise monitoring and reporting. Subsequently, employees can focus on innovation, strategy and customer needs as they are freed from inefficient, repetitive manual tasks.

Furthermore, the climate to recruit and retain top accounting and finance talent is as competitive as ever, and robotic automation can help in that area, too. Companies adopting automation to complete repetitive manual duties can provide alternative staffing strategies more easily, such as part-time arrangements and flexible workweeks that may attract a larger pool of qualified professionals. Conversely, employees that want to maintain full-time schedules can spend time saved by robotic automation on more meaningful and productive tasks.

Regardless of company size, competition or staffing strategies, continued growth in business requires innovation and efficiency. To accomplish those goals, organizations will increasingly turn to robotic automation to take on accounting, finance and other administrative tasks across their operations.

About the Author: ***Shawn Seasongood*** *is a managing director with the Business Performance Improvement practice at Protiviti.*

https://www.financialexecutives.org/Topics/Technology/Not-Just-for-the-Assembly-Line-A-Case-for-Robotic.aspx

Articles Section

Excess Borrowing – Solution or Foreign Trap

By Professor Saeed Ahmad Siddiqui

Government sources reveal that economic crises in Pakistan is touching alarming heights due to which, for the success in general elections of 2018, it has extremely been difficult for the government to keep the prices arrested at reasonable and acceptable limits. The government, in absentia of the Finance Minister, is being run by beaurocracy. Circular debts on the country have reached to the maximum. The government of Pakistan, for keeping the financial deficit in control, has requested to Saudi Arabia to supply petrol on credit in reciprocation of 'political support'.

Acute shortage of Furnace Oil has culminated again into load shading on the large scale in the country. Cause of load shading in Punjab is being attached to Smog which has never been the cause of load shading in the past.

In September 2017, the volume of circulating debts exceeded to Rs. 800 billion. Recently, petroleum products prices have been raised by 200 percent for raising tax revenue. This price hike has no concern with international oil price oscillations.

The financial crises, no doubt, will bring energy and power crises because oil import will be dropped to the minimum due to monetary short fall and load shading will be maximum. Though the financial crises and Smog are being considered as the cause of load shading but this fact is oversight that the power generating plants running on furnace oil have already completed their life years back. These outdated plants drink oil rather to consume. Consequently cost of power generation increases. On the other hand, the government is now not in a position to grant subsidy on electric consumption. This is the reason behind the efforts being made to fill the negative financial gap through rise in tax rates.

During first two months of financial year 2017-18, exports from Pakistan amounted to 3.5 billion dollars while imports reached to 9 billion dollars. Total trade deficit during July-August 2017 was 6 billion dollars; 33 percent higher than that of preceding year.

Foreign exchange reserves of Pakistan have dropped below 14 billion dollars. Moreover, remittances sent by Pakistanis working abroad are also being decreased gradually. In combination with all these imbalances, aggregate deficit is increasing due to which current account deficit has reached to 2 billion and 60 million dollars. The current account deficit indicates that Pakistan consumes more and earns less. Consequently, income-consumption negative gap is being bridged up by borrowing. According to a cautious estimate, Pakistan pay annually 6 billion dollars towards repayment of loans for which dollars are needed. Remitted dollars are hardly sufficient for paying against imports and debt services. Government of Pakistan has been planning for negotiating loans from IMF which, no doubt, will make the ideological base of the country weaker

Saeed Ahmed Siddiqui

Annual debt payment is higher than the defense budget of Pakistan. Year 2016 was the record of borrowing from abroad when foreign loans on Pakistan reached to 72.98 billion dollars (7.4 trillion rupees). During 2016, Government of Pakistan borrowed 7.9 billion dollars; more than the previous year. In addition to this, 3.1 million rupees were also borrowed from local commercial banks. If foreign and local loans are added together, apart from loans from China, amount of total borrowing reached to 55 billion dollars during the last 3 years.

Economists opine that in case of continuation of current rate of borrowing , it is expected that the foreign loans will exceed to 75.54 billion dollars or 7.9 trillion rupees. On the other hand, Next year we will have to repay the foreign loans to the international financial institutions worth 11.5 billion dollars.

According to the experts, repayment of loans with loan strategy of the government of Pakistan, foreign loans may reach to the extent of 79.35 billion dollars or 8.3 trillion rupees and with the beginning of 2020, 87.1 billion dollars or 9.12 trillion rupees.

About the Author: *The writer is the most senior faculty member of ICMA Pakistan and teaching 'economics' since last forty years at Karachi Campus.*

Governing Public Sector Networks through Accounting

Salman Ahmad

Introduction

Budget deficits and fiscal problems could motivate policy makers to consider initiating (policy) reforms that could resolve or at least address the fiscal difficulties of the state (Bovaird and Loffler, 2009). Particularly, noticeable policy reforms have been initiated around the globe during the past two to three decades which relate to the ways governments procure public infrastructure. These reforms call for a greater role of the private sector in the procurement (and operations) of public infrastructure, delivered through schemes commonly known as Public Private Partnerships (PPP), (Ahmad, 2014; IEG, 2012). Recently there has been an emerging recognition on the part of the Government of Pakistan (GoP) also, of the importance of improving and expanding public infrastructure for sustainable economic and social development (ECC, 2010; IPDF, 2015; Planning Commission, 2005). At the turn of the millennium when the Planning Commission was contemplating the Millennium Development Goals, the need was recognized within the government circles about alternative infrastructure delivering (financing) arrangements on the basis of PPP (ECC, 2010; IPDF, 2015; Planning Commission, 2005):

> *"Fiscal constraints in every country have seen supplementary and innovative approaches to infrastructure provisioning and funding ... to include the ... finance of the private sector.... The substantial investment in infrastructure required in Pakistan can be provided through public private partnerships (PPP) ...." (ECC, 2010, p. 2).*

Within this context PPP can be considered as a potentially major alternative to GoP's conventional infrastructure procurement. Typically, PPPs provide public infrastructures under contractual terms in which the procuring government department receives infrastructure and post-construction maintenance and operational services from a consortium of private sector companies[1]. Against the services delivered, the private sector would receive periodic payments which are linked to the availability of the facilities and the operational performance with respect to the project objectives, usually specified as outputs by the procuring authority (Ahmad et al., 2016; ECC, 2010). In some cases the private sector could instead receive remuneration through users' charges, such as in privately operated toll roads (Edwards et al., 2004). PPP contracts are usually long-term from fifteen to thirty years, and in some cases even going beyond this time frame. In technical jargon, the major and perhaps the most popular type of PPP contracts are DBFO, where a private sector consortium is contracted by government to Design, Build, Finance and Operate infrastructure facilities[2,3]. DBFO type PPPs are mainly privately financed (typically with 70 - 90% private debt) and remaining equity contributed both by the private and public sector contracting parties (Ahmad, 2014).

Policy implementation and technologies of government

Pakistan's economists are supportive of the idea for adopting PPP models for overcoming infrastructure deficits, as there is a 'buoyant' private sector sitting on surplus cash as well as possessing the technical competencies (Husain, 2015). However, government policies and programmes do not work by themselves, in fact, "it is through technologies [of government] that political rationalities and the programmes of government they articulate become capable of deployment" (Miller and Rose, 1990, p. 8). Technologies of government in this sense refer to the actual mechanisms or localized practices through which authority could intervene for shaping the aspirations, decisions, and conduct of the (distanced) subjects (Kurunmäki et al., 2011). A key feature of technologies of government is that they significantly implicate inscription and calculative practices of accounting such as management controls, as devices for government to exercise control (Rahaman et al., 2007; Walker, 2016). For example, in the UK the policy initiative 'modernizing government' and partnership-working introduced in the Health Act-1999 had implications for innovative (accounting) technologies such as pooled-budgets, for operationalizing the policy's objectives (Kurunmäki and Miller, 2011). Likewise, the post financial crisis austerity measures which included sharp cuts in spending and budget-deficits for government departments, reinforced the use of individual performance measure and accountability within the public sector across Europe and elsewhere (van der Kolk et al., 2015). Thus, accounting practices of inscriptions, calculations and control techniques, can play a *constitutive role* in forming and governing socio-economic domains.

