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## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Editorial</td>
<td>4</td>
</tr>
<tr>
<td>President's Message</td>
<td>5</td>
</tr>
<tr>
<td><strong>ACCOUNTING</strong></td>
<td></td>
</tr>
<tr>
<td>Corruption in the Nepalese Government Sector:</td>
<td>7</td>
</tr>
<tr>
<td>- Dr. Pawan Adhikari</td>
<td></td>
</tr>
<tr>
<td><strong>ECONOMY</strong></td>
<td></td>
</tr>
<tr>
<td>Green GDP and Its Accounting</td>
<td></td>
</tr>
<tr>
<td>- CA. Surya Bhakta Pokharel</td>
<td></td>
</tr>
<tr>
<td>- CA. Bishnu Prasad Bhandari</td>
<td></td>
</tr>
<tr>
<td>Will the Demonetization in India be Effective?</td>
<td>12</td>
</tr>
<tr>
<td>- Mr. Tula Raj Basyal</td>
<td></td>
</tr>
<tr>
<td>Building Bridge to Economic Development</td>
<td>17</td>
</tr>
<tr>
<td>- CA. Kaushlendra Jha</td>
<td></td>
</tr>
<tr>
<td>Further Public Offer (FPO): Context Nepal</td>
<td>24</td>
</tr>
<tr>
<td>- CA. Puspa Chandra Khanal</td>
<td></td>
</tr>
<tr>
<td><strong>INFORMATION TECHNOLOGY</strong></td>
<td></td>
</tr>
<tr>
<td>Technology Risk Management in Banking</td>
<td>29</td>
</tr>
<tr>
<td>- CA. LD Mahat</td>
<td></td>
</tr>
<tr>
<td>ATM Frauds and Scams - You Might be the Next Victim</td>
<td>32</td>
</tr>
<tr>
<td>- CA. Mukund Pokharel</td>
<td></td>
</tr>
<tr>
<td><strong>TAXATION</strong></td>
<td></td>
</tr>
<tr>
<td>Employment Tax in Nepal</td>
<td>36</td>
</tr>
<tr>
<td>- CA. Rajesh Kumar Sah</td>
<td></td>
</tr>
<tr>
<td>The Impact of Corporate Income Tax on Economic Growth</td>
<td>43</td>
</tr>
<tr>
<td>- Mr. Chet Nath Dahal</td>
<td></td>
</tr>
<tr>
<td><strong>IFAC PAPER</strong></td>
<td></td>
</tr>
<tr>
<td>Implementation of NPSAS &amp; Role of ICAN</td>
<td>51</td>
</tr>
<tr>
<td>- Conference Paper</td>
<td></td>
</tr>
<tr>
<td><strong>News</strong></td>
<td>56</td>
</tr>
<tr>
<td><strong>Notice(s)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>16</td>
</tr>
</tbody>
</table>

## Contributors

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Demonetization is the act of stripping a currency unit of its status as legal tender. The old unit of currency must be retired and replaced with a new currency unit (as defined by the Investopedia).

Since our economy is interrelated with Indian economy, demonetization has hit trade and consumption hard. The demonetization of the Indian currency will potentially hit the border economies the hardest. With a majority of the Nepali population living near the India-Nepal border and reliant on cross border transactions for daily income.

According to Nepal Rastra Bank (central bank of Nepal), nearly Indian Rs 500 and Rs 1,000 notes worth Rs 33.6 million are in the banking channels. There are no official figures for notes in the possession of traders, families of migrant workers and the general public. Since Indian currency is widely accepted in Nepal, the country has been hit hard by the Indian government’s demonetization drive. Also the populations living near the Indo-Nepal border have been affected the most since they rely on cross border transactions for daily income. Many Nepalese working as migrant workers send remittances in cash which amounts to Rs 665 billion which equals to 7% of GDP.

One of the biggest benefits of this move is that it is going to drastically control the corrupt practices. Secondly, the banking system will improve as it will slowly head towards a cashless society. Cashless society will increase credit access and financial inclusion. Thirdly, it will reduce the risk and cost of cash handling as soft money is safer than hard money. It will also reduce government liability. Since every note is a liability for the government, the old currency will become worthless for those people, who choose not to disclose their income.

The Indian government has formed a committee to look into the issue of demonetized currency notes held by people in Nepal and Bhutan. Nepal Rastra Bank also formed a panel to look into the issue and prepare guidelines on easing the process.

Warm Regards !

Editorial Board
President’s Message

As you know that the first half of my tenure as the President of our esteemed organization has completed. I am thoroughly optimistic to achieve in implementing our annual program and also recognize that we cannot do it alone. We are operating our activities as per approved annual plan. As we are a working committee driven organization supported by the ICAN Secretariat, I thank the committee chairs and members for their support as of the date and confident in getting support in the days to come.

As a part of my responsibility let me present a brief on some of our key activities that have been performed by the Institute during last quarter of 2016.

Student Affairs and Educational Activities

It is a matter of pleasure to inform the membership that our Institute is organizing “1st Chartered Accountants’ Convocation Ceremony” on 31 January, 2017 for the qualified Chartered Accountant from the institute itself. The qualified professional will be awarded with CA. degree in a ceremony which will be a historical event for the institute and pride for the Chartered Accountant. The convocation is expected to further generate awareness among the students, parents and stakeholders about CA education in Nepal.

The Institute has published Suggested Answers of 2016 June examination and Revision Test paper (RTP) for 2016 December examination for CAP II and CAP III. Similarly, The Institute revised and updated Advance Audit & Assurance and Advance Financial Management of CAP III.

Membership and Professional development

Institute has always striven to make our members capable by organizing various activities to update them by organizing skill and knowledge related activities so as to enable them in carrying out their work performance through professional manner. Is this connection, Institute organized a three days RA capacity development training in October and November 2016 at Hetauda and Ghorahi respectively. During the training various sessions’ 14 NAS/ NFRS standards were delivered. Myself and Chairman of RA Member Capacity Development Committee were present in both the program held at Hetauda and Ghorahi respectively.

Pursuant to the mandatory provision of Nepal Chartered Accountants Regulation, 1999, the Institute conducted Membership Examination on 5th and 7th December 2016 in Kathmandu for those who hold CA degrees from foreign Professional Accounting Bodies. The total number of examinees appeared in the examination in Corporate Law and Advanced Taxation were 186 and 182 respectively.
Institutional Development Activities

I would like to bring in the notice of members and other stakeholders that Institute is going to host one day conference on theme of “Accountability for Nation Building” on 30th January 2017 focusing on members of ICAN, Government officials, corporate executives, regulators and other interested persons in Kathmandu. The purpose of organizing conference is to express our pledge working with the government of Nepal in relation to technical support in the improvement of public sector financial management and to provide valuable feedback and input into socio-economic development initiatives of the government.

Committee for Implementation of NFRS- Insurance of ICAN, Insurance Board and Nepal Bimak Sangh jointly organized an interaction program on NFRS implementation on Insurance Sector on December 19, 2016 in Kathmandu. The meeting facilitated the exchange of views and discussions on opportunities and challenges during the process of adopting and implementing of NFRS in insurance sector.

Similarly, a three member team led by Vice President of ICAN had a meeting with the Chairperson of Insurance Board on November 29, 2016 at Board’s office. During the meeting it was briefed that ICAN has made mandatory implementation of NFRS for Insurance sector from 2016/17 and prepare financial statement accordingly.

Based on the mandatory provision of one year internship to the foreign CA degree holders for getting Membership and Certificate of Practice from ICAN, 31 ICAI qualified Chartered Accountant members joined one year internship during the period of October to December 2016.

It is my pleasure to inform that ICAN registered 39 new Chartered Accountant from 1st October 2016 to 31st December, 2016 persuant to the the Nepal Chartered Accountant Act, 1997.

International Relation

International relation with international, regional and foreign accounting bodies is always our priority and regularly attending various seminar, conferences, meetings and other events organized by these bodies in time to time.

In this connection, a Joint Director attended the Technical SAFA BPA Conference Marking Meeting and The SAFA iTAG Committee meeting held on 8 December 2016 in Sri Lanka representing ICAN.

A delegation comprised of 5 members led by myself attended IFAC Council meeting held in Brazilia, the city of Brazil on 16th and 17th November, 2016.

Likewise, a two member team consist of a Council Member Past President of ICAN attended in the SAFA Committee and SAFA Board meeting along with SAFA regional seminar on the theme “Implementation of International Public Sector Accounting Standards (IPSAS) and the path to accrual accounting” organized on 3rd & 4th November 2016 by the Institute of Chartered Accountants of Sri Lanka.

It is a matter of pleasure to inform that two Nepalese companies that includes Citizen Bank International Ltd and Butwal Power Company won the Merit Award from SAFA BPA 2015 Evaluation.

I will continue to update you on the important activities accomplished by the institute during the upcoming quarter of this fiscal year.

With best regards,

[Signature]

CA. Mahesh Khanal
President
Corruption in the Nepalese Government Sector: Is Accounting Involved? Or Corruption in the Public Sector with Special Reference to Nepal: Is Accounting Involved?

The weak enforcement of regulations and a lack of interest of anti-corruption institutions have become the key causes leading to the proliferation of corruption at both the administrative and political levels. Over-politicisation is envisaged as another reason weakening the enforcement of regulations and the institutional capacity of Nepalese anti-corruption institutions and organisations in preventing corrupt practices.

Background

Corruption has become a darkest facet of economic globalisation, stifling the socio-economic progresses achieved in the last few decades, and widening income and wealth inequalities (WB, 2005). Recent studies show that corrupt practices are widespread in developed countries such as the USA, the UK, Canada, and Australia with well-functioning rules, democratic systems, and anti-corruption institutions. Corruption is however more endemic in developing countries (Neu et al., 2015). Billions in government resources are misused every year in these countries, which could have been spent otherwise on education, health, and social programmes to uplift citizens from the vicious circle of poverty (WB, 2005). This paper discusses various aspects of corruption in the public sector in Nepal and the way accounting is implicated in the articulation of corrupt practices. Nepal is ranked by Transparency International, in its Corruption Perceptions Index (CPI), as one of the most corrupt countries. With a score of 29 points, the country has been placed at 130 out of 168 countries in the 2015 CPI, sliding down four positions from the previous year (TI, 2015). Income inequality in Nepal is the highest in Asia, overtaking countries such as China and the Philippines (The Economist, 2011). At the political level of the country, there are networks consisting of politicians, bureaucrats, and business people the buying and selling their influences in large-scale activities.
such as procurement, purchasing and constructions, and articulating so-called “grand corruption” (Everett et al., 2007). At the administrative-level, there are collusions consisting of accountants, bureaucrats and small-sized suppliers, articulating what Roberts (2015) has referred to as “the web of petty corruption”; for instance, inflating the costs and prices of purchasing and procurements.

**Anti-corruption and Oversight Agencies**

Nepal has over the last decades established 19 anti-corruption and oversight agencies (Koirala et al., 2015). The OAG and the CIAA are the constitutional bodies, and they are accorded complete legal and professional independence by exempting their emoluments and budgets from the parliamentary vote. In its annual report, the CIAA mentions that the corruption-related complaints filed by public and other sources in its regional and central offices had increased by more than 15% during the financial year 2014/2015 to reach a total of 31,213 cases.

The PAC (2011), which is an important parliamentary oversight organ, has in its annual report of 2010-2011 mentioned that it had organised 338 meetings of its various committees and subcommittees spending 1183 hours to investigate irregularities, as highlighted in the OAG report, under-performance of 36 state-owned enterprises, and fraud and embezzlement of public resources in large hydro-power projects. The government has also, under the supervision of the Prime Minister Office (PMO), established its own watchdog, i.e. the National Vigilance Centre (NVC), to create public awareness against corrupt practices. In its report, the NVC (2015) has stated that the Centre received 1588 complaints during the financial year 2014-2015 and a total of 158 complaints had been referred to the CIAA for prosecution at a special court. The PMO has been operating a program, i.e. Hello Sarkar, to collect public grievances including corruption. The MoF has established a separate Anti-money Laundering Department to investigate the properties acquired by government officials and members that hold public post without disclosing adequate taxable sources. Regmi (2015) states that 628 cases of money laundering have already been handled by the Department since its establishment in 2011. In addition, there are various other anti-corruption institutions tackling sector-specific corruption cases; for instance the Department of Revenue Investigation for the leakage of revenues and profligate spending, the Judicial Council for curbing corruption in judiciary, the Central Arrear Collection Office (CACO) for recovering irregularities and arrears, and the Public Procurement Monitoring Office (PPMO) for preventing corruption in public procurement and purchasing activities.

Moreover, there are specific Acts and Regulations in the country for Special Court, impeachment procedures, money laundering, foreign aid, and good governance, some of which equate with the prevailing anti-corruption regulations in Western countries in terms of their robustness. Despite the existence of such regulations and the establishment of anti-corruption institutions, their impact on curbing corruption, however, appears to be minimal in practice. For instance, the CIAA's (2015) report shows that only 303 cases out of more than 30,000 corruption cases filed during the financial year 2015/16 had been prosecuted at the Special Court. Even among those who are prosecuted, the likelihood of detention, conviction, and serving a jail term is very low, and that the corruption actually pays in the country (Dix, 2011). The majority of corrupt practices are even not reported. The scale and magnitude of corruption taking place in the country could therefore be much larger than has been reported to the public.

**Petty Corruption at the Administrative Level**

In its audit report, the OAG (2014) has highlighted that budget irregularities accounted for almost 4.67% of the total audited amounts for the financial year 2014/2015. The “Irregularities Evaluation and Monitoring Unit” of the MoF has stated that almost 45% of total irregularities every year are concerned with the lack of supporting evidence (i.e. bills, receipts etc.) and non-compliance of legislations (MoF, 2014). Increasingly, budget irregularities have been envisaged more as an independent act of accountants and bureaucrats to facilitate rent-seeking activities (OAG, 2015). The prevailing incentive system has provided some accountants and bureaucrats an impetus to indulge themselves in such rent-seeking activities. For instance, accountants and bureaucrats are entitled to receive 10% of total irregularities as an incentive if they are able to recover such irregularities during the budget year. There are occasions in which some accountants have deliberately deferred their settlement, so that they could claim in the next budget year showing their efficiency in terms of recovering/settling such irregularities and get rewarded. In the report of the OAG (2014), it is mentioned that some government accountants have claimed incentive even for those advances which are automatically settled once the receipts were submitted and the bills were paid by the concerned parties.
Another factor promoting budget irregularities has been the authority, which the Financial Procedure Rules, 2007 has provided to the Secretary of Ministry to write off irregularities up to Rs. 500,000 on the assumption that there are no material losses to government offices from such irregularities. The Secretaries are more concerned over the settling of irregularities rather than having to take them to the next level, as part of demonstrating their performance to the government and donor agencies. A number of irregularities being settled are therefore “write-offs”, without investigating their causes and any further efforts to recover them even if they are suspicious of embezzlement and fraud. The fact that fines and other forms of penalties for irregularities, had they been proved as a result of gross negligence on the part of the accountants and bureaucrats, are so low that it is worth undertaking the risk and getting involved in these corrupt practices (Dix, 2011). There are very few occasions (if any) in Nepal in which accountants and bureaucrats have been imposed a fine for incurring corrupt practices; for instance, deferring the settlement of advanced money (PAC, 2011).

Political intervention in bureaucracy in the form of appointment, promotion, and transfer have eroded the merit-based evaluation in Nepal in which rent-seeking activities, for instance, budget irregularities, could have an adverse consequence (Dix, 2011). This has also weakened the institutional capacity of anti-corruption institutions to monitor and prevent such corrupt practices. For instance FPR, 2007 require those budget irregularities which are not exempted or a “write-up” to be transferred to the CACO, an office tasked with recovering and settling government revenues. Reports published by various anti-corruption agencies show that only a few unsettled budget irregularities are transferred to the CACO every year (OAG, 2015). The CARO has the right to summon the culprits for justification, hold and confiscate their bank accounts and properties, and refer them to the CIAA for prosecution. Out of the few cases of recovering irregularities referred to the CARO, the office has been able to recover no more than 5% given the lack of supporting evidence. Along with the CARO, the PAC and the OAG have remained ineffective in terms of curbing corrupt practices relating to budget irregularities. Their recommendations to charge those who are involved in engendering budget irregularities have seldom been implemented.

The skillful use of accounting has to some extent enabled these corrupt officers to block the access of these anti-corruption units, and to facilitate many forms of corrupt practices, not least the budget irregularities. Occasionally, transactions are often fabricated so as to make the unusual transactions appear normal; for instance buying office stationeries in a bulk but charging them individually. Similarly, purchasing office supplies and stationeries require the accountants and administrators to issue a call for “expression of interests”. In some cases, a supplier who has registered three to four stationery shops/firms is usually selected, which makes it easier to accumulate a number of “expression of interests”, and to help legitimise the choices. Accounting practice is in this way used to construct a visibility that all procedures are being followed, and in the process accumulate illicit rents from the suppliers and share with the parties of the collusion.

Grand Corruption at the Political Level

The political-level consists of an advanced network involving politicians, businessmen, consultants, contractors and suppliers, and higher-level bureaucrats. The presence of donors and international organisations is also visible at this level contributing to the construction of a space for illicit practices to occur. It is very interesting that these organisations on the one hand have presented themselves as key anti-corruption propagators, lending support to anti-corruption organisations and activities aiming to eradicate corrupt practices. On the other hand, they are imposing certain conditions and requirements, for instance, appointing suppliers, consultants, and auditors of their choice, and undertaking the purchase of goods and services from their home country or selected organisations, which have contributed to constructing a space for, what Sikka and Lehman (2015) have stated, the supply side of corruption to flourish. It has become a common practice for the suppliers, contractors, and consultants based on donor countries to exert influences and offer rents (bribes and kickbacks) to politicians and administrators so as to purchase influences and secure procurement contracts and consultancy services. Such influences coupled with donors’ pressures to prioritise their own contractors and suppliers have led to the repatriation of a large portion of international aid, grants, and loans to their home country before they actually reach the targeted groups for whom they were meant for (Pandey, 2001).

Next, these exit several networks consisting of administrators, politicians, and businessmen - within the systems of procurements, purchasing and constructing - exchanging influence and mutually sharing the illicit benefits. Given the domination of such collusion,
controlling illicit practices in procurements, purchasing and construction is often seen as beyond the preview of accountants and bureaucrats. In fact, many of them are forced to become a part of the corrupt networks legitimising the illicit activities. Accountants and bureaucrats attempting to fight against corruption have often been intimidated, been left isolated, and in some cases they are themselves depicted as the most corrupt persons with all blame on them (CIAA, 2015). The most widespread corrupt practice at this level has been the syndicate system. The system promotes collusions and cartels among business people, and all involving actors mutually share the rents. Such collusions and cartels function in procurement and purchasing by assigning “turns” to each syndicate member for winning public bids. The members of the cartels support each other on the turn by submitting the higher/lower or even failed bidding proposals. There are cases in which the bids are more than 45% lower than the estimated costs and where the contractor withdraws after signing the contract (Adhikari, 2015). Albeit such withdrawals would cost the bidders 10% of their deposits, they would be compensated by the winner, as part of the cartel system. The fact that the lower bids are selected means that accounting numbers and practices have a crucial role in sustaining such corrupt networks. The collaborative use of accounting numbers has helped facilitate the flow of government revenues to the members of corrupt networks, and to subsequently repatriate a portion of these proceeds back to the network.

Next, road projects, mainly the construction of roads, have become another most vulnerable area for corruption in Nepal. Given the scale and magnitude of amounts involved in such projects, securing contracts has become a major concern of the contractors. They use various forms of influences to politicians, administrators, and accountants, which are later recovered by compromising on the quality, i.e. by using less expensive or sub-standard materials. Albeit the 2007 PPC approved a cost variation within 10%, the reports of anti-corruption institutions delineate the fact that actual variations in practice have reached up to 300% in some road projects (CIAA, 2015). Several cases are illustrated in these reports in which the costs of the road projects have been readjusted and prices elevated once the contracts have been signed citing the emergence of new information or situations; for instance, natural disasters, political instability, and industrial strikes. In its bulletin, the Public Procurement Monitoring Office (PPMO) (2014) claims that it had blacklisted 36 construction firms for a year for breaching the contract requirements; for instance, delivering low quality products, delaying the projects, and inflating the costs. The fact that one contractor is associated with several firms either as a partner or an owner and that there is a lack of mechanism to trace his/her involvement in different firms, however, has made such suspension a symbolic endeavour.

