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THE NEPAL CHARTERED ACCOUNTANT

June 2008

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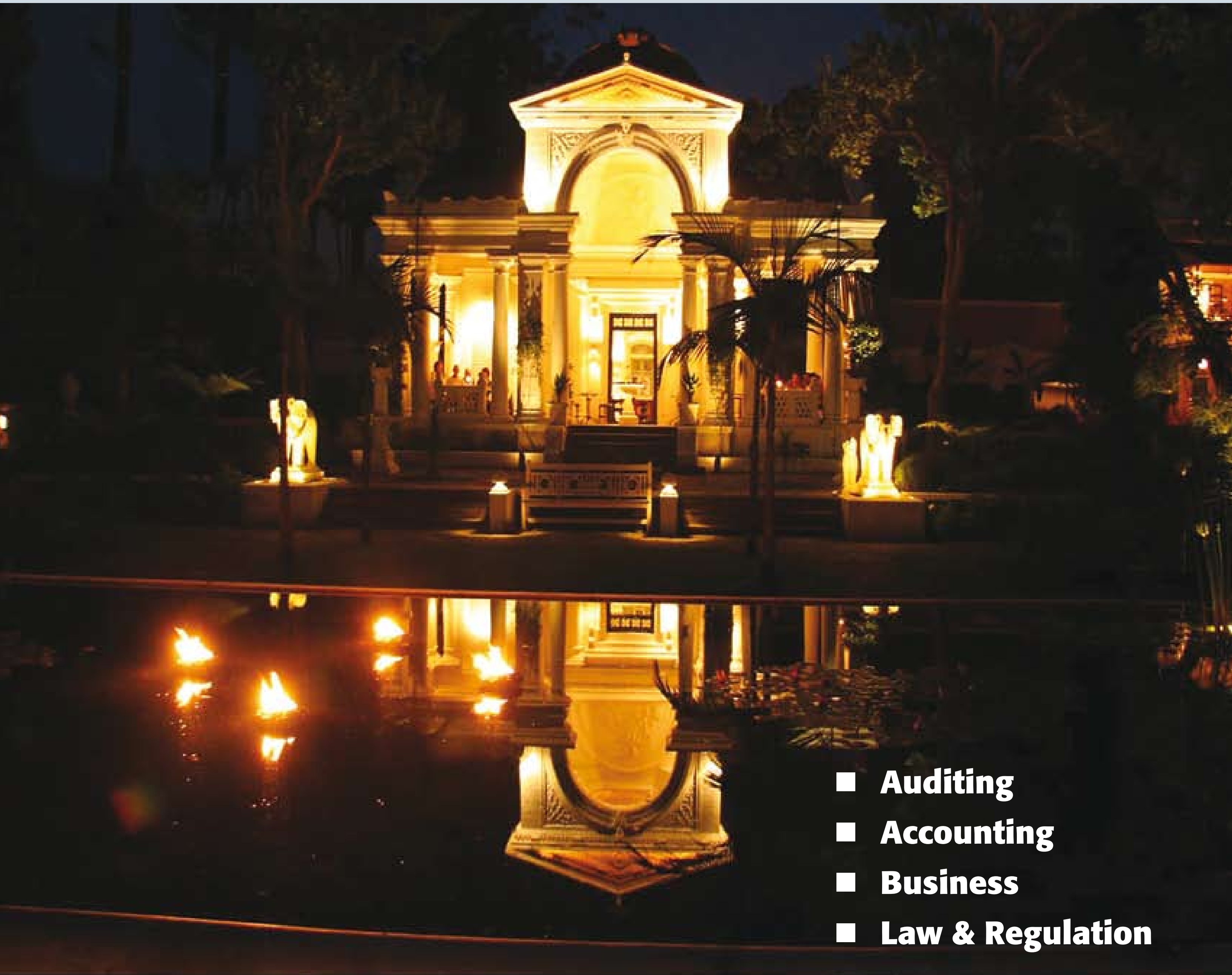

- Auditing
- Accounting
- Business
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निक्षेप रु. देखि	निक्षेप रु. सम्म	ब्याजदर
-	५,००,०००/-	६.०० %
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१०,००,००१/-	२५,००,०००/-	६.५० %
२५,००,००१/-	५०,००,०००/-	६.७५ %
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निषेप अवधि	साधारण मुद्दती	अन्नपूर्ण मुद्दती
३-५ महिने	५.७५५	-
६-८ महिने	६.००५	-
९-११ महिने	६.२५५	-
१ वर्षे	७.००५	७.१०५
२ वर्षे	७.२५५	७.५०५
३ वर्षे	७.५०५	८.००५

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सफासडक, दमौली, फोनः ०६५-५६०४३३
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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

June, 2008

THE NEPAL CHARTERED ACCOUNTANT

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Editorial

Nepalese have suffered a lot during decades of people's struggle for political change resulting in protests of various kinds from both political as well as non political groups. The frequency of these protests which resulted, on most occasions, in general strike or road blocks was alarmingly high just before the Constitutional Assembly Elections and are continuing till date. After the formation of Constituent Assembly and declaration of republic, people from all section of society are hopeful that their situation will improve.

In spite of this the country is yet to recover from this crisis situation completely. There are lots of grave challenges that need to be addressed systematically to realize and enjoy the economic and other benefits that are envisaged by our leaders. This can be achieved only if there is shift of priority, from Country's leadership, to agenda of economic development from other political and non political issues.

Crisis situations also bring about opportunities to the decision makers to take drastic actions. Decision having a huge political backlash for the government in normal circumstances can be implemented without any significant repercussion in a crisis situation. For example, under normal circumstances, mass exodus of young people prevalent in the country would have attracted a lot of criticism and huge political backlash for the government but because of the extraordinary situation of the country, brain/ labor-force drain is accepted by society and the government, without any significant repercussion.

The big increases in the number of people going for foreign employments have contributed in increasing foreign exchange remittance of the country that is treated as a boon for the economy by government and experts.

The current economic scenario of the country especially critical issues like 'oil pricing', global commodity price hike linked with sub prime lending crisis in the US and increasing demand due to almost double digit growth in China and India, general strikes happening on a regular basis etc provide an opportunity to the economic administration of the country to take few bold steps for facilitating the much desired structural changes which under normal circumstances would have got entangled in political opposition.

Decisions taken by economic administration of the country will not be able to achieve its objective, if it is not implemented in a systematic manner. In other words, the objectives envisaged will not be achieved if there is no " Good Governance" and that the decision makers do not analyze the situation with hard facts and real figures and take decision by heart, based on their belief, rather than by their minds.

We can learn a lesson from Venezuelan situation where total government revenue from oil during the year 2008 is estimated to be around $ 75 billion up from $ 43.5 billion last year and around $ 7 billion from 1999. The country in spite of big revenue increases lately, have not been able to achieve its expected growth rate. Living standards of ordinary Venezuelans' are declining. The main reason for this situation is reduction in private investments on account of fear of nationalization of businesses. Venezuela has recently nationalized cement, iron and steel industries and some dairy companies, giving an indication that these decisions were taken on the basis of their leaders political believes rather than a vision for economic development. This means even if the government have lots of revenue, it would not be able to improve the living standards of its people in general, if the analysis of situation is made on the basis of their believes rather than on fact.

We should hence hope that the economic administration of the Nepal would take certain bold decisions for general good of the community which will improve economic situation of the country. And Young Nepalese, rather than going abroad for foreign employments and contributing to development of their country of work, should be able to contribute to the development of their country of birth. ICAN and its members have a role to play in providing advice to the economic administration of the country. We, as a community, should be standing behind every decision taken by the country's leaders for the good of the country.

We would like to congratulate ICAN for successfully organizing 67th SAFA Assembly, 15th CAPA Board Meeting and Joint CAPA-ICAN International Conference during May 8 to May 11, 2008. Organization of such events demonstrates ICAN's commitment in building a better future for accounting profession and has contributed in uplifting the image of Nepalese accountancy profession internationally. The organizing committee of these events deserves a round of applause for their efforts.

The present issue of the journal offers insight into recent developments in the government and non governmental sector in addition to giving comprehensive coverage to the latest updates and information on range of issues. Hope the issue will be of benefit to you.

Finally we would like to offer our appreciation for all contributors to the journal whose support is vital for giving it a shape. We request all our readers, including our regular contributors, to provide articles for forthcoming issues which will greatly enhance the quality of the journal.

On behalf of the editorial board, I would like to thank all our editorial committee members for their continued support with special thanks to Ms Bonisha Pandey and Mr Binod Neupane for their availability and support at all times.

Thank You.

Editorial Board

President's Message

Dear Friends

Accounting Profession in 2021

I had the opportunity to lead ICAN delegation to the Diamond Jubilee celebration of the Institute of Chartered Accountants of India (entering into 60th year) from 1st -3rd July 2008. A conference was also organized during 2nd-3rd July with the theme "Chartered Accountancy Profession in Retrospect and Prospect". On 3rd July, a panel discussion on "Accounting Profession in 2021" was held among the heads of SAFA member bodies. It was presided by the SAFA President. The message conveyed in the forum was loud and clear - accountants need to invest in their knowledge so that the value added services could be provided to the clients. It was general consensus that the Chartered Accountants should be able to provide "solutions to business".

The practice of setting up specialized agencies to oversee the works of public accountants is gaining momentum. It remains a matter of concern to the hitherto respected/acclaimed self-regulated profession. Unless the profession stand up to meet the expectation of the regulators, investors and general public at large, the danger of loosing the status of self-regulation looms large. Institutions will have no option but to strictly enforce the disciplinary actions.

In an attempt to ensure quality services from the members, the Institute has also been giving maximum importance towards formalization of Peer Review process. Extended training programs have been organized on this and voluntary compliance is encouraged in the initial phase. ICAN expects all practicing members to be prepared for mandatory compliance of this process.

Preparation for Adoption of IFRS

The efforts to standardize and gain acceptance to the uniform International Financial Reporting Standards (IFRS) has remained on the top agenda in most of the countries. ICAN has been propagating to adopt IFRS in 2011. With a view to achieve this goal, ICAN is having continuous dialogue with the Accounting Standards Board as well as the government agencies as to officially fixing a date for formal adoption of IFRS in Nepal. In this regard, we hope to receive a formal communication from the Ministry of Finance through this year's Budget speech. Accounting Standards Board has already formed a IFRS Convergence Task Force under the co-ordinatorship of the Chairman of Securities Board of Nepal (SEBO/N)

ROSC Project

Last month we had the opportunity to meet Mr. Bob Saum, Manager for Financial Management for the South Asia Region of the World Bank. Past Presidents of ICAN participated actively in the meeting, which was basically focused on the recent activities of ICAN and explore possibility to participate in the Reports on the Observance of Standards and Codes (ROSC) Project of the World Bank. ROSC is a joint World Bank and International Monetary Fund (IMF) initiative that helps member countries strengthen their financial systems by improving compliance with internationally recognized standards and codes. The focus of ROSC initiative is on 12 key areas-of which "Accounting, with Recognized International Standards and Codes" and "Auditing, with Recognized International Standards and Codes" topped the list. Mr. Bob Saum's response has been positive.

During the recent months, I had many opportunities to meet Governor of Nepal Rastra Bank. Verbal and written request was made as to introduction of Branch audit system with respect to the bank and financial institutions as well as explore possibility for upward revision of audit fees. A case was made particularly in respect of the long form audit report (LFAR) which is additional professional work requiring reporting to NRB. In a formal communication to ICAN, NRB has allowed auditors to collect separate fee for LFAR work.

Development of Middle Level Accounting Professionals

Development of middle level accounting professionals has been receiving attention of regulators. Within our region, Pakistan and Sri Lanka are already having recognized Accounting Technicians Courses. As per the information given in the SAFA Board, in India, as directed by the Government, both ICAI and ICWAI are going ahead with this program. Bangladesh has also initiated the process.

We have also considered this issue few years back. Very recently, the Diwakar Rimal Committee formed to look into the demands of the students regarding development of middle level accounting professionals has submitted its report to the Ministry of Finance, which was forwarded to ICAN for initiation of necessary actions. The recommendation includes for formation of a separate institute/agency that would develop modalities for training and licensing of middle level accounting professionals. However, the responsibility to regulate the whole accounting profession, including the middle level accounting professionals, would lie with ICAN. Based on the recommendations of the report and discussion with the Ministry of Finance, a request has been made for budgetary support to initiate the primary works. I hope that the matter would receive support from all quarters.

Adieu

The new President and Vice President of ICAN will be elected by the close of Ashad 2065. I am sure that the new leadership will ably lead the Institute to a new professional height. I will be continuing in the council and accordingly will still be able to support the new leadership plan and attain professional goals.

I wish to take this opportunity to express my sincere gratitude to all who have extended their help and good wishes to ICAN and request them all to continue the good gesture in future as well.

Ratna Raj Bajracharya, FCA

Narrowing the Expectation Gap: Role of an Auditor

Nanda Kishore Sharma, FCA

"It goes without saying that auditors have greater role to play for nation building. Unlike other profession, the result of the auditors' service has wider impact on the society. However, there remains an expectation gap between the society and the auditor regarding the duties and responsibilities of the auditor, scope of an audit and expected outcome of the audit. This article tries to dwell upon expectation gap in the above areas and throws some light on how the gap can be bridged by an auditor."

Background

The accountancy profession's reputation for being ethical has been called into question many times, recent and mostly talked being the case of Enron. It is but natural that an accountant's job is a target every now and then as the result of an auditor, i.e. audit report, is used by wide range of users for making financial as well as economic decisions. The resources are scarce and its optimal use is the need for the day.

However, I feel that there are certain myths or misunderstanding of the society with respect to the roles and responsibilities of an auditor. In our society, an audit is considered to be a guarantee as to the correctness of the financial statements, efficiency and effectiveness with which the management has managed the affairs of the organization, and it is a guarantee as to the future viability of the organization. In nutshell, if I have understood the misconception regarding the audit correctly, once the auditor has put his "green ink (auditor's tick)" in the ledgers and the financial statement, he is expected to have made it clean with "Ganga Jal (holy water)" and there remains no problem whatsoever. However, its not the case.

To remove the misconceptions or myths and enhance the quality of services provided, auditors are expected to play vital roles and encourage to do the following:

1. Educate the users about the objective and scope of an audit, roles and responsibilities of auditor and management and expected outcome of an audit.
2. Observance of high standards.

Why Audit?

An audit is the independent examination of financial information contained in the financial statements of an entity, whether profit oriented or not, and irrespective of size and legal form, conducted with a view of expressing an opinion thereon.

All entities, irrespective of nature, size or form use economic resources to pursue their goals. The fast paced industrialization resulting into formation of big business conglomerate, cut throat competition and divergence of management and funds providers i.e. third party investment in the business has pressed for an independent system of auditing to ensure that the financial statements reflect the results of economic activities undertaken by the entities. Thus, the underlying objective of an audit of financial statement is to enhance the credibility to financial statements prepared by the management. The management prepares financial statements and the auditor examines and provides assurance that the financial statements are free from material misstatements.

An audit enhances user's confidence that financial statements do not contain material misstatement (fraud or error) because the auditor is an independent and objective oriented expert who is knowledgeable about the entity's business and financial reporting requirements including the disclosure of vital information.

Inherent Limitations

It is necessary for an user of the financial statements to understand the inherent limitations of an audit. An audit has following limitations:

- it is conducted on a test basis from sample drawn from a population of a class of transactions
- much of the audit evidence is persuasive rather than conclusive in nature
- inherent limitations of an accounting and internal control systems adopted by the management (e.g. the possibility of collusion and weak control environment).

It is difficult for an auditor to detect a fraud than an error because fraud usually involves acts designed to conceal it or intentional misrepresentation being made to the auditor. An auditor, however, plans and performs his audit recognizing that he may encounter conditions or events during his examination that would lead him to question whether fraud or error exists. Further, while existence of an effective system of internal control reduces the probability of misstatement in financial statement resulting from fraud and error, there will always be some risk of internal controls failing to operate as designed on account of factors like human error, erroneous design of control, etc. Thus, the auditor cannot guarantee that all material misstatements (due to fraud or error) will be detected because of such factors.

Reasonable Assurance

An auditor can provide following services with regard to financial statements:

- Audit
- Review
- Agreed upon procedures
- Compilations

Each type of service carries a different degree of assurance, about financial statement, ranging from high to no assurance. What degree of assurance would be provided by what type of engagement depends substantially on the objective as well as nature and extent of procedures employed by the auditor in carrying out that engagement. Achieving absolute assurance is not possible due to factors stated under inherent limitations. Thus, the auditor's opinion on the financial statements provides users with a high, but not absolute, level of assurance. Absolute assurance in auditing is not attainable because of such limiting factors as:

- the use of judgements and estimates in financial statements (e.g. depreciation, provisions for uncollectible amounts, obsolescence, etc.),
- inherent limitations of internal and accounting controls,
- use of test by an auditor, and
- evidence available persuasive rather than conclusive

Thus, an audit is also called a reasonable assurance engagement wherein the objective of an auditor is to reduce the risk of inappropriate audit opinion to an acceptably low level.

Quality Assurance

Nepal Chartered Accountants Act, 2053 (1997), Company Act, 2063 (2006), Banking and Financial Institutions Act, 2063 (2006) and so on has provisions for action against the auditor if s/he does not perform his/her duties with professional care and ethics. In other words, auditor (i.e. the member of the Institute) will be held guilty of professional misconduct if s/he does not exercise due diligence or is grossly negligent in discharge of his/ her attest duties.

Although the term negligence has been defined neither under the Nepal Chartered Accountants Act nor in any other statutes, it has become essential for the members of the Institute to observe high quality standards with respect to their jobs and organization of their offices. The Institute has made two important decisions to ensure quality assurance of the attestation functions carried out by its members, namely:

i. Establishing Peer Review System, and
ii. Making mandatory application of Quality Control Standards

Peer Review

Peer Review is directed towards maintenance as well as enhancement of quality of attestation services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory requirements.

The main objective of Peer Review is to ensure that in carrying out their attestation services assignments; the members of the Institute (a) comply with the Technical Standards made mandatory for application by the Institute and (b) have in place proper systems (including documentation systems) for maintaining the quality of the attestation services work they perform.

The Council of the Institute has approved a Statement on Peer Review on 20 May 2007 and established a Peer Review Board to carry out Peer Review Program in three stages as follows:

a) Stage I: for Audit Firm carrying out attestation function of Listed Companies only with effect from 15 July 2007
b) Stage II: for Audit Firms carrying out attestation function of listed as well as Bank, Insurance Companies and Public Sector Undertakings with effect from January 2009
c) Stage III: for all audit firm with effect from January 2011

The attestation function that comes under the purview of peer review includes auditing or verification of financial transactions, book of accounts, records, or verification or certification of financial statements, but does not include:

(i) Management Consultancy Engagements;

(ii) Representing a client before various Authorities;
(iii) Engagements to prepare tax returns or advising clients in taxation matters;
(iv) Engagements for the compilation of financial statements;
(v) Engagements solely to assist the client in preparing, compiling or collating information other than financial statements;
(vi) Testifying as an expert witness; and
(vii) Providing expert opinion on points of principle, such as Accounting Standards or the applicability of certain laws, on the basis of facts provided by the client.

The peer review process is directed at the attestation services of a practice unit, which includes a member in practice, whether practising individually or in a trade name (either as a sole proprietor or as a firm).

Once a practice unit is selected for review, its attestation engagement records pertaining to the immediately preceding three completed financial years shall be subjected to review. However, the records of audit reports/attestation services relating to years prior to the accounting year beginning 1 Srawan 2062 (15.07.2005) shall not be subjected to review.

Quality Control Standards

There are two audit standards issued for compliance by the members of the Institute during the year 2007/8, namely, Nepal Standards on Quality Control (NSQC1) on Quality Control for Firms that Perform Audits and Review of Historical Financial Information, and Other Assurance and Related Service Engagements which will be effective from July 2008 and NAS220 on Quality Control for Audits of Historical Financial Information as Exposure Draft.