Neu and Graham (2006) find that accounting-based technologies of government are a means of translating government's policy objectives into practice through techniques such as budgets and performance measurement. Moreover, Neu and Graham (2006) also suggest that accounting information produced by the subjects (of government) in the form of output or performance reports facilitates governing at a distance as the information is transmittable to the authorities. Particularly from a perspective of inter-organizational relationships (or networks) within the domain of the public sector, localized accounting-based control systems are recognized as the most significant technologies of government which tend to mediate between the goals of the (multiple) inter-organizational partners and government policy objectives (Barretta and Busco, 2011; Kurunmäki et al., 2011; Kurunmäki and Miller, 2011; Marques et al., 2011). Accounting controls within inter-organizational relationships, which chiefly involve performance measurement and performance-based incentives regimes, are defined as “instruments or processes deployed by an organization with the purpose of influencing another organization's behaviour in order to achieve desirable or predetermined outcomes” (Marques et al., 2011, p. 271). Accounting techniques in public sector networks (e.g. PPP) could function as mediating instruments between the practices of the actors and government's policy objectives and as such, it is through these accounting logics and techniques that the programmes of government are operationalized (Broadbent et al., 2008; Kurunmäki and Miller, 2011).

Figure-A: Technologies of Government for operationalizing PPP in Pakistan

	Formation of PPP-specific identities	Accounting technologies	Market incentives
Macro-level technologies of government	High profile advisory group within the GoP	Budgetary and financial reporting rules for PPP contracts	Government guarantees for the private financiers – however these could severely challenge the value for money and risk transfer rationales for PPP
	Independent (PPP) policy overseeing bodies, (e.g. Public Accounts Committee) and conducting users'-satisfaction surveys	Budgetary limits for government departments	Establishing secondary markets for PPP investors
	Government-level PPP bodies of expertise	Setting Value for Money (VfM) criteria	Exploring Shariah compliant private financing for PPPs
		Standardization of contractual guidance	
Micro-level technologies of government	Department-level PPP units	Department-level guidelines on VfM and other operational aspects	Departmental co-lending /capital contribution
	Department-level key responsible (accountable) individual	Developing optimal contractual control systems and inclusion of clauses for re-negotiations and trust-building mechanisms	

Operationalizing PPPs

A suggested regulatory framework for PPP is illustrated in Figure-A below. Within the context of having a regulatory or governance framework for PPP in Pakistan, it is important to recognize that development and operationalization of PPP policy require investment of considerable volume of government resources for establishing PPP-specific accounting and budgetary rules. Clear financial and budgetary accounting rules for PPPs are crucial for both the public and private sector contracting parties. This is so because determination of PPP-related assets and liabilities would have to be governed under such rules, which ultimately impact on the risk transfer in these projects. Governments of countries like the UK, where PPPs have grown remarkably, would also establish PPP-dedicated bodies of expertise at the government-levels which would provide sector and project-specific expert advice and guidance on managing the projects[4]. Moreover, PPP transactions should be enabled to function in a transparent environment by setting-up proper accountability mechanisms for these projects (including users' satisfaction surveys). This is important as PPP deals are long-term committing huge chunks of tax-payers (i.e., public) money for paying government PPP-related liabilities. Thus PPP cash flows run over generations and hence the accountability processes put in place for these deals should be effective. Operationalizing government policy on PPP would also require the GoP to consider offering several market-based incentives, such as establishing secondary markets for the private investors and offering guarantees for the financiers, in order to incentivize and encourage private participation in these schemes. However, offering financial guarantees and interventions for bailouts could challenge government objectives of risk transfer and value for money in PPPs.

At the micro-level, the PPP contracting departments and their private partners would also need to invest considerable resources for ensuring sustainable partnerships and achievable project objectives. These partners would have to identify and assign PPP responsibilities to individuals and teams who have the relevant knowledge and expertise. Additionally, since PPP are long-term and complex contractual relationships which could raise several contentions and challenges for the partners over the operational life of the project, drafting the contractual terms and deployment of the control regimes should be elaborated ex-ante and interactively, while maintaining clauses and guidelines for re-negotiation opportunities over the operational life-cycle. This is important particularly because PPP contracts entail a great deal of uncertainty because of being long-term and the nature of underlying services.

Conclusion

I propose that a proper regulatory framework (as suggested in Figure-A) would form the system trust for attaining the GoP's PPP policy objectives, as the elements proposed would contribute to forming an enabling environment for PPP. Given the long-term duration and magnitude of the capital and size of PPP projects, GoP must formulate and deploy better transparency and accountability mechanisms, particularly public accountability , as committing to PPPs creates major financial management and accountability obligations for the state.

By the way of concluding, I would also suggest that it could be worth exploring whether Shariah Compliant (Islamic) Financing modes could be a better option for PPP instead of conventional private finance? Particularly because models like Modareba or Musharika provides stronger (real) partnerships between the financier and the project, thus arguably providing better sharing of risks, more due-diligence, opportunities for trust-based relationships and perhaps bearing less cost than conventional PPPs (because of relatively low risk premiums as well as lesser controls in place because of a trusting relationships). In relation with lowering the costs of PPP deals, I would also suggest that private financiers, contractors and consultants should be identified and selected from within the country, as that would boost indigenous expertise and confidence of the PPP-market participants, while also avoiding escalation in the foreign exchange liabilities for the GoP.

End-Notes

1. The private sector consortium is selected at a pre-contract stage (i.e. procurement stage) through competitive bidding against the output specifications usually provided by the procuring government department. A preferred bidder would be short-listed based on an assessment of the cost (affordability) and the quality of the services presented in the bid documents. These processes inevitably involve substantial use of (management) accounting techniques for assessing project risks and particularly for evaluating the risks transferred to the consortium company (Broadbent et al., 2004).

2 The Government of Pakistan in its policy document on PPP has expressed its intention to pursue DBFO type of PPP (see ECC, 2010).

3 PPP arrangements / modalities similar to DBFO are at times also called BOT (build-operate-transfer) and BOOT (build-own-operate-transfer) (Hodge and Greve, 2007; PPIAF, 2009). This paper is chiefly concerned with DBFO type PPPs. However, the generic term PPP is used throughout the paper.

4 The GoP established a PPP-dedicated body in 2006 under the Ministry of Finance, called the IPDF (Infrastructure Project Development Facility). However, as until now, the body has not delivered any official guidelines on PPPs contracting, contract management, financing and VfM assessment (http://www.ipdf.gov.pk/; last accessed on 25 February 2016)

References

Ahmad, S. 2014. “Exploring the Private Finance Initiative (PFI) in the UK's transport sector of roads; a governmentality perspective”, PhD thesis, Queen's University of Belfast, UK

Ahmad, S. Khan, S. and Khan, S. 2016. “Developing Infrastructure through Public Private Partnerships; Understanding the Elements of the Enabling Environment”, Business and Economic Review: Vol. 8, no. 1, pp. 19-34

Barretta, A. and Busco, C. 2011. "Technologies of government in public sector's networks: In search of cooperation through management control innovations", Management Accounting Research, Vol. 22, no. 4, pp. 211-219.

Bovaird, T. and Loffler, E. 2009. Public Management and Governance, Routledge, Oxon, UK.

Broadbent, J., Gill, J. and Laughlin, R. (2004), “The Private Finance Initiative in the National Health Service: Nature, Emergence and the Role of Management Accounting in Decision Making and Post-Decision Project Evaluation”, Full Research Report Chartered Institute of Management Accountants, pp. 1-84

Broadbent, J., Gill, J. and Laughlin, R. 2008. "Identifying and controlling risk: The problem of uncertainty in the private finance initiative in the UK's National Health Service", Critical Perspectives on Accounting, Vol. 19, no. 1, pp. 40-78.