**Conclusion**

The weak enforcement of regulations and a lack of interest of anti-corruption institutions have become the key causes leading to the proliferation of corruption at both the administrative and political levels. Over-politicisation is envisaged as another reason weakening the enforcement of regulations and the institutional capacity of Nepalese anti-corruption institutions and organisations in preventing corrupt practices. The fact that most of the senior positions in anti-corruption organisations and oversight institutions are filled by political appointments (Dix, 2011) means that these organisations are more concerned over protecting political leadership and blocking their corrupt practices to the public rather than devoting their attention to curbing them. Indeed, corruption has become a key feature of modern societies. What is probably different in Nepal is the acceptance of corruption at a societal level. Not only are the politicians, accountants, and business people, the so-called “educated and elite” people of the society, equally driven by what Sikka & Lehman (2015) have mentioned as “the spirit of contemporary capitalism”. Such a drift in moral and social obligations at a wider level has further contributed to the dysfunction of anti-corruption institutions and their activities. As part of tailoring anti-corruption strategies, various suggestions have been put forth in accounting studies ranging from an alteration in the education system, laying more emphasis on social and moral obligations, to a border participation of citizens, outside agencies, NGOs, and civil societies in the evaluation of public policies and programmes (Everett et al., 2007). Change in education and a broader participation of citizens in the political process can be the beginning of the fight against corruption in Nepal.
Reference


Green GDP gives value to the cost of environmental losses and therefore adjusts GDP to reflect the environmental costs. Natural capital is an important economic asset that could have potential for long-term contribution to productivity and welfare.

Introduction

The world and the society as a whole has become a better place with respect to the facilities, way of living, financial capability, life expectancy, health and educational facilities, use of modern technologies and in many other ways. Every nation focused more on its economic growth. While achieving such growth, there have been severe impact on natural resource depletion, pollution damages, environmental degradation, climate change, global warming etc. Usually a nation’s economy is measured and calculated in terms of Gross Domestic Product (GDP) numbers. In fact, it is an index of economic growth. But recent impact on bio diversity and climate change has pushed for changes in conventional GDP. Green GDP has been used as monetization for loss of biodiversity and costs for climate changes. This article basically explores in brief the studies done so far, necessity, impact, accounting and other details related to Green Economy.

Rio Declaration on Environment and Development

The United nations conference on environment and development, having met at Rio de Janeiro from 3 to 14 June 1992, reaffirming the declaration of the United Nations conference on the Human Environment, adopted at Stockholm on June 16, 1972 and seeking to build upon it, with the goal of establishing a new and equitable global partnership through the creation of new levels of cooperation among states. Rio declaration has proclaimed few important principles. Some of the principles are quoted here:

""
Human beings are at the center of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature.

The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations.

In order to achieve sustainable development, environmental protection shall constitute an integral part of the developmental process and cannot be considered in isolation from it.

To achieve sustainable development and a higher quality of life for all people, states should reduce and eliminate unsustainable patterns of production and consumption and promote appropriate demographic policies.

National authorities should endeavor to promote the internationalization of environmental costs and the use of economic instruments, taking into account the approach that the polluter should, in principle, bear the cost of pollution, with due regard to the public interest and without distorting international trade and investment.

Economical Impact of Industrialization and Global Warming

In recent years, climate change and global warming have emerged as serious challenges threatening biodiversity and disturbing livelihood of common masses. The industrial revolution marked a major turning point in Earth’s ecology and humans’ relationship with the environment. The industrial revolution dramatically changed every aspect of human life and lifestyles. It all started in mid 1700s in Great Britain when machinery began to replace manual labor. Fossil fuels replaced wind, water and wood, used primarily for the manufacture of textiles and the development of iron making processes. The full impact of the industrial revolution would not begin to be realized until about 100 years later in the 1800s, when the use of machines to replace human labor spread throughout Europe and North America. This gave rise to sweeping increases in production capacity and would affect all basic human needs, including food production, medicine, housing and clothing.

Global warming can be defined as an increase in the earth’s atmospheric, oceanic temperatures and an overall change in earth’s atmosphere including a rise in sea levels and variability of snow falls. Climate change and associated impacts vary from region to region around the globe. Due to increase in greenhouse effect resulting especially from pollution and other activities such as, greenhouse gas emissions produced by human activities mainly industrial processes and transportation. According to Intergovernmental panel on climate change (IPCC), greenhouse gases effectively absorb thermal infra-red radiation, emitted by the earth’s surface, by the atmosphere itself due to the same gases and by clouds. Atmospheric radiation is emitted to all sides. Thus, greenhouse gases trap heat within the surface-troposphere system. This is called the greenhouse effect. The main causes of global warming are increase in CO2 concentration, Ózone depletion, deforestation, methane/ nitrous oxide emissions from agriculture/ factories, rise in sea levels, burning of fossil fuels, mining activities, and population increases etc.

Gross Domestic Product (GDP)

The OECD defines GDP as “an aggregate measure of production equal to the sum of the gross values added of all resident and institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). In other words, GDP is a monetary measure of the market value of all final goods and services produced in a period (quarterly or yearly). It is measured by adding together the nation’s personal consumption expenditure, government spending, net exports, and net capital formation. Nominal GDP estimates are commonly used to determine the economic performance of a whole country or region, and to make international comparisons. Nominal GDP per capita does not, however, reflect differences in the cost savings and the inflation rates of the countries; therefore using a GDP PPP per capita basis is arguably more useful when comparing differences in living standards between nations.

Necessity of Green GDP

Conventional GDP ignores the environmental externalities. It measures the produced output but ignored the needed to generate that output like water and air. There has been a growing concern that GDP computation indirectly encourages the natural resource depletion. Some experts suggest economic growth measured in terms of increase in GDP numbers brings about an improvement in the quality of life up to a point. Beyond this point, more economic growth may deteriorate the quality of life due to the costs associated with increasing income inequality, loss of leisure time and natural capital depletion. More important point is GDP has no capacity to identify whether the level of
income generated in a country is sustainable. Natural resources are not properly considered in calculation of GDP as economic assets. It gives more weight to the future benefits generated by restorative or protective environmental projects. Important factors like forests, wetlands and agriculture are not accounted due to difficulty in measurement basis. Depletion of natural resources or increases in pollution can have significant impact on the future productive capacity of a country but such resources are barely accounted in conventional GDP calculation.

Green GDP gives value to the cost of environmental losses and therefore adjusts GDP to reflect the environmental costs. Natural capital is an important economic asset that could have potential for long-term contribution to productivity and welfare.

The idea of Green GDP has arisen in the 1990s to remove the shortcomings of traditional GDP to account for the economic costs of natural resource depletion and pollution damages, which in turn would influence human welfare. Main purposes of Green GDP accounting are to provide a more correct measure of welfare and to examine the sustainability of economy. Now, Green GDP accounting has become a significant basis to develop and implement the sustainable development strategies in the world.

Global Experience of Green GDP accounting

China

In 2004, Chinese Premier wen Jiabao announced that the green GDP index would replace the Chinese GDP index itself as a performance measure for the government and party officials at the highest levels. The first green GDP accounting report, for 2004, was published in September 2006. It showed that the financial loss caused by pollution was 511.8 Billion Yuan (US$ 66.3 Billion) or 3.05 percent of the nation’s economy. As an experiment in national accounting, Green GDP effort collapsed in failure in 2007, when it became clear that the adjustment for environmental damage had reduced the growth rate to politically unacceptable levels, nearly zero in some provinces. In the face of mounting evidence that the environmental damage and resource depletion was far more costly than anticipated, the government withdrew its support for Green GDP accounting methodology and could not publish 2005 report, which had been due out in March 2007. Independent estimates of the cost to China of environmental degradation and resource depletion have for the last decade ranged from 8 to 12 percentage points of GDP growth. These estimates support the idea that by this measure at least, the growth of Chinese economy is close to zero.

Norway

Norway has been calculating the costs of resources and environment since 1978. Resources and environmental pollution included in its calculations are mainly mineral, biological, water, land, environmental resources and air pollution, two water pollutants (nitrogen and phosphorous). A comprehensive statistical system has been established that includes energy, existing fishes and forests, air emissions, wastewater (mainly domestic sewage and polluted water from farming), recycling and environmental expenditure.

Mexico

Mexico began its GDP program in 1990. Its calculation covers all types of land resources, water, air, soil, forests and oil. The indices and data obtained on the amount of the natural resources and changes that have taken place are then transformed into indices in terms of currency.

Calculation, Accounting and Challenges of Green GDP

Green GDP is an attempt by economists and accountants to measure the growth of an economy compared to the harm production does to the environment. It is calculated by subtracting the costs of environmental and ecological damage done in a specific period of time from gross domestic product (GDP).

In Short, Green GDP = GDP - Natural Resource Depletion - Pollution Damage

The challenge for experts is to measure the costs of ecological and environmental damage. For example, a factory that maintains an excellent production schedule will definitely add to the national GDP. If the factory excessively pollutes the air in the process, the economic growth it has spurred is somewhat negated by the environmental damage it has done. While calculating the costs of environmental damage, resources that have been depleted by production are taken into consideration. Such resources could be minerals, land, forests, water among others. Similarly, calculating the financial numbers for pollution is also more of an approximation that an exact calculation. Pollution from production may not show up
in an environment for years, and putting a price tag on the amount may be just a rough estimation.

Measuring environmental performance and setting targets is a critical component for organizations to become more productive, more profitable and more sustainable. Monitoring key metrics such as energy, waste and water usage leads to reductions in greenhouse gas emissions as well as operational efficiency improvements and cost savings.

What remains difficult is calculating resource and environmental costs. Ecological or health damage caused by industrial pollution may take years to appear. It is impossible to pinpoint the year in which there are no environmental costs incurred as a result of pollution. There are situations in which an enterprise's pollution does no harm locally, but damages more distant areas. Pollution may be aggravated or ameliorated by natural influences such as wind or rain.

**Global Reporting Initiative (GRI)**

The Global Reporting Initiative (GRI) is an independent international standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption. It is formed by the United States based non profits Ceres (formerly the coalition for Environmentally Responsible economies) and Tellus Institute, with the support of the United Nations Environmental Programme (UNEP) in 1997.

It refers to global network of many thousands worldwide that create the reporting framework, use it in disclosing their sustainability performance, demand its use by organizations as the basis for information disclosure or are actively engaged in improving the standard. Its sustainability reporting aims to standardize and quantify the environmental, social and governance costs and benefits derived from the activities of the reporting companies accordingly. Some of the examples of the reporting measures to be used would be the quantified results of the CO2 emissions, working and payment conditions, financial transparency and alike.

**Nepalese Context of Economic Impact Assessment**

In a way Nepal represents the world biodiversity in a miniature as it is composed of Himalayas, mountains, valleys and flatlands ranging from the highest point of the world in the Himalayas in the north to plain areas in the southern Tarai with exquisite flora and fauna.

Nepal is considered to be highly vulnerable to the effects of climate change. Current climate variability and extreme events are already causing major impacts and economic costs in Nepal, estimated to be equivalent to an annual cost of 1.5 to 2% of GDP. Continuing climate change will intensify these impacts, leading to potentially large additional economic costs in the future. Responding to these climate-related risks involves decision-making in a changing environment due to the uncertain effects of climate change.

Future climate change is likely to increase current impacts and lead to additional future costs: overall, it is estimated that the economic costs of climate change in Nepal for three sectors (Agriculture, Hydroelectricity and Water-induced Disaster) could be equivalent to 2-3% of current GDP by mid-century. This is large enough to prevent Nepal achieving key growth and development objectives.

Adaptation can reduce these impacts, but requires an iterative approach: the additional investment to build resilience in current/future plans in the three sectors (agriculture, hydroelectricity and water-induced disasters), from now to 2030, was estimated at a total of US$2.4 billion.

**Conclusion**

From the point of view of environment, real GDP fails to consider depletion of natural resources and pollution damages. Green GDP gives value to the cost of environmental losses and therefore adjusts GDP to reflect the environmental costs.

A robust GRI system is the need of the hour which provides enough data for analysis of the existing status and guidance for future requirements.

As Green GDP is still in the nascent stage in the world economy, no country has substituted the conventional GDP with the Green GDP. The challenge ahead of us is to develop a database for building a robust environmental accounting system for accurate and comprehensive data collection and accounting.

Despite Nepal’s contributions to global warming being negligible, the country is bearing the brunt of climate...
change impact in the form of ice-melting and glacial lake outburst floods threats, deforestation, denudation and desertification, loss of precious flora and fauna, drought, landslide and depletion of sources of water, habitat loss and impact on productivity of soil, and consequent migration of people.

In Nepalese context, it is to be seriously thought of on the environmental impact caused due to pollution damages and natural resources depletion which have huge impact on Green GDP computation.

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Will the Demonetization in India be Effective?

Regarding controlling the black economy, massive legislative and governance reform would serve as its pre-requisite. The problem of black economy in advanced economies has been tackled through formulation and implementation of suitable Acts, Rules, and operating guidelines in the relevant sectors of the economy and areas of governance.

1. Money and Its Role in the Economy

Money is a commonly accepted medium of exchange or means of payment including settlement of debts. It is the stock of assets in an economy that people regularly use to buy goods and services from other people. Roughly speaking, the currency units in the hands of the public make up the nation’s stock of money. N. Gregory Mankiew, in his book on Macroeconomics (sixth edition, Worth Publishers, 2007) quoted John Maynard Keynes as remarking that “Lenin is said to have declared that the best way to destroy the Capitalist System was to debase (meaning degrade, ruin or debase) the currency.... Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debase the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.” Money has three purposes: it is a store of value, a unit of account, and a medium of exchange. As a store of value, money is a way to transfer purchasing power from the present to the future. As a unit of account, money provides the terms in which prices are quoted and debts are recorded. It is the yardstick with which we measure economic transactions. As a medium of exchange, money is what we use to buy goods and services. In a barter
economy without money, trade requires the double coincidence of wants—two people each having a good that the other wants in the right quantity, time, and place to make an exchange. A barter economy permits only simple transaction while money makes more indirect transactions possible. In the exchange economies, banks serve as the financial intermediaries between savers (depositors) and users (borrowers) of money. The quantity of money available in an economy is called the money supply while the control over the money supply is called the monetary policy. The central bank is entrusted with the responsibility of maintaining price stability and fostering financial sector stability through controlling money supply and credit conditions as well as supervising financial sector. A central bank is a banks’ bank and a public authority that regulates a nation’s depository institutions and controls the quantity of money.

2. Money Supply and the Quantity Theory of Money

The primary way in which the central bank controls the supply of money is done through open market operations—the purchase and sale of government bonds. If the central bank wants to increase the money supply, it buys government bonds from the market. If the central bank wants to decrease the money supply, it sells government bonds to the market. The most obvious asset to include in the quantity of money is currency, the sum of outstanding paper money and coins. A second type of asset used for transactions is demand or current deposits. Demand deposits are, therefore, added to currency when measuring the narrowly defined quantity of money, namely, M1. There could be broader measure of money like M2 which includes M1 plus saving deposits and M3 which includes M2 plus time deposits. The quantity theory of money (Money x Velocity=Price x Output, or, MV=PY) assumes that the velocity of money (number of times that the money changes hands in a year) is stable and concludes that nominal gross domestic product (GDP) is proportional to the stock of money. Because the factors of production and the production function determine real GDP, the quantity theory implies that the price level is proportional to the quantity of money. So, according to this theory, the rate of growth in the quantity of money would determine the inflation rate and the central bank, which controls the money supply, has ultimate control over the rate of inflation. If the central bank keeps the money supply stable or increases it rapidly, the price level will be stable or rise rapidly.

3. How Banks Create Money?

The cash reserve ratio (CRR) is the ratio of reserves to deposits that banks are required, by regulation, to hold. Actual reserves minus required reserves are excess reserves. Whenever banks have excess reserves, they are able to create deposits by way of making loans. Let’s take a simplified, theoretical example. Suppose that the CRR is four percent and a bank receives Rs. 100,000 as deposits. It keeps four percent in reserves and lends the rest 96 percent. The amount lent becomes a new deposit at another bank. The next bank in turn keeps four percent and lends 96 percent of the amount, and the process continues until the banking system has created enough deposits to eliminate its excess reserves. At the end of the process, the additional Rs. 100,000 of reserves would create an additional Rs. 2,500,000 of deposits (Rs. 100,000/0.04), with reserves amounting to Rs. 100,000 (0.04xRs. 2,500,000) and loans amounting to Rs. 2,400,000 (0.96x Rs. 2,500,000) (Michael Parkin, Macroeconomics, seventh edition, 2005, Pearson.)

4. Demonetization and Its Previous Experience in India

First, we define demonetization and also the black economy. According to Investopedia, demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. A black or underground economy is that part of a country’s economic activity which is unrecorded and has not come into the tax net of the government. It is the segment of a country’s economic activity that is derived from sources that fall outside of the country’s Rules and Regulations regarding business. The activities can be either legal or illegal depending on what goods or services are involved. India has so far pursued demonetization on three occasions to control black or underground economy which is presently estimated at one-fifth of its GDP. India, for the first time, announced demonetization on January 12, 1946 (Saturday), second time on January 16, 1978 (Monday), and this time on November 8, 2016 (Tuesday). In 1946, Rs. 1,000 and Rs. 10,000 bank notes, which were in circulation, were demonetized. The measure did not succeed, as by the end of 1947, out of a total issue of Rs. 1.44 billion of the high denomination notes, notes of the value of Rs. 1.35 billion were exchanged. Thus, notes worth only Rs. 90 million were probably ‘demonetized’, not having been presented for exchange. It was really not a revolutionary measure and even its purpose as a punitive gesture toward black marketing
was not effectively articulated. There was no fool-proof administrative method by which a particular note brought by an individual could be verified. Another loophole was the exemption of the princely States from scrutiny or questioning. The higher denomination banknotes in Rs. 1,000, Rs. 5,000, and Rs. 10,000 were reintroduced in the year 1954. These banknotes (Rs. 1,000, Rs. 5,000, and Rs. 10,000) were again demonetized in January 1978. However, the demonetization of 1978 did not yield the results as expected as high denomination currency notes of Rs. 1000, Rs. 5000, and Rs. 10,000 only accounted for just Rs. 731 million or 2 percent of the total cash. However, much of the wealth of those enriched by the black economy would be insulated, because lots of their property would be held not in cash but in property, gold or jewellery (www.google.com.)

5. Estimate of Lost Nominal GDP Due to Currency Disruption in India

In India, Prime Minister Narendra Modi intended to clean the mess of black economy and then usher in a clean and honest environment for taxation. However, as in two previous cases of demonetization, this time also the government chose monetary policy instrument for achieving this objective of fiscal management. Accordingly, on November 8, 2016, he proclaimed that notes of Rs. 500 and Rs. 1,000 denominations would cease to be legal tender with effect from November 9, 2016. These notes could be deposited in the banks till December 30, 2016 though proper explanation as to their sources of income was required to be furnished to the authorities. These notes amounted to Rs. 14.2 trillion which accounted for 86 percent of the total notes in circulation (which amounted to Rs. 16.6 trillion) on September 30, 2016 (The per capita amount of these two notes represented 9.5 percent of the per capita nominal GDP of India in 2016, i.e. Rs. 114,700.) Demand deposits were Rs. 11.7 trillion, with M1 totaling Rs. 28.3 trillion. On December 7, 2016, in a month's time, notes of Rs. 500 and Rs. 1000 denominations collected in the banking system amounted to Rs. 11.6 trillion, leaving Rs. 2.6 trillion yet to be collected. On the assumption that Rs. 2 trillion does not come into the banking system by December 30, 2016, then the new currency in circulation of higher denomination notes (Rs. 500 and Rs. 2000) as at that date could be assumed to amount to Rs. 12.2 trillion. So, it is estimated that Rs. 2 trillion could be lost in the entire process. Assuming that the demand deposits remained the same as Rs. 11.7 trillion in December 30, 2016, the M1 as on that date could be assumed as Rs. 26.3 trillion. While estimating the amounts of reserves, loans, and deposits at four percent CRR during the entire process, higher currency notes amounting to Rs. 14.2 trillion would create total reserves at Rs.14.2 trillion, total loans at Rs. 340.8 trillion, and total deposits at Rs. 355 trillion. In the probable situation of such notes amounting to Rs. 12.2 trillion (with loss of Rs. 2 trillion), they would create total reserves at Rs. 12.2 trillion, total loans at Rs. 292.8 trillion, and total deposits at Rs. 305 trillion. Thus, at four percent CRR, the reduction of Rs. 2 trillion reserves will reduce loans, theoretically speaking, by Rs. 48 trillion and reduce deposits by Rs. 50 trillion. These loans and deposits as percent of GDP in 2016 (Rs. 150.3 trillion) would be 31.9 percent and 33.3 percent respectively. Accordingly, on the quantity theory of money, these data would give velocity (V) = 5.3 (GDP Rs. 150.3 trillion/M1 Rs. 28.3 trillion). Given velocity (V) = 5.3 as constant, if conditions do not stabilize and the present confusion, disruption, and disturbance continues for six months, then the nominal GDP at the current prices is likely to decline by 3 percent till June 2017 (M1 Rs. 26.3 trillion x velocity (V=5.3) = GDP Rs. 139.39 trillion/Rs. 150.3trillion x 1/2) = 3 percent approximately. It should also be understood that while Keynesians hold that many other forces besides money also affect aggregate demand, monetarists believe that changes in the money supply are the primary factor that determines movements in output and prices and discretionary monetary policy should be replaced by a fixed rule relating to the growth of money supply, implying that a stable money supply would lead to a stable economy. So, in order to promptly control the fluctuations in money supply arising from the demonetization, restoring the situation to normal level as soon as possible should be the immediate urgent action of the government of India (GOI) especially for moving ahead uninterruptedly the monetary transmission mechanism through which changes in the supply of money are translated into changes in output, employment, and inflation. Not less important is the fact that common people should be allowed to deposit and withdraw cash at ease in a prompt manner for which all bank branches and ATMs should be flush with sufficient liquidity. Such arrangement, however, is presently lacking resulting in disturbance in the banking service delivery to the clients. Moreover, banking functions related to financial intermediation and payments system have been affected.