Following paragraphs provides for main features of these standards which are landmark for ensuring quality of the services offered by the member of the Institute.

NSA220: Quality Control for Audits of Historical Financial Information provides that:

- The engagement team should implement quality control procedures that are applicable to the individual audit engagement.
- The engagement partner should take responsibility for the overall quality on each audit.
- The engagement partner should consider whether members of the engagement team have complied with ethical requirements
- The engagement partner should be satisfied that appropriate procedures regarding acceptance and continuance of client relationship and conclusion there in have been documented.
- Before the auditor's report is issued, the engagement partner, through review of audit documentation and discussion with the team, should be satisfied that sufficient appropriate audit evidence has been obtained to support conclusions reached.
- Where differences in opinion arise within the engagement team, with those consulted and engagement partner and quality reviewer, the team should follow firm's policies and procedures in dealing with the issues.
- For audits of FS of listed entities, the engagement partner should:
  - Determine that an engagement quality control reviewer has been appointed;
  - Discuss significant matters arising during the audit engagement with the quality reviewer; and
  - Not issue the auditor's report until the completion of the engagement quality control review.

NSQC 1: Quality control for firms that perform audits and review of Historical FI and Other Assurance and related Service Engagements provides:

- for policies and procedures of an audit firm regarding audit work generally, and
- for firm's procedures regarding the work delegated to assistance on an individual audit

As per NSQC1:

- The firm's system of quality control should include policies and procedures addressing each of the following elements:
  - Leadership responsibilities for quality within the firm
  - Ethical requirements to be complied with all the members of the audit team
  - Acceptance and continuance of client relationship and specific engagements
  - Human Resources
  - Engagement performance; and
  - Monitoring
- The quality control policies and procedures should be documented and communicated to firm's personnel

Although compliance with the requirement of the above mentioned auditing standards is difficult and costly, each auditor has to make a plan to gradually attain the heights so that auditor's job is continually regarded as independent, reliable and credible in the eyes of all the stakeholders including regulators, investors and society at large.

Conclusion

As a bonafide member of the Institute upholding the image of the profession and its acceptability by the society as value provider, each one of us shall contribute to disseminate true meaning of audit, its limitations and quality assurance procedures implemented to ensure that jobs performed by an auditor is regarded as highly professional and with due professional care so that the financial statement signed by them retains its credibility. Let's join hands to build new Nepal by narrowing the expectation gap and maintaining high standards of professional conduct. ❑

An Importance of IPSAS Cash Basis in Nepalese Perspective

Mahesh Guragain, FCA

With a joint effort of International Organisation of Supreme Audit Institutions (INTOSAI) and International Federation of Accountants (IFAC) a Public Sector Accounting Standards Board (IPSASB) was formed under IFAC to set up accounting standards in Public Sector. IPSASB is working independently from its beginning and had pronounced the Cash Basis International Public Sector Accounting Standards (IPSAS) in 2003 and referred to as *IPSAS Cash Basis.* IPSASB has revised IPSAS Cash Basis twice in 2006 and in 2003. To date, IPSASB has developed 26 Public Sector Accounting Standards (ASs) based on the accrual system of accounting and these ASs are referred to as *IPSAS* only.

As per IFAC "*The objective of the IPSASB is to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. This will enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management*".

Similarly, IPSASB has put its message in developing IPSAS both in cash and accrual based accounting that IPSASB *recognizes the significant benefits of achieving consistent and comparable financial information across jurisdictions and it believes that the IPSASs will play a key role in enabling these benefits to be realized. IPSASs are being prepared for application by entities adopting the accrual basis of accounting and for application by entities adopting the cash basis of accounting.*

IPSASB hence encourages all governments to apply IPSAS. If governments are not able to apply IPSAS then they are recommended to apply IPSAS in Cash Basis for better presentation of public sectors' general purpose financial statements for its reliability.

Based on information provided by IPSASB, more than 50 countries have either adopted IPSASs or are in process to adopt IPSASs and more than 20 countries have either adopted IPSAS Cash Basis or in process to adopt IPSAS Cash Basis.

Here, the term *public sector* for the purpose of public sector accounting includes all government agencies, ministries, departments, secretariats other than business enterprises and autonomous bodies enacted by separate act of parliament. Government owned business enterprises (GoB), autonomous bodies and regulating authorities are not included under the term *public sector* and hence are required to follow Accounting Standards applicable to commercial entities. In Nepalese context all government owned business enterprises are required to follow International Accounting or International Financial Reporting Standards (IAS/IFRS) or Nepal Accounting Standards (NASs). Some of regulating bodies are required to follow IAS/IFRS, like Nepal Rastra Bank (the central bank of Nepal) whereas others are required to follow Nepal Accounting Standards (NASs) like, Beema Samittee (Insurance Authority), Nepal Telecommunications Authority and Civil Aviation Authority and so on.

Based on the information provided by various government agencies, GoN introduced treasury system from the era of first elected government i.e. from 1960 (2016 B.S.) Similarly double entry book keeping system for government sector was also introduced around the same time. Even though there are many shortfalls and weakness in GoN's Financial Reporting system, it continues to be in use till date. GoN's financial statements are not as per the format prescribed by IPSAS Cash Basis and they are also not a general purpose financial statements for whole financial transactions of an entity (like opening balances, income and expenditures of the financial year and closing balance at the end of the year), they are only serving as a statement of budget utilisation. GoN has admitted the scantiness in its financial reporting system and has carried out some notable assessments in public sector accounting and financial reporting. Some of major studies and assessments of GoN and donors working with GoN are:

a. Country Financial Accountability Assessment (CFAA) 2003,
b. Public Sector Accounting and Auditing: A comparison to International Standards, 2007,

c. Public Expenditure and Financial Accountability (PEFA), 2008

Over IPSAS cash basis and develop Cash Basis Public Sector Accounting Standards based of IPSAS cash basis.

ASB is working for the development of the Cash Basis Nepal Public Sector Accounting Standards (NPSAS) with a support of experts in public sector accounting. ASB has developed NPSAS based on IPSAS but there are minor changes in some paragraphs. These changes do not have material deviations with IPSAS Cash Basis. In introductions part of IPSAS Cash Basis it is mentioned that IPSASB *recognizes the right of governments and national standard setters to establish guidelines and accounting standards for financial reporting. In the same part it is mentioned that financial statements should be described as complying with this IPSAS only if they comply with all the requirements of Part 1 of IPSAS.* So, ASB has considered these statements of IPSASB that NPSAS should comply with all the requirements of Part I of IPSAS Cash Basis.

In June 2008, ASB has circulated an Exposure Draft of NPSAS among senior officials of Financial Comptroller General Office (FCGO), Auditor General Office (OAG), the Institute of Chartered Accountants of Nepal (ICAN), Ministry of Finance (MoF) and major international development partners working in Nepal. As per the recommendation of Comparison to International Standards 2007 and PEFA 2008 ASB has chosen Sri-Lankan financial reporting under IPSAS Cash Basis as a model practices.

ASB is planning to submit NPSAS cash basis to GoN in July 2008 with reporting format of GoN's Financial Statement for Receipts and Payment, Cash Flows, Disclosure of Accounting Policies and Notes to Accounts. Once the GoN take decision to introduce NPSAS cash basis in public sector accounting some of major changes in GoN's financial reporting (which are not in practice to date) will be as follows:

- Consolidated financial statement with Accounting Policies and Disclosures,
- Explanatory Notes,
- Jointly signed by Secretary of Ministries and FCGO- Ministry's Consolidated Financial Statement,
- Jointly signed by Finance Secretary and FCGO- Country Consolidated Financial Statement,
- Certification of Financial Statements by Office of the Auditor General,
- Public Access- Publicity of Annual Audited Financial Statements with Auditor General's Report,
- Transparency and Accountability through proper and adequate disclosures of collection and uses of public resources,
- Compliance with IPSAS,
- Universality in Practices and wide acceptance,
- Presentation of Audited figures in the Budget Document.

It is therefore, all are waiting for the GoN's decisions for the adoption of IPSAS Cash basis in Public sector financial reporting that will enhance the credibility of GoN's and harmonising Nepalese initiatives with the global practices. ❑

Issues in International Public Sector Accounting Reforms

Dr. Pawan Adhikari and Dr. Levi Gårseth-Nesbakk[1]

This paper is the proceeding of the 8th OECD Annual Public Sector Accrual Symposium. The authors attended the symposium this year, which was held in Paris, March 3-4. Every year, the OECD organizes public sector accrual symposium in order to serve as a forum for exchange of information on the latest development in public sector accounting, as well as on reform projects in member countries. The symposium has also been an arena for international organizations such as the International Accounting Standards Board (IASB), Financial Accounting Standards Board (FASB), and International Public Sector Accounting Standards Board (IPSASB) to put forth their projects and work plans into discussions and solicit ideas of member countries.

The OECD members are at the forefront in public sector reforms. The contemporary governments in OECD countries are claimed to be more efficient, more transparent, and more focused on performance than 20 years ago (OECD, 2005). Indeed, for many years, the adoption of accrual accounting dominated public sector reforms within the OECD reign. Presently, many of the OECD countries practice some forms of accrual accounting in their public sectors, albeit in various forms and degrees. Moreover, eight member countries including Australia, Canada, Finland, France, Greece, New Zealand, Sweden, Switzerland, UK, and USA prepare their consolidated financial statements for whole of government on the accrual basis. Over time the reform agendas have expanded beyond merely discussions over accrual accounting to other public financial reforms. This paper discusses those contemporary issues in international public sector accounting that dominated the 8th OECD annual public sector accrual symposium. They were; 'recent and ongoing IPSAS projects/issues', 'applying accrual concepts for budgeting', 'accounting for public private partnerships', 'long-term fiscal sustainability reporting', and 'recent and ongoing IASB projects/issues'.

Recent and Ongoing IPSAS Projects/ Issues

The IFAC's (International Federation of Accountants) International Public Sector Accounting Standards Board (IPSASB) claims that almost 70 countries have agreed to process or have a project in place to adopt IPSASs or align with IPSASs. In fact, the majority of these countries represent developing and those in transition. Reports on the accounting and auditing gap assessment, prepared by the World Bank for the South Asian countries, for instance, show that all South Asian countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) are either making or are committed to making a transition towards IPSASs (Subramanian, 2007). Interestingly, a vast majority of OECD countries have not yet taken a step towards achieving convergence of their existing public sector accounting standards with IPSASs. However, the OECD countries have a significant impact on the IPSASB's works and projects. Eleven out of the fifteen members in the IPSASB - Australia, Canada, France, Japan, the Netherlands, New Zealand, Norway, Turkey, UK, and USA (2 members) - represent the OECD. Moreover, Switzerland, Canada, and Italy which have sent public members to the IPSASB are also OECD members.

The IPSASB's strategic themes and projects have therefore become a dominant agenda in each annual OECD forum. The recent strategic themes of the IPSASB concern with 'conceptual framework for the public sector', 'convergence with statistical bases', and 'IFRS convergence'. The topics, suggested to be included in the Conceptual Framework, are divided into two groups. Group 1(consultative document topics), which will undergo a final review in June 2008, include objectives, reporting entity, scope, and qualitative characteristics. Group 2-topics are

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scheduled to be considered in June 2008. The IPSASB chairs the Working Group I of the Task Force on Harmonization of Public Sector Accounting (TFHPSA) in order to achieve convergence between the IPSASs and the GFSM 2001. To promote convergence with IFRSs, the IPSASB has developed a convergence strategy, also referred to as the rules of the road. Recently, two IPSASs, i.e. IPSAS 24 Employee Benefits and IPSAS 26 Impairment of Cash Generating Assets, are being updated in line with the respective IFRSs. Other ongoing IFRS convergence topics include the update of IPSAS 15 Financial Instruments: Disclosure and Presentation in line with IAS 32 and develop an IPSAS on disclosure based on IFRS 7.

Applying Accrual Concepts for Budgeting

Accrual budgeting concerns with the recording of budgetary costs based on financial accounting concepts (GAO, 2007). Although lagging accrual accounting in terms of public attraction, accrual budgeting has increasingly become a part of broader public sector management reforms in many OECD member countries in recent years. Presently, four OECD members- Australia, New Zealand, Switzerland, and UK- have been using a full accrual basis budgeting with a view to increasing transparency and improving government performance. Canada, Denmark, Finland, Iceland, Italy, and USA use accrual information selectively and are attempting to expand the use of accruals. The experience of these countries demonstrates that accrual budgeting can be useful for recognizing the full costs of certain programs, such as public employee pensions and retiree health, insurance, veterans benefits, and environmental liabilities, which will require further cash resources. However, it is striking that many of these countries have not employed accrual budgeting for recognizing their longer-term fiscal challenges that are driven by public pension and social insurance. Moreover, the member countries have adopted different approaches while designing their accrual budgets, which range from full accrual at all levels of government to accrual limited to government wide surplus/deficit.

A number of implementation challenges have however been cited by the countries practicing accrual budgeting. Many countries have, for instance, experienced accrual based measures volatility due to changes in the value of assets or liabilities or changes in assumptions (interest rates, inflation, and productivity) used to estimate future payments every year. Another striking challenge is claimed to be the management and oversight of non-cash expenses. This has led many member countries to reconsider the expansion of accrual budgeting, the USA serving as an example. Moreover, this inherent complexity of using accrual budgeting has drawn some critical sentiments among the member countries. For instance, Norway and Sweden have rejected accrual budgeting by explicating that cash budgeting is adequate for them to maintain control over resources (GAO, 2007). We expect that accrual budgeting will continue to draw attention of the member countries and occupy a central position in broader public management reforms in the future.

Accounting for Public-Private Partnerships (PPPs)

An international trend towards 'Public-Private Partnerships (herewith, PPP)', started in the late 1990s. The European Commission (2003) defines PPP as "the transfer to the private sector of investment projects that traditionally have been executed or financed by the public sector". The IPSASB is, however, much focused on 'Service Concession Arrangements (SCAs)', a special subset of PPP arrangements. The SCAs are seemed to be different from other types of PPPs in that the risks and benefits associated with construction, owning, controlling, and operating the underlying property are shared to a large extent by both the public sector entity and private sector entity involved in the agreement (IPSASB, 2008a).

The majority of OECD members now have well established and distinct PPP/ SCA programs in diversity of areas: transport (road); education; environmental protection; hospitals; housing; and prisons. However, there is a lack of clarity in the way of accounting and financial reporting guidance specific to PPPs/ SCAs. Among the existing regulations for accounting of PPPs, the European Commission's (EC) (Eurostat) statistical approach is explicitly focused on economic risks. The UK Accounting Standards Board's approach concerns mostly with economic risks and rewards. While the IASB presents a control approach (IFRIC 12 Service Concession Agreement), the South Africa's Accounting Standards Board has adopted an asset reversion approach. Many countries still practice their existing authoritative accounting and financial reporting guidance, such as general accounting frameworks and leasing standards in order to account for the property associated with SCAs (IPSASB, 2008a). Given this diversity, a Consultation Paper (CP) on "Accounting and Financial Reporting for Service Concession Arrangements" is being developed, as a collaborative effort between the IPSASB and National Standards Setters (NSS). The main purpose of the Consultation Paper is to determine which types of public-private partnerships need specific accounting and financial reporting guidance and to provide accounting and financial reporting guidance to the public sector. The development of the CP is envisaged as a means of closing loopholes in the existing regulations and promoting transparency about the fiscal consequences of PPP/SCAs.

Long-Term Fiscal Sustainability Reporting

The IPSASB has recently undertaken a project aiming at developing a Consultation Paper (CP) on 'long term fiscal sustainability reporting'. A core issue seems to be to agree on a definition of long-term fiscal sustainability that could be globally accepted. Presently, many of the countries and supra national bodies that prepare reports on the long-term fiscal sustainability of government programs publicly available have defined the term in the context of medium term fiscal planning or budgetary frameworks. Their long-term fiscal sustainability reporting is much linked to specific targets such as a pre-determined net debt/gross domestic product (GDP) ratio or net debt/GDP per capital ratio. Government spending in these countries/ organizations is defined as fiscally sustainable if contained within these pre-determined and publicly communicated targets over a certain period. This definition of long-term fiscal sustainability is argued to be inadequate, especially for national governments (IPSASB, 2008b).

Another important aspect of the CP project will be to analyze the existing approaches to long-term fiscal reporting in jurisdictions. By analyzing the existing approaches, the CP aims at evaluating whether such principles and standards are relevant for long term fiscal sustainability reporting and whether a complementary approach should be adopted. Among the approaches to long-term fiscal sustainability reporting, the EC's approach, the US Financial Accounting Standards Advisory Board's (FASAB) standard at the federal level, and ongoing projects in the USA, Canada and other countries have actually drawn a particular attention. The EC, for instance, assesses the sustainability of the public finances of each member state of EU every 4 years on the basis of the medium term budgetary plans. The US government includes a statement of social insurance (SOSI) in its financial reports for the federal level. The FASAB has also developed a standard, SFFAS 17 "Accounting for Social Insurance (Revised 2006)", which provides requirements for SOSI at the federal level. In addition, the US Governmental Accounting Standards Board has a project on economic condition tailored to the state, local and municipal level. The Canadian Public Sector Accounting Board has also embarked on a similar project on indicators of financial condition. The project is intended to develop guidance in the form of a statement of recommended practice. Moreover, many other standards setters have projects considering perspective information and narrative reporting (IPSASB, 2008b).

Recent and Ongoing IASB Projects/ Issues

Although the IASB's works are explicitly oriented towards the private sector, they have drawn a significant attention of the public sector accounting practitioners. There are at least two factors that have made the IASB's recent and ongoing projects an agenda for discussion in the OECD forum. Firstly, three OECD members including Australia, New Zealand, and the UK (more recently) have adopted a sector-neutral approach to accounting standards setting. These three countries have adopted IFRS standards applicable for all reporting entities across all sectors - private and public. This also means that the private sector accounting issues, particularly the IASB's issues, have taken precedence over those of the public sector in these countries.

Secondly, a large number of IPSASs are based on IFRSs, with public sector modifications, and draw on concepts and definitions in the IASB framework. However, after signing a Memorandum of Understanding (MOU) with the FASB, the IASB has paid even more attention to capital markets - thereby increasing the gap between private and public sector reporting (Loweth, 2008). In addition, the Discussion Paper on the joint Conceptual Framework of these two boards, which is being developed, has pinpointed investors and creditors as being the primary users of the financial statements denying the concept of a broadly defined stakeholder group as found in the pubic sector (Christine et al., 2007). Moreover, the framework has put more emphasis on decision usefulness as the fundamental objective of financial reporting rather than public accountability, which is considered more important for public sector users. Some OECD members including Australia, Canada, New Zealand, and the UK have therefore established a monitoring group that could act on behalf of the IPSASB. The group monitors the IASB/FASB projects from the perspective of public-benefit entities that are omitted in the project. Moreover, it is tasked with considering and, where appropriate, suggesting amendments to address those issues and put them to the IASB/FASB projects. As the IASB's activities and issues are impacting upon the public sector in one way or another, the former will continue to be an important agenda in the OECD forums.

Conclusion

Public sector reforms in OECD countries are now not confined to adopting the accrual basis of accounting. Over time, issues such as accrual budgeting, accounting for PPPs, long-term fiscal sustainability reporting, just to name a few, have evolved and are occupying a central position in public sector accounting reforms. Moreover, the OECD members have been closely scrutinizing the activities of international organizations such as the IASB and IPSASB and providing them with valuable comments and guidance in dealing with public sector reform issues. As the OECD members are considered leaders in public sector reforms, the agendas put forth for discussions in the annual forums are likely to penetrate other developing countries and countries in transition. In the coming days, developing countries, for instance, Nepal, should, therefore, be prepared to tackle these new issues of public sector reforms along with the general issues such as adopting public sector accounting standards and making a transition towards the accrual basis of accounting that are now on top of the reform agendas.