ECC. 2010. Pakistan Policy on Public Private Partnerships; Private Participation in Infrastrcuture for Better Public Servics. Approved in January 2010 by the Economic Coordination Committee (ECC) of the Cabinet

Edwards, P., Shaoul, J., Stafford, A., Arblaster, L. 2004. “Evaluating the operation of PFI in roads and hospitals”, ACCA Research report 84, The Certified Accountants Educational Trust (CAET) Ltd., London, pp. 237

Hodge, G. and Greve, C. 2007. “Public Private Partnerships: An International Performance Review”, Public Administration Review, May-June 2007, pp. 545-558

Husain, I. 2015. “Public-private partnerships”, The Daily Dawn, 02 June 2015, Karachi, Pakistan

IEG (International Evaluation Group). 2012. World Bank Group Support to Public-Private Partnerships: Lessons from Experience in Client Countries, fy 0212, World Bank

IPDF. 2015. Facilitating and Promoting Viable, Sustainable and Affordable Public Private Partnerships in Pakistan, Infrastructure Project Development Facility (IPDF) Company brief, downloaded from http://www.ipdf.gov.pk/ in October, 2015

Kurunmäki, L. and Miller, P. 2011. "Regulatory hybrids: Partnerships, budgeting and modernising government", Management Accounting Research, Vol.22, no. 4, pp. 220-241.

Kurunmäki, L., Lapsley, I. and Miller, P. 2011. "Accounting within and beyond the state", Management Accounting Research, Vol. 22, no. 1, pp. 1-5.

Marques, L. Ribeiro, J.A. and Scapens, R.W. 2011. "The use of management control mechanisms by public organizations with a network coordination role: A case study in the port industry", Management Accounting Research, Vol. 22, no. 4, pp. 269-291.

Miller, P., & Rose, N. 1990. Governing economic life. Economy and Society, 19, 131.

Neu, D., & Graham, C. 2006. The birth of a nation: accounting and Canada's first nations, 1860-1900. Accounting, Organizations and Society, 31, 47-76.

Planning Commission. 2005. The MTDF (Medium Term Development Framework); An Overview, Planning Commission, Ministry of Planning, Development and Reform, Government of Pakistan

PPIAF (Public-private Infrastructure Advisory Facility). 2009. Toolkit for Public-private Partnerships in Roads and Highways, Module 5: Implementation and Monitoring, pp. 62-67

Rahaman, A., Everett J., & Neu, D. 2007. Accounting and the move to privatize water services in Africa. Accounting, Auditing & Accountability Journal, 20, 637-670.

van der Kolk, B., ter Bogt, H.J. and van Veen-Dirks, P.M. 2015. Constraining and facilitating management control in times of austerity: Case studies in four municipal departments. Accounting, Auditing & Accountability Journal, 28(6), pp.934-965.

Walker, S. .2016. Revisiting the roles of accounting in society. Accounting, Organizations and Society, 49, 41-50.

About the Author: ***Salman Ahmad*** *is Assistant Professor at the Institute of Management Sciences (IM|Sciences) in Peshawar, Pakistan. He holds a PhD (in Accounting) from Queen’s University Belfast, UK. Salman’s main area of research is the implication of accounting, particularly management accounting tools in public policy development and operationalization.*

Role of CFO in Enterprise Performance Management

World has become a global village in this age of information communication technology. Economies are competing on the bases of knowledge rather than physical assets. Knowledge management is among top priorities in all types of organizations.

Corporate Boards of Directors have lot more pressure of better performance, sustainability and growth. Corporate Governance is a challenge in this high tech World. Securities and Exchange Commission of Pakistan has issued code of corporate governance both for listed public companies and public sector organizations. Idea is to ensure good governance for good performance. Compliance of code of corporate governance is mandatory.

Financial Performance of an organization is indicator of performance all other segments of business. All transactions are translated into money term.

Professional accountants are providing services as practitioner or serving the business in different roles. Chief Financial Officer (CFO), Financial Controller, Finance Director etc are different titles given to head of finance function. In its conventional role CFO is responsible for Accounting, Reporting, Cost/Management Accounting, Treasury, Taxation, Financial Supply Chain Management, coordination with internal and external auditors.

Role of CFO has changed immensely during last decade or two. From provider of financial information he has become integral part of management in all phases of planning, execution and control. He is major contributor in strategic planning and management of the organization. Along with custodian of organizational finance he is custodian of sensitive organizational information. He became the designer of organizational information system. He is contributing in implementation of enterprise level systems like enterprise resource planning, business intelligence, customer relationship management for enterprise performance management.

Due to its pivotal position in the organization CFO is strong candidate for Chief Executive Officer and Chief Operating Officer.

System of internal control in all segments of business is important. CFO is responsible for establishment of system of internal control.

Information Technology has developed at great pace during last 40-50 years. It covered great journey from stand-alone modules to completely integrated enterprise resource planning systems. This enables CFO to develop knowledge from huge data. In spite of all developments implementation of enterprise level systems is still a difficult job. There are failures and partial successes.

There are two methods to implement ERP systems. Completely customized purpose written system and standard off the shelf system with proven best practice. Normally it is human nature that he resist to even positive change. Implementation of generic or purpose written ERP is great risk. In own development we have to decide about business process / work flow, environment i-e operating system, data bases, languages, report writer etc. It takes too much time in development and implementation. There is quality issues in development of documentation like technical reference guide, user guide and standard operating procedures. On the other hand standard or off the shelf ERPs are flexible and can be adopted with customization. It is recommended no structural change be made in the system.

Munir Ahmad, FCMA

CFO is responsible for Accounting, Reporting, Cost/Management Accounting, Treasury, Taxation, Financial Supply Chain Management, coordination with internal and external auditors.

There are following quadrants in the business:

1. Finance and Accounting
   a. Budgeting
   b. General Ledger
   c. Accounts Receivables
   d. Accounts Payables
   e. Cash and Bank
   f. Fixed Assets
   g. Treasury
   h. Financial Analytics
2. Supply Chain
   a. Purchase Order
   b. Inventory Management
   c. Sale Order
   d. Inbound Logistics
   e. Outbound Logistics
   f. Supply Chain Analytics
3. Operations
   a. Master Production Scheduling
   b. Material Requirement Planning
   c. Shop Floor Control
   d. Maintenance Management
   e. Quality Management System
   f. Operations Analytics
4. Human Resource
   a. Organization Design
   b. Talent Acquisition
   c. Organizational Development and Capacity Building
   d. Compensation and Benefits
   e. Retirement and Termination
   f. Human Resource Analytics
5. Auditing Information System

In other way enterprise resource planning system can be divided into following cycles.

1. Procure to pay
2. Order to Cash
3. Capitalization Cycle
4. Human Capital Management Cycle
5. Operations Cycle

Standard applications comes for different flexible environment with respect to operating systems and data bases. Different vendors divided the ERP according to their design but concept and application is the same.

It is topped up with analytics / business intelligence. Customer Relationship Management is other set of modules to accompany ERP.

Different software companies divided above modules according to their own design. There are three major software vendors of ERP/CRM/BI i-e Oracle, SAP AG and Microsoft. Everyone suggest its own implementation strategy. There are following phases in implementation in general:

1. Business Process Analysis
2. Application Review / Analysis
3. Gap Analysis
4. Customization
5. Testing
6. Training
7. Documentation
8. Data Preparation
9. Migration
10. Go Live
11. Cut Over
12. Maintenance and Support.

For any enterprise level system implementation top management commitment is most important factor. Project should have approval of Board of Directors. Board should appoint a steering committee comprising of at least two directors to monitor and control the project. Ideally steering committee should be headed by CFO or Finance Director. Board should appoint project team comprising of nominee from all functions. Selection of Project Consultants, Implementation consultants is important and risky. Great care is required in this appointment. Internal and External auditors should carry out implementation audit.

Information is base for decision making. Management cockpit is modern tool to display information for review and decision making. Apart from standard and recurring reports and queries OLAP reports, work queries should be available with MS Office integration.

CFO is main interpreter of information generated by the enterprise systems. Main objective to keep performance in line with plan. CFO is a person who controls the same.

Apart from focus on conventional areas of Financial and Management Accounting we need to get mastery over emerging knowledge of enterprise performance management and its application. Information technology is enabler for information generation from huge raw data. We should have understanding of basic information technology.

Leading information technology companies are providing cloud based applications to save time and effort of implementation. These provide best practices of business process management. We can pick from variety of solutions available.