6. Provision of Demonetization in Reserve Bank of India Act, 1934

The preamble of the Reserve Bank of India (RBI) Act describes the rationale underlying the establishment of the RBI as (a) to regulate the issue of bank notes and
keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage, (b) it is essential to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, (c) the primary objective of the monetary policy is to maintain price stability while keeping in mind the objective of growth, and (d) the monetary policy framework in India shall be operated by the RBI.

Section 8 of the Act provides for the composition of the 21-member Central Board and the term of office of directors comprising the Governor, 4 Deputy Governors, 2 finance ministry representatives, 10 government-nominated directors to represent important elements from India’s economy, and 4 directors to represent local boards headquartered at Mumbai, Kolkata, Chennai, and New Delhi. Regarding management, Section 6 (1) provides that the central government may from time to time give such directions to the RBI as it may, after consultation with the Governor of the RBI, consider necessary in the public interest. Sub-section (2) mentions that subject to any such directions, the general superintendence and direction of the affairs and business of the RBI shall be entrusted to a Central Board of Directors which may exercise all powers and do all acts and things which may be exercised or done by the RBI.

Section 26 (1) of the Reserve Bank of India Act, 1934 states that every bank note shall be legal tender at any place in India in payment or on account for the amount expressed therein, and shall be guaranteed by the central government. Section 26 (2) mentions that, on recommendation of the Central Board, the central government may, by notification in the Gazette of India, declare that, with effect from such date as may be specified in the notification, any series of bank notes of any denomination shall cease to be legal tender save at such office or agency of the RBI and to such extent as may be specified in the notification. For demonetization of any series of bank notes of any denomination, the Central Board of Directors should recommend to the central government which should publish notification in the Gazette of India giving details regarding the demonetization. So, as per the RBI Act, the demonetization should be done for any series (not all series of Rs. 500 and Rs. 1,000 notes as at present) and at the initiative of the RBI. However, at present, there seems to be no solid rationale pertaining to monetary/financial issues for the Central Board to demonstrate such initiative.

Regarding detection of fake currency, RBI issued a press release on January 22, 2014 stating that after March 31, 2014, it would completely withdraw from circulation all banknotes issued prior to 2005. Since April 1, 2014, the public would be required to approach banks for exchanging these notes. Banks would provide exchange facility for these notes until further communication. The RBI also clarified that the notes issued before 2005 will continue to be legal tender. This would mean that banks were required to exchange the notes for their customers as well as for non-customers. Since July 1, 2014, however, to exchange more than 15 pieces of Rs. 500 and Rs. 1,000 notes, non-customers were required to furnish proof of identity and residence as well as show Aadhar (base) card to the bank branch in which she/he wants to exchange the notes. This move from the RBI was expected to unearth black money held in cash. As the new currency notes had added security features, they would help in curbing the menace of fake currency. Just after two and a half years after the withdrawal of the notes issued before 2005, it is hard to guess the rationale for demonetizing all the series of Rs. 500 and Rs. 1,000 notes.

As in August 2016, a study on Fake Indian Currency Note (FICN) issues, including estimation of FICN in circulation, was conducted by Indian Statistical Institute (ISI), Kolkata, under the overall supervision of NIA (National Investigation Agency). As per the study, the face value of FICN in circulation was found to be about Rs. 4 billion. It was found that the value remained constant for the last four years, according to the Minister of State for Finance Arjun Ram Meghwal, as a written reply to a Rajya Sabha question. The amount represented just 0.024 percent of the total currency issued (Rs. 16,557 billion). So, the demonetization of the present scale cannot be justified on the FICN which means that it was done to control black economy, a fiscal management issue.

7. Impact of India’s Demonetization on Nepal

Nepal Rastra Bank (NRB) discontinued providing exchange facility for Indian bank notes of Rs. 500 and Rs. 1000 denominations following the publication of the notice in the Nepal gazette on June 26, 2000 by the Ministry of Finance banning these denominations in Nepal. This ban was imposed after India barred individuals travelling from Nepal to India or from India to Nepal to carry Indian notes of 500-rupee and 1,000-rupee denominations. As a result, citizens of both the countries especially the shoppers in the adjoining border towns, traders and transporters in border areas, and workers, pilgrims, and tourists of either country faced inconvenience and hassle. Lifting of such exchange control was one of the agenda items during
Prime Minister Modi’s visit to Nepal during November 25-27, 2014. In February 2015, RBI through a notice on its website stated: “With a view to mitigating the hardship of individuals visiting from India to Nepal, it has now been decided that an individual may carry to Nepal currency notes of denominations above Rs 100, that is, currency notes of Rs 500 and/or Rs 1,000 denominations, subject to a limit of Rs 25,000.” Thus, Indians and Nepalese while coming to Nepal from India were allowed to carry Indian bank notes of 500-rupee and 1,000-rupee denominations. Accordingly, NRB eliminated the prohibition in exchanging the notes of these denominations after a gap of 12 years as per the directive issued for this purpose by NRB on February 24, 2015. The directive mentioned that Nepalese citizens are forbidden to carry Indian currency to countries other than India or to bring inside Nepal Indian currency from countries other than India. With the issuance of this directive, banks, financial institutions, and money changers could buy and sell Indian bank notes of 500-rupee and 1,000-rupee denominations while other agencies like hotels and travel agencies that have obtained permission to deal in foreign exchange could purchase Indian notes of those denominations up to the specified limit.

Regarding the old bank notes of 500-rupee and 1,000-rupee denominations, it has been reported that the Nepalese banking system has in its possession these notes amounting to around Rs 40 million only. These notes, as they are in accordance with the aforesaid notice issued by the RBI, should be allowed for exchange by the RBI under the usual process. Regarding the notes which are in the possession of other institutions and individuals up to the specified limit, they should be scrutinized and allowed for exchanging the currency through the NRB if they can evidence that these notes were procured and/or possessed by them as per the aforesaid notice issued by the RBI. In the case of any notes possessed informally, they will not be exchangeable. Such unauthorized holders of any or all denomination of foreign currency could be punishable as provided in the law. They will also be punishable for their violation of the legal tender status of the Nepalese currency inside Nepal, as provided by Section 51(2) of the Nepal Rastra Bank Act, 2002.

Nepal-India open border runs along three sides of Nepal—east, south, and west—extending to 1850 kilometers while the length of Nepal-Tibet Province of China border is 1415 kilometers. According to Nepal’s trade statistics for the first four months (mid-July through mid-November) of the fiscal year 2016/17, Nepal’s 64.0 percent trade (exports and imports combined) took place with India while China’s share in Nepal’s total trade was 13.6 percent. The share with the rest of the world occupied just 22.4 percent of Nepal’s total trade. Because of Nepal’s strong inter-linkage with India, the demonetization in India is bound to directly and indirectly affect Nepalese economy as well as people’s daily lives. The demonetization in short run will affect Nepal’s trade and payments transacted in the Indian notes of 500-rupee and 1,000-rupee denominations. While transactions through banking channels will not be interrupted, the cash transactions will be affected until the normalcy is restored. Disturbance in cash transactions will generate impacts and implications on the total transactions. While note printing is going on in full swing at the present, it is estimated that by December-end, 2016, 50 percent of demonetized notes will be replaced. Because of cash crunch, disturbance in the border trade between Nepal and India will take some time to stabilize. Movement of people across the border will shrink and people there will have great difficulty and inconvenience in adjusting their daily lives. The cross-border tourism and remittances will also be squeezed. Notification as per the Foreign Exchange Management Act will have to be first issued by the RBI for permitting the carrying to, and exchanging from, Nepal the new 500-rupee and 2,000-rupee denomination notes. Therefore, for the immediate days ahead, the shortage of liquidity in the Indian economy will have adverse consequences for the Nepalese economy too. Consequently, the impact on the overall economic activities will be unfavorable, also exerting some adverse effects on GDP, revenue, and employment. So, the solution for mitigating such impending effect on the people and the economy is restoring the normal liquidity in the financial system in India as soon as possible. The longer the transition to normalcy, the more adverse the effects on the Nepalese economy and the peoples’ lives.

8. Possibility of Such Demonetization in Nepal

As per Section 60 (1) of the NRB Act 2002, NRB could withdraw or return back the bank notes or coins in circulation in Nepal by issuing in exchange thereof other bank notes and coins in equivalent amount. The NRB shall publish and transmit public notice, clearly specifying the period during which the bank notes or coins must be presented for exchange and where they...
are to be so presented. Section 60 (2) mentions that, notwithstanding anything contained in Section 53 with respect to ensuring legal tender or all-acceptability of the notes and coins in Nepal for the repayment of all kinds of public and private debt, bank notes and coins to be exchanged shall cease to be a legal tender upon expiry of the time prescribed pursuant to sub-section (1). Thus, demonetization in Nepal could be done by the NRB, which implies that the monetary policy considerations, and not the fiscal policy considerations like that in India, would determine such move. For demonetizing the currency, the holders of the existing currency should be fully compensated within the deadline. So, in Nepal, there is no possibility of mixing fiscal policy goal with monetary policy instrument as evidenced in India. In other words, in Nepal, demonetization cannot be legally used as an apparent means for revenue mobilization. This underscores that the central banking legislation in Nepal is more dedicated, efficient, specialized, streamlined, transparent, and updated at least in respect of demonetization.

9. Conclusion

Money’s nature and role is diverse, touching the life of each and every member of society in one way or another. Money could be measured narrowly or broadly depending on the monetary aggregates we choose. According to the quantity theory of money, quantity of money has proportional relationship with nominal GDP and price level. The responsibility of supplying adequate amount of money (neither excess nor short) in any country (or region in the case of unions like the euro zone) lies with the central bank. In India, RBI, a public institution, is responsible for monetary management and overseeing depository financial institutions. Likewise, currency notes are issued by RBI and guaranteed by the GOI. This implies that the probable risks and costs regarding monetary management and regulation and supervision of depository financial institutions would be borne by the financial system itself including the RBI which is at the center of the financial system. General public or tax payers in general cannot be made vulnerable to such costs and risks by the government’s imprudent intervention in the sector. In any case, central banks the world over were designed as separate regulatory institutions to discharge such functions independent of the government functioning as per the Acts passed by the Parliaments. However, this norm seems to have been ignored in the ongoing demonetization process in India as the GOI, by its decision and involvement concerning demonetization, is implicitly assuming risks in the eventuality of the systemic problems in the monetary and financial sector. Such a situation could have implications on the trust and confidence that the public have reposed in the currency, credit, and payments system of the country. In such a case, the regular activities of lending and repayment could also be disturbed, worsening the problem of non-performing assets, making financial intermediation process inefficient, undermining the monetary transmission mechanism of the economy, and resulting in further financial uncertainty and instability. In such an eventuality, there will arise severe fiscal constraint instead of the fiscal ease that the government is contemplating from such step.

Regarding controlling the black economy, massive legislative and governance reform would serve as its prerequisite. The problem of black economy in advanced economies has been tackled through formulation and implementation of suitable Acts, Rules, and operating guidelines in the relevant sectors of the economy and areas of governance. First of all, a separate constitutional body should be established to fight corruption and control black economy. The GOI and the Indian Parliament should be effortful to set up such a body through constitutional amendment. Further, demonetization should have been carried out at the initiative of the RBI and not as per the active direction and leadership of the GOI as is made out to be at the present. If demonetization was carried out at the initiative of the RBI for protecting and promoting monetary/financial interest and convenience of the public, the terms and conditions of demonetization will have been set by the RBI in consideration of the need to manage emerging monetary ramification and implication. So, the blunder of the present demonetization is the attempt to attain fiscal policy goal through monetary policy instrument which, therefore, is less likely to be effective. This leads us to observe that the demonetization will not only not curtail the black economy but could also foster unwarranted risks, costs, uncertainty, and mistrust in the financial system for a foreseeable future. The foundations of trust and confidence in the currency and credit system will be shaken. In such an environment, the task of maintaining financial sector stability will become all the more difficult. Moreover, in the entire process, general public is highly inconvenienced which is against the law’s provision of promoting public interest. Last but not the least, it would be relevant to observe that Nepal’s central banking legislation looks at demonetization from the monetary policy perspective, without mixing it with the concern of fiscal management like that in India. In this respect, Nepal’s central banking legislation could be ranked as more dedicated, specialized, and timely.
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नागरिक लगानी कोष्ठारा संचालित कार्यक्रममा सहभागी भई भविष्यको लागि वचत गर्दै

कर्मचारी वचत वृद्धि स्वीकृत अवकाश कोषमा सहभागी भई वचत गर्दै पाइने फाइडाहरु

- वार्षिक ६.५ प्रतिशत व्याज पाइने,
- वचत गरेको २ आ.व पाछ, वचत रकमको ५० प्रतिशत सापटी लिन पाइने,
- सहूलियत व्याजदर वार्षिक ६ प्रतिशतमा धितो मूल्याङ्कन खामे सम्मको बढिमा र ४० लाखसम्म (उपलब्धका भित्रका नागरिकलिका घर निर्माण तथा खरीद गर्न) आवश्यकतासु वेदिका लिन पाइने,
- वार्षिक आयको एकतिहाई रकममा आयक छूट सुविधा पाइने,
- सेवावाट अवकाशपछि एकमुँड रकम पाइने,
- सबै वाणिज्य वैद्यकाको शाखा कार्यालयहरुबाट रकम जम्मा गर्न सकिने,
- व्यालेन्स सटीफिकेट लिन सकिने।
- दुर्घटनावाट मृत्यु भएमा र ९ लाख सम्मको दुर्घटना वीमाको व्यवस्था भएको।

"आजैदेखि सहभागी भई वचत गर्न वाणी बसाउँ "

नागरिक लगानी कोष
नयाँवाणेश्वर, काठमाडौं।
पोस्ट बक्स नं. ५८२३
फोन: ०१-४३३५६७९, ०१-४३४५६६।
फ्याक्स: ०१-४३३५६७९।
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Building Bridge to Economic Development in Nepal

Government of Nepal (GoN) has developed liberal foreign investment policies to attract maximum foreign direct investment into the country and instituted a ‘one-window’ system to facilitate and encourage such investments. It has also been striving to create an investment friendly climate to attract foreign investments and provide attractive incentives for prospective foreign investors.

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Background

The world has become small, synchronized and access of any good and services to the people in any country has become so easy. All this development has happened because of globalization of business environment with cross border trade and investment and rapid growth of digital technology. World trade organisation having 162 states members till date has played a very significant role with facilitation in trade negotiations, implementation and monitoring, dispute settlement, building trade capacity and outreach with the ambit of WTO agreement. The member states abide the agreement of international trade laws and regulations with making their states laws and regulations compatible with it.

The global business houses have explored and march their presence in various parts of the world through foreign direct investment and do continuous exploring the prospects of business around the globe with their comparative advantage without any trade and transit barrier.

Any changes in one place in open economy shall effect at global economy because of their interconnectivity and bilateral, regional, multilateral agreement among states. The recent initiative of a sub-regional coordinative architecture of countries in South Asia through formalization of BBIN (Bangladesh, Bhutan, India, Nepal) to formulate, implement and review quadrilateral agreements. Areas of cooperation include water resources
management, connectivity of power grids, multimodal transport, freight and trade infrastructure shall give further boost the tie up in Indo Nepal trade and investment relations. These four countries signed a landmark Motor Vehicles Agreement (MVA) for the Regulation of Passenger, Personnel and Cargo Vehicular Traffic among the four South Asian neighbors in Thimpu, Bhutan. The MVA agreement between sub-groupings of four SAARC nations will pave the way for a seamless movement of people and goods across their borders for the benefit and integration of the region and its economic development.

Role of Private sector in Indo Nepal Economic Development

India Perspective

The importance of private sectors over the last 2.5 decade has been felt tremendous in Indian economy. The process of economic liberalization in India can be traced back to the late 1970s. However, the reform process began in earnest only in July 1991. It was only in 1991 that the Government signaled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructing of the role of Government.

The reforms of the last decade and a half have gone a long way in freeing the domestic economy from the government control regime. An important feature of India’s reform programme is that it has emphasized gradualism and evolutionary transition rather than rapid restructuring or “shock therapy”. This approach was adopted since the reforms were introduced in June 1991 in the wake a balance of payments crisis that was certainly severe. However, it was not a prolonged crisis with a long period of non-performance.

The economic reforms initiated in 1991 introduced far-reaching measures, which changed the working and machinery of the economy. These changes were pertinent to the following:

- Dominance of the public sector in the industrial activity
- Discretionary controls on industrial investment and capacity expansion
- Trade and exchange controls
- Limited access to foreign investment
- Public ownership and regulation of the financial sectors etc

The reforms have unlocked India’s enormous growth potential and unleashed powerful entrepreneurial forces. Since 1991, successive governments, across political parties, have successfully carried forward the country’s economic reform agenda.

Due to above changes the importance of private sectors has been very much appreciable in creating employment and thus reducing poverty. This development has contributed in many walk of life of people like:

- Standard of living of the people
- Easy accessible of essential goods and services
- Improved social life of the middle class Indian
- Changed the age old perception of poor agriculture based country to a rising manufacturing based country
- More concentration in research and development activities
- Reform in education sectors and private sectors have contributed a lot
- Ensured fair competition amongst market players
- Dissolved the concept of monopoly and thus neutralized market manipulation practices etc

The further contribution of private sectors can be evidenced through development of Indian BPOs (Business Process outsourcing) and KPOs (Knowledge Process outsourcing) Indian software companies, Indian private banks and financial service companies. The manufacturing industry of India is flooded with private Indian companies and in fact they dominate the said industry. Manufacturing companies covering sectors like automobile, chemicals, textiles, agri-foods, computer hardware, telecommunication equipment, and petrochemical products were the main driver of growth. The importance of KPOs (Knowledge Process outsourcing) and BPOs can be understood from the data The worldwide KPO industry is expected to reach about US $17 billion by 2015, of which US $12 billion would be outsourced to India. Furthermore, the Indian KPO area is likewise anticipated that it will utilize more than 2, 50,000 KPO experts by 2015.

Nepal Perspective

Nepal, the Mid-Himalayan country of Asia has its border with India on the South, East & West and China on the North. It is located between latitude 26 degree 22 minutes North to 30 degree 27 minutes North and longitude 80
degree 4 minutes East to 88 degree 12 minutes East. Being land locked country the sea access is about 1,150 Km from the border.

Ecologically the country is divided into three regions running east to west i.e. the mountains, the hills and the Terai. The mountain area lies at an altitude ranging from 4,877 meters to 8,848 meters above the sea level. It constitutes 15 percent of total area of Nepal. Most of the high snow-capped mountains including world’s highest peak Mt. Everest (Mt. Sagarmatha) are located in this region. The hills, the middle region that covers 64 percent of total area lies between the altitude ranging between 610 meters and 4,877 meters above the sea level. This region has numerous attractive valleys, basins, lakes and hills. The Terai region is a low flat land situated along the southern side of the country. Most of the fertile lands and dense forest area of the country are located in this region. This region covers 17.1 percent area of the country.

When India economy was transforming, Nepal was facing Maoist insurgency for decade time and then entire political transition phase which has still not catching up economic transformation.

It has been a decade now when the country has achieved a milestone in political history of modern Nepal in 2006 and opened its door towards open economy. Despite possibilities of high level economic development, Nepal remains one of the poorest country in the world richest countries ranking is 156 out of 188 countries by global finance rating which are based on the GDP (PPP) of a country in 2015 in top ranking whereas ranked just 31 among World’s Poorest Countries report by United Nation’s 2011 Human Development Report and reflect the countries with the lowest human development with around 25.2 percent of population lives below poverty line. Nepal ranked at 100 out of 140 countries in 2015 by global competitive report.

Despite of recognition of crucial role of private sectors entrepreneurship in economic development, the conducive environment has not given by government which is considered the first pillar of economic development as per global competitive report.

