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## Article

# Corporate financial reporting system and developments herein: An exploratory study from Pakistan

Pakistan Journal of Commerce and Social Sciences (PJCSS)

## Provided in Cooperation with:

Johar Education Society, Pakistan (JESPK)

*Suggested Citation:* Kouser, Rehana; Makki, Muhammad Abdul Majid; Qureshi, Muhammad Usman (2012) : Corporate financial reporting system and developments herein: An exploratory study from Pakistan, Pakistan Journal of Commerce and Social Sciences (PJCSS), ISSN 2309-8619, Johar Education Society, Pakistan (JESPK), Lahore, Vol. 6, Iss. 1, pp. 12-26

This Version is available at:

<https://hdl.handle.net/10419/188038>

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## **Corporate Financial Reporting System and Developments Herein: An Exploratory Study from Pakistan**

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### **Abstract**

To capture international opportunities of capital accumulation for corporate sector and to contribute in the development of economy, the government of Pakistan acted speedily to harmonize with international financial reporting system immediately after establishment. This study presents a comprehensive detail of Pakistan's adopted efforts along with a critical-eye on developments and improvements in the reporting system with the passage of time. It scrutinizes major milestones in development of the financial reporting framework of Pakistan. We traced financial reporting practices in Indian subcontinent era and found them unsatisfactory. Hindustan was under the colonial power of Great Britain; therefore its impact on accounting and financial reporting in Pakistan was dominant after independence. Examples of this influence are enforcement of companies' act 1913 and auditor's certificate rules shows. We examined the institutional development from establishment of Pakistan till now and divided that era in 1947-1971, 1971-1999 and period of 21<sup>st</sup> century which played vital role in improvement of financial reporting practices in the country. These milestones are established with view of crucial events toward advances in accounting. In early years of Pakistan PIA (Pakistan Institute of Accountants) was first private body but after it ICAP (Institute of Chartered Accountants of Pakistan) made by government was an important step. Next major step was taken in 1971; it was the formation of SECP (Securities and Exchange Commission of Pakistan). Its structure and provisions provided for external reporting of corporations are discussed. Companies' Ordinance 1984 was another beneficial footstep toward this journey. After discussing all the institutional developments and improvements in financial reporting system of Pakistan, we addressed the current status of financial reporting in the 2000s. Study concludes that major improvements and advances made in the financial reporting skeleton are appropriate, will cause improvements in the investor protection, value relevance of accounting information, and will help corporate sector in capital accumulation from international financial markets and will attract cross border investors.

**Keywords:** Financial Reporting, Framework, Standards, IAS, IFRS, Pakistan.

## **1. Introduction**

Financial Reporting is one of the key ingredients whilst considering corporate level concerns of business and company law. It is important to consider financial reporting laws and requirements for insuring investor protection. Quality financial information is critical for good financial decision-making. The data quality issues are also resolvable through proper and mandatory reporting formats. Each country has its own specific reporting requirements to be fulfilled by corporate bodies registered or listed in the respective stock market. However, hyper-globalization is affecting these differences in accounting and reporting along with hallmarks and rules. Relentless efforts have been made to harmonize these requirements globally due to rapid trend of cross-border investment and business opportunities. The harmonized accounting and financial reporting provisions will lead to financial information with understandability, reliability, and (most importantly) comparability.

After a brief introduction, rest of the research paper is divided into three parts. Second section discusses the developments in the financial reporting structure chronologically. Whole period is divided into four phases. First phase lasts from 1947 to 1971. Second phase of 1971 to 1999 provides detail on institutional advances in the corporate financial reporting. Third era is of 2000s. After these developments we summarized the subject and concluding remarks are provided in third section of research papers. Important annexes are also attached at the end.

## **2. Chronological Developments in Financial Reporting System of Pakistan**

We employed the above mentioned distribution technique to cover the enlargements in the financial reporting structure. In following parts literary comments are given by phases made on the basis of major milestones in timeline.

### *2.1 Phase 1: Establishment of Pakistan and Financial Reporting (Period of 1947-71)*

After establishment of Pakistan, requirements of financial reporting of companies' act 1913 and auditor's certificate rules 1932 were enforced as it for companies in making financial reports till 1971. In 1952, practicing accountants, known as registered accountants, took first step towards institutional development of profession in Pakistan and established private body known as the Pakistan institute of accountants (PIA). The aim of this institution was to look after the interests of practicing accountants and to take up the matters of profession accounting with government.