About the Author: ***Mr. Munir Ahmad, FCMA*** *is Finance Director at Power Information Technology Company, Lahore. He is fellow member of the Institute with diversified experience of 35 years in engineering, finance, accounting and MIS etc.*

BitCoin -The Digital Currency

Rizwan Ahmed, ACMA

What is Bitcoin?

Bitcoin is an accord system that permits a new disbursement technique and entirely digital currency. It is the first decentralized peer-to-peer payment system that is powered by its users with no central authority or middlemen. With a user viewpoint, Bitcoin can be contemplated to be cash for the Internet. Bitcoin can also be seen as the most prominent triple entry bookkeeping system in existence. Even though, there are around 110 other digital currencies, the share of the Bitcoin accounts is nearly 77% of the market value of all digital currencies and a much greater share of digital currency clients. (Glantz 2014). Bitcoin is the first and most popular decentralized cryptocurrency to date (Garay, Kiayias et al. 2015). Expressing generally, Bitcoin is a system devised to enable the settlement of charge among people. Unlike traditional payment systems, which transfer funds denominated in sovereign currencies (Badev and Chen 2014).

The Function of Bitcoin

With a user viewpoint, Bitcoin is just like a mobile application or computer software which enables an individual Bitcoin wallet and permits a party to dispatch and collect bitcoins with them. Behindhand, the Bitcoin system assigns a public ledger called the "block chain". This ledger comprises all transaction yet dealt with, permitting a party's computer to confirm the legality of every transaction. The legitimacy of every transaction is secure by digital signatures consistent with the directing addresses, permitting all parties to have complete power over transfer bitcoins from their private Bitcoin

addresses. Moreover, everyone can manage transactions by means of the processing control of specific hardware and get a return in bitcoins for this service. This is sometimes called "mining". An address is identical to a bank account where a party can collect, save, and transmit bitcoins. As an alternative of being tangibly protected in a treasury, bitcoins are protected with public-key cryptography. Each address contains a public key, which is broadcast, and a private key, which the owner should hold confidential. Everybody can transmit bitcoins to any public key, however, the individual with the private key can use them. Although addresses are public, nobody recognizes which addresses go to which people; Bitcoin addresses are pseudonymous.

After putting your bitcoins into a "wallet", the wallet alarms ("newscasts") every other user of bitcoins that it contains bitcoins. This data is merged into the block chain. The wallet creates a public key reachable to everyone and a private key (except your wallet is on an exchange, such as Bitstamp) or address that approves transfer bitcoins to other public addresses. If you want to, say, buy a flight on Virgin Galactic, you communicate them, make a user account (e.g., your name), and then say them that disbursement will come from your public key. You then go to your wallet or exchange and broadcast the sum from your public key to their public key. This is broadcast on a peer-to-peer system which authenticates it beside the transmitter's public key, examines that the transmitting

address's balance is ample, and spreads it to all of the other joints on the web. The transaction is ultimately acknowledged by a miner, who features the transaction into a block. This block is then flooded into the system and is combined into the global block chain. The bitcoins now belong to Virgin Galactic's public key.

- How does Bitcoins acquire?
- Against the payment for goods and services.
- By buying bitcoins at a Bitcoin exchange.
- By Exchanging bitcoins with someone near you.
- By earning bitcoins through economical mining.

Though it may be likely to discover people, who need to exchange bitcoins in trade for a credit card or PayPal payment, most trades do not let funding through these payment means. This is owing to instances where somebody purchases bitcoins with PayPal and then retreats their half of the deal. This is generally denoted to as a chargeback.

What are the benefits of Bitcoin?

- **Payment liberty -** It is viable to transmit and collect any sum of money immediately everywhere in the Earth at any spell. No bank vacations, no borders, no forced parameters. Bitcoin let its users to be in complete domination of their money.
- **Extremely low fees -** Bitcoin disbursements are at present administered with either no fees or extremely low fees. Users may incorporate fees with transactions to take significance managing that consequences in speedier authorization of transactions by the system. Furthermore, services endure to support traders in managing transactions, exchanging bitcoins to fiat money, and crediting money straight into traders' bank accounts on a daily basis. While these facilities are built on Bitcoin, they can be proposed for much lesser fees than with PayPal or credit card system.
- **Desirable for small transactions** - Since the fees are very little, bitcoins can be spent in transactions that are cost-effectively unappealing for most traders, particularly in Emerging countries.
- **Less hazards for traders -** Bitcoin transactions are protected, irretrievable, and do not include clienteles' confidential or personal data. This shields traders from damage triggered by fake or deceitful charge-backs, and there is no necessity for payment card industry obedience. Traders can effortlessly inflate to fresh markets where either credit cards are not offered or scam rates are excessively elevated. The net outcomes are lesser fees, greater markets, and smaller administrative charges.
- **Safety and regulation -** Bitcoin users are in complete power of their transactions; it is impractical for traders to compel undesirable or unseen costs as can occur with other disbursement methods. Bitcoin disbursements can be finished exclusive of personal data knotted to the transaction. This suggests robust shield contrary to individuality pilfering. Bitcoin users can also safeguard their money with backup and encryption.
- **Clear and impartial -** All information regarding the Bitcoin money resource itself is Promptly accessible on the block chain for anybody to verify and use in real-time. No person or organization can regulate or maneuver the Bitcoin protocol because it is cryptographically secure. This permits the essence of Bitcoin to be reliable for being wholly neutral, transparent, and foreseeable.

What are the Shortcomings of Bitcoin?

- **Recognition** - Many individuals are yet uninformed of Bitcoin. Each day, more organizations take bitcoins as they need the rewards of doing so, but the list stays lesser and yet wants to expand with the intention of gain from system consequences.
- **Instability** - The total worth of bitcoins in spread and the number of organizations and individuals using Bitcoin are yet very lesser. As a result, comparatively small events, jobs, or business happenings can expressively affect the price. In philosophy, this unpredictability will lessen as Bitcoin markets and the technology develops. Never before has the world seen a start-up digital currency, so it is difficult to forecast how it will play out.
- **Ongoing development -** Bitcoin software is still in beta with many incomplete features in active development. New tools, features, and services are being developed to make Bitcoin more secure and accessible to the masses. Some of these are still not ready for everyone. Most Bitcoin businesses are new and still offer no insurance. In general, Bitcoin is still maturing.(Glantz 2014)

References

Badev, A. I. and M. Chen (2014). "Bitcoin: Technical background and data analysis."

Garay, J. A., et al. (2015). The Bitcoin Backbone Protocol: Analysis and Applications. EUROCRYPT (2).

Glantz, R. A. (2014). WHAT IS BITCOIN?, Pantera Primer, Whitepaper.

Other Features

Concluding Meeting of Research and Publications (R&P) Committee and its Recommendations for the Next R&P Committee

The Research and Publications (R&P) Committee for the year 2017 held its concluding meeting on Sunday, 24th December 2017 at ICMAP Head office, Gulshan-e-Iqbal Karachi to consider and review its three-year performance and chalk out recommendations for consideration of the next R&P Committee to be formed after the forthcoming NC Elections.

Mr. Mohammad Iqbal Ghori, President ICMAP and Chairman, Research and Publications Committee presented a brief overview of research initiatives taken during last three years which included:

a) Launching of first issue of ICMAP's academic 'Research Journal' after getting ISSN from Geneva
b) Organizing for first time an International Research Symposium (IRS) at Lahore
c) Singing of MoUs with top Universities in Pakistan including LUMS, IBA, GIK, NUML, AERC etc
d) First Technical Session on Research Paper Writing Skills for members
e) First Technical Paper Writing Competition for Students
f) Transforming Management Accountant Journal in terms of quality and contents
g) First issue of Management Accountant translated into Chinese [Mar-Apr 2016 issue on CPEC]
h) Developing 15 Research papers which were published in MA Journal
i) Conducting 14 Online Research Surveys whose reports were published in MA Journal
j) Developing Pre-budget proposals booklet for FY 2015-16, FY 2016-17 & 2017-18
k) Organizing two Pre-Budget Seminars at Faisalabad where R&P Budget Booklets were launched
l) Providing professional input on Companies Bill, Corporate Governance Regulations etc
m) Exclusive interviews of Federal Minister, government high officials and heads of private sector
n) Special Messages of foreign and government dignatories
o) Launch of improved version of e-Newsletter highlighting nation-wide activities of ICMAP

The Chairman apprised that research is the backbone of any institution, including ICMA Pakistan and it is our duty and obligation to keep members abreast and engaged in promoting and strengthening research, especially in management accounting profession. He said that surveys conducted by R&P Directorate provide a useful source of data and reference for research by Universities. He said that in his capacity as Chairman he has endeavored to stimulate research and use it for the branding of Institute. He hoped that the next Council and Research Committee that would be assuming charge would consolidate upon the initiatives already taken and advancement made by this Committee.