Private sector development has also been considered instrumental for the achievement of Millennium Development Goals (MDGs) It is true that the engine of growth and development is the private sector in any country. In countries where the private sector is strong and vibrant, economic growth has been encouraging, and countries where the private sector’s role has been curbed, the pace of economic growth has been slow and gloomy. Hence, the role of private sectors has become inevitable for economic development in the country.

The annual budget for the fiscal year 2015-16 has given due credit and recognizing the role of private sectors adopting the policy of encouraging and promoting the private sector’s participation in the national economy. There are many sectors or avenues for foreign direct investment in Nepal other than lucrative sector which is hydro are services sectors like education, health, tourism, KPOs (Knowledge Process outsourcing) BPOs (Business Process Outsourcing) and others areas like Ayurvedic medicines, Banking and Finance, Insurance, telecommunication, Railways, Physical infrastructures which is prerequisites for all development after stable public institution.

Foreign Direct Investment (FDI) is a major potential contributor to growth and development of a country as it brings in capital, technology, management know-how and access to new markets. It is considered to be a more stable form of investments compared to other forms of capital flows with the host country benefiting in the long term.

Government of Nepal (GoN) has developed liberal foreign investment policies to attract maximum foreign direct investment into the country and instituted a ‘one-window’ system to facilitate and encourage such investments. It has also been striving to create an investment friendly climate to attract foreign investments and provide attractive incentives for prospective foreign investors. The Department of Industries (DoI), GoN is responsible for approval and monitoring of foreign direct investment into Nepal.

The largest contributor to Nepal’s FDI is India. The Indian companies have made a significant contribution to the Nepalese economy both in terms of employment generation and by way of generation of revenue to the Nepalese exchequer.

The following table depicts the foreign direct investment approved in different types of industries in the financial year 2013-14(2070-71): NRs in Millions
Indian Investments in Nepal

Indian companies have made a significant contribution to the Nepalese economy through export to India, import substitution, employment generation and contribution of revenue to the Nepalese exchequer. The total approved direct foreign investments from Indian companies NRs 43,919.11 million during 2013/14. The employment commitment by these companies has reached to 63,708 during the fiscal year. The total number of joint venture companies where Indian companies have taken approval for FDI stands at 587.

NRs in Million

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>No of projects</th>
<th>Foreign Investments Approval</th>
<th>Employment Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to 2006-07</td>
<td>338</td>
<td>12,297.08</td>
<td>44,126</td>
</tr>
<tr>
<td>2006-07</td>
<td>26</td>
<td>2,037.93</td>
<td>1,880</td>
</tr>
<tr>
<td>2007-08</td>
<td>37</td>
<td>4,553.21</td>
<td>3,155</td>
</tr>
<tr>
<td>2008-09</td>
<td>34</td>
<td>2,499.69</td>
<td>2,105</td>
</tr>
<tr>
<td>2009-10</td>
<td>27</td>
<td>3,993.54</td>
<td>1,835</td>
</tr>
<tr>
<td>2010-11</td>
<td>38</td>
<td>7,007.26</td>
<td>3,274</td>
</tr>
<tr>
<td>2011-12</td>
<td>24</td>
<td>2,298.00</td>
<td>1,754</td>
</tr>
<tr>
<td>2012-13</td>
<td>41</td>
<td>2,691.57</td>
<td>3,471</td>
</tr>
<tr>
<td>2013-14</td>
<td>22</td>
<td>6,540.83</td>
<td>2,108</td>
</tr>
<tr>
<td>Total</td>
<td>587</td>
<td>43,919.11</td>
<td>63,708</td>
</tr>
</tbody>
</table>

Source: Department of Industries
Approved foreign investments from India in different sectors as on FY 2013-14 are as follows:

<table>
<thead>
<tr>
<th>Types of Industries</th>
<th>No of Projects</th>
<th>Total Project Cost</th>
<th>Foreign Investment</th>
<th>Employment Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy based</td>
<td>3</td>
<td>7651.01</td>
<td>5944.53</td>
<td>822</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4</td>
<td>385.24</td>
<td>385.24</td>
<td>606</td>
</tr>
<tr>
<td>Mineral</td>
<td>5</td>
<td>108.8</td>
<td>81.41</td>
<td>292</td>
</tr>
<tr>
<td>Service</td>
<td>9</td>
<td>217.65</td>
<td>113.65</td>
<td>369</td>
</tr>
<tr>
<td>Tourism</td>
<td>1</td>
<td>16</td>
<td>16</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>8378.69</strong></td>
<td><strong>6540.83</strong></td>
<td><strong>2108</strong></td>
</tr>
</tbody>
</table>

Source: Department of Industries

**Why to Invest in Nepal**

Despite the long political instability in the country for the years, the foreign JVs or companies who has learned and understood the environment of the country and how to run the business in such environment have gained profit and growth tremendously. This growth can be evidenced from the top companies tax payer lists for financial year 2013-14 in various sectors like Ncell Pvt. Ltd, Surya Nepal Pvt. Ltd, Gorkha Brewery, Everest Bank Ltd, Himalayan Bank and many more are doing excellent than their investment in other countries. Many more foreign investment company and JVs are doing excellent since long time in the country surpassing the difficulties since the time Maoist insurgency to till date. No doubt the investment in hydro power shall bring even more growth and development of the country and respective investing companies. Hence, the political stability after recent constitutions promulgation and sustained economic plan and its implementation shall further boost up the trade and investment ties between these economy resultantly to private investors.

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The Institute would like to congratulate Mr. Babu Ram Gautam, Council member for being promoted as Deputy Auditor General by Government of Nepal. Prior to his promotion he was serving as Assistant Auditor General in the Office of the Auditor General of Nepal (OAGN). He is in Audit Service since last 20 years in OAGN. Mr. Gautam holds academic degrees of Masters in Business Administration and Bachelor of Law from Tribhuvan University. He is Registered Auditor members of Institute and serving in different Committees of ICAN. Mr. Gautam is Training Specialist certified by INTOSAI-IDI and course designer to ASOSAI. Mr. Gautam has also performed his responsibility as Project Manager of Strengthening of Office of the Auditor General Project supported by MDTF.

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Mr. Baburam Gautam

**Congratulation**
Further Public Offer (FPO): Context Nepal

In the context of Nepal, this option is being one of the attractive and feasible option to raise the company’s capital base. However, there are some risks associated with it. Since shareholder pays lots of money on the share as premium, there could be a pressure of expectation of return from them to the company. There is no certainty that the company will earn in future which will be adequate to fulfill the expectation of the shareholders which can eventually reduce the market value of share drastically.

Background:
The monetary policy of Nepal Rastra Bank for the FY 2015/16 made it compulsory for the bank and Financial Institutions (BFIs) to raise their paid-up capital by almost four folds within a time frame of two years. It was one of the major decisions by the central bank which was primarily aimed to encourage mergers and consolidation of the BFIs and to strengthen the capital base of the banking system to ensure financial stability in the country. With the new Basel rule (BASEL-3) on offing, this has been targeted as a new way forward on strengthening the Nepalese banking industry.

The task of increasing the paid-up capital to four times from the current amount within short tenure is not an easy task. To comply with the regulatory directives, all the BFIs have geared to search various avenues to increase their capital base. NRB had even asked all the BFIs to submit their capital plan describing how they are going to raise and maintain the prescribed paid up capital within the stipulated time frame. While reviewing the capital plan of BFIs it can be observed that they are using various options to raise their paid up capital. Most of the banks have floated the idea of issuance of right and bonus shares to their shareholders whereas some of them have proposed the idea of merger, acquisition of other BFIs and go for further public offer to induct new shareholders in the company and to raise the paid up capital thereby targeting to meet the regulatory requirement at the same time.

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What is Further Public Offer?

As per Investopedia, “follow-on public offer (FPO) is an issuing of shares to investors by a public company that is already listed in stock exchange. FPO is essentially a stock issue of supplementary shares made by a company that is already publicly listed and has gone through the Initial Public Offering (IPO) process.” FPOs are popular methods for companies to raise additional equity capital in the capital markets through a stock issue. In finer terms, the first public issue of the company is called IPO whereas the subsequent public issue of shares by the same company is called FPO. The purpose of an FPO is to make additional funds available from the public for a company’s expansion. In an FPO, promoters and existing shareholders dilute their stake of the company by offering some of their ownership to the new shareholders.

Legal Provision for FPO in Nepal:

- As per securities registration and issue regulations 2008 issued by Securities Board of Nepal (SEBON), a listed corporate entity can go for Further Public Offer to raise its capital if it fulfills following conditions:
  a. Having a track record of net profit in the last two years out of last five years and have net worth per share higher than paid up value per share.
  b. Having a resolution related to the new issue (further public issue) passed by the general meeting.
  c. If the price of the proposed issue is to be fixed higher than the face value, the methodology of fixation of price and basis and justification of the premium.

Issued prospectus which was published according to the Section 30 of the Securities Act, 2008.

Generally, listed companies add premium to their shares while launching FPO. This means shares, with a face value of Rs. 100 cost way more during FPOs. The Companies Act, 2063 and Securities Registration and Issue Regulation, 2008 have provided certain provisions related to issuance of securities at premium. As per these mandatory sections a body corporate can issue securities at premium if it fulfills following conditions:

- The company has been making profits and distributing dividends for three consecutive years,
- The company’s net worth exceeds its total liabilities,
- The company’s general meeting has decided to issue shares at a premium.
- Securities may be issued at premium to the extent of net worth per share derived from latest audit.
- Due Diligence Audit (DDA) should be carried out from a competent authority or individual from outside the host company reflecting the methodology, rationale and justification of premium amount.

How the Share Price is Determined?

Securities Board of Nepal has issued a directive for the pricing of stock under further public issue to bring transparency and uniformity in determining it. It has set four criterions on share pricing for further public offering (FPO). As per the directive, listed companies should base the pricing on capitalized earnings, net worth per share or book value per share, 180 days’ average of closing market price and discounted cash flow (current price of cash flow to be achieved in the future). A company should determine the stock price for FPO based on the simple average price of different prices calculated under these four criterions.

The company should make application within 4 months of the decision of AGM to go for IPO. The company referring the price of the share should give justification on the following aspects with regard to its further issue:

- Average return of related business and if Beta (a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole) is calculated basis of such calculation.
- Details of amount used for the calculation of Net assets per share.
- Average market price of last 180 days before the date of application.
- Basis and justification of the financial forecasting.
- Basis of calculation of Discount rate and Terminal Growth rate.

Once the application is received from the listed company, SEBON does extensive analysis on the price proposed by the company. If it finds the rate is not justified it can adjust and reduce the rate.

Current Status of FPO in Nepal:

Raising capital through FPO is comparatively a new concept in Nepal. Till some years most public limited companies were busy in raising the capital through IPO. Now after accumulating some reserves in their balance sheet and having good market value per share in the
secondary market, some of these companies are going for next public issue. Some of the companies which have already gone and are in the process of FPO are tabulated as follows:

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Company</th>
<th>No. of Share</th>
<th>Face Value (Rs.)</th>
<th>Premium (Rs.)</th>
<th>Total Amt. Floated (Rs.) in million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nepal Investment Bank Limited</td>
<td>9,069,388</td>
<td>100</td>
<td>501</td>
<td>5,450.70</td>
</tr>
<tr>
<td>2</td>
<td>Shikhar Insurance Company</td>
<td>510,988</td>
<td>100</td>
<td>550</td>
<td>332.14</td>
</tr>
<tr>
<td>3</td>
<td>Nepal SBI Bank</td>
<td>67,768</td>
<td>100</td>
<td>871</td>
<td>65.80</td>
</tr>
<tr>
<td>4</td>
<td>Nepal Life Insurance Company Ltd</td>
<td>3,096,429</td>
<td>100</td>
<td>1325</td>
<td>4,412.41</td>
</tr>
<tr>
<td>5</td>
<td>* Standard Chartered Bank Limited</td>
<td>2,558,140</td>
<td>100</td>
<td>1190</td>
<td>3,300.00</td>
</tr>
<tr>
<td>6</td>
<td>* Mahakali Bikash Bank</td>
<td>236,368</td>
<td>100</td>
<td>Yet to Decide</td>
<td></td>
</tr>
</tbody>
</table>


* Subject to regulatory approval.

The issue price of the securities of the listed corporate entities is quiet higher than their face value. These entities have easily capitalized the market value of their share to some extent by using the market value of share for last 180 days. The premium rate whose value is 5-13 times of the face value gives the entities a comfortable addition in the reserves and surplus in their balance sheet. As per section 29 of the Companies Act, 2063, the entity can use the premium amount for paying up unissued share capital to be issued to the shareholders as fully paid bonus shares, provide for the premium payable on redemption of any redeemable preference shares. In addition to this, the amount can be used to write off the preliminary expenses made by the company and bearing or reimbursing the expenses of, or the commission paid or discount allowed on, any issue of shares of the company. The response to the FPO by the public is overwhelming. While reviewing the application report of these entities it can be said that the investment in shares of companies through FPO is a lucrative investment options for the investors. The share price in the stock exchange which is much above the FPO issue price gives an opportunity to the investor to encash the investment price easily through trading in secondary market.

**Conclusion:**

Capital is the running blood of all business concern to earn profit and sustain in a long term. Corporate entities use different methods to raise their capital. Further public Offer (FPO) is one of the methods used by the company which is already listed in exchange stock to raise the paid up capital of the firm where it issues the shares to the public generally in the premium amount. In the context of Nepal, this option is being one of the attractive and feasible option to raise the company’s capital base. However, there are some risks associated with it. Since shareholder pays lots of money on the share as premium, there could be a pressure of expectation of return from them to the company. There is no certainty that the company will earn in future which will be adequate to fulfill the expectation of the shareholders which can eventually reduce the market value of share drastically. Since fine amount of money is collected via premium, the company may be misguided from their core objective as dividend distribution becomes handy when the amount is parked on the reserve and later distributed. So, it is necessary that the corporate entity and prospective investor to take prudent decisions while deciding the rate of share for FPO and applying for those shares.
Risk management is nothing new to the banks and financial institutions. There are many tools and techniques available for managing technology risks. The Committee set up by Bank for International Settlements (BIS) has identified fourteen Risk Management Principles for Electronic Banking to help banking institutions expand their existing risk management policies and processes to cover their electronic banking activities.

Background
Banking and financial industry in most emerging economies like Nepal is passing through a process of change. Being important part of the financial system banking industry can bring stability within the financial markets by developing a sound financial system.

Banking sector has benefited immensely from the implementation of superior technology in recent years. Technology has helped banks and financial institutions to cater to customer needs in a much more efficient manner-continuous and error free service to customers. Productivity enhancement, innovative products, speedy transactions, seamless transfer of funds, real-time information systems, and efficient risk management are some of the advantages derived through technology. Information Technology has also improved the efficiency and robustness of business processes across the banks.

Technology Risk
In the run of providing more and more technology intensive services to the customer and to face the competition banks have not been able to look the other side of the coin. Technology Risk is the risk that can arise due to use or non-use of technology in business or for business. With the use of technology, we have noted numerous instances of the abuse of technology in
the form of technological frauds-credit card frauds, accounting frauds, hacking etc.

There exists some debate over categorization of technology risk. While many banks view technology risk as a sub-category of operational risk, some banks view it as a separate risk category with its own discrete risk factors. Risk management guidelines issued by Nepal Rastra Bank categorizes business disruption and system failures as part of operational risk. However, everyone agrees the fact that major failure of information technology systems causes the bank into great trouble.

**Technology Risk Management**

Measuring and managing the various types of risks is always a principal function of bank management. Management of technology risk, is therefore, becoming an important feature of sound risk management practices in the wake of complex information technology systems adopted by bank these days. The primary objective of information technology risk management process of a bank should be to protect the bank and its ability to conduct business.

One of the important aspect of introduction of information technology in banking and financial service industry is to see that the business continues. Technology risk management process should always ensure that this purpose is achieved. technology risk management process should not merely be treated as a technical function carried out by the people of information technology department and should not only be confined to information technology related assets. It is essentially a management function. However, the role of people of information technology department is also vital because information technology security and information technology risk management are interrelated and an effective risk management process is an important component of a successful information technology security program.

Similar to management of any other risk, managing technology risk is not an easy task. Limited resources and an ever-changing landscape of threats and vulnerabilities make completely mitigating all risks associated with information technology impossible. Therefore, information technology security professionals must have a toolset to assist them in sharing a commonly understood view with information technology and business managers concerning the potential impact of various threats related to information technology to the mission. This toolset needs to be consistent, repeatable, cost-effective and reduce risks to a reasonable level.

Information technology risk management is the process that helps to balance the operational and economic costs of risk mitigation measures and achieve gains by protecting the information technology systems and data that support their organization’s goals. A well-structured risk management methodology, when used effectively, can help management identify appropriate controls for providing the mission-essential security capabilities.

Various organizations worldwide have come out with risk management frameworks, policies, standards and principles that are quite useful in information technology risk management and measurement.

Risk management is nothing new to the banks and financial institutions. There are many tools and techniques available for managing technology risks. The Committee set up by Bank for International Settlements (BIS) has identified fourteen Risk Management Principles for Electronic Banking to help banking institutions expand their existing risk management policies and processes to cover their electronic banking activities.

Committee of Sponsoring Organizations of the Treadway Commission (COSO), a joint initiative of the five private sector organizations, has developed frameworks and guidance on enterprise risk management, internal control and fraud deterrence. Similarly, the Information Systems Audit and Control Association (ISACA) has developed a framework called Control Objectives for Information and related Technologies (COBIT) which helps in information technology risk management.
Measurement of Technology Risk

Risk assessment or measurement is a process used to identify and evaluate risks and their potential effect or exposure. Risk is assessed by identifying threats and vulnerabilities, then determining the likelihood and impact for each risk. Risk exposure is equal to the amount of probability multiplied with impact on business.

Risk management covers three processes: Risk assessment, risk mitigation, and risk assessment and evaluation. Risk assessment is the first process in the risk management methodology and also is necessary for the last process, i.e., evaluation of risk. Technology risk assessment is used to determine the extent of the potential threat and the risk associated with an information technology system throughout its System Development Life Cycle (SDLC). The output of information technology risk assessment process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process.

Technological risk may be assessed in a quantitative or qualitative way. Each of these are described in following paragraphs.

Quantitative Risk Assessment: Quantitative risk assessment is performed by banks and financial institutions. Mathematically, quantitative risk can be expressed as Annualized Loss Expectancy (ALE). ALE is the expected monetary loss that can be expected for an asset due to a risk being realized over a one-year period. This is computed by applying following formula:

\[
ALE = SLE \times ARO
\]

Where SLE (Single Loss Expectancy) is the value of a single loss of the asset. This may or may not be the entire asset. This is the impact of the loss. ARO (Annualized Rate of Occurrence) is how often the loss occurs. This is the likelihood.

While utilizing quantitative risk assessment seems straightforward and logical, there are issues with using this approach with information systems. While the cost of a system may be easy to define, the indirect costs, such as value of the information, lost production activity and the cost to recover is imperfectly known at best. Moreover, the other major element of risk, likelihood, is often even less perfectly known.

Qualitative Risk Assessment: When there is already a great degree of uncertainty in assessing the likelihood and impact values qualitative risk assessments method is used to assess the risk. This method assumes that the risk is subjective and defined in qualitative terms. Similar to the issues in quantitative risk assessment, the great difficulty in qualitative risk assessment is defining the likelihood and impact values. Moreover, these values need to be defined in a manner that allows the same scales to be consistently used across multiple risk assessments.

The results of qualitative risk assessments are inherently more difficult to concisely communicate to management. Qualitative risk assessments typically give risk results of “High”, “Moderate” and “Low”. However, by providing the impact and likelihood definition tables and the description of the impact, it is possible to adequately communicate the assessment to the organization’s management.

In order to identify threats, we should first list out the sources of threats. These may include:

- Natural Threats such as floods, earthquakes, hurricanes
- Human Threats such as threats caused by human beings, including both unintentional (inadvertent data entry) and deliberate actions (network based attacks, virus infection, unauthorized access)
- Environmental Threats such as power failure, pollution, chemicals, water damage

Vulnerabilities can be identified by numerous means. Different risk management schemes offer different methodologies for identifying vulnerabilities. In general, start with commonly available vulnerability lists or control areas. Then, working with the system owners
or other individuals with knowledge of the system or organization, start to identify the vulnerabilities that apply to the system.

Following tools and techniques are typically used to identify vulnerabilities:

**Vulnerability Scanners** - Software that can examine an operating system, network application or code for known flaws by comparing the system (or system responses to known stimuli) to a database of flaw signatures.

**Penetration Testing** - An attempt by human security analysts to exercise threats against the system. This includes operational vulnerabilities, such as social engineering.

**Audit of Operational and Management Controls** - A thorough review of operational and management controls by comparing the current documentation to best practices (such as ISO 17799) and by comparing actual practices against current documented processes.