Nonetheless, it is noteworthy that the OECD countries to a large extent decide the works and programs of the IPSASB. At the same time, Nepal along with other South Asian countries is proceeding towards IPSASs, whereas the majority of the OECD countries have not yet fully complied with IPSASs. Thus, paradoxically, those countries that are involved in setting the standards do not fully comply with them, yet are expecting others to do so. If this trend continues, it may, with time, be necessary to alter the composition of the IPSASB, to reflect the voice of those countries that have gained experience in most, if not all IPSAS areas, rather than only some areas.

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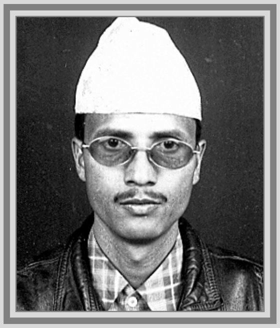
CONGRATULATIONS



We congratulate our Registered Auditor Member Mr. Sher Bahadur Kunwar, (M.No. 6788, 'C' class) for being elected in constituient Assembly from Achham Constituent No. 1 under the First Past the Post System.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

Water into watts and watts into wealth

Anal Raj Bhattarai, FCA

1. 1. Preface

Power is vital input needed to fuel the engine of economic growth and to fulfill the basic needs of the entire population of the country. Power is the most critical input for agricultural, industrial production, IT & telecommunications and raising the quality of life of people. It is well understood that the "marginal productivity" of power in the rest of economy is far greater than the cost of power. Energy differentiates a least developed or developing economy from a developed economy. One of the major issues in power sector is, "raising of funds for developing power projects and generating energy" to meet the demand & supply gap. This means that power development ought to be the top most economic priority of the country. It also means that there are opportunities for financing power projects, so that power sector does not suffer for scantiness of resources.

Nepal is facing a severe electricity crisis. Like a mirror, this crisis reflects some inherent problems in the Nepalese electricity industry. The current electricity crisis is caused by various economic, political, and technical factors. They can be roughly categorized as shortage of generating capacity; less flexible transmission and distribution network; lack of an effective pricing mechanism; shortage of fuel; and environmental problems. In any economy, electricity supply and development are based on the prediction of future electricity demand. In a market system, decisions are collectively made by independent market entities, including power plants, utilities, consumers and, probably, a regulator as well. It is generally accepted that there is a significant and stable positive correlation between economic growth and electricity consumption. The electricity industry is an integrated part of the national economy.

The explosion of global capital markets and the associated expansion of private capital flows to emerging market economies provide new opportunities to finance infrastructure projects in Nepal, if the projects can be made commercially viable. Several experienced international companies are interested in investing in infrastructure development in Nepal provided the overall investment climate is perceived as attractive. Therefore, evaluation of electricity issues could not be succeed without taking into consideration the broader economic environment.

1.2 Key players

The parties involved will vary, depending on how the project is financed. A large hydropower utility may design, construct and finance a new hydropower project with a minimum involvement from other parties. In most cases, however, the project will involve several parties like: developer, lender, shareholders, contractors, etc. This section provides a general discussion of the parties involved and their interests in the power project.

1.2.1 Sponsor

The sponsor is the government agency or utility that is promoting a project. A private company that requires power may be the sponsor, but it may not want to build or own the plant. For large hydropower projects, the sponsor will normally be the national government or a government agency that wishes to improve the power-supply situation and to control the development of the power sector. For small hydropower projects the role of the sponsor is often less important. The project may be a part of a national or regional electrification programme with a government sponsor. However, in many cases the owners of the water rights develop small hydro projects.

1.2.2 Developer

The developer is the most important participant in the development project. They must acquire the necessary permissions to develop, sign contracts with consultants, contractors and equipment suppliers, arrange a power purchase contract and secure the necessary financial resources for the development.

1.2.3 Lenders

Normally a bank or other investment institution will provide the majority of the financial resources needed, often in the order of 60 - 80 %. The lenders may be agencies established for the specific purpose of facilitating investment in the national infrastructure, e.g. the World Bank. They will provide financing at more favorable terms than can be obtained on the private market. Private agencies such as commercial banks and insurance companies can also provide funding for hydro projects. However, as their main concern is to earn money, their interest rates will be higher backed by shorter payback periods. In order to fulfill the financial need, the developer must convince lenders about the project's economic feasibility and could provide security for the lenders' involvement.

1.2.4 Investors

In most projects, bank loans will provide the largest proportion of the financial resources required. However, the last 20 - 30 % of the financing, the equity capital, must be provided through other sources. This capital is poorly secured and has the lowest claim on the project's assets and cash flow. In return for taking this risk, the investors will expect to have strong influence on the project, high-anticipated profits or other special benefits.

The project may be organized as a shareholders' company with the investors receiving shares in return for the equity they provide.

Possible investors include:

1. Power utilities that wish to influence or control the electricity supply in an area.
2. Industrial companies that wish to have access to power production utilities.
3. Local industry or local government agencies that provide venture capital to promote electrification in their area.
4. Financial institutions that are interested in long-term investments.

1.2.5 Power purchaser

The power purchaser will normally be a national or regional power utility or distribution company. It is also possible that the power will be sold directly to an end user, or to a power broker. The agreement between the developer and the user is spelled out in detail in the Power Purchase Agreement (PPA). It expresses the amount of power to be supplied, prices and the price regulation agreement, and penalty clauses The PPA is extremely important for project development. It is the lenders' main security that the project will be able to pay its debts. Without it, limited-recourse project financing is impossible.

1.2.6 Contractor

The traditional approach in the direction of hydropower construction has been to let separate contracts for the individual elements of the project. The developer will also need an engineering firm to plan and describe the project, and for project control as well. As several parties are involved, it may be difficult to assign the responsibility for cost overruns or delays.

As an alternative, a single contractor can be used and sign a turnkey contract. The responsibility for completion normally lies then with the contractor, to whom the risk, or a large portion of it, is transferred. Financiers may insist on a turnkey contract to avoid the risk associated with the project construction and performance. The contractor will demand a higher contract price in return for assuming the risk.

1. 3. Resources requirements of the power sector of Nepal:

Nepal is facing formidable challenges in meeting its power and energy needs and providing adequate power of desired quality in a sustainable manner and at reasonable costs. Meeting the increasing demand of 8 -10 % (around 50-60 MW) annually require incremental investment in the range of Rs.7-10 billion. The difference in requirement and availability of finance is obviously gigantic. In many cases, arranging financing will be an important obstacle when developing a small hydro project, the most important reasons being:

1. Large up-front investment and very limited possibilities of gradual development.
2. The long-term nature of hydropower does not match the typical financial terms well. The risks involved in hydropower are not well understood and addressed by the lenders.
3. There is a wide gap between demand and supply of power in the country. Serious efforts are required to finance projects to meet this extensive gap.
4. Even though the Government has expected high investment from private players in energy sector, private sector still worry due to current non-economic situations due to which the massive differences between target and achievements have been observed.

Despite these apparently favourable circumstances, the experience in introducing private investment into infrastructure development has been mixed at best. There have been some notable successes, but the pace of implementation has been much slower than was initially expected. The slow pace has not only reflected the lack of private capital but also inefficient regulatory framework.

The resources available are inadequate to meet most of the infrastructure needs. The infrastructure financing needs of our county alone are going to run into the trillions of Rupees over the next few decades--and present banking system and public institutions alone simply will not be able to pick up the tab.

2. Financing strategies for small hydropower projects

The construction and financing of power-generation projects has traditionally been the domain of public sector. However, private investment and ownership of power generation utilities have increased continuously in recent years. This is a consequence of a general liberalization of the power market. Another fact for this development is that, the funding from government and international agencies has become steadily more difficult to secure. There are three important reasons to portray the raising importance for loans and equity capital from private sector which are as follows:

1. Risk associated with investment in hydropower projects is often regarded as being higher than other corporate financing.
2. The large up-front investment is required for hydropower development.
3. The economic lifetime of a hydropower project is often far longer than the repayment period of loan.

2.1. Financing alternatives

Many projects around the world are structured and financed on the BOT model. There are a great number of varieties (and accompanying acronyms) and some of the more common are:

DBFO-design, build, finance, operate
DBOM-design, build, operate, maintain
BOT-build, operate, transfer
DBOT-design, build, operate, transfer
FBOOT-finance, build, own,
BOD-build, operate, deliver operate, transfer
BOO-build, own, operate BOOST-build, own, operate, subsidise, transfer

The basis for all projects structured on the BOT model is likely to be the granting of a concession or license (or similar facilities) for a period of years involving the transfer and re-transfer of all or some of the project assets. The concession agreement will, therefore, be the key project document and as such is likely to be examined with considerable care by the project lenders. Under the concession arrangements, the project company will usually own and operate the project for the duration of the concession. The revenue produced by the project will be used by the project company to repay the project loans, operate the concession and recover the investment of the sponsors plus a profit margin. A very common variant of the BOT model is the BOO (Build Own Operate) project which is structured on similar lines to a BOT project but without the re-transfer of project assets at the end of the concession period.

Financing can be a major problem in many small hydro projects. In many cases, the developer does neither have sufficient funds for self-financing, nor have the sufficient assets to provide security for a bank loan. Financing alternatives for small hydro projects, the essential factors that must be considered when selecting the financing strategies and government incentives for promoting small hydro are summarized below:

2.1.1. In-house funds

The developer's accumulated reserves may be used to finance a project. This may involve developer's in-house funds or personal reserves. As hydropower projects involve relatively large up-front investments, the use of in-house funds as the sole source of finance is only possible for the smallest hydropower projects.

2.1.2. Ordinary bank loans (on balance sheet financing)

A bank loan supplies the majority of the required capital (60 - 80 %). Loans are secured against assets or property owned by the developer. Bank loans are relatively simple to arrange if the developer can provide sufficient security for the bank's involvement. As the lender's interests are well secured, the need for a tight network of contracts to control risk can be relaxed, making the financing structure more flexible. This reduces the time and cost involved in arranging the loan. In addition, good security for the lender will normally result in lower annual borrowing costs.

2.1.3. Co-development with a financially strong partner

The project is developed as a joint venture with a financially strong partner. A strong partner may provide equity capital and offer security for bank loans (assets/property). In addition to their risk-sharing potential, the partners may also be selected based on their ability to provide expertise important for the project (engineering, finance, and power market).

2.1.4. Limited recourse project financing

According to the historians, project financing techniques were actively used during Roman times. Sea voyages on the Mediterranean ocean were extremely dangerous adventures in Greek and Roman times, mostly on account of the dual perils of storms and pirates. As a result of these nautical perils, some risk adverse merchants would take out a fenus nauticum (sea loan) with a local lender to share the risk of a particular voyage with that lender. The fenus nauticum worked on the basis that the loan was advanced to the merchant for the purpose of purchasing goods on the outward voyage, which loan would be repayable out of the proceeds of the sale of these goods (or more likely other goods bought overseas with these proceeds).

If the ship did not arrive safely at the home port with the cargo in question on board, then, according to the terms of the fenus nauticum, the loan was not repayable. At the time this was viewed essentially as a form of marine insurance, but it can just as easily be classified as an early form of limited recourse lending, with the lender assuming the risk of the high seas and the perils that accompanied her. History also recounts that, in order to protect their interests, these brave lenders would often send one of their slaves on the voyage to ensure that the merchant was not tempted to cheat on the lender (an early ancestor of the security trustee perhaps).

In modern times too there is plenty of evidence of project financing techniques being used by lenders to finance projects around the world. There is no universally accepted definition of project finance. A typical definition of project financing might be: "The financing of the development or exploitation of a right, natural resource or other asset where the bulk of the financing is to be provided by way of debt and is to be repaid principally out of the assets being financed and their revenues." The overriding aim behind this rather complex definition is to make it clear that the repayment of the loan in question is, essentially, limited to the assets of the project being financed.

The expressions "non-recourse finance" and "limited recourse finance" are often used interchangeably with the term "project finance". In strict terms, non-recourse finance is extremely rare and in most project finance transactions there is some (limited) recourse back to the borrower/sponsor beyond the assets that are being financed. These security may amount to full or partial completion guarantees, undertakings to cover cost overruns or other degrees of support (or comfort) made available by the sponsors/ shareholders or others to the lenders.

Security plays an important role in project financing and problems encountered in perfecting security can often necessitate changes in how a project is to be structured. As in most project financings, the lenders will have no recourse to the project company's assets, other than the project assets, and will look primarily to the cash flow generated by the project to repay loans to the project company, it is crucial in project financing for lenders to ensure that valid and effective security interests are taken over all of the project assets. If problems do arise with the project and the lenders are forced to pursue their security then, in the absence of any shareholder's guarantees or other tangible support, the enforcing of their security over the project assets will be the only opportunity for the lenders to recover their loans.

Therefore, one of the key differences, between project financing and corporate financing lies in the recourse that the lender has to the assets of the borrower. In project financing this recourse is limited to an identifiable pool of assets, whereas in corporate financing the lender will have recourse to all the assets of the borrower (to the extent that these assets have not been charged to other lenders).

2.1.5. Leasing

In general, the types of leases available in the market today can be classified as either operating leases or financial leases. An operating lease is written for a short period of time, from a few months to a few years. The lessor assumes most of the responsibilities of ownership including maintenance, service, insurance, etc. The operational lease is not a long-term financial commitment, and is unlikely to be used for financing equipment in hydropower projects. A typical example is the rental of an office copying machine.

A financial lease (capital lease) is a long-term contract by which the lessee agrees to pay a series of payments that in sum will exceed the purchase price of the asset, and provide the lessor with a profit. The lessee takes on the fundamental ownership responsibilities such as maintenance, insurance, property taxes, etc. Normally the agreement is not cancelable by either party, but may provide clauses that allow canceling of lese only on certain circumstances. Upon termination, the asset is returned to the lessor. Leasing is most suitable for high-volume standard equipment, and is rarely used to finance hydropower equipment. However, this can be an option.

2.1.6. Pay-back using electricity or other goods

As an alternative to paying the debt in cash, the lender may accept payback in electricity or other goods. For example, a company with high power consumption may agree to finance a hydropower project. In return, it receives electric power from the developer (captive generation).

2.1.7. Suppliers' credit

Suppliers are often willing to provide financing for their equipment. The purchase price is often closely linked with the financing terms. The conditions are subject to negotiation, and a competitive situation can significantly improve the terms available.

2.2. Factors which affect the project financing

The developer's financial resources are the first things to consider. The principal question for the developer is: should the project be financed by the use of in house funds, by co-development with a financially strong partner, by ordinary bank loans secured against the developer's other assets or property, or by limited recourse project financing? The financing strategy will affect the developer in several ways. Risk, revenue, and control over the project are all closely related to the financial arrangements.

A financially strong developer can use in-house funds or ordinary bank loans. This gives a large degree of control over the project, which may be an important consideration, particularly if the project is a part of the developer's core activity. However, it also means tying up financial resources for a long time. Management of the project risks is another important consideration. In general, a high level of debt means a high cash-flow risk. Debt service has first claim on project earnings. In project finance, the cash flow risks are higher. In a non-recourse project, the developer's involvement is limited to equity. In a limited-recourse project, the developer has accepted additional undertakings, but the involvement is still limited. The developer will have to pay a price for reducing the risk. The arrangement costs are high and third parties accepting a risk will require a premium.

Securing financing may be a major obstacle in developing a small hydro project, and the efforts involved should not be underestimated. Large-scale capital-intensive projects usually require substantial investments up front and only generate revenues to cover their costs in the long term. Therefore, matching the time profile of debt service and project revenue cash flows implies that on average project finance loans have much longer maturities than other syndicated loans.

3. Financing conditions

For decades, project finance has been the preferred form of financing for large-scale infrastructure projects worldwide. Several studies have emphasized its critical importance, especially for emerging economies, focusing on the link between infrastructure investment and economic growth. The question whether longer maturities are a source of risk is crucial for understanding the distinctive nature of credit risk in project finance.

All aspects of the project should be arranged to control the risk for the lenders, who will wish to see evidence of the project's economic viability. Lender should ask an independent technical report by a credible consultant or document vetted by specialized development agencies. Lender should scrutinize important agreements such as the power purchase agreement, the operating agreement, shareholders' agreement, etc.

The developer may not have sufficient assets to secure a bank loan, or the developer may not wish to bear all the project risk involved in the development. As the lenders cannot rely on the liquidation value of the project (or sponsors) as a means of securing repayment, they will exercising tight control over most aspects of the project development:

- Charge over the physical assets o Assignment of the project contracts
- Contract undertakings o Shareholder undertakings
- Insurance
- Bonding

The lenders must put conditions that project should employ contractors, suppliers and operators that have a strong track record of accomplishment in their field. Whenever possible, the risk is transferred to third parties. A contractor working on a turnkey fixed-price basis can be used to minimize the completion risk. A long-term Power Purchase Agreement mitigates the market risk. The lenders have to even ensure that they have the right to step in and operate the project in the case that it is not paying its debts. Limited-recourse project financing involves a series of complex contractual agreement. The initial arrangement costs are relatively high. In turn, this results in a higher interest rate. For limited-recourse arrangements several additional elements must be considered:

1. **Initial arrangement fee:** The financiers will require an up-front fee for covering the arrangement expenses of financing.
2. **Undertakings:** The lenders may restrict the payment of dividends to shareholders. This is done in order to provide a buffer against unforeseen problems and may amount to half a year of debt service. Payment of dividends may also be cancelled in case the project is performing badly.
3. **Conditions precedent**: A number of conditions must be met before the loan can be drawn. Normally this requires that all contracts be to the bank's satisfaction, that all permits are in place, the existence of a favorable review from an independent technical consultant, all insurances in place etc.
4. **Fees to external experts**: The financiers will require all fees to external legal and technical advisers to be paid by the developer.

Financing conditions depend on the individual project, the financing institution, and the general conditions in the banking industry. In general, 50 % to 80 % of the total cost can be provided as debt. The level of debt that is acceptable to the lender depends on how the loan is secured. A large debt component means increasing the lenders' risk. In turn, this results in a higher interest rate. Financing is a critical activity in developing a small hydro project. Key points for successful project financing are discussed below:

3.1. Consider the need for external advice

The lender should seek professional advice at an early stage in order to determine how to arrange the financing. Key advisers are legal and technical advisers.

3.2. Verification of available resources

Lenders should verify evidence of the water flow available for power production. Reliable assessment of the water flow may be difficult, in particular at small hydro projects. The developer should have at least 12 months of flow data. Correlating them with long-term stream flow or rainfall data from nearby gauging stations should extend the flow measurements.

3.3. Careful structuring of the contractual arrangements

The Lender and their advisers should analyze the project risks and ensure that there are adequate plan for mitigating these risks. The principal agreements that the lender should focus on are:

- Engineering, procurement and construction agreement
- Power purchase agreement
- Operating and maintenance agreement
- Site agreements
- Shareholder agreement

3.4. Insurers

The essence of any project financing is the identification of all key risks associated with the project and the apportionment of those risks among the various parties participate in the project. Without a detailed analysis of these project risks at the outset, the parties would not have a clear understanding of what obligations and liabilities they may be assuming in connection with the project and, therefore, will not be in a position to consider appropriate risk mitigation exercises at the appropriate time. Considerable delays can occur and expense be incurred, Problems may arise when the project is under way and arguments ensue as to who is responsible.

Insurers play a crucial role in most projects. If there is a major catastrophe or casualty affecting the project, then both the sponsors and the lenders will be looking to the insurers to indemnify them against loss. In a great many cases if there was no insurance cover on a total loss of a facility, then the sponsors and lenders would have lost everything. Lenders in particular, therefore, pay close attention not only to the cover provided but also towards who is providing that cover. Most lenders will want to see cover provided by/or reinsured with large international insurance companies.