The members of R&P Committee viz. Mr. Hamad Rasool Bhullar, Mr. Faisal Shafiq, Syed Babar Ali and Dr. Syed Zulfiqar Ali Shah appreciated the significant new research initiatives taken during last three years and observed that these have broadened the horizon of research landscape of the Institute.

Dr. Syed Zulfiqar Ali Shah paid rich tributes to Mr. Mohammad Iqbal Ghori and said that his dynamic leadership, vision and direction can be attributed as the key stimulator for these great achievements at the research front. He was of the view that to his understanding the organized research initiatives taken by the Institute are unmatched as compared to research activities being undertaken in the academia. He particularly appreciated the launch of an academic Research Journal by R&P Directorate.

Syed Babar Ali also praised the research-oriented initiatives taken by the Institute and said that in particular the launch of a pure Research Journal and holding of an International Research Symposium were the milestone achievements for the Research Committee. He said that Mr. Mohammad Iqbal Ghori has done a wonderful job as Chairman of Committee and his relentless efforts in energizing the research function need to be duly appreciated and acknowledged.

Mr. Hammad Rasool referred to his thirty years long association with Mr. Iqbal Ghori and said that one of his qualities is that he always learns and value adds upon his knowledge and this is the moving force that compels him to think and perform uniquely, which is truly depicted in his remarkable performance as Chairman of Research Committee. Mr. Hamad emphasized upon the need for learning research methodology by members and students in order to move forward in research. He further said that applicability of research on society is quite important otherwise research is a futile exercise.

Mr. Faisal Shafiq was also highly appreciative of the marvelous research projects undertaken by the Committee and Directorate and said that the good work made by this Committee should continue.

Recommendations for Next R&P Committee

1) The publication of an academic 'Research Journal' is an outstanding and pioneering initiative of this Committee which needs to be continued. The second issue of the Journal is to be released in June 2018 for which 'call for papers' have already been issued by the R&P Directorate.
2) The Higher Education Commission (HEC) may be pursued for the recognition of Research Journal
3) MoUs signed with top Universities, including LUMS, IBA, AERC, NUML etc need to be pursued for undertaking joint research studies on economic issues that could help in economic policy making.
4) The proposals for signing of MoUs with NUST-Islamabad and Pak-China Joint Chambers of Commerce and Industry (PJCCI) are under final stages which need to be followed-up for signing in 2018.
5) International Research Symposium (IRS) organized by the Committee in December 2016 at Lahore was a great success and highly appreciated by academic circles. The next Committee may consider holding the second IRS at Karachi in 2018 so that this good initiative could continue.

Presentation of Shields and Certificates

The Chairman presented 'Shields' and 'Certificates of Appreciation' to members in recognition of their invaluable services as members of the Research and Publications Committee.

Mr. Hammad Rasool is receiving Shield

Mr. Faisal Shafiq is receiving Shield

Syed Babar Ali is receiving Shield

Dr. Zulfiqar Ali Shah is receiving Shield

Mr. Mohammad Iqbal Ghori, President ICMAP is being presented a Shield by R&P Committee members in recognition of his valuable contribution as Chairman of Research and Publications Committee

ACHIEVEMENTS OF THREE YEARS!

SYNOPSIS OF R&P PERFORMANCE (2015-2017)

- **18** Issues of Management Accountant Journal published
- **11** Special Messages from Foreign and Pakistani Government Officials obtained
- **25** Interviews of Dignatories conducted including:
- **17** MoUs with Academic Institutions signed for joint collaboration
- **15** Research Papers were published
- **03** Federal Budget Proposals Document developed and forwarded to Government
- **16** Online Surveys conducted
- **02** National Pre-Budget Seminars organized

Research and Publications

The Research and Publications Directorate of the Institute has been entrusted with the tasks of publishing the Institute's bi-monthly Management Accountant Journal. The R&P Directorate further conducts professional research and studies related to different sectors of the economy and areas affecting businesses and profession.

The focus of these research assignments is to facilitate the government, regulators, corporate sector, members and professionals to know about changing trends and past behaviours which may be useful for them to take appropriate decisions for setting appropriate direction for future.

A. Management Accountant Journal:

During 3 years, 18 issues of Management Accountant Journal were published on the following themes:

Sr. #	Monthly Issue	Themes of Journal
1.	**Jan-Feb 2015**	Illiteracy – A Key Social Problem for Pakistan
2.	**Mar-April 2015**	Management Accounting Leads to Smart Decision Making”
3.	**May-June 2015**	Textile Sector – The Backbone of National Economy
4.	**July-Aug 2015**	National Budget and Lean Accounting
5.	**Sep-Oct 2015**	Management Accounting makes Food Business Efficient
6.	**Nov-Dec 2015**	Pricing Strategy – A Must for Sustainability
7.	**Jan-Feb 2016**	Re-articulation of Companies Ordinance
8.	**Mar-April 2016**	China-Pakistan Economic Corridor (CPEC)

Sr. #	Monthly Issue	Themes of Journal
9.	**May-June 2016**	The role of Financial Reporting in Corporate Governance
10.	**Jul - Aug 2016**	Pharmaceutical Industry
11.	**Sep - Oct 2016**	Total Cost Management (TCM)
12.	**Nov - Dec 2016**	Insurance Sector
13.	**Jan - Feb 2017**	Islamic Finance
14.	**Mar Apr 2017**	China-Pakistan Economic Corridor [CPEC]
15.	**May - Jun 2017**	Business Entrepreneurship
16.	**Jul-Aug 2017**	The Performance of Audit in Pakistan
17.	**Sep-Oct 2017**	Corporate Governance
18	**Nov-Dec 2017**	Retail Sector/ Robotic Accounting

B. Interviews

The interviews from the government, industry and corporate sector are one of regular features of Journal. The interviews of high-profile personalities are conducted to utilize the occasion as an interactive forum for the benefit of the Institute and profession.

Federal Ministers:

1. Mr. Mohammad Ishaq Dar, Federal Minister for Finance, Revenue & Economic Affairs
2. Mr. Muhammad Baligh Ur Rehman, Minister of State for Education
3. Mr. Prof. Ahsan Iqbal, Federal Minister for Planning and Development, Government of Pakistan
4. Mr. Murtaza Khan Jatoi, Federal Minister for Industries and Production

Government High Officials

1. Chairman, Pakistan Telecommunication Authority (PTA)
2. Chairman, Oil and Gas Regulatory Authority (OGRA)
3. Chairperson, Competition Commission of Pakistan (CCP)
4. Mr. Amir M.Khan Marwat, Federal Secretary, Textile Ministry
5. Mr. Agha Jan Akhtar, Chairman, Port Qasim Authority
6. Mr. Ashraf Mahmood Wathra, Governor, State Bank of Pakistan
7. Mr. Anisul Hassnain, Banking Mohtasib (Ombudsman), Pakistan
8. Mr. Mohammad Younus Dagha, Secretary Commerce, Government of Pakistan
9. Mr. Zafar Hijazi, Chairman, Securities and Exchange Commission of Pakistan (SECP)
10. Mr. Muhammad Zubair, Governor Sindh
11. S. M. Naveed, Pak-China Joint Chamber of Commerce and Industry