As we discussed that Pakistan took requirements of financial reporting as it without modifying according to economy of it. The most of literature has work on this transfer of accounting technology. According to Perera (1989), it has been argued that the most of developing countries' industrialization, political institutions and cultures are largely influenced by socio-political traditions and philosophy of the colonial powers by which they were ruled. So Pakistan is an example of it. It has influence of British rules and the conditions of social, industrialization and economic was not stable and Pakistan adopts the regulation as it without modifications.

According to previous literature accounting technologies are being transfer to other economies, let's discussed it in perspective of Pakistan transfers.

### 2.1.1 Accounting Technologies Transferred From British

The influence of former British colonial power can be seen on Indian Bangladesh and Pakistan in context of their financial reporting system. British accountancy education, financial reporting system, and whole accounting profession have greatly affected the accounting system of these countries. By the means of economic, political and cultural impacts the British professional accounting bodies succeeded in exporting their system of accounting techniques and examinations to these three countries. Unchanged system of Pakistan financial reporting and systems of India and Bangladesh till many years after independence is the result of adoption of British legislation as it without modifying into their domestic requirements of accounting and financial reporting.

Accounting technology transfer has various types depending on relationship between transferred country and transfer country. These different types can be explicated as in general three form horizontal transfer, vertical transfer and intermediate transfer.

Transfer of this type is based on a “fiduciary relationship” between transferor country and transferor country which reveals reciprocal relationship between these countries. This case is seen usually between the developed capitalist countries which equally exchange the technologies of accounting in this case both countries are of equal status in context of their economies and development. These countries are observed as where quality of produced goods and availability of experienced and skilled human resource are approximately same. So it demonstrates that both countries are dependent on each other’s accounting technologies.

Now come to Pakistan scenario where it did not had such relationship with British instead Pakistan was under colonial power of British and used even British rules of accounting and financial reporting so it depicts that Pakistan did not got accounting technology horizontally.

Another extreme transfer of accounting technology example is vertical transfer in which transfer country one sided receive all accounting technologies as it from transfer countries. It is contrary to horizontal transfer. Because in this type receiving country is in subordinate position to giving country so discussing of recipient alternatives, which what it gives in consideration, is meaningless. In this situation transferee country is dependent on transferor country economically and politically even. According to this transfer type transferor country gives all know how about accounting technology to transferee country including design, planning and development process, distribution to the market and the adjustment to the society of accounting system.

As very much clear Pakistan and British also had the same relationship at that time so Pakistan as developing country took technologies vertically. That was very important phenomena about financial reporting system because no modifications were made at that time because Pakistan had not such needs of reporting system as British had. Politically, socially and economically Pakistan was different country but that requirements of reporting were made with considerations of needs of British. Each developing country is ‘different in terms of GNP, culture, population degree of literary, economic and political system, factors which invariably have an impact on the nature and extent of financial reporting” (Wallace, 1993).

Some reasons of these differences in developed and developing countries may be as follows:

- Cultural differences between them
- Institutional, political, and social system differences
- Economic and development differences
- Technological difference between developed and developing countries.

The extent of information disclosure, adequacy, relevance, and reliability are also important features of accounting practices prevalent in a country.

If relationship between recipient nation and giving country is not horizontal nor a subordinate then it is named as “negotiation relationship”. According to this transfer receiving country is known with same information so it does not adopt full as in use of vertical transfer. So whenever the accountant technology transfer will be selectively by receiving country it will be intermediate transfer. As like vertical in intermediate transferee country does not adopt full system but selective components which suit to receiving country.

The benefits of developed countries are significant importance also, as we think about developing country in receiving turnkey system of accounting technology. Developed country first has benefit of indirect control on emerging country by transferring accounting technology this concept is known as overseas development assistance (ODA). This benefit is of more importance because emerging country obviously will need further support for their economic development.

In the case of Pakistan, British have this benefit and Pakistan was under usage of its rules till 1971 and gave other assistance. So this ODA benefit used by British very well.

Now let's discuss a receiving country benefits, first is simple that it is receiving well established system by experienced professional bodies of developed economies, other is that overseas investments can be attracted by this transferring and industrial technologies also because these are essential for development of emerging economies. In Pakistan, in early years, there was badly need of funds and foreign investments and Pakistan did not have so much resources to made quickly bodies so it was benefit to country that re known rules and procedures were followed for financial reporting at that time.