It is almost certainly impossible to list all the potential problems that could arise with the insurance aspects of a project, but some of the principal concerns from a lenders' perspective might be the following:

1. The policy may be cancelled, either in accordance with its terms, by agreement between the insured and the insurers, or by the brokers for non-payment of premiums.
2. The policy expires and may not be renewed.
3. The policy may be changed so as adversely to affect the cover provided, e.g. the scope of the policy may be narrowed, policy limits may be reduced or deductibles may be increased.
4. The loss may be caused by a peril which was not insured thus, a policy which covers political risks such as war, revolution and insurrection should be checked further to ensure that it also covers politically motivated violent acts such as terrorism or sabotage
5. The policy may be avoided by the insurers, on the grounds of breach of warranty by the insured
6. The insured may not make any (or any timely) claim for indemnity under the policy
7. The insurers may be insolvent and unable to pay a claim
8. The claim may be paid by the insurers to the brokers but somehow lost in the brokers' insolvency

3.5 Information and access

There is often a danger that the project company becomes overwhelmed with the information requirements from the lenders and that the lenders themselves get bombarded with excessive information, a lot of which they don't really need. The supply of reliable and accurate information in connection with a project is of crucial importance for the lenders. Likewise, access to the project and its facilities will also be important for the lenders to be able to check regularly on progress and to monitor compliance with the terms of documentation. The project loan agreement will contain detailed provisions on the type of information required and the frequency of delivery. The following are examples of the type of information usually required by lenders:

1. Annual accounts and financial statements.
2. Periodic (e.g. monthly) progress reports during project construction periods.
3. Architect's certificates etc., accompanying drawdown requests together with supporting invoices.
4. Copies of material notices and communications received under project agreements
5. Copies of communications from relevant authorities.
6. Details of all disputes and claims in connection with the project.
7. Periodic reports from experts.
8. Copies of all insurance documentation and claims.
9. Copies of all consents and permits relating to the project and
10. Certificate of compliance with cover ratios etc.

4. Concluding remarks:

Lender should obtain comprehensive financial model of the project economy. The financial model should focus on project cash flow. The assumptions should be conservative, and a sensitivity analysis should demonstrate the viability of the project for a range of scenarios. The developer should maintain and update a checklist of the outstanding items and issues that must be resolved in the project, together with a plan for how to make progress on each outstanding item.

Private involvement in the energy sector is becoming increasingly important as public funding diminishes. Hydropower projects involve large up front investment, and are often regarded as high risk. Therefore the financing situation for small hydro projects should be improved in the following ways:

1. By supporting developers during an early stage (providing high quality stream flow data, lessening regulatory processes, providing open access policy in transmission),
2. By reducing the risk to the developer and the financier (government incentives and guarantees reducing the risks involved in small hydropower development and operation to make projects more attractive to developers and lenders),
3. By Public incentives (various incentives to promote small hydro development),
4. By Cost reduction (providing fiscal incentives to make the project more profitable) etc.

If these prospects are realized, the challenging dream of "Empowering Nepal" could become a "shining reality"! ❑

ALM in Risk Management Perspective

L. D. Mahat, FCA

Background

Risk is the probability of incurring a loss or damage because of actual outcome being different from the expected outcome. This means that, broader the range of possible outcomes, the greater the risk. Risk is the major constraint on investment whilst return on investment is the major opportunity or benefit generated by it.

Asset-liability management (ALM) can be defined as maximizing the risk-adjusted returns to shareholders over long run. ALM involves techniques to measure the matching of assets and liabilities, thereby assisting in prudent management of the investment portfolio. Thus, the ALM is the management of total balance sheet in terms of size and quality. ALM is aimed for minimizing risks and maximizing returns. The objective of ALM does not necessarily imply achieving a perfect match of assets and liabilities. It is not the exact match that is important but rather the prudent management of mismatch. The focus should be risk control since mismatch will almost always be present. A fully matched position would be one where changes in the present value of assets equal changes in the present value of liabilities.

In early days bankers used to interpret ALM as a system of matching cash inflows and outflows, and thus of liquidity management. They used to think that if a bank meets its cash reserve ratio and statutory liquidity ratio stipulations regularly without undue and frequent resort to purchased funds, it can be said to have a satisfactory system of managing liquidity risks, and, hence, of ALM.

However, in these days the actual concept of ALM is regarded much wider, and of greater importance to banks' performance. Historically, ALM has evolved from the early practice of managing liquidity on the bank's asset side, to a later shift to the liability side, termed liability management, to a still later realization of using both the assets as well as liabilities sides of the balance sheet to achieve optimum resources management. Later on, ALM began to extend beyond the bank treasury to cover the loan and deposit functions. The induction of credit risk into the issue of determining adequacy of bank capital further enlarged the scope of ALM. In the current decade, earning a proper return of bank equity and hence maximization of its market value has meant that ALM covers the management of the entire balance sheet of a bank. This implies that the bank managements are now expected to target required profit levels and ensure minimization of risks to acceptable levels to retain the interest of investors in their banks. This also implies that costing and pricing policies have become of paramount importance in banks.

Significance of ALM

ALM is one of the tools that is assuming significance as an integral part of Bank Management. Many financial systems in the corporate as well as individual context are underpinned by a cash flow balancing (also called matching) activity. The basic aspect of financial planning encompasses such matching activities of cash flows and is given the generic label: ALM. Fundamentally, when a bank has both assets and liabilities, in the course of business, ultimately the banks have to meet commitment on their liabilities, which are sourcing their assets. Many a time two different situations may arise. Assets with a particular maturity may be greater than the liabilities of the same maturity and vice versa. To avoid this financial quagmire, banks require advanced and meticulous financial planning, and in this context, ALM is invaluable.

The basic objective of ALM is to enforce the risk management discipline viz. managing business after assessing the risks involved. Simply stated, Asset Liability Management is the process of planning, controlling, and monitoring a bank's (firm's) assets, liabilities, and capital to achieve financial goals and control financial risk. Today, with an increase in demand for funds, there is a remarkable shift in the features of assets and liabilities of banks. Moreover, intense competition coupled with increasing volatility in the interest rates has prompted the management of banks to strike a balance among spreads, profitability and long-term viability. Therefore, it is imperative for banks to match the maturities of assets and liabilities. Thus, banks in Nepal have started recognizing the importance of Asset Liability Management.

Asset Liability Management Committee

Banks set up ALM Committees (ALCO) consisting of their senior management to manage the bank's assets and liabilities in order to generate sustained and defined levels of profitability consistent with an acceptable and agreed level of risk. ALCO is responsible for deciding the risk management policy of the bank and set guidelines for liquidity, interest rate, foreign exchange and equity price risks. ALCO is involved in balance sheet planning from the risk-return perspective. It is also involved in product pricing for both deposits and advances, desired maturity profile of the incremental assets and liabilities, etc. The ALCO would also articulate the current interest rate view of the bank and base its decisions for future business strategy. For instance, it aids in developing a view on future direction of interest rate movements and decide on a funding mix between fixed vs. floating rate funds, wholesale vs. retail deposits, money market vs. capital market funding, domestic vs. foreign currency funding, etc. Individual banks would decide the frequency for holding their ALCO meetings.

GAP Analysis

Gap analysis is a technique of asset-liability management used to assess interest rate risk or liquidity risk. Gap analysis is widely adopted by financial institutions these days. When used to manage interest rate risk, it was used in tandem with duration analysis. Both techniques have their own strengths and weaknesses.

Duration is appealing because it summarizes, with a single number, exposure to parallel shifts in the term structure of interest rates. It does not address exposure to other term structure movements, such as tilts or bends. Gap analysis is more cumbersome and less widely applicable, but it assesses exposure to a greater variety of term structure movements.

Management of Liquidity Risk

Liquidity risk refers to the risk of the bank being unable to meet any of its obligations either by being unable to continue to obtain funds to meet any of its commitments or having to pay a substantial premium to do so.

In the commercial environment, retaining the confidence of lenders and depositors will increasingly rely on the maintenance of capital adequacy at or above the prescribed levels, financial ratios that indicate viability and sustainability and generate confidence in the market that the institution is able to manage its exposures and all of the associated risks.

The structure shows that in three months, the Bank will receive cash from maturing assets for NRs 1,262 million. However, in three months, the Bank has maturing liabilities of NRs 2,096 million and needs cash (liquidity) to make the repayment. The cash can come from two

To explain liquidity gap, following example may be considered:

Liquidity Risk Assessment of Siddhartha Bank Limited as on 16 July, 2007

Assets	91-180 days	91-180 days	181-270 days	271-365 days	Over 1 Year	Total
Cash Balance	130					130
Balance With Banks	387					387
GON Securities			373	249	4	626
Investment in Shares					15	15
Inter Bank Lending	426			26	1	453
Loans & Advances	245	760	246	433	4,635	6,320
Other Assets	74				47	121
Total Assets	1,262	760	619	709	4,702	8,052
Liabilities						
Borrowings	430					430
Current Deposits & Margins	91				136	227
Savings Deposit & Call Deposits	1,356				2,019	3,375
Fixed Deposits	16	66	273	744	1,924	3,023
Other Liabilities	204					204
Capital & Reserves					794	794
Total Liabilities	2,096	66	273	744	4,873	8,052
Net Financial Assets	(834)	694	347	(35)	(171)	
Cum Net Financial Assets	(834)	(140)	206	171		

Source: Annual Report of the Bank

sources: one is assets maturing in the same period and the other is from an external source.

The same three-month maturity shows there will be a liquidity shortfall, a liquidity gap, and the Bank will have to raise funds from an external source before the end of the month. Liquidity gap analysis gives important information on when and how much an institution will need external funds. A resulting fund-raising plan then minimises default probability.

However, at six months, the Bank's negative liquidity gap gets reduced to NRs 140 million. This means that, after repaying all the maturing liabilities, there will be NRs 694 million cash in hand. Similarly, the Bank will face a different problem because the 9-month liquidity is positive to the amount of NRs 206 million. This means that, after repaying all the maturing liabilities, there will be NRs 347 million cash in hand. The Bank has, therefore, 9 months to identify the most profitable investment option for this money. Liquidity gap analysis helps to plan future investment.

A negative liquidity gap means future fund raising is required and a positive gap means future investment is required. The costs and returns can be forecast by the term structure. So, managing liquidity gap by asset and liability reallocation can help lower funding costs and raising investment returns provide the term structure is known.

Management of Interest Rate Risk

Interest rate risk refers to the potential variability in a bank's net interest income and market value of equity caused by changes in the level of interest rates. The interest rate risk affects the bank in two ways: by affecting the profits due to changes in interest income and by affecting its balance sheet due to changes in market value of balance sheet items. Thus, interest rate risk can be viewed as sensitivity of earnings and market value of instruments to changes in interest rates.

There are many constituents of interest rate risk. A change in the interest rate also affects the rate at which the periodic interest payments are reinvested. Such risk is called the *reinvestment risk.* A risk caused by the two rates not moving in tandem is called the *basis risk.* The possibility of getting the market price of the securities decreased due to increase in interest rates is called the *price risk. Rate level risk* refers to the possibility of a change in the general level of interest rates. A change in the frequency of interest rate fluctuations, which affects the business volume as well as the pricing of the instruments, is called *volatility risk.*

Banks employ various techniques for the management of interest rate risk. Some banks use sensitivity analysis to measure the difference in its rate sensitive assets and rate sensitive liabilities. Splitting of products with uncertain repricing into rate sensitive and rate insensitive balances involves a similar process as their division into core and non-core branches.

A large number of banks use gap analysis to measure the price sensitivity to interest rates. Gap analysis the weighted average maturity in which the weights are stated in present value terms. Gap analysis is just done for managing lending and borrowings. This is because of the notion that the existing balance sheet composition cannot be altered significantly.

One of the ways to eliminate interest rate risk is to have assets and liabilities in such a way that their timings of cash inflows and outflows exactly matches. A portfolio created in such a way is called as dedicated portfolio. Unfortunately, in is almost impossible to exactly match the cash flows in a portfolio in the real practice. The solution for this problem is to forget the matching the cash flows exactly and concentrate on the value of assets and liabilities and to make the value difference interest rate sensitive.

The selection of assets so as to minimize interest rate sensitivity in context of asset-liability management is called as portfolio immunization.

Since the goal of immunization is to make asset-liability mix insensitive to the interest rate fluctuations, the logical starting point is the measurement of interest rate sensitivity. The most widely used measure for interest rate sensitivity is the duration.

While gap analysis is simple to interpret, it has several limitations. The duration values are reliable over short period of time. As the time passes, the duration of assets and liabilities involves changes and such changes are not equal for all instruments included in a portfolio. As the time passes on, the weighting scheme becomes more unreliable. The duration also changes with yields and these changes are not necessarily the same for all the instruments.

Finding assets and liabilities of similar duration is a difficult task for a banker. It would be much easier if the maturity of a loan or security equaled its duration. However, for financial instruments paying out gradually over time, duration is always less than calendar maturity. The more frequently a financial instrument pays interest or repays the principal, the shorter is its duration. To overcome the limitations stated above, a bank has to compute the duration at frequent intervals and readjust the portfolio accordingly.

Conclusion

Today, banks cannot afford to ignore the importance of Asset Liability Management. Identification of the maturity patterns is gaining importance. For traditional gap analysis to be effective the presence of an effective MIS system is imperative.

Banks should also stress on the setting up of good MIS system. A centralized software system facilitates managers to forecast income and portfolio values based on different interest rate assumptions by using stochastic interest rate models, test alternative hedge strategies in real time, combine forecast assumptions between the risk management and business units using advanced forecasting and planning functionality, simulate prepayments and draw-downs, reduce deployment costs and distribute information easily. ❑

RISE IN OIL PRICE, CAUSES, AND IMPACTS

Anupamananda Chhatkuli, CA, LLB

There has been dramatic and unprecedented increase in the price of oil in international market over the past few months and accordingly price of crude oil touched as high as US $141.71 per barrel on June 27, 2008 which is the highest since 1988. This increase has smashed in to some of the international stock market on the same day and has become really the matter of everyone's concern. Before going to the factors underlying in the rise of oil price and effects of such increase, let's have an overview of oil price increases since 2003.

An Overview of Oil Price Increases Since 2003

S.N.	Period/Date	Inflation adjusted price/ barrel of crude oil on New York Mercantile Exchange [NYMEX]
1	From the mid 1980s to September 2003	Generally under $25
2	During 2004	Rose above $40, then $50
3	By August 11, 2005	Exceeded $60
4	In the middle of 2006	Exceeded $75
5	By the early part of 2007	Fell back to $60
6	By October 2007	Rose steeply to $92
7	December 2007	$99.29
Throughout the first half of 2008, oil regularly reached record high prices		
8	On January 2, 2008	Surpassed $100
9	On February 29, 2008	Prices peaked at $103.05
10	On March 12, 2008	Reached $110.20 [the sixth record in seven trading days]
11	On April 22, 2008	Rose to $119.90
12	On May 22, 2008	Passed $135
13	On June 26, 2008	Reached $140.05
14	On June 27, 2008	Touched $141.71
Future Prediction :- OPEC's president predicted prices may reach $170 by the summer		

Source: Various web pages

CAUSES/UNDERLYING FACTORS IN THE RISE OF OIL PRICE

The remarkable increase in the price of oil manifested above, which saw the index rising as high as $141.71 a barrel recently, **is influenced a great deal by investors in international capital markets** that seek to enjoy higher profits by exploiting so-called hedge funds and investing heavily in oil futures that predict a rise in prices. Predictions that above factor and a number of other important reasons, cited below, into consideration are for a higher energy price index over the coming winter months.

The devaluation of the US dollar

Continued weakness in the U.S. dollar, which is almost 50 percent of the euro, is another factor. Oil is priced in United States dollars in the world markets and the decrease in its value has enabled the transfer of capital from currencies such as euro or pound sterling to dollars in order to invest in oil futures and options. Moreover, as long as the dollar loses value there is going to be a steady increase in the price of oil. It is a vicious circle. Along with the devaluation of dollar, one should include the subprime crisis, which has hit investment houses and banks worldwide and led to the transfer of further funds from an ailing real estate sector to the oil sector in the form of contracts that predict the rise of the commodity.

Great Demand for Fuel by Expanding Economies and Established Markets

One great factor contributing to the current rise in worldwide oil prices has been increasing demand, from both expanding economies (such as China and India) and established markets. Demand growth is highest in the developing world. As countries developed, industry, rapid urbanization and higher living standards drive up energy use, most often of oil. Thriving economies such as China and India are quickly becoming large oil consumers.

Since 2004, China has been the second-largest oil consumer, and its accelerating growth of around 10 percent a year seems unstoppable. Because China is in essence a centralized command economy, a prime investment destination and has the largest monetary reserves in the world, it need not worry about a possible recession due to the rising oil prices.

India is the world's twelfth largest economy at market exchange rates and the fourth largest in purchasing power. Economic reforms have transformed it into the second fastest growing large economy and accordingly there has been tremendous growth in multiple sector industries viz. automobiles, cement, chemicals, consumer electronics, food processing, machinery, mining, petroleum, pharmaceuticals, steel, transportation equipment, and textiles. Along with India's fast economic growth, there is growing demand for oil and it is the sixth largest consumer of oil.

The sector that generally sees the highest annual growth in petroleum demand is transportation, in the form of new demand for personal-use vehicles powered by internal combustion engines. Cars and trucks will cause almost 75% of the increase in oil consumption by India and China between 2001 and 2025. As more countries develop, the demand for oil will increase further. This sector also has the highest consumption rates.

Another large factor on petroleum demand has been human population growth. Because world population grew faster than oil production, production per capita peaked in 1979 (preceded by a plateau during the period of 1973-1979).The world's population in 2030 is expected to be double that of 1980.

In the current scenario of continuous price increase, some believe on no necessity of increase in oil production as OPEC regards the world market as saturated and only speculators would benefit from any increase in production. While other says that insufficient oil production, not financial speculation, was driving soaring crude prices and oil production has not kept pace with growing demand, especially from developing countries like China and India. "In the absence of any additional crude supply, for every 1% of crude demand, we will expect a 20% increase in price in order to balance the market,"

Supply

An important contributor to price increases has been the slow down in oil supply growth, which has continued since oil production surpassed new discoveries in 1980. The fact that global oil production will decline at some point, leading to lower supply is the main long-term fundamental cause of rising prices. This is because there is a limited amount of fossil fuel, and the remaining accessible supply is consumed more rapidly each year. Increasingly, remaining reserves become more technically difficult to extract and therefore more expensive. Eventually, reserves will only be economically feasible to extract at extremely high prices. It is thought by many, including energy economists such as Matthew Simmons, that prices could continue to rise indefinitely until a new market equilibrium is reached at which point supply satisfies worldwide demand.

Although there is contention about the exact timing and form of peak oil, there are now very few parties who do not acknowledge that the concept of a production peak is valid , though before the present energy crisis some commentators argued that global warming awareness and new energy sources means that demand may fall before supply, making reserve depletion a non-issue.

In addition, turbulence in the Middle East, the world's largest oil-producing region, has led to decreased exports, especially civil unrest in Iraq after the 2003 U S invasion.So, Iraq by itself is a major issue, since the production of oil in the country is not sufficient to assure a steady flow to the markets, as was the case before the war. For the moment, there are no signs of a positive development in that regard, and it should be noted that Iraq before the war was the second-largest oil producer in OPEC. Outside the Middle East, Venezuela has experienced strikes and political turbulence, and there is growing instability in West Africa.

Alternatively, lower production rates may be due to the fact that oil's historically high ratio of Energy Returned on Energy Invested, continues a significant decline. The increased price of oil also makes other, non-conventional sources of oil attractive to businesses. The most prominent example of this is the massive reserves of the Canadian tar sands. They are a far less cost-efficient source of heavy, low-grade oil than conventional crude, but with oil trading above $60/barrel, the tar sands have become very attractive to exploration and production companies. Recent months have seen billions of dollars invested in the tar (bitumen) sands.