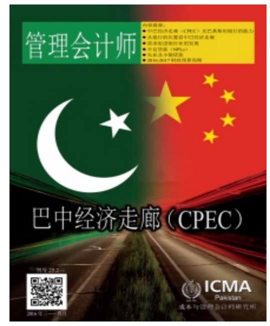
Heads of Private Sector

1. Mr. Hamid Raza, Central Chairman, Pakistan Pharmaceutical Manufacturers' Association
2. Mr. Abdul Waheed, President and CEO, Askari Generl Insurance Limited
3. Mr. Naved Yunus, Managing Director, East West Insurance Co. Ltd
4. Mr. Shahnawaz Mahmood, Deputy Managing Director, Pak-China Investment Company Limited
5. Mr. Faud Hashim Rabbani, CEO, Small and Medium Enterprises Development Authority(SMEDA)
6. Syed M. Husaini, President & CEO, Askari Bank
7. Mr. Sirajuddin Aziz President & Chief Executive, Habib Metropolitan Bank
8. Mr. Irfan Siddiqui, President & CEO, Meezan Bank Limited
9. Mr. Azmat Tarin, President & CEO, Silk Bank
10. Hussain Lawai, President & CEO, Summit Bank Limited

C. Special Messages

1. Ms. Olivia Kirtley, President, IFAC
2. Mr. Arjuna Herath, President, SAFA
3. Mr. Michael S.C. Tse, President, ICMA Australia
4. Mr. Jaffrey C. Thompson, President, IMA USA
5. Prof. Lakshman R. Watawala, President, ICMA Sri Lanka
6. Mr. Ahsan Iqbal, Federal Minister for Planning, Govt. of Pakistan
7. Dr. Nigel Sleigh Johnson, Head of ICAEW Financial Reporting Faculty
8. H.E. Dr. Bandar M. H. Hajjar, President, Islamic Development Bank (IDB)
9. Mian Muhammad Nawaz Sharif, Prime Minister of Pakistan
10. Xiaohong Yang, Country Director, Asian Development Bank
11. Prof. Arnold Schilder, Chairman, IAASB

D. Chinese Version of Management Accountant Journal



The March-April 2016 issue of Management Accountant of Journal on the theme of China-Pakistan Economic Corridor (CPEC) was translated into Chinese and its e-version was circulated to all Chinese companies in Pakistan and China. This initiative was warmly welcomed in the business circles and Chinese companies.

E. E-Newsletter

The e-Newsletter developed by R&P Department carries monthly Institute's activities which were earlier part of the Management Accountant journal. The newsletter is designed and prepared monthly but not printed. The soft copy of newsletter is hosted on website and also sent to members on their email addresses. The e-Newsletter covers information about Institute's conferences/seminars/workshops; President's engagements; activities of Branch Councils, Regions, Campuses and Directorates; membership and members' activities etc. During the three years, twelve issues of the e-Newsletter were released.

Jan-Apirl 2015

May 2015

June 2015

Aug-Sep 2017

Jan 2017

Feb 2017

March 2017

April 2017

May 2017

June 2017

July 2017

Aug-Sep 2017

F. Research Papers

The R&P Directorate regularly contributes towards focused theme of the Journal. In three years, following Research papers were developed and published in different issues of Journal:

1. Dismal Picture of Public Spending on Education in Pakistan A Comparison with SAARC countries
2. Significant Role of Management Accounting Profession in Corporate Sector
3. The Dynamics of Global Food Business Industry A Look at Food Sector in Pakistan
4. The Economics of Electricity Pricing and Costing in SAARC Countries
5. Key Responsibilities entrusted to Accountants in Companies' Acts and Legislations A Global Perspective
6. Pakistan and Chinese Banking Sector Readiness for CPEC Project and Comparison of Non performing Loans(NPLs)
7. Special Initiatives taken in budget 2016-17 and Amendments proposed in Finance Bill 2016
8. Mixed Reaction of Trade and Industry on Budget 2016-17
9. The Case for Mandatory Cost Audit in the Pharmaceutical Industry of Pakistan.
10. A Sample study of two Identical Pharma Companies in Pakistan and India to determine variance in share of expenses and difference in Marketing Strategy.
11. Total Cost Management Role of Management Accountants.
12. Insurance - Grown Nexus: An Overview in Context of SAARC Countries.
13. Shariah-Compliant Finance of CPEC Projects: Opportunities for Islamic Banks.
14. CPEC Energy Projects and Changing Fuel Mix.
15. Revisiting the Corporate Governance Regulations.

H. MOUs with Academic Institutions

The Research and Publications Directorate has been ensuing a policy for strengthening research with academia and in this connection signed MoUs for collaboration in Research, Development and Innovation (RDI) with 16 HEC-recognized Universities during last one and half years. In pursuance of this policy and in order to bridge the gap between academia and industry, yet eighteen MoUs were signed.

1. Ghulam Ishaq Khan Institute of Engineering Sciences & Technology (GIKI), Topi
2. Isra University, Hyderabad
3. Mehran University of Engineering and Technology (MUET), Jamshoro
4. National University of Modern Languages (NUML), Islamabad
5. Institute of Business Management (IoBM), Karachi
6. Lahore Garrison University (LGU)
7. Nazeer Hussain University (NHU), Karachi
8. Sindh Madressatul Islam University (SMIU), Karachi
9. Institute of Business Administration (IBA), Karachi
10. DHA Suffa University (DSU), Karachi
11. Benazir Bhutto Shaheed University (BBSU), Karachi
12. Fatima Jinnah Women University (FJWU), Rawalpindi
13. Applied Economics Research Centre (AERC), University of Karachi
14. MoU with Allama Iqbal Open University (AIOU), Islamabad
15. Dadabhoy Institute of Higher Education (DIHE), Karachi
16. Federal Urdu University of Art, Science and Technology (FUUAST), Karachi
17. Lahore University of Management Science (LUMS)

Recently, a MoU was signed with Lahore University of Management Sciences (LUMS), an internationally acclaimed research University in Pakistan. Mr. Mohammad Iqbal Ghori, President, ICMA Pakistan and Prof. Dr. S. Sohail H. Naqvi, Vice Chancellor LUMS signed the MoU in a ceremony held at LUMS, Lahore. Through this RDI agreement, ICMAP and LUMS have become research partners and would collaborate in areas of mutual interest, especially exchange of information, scholastic and development material; sharing and advancing of innovations and ideas and undertaking research publications. Both institutions have made commitment to promote research and development and explore avenues through sharing of resources for national and international research assignments. As part of this initiative, negotiations are underway to finalize a project with Suleman Dawood School of Business (SDSB) of LUMS for writing case studies.

I. Major Events

1. Technical Session on Research Paper Writing Skills

Another new Initiative taken by Research and Publications Directorate was the holding of a Workshop/ Technical Session on 'Research Paper Writing Skills and Techniques' at Karachi with video-link connectivity to Lahore, Islamabad, Multan and Faisalabad Centres for country-wide participation of members. Syed Tehseen Jawaid, a senior faculty from Applied Economics Research Centre (AERC) was the lead trainer. The basic objective of workshop was to promote research-based writing skills and capacity in members that could add value to skills-set and help in professional career and further studies leading to M. Phil and PhDs.

2. International Research Symposium (IRS)

For the first time in history of ICMA Pakistan, an International Research symposium (IRS) was organized this year by the Research and Publications Directorate which has been widely hailed and appreciated. The symposium was organized on December 13, 2016 at Lahore with the endorsement of all RDI partners with whom ICMAP has signed MoUs for collaboration in research and innovation. The theme of symposium was 'Emerging Trends in Business Innovations Leading to Development of Economies- Challenges and Opportunities for Management Accountants, Business Entrepreneurs and Corporate Executives'. The symposium was also participated by the Prof. Lakshman R. Watawala, President ICMA Sri Lanka and Dr. Anil Fernando from the University of Sri Lanka. Dr. Salman Shah was Guest of honour at the symposium.