One of the more difficult activities in the risk management process is to relate a threat to a vulnerability. Nonetheless, establishing these relationships is a mandatory activity, since risk is defined as the exercise of a threat against a vulnerability. This is often called threat-vulnerability (T-V) pairing. Once again, there are many techniques to perform this task.

Not every threat-action/threat can be exercised against every vulnerability. For instance, a threat of “flood” obviously applies to a vulnerability of “lack of contingency planning”, but not to a vulnerability of “failure to change default authenticators.”

Determining likelihood (probability) is fairly straightforward. It is the probability that a threat caused by a threat-source will occur against a vulnerability. In order to ensure that risk assessments are consistent, it is an excellent idea to utilize a standard definition of likelihood on all risk assessments.

In order to ensure repeatability, impact is best defined in terms of impact upon availability, impact upon integrity and impact upon confidentiality. Severity of impact on confidentiality, integrity and availability of information is defined in a matrix form.

Assessing risk is the process of determining the likelihood of the threat being exercised against the vulnerability and the resulting impact from a successful compromise. When assessing likelihood and impact, take the current threat environment and controls into consideration. Likelihood and impact are assessed on the system as it is operating at the time of the assessment. Following sample risk determination Matrix can be used to evaluate the risk when using a five level rating system.

![Probability vs. Impact Matrix](image)

**Conclusion**

Technology is a boon to several industries in the recent past, and the banking industry is the one to benefit from the multi dimensional efficiency levels of technology. The advantages due to implementation of technology outweighs the risks due to technology implementations. There is a need to properly manage the risks so that the technology implementation is smooth and is beneficial to the customer and the organization.

Technology Risk Management starts with technology risk assessment. The assessment helps in identifying the vulnerabilities and arriving at control measures. Also, it helps in evaluating the implementation and effectiveness of control measures as well as in identifying the new vulnerabilities. In fact, Technology Risk Management is a continuous process in which Technology Risk Assessment/Measurement happens regularly.
ATM Frauds and Scams - You might be the Next Victim

There have been increasing number of cases of ATM frauds and scams around the world. We used to see the news of such scams in European countries. But the target has been shifted to Asian countries. Last year (2016), in October alone 3.2 million debit cards were known to be compromised in India. There were many cases frauds and arrests of foreign nationals and even Nepalese in the cases of ATM fraud in Nepal.

How ATM Machines Work?

The ATM system works in a centralized way where the machines are connected to the host processor and cardholder’s bank via Internet Service Provider.

When a card holder starts an ATM transaction, she provides necessary information through card reader and keypad. This information is passed on to the host processor by the ATM machine. The host processor checks these details with the bank. After this function is carried out, the processor sends an authorization code to the ATM machine to dispense the cash.

Basically three parts are involved in the ATM network:

1. **ATM Machine**: The ATM machine accepts card, communicates with the host processor and bank, verifies the card and its PIN and dispenses cash.

2. **Host processor**: The host is the middle party that sits between the ATM and the bank. The host might be owned by the bank itself, but in most of the cases, host processor is owned by a common party among the banks. This allows us to withdraw money from one bank’s account using another bank’s ATM machine. NEPS and SCT Network are the examples of host processor which connect many bank's ATM through their channel and communicate with the banks involved.

3. **The Bank**: Bank is where we have our money deposited or
credit facility given. The bank has a separate ATM server which sits between the core banking software and the ATM machine and the host processor.

**Major Parts of the ATM**

The ATM has two input devices and four output devices.

**INPUTS:**

![Diagram of ATM](image)

**Card Reader** - When we insert ATM card into the machine, the card reader verifies that the card is valid. If the card is found valid, it sends the account information in the card to the bank via host processor. The host processor then uses this data to get information from the card holder’s bank.

The process is slightly different in Magnetic Stripe Cards and EMV\(^1\) chip based smart cards.

We had been using the magnetic stripe cards until recently but many banks have replaced the old magnetic stripe cards by EMV chip card lately.

![EMV card vs. traditional card](image)

The older magnetic stripe cards have cardholder account information in the magnetic stripe. The account information is stored unencrypted and is easy to read using card reader and therefore easy to make duplicate cards. Further, the data written in the card is of fixed nature and it does not change once written.

But in case of EMV chips the information is stored in integrated circuits in encrypted form. Lots of information can be stored in the chips and that can change with transactions. Dynamic authentication is possible with chip based cards and it is not easy to copy the card and make a duplicate of it.

**PIN Pad (keypad)** - After the card is recognized and found valid, the machine asks for PIN number to verify you are the legitimate owner of the card. If you supply correct PIN, the ATM makes necessary transactions for the requested amount. The PIN number is mostly sent in encrypted form.

**OUTPUTS:**

**Display Screen** - The display screen facilitates the user interaction with the machine. It displays the user steps, inputs, prompts and information on the screen that can be selected and operated through the buttons next to the screen.

**Speaker** - The speaker provides audio feedback when the buttons are pressed.

**Cash dispenser** - This is the central system of the ATM machine. This is from where the requested money is obtained.

Different denomination notes are placed in the cash cartridges separately. The cash dispenser counts each note and gives the required amount. If there are cases where the notes are stuck together they are rejected and new notes are taken. If the money is worn, or even

\(^1\) EMV stands for Europay, Mastercard and Visa
folded, they are moved to another section called the reject bin. All these actions are carried out by high-precision sensors.

**Receipt printer** - All the details regarding withdrawal like the date and time and the amount withdrawn and also the balance amount in the bank is shown in the receipt.

A complete record of each transaction made by a particular ATM machine is recorded and is kept as a journal.

### Why ATMs are Vulnerable?

ATM as a self-service, card-accepting device are vulnerable due to its inherent design and integration. Attackers take advantage of this inherent vulnerability of the system. The most significant aspects of an ATM’s architecture and usage that attract criminals are:

1. ATM transactions work by requiring and reading the ATM card and PIN number. This gives attackers the opportunity to capture this information and use the information in an illegal way.
2. For ease of use and comfort, ATMs have a large footprint. Skimmers or cameras can be hidden or disguised. Holes can be drilled to access the inside of the cabinet.
3. ATMs are also frequently deployed in unattended locations where the likelihood of frequent inspections to detect attachments or tampering is low.
4. ATMs are operated by banks and we have trust in the banking system and services. We do not even exercise basic security measure to change the PINs regularly and watch for changes in the face of the ATM. Contrary to our faith in the banking system, banks might not be putting enough of their effort to make the ATM safe and secure.
5. ATMs are made of a set of interconnected modules (PC, cabinet, card reader, keypad, etc.) that exchange data through simple protocols and all modules may not use data encryption. Exchanged data can be tapped into and the underlying data-exchange protocols can be abused if poorly implemented.
6. The machine’s operating system itself can be abused locally and remotely using publicly available exploits. All ATM machine in Nepal run on Windows XP; which is an outdated and very vulnerable operating system. Malware can be installed or the attacker can access sensitive resources of the PC.

### Major ATM Frauds Methods

Earlier criminal groups used to employ physical methods to rob cash from the ATM, cash in transit from the bank to the ATM or from the customers. However, in the last few years, attackers have turned their attention equally to soft assets present in the ATM, such as account data and PINs. Criminals use the stolen information to produce counterfeit cards to be used for fraudulent transactions. When the card and PINs are entered in the ATM, the data is in the ‘clear’ form. By attaching, for example, a pinhole camera and a skimmer to the ATM, a criminal can steal PINs and account data before they can be securely processed by the ATM.

The tools and methods used are widely available at a very low cost or even free in the internet. The latest generations of skimmers and cameras are unnoticeable to untrained eyes and can be quickly installed and removed from the ATM without leaving any trace. More sophisticated attacks can involve criminals’ locally accessing resources of the PC—USB ports, for example—to install malware and gather stolen data.

All those attacks and fraud methods that have been tried and perpetrated in foreign countries work in Nepal because Nepali banks have chosen not to learn from what has happened in the past in foreign countries.

The following are the major methods of attacks in ATM machines:

### Traditional Low-Tech Attacks

Early ATM machine security focused on making the terminals immune to physical attack; they were effectively safes with dispenser mechanisms. Low tech old methods of ATM attacks are:

![Figure: Duplicate ATM face, duplicate Card Reader and Keypad and working mechanism.](Image source: Australia Police website and Kerbs on Security blog)
Ram Raids / ATM Burglary: The ATM is attacked and either ripped out (Ram Raid) or the safe attacked (Burglary). The attacks can be carried out by brute force, or by using explosives or gas inside the ATM housing.

Robbery: The persons replenishing the ATM are attacked either when moving the cash to / from the ATM, or while conducting cash replenishment activities.

Card Skimming: An unauthorized card reader is attached on an ATM to capture data from the magnetic stripe of a customer’s card. A device similar to the machine’s keypad is placed right on top of the ATM keypad and captures the PIN entered by the cardholder. The card details and PIN are captured at the ATM and used to produce counterfeit cards for fraudulent cash withdrawals. The customer sees a normal transaction and retains the card.

Eavesdropping: A external device is installed on an ATM to capture data from a customer’s card. This is typically achieved via a wiretap, sniffing the functionality of the card reader, or connection to a magnetic read head within the card reader.

Card Shimming: Where the EMV chip based cards are used, the criminal installs an external device on an ATM to capture data from the chip of a customer’s card.

Card Trapping: The card is physically captured at the ATM, and the PIN is compromised. Later the card is used to make fraudulent cash withdrawals.

Keypad Jamming: The fraudster jams the ‘Enter’ and ‘Cancel’ buttons with glue or by inserting a pin or blade at the buttons’ edge. A customer trying to press the ‘Enter/OK’ button after entering the PIN, does not succeed, and thinks the machine is not working. An attempt to ‘Cancel’ the transaction fails as well. In many cases, the customer leaves — and is quickly replaced at the machine by the fraudster. A transaction is active for around 20 to 30 seconds and he is able to remove the glue or pin from the ‘Enter’ button to go ahead with the withdrawal.

Cash-Trapping: The criminal attaches a device to the ATM so that when the ATM tries to dispense cash the cash is trapped and the customer cannot collect it. The criminal then returns to the ATM and retrieves the trapped cash.

Fake Assistance: Criminals look for the elderly and those new in using an ATM card. Once they find one, they appear to be very helpful and offer assistance to the unsuspecting cardholder. But in truth, these perpetrators are already memorizing the card number and PIN. With the card number and PIN, they can create a card with the information and draw money or transfer money using online payment method.

Shoulder surfing: Criminals look from behind your shoulder to see the PIN as it is being keyed in.

Transaction Reversal Fraud (TRF): An error condition is created at the ATM which makes it appear that cash will not be dispensed. This forces a re-credit of the amount withdrawn back to the account when in fact the criminal gets the cash (through the insertion of device, e.g. a claw, manipulation of the ATM dispense mechanism by hand, or sometimes through corruption of the transaction messages).

Modern Hi-Tech Attacks
In the recent incidents, cyber criminals have remotely attacked cash machines in more than a dozen countries across Europe this year. Logical attacks are becoming a major and growing attack method, and it has the potential to cause large amounts of losses. In this type of attack, external electronic devices, or malicious software in used.

These attacks were run from central, remote command centers, enabling criminals to target large numbers of machines in “smash and grab” operations that seek to drain large amounts of cash before banks uncover the hacks.

ATM Malware - Card/PIN data compromise: Malwares are installed in the ATM system. The installed Malware intercepts card and PIN data at the ATM, allowing the criminals to copy this to create counterfeit cards.

Jackpotting/cash-out: Criminals use malwares to take control of the ATM cash dispenser to withdraw money. The malware is installed in the machine through remote code execution or from a USB or mobile device or a phone connected to the machine to modify and/ or take control of the machine’s operating system and communication mechanism to the host processor. The malware takes control of the ATM and the machine starts spitting out the notes in the ATM vault without requiring cards or user information.

Recent Major ATM Fraud Cases in Nepal
Earlier, most of the public cases in Nepal relate to using foreign cards and withdrawing money from Nepal’s ATM
from the account of foreign nationals. The criminals used to steal data from foreign countries and come to Nepal as a ATM Crime Tourist, withdraw money and return back. The criminals say they were taking advantage of weak legal provisions in Nepalese law.

Lately, there are some cases where criminals have targeted Nepali citizen’s ATM cards through skimming and creating counterfeit card using the information captured and withdraw money. There are very few cases where customer data was compromised from the Bank’s system itself and create fake cards to withdraw money. Major ATM fraud cases in the public knowledge dates back to 2007 where an internal employee of the Himalayan Bank withdraw bank’s money using debit and credit cards issued by the bank. The employee was suspended by the bank on 2012 and he was arrested by the police and made public on December 2014.

From 2007 to 2012, he withdraw about 5 crore 75 lakhs through cards issued to him and his wife by the bank. This case was different from the other cases. Being the insider and working as ATM-in-Charge of the bank, he withdraw the bank’s money through fake transaction and covered up those transactions by deleting the withdrawal record.

In May 2013, three Indian nationals were arrested from Mahendranagar for withdrawing money from counterfeit ATM cards. They were withdrawing money using the cards of one of the reputed bank of Nepal. There was a suspicion of customer data compromise from the system.

In October 2013, a Nepali was arrested from Saleways Department Store in Lalitpur while using counterfeit ATM card of other people in its POS machine. His two accomplices were arrested from Kamalpokhari with 18 VISA cards of Nepal, India and Bahrain. A Nigerian citizen was found to be helping them.

About a year later in November 2014, a Turkish national was found to have stolen data using card skimmer device and clone ATM cards to withdraw money from various banks in Nepal, India and Thailand. CIB arrested him from Hotel Woodland, Durbarmarg. He had stolen around 31 lakhs from Nepali ATMs through counterfeit Master and VISA cards.

Again in July 2016, two Nepalese were arrested from Pokhara who were using fake ATM cards to purchase from various departmental stores, pay at restaurants and hotels. They had stolen around 5 lakhs during the period of 9 months.

Next month, in August 2016, a Romanian national was arrested from Lazimpat. Police confiscated Rs. 264,000, a laptop, two mobile phones and gift cards with the information and PIN numbers of citizens from different countries including UK, France, Germany, Ukraine, Russia, Italy, South Korea, Costa Rica, Indonesia and Japan from his room.

A few months later in October, 2016, a Bulgarian national was arrested while he was involved in ATM skimming.

In November 2016, CIB arrested three Romanian nationals from Tara hotel in Thamel for allegedly stealing from ATMs. One of them was withdrawing money from ATM with fake ATM cards and his two friends were installing skimming devices in the ATMs to steal cardholder data. About 16 lakhs of cash, 353 ATM cards, six mobile phones, two laptops and skimming devices were seized from them.

Again in November, CIB arrested two Turkish nationals from Yellow Pagoda Hotel, Kantipath with about Rs 27 lakhs cash stolen through various ATM booths using fake cards. 113 ATM cards, two mobile phones and eight pages of paper with printed ATM PIN numbers were confiscated from them. They were withdrawing money from the ATM cards brought from Europe.

There are many other undisclosed cases and minor disclosed cases of ATM frauds and losses in Nepal.

**How to be Safe?**

1. **If in any case you experienced any of the ATM fraud mentioned above, report it immediately to your bank to take necessary action. You can also ask assistance from the nearest police station.**

2. **An ATM card is secured as long as the PIN number is kept a secret. There is no way to get the PIN number from your card. To keep your PIN number secure, change the PIN number on first use and change it often. The PIN should be easy to remember but it should not be anything that is associated to your date of birth, phone number or anything personal. Do not write down the PIN number on the back of your ATM card. Never reveal it to anyone, even someone who claims to be calling from your bank or a police officer.**
   - After entering the ATM counter close the door and then only turn around to the screen. Stand directly in front of the keypad, so that no one else sees the number you are pressing. Check to see if anything
looks unusual or suspicious about the ATM. Criminals are adept at placing card or cash capture devices and PIN compromise devices in or around ATMs. Some even install entire false fronts to capture people’s PINs and money. These are often so well disguised that they can be extremely difficult to detect.

- An unusually bulky card insert slot might be a ‘skimmer’. If the PIN pad feels loose, thick, or sponge-like, then it may be a fake. The true PIN pad might have been covered by a counterfeit keypad such that, although pressing the buttons correctly causes the ATM to register your PIN, it is simultaneously being captured by the criminal. Sometimes criminals might use some kind of chemical or powder to record your impression in the key pad; check for greasy or white substance in the pin pad which might leave direct imprint of your key press.

- A loose or blocked card slot may be the presence of a ‘Lebanese Loop’. Thieves can place a tiny plastic device or sleeve with a hook into the card reader so that, when you try to withdraw money, your card is caught in the machine.

- Look out for misaligned or even misprinted stickers, as this is often an attempt to cover up where a compromise device has been installed.

- If it appears to have anything stuck onto the card slot or key pad, do not use it. Cancel the transaction and walk away and report it to the police or your bank immediately so they can investigate. Never try to remove suspicious devices.

1. False front—can capture both PIN and money

2. Bulky card slot
   Might suggest “skimmer” that secretly swipes your card details

3. Loose of blocked card slot
   Might suggest a “Lebanese loop” that catches your card in the machine

4. Loose PIN pad
   May be a fake overlay to read your PIN as you type

5. Loitering strangers
   May be attempting to read your PIN or even carry out robbery

Figure: Common signs of ATM tempering

3. Cover keypad by your hand when entering the PIN number. This way and PIN recorder cameras will not be able to record what you are pressing. Once you have completed the transaction, put your money and card away before leaving the machine.

4. There may also be cases where you may not receive the money because of a faulty ATM machine. In such cases, do not forget to take the ATM card.

5. Be aware of your surrounding environment. Do not accept help from seemingly well-meaning strangers and don’t allow yourself to be distracted while at an ATM. Whilst you are distracted, an accomplice can quickly check your PIN or remove and conceal your card or cash.

Typically, fraudsters work in teams, and distraction is a good way of scamming innocent victims to obtain a card or PIN. If an ATM is surrounded by individuals inexplicably loitering, try to use a different machine.

6. Check that other people in the queue are at a reasonable distance away from you. If someone is crowding or watching you, then cancel the transaction and go to another machine.

7. Wherever possible, use an ATM which is in clear view and well lit. If possible, use an ATM at an inside location (less access for criminals to install skimmers).

8. Avoid opening your purse, bag or wallet when you’re in the queue. Put your money away immediately.

9. Subscribe SMS alert service from your Bank.

10. Regularly check your account balance and bank statements, if you find any banking transaction that you are not aware of, then inform to your bank and Police immediately.

11. Be careful of ATMs in tourist areas, they are a popular target of skimmers.
12. If your card isn’t returned after the transaction or after hitting “cancel,” immediately contact the bank that issued the card.

13. Always remember to be alert and put your personal safety first - if someone is crowding or watching you, then cancel the transaction and go to another machine.

Also read the writer’s related article on Precautions on Online Purchase at https://blog.rigotechnology.com/safe-online-shopping/

**Conclusion**

There have been increasing number of cases of ATM frauds and scams around the world. We used to see the news of such scams in European countries. But the target has been shifted to Asian countries. Last year (2016), in October alone 3.2 million debit cards were known to be compromised in India. There were many cases frauds and arrests of foreign nationals and even Nepalese in the cases of ATM fraud in Nepal. The regulatory bodies, banks and law enforcement agencies are doing their jobs but we need to understand how the frauds are committed and protect ourselves from the common methods of frauds and scams. If we became little more careful while dealing in using the ATM and handling the ATM cards to keep our information safe we might be the next victim of the criminals.

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http://setopati.com
The Charging Section of the Employment Tax in Section 8 of the Income Tax Act 2058, attempt has been made on presenting the tax implication of employee who are getting remuneration from his/her employer in Nepal.

The writer is presenting here to elaborate Sections & provisions of the Income Tax Act and the Income Tax rules relating to the employment tax in Nepal. You will get the full knowledge covering the practical problems to understand the sections, provisions and rules relating to the employment tax in Nepal.

The Charging Section of the Employment Tax in Section 8 of the Income Tax Act 2058, attempt has been made on presenting the tax implication of employee who are getting remuneration from his/her employer in Nepal.

Following Income shall be included in the remuneration payment, as per Section 8 subsection 2 of Income Tax Act.

- Shall be included in remuneration: Wages, Salary, Leave payment, Overtime Payment, Fees, Commission, Prize, Bonus & any other facilities payment, As per Section 8(2)(A) of the Income Tax Act.
- Dearness Allowance, Subsistence expense, Rent, Entertainment or Transportation Allowance etc any other personal allowances.
- Expenses reimbursed for personal use.
- Any payment for employee agreement.
- Any Payment for employment termination, Loss or compulsory retirement payment (like VRS).
- Retirement Payment including amount contributed by employer.
Any payment in relation to employment like Holiday Trip, Shopping etc.

In addition, In case any Kind of transfer of any asset is made to the employee, the valuation will be the market price and added to the taxable income of employee, as per Section 27(1)(A) of Income Tax Act, 2058.