In view of tighter supplies worldwide, terrorist and insurgent groups have increasingly targeted oil and gas installations to maximize both mayhem and political gains. Sometimes, such attacks are perpetrated by militias in regions where oil wealth has produced few tangible benefits for the local citizenry, as is the case in the Niger delta. The terror factor adds an additional premium, including insurance costs, to the price of oil.

Even if total oil supply does not decline, increasing numbers of experts believe the easily accessible sources of light sweet crude are almost exhausted and in future, the world will depend on more expensive sources of heavy oil and renewable energy sources. Various renowned international energy consulting company and energy agency (the price projections of which are used by many official bodies to plan long term strategy in respect of energy mix and price) have now changed their belief that the price of oil would soon return down to 'normal' and the price assessment/prediction prepared for some time before, and now with the recent rises they expects oil to reach $150/barrel during 2008, due to tightness of supply.

While efforts are underway to increase supply, for example through a number of new mines in Canada's tar sands region which is estimated to contain as much "heavy" oil as all the world's reserves of "conventional" oil, such efforts lag behind the increasing demand of recent years. Regulation and environmental efforts have also increased the shortage of oil supply and rise in price of oil.

Inability of OPEC to Operate as a Sole Energy Cartel

Another aspect of the increase in prices can be explained by the inability of OPEC (Organization of Petroleum Exporting Countries) to operate as a sole energy cartel. Even though it currently controls some 40 percent of the overall global oil production, only Saudi Arabia, its primary member, has the ability to increase production on short notice to exercise downward pressure on the markets. Further, the entrance in the past few years of all the major investment brokers into the oil trade in the form of futures and options has lowered OPEC's ability to manipulate prices, which it had been able to do relatively easily since the early 1970's. In short, oil has become a truly global investment proposal and, for the time being, competition has had what we would consider an opposite effect and increased the price; albeit, this effect could be reversed if other factors change as well. It is not improbable that oil prices could plummet if investors start to predict a decrease in prices and, in parallel, the oil producing states manage to enlarge their production.

Various Geopolitical Ambivalences and Conflicts

Another element to notice is the various geopolitical ambivalences and conflicts that hinder political stability in a large segment of Eurasia. Iraq, Iran, the Israeli-Palestinian conflict, and the Turkish-Kurdish skirmishes are all concentrated in the center of gravity of the world oil trade, namely the Middle East. In addition, the ambiguity over the intentions of Hugo Chávez in Venezuela and Vladimir Putin in Russia, are some other parameters of the equation. Finally, Nigeria is in a state of a civil war in areas that contain much of its oil. These countries own bulk of the world's oil resources and until the world order is normalized, at least psychologically, the markets will behave in an asymmetrical way.

Little Investment in the Refinery Sector

Over the past generation there has been little investment in the refinery sector of the oil industry. Both the United States and Russia have neglected to invest in their refinery industries. There are also serious considerations about Russia's ability to manage its energy know-how in order to invest in new oil fields as well. Its future plans for oil transfers and new pipelines might just be pipedreams, while the future seams bleak for the market because it cannot wait for long-term investments.

Financial Causes

These causes for rise in oil price are the opinions/reasons given by various experts/ analysts recently.

- A recent rise in the price of oil had nothing to do with underlying supply and demand; "It's pure speculation".
- "The number of transactions involving oil futures on the New York Mercantile Exchange (NYMEX), the biggest market for oil, has almost tripled since 2004. That neatly mirrors a tripling of the price of oil over the same period."
- What we are experiencing is a demand shock coming from a new category of participant in the commodities futures markets: Explanation given most often for rising oil prices is the increased demand for oil from China. Annual Chinese demand for petroleum has increased over the last five years from 1.88 billion barrels to 2.8 billion barrels, an increase of 920 million barrels. Over the same five-year period, Index Speculators demand for petroleum futures has increased by 848 million barrels. As such, the increase in demand from Index Speculators is almost equal to the increase in demand from China.
- Rise in prices since the credit crunch began in August 2007 was primarily due to short sellers buying back futures contracts so as to minimize their losses.
- Recently, OPEC's Secretary provided statistics supporting rampant speculation in the oil-related financial

markets. According to him, current world consumption of oil at 87 million bpd is far exceeded by the "paper market" for oil, which equals about 1.36 billion bpd, or more than 15 times the actual market demand.

- In response to the possibility that financial speculators artificially inflated the oil market, the US congress began hearings in June 2008 intended to find ways to "tighten restrictions on pension funds, investment banks and other investors that they say are driving up fuel prices."

Other Causes

Beside above, many other issues have also had some effect on oil prices. Labour strikes, hurricane threats to oil platforms, fires and terrorist threats at refineries, and other short-lived problems are also responsible for the higher prices.

For instance, with May 2004 attack on the oil industry complex in Saudi Arabia by Al Qaeda, we witnessed a sudden spike in prices, despite the failure of that attack. One wonders what the consequences of a successful terrorist attack in an oil-producing country would be-a hypothesis regularly discussed by security analysts across the globe. Similarly, On June 6, 2008 prices rose by $11 in 24 hours, the largest gain in history, due to the possibility of an attack on Iran by Israel. Such problems do push prices higher temporarily, but have not historically been fundamental to long-term price increases.

IMPACT OF HIGHER OIL PRICES ON THE GLOBAL ECONOMY

Oil prices remain an important determinant of global economic performance. Overall, an oil-price increase leads to a transfer of income from importing to exporting countries through a shift in terms of trade. The magnitude of direct effect of a given price increase depends on the share of the cost of oil in national income, the degree of dependence on imported oil and the ability of end-users to reduce their consumption and switch away from oil. It also depends on the extent to which gas prices rise in response to an oil-price increase, the gas-intensity of the economy and the impact of higher prices on other forms of energy that compete with or, in the case of electricity, are generated from oil and gas. Naturally, the bigger the oil-price increase and the longer higher prices are sustained, the bigger the macroeconomic impact. For net oil-exporting countries, a price increase directly increases real national income through higher export earnings, though part of this gain would be later offset by losses from lower demand for exports generally due to the economic recession suffered by trading partners.

Adjustment effects, which result from real wage, price and structural rigidities in the economy, add to the direct income effect. Higher oil prices lead to inflation, has increased input costs, reduced non-oil demand and lower investment in net oil importing countries. Tax revenues fall and the budget deficit increases, due to the rigidities in government expenditure, which drives interest rates up. Because of resistance to real declines in wages, an oil price increase typically leads to upward pressure on nominal wage levels. Wage pressures together with reduced demand tend to lead to higher unemployment, at least in the short term. These effects are greater the more sudden and the more pronounced the price increase and are magnified by the impact of higher prices on consumer and business confidence.

An oil-price increase, also changes the balance of trade between countries and exchange rates. Net oil-importing countries normally experience deterioration in their balance of payments, putting downward pressure on exchange rates. As a result, imports become more expensive and exports less valuable, leading to a drop in real national income. Without a change in central bank and government monetary policies, the dollar may tend to rise as oil-producing countries' demand for dollar-denominated international reserve assets grow.

The economic and energy-policy response to a combination of higher inflation, higher unemployment, lower exchange rates and lower real output also affects the overall impact on the economy over the longer term. Government policy cannot eliminate the adverse impacts described above but it can minimize them. Similarly, inappropriate policies can worsen them. Overly contractionary monetary and fiscal policies to contain inflationary pressures could exacerbate the recessionary income and unemployment effects. On the other hand, expansionary monetary and fiscal policies may simply delay the fall in real income necessitated by the increase in oil prices, stoke up inflationary pressures and worsen the impact of higher prices in the long run.

While the general mechanism by which oil prices affect economic performance is generally well understood, the precise dynamics and magnitude of these effects - especially the adjustments to the shift in terms of trade - are uncertain. Quantitative estimates of the overall macroeconomic damage caused by past oil price shocks and the gains from the 1986 price collapse to the economies of oil importing countries vary substantially. This is partly due to the differences in the models used to examine the issue. Nonetheless, the effects were certainly significant: economic growth fell sharply in most oil-importing countries in the two years following the price hikes of 1973/1974 and 1979/1980. Indeed, most of the major economic downturns in the United States, Europe and the Pacific since the 1970s have been preceded by sudden increases in the price of crude oil, although other factors were more important in some cases.

Similarly, the boost to economic growth in oil-exporting countries provided by higher oil prices in the past has always been less than the loss of economic growth in importing countries, such that the net effect has always been negative. The growth of the world economy has always fallen sharply in the wake of each major run-up in oil prices, including that of 1999-2000. This is mainly because the propensity to consume of net importing countries that lose from higher prices is generally higher than that of the exporting countries. Demand in the latter countries tends to rise only gradually in response to higher prices and export earnings, so that net global demand tends to fall in the short term.

IMPACT ON DEVELOPING COUNTRIES AND TRANSITION ECONOMIES

The adverse economic impact of higher oil prices on oil-importing developing countries is generally more pronounced than for OECD (Organisation for Economic Co-operation and Development-an international organisation helping governments tackle the economic, social and governance challenges of a globalised economy) countries. The economic impact on the poorest and most indebted countries like Nepal is most severe. On the basis of IMF estimates, the reduction in GDP in the sustained $10 oil-price increase case would amount to more than 1.5% after one year in those countries.

Asia as a whole, which imports the bulk of its oil, would experience a fall in economic output and deterioration in its current account balance (expressed as a share of GDP) after the price increase. Asia would also experience the largest increase in inflation on the assumption that the increase in international oil price would be quickly passed through into domestic prices. The economies of oil-importing developing countries in Asia and Africa would suffer most from higher oil prices because their economies are more dependent on imported oil. In addition, energy-intensive manufacturing generally accounts for a larger share of their GDP and energy is used less efficiently. On average, oil importing developing countries use more than twice as much oil to produce one unit of economic output as do developed countries.

The vulnerability of oil-importing developing countries to higher oil prices is also exacerbated by their limited ability to switch quickly to alternative fuels, the prices of which may increase more slowly than those of oil products. And an increase in the oil-import bill also tends to destabilize the trade balance and drive up inflation more in developing countries, where institutions responsible for economic management and investor confidence are more fragile. The deterioration in developing countries' terms of trade is often magnified by sharp currency depreciations, as capital inflows slump. Higher oil prices and the subsequent depreciation of their currencies against US dollar, if happens, also raise the cost of servicing external debt. This problem is most pronounced in the poorest developing countries, especially those already running large current account deficits.

IMPLICATIONS ON FINANCIAL MARKETS

Higher oil prices, by affecting economic activity, corporate earnings and inflation, would also have major implications for financial markets - notably equity values, exchange rates and government financing - even, as assumed here, if there are no changes in the monetary policies:

- International capital market valuations of equity and debt in oil-importing countries would be revised downwards and those in oil-exporting countries upwards. To the extent that the creditworthiness of some importing countries that are already running large current account deficits is called into question, there would be upward pressure on interest rates. Tighter monetary policies to contain inflation would add to this pressure.
- Currencies would adjust to changes in trade balances. *Higher oil prices would lead to a rise in the value of the US dollar, to the extent that oil exporters invest part of their windfall earnings in US dollar dominated assets and that transactions demand for dollars, in which oil is priced, increases.* A stronger dollar would raise the cost of servicing the external debt of oil-importing developing countries, as that debt is usually denominated in dollars, exacerbating the economic damage caused by higher oil prices. It would also amplify the impact of higher oil prices in pushing up the oil-import bill at least in the short-term, given the relatively low price-elasticity of oil demand. Past oil shocks provoked debt-management crisis in many developing countries.
- Fiscal imbalances in oil-importing countries caused by lower income would be exacerbated in those developing countries that continue to provide direct subsidies on oil products to protect poor households and domestic industry. The burden of subsidies tends to grow as international prices rise, adding to the pressure on government budgets and increasing political and social tensions like in Nepal.

OTHER IMPLICATIONS

Higher oil prices would also have secondary effects on consumer and business confidence or possible changes in fiscal and monetary policies. The loss of business and consumer confidence resulting from an oil shock could lead to significant shifts in levels and patterns of investment, savings and spending. A loss of confidence and inappropriate policy responses, especially in the oil-importing countries, could amplify the economic effects in the medium term.

The increased impacts directly on natural gas prices will have secondary impact on electricity prices, other than through the general rate of inflation. Higher oil prices would undoubtedly drive up the prices of other fuels, magnifying the overall macroeconomic impact. Rising gas use worldwide will increase this impact. Volatile oil prices also cause macroeconomic damage. Short-term price volatility, which has worsened in recent years, complicates economic management and reduces the efficiency of capital allocation.

CONCLUSIONS

Oil prices will most probably increase further because of the multitude of factors that affect it are not about to change in the near future. It is fair to assume a possibility of higher price during the coming winter term and as an important macroeconomic variable, such higher prices can still inflict substantial damage on the economies of oil-importing countries and on the global economy as a whole. On the other hand, some sectors will benefit considerably from this situation. The charter index prices for oil tankers will most certainly benefit since the buyers will be eager to obtain quantities of the commodity so as to forestall a further increase, a situation that rapidly becomes a spiraling response by the markets. Also, investments in gold and other precious metals is traditionally a method of securing assets in times of uncertainty. The real estate sector in the oil-rich regions might also benefit. So too might associated industries, such as machinery and transportation, as well a recruiting companies specializing in energy industry personnel, energy publications, and so on.

The only certainty is that the global markets will never stop operating, and a recession is just an opportunity to reengineer the existing modus operandi of the economic system. Expect also a strong demand for renewable energy resources (solar, wind, biofuel, nuclear) that, if strongly implemented, will reverse the upward trend in oil prices. This kind of development might indeed be the future, and the current state of affairs may indicate that the era of oil is not over as it has still a mighty role.

So far as our country-Nepal is concerned, whatever the impacts of higher oil prices on poorest and most indebted countries as cited under para - 'impacts on developing countries and transition economies' are applicable at least equally. As Nepal is continuing government subsidy to oil imports, this will add to the pressure on government budgets increasing political and social tensions along with the rise in international prices. IMF has already advised the Nepal Government to further raise the petroleum prices to mitigate the chances of worst future economic imbalance keeping in view the above matters. However, as we all know the our Government is unenthusiastic to make economic planning, analysis of changing economic factors, its implications, and implementation of appropriate governing policy; may be it's because of persistent illiteracy in governance team. Further, our stock market is insensitive to all the global and within the country's economic volatility, and seems particularly focused on fluctuating price based on upcoming rights and bonus issues, that too limited and planned to benefit 'promoters' and 'players'. Eventually, unfortunately, we don't know where our political leaders are driving our country towards, and where the word 'Good' has disappeared from our Governance. ❑

Telecommunication industry - Nepalese context and accounting issue - at a glance

Bishnu Bhandari, CA, LLB

A. Introduction

Telecommunication is an important part of modern society. In 2006, estimates placed the telecommunication industry's revenue at USD 1.2 trillion or just under 3% of the gross world product.

Even in Nepalese context, there has been a consistent increase in revenue from telecommunication industry.

B. Regulatory Body and Major Operators in Nepal

Nepal Telecommunication Authority (NTA) is the regulatory body for telecommunication industry in Nepal. At present, the major incumbent telecommunication service operators in Nepal are as follows:

a. Basic Telephone Service Provider
   - Nepal Doorsanchar Company Limited
   - United Telecom Limited
b. Cellular Moblile service Provider
   - Nepal Doorsanchar Company Limited
   - Spice Nepal Private Limited
c. Rural Telecommunication Service Provider
   - STM Telecom Sanchar Private Limited

Before the entry of private operators, the only telephone service provider in Nepal was the Nepal Telecommunication Corporation (Now, Nepal Doorsanchar Company Limited) enjoying monopoly in the Nepalese Telecommunication market. The cellular mobile service one of the fastest growing telecommunication sectors is very new in Nepalese context, with just three and half years of operation.

The main objectives of the Telecommunication Policy, 2060 issued by NTA

"The main objective of the Telecommunication Policy is to create favorable environment in order to make the telecommunication service reliable and accessible to all people at the reasonable cost throughout the Kingdom in collaboration with the private sector in order to support the social and economic development of the country."

This policy also provides major boost to the telecommunication industry. In addition, it gives ample opportunities to create a conducive environment to invest in telecommunication industry by private sector and extend their services to rural areas as well.

C. Accounting Terminologies and Issues in Telecommunication Industry:

Some of the Key accounting terminologies and issues relating to Telecommunication Industry are discussed below:

License Fee

In Nepal, NTA is the regulatory body for telecommunication industry and the license is provided by it upon the payment of certain fee. The license fee is the one-time fee payable to the regulator for certain years and upon the expiry of such license period it can be renewed thereafter upon payment of renewal fee. The question arises as to the accounting treatment of license fee. To charge off the license fee in the year of payment or to amortize it over the license period is one of the key issue to be discussed.

The treatment of amortizing the license fee over the period of license is based on the view that the benefit from the license can be enjoyed over the period of license. However, with the emerging cases of merger of telecommunication companies and acquisition of the telecommunication license, the reversal of the above treatment deems necessary and in that scenario charging off the license fee in the year of occurrence may also be a better treatment.

Revenue recognition:

This is the most important and critical issue in case of telecommunication sector. There are different categories of income like activation income, airtime income, roaming income, interconnection income, Value Added Service (VAS) income etc.

The activation income is to be recognized on accrual basis. However, as per International Financial Reporting Standards (IFRS), IAS 18, revenue from services to be recognized of proportionate completion method and hence the activation revenue should be recognized on the basis of churn period i.e. an approximate period where customer remains active on the network.

Other important issue is the recognition of prepaid revenue income which holds the substantial share of revenue. The prepaid customer recharges his balances and can use over the validity period of recharge cards. The revenue from such prepaid customer should be recognized over the usage shown by the network. Hence, the largest share of revenue depends upon the usage of network strengthened by robust billing system.

Interconnection Usage Charges (IUCs)

One telecom operator has to connect the networks with the other telecom operator's networks in order to forward the calls made by the customer of that operator to the customer of other operator. For using the network of other operator, the originating operator has to pay the interconnection charges to the terminating operator. NTA has formulated the guidelines to be followed by the operators and pay the IUCs not exceeding the rates prescribed in the guidelines which can mutually be agreed by the operators.

Recently, effective from May 1, 2008, NTA has issued new guidelines Document No. GI065.01 curtailing the IUCs rates substantially.

Depreciation accounting

As per Nepalese Accounting Standards, depreciation is to be provided over the estimated useful life of the assets. But the estimated useful life of the assets is to be defined by the company keeping in view the nature of the business. It is prudent to define the estimated useful life of the assets not exceeding the license period in case of telecommunication industry.

Provision for Debtors

Another key area, in case of telecommunication sector, is the debtor provisioning which may comprise of the provisioning of interconnection, roaming and postpaid debtors. Keeping in view the recoverability of the amount, certain percentage of revenue is to be provided for after analyzing the aging of the debtors.

D. Some Key Performance indicators (KPIs)

Minutes of Usage (MoU)

Minutes of Usage (MoU) is the total duration of minutes a customer usage the network of operator during the particular period. The MoU can be analyzed categorizing;

- the incoming and outgoing minutes
- prepaid and postpaid customer minutes of usage
- number of SMSs
- number of MMSs

Average Revenue per User (ARPU)

Average Revenue per User (ARPU) is the net revenue earned by the operator during the particular period divided by the number of subscribers/users for that period. While calculating ARPU, revenue includes the rental revenue, airtime revenue, VAS revenue and all other revenue as reduced by activation revenue (connection revenue) and handset revenue, if any. Further, ARPU can be calculated separately for prepaid and postpaid subscribers.

Churn

Churn is the total gross customer disconnections in the particular period divided by the average total customers in that period. It means switching over by the subscriber from one operator's network to another operator's network is the churn. Various attractive packages and schemes offered by the operator may control the churn rate.