4. Technical Paper Writing Competition for Students

As decided by the Research and Publications Committee, the Research Directorate arranged a nation-wide Technical Paper Writing Competition (TPWC) for students. Its objective was to provide opportunities to students to develop their technical writing and communication skills

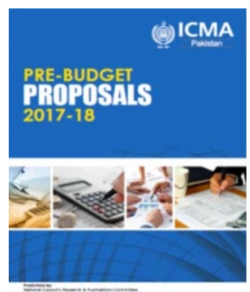
J. Research Journal

A major achievement of Research and Publications this year is development and release of inaugural issue [Volume 1, No. 1 December 2017] of ICMA Pakistan's Research Journal, a multi-disciplinary bi-annual Journal covering major disciplines of relevance to business and accounting profession. ICMA Pakistan is probably the pioneering professional accounting body in the region having its Research Journal recorded permanently in ISSN Register of ISSN Centre, France. The 8-digit ISSN allotted to ICMA Pakistan is 2519-5328.

The Editorial Board of the Journal consists of leading academicians and scholars in the field whereas the Panel of Reviewers comprises Associate and Assistant Professors in different HEC-recognized Universities.

The Research and Publications Directorate issued call for research paper submissions from members of the Institute, academicians, mostly from RDI partner institutions with whom ICMAP has signed MoUs and other authors and writers. These research papers were called in the areas of accounting and finance; management and leadership; business and economics; information systems and qualitative analysis. The articles received were reviewed in line with editorial guidelines and after peer review were selected for publication. It is hoped that the Journal would encourage research efforts in our members, especially those who are in teaching profession and employed in the academic institutions. The Research and Publications Department has also contributed one research paper in the first issue of Journal.

K. Pre-Budget Proposals



ICMA Pakistan has always played its due role in budget making process by submitting its recommendations to the government covering proposals related to income tax, sales tax, customs and federal excise, in addition to sector/industry-wise proposals. The budget document also covers proposals for improvements in existing taxation laws and suggesting concrete measures to generate tax revenues and improve industrial productivity.

For Federal Budget 2016-17 and 2017-18, Research and Publications Directorate developed comprehensive set of proposals based on in-house research as well as holding consultations with the members, Chambers of Commerce, Industry Associations and TSPD Directorate of ICMA Pakistan/ The budget proposals were then forwarded to the Secretary, Ministry of Finance, Government of Pakistan; Chairman, Federal Board of Revenue (FBR); Member Inland Revenue (Policy) FBR; Mr. Saleem Mandviwalla, Chairman, Senate Committee on Finance and Mr. Qaiser Ahmed Shaikh, Chairman, National Assembly Standing Committee on Finance.

l. Professional Input

The Research and Publications Directorate also plays an advisory role by developing concrete proposals aimed at contributing professional input to the government in corporate and economic policy making. During the year under reference, professional input was provided in developing comments on Companies Bill 2016 and to highlight proposed role of Management Accountants with specific reference to Statutory Audit and Cost Audit. These proposals were discussed at a Round table Focus Group Session with the SECP. Further, comments and proposals were developed by R&P Directorate on Draft Listed Companies (Code of Corporate Governance) Regulations, 2017 based on Input of Stakeholders Conferences held in Karachi, Lahore and Islamabad.

The Research and Publications Department also developed concept papers on SAFA Index on Public Financial Management (PFM) for presentation at the meeting of SAFA Committee on Governmental and Public Sector Enterprises Accounting (GPSEA); and formation of an Independent Financial Reporting Council (FRC) for presentation during a meeting of President ICMA Pakistan with the Senate of Pakistan.

Economy Watch

Compiled by Research and Publications Directorate, ICMA Pakistan

SECP notifies Listed Companies (Code of Corporate Governance) Regulations, 2017

Listed Companies (Code of Corporate Governance) Regulations, 2017, have been approved for notification by the Securities and Exchange Commission of Pakistan (SECP). They replace the Code of Corporate Governance, 2012 (CCG 2012) issued under the PSX listing regulation and are seen as a stride towards aligning corporate governance practices in Pakistan with best international standards. They shall come into effect for period beginning on January 1, 2018.

The regulations are aimed at strengthening governance structures, bringing consistency in the corporate practices and promoting transparency through enhanced disclosure requirements. Furthermore, the role and responsibilities of directors have been made more clear and enhanced, independent decision-making is encouraged, gender diversity is supported and mechanism for transparency and accountability is strengthened.

SECP amends third, fourth and fifth schedules of Companies Act

The Securities and Exchange Commission of Pakistan (SECP) has approved amendments to the third, fourth and fifth schedules of the Companies Act, 2017.

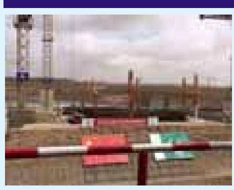
Pursuant to promulgation of the 2017 Act on May 30, 2017, disclosure requirements of fourth and fifth schedules became applicable to various classes of companies for preparation of financial statements, in addition to the applicable financial reporting frameworks prescribed for each class under the third schedule. Stakeholders have since been highlighting concerns over practical difficulties in complying with some of the additional disclosure requirements of the respective schedules. One such requirement was to disclose information of related parties, irrespective of any transactions with such related parties.

Overseas Pakistanis remit US $6.4 billion in the first four months of FY18

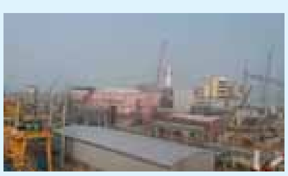
Overseas Pakistani workers remitted US $6444.46 million in the first four months (July to October) of FY18, compared with US $6301.39 million received during the same period in the preceding year.

During October 2017, the inflow of worker's remittances amounted to US $1654.45 million, which is 27.87% higher than September 2017 and 5.99% higher than October 2016. The country wise details for the month of October 2017 show that inflows from Saudi Arabia, UAE, USA, UK, GCC countries (including Bahrain, Kuwait, Qatar and Oman) and EU countries amounted to US $461.07 million, US $333.57 million, US $215.64 million, US $270.46 million, US $184.76 million and US $51.12 million respectively compared with the inflow of US $470.19 million, US $358.38 million, US $183.26 million, US $173.4 million, US $183.13 million and US $35.36 million respectively in October 2016. Remittances received from Norway, Switzerland, Australia, Canada, Japan and other countries during October 2017 amounted to US $137.83 million together as against US $157.30 million received in October 2016.

China-Pakistan Economic Corridor (CPEC)



2200 MW Nuclear 2 Power Plants in Karachi to start generating by end of next year with cost $ 9 Billion under CPEC. The work on two Karachi nuclear power projects with cumulative capacity of 2200 megawatts is under CPEC. Similarly, work on 1320 Megawatts coal based power plants at port Qasim in Karachi, 1320 megawatts coal based power project in Thar coal field is also underway



CPEC Power project of Bhikki Power Plant has been work done 84 %, PM of Pakistan, Muhammah Nawaz Shareef visited the 1180 MW Bhikki Power Plant at Sheikhupura on Wednesday to monitor CPEC progress of Energy Projects. Bhikki Power Plant is a gas powered plant with a total capacity of 1180 MW that will be fully operational by the end of 2018. So far 84% work has been completed and the plant will be initially producing 716 MW before summer, this year. Haveli Bahadur Shah project has also been completed.

CPEC Eastern Route Security Project, New security cameras are working for secure travelling at Lahore Islamabad Motorway M-2. FWO 3 Control and command centers for 357 km Lahore Islamabad Motorway M-2. Sheikhupura, Behaira and Islamabad.