As far as chargeability is concerned, the tax shall be charged on cash basis (i.e. at the time when one receives payment) as per the section 22(2) of Income Tax Act, 2058.

Rate of Tax

Tax Rate as per Annexure 1 of Income Tax Act 2058

<table>
<thead>
<tr>
<th>For Unmarried Employee:</th>
<th>For Couple Employee: (As per Section 50 of the Act if he/she opt as couple)</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs. 3, 00,000/-</td>
<td>Up to Rs. 4, 00,000/-</td>
<td>1%</td>
</tr>
<tr>
<td>Rs. 300,000 to Rs. 4, 00,000/-</td>
<td>Rs. 4, 00,000 to Rs. 5, 00,000/-</td>
<td>15%</td>
</tr>
<tr>
<td>More than Rs. 4, 00,000/- up to 25, 00,000/-</td>
<td>More than Rs. 5, 00,000/- up to 25, 00,000</td>
<td>25%</td>
</tr>
<tr>
<td>More than Rs. 25, 00,000/-</td>
<td>More than Rs. 25, 00,000/-</td>
<td>35%</td>
</tr>
</tbody>
</table>

But, in case of individual registered sole proprietorship firm, then 1% shall not be deducted.

Vehicle Facility

For Full or partial use of vehicle by employee: as per Rule 13 (1)(A) & (B) of the Income Tax Regulation 2059 as under:

1. If the payment of remuneration is monthly, then value of benefits received shall be 0.5% of salary. (Salary here includes basic salary plus grade vide circular dated 2059.04.28).
2. In other cases, value of benefits shall be 1% of Market Value of the Vehicle annually.

Where, Vehicle means Motor Car, Jeep, and like any other vehicle.

Rent Facility

In case of Accommodation facility given to employee the tax shall be charge as per Rule 13(2) (A) & (B) of the Income Tax Regulation, 2059 as under:

1. If the person receives monthly payment, then value of benefits received shall be 2% of salary. (Salary here includes basic salary plus grade vide circular dated 2059.04.28).
2. If the employer take house on rent and give house other than the monthly payment employee, then the 25% of rent paid.
3. If does not paid rent, then the 25% of prevailing market value of rent.

Borrowing Facilities

In case of borrowing made by Employee from the Organization at interest rate lower than market rate, then difference rate will be added to taxable income as per section 27(1) (D) of Income Tax Act

Other Facilities

The Facility shall be charged after deducting the contribution of the user from the total cost of payer to the concerned party as per Section 27 (1) (c) of Income Tax Act as under:

1. Security guard, Cook, Driver (not included if the amount against vehicle facility is included in the salary vide circular dated 2059.04.28), Mali, House Made,
2. Meal, Breakfast, or entertainment,
3. Telephone, electricity, Water

But the uniform allowances or facilities shall be chargeable to tax.
**Non Taxable Income**

The Following Income shall not be included in taxable income of the person as per section 10 of Income Tax Act:

1. If there is agreement between Gov. of Nepal and other government or bilateral institution about the tax not levied
2. Employment of other government and payment of salary by the other government
3. Allowances given to Widow, Senior citizen or Physical disable as per section 10 of the Act
4. Retirement benefit taken from Foreign Government for Army or Police service.

**Final Withholding Income**

Further, Following Amount received will be treated as Final Withholding tax and shall not be included in salary income of the person as per section 92 of Income Tax Act:

1. Dividend received from company registered in Nepal
2. Rent received by individual
3. Income received from insurance company for investment (like life insurance payment) from company registered in Nepal
4. Payment received from unapproved retirement fund (If the amount is received after deducting TDS on benefit)
5. Interest Received from Bank & financial institution after deducting TDS
6. Payment received from Retirement fund (Gratuity, Leave encashment at the time of retirement, Long service gratuity)(Nepal Gov. or Approved retirement fund)
7. Meeting Allowance, payment for part time teaching (After deducting TDS at 15%)
8. Windfall gain payment
9. Work-time meals or refreshments provided by employer in equal terms to all employee as per Section 8(3)(B)
10. Expenses Reimbursement but not benefit for employee.
11. Small payments made by the employer i.e. not more than 500 at a time (Rule 6).

**Deduction**

Following Deduction is available for computing Taxable income from Employment is as under:

<table>
<thead>
<tr>
<th>1. Contribution towards Approved Retirement Fund (sec 63 &amp; Rule 21)</th>
<th>2. Donation give to approved not taxable institution from Inland Revenue Department (Sec 12)</th>
<th>3. Life Insurance Premium paid (to Nepali Insurance Company or Non Resident Insurance Company) (Schedule 1-Sec12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs. 3,00,000 or Rs. 1,00,000/- or Rs. 20,000/- or 1/3rd of gross salary 5% of Adjusted Taxable Salary Actual Payment</td>
<td>Actual Contribution Actual Contribution Actual Contribution</td>
<td>Actual Contribution Actual Contribution Actual Contribution</td>
</tr>
<tr>
<td>Whatsoever is lower will be taken. If Nepal Government has published in its Rajpatra for special purpose, then the fully or partly allow as deduction as mentioned in the Rajpatra. If the payment from life insurance company received from Resident Insurance company then not included in Taxable Salary but received from Nonresident insurance Company then the whole income payment (after deducting the contribution) should be included in taxable income of the employee.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Remote Area Allowance (Schedule 1- Sec 5 & Rule 38 of Income Tax Regulation)

<table>
<thead>
<tr>
<th>For ‘A’ Class categorizes place Rs. 50,000/-</th>
<th>Manag, Kalikot, Mugu, Dolpa, Humla, Bajura</th>
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</thead>
<tbody>
<tr>
<td>For ‘B’ Class Rs. 40,000/-</td>
<td>Dhunsha, Olangacholā VDC of Tāplejung</td>
</tr>
<tr>
<td></td>
<td>Sankhuwasabha VDC</td>
</tr>
<tr>
<td></td>
<td>Chepuwa, Hεndandna, KimaThanga, Skasila, Walung, Simajor</td>
</tr>
<tr>
<td></td>
<td>Solukhumbu VDC</td>
</tr>
<tr>
<td></td>
<td>Khomjung, Namche, Chaurikhark,</td>
</tr>
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<td></td>
<td>Dolkha VDC</td>
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<td></td>
<td>Gogar</td>
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<td></td>
<td>Gorkha VDC</td>
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<tr>
<td></td>
<td>Sidirwas, Prok, Loha, Keroja, Chhekampar, Manbu</td>
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<td></td>
<td>Baglung VDC</td>
</tr>
<tr>
<td></td>
<td>Bonga, Nisi, Hukam, Ramma, Mekot, Takwachhi</td>
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<tr>
<td></td>
<td>Mustang</td>
</tr>
<tr>
<td></td>
<td>Jumla</td>
</tr>
<tr>
<td></td>
<td>Bajhang</td>
</tr>
<tr>
<td></td>
<td>Doti: Jadibutiuthanko 900 fit mathi</td>
</tr>
<tr>
<td></td>
<td>Dharchula</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For ‘C’ Class Rs. 30,000/-</th>
<th>Rukum, Jajarkot, Dailekh, Achham</th>
</tr>
</thead>
<tbody>
<tr>
<td>For ‘D’ Class Rs. 20,000/-</td>
<td>Taplejung except in ‘B’</td>
</tr>
<tr>
<td></td>
<td>Bhojpur</td>
</tr>
<tr>
<td></td>
<td>Terthum</td>
</tr>
<tr>
<td></td>
<td>Sankhuwasabha: except in ‘B’</td>
</tr>
<tr>
<td></td>
<td>Khotang</td>
</tr>
<tr>
<td></td>
<td>Okhaldhunga</td>
</tr>
<tr>
<td></td>
<td>Solukhumbhulu: except in ‘B’</td>
</tr>
<tr>
<td></td>
<td>Dhadingha</td>
</tr>
<tr>
<td></td>
<td>Budathum, Lapa, Phulkhark, Rigau, Salyankot, Salyantar</td>
</tr>
<tr>
<td></td>
<td>Sindhupalanchok</td>
</tr>
<tr>
<td></td>
<td>Baramcho, Baruwa, Mautada, BirtaGolde, Gunasa, Guwa, Kiul, Listikot, Mahankal, Pag tag, Phulping, Dhagpalkot, Tisingatagal, Lamjung</td>
</tr>
<tr>
<td></td>
<td>Bahundada, ShreekaliKatadhi, ThilibesiPatange, ThakanPhaladevi Mayagdi, Rolpa, Salyan, Pyuthan</td>
</tr>
<tr>
<td></td>
<td>Doti: except in ‘B’</td>
</tr>
<tr>
<td></td>
<td>Dadheldhura</td>
</tr>
<tr>
<td></td>
<td>Baitadi</td>
</tr>
</tbody>
</table>
For Physically Disable Person:
(Schedule 1 - Sec 10)
If an employee is physically disable, then the person can get the deduction up to 50% of the first slab rate i.e. up to 150,000 in case of single and 200,000 for couple.

<table>
<thead>
<tr>
<th>Foreign Allowance (Schedule 1- Sec 6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If any person is working in the abroad based diplomatic missions of Nepal, Then 75% of the foreign allowance received by such person is allowed as deduction.</td>
</tr>
</tbody>
</table>

Tax Rebate
Following are Tax Rebate available for Employee:

<table>
<thead>
<tr>
<th>Medical Tax credit (Sec-51 &amp; Rule-17)</th>
<th>Female Tax Credit (Schedule-1(11))</th>
<th>Foreign Tax Credit (Sec-71)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15% of Eligible Medical Cost</td>
<td>If any resident employee is female and has remuneration income only, then she is allowed the tax credit of 10% on the total Tax liability.</td>
<td>If a person has foreign income and if such income is taxed in that country, then the foreign tax credit to the extent of the average tax rate paid by the person paid in the Nepal shall be allowed as rebate in the assessment year.</td>
</tr>
<tr>
<td>Rs. 750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual tax liability after all tax credits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whichever is lower to be taken</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Retirement Payment

*In case of Payment at the time of Retirement from Employment:*

The payment during the retirement can be made by any of the followings:

- Payment from Approved Retirement Fund
- Payment from Unapproved Retirement Fund
- Payment Form Employer
In case of the payment form Approved Retirement Fund is in Lump sum amount then the following conditions will apply:

<table>
<thead>
<tr>
<th>Amount Range</th>
<th>Taxation Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 5,00,000</td>
<td>No tax</td>
</tr>
<tr>
<td>From 5,00,001 to 10,00,000</td>
<td>First 500000 not tax, remaining amount taxed as 5% FWT</td>
</tr>
<tr>
<td>Above 10,00,000</td>
<td>First 50% no tax, remaining amount taxed at 5% FWT</td>
</tr>
</tbody>
</table>

In the case where payment is made from unapproved Retirement Fund and same is in lump sum amount then 5% final withholding Tax is levied.

In case of installment payment, then 15% final withholding tax is levied whether the payment is from approved or unapproved retirement fund.

In case the retirement payment is made by the employer, then the final withholding tax @ 5% is levied if the employer if Government of Nepal and @ 15% if the employer is other than the government of Nepal.

Retirement Payment such as gratuity, accumulated leave, provident fund, or similar other retirement scheme accumulated prior to the enactment of the act i.e. 2058-12-18 is tax exempted in the hand of employee. In case of medical cost incurred up to that date, Rs. 180000 is tax exempted.

Retirement payment shall be made to the beneficiary only in the following case as per Para 20(2)(D) of Approved Retirement By-Law.

- a If retired from service
- b If completed 58 years
- c If die or become permanent disable.

**Tax Return**

Tax Return should not require submitting if all these conditions applied (Sec-4(3)).

- a That FY only income from resident Employer
- b That FY all resident employer and once only one employer
- c Only deduction made Medical tax credit & retirement contribution but not deduction of Donation.

The following illustration will elaborate about understanding of employment tax:

**Example 1:**

Ms. Sita Thapa engaged as Manager in Salapa Bikas Bank and her posting in Diktel, Khotang. She apart from that bank, also engaged in teaching profession as account teacher in Khotang Multiple Campus. Her earning included following for FY 2073-74:

- **Basic Salary**
  - Rs. 50,000 per month
- **Grade**
  - Rs. 2,000 per month
- **Dashain Allowance**
  - Rs. 52,000
- **Bonus**
  - Rs. 208,000
- **Dearness Allowance**
  - Rs. 5000 per month
- **Education Allowance**
  - Rs. 2000 per month
- **Salary from Teaching**
  - Rs. 10,000 per month
- **She has been provided a driver with Car for official purpose as well as personal use.**
  - Monthly salary and allowance of driver
    - Rs. 8000
- The manager has been provided monthly fuel of Rs. 10000 and for FY 2073-74, repair & maintenance of Rs. 25000 during the year.
- The manager has been provided a quarter for living.
- The telephone facility has been provided in a quarter of Rs. 2000 per month and 50% for personal use.
- For security purpose in the quarter, on security guard has been provided for Rs. 8000 and salary of Rs. 4000 has been deducted from her salary.
- She has been provided home loan of Rs. 10,00,000 at the interest @5%. The bank provided such loan others at the average interest rate of 8%.
- She has received one month salary in the month of Poush for Home Leave.
- She has been provided Provident fund of 10% of basic salary plus grade and deposited into Employee Provident fund. Further, Rs. 20000 per month has been contributed to Citizen Investment Fund.
- She has donated Rs. 80,000 to Tax exempted organization.
- She has insured himself amount of Rs. 250,000 and her husband of amount of Rs. 150,000 at the premium of Rs. 18000 and Rs. 15000 respectively.
- She has medical expenses of Rs. 20,000 at Bir Hospital.
- She opted to be couple option.

**Answer**

Ms. Sita Thapa income shall be assessed as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Salary (12*50000)</td>
<td>600,000.00</td>
</tr>
<tr>
<td>Grade (12*2000)</td>
<td>24,000.00</td>
</tr>
<tr>
<td>Dashain</td>
<td>52,000.00</td>
</tr>
<tr>
<td>Bonus</td>
<td>208,000.00</td>
</tr>
<tr>
<td>Dearness Allowance (12*5000)</td>
<td>60,000.00</td>
</tr>
<tr>
<td>Educational Allowance (12*2000)</td>
<td>24,000.00</td>
</tr>
<tr>
<td>Vehicle facility (600000+24000) *0.5%</td>
<td>3,120.00</td>
</tr>
<tr>
<td>Residential facility (600000+24000) *2%</td>
<td>12,480.00</td>
</tr>
<tr>
<td>Fuel Expenses (Not taxable)</td>
<td></td>
</tr>
<tr>
<td>Driver salary (Not taxable)</td>
<td></td>
</tr>
<tr>
<td>Repair &amp; Maintenance (Not taxable)</td>
<td></td>
</tr>
<tr>
<td>Telephone Facility (12<em>2000</em>50%)</td>
<td>12,000.00</td>
</tr>
<tr>
<td>Security Guard Facility (12*(8000-4000)</td>
<td>48,000.00</td>
</tr>
<tr>
<td>Loan Facility (1000000*(8%-5%)</td>
<td>30,000.00</td>
</tr>
<tr>
<td>Home Leave Encashment</td>
<td>52,000.00</td>
</tr>
<tr>
<td>Provident fund (12<em>52000</em>10%)</td>
<td>62,400.00</td>
</tr>
<tr>
<td><strong>Income from Employment of Bank</strong></td>
<td>1,188,000.00</td>
</tr>
<tr>
<td><strong>Add: Income from Teaching (12*10000)</strong></td>
<td>120,000.00</td>
</tr>
<tr>
<td><strong>Assessable Income</strong></td>
<td>1,308,000.00</td>
</tr>
</tbody>
</table>
### Deduct: Contribution to Approved Retirement Fund

**Minimum of**

- **a)** Rs. 300,000
- **b)** One third of Assessable Income \((1160000 \times \frac{1}{3} = 386666)\)
- **c)** Actual Contribution \((62400 \times 2 + 20000 \times 12 = 364800)\)

**Adjusted Assessable Income**

1,008,000.00

### Deduct: Contribution to Donation

**Minimum of**

- **a)** Rs. 100000
- **b)** 5% of Adjusted Assessable Income \((860000 \times 5\% = 43000)\)
- **c)** Actual Contribution (80000)

**Taxable Income**

965,000.00

**Deduction: Insurance Premium, Minimum Of**

- **a)** Rs. 20000
- **b)** Actual Insurance Premium (33000)

**Remote Area Allowance**

As Khotang District is in ‘B’ Categorises, then she will get Rs. 40,000/-

**Net Taxable Income**

905,000.00

#### Calculation of Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs. 400000, 1%</td>
<td>4,000.00</td>
</tr>
<tr>
<td>Next Rs. 100000, 15%</td>
<td>15,000.00</td>
</tr>
<tr>
<td>Then, Up to next Rs. 2000000, 25% [4450000*25%]</td>
<td>101,250.00</td>
</tr>
<tr>
<td>Exceeding Rs. 2500000, 35%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Tax Liability</strong></td>
<td>120,250.00</td>
</tr>
</tbody>
</table>

**Less: Foreign Tax Credit**

**Less: Medical Tax Credit**

**Minimum Of**

- **a)** Rs. 750
- **b)** 15% of medical Expenses \((20000 \times 15\% = 3000)\)

**Less: Female Tax Credit (10%) for single opt**

**Tax Liability**

119,500.00

**Ladies Tax rebate @10% of Tax Liabilities**

11,950.00

**Net Tax Liability**

107,550.00

In this way employment tax will be calculated after taking full consideration of aforementioned rule, regulation and principles.
The Impact of Corporate Income Tax on Economic Growth

Abstract: As any non-lump-sum tax, corporate income taxation creates distortions in economic choices, reducing its efficiency. This paper reviews some of these negative impacts on economic growth domestic and their most recent estimates from the economic literature. However, while individual income tax is levied on the income of individuals, corporate income tax is imposed on the profit of companies. The income tax is levied at 30% on banks, financial institutions, insurance companies, and tobacco and alcohol producing industries, and at 25% on other companies. Industrial and export incomes are subject to 20%. Under individual income tax, a basic allowance of Rs. 250,000 is granted to individuals and Rs.300,000 to married couples; higher income is taxed at 15% and 25% respectively. A surcharge of 40% is levied on 25% individual income tax on income above Rs.2.5 million in Nepal. It is matter of policy debate regarding direct tax like income tax how make rational to attain the competitive advantage in context of global economy.

Background:
Tax efficiency is a well-known concept in public finance. This notion is part of a wider debate on the principles and criteria for taxation. In particular, the equity and efficiency criteria are at

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Mr.Dahal is retired Director of Inland Revenue Department, Kathmandu, Nepal. He can be reached at c_dahal@yahoo.com

Corporate taxation has fuelled many debates about both its usefulness and odds of survival and the distortions it creates. Those are of both domestic natures. Income tax is second largest source of government revenue in Nepal. The CIT has highly dominated to other income tax in Nepal has made more difficult to think other alternative to CIT. Tax efficiency is a well-known concept in a wider debate on the principles and criteria for taxation.
 Benefit Principle.

The heart of public choices when it comes to taxation. Except for a few exceptions - on which we will come back - corporate taxation raises very little controversy in terms of equity and the debate is focusing on aspects of tax efficiency instead. Indeed, as a non-lump-sum tax, corporate taxation introduces distortions in the choices of economic agents. Instead, this paper attention to the reader on the most important economic impacts and on their most recent estimates from the economic literature.

The income tax is levied at 30% on banks, financial institutions, insurance companies, and tobacco and alcohol producing industries, and at 25% on other companies. Industrial and export incomes are subject to 20%. Under individual income tax, a basic allowance of Rs. 250,000 is granted to individuals and Rs.300,000 to married couples; higher income is taxed at 15% and 25% respectively. A surcharge of 40% is levied on 25% individual income tax on income above Rs.2.5 million in Nepal (IRD, 2016). It is matter of policy debate regarding individual income tax on income above Rs.2.5 million in Nepal (IRD, 2016). It is matter of policy debate regarding direct tax like income tax how make rational to attain competitive advantage in context of global economy. Therefore, it would seem normal that companies pay taxes as a compensation for those services. Some authors also argue that limited liability enjoyed by companies is an advantage that calls for a compensating tax. Those standpoints, even though attractive, are sometimes challenged because of the weak and rather indirect link between the use of those services and the determination of the corporate tax base, because companies are owned in fine by individuals who are also taxed, therefore introducing a risk of double-taxation, and because there are probably more direct ways of internalising the cost of the provision of those public goods, notably via user fees.

Tax Exporting.