Revenue per Minutes (RPM)

Revenue per Minute (RPM) is the total revenue generated by the operator divided by the total minutes of usage by the subscribers. This is the blended tariff, which the operator provides through various tariff structures. Generally, the tariff structure for prepaid and postpaid subscriber may be different but RPM gives the average rate of both the services.

E. Legal & Regulatory Issues

Various Tax Structures in case of Telecommunication industry in Nepal

Telephone Service Charge (TSC)

As per Finance Act, every telephone service provider has to pay to Nepal Government the telephone service charge (TSC) at the rate of ten percent from the amount collected from the customer. Further, TSC is to be deposited to Nepal Government along with VAT at the stipulated time.

No TSC is levied on interconnection usage charges (IUCs).

Value Added Tax (VAT)

VAT is levied on every sale or supply of goods or services. As per section 6 (3) of Value Added Tax Act, 2052 the time of supply of services, in case of telecommunication service provider, is at the time of issue of invoice. Further, the amount collected as VAT for a month is to be deposited to Nepal Government within 25th of the following month.

Ownership Tax (OT)

As per Finance Act, an amount equal to Rupees one thousand is to be collected from the customer on connection of telephone. Further, OT is to be collected from the transferee in case there is transfer of ownership from one person to another person.

In case of Prepaid mobile service, OT is to be levied at the rate of two percent on every SIM card and recharge card.

The time line for depositing the collected OT is mentioned nowhere in the act.

Corporate Tax

Corporate tax at the rate of 26.5% is levied on net profit of telephone operator.

VAT on Interconnection charges

As mentioned in the above paragraph, VAT is levied on every sale or supply of goods or services. Principally, VAT is levied on value addition. During the course of providing the services, one telephone operator has to use network of another telephone operator on the calls made by customer of one operator forwarding the calls to the customer of another operator. The originating operator collects all the charges and the taxes (TSC, VAT and OT) from the customer and deposits to the government. Additionally, there is no any value addition on interconnection between the operators.

In the absence of clear cut provision in the law, the operators are facing a problem whether to charge VAT on interconnection or not. At the same time, it is clearly mentioned in the Finance Act that no TSC is levied on Interconnection Usage Charges (IUCs).The government authorities shall provide concrete solution on this issue to the operator.

F. Role of Chartered Accountants

Apart from core finance, the role of Chartered Accountants come in to picture arising to different accounting issues like tariff structure, revenue assurance, business support, process implementation etc. Revenue recognition, reporting requirements etc are the other areas for Chartered Accountants. Further, professional accounting body - The institute of Chartered Accountants of Nepal (ICAN) may consider on issuing the guidance note relating to accounting issues and reporting requirement in order to ensure the uniformity.

G. Conclusion

Nepalese telecommunication industry is growing rapidly. The NTA as the regulatory body should play effective role to provide conducive environment for all telephone operators.

सुरक्षित कारोवार कानूनको कार्यान्वयन र यसको ब्यबशायिक क्षेत्रमा महत्व

तुलबहादुर श्रेष्ठ, आर.ए.

पृठष्भूमि

नेपालमा सुरक्षित कारोवारलाई ब्यबस्थित ढंगले कार्यान्वयन गर्नका लागि सुरक्षित कारोवार ऐन २०६३ लागु गरिएको छ । यस ऐनले चल तथा अमूर्त सम्पत्ति उपर को दायित्व परिपालना गर्ने गराउने र चल सम्पत्तिमा पनि धितोको हक श्रृजना हुन सक्ने , साथै त्यसरी श्रृजित धितोको हकलाई कसरी परिपक्व गर्न सकिन्छ र त्यस्तो चल सम्पति माथिको परिपक्व धितोको हकमा यदि अर्को पक्षको पनि दाबी भएको अबस्थामा कसको हकलाई प्राथमिकता दिने भन्ने र धितोको हकलाइ कसरी कार्यान्वयन गर्न सकिन्छ भन्ने सम्बन्धमा बिशेषत कानूनी ब्यबस्था गरेको पाइन्छ । सुरक्षित कारोवार ऐनमा भएको कानूनी ब्यबस्थाको बारेमा जानकारी राख्न यस कानूनको सैद्धान्तिक पक्षका सम्वन्धमा पनि प्रष्ट हुनु अपरिहार्य भएकोले यस लेखमा सुरक्षित कारोवारको सैद्धान्तिक पक्षलाई ब्याख्यात्मक ढंगले प्रस्तुत गर्ने प्रयास गरिएको छ ।

आधुनिक युगमा ब्यबसायिक कारोवार गर्ने हरेक ब्यबसायीहरुले आफनो पूंजीबाट मात्र ब्यबसाय संचालन गर्ने कुरा असम्भव सावित हुँदै गएको छ । त्यसैले बर्तमानमा कर्जा वा ऋणको जति महत्व छ त्यतिकै महत्व सुरक्षित कारोवारको पनि भएको पाइन्छ । सुरक्षित कारोवारले ऋणी तथा साहु दुवैलाइ फाइदा पुऱ्याएको हुन्छ । आफनो स्वामित्वमा रहेको चल सम्पतिमाथि साहुको पक्षमा धितोको हक श्रृजना गरी ऋणीले कर्जा प्राप्त गर्न सक्तछ भने साहुले पनि आफुले लगानी गरेको ऋणको सुरक्षण बापत ऋणीको स्वामित्वमा रहेको चल सम्पतिमा धितोको हक प्राप्त गर्दछ । यदि ऋणीले समयमा कर्जा चुक्ता नगरेमा साहुले आफुले प्राप्त गरेको धितोको हक कार्यान्वयन धितो चल सम्पतिलाइ बिकी बितरण वा कब्जामा लिइ ऋण असुल गर्न सक्तछ । त्यसैले सुरक्षित कारोवारमा साहु र ऋणी दुवैको हित र स्वार्थलाइ सम्बोधन गरिएको हुन्छ । बर्तमानमा हाम्रो समाजमा टेलिभिजन, मोटरसाइकल, रेफ्रिजरेटर तथा अन्य घरायसी मालसामानहरु दैनिक रुपमा किस्ताबन्दीमा खरिद बिकी गर्ने गरेको पाइन्छ । यस्तो किसिमको खरिद बिकी कारोवारलाई ब्यबस्थित गर्नका लागि सुरक्षित कारोवार सम्बन्धि कानूनको कार्यान्वयन आवश्यक भएको हो ।

दर्ता कार्यालयको स्थापना

चल सम्पत्ति माथिको धितोको हक श्रृजना भएको कुरा देखाउन र त्यसका बारेमा प्राथमिकता कायम गर्नका लागि धितोको हकको दर्ता गर्ने प्रयोजनका लागि सुरक्षित कारोवार दर्ता कार्यालय नाम गरेको एउटा कार्यालय स्थापना गर्ने ब्यबस्था ऐनले गरेको छ । जस्ले चल सम्पत्ति माथि श्रृजना हुने धितोको हकको उचित सुरक्षणको ब्यबस्था गरेको पाइन्छ ।

धितोको सम्पति भनेको के हो ?

यस ऐनमा धितोको सम्पत्ति भन्नाले धितोको हक संग सरोकार भएको कुनैपनि प्रकृतिको अमूर्त सम्पति, जडित सामान, काटनु पर्ने रुख, उत्खनन गर्नुपर्ने खनिज जस्ता चल सम्पत्ति सम्फनु पर्दछ । सो शब्दले भबिष्यमा श्रृजना हुने धितो सम्पत्ति, मुलुक भित्र वा बाहिर रहेको धितोको सम्पत्ति, बिकी गरिएको बहिखाता वा सुरक्षित बिकी करार, पट्टामा दिएको मालसामान तथा धितोको सम्पत्तिबाट प्राप्त लाभांस समेतलाइ सम्फनु पर्दछ ।

सुरक्षित कारोवारको अर्थ

साहूले ऋणीलाई कर्जा उपलब्ध गराउंदा ऋणीकै स्वामित्वमा रहेको चल सम्पत्ति उपर साहुको पक्षमा धितोको हक श्रृजना गराई गरिएको कारोवारलाई सुरक्षित कारोवार - Secured Transaction - भनिन्छ । यस्तो कारोवारमा ऋणीले समयमा साहुको कर्जा चुक्ता नगरेमा साहुको धितोको हक श्रृजना भएको धितोको सम्पतिलाइ बिकी गरी वा कब्जामा लिई आफनो कर्जा असुल उपर गर्ने अधिकार रहन्छ ।

" Secured transaction is a commercial transaction in which the creditor who lend money or sell goods against the security of collateral owned by the debtor."

सुरक्षित कारोवार कानूनको मुख्य लक्ष भनेको चल सम्पतिमा श्रृजना भएको साहुको धितोको हकलाई कसरी सुरक्षित गर्ने भन्ने बिषयमा नै बढी केन्द्रित रहेको पाइन्छ । चल सम्पति एक ठाउंबाट अर्को ठाउंमा सजिलै संग स्थानान्तरण गर्न सकिने अबस्था हुंदा एउटै चल सम्पतिमा एक भन्दा बढी ब्यक्तिलाई धितोमा दिन वा एक भन्दा बढी ब्यक्तिको धितोको हक श्रृजना गर्न सकिने हुंदा यस्तो अबस्थामा कुनै पनि साहुले सजिलै लगानी गर्ने वातावरण नहुन सक्तछ । यस्तो अबस्थालाइ ध्यान दिएर नै सुरक्षित कारोवार ऐनले जुन ऋणीले पहिला धितोको हक श्रृजना गरेको छ त्यसैले पहिलो प्राथमिकता पाउने अबस्थालाई स्विकार गरेको

छ। त्यसैले यस कानूनले बैंक तथा बित्तीय कारोवारमा सुरक्षण बापत राखिने चल सम्पतिको धितो दर्ता गरी त्यस्तो सम्पत्ति उपर धितोको हक श्रृजना गर्न तथा त्यस्तो धितोमा रहेको सम्पत्तिको भोग चलन गराउने कार्यलाइ सरल तथा ब्यबस्थित गर्न उचित कानूनी ब्यबस्था गरेको छ। बिश्वब्यापीकरणको प्रभावका कारण ब्यबसायमा आएको प्रतिस्पर्धामा आफूलाई सजिलै टिकाउने हो भने सुरक्षित कारोवारको सहायता लिन अनिवार्य भएको छ।

धितोको हक सम्बन्धि ब्यबस्था

कृनै ऋणीले आफनो चल सम्पत्ति कसरी धितोको रुपमा राख्न तथा सो चल सम्पतिको सृरक्षणमा कर्जा लगानी गर्ने तथा त्यस्तो धितोको सम्पत्तिमा साहुकै पक्षमा कसरी धितोको हक श्रृजना गर्न सकिन्छ भन्ने वारेमा सुरक्षित कारोवार ऐनले स्पष्ट ब्यबस्था गरेको छ। कुनै पनि साहु यस कानून अनुसार सुरक्षित हुनका लागि ऋणीको चल सम्पति माथि त्यस्तो साहुको पक्षमा धितोको हक श्रृजना भएको हुनु पर्दछ। त्यस्तो साहुको कानून बमोजिम धितोको हक श्रृजना हुन देहायका शर्तहरु पुरा भएको हुनु पर्दछ।

धितोदिने र लिने ब्यक्तिका बिच धितो सम्पत्तिमा धितोको हक श्रृजना हुने गरी सम्झौता भएको हुनु पर्दछ। त्यस्तो सम्झौतामा निम्न बिवरण उल्लेख भएको हुनु पर्दछ।

- सजिलै संग चिन्न सकिने गरी सम्पतिको बिवरण उल्लेख भएको हुनुपर्ने।
- ऋणीले आफुले लिएको ऋण तिर्न कबुल गरेको शर्त उल्लेख हुनु पर्ने।
- ऋणीले भाखाको म्याद भित्र ऋण नतिरेमा साहुको अधिकार उक्त सम्पतिमा हुन्छ भन्ने बारेमा स्पष्ट उल्लेख भएको हुनु पर्ने।
- त्यस्तो सम्झौतामा ऋणीले सही छाप गरेको हुनु पर्ने।
- सुरक्षित पक्ष (साहु) ले ऋणीलाई कुनै किसिमको मूल्य दिएको हुनु पर्ने।
- धितोको रुपमा सुरक्षणमा दिएको सम्पतिमा ऋणीको स्वामित्व वा हक हुनु पर्ने।

यी माथिका सबै शर्त पूरा भएको खण्डमा मात्र ऋणीले धितो राखेको सम्पत्तिमा साहुको धितोको हक श्रृजना भएको हुन्छ। माथि उल्लेखित तत्व मध्ये कुनै तत्वको अभावमा कानून बमोजिम सुरक्षित धितोको हक श्रृजना हुन सक्तैन।

धितोको हकको आबद्धता

धितोको हकको श्रृजना गर्न गरिएको सम्झौता धितोको सम्पतिमा ऋणीको हक तथा साहुले ऋणीलाई धितोको हक प्राप्त गरे बापत मुल्य दिएको रहेछ भने त्यस्तो अबस्थामा धितोको सम्पत्तिमा धितोको हक सुरक्षित मात्र हुदैन कि त्यस्तो धितोको हक ऋणीले सृरक्षणको रुपमा दिएको धितोको सम्पत्तिमा आबद्ध पनि रहेको हुन्छ। धितोमा दिएको सम्पतिमा धितोको हक आबद्ध भए पछि मात्र साहुको धितोको हक प्रभावकारी हुन्छ। जुन मितिमा साहुको धितोको हक धितो दिएको सम्पत्तिमा आबद्ध हुन्छ सो मितिबाट नै साहुको धितोको हक सुरक्षित भएको मानिनेछ।

कस्तो सम्पतिमा धितोको हक श्रृजना हुन सक्तछ ?

सुरक्षित कारोबार कानून अनुसार धितोको हक केवल चल सम्पत्तिमा मात्र श्रृजना हुन सक्तछ। त्यसैले अचल सम्पत्ति माथि श्रृजित धितोको हकका लागि यो कानून लागु हुदैन। देहायमा उल्लेखित चल सम्पत्तिमा धितोको हक श्रृजना हुन सक्तछ।

१. मालसामान (Goods) तथा चल सम्पत्तिमा पनि धितोको हक (Security interest) श्रृजना हुन सक्तछ। त्यस्ता धितोको हक श्रृजना हुन सक्ने मालसामानमा निम्न बस्तुहरु पर्दछन्।
   - निजी वा पारिवारिक प्रयोजनमा रहेको उपभोग्य मालसामान,
   - कृषिजन्य उत्पादन
   - ब्यापार ब्यवशायमा प्रयोग हुने उपकरण,
   - बिक्रीका लागी मौज्दातमा रहेको मालसामान,
   - जडित मालसामान,

२. अधिकारपत्र–नोट, बण्ड, चेक, हुण्डी आदि।

३. च्याटेल पेपर

४. बहिखाता

५. अमूर्त सम्पत्ति जस्तै, कपीराइट, पेटेण्ट आदि।

६. हक देखाउने लिखतहरु जस्तै Bill of lading, गोदामघर दाखिला रसिद, आदि।

उपरोक्त उल्लेखित प्रकृतिका चल सम्पत्ति उपर धितोको हक श्रृजना गर्न सकिन्छ। यी बाहेक अन्य सम्पत्तिमा यदि कुनै धितोको हक श्रृजना गरिएको भए त्यसमा सुरक्षित कारोवार ऐन लागु हुँदैन।

उपभोग्य मालसामान उपरको खरिद मूल्य सम्वन्धमा धितोको हक सम्वन्धि ब्यबस्था

उपभोग्य बस्तु जस्तै कम्प्युटर, टेलिभिजन, विद्युतिय यन्त्र वा घरायसी प्रयोजनका मालसामान बिक्रेताले ऋणीलाई बिक्री गर्दा त्यस्तो बिक्री गरिएको मालसामान उपर नै धितोको हक श्रृजना गरेको रहेछ भने त्यस किसिमको धितोको हकलाई उपभोग्य मालसामान उपरको खरिद मूल्य सम्बन्धि धितोको हक भनिन्छ। यस किसिमको धितोको हकले सुरक्षित कारोवार ऐनमा बिशेष स्थान राख्दछ।

धितोको हकको परिपक्कता

धितोको हकको परिपक्कता भनेको त्यस्तो कानूनी प्रक्रिया हो जसले सुरक्षित पक्षको धितोको हक श्रृजना भएको धितोको सम्पत्तिमा तेश्रो पक्षले गरेको दाबीलाइ निस्तेज पार्दछ। अर्को अर्थमा भन्ने हो भने आफुले प्राप्त गरेको धितोको हकलाई अन्य ब्यक्तिको दाबीबाट प्राथमिकता पाउनको लागि धितोको हकलाई परिपक्क वनाउन जरुरी छ। प्रत्येक साहु आफनो ऋणीबाट निम्न कुरामा सुरक्षा चाहन्छ।

- जुन सम्पत्तिको सुरक्षणमा ऋण प्रबाह गरेको हो त्यस्तो सुरक्षणमा रहेको सम्पत्तिबाट ऋण चुक्ता हुनु पर्ने।
- यदि त्यस्तो सुरक्षणमा रहेको सम्पत्तिमा अन्य ब्यक्तिहरुको दाबी भएमा त्यस्तो सुरक्षण रहेको सम्पत्तिबाट आफुले भुक्तानीका लागि प्राथमिकता पाउनु पर्ने।

सुरक्षणमा रहेको सम्पत्तिमा धितोको हक श्रृजना भई सकेको अबस्थामा पनि चल सम्पतिमा धितोको हक लिने साहुको हक पूर्ण रुपमा सुरक्षित नहुन सक्तछ। किनकि एउटै धितो सम्पत्तिमा एक भन्दा बढी ब्यक्तिको दावी लाग्न सक्तछ।

धितोको हकलाई परिपक्क गर्ने तरिका

धितोको हकलाई निम्न तरिकाहरुबाट परिपक्क गर्न सकिन्छ।

१. धितोको सम्पत्तिलाई कब्जामा लिएर (possession of collateral)

आफनो कब्जामा लिएको धितो सम्पत्तिको सुरक्षणमा ऋण प्रदान गरिएको अवस्थामा त्यो नै धितोको परिपक्व गर्ने उत्तम उपाय हो । यसरी धितोको सम्पत्ति आफनो कब्जामा लिए पछि उक्त सम्पत्ति उपर श्रृजित धितोलाइ परिपक्क गर्न दर्ता गर्नुं पर्ने आबश्यकता हुदैन । यदि साहुले धितोको सम्पत्तिलाई आफनो कब्जामा लिएको छ भने सोही चल सम्पत्तिलाई ऋणीले अर्को ब्यक्ति कहां गई धितो राखि धितोको हक श्रृजना हुन सक्तैन ।

२. धितोको हकको सूचना दर्ता गरेर (Registration of security interest)

सबै किसिमको धितोको सम्पत्तिलाई कब्जामा लिई धितो परिपक्क गर्न सम्भब हुँदैन । त्यस्तो अवस्थामा धितोको हक श्रृजना भएको सूचनालाई दर्ता कार्यालयमा दर्ता गराएर पनि धितोको हक सुरक्षित गर्न सकिन्छ । कुनै ब्यक्तिले कुनै सम्पत्तिमा धितोको हक लिएको भए निजले सो धितोको हक प्राप्त गरेको कुराको सूचना दर्ता कार्यालयमा दर्ता गरेको खण्डमा सो मिति देखि नै निजको धितोको हक परिपक्व भएको मानिन्छ ।

३. खरिद मूल्य सम्बन्धि धितोको हक (Purchase money security interest)

सामान्यतः उपभोग्य मालसामान बिक्री गर्दा बिक्रेताले खरिदकर्तालाई उधारोमा बिक्री गर्ने प्रचलन बढी मात्रामा पाईन्छ । बिक्रेताले धितोको हक श्रृजना हुने सम्झौता गरी खरिदकर्तालाई उपभोग्य बस्तु बिक्री गर्दछ सो उपभोग्य मालसामानमा धितोको हक प्राप्त गर्दछ भने यसरी प्राप्त गरेको धितोलाइ उपभोग्य बस्तु माथिको खरिद मुल्य सम्बन्धि धितोको हक भनिन्छ जुन धितोको हक दर्ता बिना स्वतः परिपक्व भएको मानिन्छ ।