#### 2.1.2 Regime of General Ayoub Khan

On emergence of Pakistan in 1947, it received a falling down economy made of a prevalence of agriculture, disordered transport system, huge immigrant troubles, deprived industrial legacy, undeveloped banking and financial system, and negligible electricity. In view of its unstable economic conditions, the country was said to be “Economic wreck” and troubles and darkness was expected for newly formed state. But Pakistan did survive its this stage and goes for economic development way by working hard by its nation. In June 1959, the accountancy departments were formed to deal with the profession of accounting in ministry of commerce instead of section officer. Consultative council was established known as ‘council of accountancy’ under auditor’s certificates rules 1950 as well this period and suggested the formation of ICAP later in Pakistan.

The growth of economic development rose with high rate when revolutionary government of president Ayoub Khan came in 1958 and took over the administration of country. Industrial development and economic progress was increased during 1958 to 1968. Like GNP was Rs. 31,439 millions in 1959 to 1960 increased to Rs. 48280 millions in 1967 to 68 years that rate of growth was 6 percent during years of 1965-68. Gross domestic savings also increased as proportion of GNP from 5.6% to 10.7% during 1960 to 65. And in industry side there was embarked increase in output of jute, sugar and textile. Industries other than these including iron, steel, construction and engineering, gas, oil, ship building developed very much also. Other than manufacturing industries like banking and insurance also developed during this tenure, two stock exchanges formation, one in West Pakistan second in East Pakistan (Now Bangladesh), was great step to develop the stock market.

Pakistan efforts toward developed economy were became very successful in lend that Pakistan was including in the list of countries, known remarkable building after second world, war, so Ayoub khan's regime of 1958-68 was very fruitful for economic development and reforms.

Pakistan attained admirable economic progress but at the cost of social justice. GNP increased but income and wealth become in some hands just, which result in poor become poorer and rich, became richer. Industrial growth was significant but economic power became concentrated in elite class lands. Gross domestic savings as proportion of GNP increased admirably but it comprises mostly of undistributed corporate profits and depreciation allowances, and resulting fiscal incentives such as tax holidays. Dividends paid to controlling groups which were reinvested and remarked with small elite class.

This scenario emerged monopolies, carters and interlocking directorates, which prohibited competitions, allowed in appropriate uses of resources and bear inefficiencies. The private enterprises discouraged small investors and gave fear of diffusion of ownership. This was result of it that stock exchange transactions were just form small groups of participants. Due to its small investors were excluded from enjoying the growing prosperity of country. The circulation of wealth thus remains in concentrated few hands. The workers of industrial were also became victim of this situation because government concealed the unionization and disallowed the bargaining collectively so the entrepreneurs enjoyed in interrupted output for them by lowering the wage level, even productivity and profits were high. This all cased became much imbalanced economy consequently social unrest and political uprising.

The whole scenario discussed above was result of unavailability of well-established system of accounting and financial reporting principles as well. Because the discussed scenario included private enterprises at that time, if accountability from them and complete information and disclosures were given to all stakeholders or other efforts to stop this unquestioned progress of management by government occurred then this undistributed wealth and unsatisfactory provisions of dividends could be developed.

The formation of ICAP was government's first institutional step toward profession of accounting and auditing, but it took time to establish a framework. And we know that usefulness of financial information reported can be judged by its analysis power and interpretation of operating result of a business, so making financial reporting of this level companies act together with ICAP and securities exchange rules of 1971 provide

standards that was mandate in preparing annual financial reports. Thus annual financial reports reflect the high degree of uniformity in style, materiality, and scope.

### 2.1.3 Establishment of ICAP

During the period discussed earlier, the Ayoub khan's regime and the survey about 1958-68, ICAP was formed by the finance ministry of Pakistan in 1961. During the period under discussion (1947-71) the establishment of ICAP was a major step in the history of Accounting Profession in Pakistan. This affected the corporate sector regulation and financial reporting in much positive way.