A second argument is based on questioning the assumption of perfect mobility of capital. Mobility is a much more complex topic in the real world than models suggest. Because of sunk costs or relocation costs, capital may sometimes be relatively immobile. It is the same if, as suggested by Lee (1997), there are complementarities between capital and a less mobile factor. For example, money on a bank account (in theory mobile) may be used to pay workers of a mining company (therefore immobile). If, in addition, a non-negligible share of companies are owned by foreign shareholders, tax authorities have an incentive to tax these companies and ‘export’ the tax burden on those shareholders (Mintz (1994), Huizinga and Nielsen (1997) retrieved from (Gaëtan Nicodème, 2009). Wildasin (2003) develops such a model with convex costs of relocating capital (increasing with speed of relocation). He shows that the optimal capital tax rate at equilibrium is proportional to the share of foreign shareholding and inversely proportional to the degree of capital mobility. In an empirical study covering 34 European countries between 1996 and 2000, Huizinga and Nicodème (2006) retrieved from (Gaëtan Nicodème, 2009) show a strong positive relationship between the share of foreign shareholding in a country and the average corporate tax burden. Their estimate indicates that increasing the share of foreign ownership by one percentage point increases the average tax rate on companies by 0.43 percentage points on average. Imperfect capital mobility coupled with non-negligible foreign ownership would therefore explain the existence of corporate taxation.

2.1 The Present Corporate Income Tax

Benefit Principle.

A first reason for having a corporate income tax is linked to the benefit principle. Akin to individuals, companies consume public goods - in particular infrastructures - and benefit from public interventions - such as education of workers or a judiciary system based on the rule-of-law. Therefore, it is useful to discuss the rationales for having a corporate income tax in the first place. Under some assumptions - in particular capital mobility - ‘classic’ economic models show that the optimal tax rate on capital for a small open economy is zero (Samuelson (1954), Tiebout (1956), Zodrow and Mieszkowski (1986), Wilson (1986) retrieved from (Gaëtan Nicodème, 2009). Therefore, questioning the usefulness of corporate taxation is a worthy exercise. Since Gordon (1992), several authors have looked into this question and the underlying pros and cons for the existence of corporate taxation (Weichenrieder (2005), de Mooij (2005), and Sørensen (2007) retrieved from (Gaëtan Nicodème, 2009).
Treasury Effects.

A third rationale is linked to so-called treasury effects generated by foreign tax credits. According to (Gaëtan Nicodème, 2009), several large countries such as the US and the UK apply tax credit systems to relief double taxation on foreign income. Take a US multinational with a Belgian subsidiary. This subsidiary makes profit taxed at the Belgian corporate income tax at 33.99%. When the US parent repatriates the profit of the subsidiary, the dividend is taxed at the US federal corporate tax rate of 35%. The US Company nevertheless receives a foreign tax credit of 33.99 on the tax already paid in Belgium, which it fully uses. The total tax burden is therefore 35% and fully determined by the tax rate applicable in the US. This example shows that with foreign tax credit systems in home countries, host countries are free to set their tax rates at the desired level (as long as they stay under the level of the home country) without having an impact on the total tax burden paid on repatriated dividends.

Political Constraints.

Finally, political constraints may play an important role. Corporations are often perceived by public opinion as entities making large profit and owned by wealthy investors, which generally qualifies them in the eyes of public opinion to bear an important share of the tax burden. In fact, corporate taxes represent only 3.4% of GDP for the EU-27 in 2006 and 8.5% of total tax collected. The corporate tax base is also smaller than the personal income tax base or the VAT base.

2.2 Distortions

A. Domestic Income Tax at Global Studies

Deadweight Loss.

A first approach to evaluate economic distortions generated by corporate income taxation is to compute the deadweight loss (or Harberger Triangle). It represents the difference between the losses in consumer and producer surpluses and the tax collected. According to (Gaëtan Nicodème, 2009), as a first proxy, deadweight loss as a percentage of tax collected is given by the formula \( t\varepsilon/2 \), where \( t \) is the corporate tax rate and \( \varepsilon \) is the elasticity of the base to the rate. In 2008, the average corporate tax rate in the EU is 23.6%. In their study on profit shifting in Europe, Huizinga and Laeven (2008) estimate the elasticity of the corporate tax base to the rate at .45. This gives a deadweight loss in percentage of tax collected of 5.3%.

Administrative and Compliance Costs.

Administrative and compliance costs are important elements of tax efficiency. These costs are complex to estimate and very few data is available. They have been estimated at 10% of the collected tax in the US, of which 1% represents the administrative costs (Aaron and Gale, 1983), Stremrod and Sorum (1984)). According to (Gaëtan Nicodème, 2009), this estimate is comparable to similar studies that find administrative costs of 1.16% for the UK (Godwin, 1995), 1.1% for Australia (Pope, 1995), 1.6% for France, 5% for the US, 5.2% for Sweden, 8.9% for Spain (Carmona, Guiffès and Lépine, 2006) and 1.53% for Czech Republic (Vitek and Pubal, 2002). These costs vary also with the tax considered. Obviously, measures vary with the estimation technique, in particular with the assumptions on how to share common costs. Furthermore, those measures are averages and do not say anything on the marginal administrative cost of taxes.

Distortions generated by reduced corporate tax rates. As political economy instrument, corporate taxation has been at the heart of debates about its neutrality vis-à-vis the size of companies. Many countries indeed apply reduced corporate tax rates for SMEs. Two debates are being held. The first one is about the rationale for having differentiated tax rates for SMEs. Those two questions refer to both the equity and the efficiency aspects of corporate taxation. The wish of tax authorities to implement measures to decrease the tax burden of SMEs may find its rationales in trying to reach the most efficient allocation of resources. First, SME may have difficulties to access credit and may suffer from higher interest rates because of asymmetry of information regarding their financial situation, a lack of reputation because of their small size, and because of possible differences in their obligations compared to large companies with regards to informing investors, for example in accounting practices (Beck, Demirgüç-Kunt, and Maksimovic, 2005) retrieved from (Gaëtan Nicodème, 2009). Next, it is possible.
that SMEs face higher difficulties to create economies of scale, which generates higher average costs and a lower profitability. Third, SMEs may also face larger difficulties to meet their needs in terms of highly-skilled staff because of a lack of visibility, which may decrease their performance. In particular, the measures to be taken may even make legislation been more complex, which increases costs for SMEs. Reduced corporate tax rates may also create distortions vis-à-vis the size of companies and act as a disincentive to grow. Alternative measures such as direct aid or a better functioning of credit markets are considered as more efficient.

**Distortions Generated by a Shift to Labour.**

Another important distortion created by corporate taxation is the one induced on labour markets. This distortion is well-known in theory but is generally absent from the political debate. Economic theory shows that, under the assumption of mobility of capital, the incidence of the corporate tax is fully borne by labour (Gordon, 1986). Furthermore, this literature insists that capital flight reduces labour productivity and, in fine, wages. Hence, this creates an additional distortion which could be avoided if labour would be taxed directly. Therefore, the incidence of corporate taxation falls almost entirely on labour.

**Distortions Created by a Shift from Personal to Corporate Income Taxes.**

One last domestic economic distortion is linked to the possibility for some agents to requalify their labour income into capital income and vice versa. It is indeed possible for entrepreneurs to incorporate and to substitute in this way their labour income with corporate income, which is taxed at lower rates. Goolsbee (2004) carries out a sectoral study for the US in 1992 and finds that an increase in the corporate tax rate by a tenth of a percent decreases the share of incorporated companies in the total number of firms by .25 percentage points and their share in sales and employment by .07 and .15 percentage points respectively.

**B. Country Context:**

There is hard to find any studies of Nepal income tax relating to CIT prospective. The revenue policy has priorities more in FDI for development of economic growth in country as well as social development. However, in the past decades; both the Nepalese tax system and the revenue authority have been modernized through various reform steps. The direction has been on improving revenue productivity while minimizing costs and deficiencies in processes. With this backdrop, the Government of Nepal’s tax reform agenda has been oriented towards increasing voluntary tax compliance, broadening the tax base by reducing compliance costs, promoting taxpayer-friendly services, encouraging investment and increasing the confidence of taxpayers in the abilities of state institutions to manage public finances (IRD, 2012). The progress in these objectives has found in IRD Reform Plan92016-2017 has mentioned as “At the time of formulation of the Second Three-Year Reform Plan, an analysis was made of the expected results, including the ratio of income tax; value added tax, excise duties and total tax revenue, in relation to GDP, as envisaged by the Strategic Pan and Reform Plan. I am excited since the tax revenue to GDP ratio is already close to the target even in the mid-term period. Our efforts have signaled positive results in achieving the goals set in the taxpayer education and service, in reducing the costs of tax compliance and making optimum use of information technology since our online registration and e-filing system is very effective. However, the Inland Revenue Department will have to put in greater efforts to minimize the number of non-filers and reduce the amount of tax arrears.” It accounts for about one third of the total tax revenue and constitutes over 5.43% of GDP. Income tax is the second largest source of tax revenue that provides about one-fourth of total tax revenue and almost 5.2% of GDP. Total tax to GDP ratio is 18.87% and total revenue to GDP ratio 21.43. The composition of income tax structures is CIT 60.07 percent against 25.70 percent of PIT (Ministry of Finance, 2071).

**Conclusions:**

Corporate taxation has fuelled many debates about both its usefulness and odds of survival and the distortions it creates. Those are of both domestic natures. Income tax is second largest source of government revenue in Nepal. The CIT has highly dominated to other income tax in Nepal has made more difficult to think other alternative to CIT. Tax efficiency is a well-known concept in a wider debate on the principles and criteria for taxation. In the facts and findings of these research. Although, the equity and efficiency criteria are at the heart of public choices when it comes to taxation. However, the CIT has big contribution in income tax structure in income tax revenue in comparisons to PIT; it is hard to follow other alternatives without strengthening the level of share of PIT in income tax composition. It is the areas for further analysis how to strengthening the PIT as compare or even more than CIT before to adopt other alternative.
References:


Tax on Wages, Oxford University Centre for Business Taxation Working Papers, 07/07.


Congratulation

The Institute would like to congratulate CA. Suvod Kumar Karn, Past President and Fellow member of The Institute of Chartered Accountants of Nepal (ICAN) for being appointed as Vice President of South Asian Federation of Accountants (SAFA) for the year 2017.

CA. Suvod Kumar Karn is also fellow member of Institute of Chartered Accountants of India and CMA Sri Lanka. He is also a fellow member of Commonwealth Association of Accountants.CA. Karn was also the Chairman of Committee to study Fiscal regimes and other statutory requirements of business in SAARC countries and a member of Small and Medium Practices Committee of SAFA. He was also on the Board of SAFA for the period 2010-13 and 2016. He was also the financial advisor Water Tariff Fixation Board - Govt. of Nepal from 2008-10 and on the Board of Securities Board of Nepal (SEBON) from 2008-09.He is also the Chairman of Nepal Accounting Technicians Board. CA. Karn has been in public practice for over 24 years and is partner in Suvod Associates, Chartered Accountants, Kathmandu.
ENHANCING ORGANIZATIONAL REPORTING: INTEGRATED REPORTING KEY

IFAC:

- Considers integrated reporting as the way to achieve more coherent corporate reporting system, fulfilling a need for a single report that provides a fuller picture of organizations' ability to create value over time;

- Strongly supports the International Integrated Reporting Council (IIRC) and the implementation of the International Integrated Reporting (IIR) Framework;

- Believes that the integrated report can be used as an “umbrella” report for an organization’s broad suite of reports and communications, enabling greater interconnectedness between different reports and recognizing that there is a range of different frameworks and regulations available and under development;

- Supports reporting that produces information on which assurance conclusions can be expressed, in accordance with high-quality international assurance standards; and

- Recognizes that the accountancy profession has a significant contribution to make, and an important role to play, in developing and implementing enhanced organizational reporting and that professional accountants play an important role in broad-based organizational reporting arrangements, and in providing assurance.

Introduction

All organizations, regardless of size and whether they operate in the private or public sector, prepare and use information to inform important decisions regarding their business. Organizational leadership use financial and non-financial information to manage and direct strategies and operations.

Over many years, external stakeholders—investors, suppliers, creditors, banks, and regulators—have demanded increasing amounts of information and disclosure about organizations’ governance, strategic direction, operations, and decisions. This permits, for example, investors to make more informed investment decisions, suppliers to make better business decisions when undertaking transactions, and regulators to assess whether organizations are complying with requirements.

During the last century, great strides were made in the reporting of one of the primary sources of information for all key stakeholders; that is, organizations’ financial statements and associated notes and disclosures. In essence, these financial statements capture much of the financial information that reflect an organization’s performance. Internationally, the key financial reporting standards are International Financial Reporting Standards (IFRS) for private sector organizations and International Public Sector Accounting Standards (IPSAS) for the public sector. In some jurisdictions, financial statements are prepared (in full, or in an abbreviated fashion) more frequently than once a year, such as quarterly or half-yearly. Financial statements prepared in accordance with internationally-accepted financial reporting standards play an invaluable role in capital markets and market participants’ decision making.
However, there is widespread recognition that, in addition to capturing the financial information organizations prepare and use in managing and directing their business, it is important to capture and report other, largely non-financial, information. Information that shows how value is created by a number of capitals that are not adequately reflected in financial reporting. Therefore, many organizational stakeholders recognize that financial reporting alone cannot satisfy all of their information needs and continue to seek more and different information of relevance, including information pertaining to an organization’s strategy, governance, risk management, human resources, and approach to broader sustainability issues, including environmental and social issues. Much of this information can be provided by enhancing organizational reporting.

Increasingly, regulators are aware of the need for a broad range of information about how organizations run their businesses in order to fulfill their organizational and regulatory objectives. They are also paying greater attention to enhanced organizational reporting, and are increasingly of the view that assessments of an organization—for example, its performance or compliance with regulatory requirements—depend on a wider range of information than is available from financial reports. Recognizing the importance of the issue, many regulators are considering the best ways to encourage organizations to produce and publish more broad-based information.

High-quality organizational reporting is important for all types of organizations. In a number of countries, the importance of public sector entities reporting more broad-based information is already evident by the range of reporting and associated assurance that is currently in place.

Public Interest

IFAC believes it is in the public interest for organizations to report more broad-based information that is important to, and useful for, stakeholders. Broad-based information that:

- promotes transparency and accountability, and assists organizational management and those charged with governance in making important business decisions and demonstrating their stewardship responsibilities;
- provides a more comprehensive view of an organization’s position, performance, and longer-term potential and sustainability than financial reporting alone; and
- provides critical information for external stakeholders to make decisions, in particular with respect to those aspects of an organization’s operations that are not fully reflected in financial statements, such as the capitals, intangibles, or resources that are the basis for an organization’s ability to preserve and create value over time.

What is Enhanced Organizational Reporting?

The enhanced organizational reporting domain is increasingly seen as fragmented with different reporting requirements for different purposes and capitals. There is a debate about how the broader information needs of stakeholders should be met through a single channel—the annual or integrated report—or whether different channels should be used for different purposes. A number of frameworks, standards, and principles have begun to emerge, covering social and environmental accounting and reporting; corporate social

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1 Capitals are defined as “stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased, or transformed through the organization’s business activities and outputs.” The capitals are categorized in the International <IR> Framework as: financial, manufactured, intellectual, human, social and relationship, and natural.
responsibility (CSR) reporting; environmental, social, and governance (ESG) reporting; sustainability reporting; and integrated reporting.

This reporting involves providing decision-useful information to organizational stakeholders beyond what is included in traditional financial reporting, and may provide important links between financial reporting and other organizational reporting. Some organizations already prepare and use the type of broader-based information in their business decision making that is now being requested by others. Enhanced organizational reporting to external stakeholders requires these organizations to shape their reporting for the intended users of that information. Other organizations may need to consider the capacity and capability of current financial reporting processes to determine what changes may need to be made to ensure that organizational reporting is effective.

In practice, organizational reporting that goes beyond traditional financial reporting may often involve the presentation and disclosure of information that is both quantitative and qualitative in nature. It is more likely to include forward-looking or prospective information that is not contained in "traditional" financial reporting, which tends to focus on past performance. Typically, quantitative reporting would not be presented in monetary terms, and may involve the reporting of volumes, number counts, ratios, comparisons, percentages, and so on. Importantly, this type of reporting can assist organizations in identifying and reporting organizational performance, including the effectiveness of corporate governance, risk management, and internal control.²

Developing and Implementing Organizational Reporting Frameworks

The accountancy profession has a great deal to contribute to, and a key role to play in, enhancing organizational reporting. The profession has a long history of involvement in a number of key areas that are important to the development and implementation of organizational reporting frameworks that go beyond traditional financial reporting, for example, developing and improving financial reporting processes and controls and identifying, measuring, and reporting key financial and other information.

Key Considerations for Reporting Frameworks

In developing and implementing robust organizational reporting frameworks, IFAC believes it is necessary to consider a number of factors.

- Materiality

  Materiality in financial reporting may more easily be depicted as a quantitative amount. However, determining materiality for organizational reporting that goes beyond traditional financial reporting will often involve a qualitative assessment, or a quantitative assessment of non-monetary amounts. IFAC recognizes that this is a topic where a broad range of views exists and hence it is an important topic of debate.³

- Relevance

  Given the growing number of frameworks being developed, IFAC recognizes that there are a broad range of views on what is most important to include when enhancing organizational reporting. Factors such as the primary users of the information, the legal and cultural environment, the capacity of the organization, and the jurisdiction are several matters that are integral to the debate on relevance.

² Refer to Policy Position Paper 7, Effective Governance, Risk Management, and Internal Control.
• Reliability
  Information that is not reliable cannot be typically considered decision useful. It is important that information be sufficiently reliable so as to provide added value to users. A prerequisite for reliable information is that it is subject to appropriate evidence-gathering procedures such that management can be held accountable for the information reported.

• Comparability
  As well as providing information that assists stakeholders in making assessments about individual organizations, robust organizational reporting frameworks should be developed in a manner that permits appropriate comparisons to be made over time, as well as between organizations.

• Timeframe
  Organizational reporting frameworks often address issues pertaining to organizational arrangements and performance, and value preservation and creation, over the short, medium, and long term. As such, it may not always be consistent with the generally shorter-term focus of most financial reporting. Consideration needs to be given to how these different, and yet both very important, types of reporting can be presented in a complementary manner.

Proportionality
In developing, adopting, and implementing enhanced organizational reporting frameworks and arrangements, consideration needs to be given to the:

• impacts of such reporting, especially if it is mandated within a jurisdiction, on organizations of different sizes; and

• users of information provided by organizations of different sizes.

For small- and medium-sized entities (SMEs) the cost-benefit considerations of implementing new and additional organizational reporting requirements are particularly important. Integrated reporting may help SMEs build a better, more concrete understanding of the factors that determine its ability to create value over time and present a holistic picture of how the organization creates value to current and prospective equity investors, banks, and other providers of financial capital.

Principles-based approaches to such organizational reporting are typically easier to adopt and apply to a broader range of organizations.

Voluntary or Mandated
In some jurisdictions, organizational reporting that goes beyond traditional financial reporting forms part of an organization's regulatory reporting requirements. IFAC recognizes that jurisdictions around the world are at different stages of development (e.g., in terms of securities legislation and regulation, standards of reporting, and capacity of the accountancy profession and preparers of business reports). Coupled with cultural, political, legal, and other environmental factors, this means that, from a global perspective, it is not possible at this stage to recommend whether such enhanced organizational reporting should be mandated or driven by market requirements and expectations. However, regardless of the approach chosen, success depends on the:

• perceived benefits that will accrue to information users (e.g., better decision making) and ultimately to society as a whole (e.g., sustainable growth and employment), and whether these outweigh the costs of reporting;
• acceptance of its value as an important decision-making and accountability tool;
• robustness of the reporting and assurance arrangements;
• guidance and supporting material made available to organizations when implementing these organizational reporting arrangements; and
• clarity around the relationship between various reporting requirements both nationally and internationally.

Assurance

Independent assurance enhances users’ confidence in the information being provided. It can also assist organizations in developing their systems and processes to provide high-quality organizational reporting. This may be especially important in the formative years of such reporting, as preparers’ and users’ confidence in the information being reported continues to grow.

IFAC is of the view that organizational reporting should be undertaken in accordance with robust international reporting frameworks, and that such reporting should be subjected to an assurance engagement in accordance with high-quality international assurance standards. Therefore, it is important that frameworks for organizational reporting are developed in a manner that provides suitable criteria against which preparers can determine the content of the report and assurance conclusions can be provided by assurance professionals. Reporting frameworks and arrangements should aim to ensure that the reporting delivered by organizations exhibits appropriate characteristics; generally, it must be relevant, complete, reliable, neutral, understandable, and derived from verifiable sources.

IFAC recognizes that the International Auditing and Assurance Standards Board (IAASB) issued standards relevant to the provision of assurance of broad-based organizational reporting; namely International Standard on Assurance Engagement (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The IAASB also issued subject-specific standards, such as ISAE 3410, Assurance Engagements on Greenhouse Gas Statements. IFAC considers it important for the IAASB to continue to consider the role of assurance across a broad range of extended organizational reporting as it has with its Discussion Paper, Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements. IFAC encourages the IAASB to monitor developments and liaise closely with organizations such as the IIRC to consider how the assurance of integrated reports might serve the public interest and meet stakeholder needs.