धितोको हकको प्राथमिकता (Priority of claim)

सुरक्षित कारोबार ऐन २०६३ अनुसार कुनै एक धितोमा रहेको चल सम्पत्तिमा एक भन्दा बढी ब्यक्तिको दाबी परेमा सो दाबीलाई निम्नानुसार प्राथमिकता निर्धारण गरी हल गरिने छ ।

- सुरक्षित र असुरक्षित दाबी (secured versus unsecured claim)

सुरक्षित दाबी त्यस्तो ब्यक्तिको दाबीलाई जनाउंछ जसको धितोको हक यस कानून बमोजिम श्रृजना गरी सुरक्षित गरिएको हुन्छ । जुन धितोको हक यस ऐन बमोजिम सुरक्षित गरिएको हुँदैन त्यस्तो हकलाई असुरक्षित हक भनिन्छ । कुनै चल सम्पत्ति माथि धितोको हक सुरक्षित हुने र नहुने पक्षको दाबी भएको अवस्थामा जसको धितो पहिला सुरक्षित गरिएको छ उसले सो धितोको सम्पत्ति बिक्री बितरण गरी आफनो ऋण असूल उपर गर्न प्राथमिकता पाउंछ ।

- अपरिपक्क धितो सुरक्षित मध्येको दाबी (competing unperfected secured claims)

यदि दुई भन्दा बढी सुरक्षित पक्षको एकै धितोको सम्पत्तिमा दाबी परेको रहेछ तर ती दुवैले आफ्नो धितोको हक परिपक्क गराएका रहेछन भने जस्को धितोको हक पहिला आबद्ध भएको छ उसैले पहिलो प्राथमिकता प्राप्त गर्न सक्ने कानूनी ब्यबस्था छ ।

- परिपक्क र अपरिपक्क सुरक्षित हक मध्येको दाबी (Perfected versus unperfected claims)

यदि कुनै धितोमा रहेको चल सम्पत्तिमा दुई वा दुई भन्दा बढी सुरक्षित पक्षको दाबी पर्न आएको मध्ये एउटाको धितोको हक परिपक्क भएको र अर्काको हक अपरिपक्व छ भने परिपक्क भएको धितोको हकले सो धितोको सम्पत्तिमा प्राथमिकता पाउन सक्ने कानूनी ब्यवस्था रहेको छ ।

- परिपक्क धितोको हक भएकाहरु बीचको दाबी (competing perfected secured claims)

यदि कुनै धितोको सम्पत्तिमा दुई भन्दा बढी साहुको धितोको हक सुरक्षित भई परिपक्क भएको भए जुन साहुले धितोको हक पहिला परिपक्क गरेको छ उस्ले नै उक्त धितोको सम्पत्तिमा प्राथमिकता पाउनेछ ।

चल सम्पत्तिको प्रकृतिनै यस्तो हुन्छकी यस्ता सम्पत्ति एक भन्दा बढी ब्यक्तिको धितोको हक श्रृजना हुन सम्भव छ । त्यसकारण सुरक्षित कारोवारलाई ब्यबस्थित र ब्यबहारिक बनाउन धितोको हकको प्राथमिकताको नियम अत्यन्त उपयोगी र ब्यवहारिक देखिएको छ । यही कानूनी ब्यवस्थाका कारण सुरक्षित कारोवार कानूनको प्रभावकारीता बढदै गएको हो भन्न सकिन्छ । धितोको हकलाई प्राथमिकता दिंदा केहि सामान्य अपबादको कानूनी ब्यवस्था गरिएको छ । जुन अपबादको ब्यवस्थाले धितोको हक पहिला परिपक्व गरे पनि पछि धितोको हक प्राप्त गर्नेले प्राथमिकता पाउन सक्तछ । सो ऐनका केहि अपबादहरु तल उल्लेख गरिएको छ ।

धितोको हक परिपक्क तथा प्राथमिकताका अपबादहरु

धितोको हक परिपक्क भई सकेपछि त्यस्तो धितोको हक पूर्ण रुपमा सुरक्षित हुन्छ भनी साहु ढुक्क भएर बस्न सक्ने अवस्था हुँदैन किनकि कतिपय अवस्थामा परिपक्व भएको धितोको हकमा तेश्रो पक्षको दाबी परेमा उक्त दाबीलाई कानूनले प्राथमिकता दिएको समेत पाइन्छ । यस्तो प्राथमिकतालाई अपवादको रुपमा लिनु पर्दछ । अपबादहरुलाई तल उल्लेख गर्ने प्रयास गरिएको छ ।

- धितोको सम्पतिको रुपमा रहेको मौज्दात माथिको खरीद मुल्य सम्बन्धि धितोको हक

कतिपय अवस्थामा परिपक्क भएको खरीद मुल्य सम्बन्धि धितोको हकले पहिलानै परिपक्क भएको धितोको हक उपर प्राथमिकता हुन्छ । यस्तो अवस्थामा कुन धितो अगाडी परिपक्क भएको हो भनी समय हेरिंदैन । यदि धितोको सम्पत्ति मौज्दातमा रहने मालसामान-(inventory) हो भने त्यस्तो धितोको सम्पत्तिमा खरिद मुल्य बाहेकको धितोको हक पहिलानै श्रृजना भएको भए पनि पछि मात्र आएर खरिद मुल्य सम्बन्धि धितोको हक लिने ब्यक्तिले त्यस्तो धितो सम्पत्ति ऋणीलाई हस्तान्तरण गर्नु अगावै धितोको हक श्रृजना गर्ने ब्यक्तिलाई सूचना दिएको छ भने त्यस्तो खरिद मुल्य सम्बन्धि धितोले प्राथमिकता पाउनेछ ।

- धितोको सम्पत्तिको रुपमा रहेको मौज्दात बाहेकको सम्पत्ति माथिको खरिद मुल्य सम्बन्धि धितोको हक

यदि धितोको सम्पत्ति मौज्दात बाहेकको सम्पत्ति हो भने, पछि श्रृजना भएको खरिद मुल्य सम्बन्धि धितो हकले पहिलानै परिपक्क भएको धितोको हक माथि प्राथमिकता पाउंछ । तर त्यसरी प्राथमिकता

पाउनका लागि ऋणीले त्यस्तो धितोको सम्पत्ति कब्जामा लिएको दश दिन भित्र साहुले सो खरिद मुल्य सम्बन्धि धितोको हकलाई परिपक्कता प्रदान गरी सकेको हुनु पर्दछ ।

- नियमित कारोवारको सिलसिलामा खरिद गर्ने खरिदकर्ता

नियमित कारोवारको सिलसिलामा कुनै खरिदकर्ताले कुनै ब्यापारीक बर्गको मौज्दातबाट कुनै मालसामान वा बस्तु खरिद गर्दछ भने त्यस्तो ब्यापारीले यदि त्यसरी बचेको सम्पत्तिमा पहिलानै धितोको हक श्रृजना गरेको भए पनि त्यस्तो हकले कुनै प्राथमिकता पाउदैन । खरिदकर्ताले उक्त खरिद गरेको सम्पत्तिमा धितोको हक श्रृजना भएको छ भनी थाहा पाई खरिद गरेमा पनि निजको खरिदले प्राथमिकता पाउंछ । निजले आफुले खरिद गरेको बस्तु सुरक्षित पक्ष (साहु) लाई फिर्ता गर्न बाध्य हुँदैन ।

- नियमित कारोबारको सिलसिला बाहेक अन्य अवस्थामा खरिद गर्ने खरिदकर्ता

नियमित कारोबारको सिलसिलामा खरिद गरेको बाहेकको उपभोग्य बस्तु खरिद गर्ने कुनै ब्यक्तिले धितो सम्बन्धि हकको ज्ञानबिना र उपभोग्य बस्तु शमाबेस गर्ने सूचना दर्ता गर्नु अगाबै त्यस्ता मालसामान खरिद गरेकोमा सो उपभोग्य मालसामान खरिद गर्ने ब्यक्तिलाई त्यस्तो उपभोग्य बस्तुमा रहेको अन्य ब्यक्तिको धितोको हकले कुनै असर पार्ने छैन । यदि त्यस्तो उपभोग्य मालसामान सेकेण्ड हैण्डको रुपमा खरिदकर्ताले खरिद गर्दा सो बस्तुमा धितोको हक श्रृजना भएको छ भनी थाहा पाई वा सो बस्तुमा पहिलानै कसैले धितोको हक श्रृजना गरी सो हकलाई दर्ता कार्यालयमा दर्ता गरी परिपक्क गराएको रहेछ भने त्यस्तो अबस्थामा खरिदकर्ताले आफनो हक गुमाउनेछ । त्यसैले कुनैपनि खरिदकर्ताले सेकेण्ड हैण्ड सामान खरिद गर्दा त्यस्तो बस्तुमा धितोका हक श्रृजना गरिएको छ कि छैन सो कुरा दर्ता कार्यालयमा गई बुझेर मात्र खरिद गर्नु पर्दछ ।

धितोको हकको परिपालना (Remedies on Default)

सुरक्षित कारोबार कानूनले सुरक्षित पक्षको हक अधिकारलाई कसरी कार्यान्वयन गराउने भन्ने सम्बन्धमा उचित कानूनी उपचारको ब्यबस्था गरेको छ । दायित्व परिपालन गर्ने पक्षले आफनो दायित्व कुन अवस्थामा परिपालन नगरे हुन्छ भनी कानूनले परिभाषित गरेको छैन । कस्तो अबस्थालाई दायित्व परिपालन नभएको भन्ने बिषयमा पक्षहरुले आपसी सहमतिमा तय गर्ने बिषय भएकोले यसको बारेमा सुरक्षित कारोबार कानूनमा बिशेष कुनै ब्यवस्था गरेको पाइदैन ।

दायित्व परिपालन नभएको अबस्थामा सुरक्षित पक्षलाई प्राप्त न्यायिक उपचार

सुरक्षित कारोबार कानूनले पक्षलाई निम्न किसिमका कानूनी उपचार प्रदान गरेको पाइन्छ ।

- धितोको सम्पत्तिलाई सकारेर (Retention of the collateral)

यदि ऋणीले समयमा ऋण चुक्ता नगरेमा ऋणीले ऋण लिंदाका अवस्थामा धितोको रुपमा राखेको चल सम्पत्तिलाई कब्जामा लिई आफ्नो ऋण असूल गर्न पाउने ब्यवस्था यस कानूनमा गरेको छ । त्यसरी नै धितोको रुपमा राखिएको चल सम्पत्ति कब्जा गरे पछि त्यस्तो धितोको सम्पत्ति साहु आफैले सकार गरी ऋण असुल उपर गर्न सक्ने कानूनी ब्यवस्था गरेको छ ।

- धितोको सम्पत्ति बिकी बितरण गरेर (Disposition of collateral)

साहुले धितोको सम्पत्ति कब्जा गरी सकेपछि आफैले सकार नगरी बिकी बितरण गरी ऋण असूल उपर गर्न चाहेमा त्यस्तो सम्पत्तिलाई लिलाम बिकी गरी आएको रकमबाट ऋण असूल उपर गर्न सक्ने छ । यदि धितोको सम्पत्ति बिक्री बितरण गरी असूल उपर गर्दा पनि ऋण पूर्ण रुपमा असूल उपर नभएमा साहुले ऋणीको अन्य सम्पत्तिमा दाबी गरी असुल उपर गर्न पाउने अधिकार साहुलाइ प्रदान गरेको छ ।

धितोको हकको समाप्ती (Termination of a security interest)

साहुले असुल उपर गर्नु पर्ने ऋण बाकी नरही सुरक्षित दायित्व पनि बाँकी नरहेमा, धितो लिने ब्यक्तिसंग भाबी ऋण दिने, दायित्व बहन गर्ने वा अन्य कुनै किसिमले मुल्य दिने प्रतिबद्धता नभएमा धितोको हक समाप्ति हुनेछ । त्यसरी धितोको हक समाप्ति भएमा साहुले दश दिन भित्र सो को सूचना दर्ता कार्यालयमा दिनु पर्ने कानूनी ब्यवस्था स्पष्ट रुपमा गरिएको पाइन्छ । सुरक्षित साहुको ऋणलाई कसरी कानूनतः सुरक्षित र ब्यवस्थित गरी उपभोग्य सामानको बिकी बितरणलाई सरल र सुलभ गर्न सकिन्छ भन्ने उद्धेश्य यस कानूनले राखेको पाइन्छ । आधुनिक समाजमा ग्राहकहरु दैनिक प्रयोगमा आउने मालसामान किस्ताबन्दीमा खरिद गर्न इच्छुक हुने हुंदा त्यस्तो किस्तावन्दीको कारोबारलाई ब्यवस्थित र सरल बनाई देशको आर्थिक गतिबिधिलाइ बिस्तार गरी यस कानूनले राष्ट्रिय अर्थतन्त्रलाई ठुलो टेवा पुऱ्याउने हुंदा यो कानूनको प्रयोग गरिएको हो । बिश्वब्यापीकरणको प्रभाव संगै आगामी दिनहरुमा यस कानूनको महत्व दिन पर दिन बढ्दै जाने कुरामा पूर्ण बिश्वस्त हुन सकिन्छ ।

अन्तमा आजको बिश्वब्यापीकरणको प्रभावका कारण ब्यवशायिक क्षेत्रमा आएको चुनौतीको सामना गर्न हरेक ब्यवशायिक ब्यक्ति आफ्नो सुरक्षा चाहन्छन् । अर्को शब्दमा भन्ने हो भने हरेक ब्यवशायी आफ्नो जोखिम घटाएर ब्यवशायिक कियाकलाप गर्न चाहन्छ । सो जोखिम घटाउने र आफुलाई सुरक्षित बनाउने आधार नै यस कानूनले निमार्ण गर्दछ । त्यसैले ब्यवशायको क्षेत्रमा यसको महत्व दिन पर दिन बढी रहेको छ । यसको महत्वलाई दृष्टिगत गरी सुरक्षित कारोवार कानूनको कार्यान्वयनमा हामी सबैको योगदान हुन अति आबश्यक देखिन्छ । तथापि यस कानूनको कार्यान्वयनका लागि पर्याप्त गृहकार्य हुन जरुरी देखिंदा देखिँदै पनि सरकारका तर्फबाट खासै प्रयास हुन सकेको देखिदैन । ❑

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

सदस्यहरुलाई नवीकरण सम्बन्धी अत्यन्त जरुरी सूचना

१. नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ को नियम ४६, ५० र ५९ बमोजिम आ. व. शुरु भएको ६० दिन भित्र सदस्यता, पेशागत प्रमाणपत्र र फर्म नवीकरण गराइसक्नु पर्ने व्यवस्था छ। सो अवधि पछि थप ६० दिन सम्म १५% अतिरिक्त शुल्क र त्यस पछि थप ६० दिन सम्म २५% अतिरिक्त शुल्क लाग्नेछ। साथै १८० दिन पछि स्वतः सदस्यता दर्ता किताबबाट नाम हट्ने व्यवस्था सोही नियमावलीको नियम ४७ मा भएको व्यहोरा समेत सदस्यहरुको जानकारीका लागि यो सूचना जारी गरिएको छ।

२. पेशागत प्रमाणपत्र नवीकरण गर्नको लागि तोकिएको सि.पि.ई. क्रेडिट आवर प्राप्त गरेको प्रमाणपत्रको प्रतिलिपी पेश गर्नु पर्नेछ तर सदस्यता मात्र नवीकरण गर्न चाहनेको हकमा सि.पि.ई. लिनु पर्ने छैन।

३. साझेदारी फर्म नवीकरणका लागि सबै साझेदारहरुको पेशागत प्रमाणपत्र नवीकरण भएको हुनु पर्नेछ।

४. नेपाल चार्टर्ड एकाउन्टेन्ट्स (संशोधन सहित) ऐन, २०५३ को दफा २९ बमोजिम संस्थावाट पेशागत प्रमाणपत्र प्राप्त गरेको व्यक्तिले मात्र लेखापरीक्षण गर्न पाउने व्यवस्था रहेको छ। ऐनको दफा २२ बमोजिम तोकिएको समयमा सदस्यता शुल्क नबुझाएमा सदस्यता रद्द हुने तर मनासिब माफिकको कारण देखाई पुनः दर्ता गर्न निवेदन दिएमा परिषदले तोकिए बमोजिमको दस्तुर लिई निजको नाम पुनः दर्ता गर्न सक्ने व्यवस्था भएको जानकारी गराइन्छ। नवीकरण अद्यावधिक भएका सदस्यहरुलाई संस्थावाट प्रकाशित जर्नल र न्यूजलेटर नियमित रुपमा उपलब्ध गराउँदै आएको व्यहोरा समेत अवगत गराईन्छ।

५. बि.सं. २०५४ र २०५९ सालमा यस संस्थामा दर्ता भएका कतिपय सदस्यहरुले आफ्नो सदस्यता धेरै वर्ष देखि नवीकरण नगराएको पाइएको छ। आफ्नो सदस्यता र पेशागत प्रमाणपत्रको वार्षिक नवीकरण नगराई लेखा व्यवसायी सेवा प्रदान गर्नु गैरकानूनी कार्य भएकोले सो को नवीकरण गराई ऐन, नियमको पालना गर्न समेत जानकारी गराईएको छ।

६. आगामी २०६६ जेष्ठमा पाचौं परिषदको निर्वाचन हुन गइरहेको हुंदा उक्त निर्वाचनमा भाग लिनु हुने सदस्यहरुले आफ्नो सदस्यता नवीकरण गर्न आउंदा संस्थाबाट प्रदान गरिने सदस्य परिचय पत्रमा समेत नवीकरण अद्यावधिक गर्नु हुन र परिचयपत्र नबनाएको भए बनाउन समेत आग्रह गरिन्छ।

७. संस्थाको सम्पर्क कार्यालयहरु बिराटनगर र बुटवलमा पनि आवश्यक कागजात सहित नवीकरणका लागि सम्पर्क राख्न सकिनेछ।

८. नवीकरण निस्सा सम्बन्धित सदस्य वा नीजले मञ्जुरीनामा दिई पठाएको व्यक्तिलाई मात्र उपलब्ध गराइनेछ।

९. आ.व. शुरु भएको मितिले ६० औं दिनसम्मको नविकरण शूल्कको विवरण :

विवरण	चार्टर्ड एकाउन्टेन्ट		रजिष्टर्ड अडिटर		
	एफ.सि.ए	सि.ए.	ख	ग	घ
सदस्यता	२७००	२२००	७००	५००	५००
पेशागत प्रमाणपत्र	१०००	१०००	५००	२५०	१२५
लेखा व्यवसायी फर्म	५००	५००	२००	२००	२००

१०. संस्थामा आइ नगदै बुझाइ वा देहायका बैंक शाखामा नगद बुझाइ सो को **सक्कलै** बैंक स्लिप वा **नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था** को नाममा खिचेको डिमाण्ड ड्राफ्ट र नविकरण दरखास्त फाराम हुलाकबाट पठाएर पनि नवीकरण गर्न सकिनेछ।

रकम जम्मा गर्न सकिने बैंक र खाता नम्बरहरुः

क. नेपाल बंगलादेश बैंकका शाखाहरुः

स्थान	खाता नं.	स्थान	खाता नं.	स्थान	खाता नं.
विराटनगर	००५८९१C	वीरगंज	००७०५१C	बुटवल	१६२६१C
जनकपुर	०२२०८१C	हेटौंडा	०१३९०१C	धनगढी	१७०१C
बटार	०१५७११C	पोखरा	१२५१C	नेपालगंज	१०९५१C

ख. नेपाल क्रेडिट एण्ड कमर्स बैंकका शाखाहरुः

स्थान	खाता नं.	स्थान	खाता नं.
महेन्द्रनगर	००८४७१C	नारायणघाट	०३५७७०१C

ग. ग्लोबल बैंकः

कान्तिपथ (काठमाडौं), बिराटनगर, वीरगंज, पोखरा, बाग्लुङ्ग:
बचत खाता: ०१-०८-०१-०००५०२७

११. आ.व. २०६५/०६६ को लागि नविकरण गर्ने काम श्रावण १ गते शुरु हुनेछ।

नवीकरण दरखास्त फाराम र सदस्य सम्बन्धी सबै फारामहरु संस्थाको वेवसाइटमा पनि राखिएको हुंदा डाउनलोड गरी प्रयोग गर्न सकिनेछ। थप जानकारीको लागि संस्थाको वेवसाइट हेर्नु हुन वा संस्थामा सम्पर्क गर्नुहुन अनुरोध छ।

सदस्य सेवा बिभाग

CAPA-SAFA Events in Nepal

The Institute of Chartered Accountants of Nepal (ICAN) has organized the 67th SAFA Assembly, 15th CAPA Board Meeting & Joint CAPA-ICAN International Conference on 8th, 9th & 10th of May 2008 respectively at Kathmandu. The CAPA Board Meeting was organized by ICAN for the first time in its 11 years journey towards the regulation and development of accounting profession in the country. On the occasion a conference on "Integrating Nepali Profession with the Outside World was organised, the key speakers of the conference were the delegates from organizations of SAFA, CAPA, and IFAC. The conference was the forum of accountants of region and the world.