After giving some general attention to the profession of accounting and reporting, government took many steps for the development of reporting framework at the institutional level. After the emergence of Pakistan PIA (Pakistan institute of accounts) was the first institute for the caretaking of accounting profession and financial reporting quality, which was formed privately by registered accountants. However this was not a formal and well organized institute by government, so with the passage of time the government, due to need and pressure by these professionals, established the ICAP (Institute of chartered accountants of Pakistan) in 1961.

ICAP started its working from July 1, 1961 after the approval of field Marshall General Ayoub Khan and the Chartered Accountants Ordinance was published in Part-I as a part of Gazette of Pakistan. Moreover later on in order to take public comments a draft of Chartered accountants bye-laws was prepared and issued. The major purpose of these bye-laws is to develop the regional committees to take care of interests of members. It divides the members in to two main groups.

1. associate chartered accountants (ACA)
2. Fellow chartered accountants (FCA)

Although ICAP is the main body for setting the standards of Pakistan but it also work with the help of Securities and Exchange Commission of Pakistan (SECP). SECP is an institution whose prime responsibility is to work as a regulator of corporate sector and stock exchanges of the country. ICAP also work with the help of State Bank of Pakistan. Another major job of ICAP is to regulate and control the profession of auditing and accounting of Pakistan. Its prime responsibilities are setting standards, Quality Control, and Investigations.

Apart from its core function of setting standards, it gives its services in encouraging corporate governance, establishing economic policies of provisional and federal governments both including budget making federal government with special focus on taxation.

Council consists of 19 members' government the affairs of ICAP, 4 from 19 nominated by federal government and rest of 15 members are elected by ICAP members. Current nominees of federal government given members include chairman SECP, Deputy Auditor General of Pakistan, Secretary Planning and Development (former Chairman of FBR) and Secretary Finance.

ICAP also participates in international professional activities and developments. Currently, ICAP nominees are functioning in alliance of following international bodies.

- International Auditing and Assurance Standards Board (IAASB).

- IFAC Board.
- Developing Nations Committee.
- Professional Accountants in Business Committee.
- Board of South Asian Federation of Accountants.
- International Accounting Standards of Accounting and Reporting of UNCTAD.
- Asian-Occasion standard Setters Groups.

To enhance the financial reporting system of Pakistan, ICAP and SECP adopted all IASs for making the GAAPs of Pakistan in accordance of international requirements. ICAP works together with the SECP and SBP for the full compliance to IASB pronouncements, to achieve this target the professional standards and technical advisory committee made a committee to identify the main gaps between prevailing law in Pakistan and IFRS so that inconsistencies will be eliminated.

Technical assistance is provided by ICAP to its members on permanent basis. ICAP has quality assurance board. Which works continuously for betterment of financial reporting and to enhance the quality of audit services as well ICAP also has committees to work on process of adoption of IAS / IFRS. ICAP is the independent body for accounting and financial reporting, so it has created a convergence plan for the adoption of IFRS called “Three Tier System”, and it follows a due process for the adoption of a particular accounting standard. This plan and process is discussed ahead with more detail.

#### *2.2 Phase 2: Financial Reporting in era of 1971-99*

After discussion till 1971 other major events occurred includes the formation of securities and exchange authority, IASC, companies ordinance 1984, and most important SECP, all of them effected the financial reporting of Pakistan. Firstly a semi-autonomous body came into existence in 1971, established by the government known as Securities and Exchange Authority. It developed some rules for the betterment of Pakistan’s financial reporting practices. After development of these rules, they were published in 1971 but were enforced from 1972. Securities and exchange authority made rules in accordance to that prevailing situation of country. It required more disclosures to report by companies in their annual reports. It also mandate for all listed companies that they all will publish the semi-annually accounts from 1972, this was first time in Pakistan for publishing semi-annual accounts by companies. Transactions between associated companies depicting the sales, purchases, and balance transfers between these associated companies was also mandatory to disclose according to these rules, that was also equally important step by securities and exchange authority.

##### *2.2.1 Establishment of IASC and its impact on Reporting of Pakistan*

International accounting standards committee was formed in June 1973 at London but was substituted by IASB (International Accounting Standard Board) on 1st April 2001. It was responsible for making the international accounting standards and encouraging the use and implementation of such standards. The formation of IASC can be said as a resolution in the profession of accounting and financial reporting.