Management Accounting Terms

Activity cost pool	A grouping of overhead costs assigned to various similar activities identified in an activity-based costing system.
Best-fitting line	The line that fits a set of data points the best in the sense that the sum of the squared deviations of the data points from the line is the smallest.
Certified Public Accountant (CPA)	A person who is permitted (by Law) to serve as an external auditor and who must pass a national examination and be licensed by state in which he or she practices.
Discount rate	The rate of return used to compute the present value of future cash flows.
Environmental detection costs	Cost incurred to detect poor environmental performance.
Financial planning model	A set of mathematical relationships that expresses the interactions among the various operational, financial, and environmental events that determine the overall results of an organization's activities.
Goodness of fit	The degree of association between Y and X (cost and activity). It is measured by how much of the total variability in Y is explained by X.
Heterogeneity	When there is a greater chance of variation in the performance of services than in the production of products.
Incentive compensation	A one-time cash payment to an investment center manager as a reward for meeting a predetermined criterion on a specified performance measure.
Job-order costing system	A costing system in which costs are collected and assigned to units of production for each individual job.
Kaizen costing	Efforts to reduce the costs of existing products and processes.
Labor rate variance (LRV)	The difference between the actual hourly rate paid and the standard hourly rate multiplied by the actual hours worked.
Manufacturing overhead	All manufacturing costs other than direct material, and direct-labor costs.
Normal equation	The equation used to solve for the parameters of a regression equation.
Operating Income	Revenues minus expenses from the firm's normal operations. Income taxes are excluded.
Physical flow schedule	A schedule that reconciles units to account for with units accounted for. The physical units are not adjusted for percent of completion.
Quality product or Service	A product that meets or exceeds customer expectations.
Research and development (R&D) cost	Costs incurred to develop and test new products or services.
Scattergraph	A plot of (X,Y) data points. For cost analysis, X is activity usage and Y is the associated cost at that activity level.
Time buffer	The inventory needed to keep the constrained resource busy for a specified time interval.
Unfavorable (U) variances	Variances produced whenever the actual input amounts are greater than the budgeted or standard allowances.
Variable cost ratio	Variable costs divided by sales revenues. It is the proportion of each sales dollar needed to cover variable costs.
Whole-life cost	The life cycle cost of a product plus costs that consumer incur, including operation, support, maintenance, and disposal.
Zero defects	A quality performance standard that requires all products and services to be produced and delivered according to specifications.

ICMA Pakistan

Reader's Comments

We believe that the readers are the best judge to highlight the areas where improvement in 'Management Accountant Journal' can be made. The Research and Publications Committee invites your valuable comments and suggestions on the editorial, articles and other contents of the Journal. These comments/suggestions will be published in the Journal on a regular basis.

The Committee reserves the right of editing the comments and suggestions.

The intellectual and research based inputs may be sent on email: **rp@icmap.com.pk**

ICMA Pakistan

Estd. 1951

Research and Publications Directorate

Institute of Cost and Management Accountants of Pakistan

(Constituted under the Cost and Management Accountants Act, 1966)

Call for Papers in ICMAP Research Journal

1. ICMA Pakistan Research Journal is a multi-disciplinary bi-annual Journal covering major disciplines of relevance to business and accounting profession.
2. Papers are invited from researchers, academicians, economists, PhD students and professionals from Pakistan and abroad in the following areas of interest:
   (a) Accounting and Finance,
   (b) Management and Leadership,
   (c) Business and Economics,
   (d) Information Systems and
   (e) Qualitative Analysis.
3 Research Papers should be original unpublished work and not being submitted for publication elsewhere.
4. The paper abstract should not contain more than 250 words. Times New Roman Style, 12 font size/single line space. The deadline for submitting abstracts is 20th March 2018 and should be sent on email address: rp@icmap.com.pk with the subject line "Research Journal -Abstract for .....",
5. The research paper should not contain more than 8000 words. Times New Roman Style, 12 font size/single line space. The deadline for submission of research papers is 20th April 2018 and should be sent on email address: rp@icmap.com.pk with the subject line "Research Journal - Paper on .....",
6. All manuscripts submitted for ICMAP Research Journal shall be subject to Double-blind peer review.
7. Footnotes should be kept to a minimum and be numbered consecutively throughout the text
8. Papers and reference should conform to the APA format.
9. Research Papers for publication should be sent in triplicate or by e-mail.

Guidelines for Authors

10. Manuscripts should be typewritten on one side of the page only, double spaced with wide margins. All pages should be numbered consecutively; titles and subtitles should be short. References, tables and figures should be typed on separate pages. The titles on tables and figures must be sufficiently descriptive such that they are understandable without reference to the text. The dimension of figure axes and the body of tables must be clearly labeled in English.
12. The first page of the manuscript should contain the following information; (a) the title; (b) the name(s) and institutional affiliation(s); (c) an abstract of not more than 250 words, and (d) A footnote on same sheet should give the name and present address of author to whom reprints will be sent.
13. Acknowledgements should be given before the references or in a first footnote, which should not be included in the consecutive numbering of footnotes.
14. Important formulae (displayed) should be numbered consecutively throughout the manuscript as (1), (2), etc., on the right hand side of the page where the derivation of formula has been abbreviated, it is of great help to referees if full derivation can be presented on a separate sheet (not to be published).
15. The references should include only most relevant papers. In text, references to publications should appear as follows:

    "Khan (1978) reported that... "Or "This problem has been a subject in literature before [e.g., Khan (1978) p. 102]". The author should make sure that there is a strict "one-to-one correspondence" between the names (years) in the text and those on the list. At the end of the manuscript (after any appendices) the complete references should be listed as:

    For Monographs and Books
    Ahmad, Jaleel, 1978, Import substitution, trade and development, Amsterdam: North-Holland,

    For contributions to collective works
    Newbery, Daved M.G., 1975,. The use of rental contract in peasant agriculture, in: Reynods

    For Periodicals
    Baumol, W.J., 1982, Applied fairness theory and rational policy, American Economic Review, 72(4): 639561. Note that journal titles should not be abbreviated.
16. All unessential tables should be eliminated from the manuscript. Tables should be numbered consecutively in the text and typed on separate sheets. Any manuscript which does not conform to the instructions may be returned for necessary revision before publication.
17. No paper will be processed unless all the above instructions are followed. All correspondence /queries should be addressed in the name of Research and Publications Directorate on email: rp@icmap.com.pk

Chief Editor, ICMAP Research Journal
Institute of Cost and Management Accountants of Pakistan
Head Office, ST-18/C, ICMAP Avenue, Block - 6, Gulshan-e-Iqbal, Karachi.
Phone: + 92 21 99243900 Ext: 117/107, Email: rp@icmap.com.pk, URL: www.icmap.com.pk

ICMA Pakistan

National Council 2015-17

OFFICE BEARERS

PRESIDENT
Mohammad Iqbal Ghori, FCMA

VICE PRESIDENT
Anis-ur-Rehman, FCMA

HONORARY SECRETARY
Khawaja Ehrar ul Hassan, FCMA

HONORARY TREASURER
Saghir ul Hassan Khan, FCMA

MEMBERS

Raheel Asghar Ginai, FCMA

Kashif Mateen Ansari, FCMA

Zia ul Mustafa Awan, FCMA

Waqar Ali khan, FCMA

MEMBERS - GOVERNMENT NOMINEES

Sumaira K. Aslam
Ministry of Finance

Jameel Ahmad
Deputy Governor
State Bank of Pakistan

Tahir Mahmood, FCMA
Securities and Exchange
Commission of Pakistan (SECP)

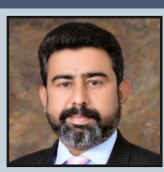
Irshad Ahmed Kaleemi
Deputy Auditor General (Policy)

EXECUTIVE DIRECTOR (Acting)

Mushtaq Ahmed Madraswala, FCMA

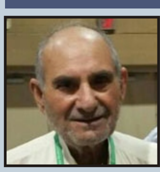
Research & Publications Committee

Chairman

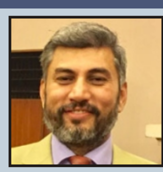


Mohammad Iqbal Ghori, FCMA

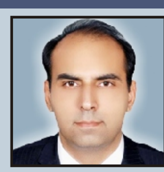
Members



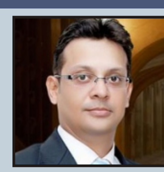
Mian Nisar Ahmad, FCMA



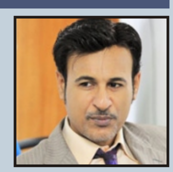
Hamad Rasool Bhullar, FCMA



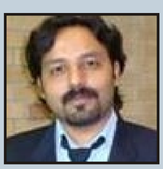
Faisal Shafique, FCMA



Syed Hassan Ahmed Al-Ahdal, FCMA



Syed Babar Ali, FCMA



Syed Zulfiqar Ali Shah, FCMA

Shoaib A. Riaz Tirmazi, ACMA

Zulfiqar Ali Mehto

Jawad Hamid Malik

Tanvir Shahzad