A brief highlight to mark the CAPA-SAFA events, which were held from 8th to 10th May 2008, are as follows:

8th May 2008

CAPA Committee Meeting

CAPA Committee Meetings were held at Hotel Radisson to discuss various issues and action taken by the committees that are to be discussed by the CAPA BOARD Meeting which was held on May 9, 2008.

SAFA Assembly Meeting

On the same day, 67th SAFA Assembly Meeting, represented by all the SAFA member countries was held at Hotel Radisson, Kathmandu. The assembly discussed various agenda put forward by the SAFA Members Bodies and focused towards strengthening accountancy profession in the interest of the economic development of the SAARC region.

SAFA Nodal Officers Meeting

On the same day, a meeting of the SAFA Nodal Officers was held which discussed about the effectiveness of the functions of Nodal Officers and their proactive role in SAFA activities and requested to all to work in the interest of the SAFA and the accountancy profession as a whole.

Delegates of 67th SAFA Assembly Meeting held at Kathmandu, Nepal

Round Table Meeting

On the same day a round table discussion was organized by ICAN with participation from International delegates, Nepalese Regulatory Bodies, Business Associations, Senior Government Officials and other stakeholders. The prime objective of the meeting was "to help bring greater visibility to ICAN and forger closer relationship between ICAN and the Government to cope up with international developments in accounting and financial reporting systems". The round table meeting discussed the role of ICAN as a regulatory body of accounting profession in Nepal and its relation with the Government and regulating authorities to cope up with international developments in accounting and financial reporting systems.

9th May, 2008

CAPA Board Meeting

CAPA Board Meeting was held with participation from all the CAPA Member Bodies, the meting discussed various agendas of the CAPA member bodies.

10th May, 2008

Joint CAPA - ICAN International Conference

ICAN organized joint CAPA-ICAN International Conference on "Integrating Nepalese Profession with the outside World". The conference organized with the collaborative spirit of ICAN and CAPA and demonstrated their commitment to collaborate in building a better future for accountancy profession in Nepal and Asian regions. The conference focused on a number of issues that are crucial for developing a well built accountancy profession.

The topic for the first technical paper of the First Session was on 'Public Sector Accounting', presented by Mr. Rameshwor Prasad Khanal, Revenue Secretary, Ministry of Finance which focused on requirement of high quality financial reporting in public sector of Nepal.

The next technical paper of the First Session was on the topic of "international development and challenges to Nepal for adoption of international public sector accounting standards" presented by Mr. Pradeep Kumar Shrestha, FCA which highlighted the way how the Nepalese accountancy profession has supported a public sector in accounting and disclosing the timely financial performance information and the practical difficulties encountered on the same.

Participants at the joint CAPA-ICAN International Conference

The topic for the Second Session was Knowledge Process Outsourcing (KPO) and Business Process Outsourcing (BPO). In this Session the first technical paper on the topic "BPO/KPO-opportunities for the chartered accountants" was presented by Mr. Uttam Prakash Agrawal, Vice President, ICAI which discussed about in house and cross boarder opportunities for the chartered accountants with the rising development towards KPO and BPO.

The second technical paper was presented by Mr. Mujahid Eshai, Past President, ICAP which discussed about the emerging trends towards the KPO/ BPO.

Similiarly, third technical paper on "Creating strong and sustainable ICT service in Nepal" was presented by Mr. Ashish Kapoor, CEO, ServingMinds Pvt. Ltd.

The third session was on the topic IFRS convergence. Mr. Brian Blood, Past President, CPA Australia, presented paper on "Opportunities and challenges faced in IFRS convergence" which focused on the opportunities at country level and company level, challenges for companies and major business challenges regarding convergence. The paper highlighted the pathway, opportunities and challenges to convergence.

Mr. In- Ki -Joo, Deputy President, CAPA also presented paper on "Pathway to convergence to international standards" by discussing the overall experience of Korea regarding the convergence to international standards.

Similarly, Mr. Charles Calhoun, IAESB, Chairman CAG presented paper on "International education standards in support of IFRS" focusing on IAESB's objectives and approaches aiding to IFRS.

The last session was on the topic of Development of Small and Medium Enterprises (SME). Mr. Zubiadur Rahman, Lead Financial Management Specialist, World Bank presented first technical paper of the session on "Challenges facing the accountancy profession in emerging and transitional economies". The paper was aimed at discussion about the several challenges that were encountered by the transitional economies for the development of accounting profession.

The Second Technical Paper on "SMEs and the fight against corruption" was presented by Ms. Kathleen M. Moktan, Director, Capacity Development and Governance Division, Regional and Sustainable Development Department, Asian Development Bank (ADB) focused on the SMEs and corruption risk involved. The paper revealed three steps to an anti bribery programme and the implementation.

The last technical paper of the fourth and last session was on "How SMPs can support SMEs" presented by Mr. Kamlesh Shivji Vikamsey, President CAPA which has emphasized the relationship of SMPs and SMEs and the support to SMEs by SMPs by providing one stop service.

Finally the joint conference ended up with a valedictory note by Dr. Bhoj Raj Ghimire, Chief Secretary, Government of Nepal, Mr. Russel A. Guthire, Director, IFAC, Mr. Kamlesh Shivaji Vikamsey , President, CAPA , Mr. Syed Md. Shabbar Zaidi President, SAFA and vote of thanks from Mr. Ratna Raj Bajracharya , President, ICAN.

IFAC Full Membership

The main recent issue of the ICAN appears as awarding full membership by International Federation of Accountants (IFAC). Mr. Russel A. Guthire, Director, IFAC had conducted overall review of the ICAN's professional and educational activities on May 12, 2008. IFAC shall award full membership to Nepal by deciding the matter on upcoming IFAC board meeting scheduled to be held on November 2008. By way of adopting international practices and by developing the accounting profession,

President Mr. Ratna Raj Bajracharya, FCA presenting memento to Mr. Russel A. Guthire, Director, IFAC

ICAN has always commited towards IFAC's mission to serve the public interest and strengthen the accountancy profession worldwide. ICAN at presents is Associate member of IFAC, ordinary member of CAPA and member of SAFA.

Press Conference

Apart from the SAFA-CAPA events, on May 07, 2008 a press conference was organized by ICAN at the Hotel Radisson, with participation from President of SAFA, CAPA, Director of IFAC and the Office bearers of ICAN. The press was briefed about the present status of accounting profession in Nepal, accountancy profession at globally and the significant issues regarding the integration of Nepalese profession with the outside world.

Meeting with Mr. Zubiadur Rahman, Lead Financial Management Specialist, World Bank

Mr Zubaidur Rahman, Lead Financial Management Specialist of the World Bank offered a visit to ICAN. The area of discussion revolved mainly around possibilities of financial and other support from the Bank. President and Executive Director of ICAN, informed Mr Rahman about achievements made by ICAN from the period of inception. They also discussed about challenges faced and plan of action to address those challenges and World Bank's role to support such plan. President of ICAN thanked the Bank for their continued support and requested for more support especially for Private Sector Accounting. ❑

Present status of members

Present status of members (as of June 30th 2008) is as follows:

Total Chartered Accountant	393
Total Registered Auditors	7,290
CA COP Holders	362
RA COP Holders	**6,695**
B Class	3,087
C Class	1,457
D Class	2,151
Audit Firms	
CA Firms	312
RA Firms	1,222

Member's Achievement

We congratulate our Registered Auditor Member Mr. Sher Bahadur Kunwar, (M.No. 6788, 'C' class) for being elected in constituient Assembly from Achham Constituent No. 1 under the First Past the Post System.

We congratulate our member Mr. Bhupendra Bhandari (M. No. 334) on being appointed as CEO of LA Cell S.U. , a telecommunication service provider company , in Bujumbura, Burundi.

Students Corner

Career Counseling Program

ICAN as part of its initiative to create public awareness about Chartered Accountancy Education especially among students, organized various Career Counseling Programs at different places within and out of Kathmandu valley.

On 29th Falgun 2064 (Corresponding to 12 March 2008), a career counseling program was conducted by Mr. Paramananda Adhikari, Joint Director & Secretary of the Career Counseling Committee of ICAN, at Caribbean Collage Dhobighat, Lalitpur. About 200 students participated in the program.

On 21st Jestha 2065 (Corresponding to 3 June 2008), an interaction program titled "Choose Your Career-2008" was organized by FOCUS ED NEPAL. Professionals from different fields participated in the interaction program as resource persons.
Mr. Paramananda Adhikari, Joint Director of ICAN attended the program as a resource person of Chartered Accountancy Education. About 100 students participated in the program. Mr Adhikari clarified various issues raised by students including questions regarding cost, duration, scope of CA Education.

Participation in Career and Education Fair

In order to promote Chartered Accountancy Education among students and public in general, ICAN participated in Two Career and Education Fair.

ICAN also participated in a career and education expo titled "Ambition-2008: Annapurna Post" organized by Asia and Pacific Communication association (APCA) Nepal from 22-25th May 2008 at Bhritikuti Mandap Exhibition Hall, Kathmandu. Around 5,000 people visited the ICAN's stall and gained insight into CA education and its scope.

Likewise, ICAN participated in "Education and Book Fair" organized by Global Exposition and Management Services from 9-14th May 2008 at Bhritikuti Mandap Exhibition Hall, Kathmandu. Around 3,500 people visited ICAN's stall and gained knowledge about CA education and had discussions about its scope.

Both these career fair attracted large number of visitors, most of whom showed interest in gathering information about the cost of CA education, its duration, future prospects and opportunities

Apart from these career counseling and career fair attended by ICAN, the career counsel cell of Education Department also provided counseling services to Chartered Accountancy Students & others interest persons.

Library Facility Expanded

Realizing the need of students and members of the institute for better library services, ICAN has started to provide book borrowing facility to students and members who become members of the library. Overwhelming response has been received from the students and others to avail this facility in the short span of time. The library is equipped with more than 4,000 professional books and Journals of the leading Institutions.

Status of Students

As a result of awareness campaign intiated by the institute regarding CA Education and also with the devoted effort of the staff, enrollment of students in CA Education has been growing continuously. The following is the enrollment status of students at different levels of CA Education.

Level	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08 upto 30/06	Total
Foundation	98	112	68	195	360	361	185	672	892	2,943
Intermediate	-	56	74	99	109	123	152	147	213	973
Final	-	-	-	7	20	21	21	47	58	174
									Grand Total	4,090

Students Exchange Program

Delegation of ICAN Students to Students Exchange Program, Pakistan

A delegation of 2 ICAN Students participated in "All Pakistan CA Students' Conference -2008" program held on 29th March 2008 at Lahore, Pakistan organized by The Institute of Chartered Accountants of Pakistan (ICAP).

The theme of the conference was **"Chartered Accountancy-Nurturing Business Leaders"**

Mr. Abhijit Roy, CA Final Student of ICAN presented a technical paper titled "Motivation". The delegation also participated in a panel discussion on "ISA 240: The Auditor's responsibility to consider fraud in an audit of financial statements" held on the same day.

During their stay in Lahore, they interacted with various ICAP Officials and CA Students of ICAP. The discussions held by them were said to be very informative and fruitful. They also had opportunity to visit local chartered accountants firms, Pakistani industries and historical places at Lahore.

Scholarship Distribution

President Mr. Ratna Raj Bajracharya, FCA handed over the scholarship amount to the CA Student

ICAN has provided full scholarship to the following CA students who have applied for the scholarship. The selection of students were made need cum merit basis and was selected by the Scholarship Selection Committee. Out of the 7 students who were selected for scholarship, 4 were from CA Foundational Level, 2 from CA Intermediate level and 1 was from CA Final Level. The list is as follows:

S.N.	Name of the Student	Level
1	Mr. Suyas Bhattarai	CA Professional-I/ Foundation
2	Mr. Bishal Prajapati	CA Professional-I/ Foundation
3	Mr. Ananda Adhikari	CA Professional-I/ Foundation
4	Ms. Tripti D. C.	CA Professional-I/ Foundation
5	Mr. Umesh Raj Pandey	CA Professional-II/ Intermediate
6	Mr. Khushi Ram Chaudhari	CA Professional-II/ Intermediate
7	Mr. Ram Prabesh Ray Yadav	CA Professional-III/ Final

Of the above, Scholarship for CA Foundation Level (two out of four) was sponsored by Nepal Credit and Commerce Bank Limited and one student each from CA Intermediate and Final Level were sponsored by Mr. Pushpa Lall Shrestha, FCA & Mr. B.K. Agrawal, FCA, Past Presidents of the Institute respectively.

Publication of Study Materials

In the absence of sufficient number of reference materials and relevant books for the students pursuing Chartered Accountancy education,they have face a lot of difficulty in pursuing their education. Realizing the fact, the Education Department of the Institute, for the first time, has published the reading materials of the following subjects.

- Mercantile Law- Chartered Accountancy Foundation Level
- Fundamental of Economics- Chartered Accountancy Foundation Level
- Income Tax & Vat- Chartered Accountancy Intermediate Level
- Direct Taxes- Chartered Accountancy Final Level
- Indirect Taxes- Chartered Accountancy Final Level

The Education Department is working on other reading material as well and is in the process of bringing out more of such reading material to facilitate the students in their studies.

Membership Exam Result Declared

Result of the CA membership Examination held on May 2008 has been published out of 34 candidates, 11 have qualified for CA membership.

June 2008 CA Examination conducted

Chartered Accountancy June 2008 Examination were held from June 1 to June 9, 2008. Total 642 students appeared in different level CA Examination.

International News

Professional Development

(New York/June 26, 2008) - The International Accounting Education Standards Board (IAESB), an independent standard-setting board within the International Federation of Accountants (IFAC), has released a new information paper to assist IFAC member bodies and other stakeholders in developing effective continuing professional development (CPD) programs for professional accountants. Entitled Approaches to Continuing Professional Development (CPD) Measurement, the paper explains the elements of an effective CPD program, examines current practices by accountancy and other professional associations, and discusses approaches to measure a program's effectiveness.

"The paper is the result of a wide-ranging international research project into continuing professional development across a number of professions, and it is intended to stimulate discussion and debate on the subject of measuring CPD," states IAESB Chairman Henry Saville. "In addition to IFAC member bodies, the findings in the paper will be of interest to current and future professional accountants, regulators, educators, CPD providers, and employers seeking to implement CPD programs for professional accountants."

The IAESB commissioned the Professional Associations Research Network to conduct research on measuring CPD and to prepare this information paper. The paper introduces a four-phase CPD model - covering planning, action, results, and reflection - that IFAC member bodies and other professional associations may use to improve the effectiveness of their CPD programs. Case studies and profiles are included to provide practical examples, and recommendations are provided that may assist IFAC member bodies and others in evaluating various approaches to measuring CPD.

The information paper can be downloaded free-of-charge from the IFAC online bookstore at http://www.ifac.org/store. For more information on the work of the IAESB, visit its home page at http://www.ifac.org/education.

ICAEW urges UK listed companies to adopt limited liability agreements

Commenting on the publication of guidance on the adoption of limited liability agreements by the Financial Reporting Council, Michael Izza, chief executive of the Institute of Chartered Accountants in England and Wales (ICAEW) has urged companies in the UK to implement the guidance in their next financial reporting cycle.

He said: "Government has recognized the importance of limiting liability for auditors, not least because of the potential damage to the UK and global economies if one of the larger firms were to collapse. Auditors should be liable for their own mistakes but not those of others. Following the publication of this guidance, I would urge all listed companies to take the necessary steps to put in place limited liability agreements as part of their next financial reporting cycle."

AICPA Calls for Three to Five Year Timeline for Reasonable Transition to IFRS

Barry C. Melancon, president and CEO of the AICPA, speaking at a forum of accounting and finance authorities on international accounting, called for a reasonable and clear-cut time frame of three to five years for the U.S. accounting profession to adopt International Financial Reporting Standards.

Global Accountancy Alliance Launches Online Journal

Access GAA Accounting, a new online journal featuring authoritative articles on accounting, business finance and related subjects. The AICPA is a member of the Global Accounting Alliance, established to promote quality services, share information and collaborate on important international issues. The new journal will promote greater awareness of the role of business in the global environment, and provides a forum for the international exchange of research between its member institutes.

ICAEW New Office Holders

Mr. David Furst, FCA has been elected President of the Institute of Chartered Accountants in England & Wales (ICAEW) for 2008-2009. Similarly Mr. Martin Hagen, FCA and Mr. Gerald Ressell, FCA has been elected Deputy President and Vice President respectively.

Mr. Aitken-Davies Elected as a President of ACCA

Mr. Richard Aitken, FCA has been elected President of the Association of Chartered Certified Accountants (ACCA) for 2008-2009. Similarly Mr. Brendan Murtagh and Mr. Mark Gold have been elected Deputy President and Vice President respectively.

Message from ICAN President to ICAI President on the occassion of Diamond Jubilee Celebration of ICAI

CA Ved Kumar Jain
President
The Institute of Chartered Accountants of India

Dear, Mr. Jain
It is a matter of great pride that the Institute of Chartered Accountants of India (ICAI) in its journey for continuing excellence has been celebrating Diamond Jubilee on its 60th year of establishment on 1st of July 2008.

Being the second largest professional accounting body in the world with over 150,000 members, ICAI has been playing a significant role for the development of accounting profession in the region and the world. It was a thought role of ICAI to form a regional platform i.e. SAFA, to represent common ideas of the accounting profession in the South Asian Region, which is also celebrating 25 years' of its formation.

On behalf of the Council, Vice President and myself, I congratulate you, your Vice President and the Council of ICAI and wish every success in enhancing accounting profession in India & in the region in the years to come.

With Best Regards,

Ratna Raj Bajracharya, FCA
President

Photograhps of different Events

Dr. Bhoj Raj Ghimire, Chief Secretary, Government of Nepal and President Mr. Ratna Raj Bajracharya with other foreign delegates

CAPA President Mr. Kamlesh Shivji Vikamsey presenting the paper in the conference

Delegates of 15th CAPA Board Meeting, Kathmandu Nepal - 2008

SAFA Nodal Officers Meeting, Kathmandu Nepal - May 2008

Dignataries at a cultural programme organised by ICAN on the occation of CAPA - SAFA events

Mr. Ratna Raj Bajracharya, participating at the Diamond Jubilee Conference organised by The Institute of Chartered Accountants of India (ICAI) - July 2008.