Objectives and motives to establish the IASC have been demonstrated earlier that how the globalization and integration in the investment all over the world” has strained the



harmonized set of accounting policies. So that these policies influence the financial reporting of developing countries. When that committee changed in Board, the IAS name also replaced by international financial reporting standards (IFRS)

Consequently many countries took advantages of these efforts and become member of IASC and adopt standards in their country for financial reporting Pakistan also become member of it in 1974. PIIA (Pakistan Institute of Industrial accountants) and ICAP both becomes associate member of it and representing Pakistan in IASC. IASC issued first accounting standards IASI: Presentation of financial statements, which was issued in March 1974, at that time title was “exposure Draft E1 disclosure of accounting policies.” It used to revise with the passage of time. Lastly this IAS was amended in 2009. so working and issues IASC (IASB) affected the Pakistan’s reporting framework a lot we can observed reporting of Pakistan after the adoption of IASs, the establishment of ICAP and then membership with IASC changed the whole scenario of Pakistan’s financial reporting. All deficiencies observed in survey now have a remedy.

#### 2.2.2 Issuance of Companies Ordinance 1984

The companies ordinance 1984 is a board piece of Pakistani legislation that, according to its own foreword, it “an ordinance to consolidate and amend the law relating to companies and certain other associations.” It includes all rules and regulation which are related to registered companies with Securities and Exchange Commission of Pakistan. This ordinance is based on companies’ ordinance 1969 and consists of 514 sections. CLA (Corporate Law Authority) regulated it earlier but now replaced by SECP. Companies’ ordinance 1984 is the key guide for company’s affairs and corporate sector issues involving corporate financial reporting.

#### 2.2.3 Formation of SECP and its Dealings

Another institutional development in Pakistan was formation of SECP (Securities and Exchange Commission of Pakistan) and that become very much important and assigned whole responsibility of overseeing and monitoring the corporate sector of Pakistan. It is government agency and aim of this agency was to develop an efficient corporate sector and capital markets which based on reasonable regulatory policies, in order to enhance economic growth and prosperity in Pakistan.

A well-developed stock market offers attractive investment opportunities to investors by making portfolio they may reduce the risk of their investment, therefore, protecting investors. There was need of it very badly, it established by succeeding the corporate law authority in 1999. It was associated department of finance division and had two wings following described;

CLA formed the MCA (Monopoly Control Authority), established in 1971, which is answerable for compliance with rules and regulations to protect a concentration of financial and commercial activities.

It works for exclusively with implementation of company’s law, security and market regulations etc.

The Corporate Law Authority (CLA), the regulatory arm of the Government of Pakistan (GOP) for the implementation of the companies’ legislation and the regulator of the anti-

trust through the autonomous Monopoly Control Authority (MCA) was replaced by the Security and Exchange Commission of Pakistan (SECP) in 1999.

GOP along with its relevant authorities is working for the erosion of negative speculations, restoration of investor confidence, stabilization of stock markets and enhancement of their protection. The reasons for these actions are the stock market, as it is not working on the demand/supply rule or on the basis of economic fundamentals.

The SECP was established on January 1, 1999, in pursuance of the Securities and Exchange Commission of Pakistan Act, 1997. The establishment of the SECP was the outcome of a loan agreement between GOP and Asian Development Bank (ADB) whereby \$US 250 million were sanctioned for the development of the capital market in Pakistan.

The establishment of the SECP was an important milestone in the evolution of the regulatory framework for the capital market in Pakistan.

The SECP was set up as an autonomous body “for the beneficial regulation of the capital markets supervision and control of the corporate entities and for the matters connected therewith and incidental thereto”

The SECP was set up as two tiered organization consisting of:

- Security and Exchange Policy Board
- Security and Exchange Commission

Board is entitled to guide the Commission in all functional matters, and policy formulation in alliance with the Commission. Moreover its duty is to advise on legal corporate issues, and to advise government.

The commission has full financial, administrative and operational autonomy and comprised of five commissioners including Chairman.

The commissioners are appointed by the Federal government and are responsible for the division like securities exchange, investment company law and the most importantly, enforcement. Of the five commissioners, three, including the chairman, are from the private sector and two would be from government.

The company law division (CLD) is assigned with range of responsibilities that includes regulation, examining and enforcement of laws related with the corporate sector. CLD is supervised by executive director. It enacted new laws and amended existing laws in order to changed business environment and circumstances of Pakistan. Apart from it, to enhance transparency, accountability, and good corporate governance practices, CLD undertakes strict monitoring and vigilance of corporate sector and resulting in it protects interest of investors.

### *2.3 Phase 3: Financial Reporting in post 1999 period*

Corporate reporting took a new look with the start of 21st century. Major steps taken by the government of Pakistan led the reporting in a new direction. Membership of IASB and other international bodies caused the voluntary adoption of financial reporting standards issued by the IASB (IASs). Many companies started to adopt International Accounting Standards, and worked under the regulations of SECP, the new company law authority. Regulations for stock exchanges were stricter than before, there were fair value

accounting rules and requirements of sufficient and appropriate disclosures. So, all of these initiatives and provisions resulted in the quality financial reporting by the corporate sector of Pakistan.

We have discussed the era before establishment of ICAP, where PIA was working and Companies Act of 1913 was under enforcement for the regulation of corporate sector and financial reporting. However after the emergence of ICAP, it took the responsibility to guide the accounting principles for publically reporting. All the issues related to accounting principles and reporting choices conflicts were resolved by the technical services department of ICAP through a detailed process.

However when Companies Ordinance of 1969 was issued, it also included some provisions for companies. Then CO 1984 came which also improves the investor protection and made financial reporting more elaborative by providing specimens for financial statements in section 234 along with its schedules 4 and 5. Parallel to CO 1984 the role of Company Law Authority was also very important. CLA worked as a complement to the ICAP for the regulation of accounting and reporting paradigm.

### 2.3.1 Code of Corporate Governance

Other expansion in the financial reporting structure was the issuance of the Code of Corporate Governance on March 28, 2002. Newly introduced requirements for financial reporting are expressed below:

- A statement related to conformity of IFRS in making financial statements of companies in Pakistan.
- Information related to internal control system, being effectively designed, implemented and controlled.
- Director's review related to the ability of going concern of entities.
- A compliance statement about the corporate governance regulations.
- Last six year's précised operating and financing activities data.
- In case of dividends not declared declaration of reason for that.
- Reporting of the shareholders' ownership structure. Details about the institutional shareholders, shareholders having more than ten percent ownership, shares possessed by directors and their spouses and details about associated companies.

Most important requirement which was set in the Code of Corporate Governance was to publish the un-audited quarterly financial reports by all listed companies accompanied by the director's report. This rule is formulated for first time in Pakistan. Before that time only half yearly reports were required.

### 3. Current Status of Financial Reporting At a Glance: Concluding Remarks

Major institutions developed by the government of Pakistan and those established at the international level affected the patterns of financial reporting in Pakistan. In Pakistan two major bodies which regulated the accounting and reporting framework are following:

- ICAP (Institute of Chartered Accountants Pakistan)
- SECP (Securities and Exchange Commission of Pakistan)

History of accounting rules in Pakistan is bit confusing. In the start when ICAP was established only generally accepted accounting principles were used to prepare accounts of the companies. These generally accepted accounting principles were borrowed from the British and later US accounting literature. The concept of GAAP was started by the US. Each country's basic rules for preparing the accounts and financial reports were termed as the Generally Accepted Accounting Principles. However this term got high familiarity in the literature of accounting and financial reporting till the end of 20<sup>th</sup> century, when the issue of internationalization was started. ICAP, before any set of rules formed by it, was following the SSAP (Standard Statement of Accounting Practices), Statements of Guidelines on Accounting Principle and Practices. SSAP were these follows:

- SSAP-1 Withdrawn-(Classification of Stores and Spares Financial Statements)
- SSAP-2 Withdrawn-(Consolidated Financial Information)

In Pakistan the concept of accounting and reporting rules started with the emergence of ICAP, as it was the only body to regulate accounting in the country. In the absence of any standards and defined rules, ICAP issued its ATRs which are used for financial reporting as GAAP till now. ICAP council issued some ATRs (Technical Releases) on some specific issues for defined financial reporting practices. ICAP had its circulars regarding all proceedings made by it, and these ATRs are also issued with reference of these circulars. These circulars along with these ATRs worked as the interpretations of the accounting practices.

There are thirty one TRs in total. Nineteen of them have been withdrawn. Rest twelve is effective till now. These TRs are complement to the accounting and reporting standards being followed with the passage of time. Pakistan as joined the membership of IFAC and IASC in 1974, Pakistan also amended its accounting requirements with reference to the international accounting standards issued by the IASB. However in 1980s Pakistan started to consider adopting the IASs. Pakistan adopted the first IAS that is IAS 1, in 1986; vide its S.R.O 777(I)\86 on August 6, 1986. In this notification thirteen IASs were recommend to adopt. These IASs were IAS 1, IAS 2, IAS 7, IAS 8, IAS 10, IAS 11, IAS 12, IAS 16, IAS 17, IAS 18, IAS 19, IAS 20, and IAS 21. However this was the voluntary adoption that occurred due to increasing popularity of fair value accounting rules worldwide. This continued to increase when ICAP also considered more standards to adopt in 1990s. In 1996 ICAP adopted two more IASs (IAS 23 and IAS 24) through its SRO 1310(I)/96 on 20 Nov, 1996. In the 1998 three standards named IAS 26, 27, and 28. IAS 26 was notified via 617(I)/98 on June 18, 1998, but IAS 28 was issued through the 465(I)/98 on May 12, 1998. Table 5-1 gives the details of adoption patterns. The table presents the view of voluntary adoption of accounting standards. This trend continued till the 2005.

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### **Appendix-2: Survey of Reporting Standards using Annual Reports of Listed Companies**

Table 1 is showing results of our conducted survey. As we can observe from it that only 14 companies were making their financial statements in accordance to IASs. Eight companies from them which show compliance with IASs, as adopted by Pakistan, are of 2000 and 6 are of 1999. We can say as 21st century came closer Pakistan's accountancy profession becomes stronger and developed. Rest of all companies were found maker of financial statements on the basis of historical cost convention. Therefore need for mandatory adoption arose to comply with international accounting standards to have harmonized financial reporting practices. Now let's discuss the era which make mandatory to use fair value accounting for companies in Pakistan. SECP and ICAP made a due process of adoption will be discussing later.

**Table 1: IAS Adoption in Pakistan**

Year	Name of Company	Significant Accounting Policy	Detail about IAS Adoption
1996	Crescent Spinning Mills Ltd.	Historical Cost Basis	N/A
	DewanTextile Mills Ltd.	-do-	N/A
	NishatMills Ltd.	-do-	N/A
	Moonlite (PAK) Ltd.	-do-	N/A
	MirpurkhasSugar Mills Ltd.	-do-	N/A
	ShahmuradSugar Mills Ltd.	-do-	N/A
	D.G. KhanCement Ltd.	-do-	N/A
	Lucky Cement Ltd.	-do-	N/A
	LaksonTobacco Company Ltd.	-do-	N/A
	Premier Tobacco Industries Ltd.	-do-	N/A
	Pakistan Refinery Ltd.	-do-	N/A
	Pakistan State Oil Ltd.	-do-	N/A
	Pakistan Cables Ltd.	-do-	N/A
	Siemens (Pakistan) Engineering Co. Ltd.	-do-	N/A
	Pakistan National Shipping Corporation Ltd.	-do-	N/A
	PIA Ltd.	-do-	N/A

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	WazirAli Industries Ltd.	-do-	N/A
1997	Crescent Spinning Mills Ltd.	-do-	N/A
	DewanTextile Mills Ltd.	-do-	N/A
	Kohinoor Looms Ltd.	-do-	N/A
	NakshbandiIndustries Ltd.	-do-	N/A
	LawrencepurWoolen andTextile Mills Ltd.	-do-	N/A
	Moonlite (PAK) Ltd.	-do-	N/A
	MirpurkhasSugar Mills Ltd.	-do-	N/A
	ShahmurdSugar Mills Ltd.	-do-	N/A
	D.G. Khan Cement Ltd.	-do-	N/A
	Lucky Cement Ltd.	-do-	N/A
	LaksonTobacco Company Ltd.	-do-	N/A
	Pakistan Tobacco Company Ltd.	-do-	N/A
	Pakistan Refinery Ltd.	-do-	N/A
	Pakistan State Oil Ltd.	-do-	N/A
	Pakistan Cables Ltd.	-do-	N/A
	Siemens (Pakistan) Engineering Co. Ltd.	-do-	N/A
	Pakistan National Shipping Corporation.	-do-	N/A
	PIA Corporation Ltd.	-do-	N/A
	WazirAli Industries Ltd.	-do-	N/A
1998	ALLAH WasayaTextile andFinishing mills Ltd.	-do-	N/A
	DewanMushtaqTextile Mills Ltd.	-do-	N/A
	Kohinoor looms Ltd.	-do-	N/A
	SamimTextiles Ltd.	-do-	N/A
	LawrencepurWoolen andTextile Mills Ltd.	-do-	N/A
	Moonlite (PAK) Ltd.	-do-	N/A
	MirpurkhasSugar Mills Ltd.	-do-	N/A
	ShahmurdSugar Mills Ltd.	-do-	N/A

	D.G. Khan Cement Ltd.	-do-	N/A
	Lucky Cement Ltd.	-do-	N/A
	Lakson Tobacco Company Ltd.	-do-	N/A
	Pakistan Tobacco Company Ltd.	-do-	N/A
	Pakistan Refinery Ltd.	-do-	N/A
	Pakistan State Oil Ltd.	-do-	N/A
	Pakistan Cables Ltd.	-do-	N/A
	Siemens (Pakistan) engineering Co. Ltd.	-do-	N/A
	Pakistan National Shipping Corporation Ltd.	-do-	N/A
	PIA Corporation Ltd.	-do-	N/A
	Wazir Ali Industries Ltd.	-do-	N/A
	Kashmir Edible Oils Ltd.	-do-	N/A
1999	Baig Spinning Mills Ltd.	-do-	N/A
	Dewan Textile Mills Ltd.	-do-	N/A
	Kohinoor Weaving Mills Ltd.	IASs	As applicable in Pakistan
	Lawrencepur Woollen and Textile Mills Ltd.	Historical cost basis	N/A
	Moonlite (PAK) Ltd.	-do-	N/A
	Mirpurkhas Sugar Mills Ltd.	-do-	N/A
	Shahmurd Sugar Mills Ltd.	IASs	As adopted by ICAP
	D.G. Khan Cement Ltd.	Historical cost basis	N/A
	Lucky Cement Ltd.	-do-	N/A
	Lakson Tobacco Company Ltd.	-do-	N/A
	Pakistan Refinery Ltd.	-do-	N/A
	Pakistan State Oil Ltd.	-do-	N/A
	Pakistan Cables Ltd.	-do-	N/A
	Siemens (Pakistan) Engineering Co. Ltd.	IASs	As applicable in Pakistan
	Pakistan National Shipping Corporation Ltd.	-do-	As applicable in Pakistan
	PIA Corporation Ltd.	-do-	In accordance to IASs applicable in

			Pakistan, PIAC act 1956 and CO 1984.
	WazirAli Industries Ltd.	-do-	As applicable in Pakistan
	Kashmir Edible Oils Ltd.	Historical Cost Basis	N/A
2000	Crescent Spinning Mills Ltd.	-do-	N/A
	DewanTextile Mills Ltd.	-do-	N/A
	Kohinoor Weaving Mills Ltd.	IASs	As applicable in Pakistan
	Reliance Weaving Mills Ltd.	-do-	As applicable in Pakistan
	LawrencepurWoolen andTextile Mills Ltd.	Historical cost basis	N/A
	Moonlite (Pak) Ltd.	-do-	N/A
	MirpurkhasSugar Mills Ltd.	-do-	N/A
	Kohinoor Sugar Mills Ltd.	-do-	N/A
	D.G. Khan Cement Co.Ltd.	-do-	N/A
	Lucky Cement Ltd.	-do-	N/A
	LaksonTobacco Company Ltd.	IASs	In accordance to IASs applicable in Pakistan and CO 1954.
	Pakistan Tobacco Company Ltd.	Historical cost basis	N/A
	Pakistan Refinery Ltd.	-do-	N/A
	PSO Ltd.	-do-	N/A
	Pakistan Cables Ltd.	IASs	In accordance to IASs applicable in Pakistan and CO 1984.
	Siemens (Pakistan) Engineering Co. Ltd.	-do-	In accordance to IASs applicable in Pakistan and CO 1984.
	PTCI Ltd.	-do-	In accordance to IASs applicable in Pakistan and CO 1984.
	WorldCallPayphones Ltd.	-do-	In accordance to IASs applicable in Pakistan and CO 1984.
	WazirAli Industries Ltd.	-do-	In accordance to IASs applicable in Pakistan and CO 1984.