The Relationships between Different Reporting Frameworks

IFAC recognizes that there is a range of different organizational reporting frameworks and regulations available and being developed, and considers it important to examine the relationship between these frameworks and to promote global consistency and convergence. IFAC is encouraged by regulators’ interest in this general topic, but notes this high level of interest is also contributing to the growing number of differing requirements across jurisdictions.

While these other organizational reporting frameworks are not as developed as financial reporting, there is a risk that having numerous frameworks, whether they are topic or country focused, will potentially present significant problems in coming years, especially for organizations that operate across borders and in numerous jurisdictions. It potentially diminishes the ability of stakeholders to make proper assessments and resource allocation decisions about multinational organizations, and creates potential regulatory arbitrage opportunities when such reporting is mandated.
Consequently, IFAC considers it vital that regulators, standard setters, and others involved in the development of reporting frameworks recognize and promote not just the need for enhancing organizational reporting but also the need for globally consistent and convergent practices and arrangements. The challenges associated with convergence of financial reporting arrangements in the last decade provide a sound reason for all parties to aim for a consensus, or at least the identification of the relationships and consistency between the different frameworks, at the earliest possible time.

Having one globally-accepted framework also helps provide a basis for a more coherent corporate reporting system.

A Coherent Corporate Reporting System with Integrated Reporting

The landscape of enhanced organizational reporting is perceived as fragmented with different reporting requirements for different purposes and capitals. It leads to frequent claims of too much reporting, lack of relevance or ease of use for beneficiaries/key audiences, reporting driven more by compliance than by narrative clarity, and inconsistent approaches.

IFAC believes that integrated reporting is the means to bring about a more coherent corporate reporting system.

Integrated reporting is described as “a process that results in communication by an organization, most visibly a periodic integrated report, about value creation over time. An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term.” It aims to be most relevant for financial capital allocation decisions; hence, integrated reporting is primarily directed toward those who provide financial capital to organizations.

There is a need for a single report that provides a fuller picture of an organization’s ability to create value over time, and that provides greater interconnectedness between different reports. The integrated report can be used as an “umbrella” report for an organization’s broad suite of reports and communications. The analogy of an octopus places the integrated report as the head of the octopus. Integrated reporting aims to supplement and build upon other developments and can be applied continuously to all relevant organizational reports and communications.

In some jurisdictions, there is potential to apply integrated reporting to existing regulatory arrangements for management commentary. It can also be applied in a proportionate and scalable manner to all organizations regardless of size and sector.

Importantly, integrated reporting is more than reporting or producing an additional report. It is founded on integrated thinking leading to a change in the way businesses think about preserving and creating value. Integrated thinking involves organizational change to require everyone in the organization to increase their contribution to a much broader, and longer term, concept of value creation through a better understanding of how value is created. This will hopefully lead to a better outcome from reporting that responds to systemic risks to capital and financial markets systems, and sustainable development challenges.

These are the drivers the global coalition had in mind when it established the IIRC—a need for reporting to evolve to meet the needs of the 21st century.

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4 Refer to paragraphs 1.2 and 1.3 of Consultation Draft of the International <IR> Framework, Integrated Reporting, April 2013
5 Refer to The 2030 Agenda for Sustainable Development: A Snapshot of the Accountancy Profession’s Contribution and Creating Value with Integrated Thinking.
Credibility and trust in organizations and reporting needs to be driven by effective governance, as well as by assurance from internal and external auditors. This ensures reporting is connected to oversight and decisions made by those charged with governance, resulting in better decisions and behaviors that are consistent with long-term goals and performance.

**Other Frameworks**

Several of the key organizational reporting frameworks and arrangements in existence, or being developed, include:

- **Global Reporting Initiative (GRI)—**aiming to provide organizations with a comprehensive sustainability reporting framework that enables them to disclose their governance approach and the environmental, social, and economic performance and impacts of their organizations;

- **UN Global Compact—**a strategic policy initiative for organizations committed to aligning operations and strategies with ten universally accepted principles on human rights, labor, environment, and anti-corruption. A key aim is that organizations operating in a globalized economy help markets, commerce, technology, and finance advance in ways that benefit economies and societies everywhere;

- **Carbon Disclosure Project and Climate Disclosure Standards Board (CDSB)—**aiming to provide a global framework for companies to measure, disclose, manage, and share vital environmental information. It offers a global climate change reporting framework that aims to link financial and climate change-related reporting to provide policymakers and investors with clear, reliable information for robust decision making;

- **International Public Sector Accounting Standards Board (IPSASB)—**working to develop a conceptual framework for general purpose financial reporting by public sector entities, which underpins the development of IPSAS and Recommended Practice Guidelines. Specific topics addressed by the IPSASB that extend beyond traditional financial reporting include reporting service performance information and the long-term sustainability of public sector finances;

- **Sustainability Accounting Standards Board—**aims to develop and disseminate industry-specific accounting standards that address material sustainability issues, which are developed in the context of regulatory arrangements in the US market, in particular, for publicly listed companies;

- **Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises—**aiming to be far-reaching recommendations for governments to direct to multinational enterprises, and providing voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation; and

- **Various reporting requirements currently included in corporations, securities, and other legislation and regulation, including those that cover narrative reports to complement financial reporting, such as a directors’ report, management commentary, management’s discussion and analysis, or operating and financial review.**

IFAC acknowledges that integrated reporting acts as an umbrella for dialogue on corporate reporting and supports the **Corporate Reporting Dialogue**, an initiative convened by the IIRC involving organizations that issue standards and frameworks with international impact. The aim of the Dialogue is to promote greater coherence and comparability between reporting frameworks, standards, and related requirements.
Role of Professional Accountants

IFAC strongly supports and encourages the involvement of professional accountants in this important emerging field. The skills and expertise of professional accountants are well suited to advancing organizational reporting, for example, in relation to managing and reporting an organization’s performance, assessing and developing appropriate internal control reporting and governance arrangements, in matters pertaining to measurement, and in providing assurance and enhancing the credibility of reported information. Professional accountants are also well placed to facilitate integrated thinking.

Specifically, professional accountants contribute to advancing organizational reporting in their roles as:

- Professional accountants in business, who play important roles within organizations to develop business cases, manage performance, implement reporting arrangements and systems, and assess and assist in the development of governance and risk management arrangements and strong internal controls;
- Assurance practitioners, who play a critical role in providing assurance on, and hence enhancing the credibility of, organizational reporting by utilizing internationally-accepted, high-quality assurance standards; and
- Professional accountants providing professional services, who, in many jurisdictions, play important advisory and consulting roles for organizations with respect to organizational reporting, especially for small- and medium-sized entities.

The Role and Work of IFAC

IFAC believes it is important for the accountancy profession to be involved in, influence, and drive the development of improved organizational reporting.

Specifically, IFAC:

- contributes to the work undertaken by the IIRC in the context of a strategic partnership with the IIRC (captured in a Memorandum of Understanding, with IFAC recognized as an <IR> Breakthrough Partner);
- monitors and contributes to the work of other standard setters and thought leaders, such as GRI, CDSB, and the Sustainability Accounting Standards Board;
- monitors developments and encourages the profession—professional accountancy organizations, accountancy firms, and individual professional accountants—to be involved in initiatives to improve organizational reporting; and
- issues a range of guidance to assist professional accountants in fulfilling their roles in enhancing organizational reporting.6

Implications for IFAC Member Organizations

The global acceptance of enhanced organizational reporting will depend strongly on acceptance in national jurisdictions and regions. IFAC notes that many of member organizations are actively engaged on this topic and encourages them to continue to promote the importance of organizational reporting that goes beyond traditional financial reporting in their jurisdictions and regions, and to encourage and support the need for

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6 For example, refer to International Good Practice Guide, Principles for Effective Business Reporting Processes.
global consistency and convergence. For those member organizations not yet actively engaged, IFAC urges them to become more involved.

Additionally, IFAC seeks to provide its members with the necessary competence and skills to be involved in this important development. This is particularly important for professional accountants working in small- and medium-sized practices (SMPs) providing services to SMEs, as new and additional organizational reporting requirements will often significantly impact SMPs and SMEs that have little or no background or expertise in this field.

Specifically, IFAC encourages members and associates to contribute to advancing IFAC’s positions presented in this paper by:

- promoting awareness of these matters, especially within their own jurisdictions;
- developing professional education and continuing professional development offerings that address topics relevant to enhancing organizational reporting; and
- utilizing their relationships, where appropriate, with governments and regulators to promote the global consistency and convergence of organizational reporting frameworks.
Implementation of NPSAS & Role of ICAN

Mr. Hem Raj Paudel
Deputy Financial Comptroller General, FCGO

Discussion outlines
- Why NPSAS
- Importance
- Objectives
- Implementation
- Issues and way forwards

International Public Sector Accounting Standard-IPSAS
- International Public Sector Accounting Standards (IPSAS) are a set of accounting standards,
- Issued by the IPSAS Board an independent standard setting body within the International Federation of Accountants (IFAC),
- For use by public sector entities in the preparation of financial statements,
- Based on IFRS issued by the International Accounting Standards Board (IASB),
- IPSAS are two types: Accrual based & Cash based Accounting,

Accounting standard adoption model

Nepal Public Sector Accounting Standard
- Nepal Public Sector Accounting Standards (NPSAS) is a Nepalese version of IPSAS - Cash based Accounting,
- Prepared by Accounting Standard Board of Nepal,
- Designed to Public Sector entities for preparation of general purpose financial statements,
- Approval for implementing NPSAS from Council of Ministers on 2066/5/30 e.g. 15th September 2009.

Importance
- Assurances of financial data, With reliability & consistency
- Effective use of public resources,
- Transparency and accountability,
- Cash Management and Regular information,
- Adoption of international best practices.
Benefits of NPSAS adoption

**For Entities**
- Uniformity
- Standardization
- Transparency
- Consistency

**For Donors**
- Increased assurance
- Accountability
- Acceptability

**Stakeholders**
- International exposure
- Advanced learning
- Post retirement knowledge

**For Public**
- Ease of understanding
- Public availability

Objectives of NPSAS

- Realistic and Reliable financial information,
- Fulfill the expectation of various stakeholders,
- Harmonization of international standards,
- Supportive for policy maker through information,

Objectives of NPSAS........

- Continuous reform on PFM,
- Proper and effective use of public Resources,
- Improve the quality and comparability of financial reports of public sector entities,
- Increase transparency and accountability.

Need of NPSAS for GON

- Address transparency, accuracy and accountability.
- Streamlining all the transaction to the main stream reporting.
- Dissemination of Integrated financial position of the country.

Need of NPSAS for GON ......

- Career development of government employees.
- Meet necessity of international arena.
- Initiation of accounting system with record of Assets and liabilities.
- Re engineering of overall accounting and reporting system.

Structure of NPSAS cash basis

- Part one - Mandatory
- Accounting & reporting for all cash receipts & payment
- Statement for budget comparison (for budget entities)
- Disclosures through Notes to account & Accounting policies
Structure of NPSAS cash basis

- Part two - Voluntary
- This part focus on requirement of accrual basis
- It recommend to keep the records of assets, liabilities, receivables, payables, commitments and etc.

Arrangement for Roll out

- FCGO has Prepared a Rollout plan to implement NPSAS on all central economic entities (43) within 3 years gradually,
- Training offered to concerned staff of Implementing entities and Office of the Auditor General (around 190 concerned staffs were trained),
- Steering committee chaired by Joint Financial Comptroller General and including representatives from office of the Auditor General, Ministry of Finance, Institute of Chartered Accountants of Nepal and Accounting Standards Board to oversee implementation has been formed,
- Contract with Consultant for facilitation

Government Priority and Commitment


"सरकारी वित्तीय प्रतिष्ठित विभागीय बनाए नेपाल सावित्रिमक क्षेत्र लगामान केन्द्रीय कार्योंका निकायहरूमा कम्बल: कार्यान्वयन गरिनेछ। " (ि भाषा न २१ समानसमान राष्ट्रिय व्यवस्थापिका समाजसेवा भवन तथा अन्तर्द्वारा नै थाई ०७२/७३ देखि नीति तथा कार्यक्रम)

Implementation Efforts

- As an apex body responsible for government treasury operation and reporting, Financial Comptroller General Office (FCGO) has initiated its implementation,
- FCGO has prepared a plan of implementation and decided to implement gradually from central economic entities to operating level entities,

Implementation Efforts

- Piloted in two ministries in FY 2013/14: Ministry of Physical Infrastructure and Transport and Ministry of Women, Children and Social Welfare,
- Model financial statements were prepared
- A road map has been suggested for implementation,
- FCGO had been implemented in 16 economic entities in FY 072/073(015/016)

Implementation Efforts

- FCGO has decided to implement in 15 more economic entities in FY 2073/74 (2016/17),
- FCGO has determined to prepare draft report of remaining 12 economic entities in FY 2073/74 (2016/17),
- Rollout NPSAS by the end of 2018 in all (43) economic entities.
ROLE OF ICAN in NPSAS Implementation

- ICAN is one of the Member in NPSAS Implementation Steering Committee of FCGO
- Provided feedback and suggestions on preparation and implementation of NPSAS
- Suggestive role to prepare Accounting manual
- NFRS implementation in Public sector enterprises
- Standardization of financial reporting of GoN

International Recognition

- Piloted Ministries Financial statements were Certified by the International Consortium of Government Financial Management – ICGFM, Washington DC and certificate handed over to concerned Ministries

Common audit findings

- Approval of reporting formats from OAG
- Insufficient information of Government fixed assets: The inventories and assets mentioned in the financial statement does not present total assets owned by the entity,
- Third Party Transactions: (Multilateral and Bilateral Grant, Technical assistance and commodity grant),
- Reliability of third party information: such as AMP
- Consolidation of Advance of other controlling entities

Problems and Challenges

- Mapping of entities for consolidation: difficult to define control of an entity,
- Technical competency of the concerned staffs,
- Internalize in concerned Economic entities,
- Awareness among all stakeholders,
- Inadequate legal provision: an executive decision is not sufficient

Way forward

- Adequate and clear legal Provisions
- Amendment and development of reporting formats from auditor general,
- Develop and use of Software to facilitate preparation of NPSAS based reporting
- Internalize within Ministries/Economic entities,
- Consensus on mapping of entities: requires policy decision,
- Continuous Training & workshop for Capacity Development,
- Awareness creation regarding the benefits of NPSAS Implementation to all stakeholders,
- NPSAS Implementation in all economic entities within two years.
- Integrated Financial Information System (IFMIS)

धन्यवाद!!
Chartered Accountants’ Convocation Ceremony

The Institute of Chartered Accountants of Nepal (ICAN) is honored to notify that it is going to organize “1st Chartered Accountants’ Convocation Ceremony” for the Chartered Accountants qualified from the institute itself. The event is perceived as an occasion of historical significance wherein qualified professional accountants would be publicly sworn in as Chartered Accountant for the first time in Nepal.

It is therefore the institute would like to invite registration from the Chartered Accountants qualified from the institute till date to participate in the ceremony. The details of the program are hereunder:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Convocation</td>
<td>31st January 2017 (18th Magh 2073)</td>
</tr>
<tr>
<td>Last Date of Registration</td>
<td>15th January 2017 (2nd Magh 2073)</td>
</tr>
<tr>
<td>Venue</td>
<td>Pragya Patisthan Bhawan, Kamladi</td>
</tr>
</tbody>
</table>

**Note**

Ceremony fee of Rs. 5,000 per participant is payable to the institute at the time of registration. The fee shall include Convocation Robes i.e. Gown and Hood (that has to be returned at the end), program lunch, group photo session and one family member as guest to participate in the ceremony. However, recipient of the award may invite two more guests upon payment of Rs.1,000 per guest.

For any further details, please contact the following:

**Ms. Samita Dongol**  
Program Officer  
The Institute of Chartered Accountants of Nepal  
Phone: 5530832, 5530730 (Ext: 214)  
Mobile: 9849564342  
Email: samita.dongol@ican.org.np
Interaction Program

Committee for Implementation of NFRS- Insurance of ICAN, Insurance Board and Nepal Bimak Sang jointly organized an interaction program on NFRS implementation on Insurance Sector on December 19, 2016 in Kathmandu. Vice President and Chairman of Committee for Implementation of NFRS- Insurance CA. Prakash Jung Thapa along with other members of the Committee, Chairman of Insurance Board Professor Dr. Fatta Bahadur K.C. along with higher officials of Insurance Board and higher officials of Nepal Beemak Sang were present in the interaction program. During the program participants exchanged their view and opinions on how NFRS can be implemented in insurance sector effectively.

Meeting with the Chairperson of Insurance Board

A team of ICAN officials comprised of Vice President CA. Prakash Jung Thapa, Council Member CA. Jagannath Upadhyaya Niraula and Joint Director Mr. Binod Neupane had a meeting with the Chairperson of Insurance Board Professor Dr. Fatta Bahadur K.C. on November 29, 2016 at latter’s office. This meeting was mainly focused discussing on the matter of NFRS implementation in insurance sector.

In the meeting, the Chairperson was briefed that ICAN has made mandatory implementation of NFRS for Insurance sector from 2016/17 and prepare financial statement accordingly. They discussed on modalities, opportunities and challenges in implementing NFRS in insurance sector.

NFRS Training

The Institute organized a three days RA capacity development training at Hetauda and Ghorahi. During the training various sessions and training material on 14 Standards of NAS/ NFRS was delivered. Altogether 62 RAs attended the training.

The details of the training program were as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Place</th>
<th>No. of RA. Participants</th>
<th>Resource Person(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>22-24 October 2016</td>
<td>Hetauta, Makawanpur</td>
<td>21</td>
<td>CA. Mukunda Dev Adhikari CA. Umesh Dhakal</td>
</tr>
<tr>
<td>18-20 November 2016</td>
<td>Ghorahi, Dang</td>
<td>41</td>
<td>CA. Bishnu Prasad Bhandari CA. Mukunda Dev Adhikari</td>
</tr>
</tbody>
</table>
The President ICAN, CA. Mahesh Khanal was present in Hetauda Program while Chairman of RA. Member Capacity Development Committee RA. Surya Prasad Adhikari was present in both Hetauda and Ghorahi Program.

First Convocation of ICAN
The Institute of Chartered Accountants of Nepal (ICAN) is organizing “1st Chartered Accountants’ Convocation Ceremony” on 31 January, 2017 for the qualified chartered accountant from the institute itself. The qualified professional will be awarded with CA. degree in a ceremony which is a historical event for the institute and pride for the chartered accountant. The convocation is expected in helping to disseminate and generate awareness about CA education in Nepal.

Conference on Accountability for Nation Building
The Institute of Chartered Accountants of Nepal (ICAN) is going to host one day conference on theme of “Accountability for Nation Building” on 30th January 2017 focusing on members of ICAN, Government officials, corporate executives, regulators and other interested persons in Kathmandu.

Chartered Accountancy Membership Examination
The Chartered Accountancy Membership Examination was successfully conducted on 5th and 7th December 2016 in Kathmandu. The total number of applicants for the examination in Corporate Law and Advanced Taxation were 220 and 223 respectively while the examinees appeared were 186 and 182 in the concerned subjects. Membership examination is mandatory for ICAI pass outs from foreign Professional Accounting Bodies pursuant to Rule 40 of Nepal Chartered Accountants Act,1999. Corporate Law and Advance Tax are compulsory paper to pass for eligibility to get membership of the Institute.

Chartered Accountancy Examination Conducted in December 2016
The Institute of Chartered Accountants of Nepal conducted final examination of different level of chartered accountancy course from 1 to 9 December, 2016.

Examination was conducted in main office, Kathmandu and its branches except Nepalgunj branch.

The Details of centers is given below:

<table>
<thead>
<tr>
<th>Center</th>
<th>Exam Conduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kathmandu</td>
<td>CAP I, CAP II &amp; CAP III</td>
</tr>
<tr>
<td>Biratnagar</td>
<td>CAP I, CAP II</td>
</tr>
<tr>
<td>Pokhara</td>
<td>CAP I, CAP II</td>
</tr>
<tr>
<td>Birgunj</td>
<td>CAP I</td>
</tr>
<tr>
<td>Butwal</td>
<td>CAP I</td>
</tr>
</tbody>
</table>

The Details of applicants and students appeared is given below.

<table>
<thead>
<tr>
<th>Level</th>
<th>Student Description</th>
<th>Both Group</th>
<th>Group I</th>
<th>Group II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAP I</td>
<td>No. of Applicants</td>
<td></td>
<td></td>
<td></td>
<td>609</td>
</tr>
<tr>
<td></td>
<td>Appeared Number in Examination</td>
<td></td>
<td></td>
<td></td>
<td>576</td>
</tr>
<tr>
<td>CAP II</td>
<td>No. of Applicants</td>
<td>918</td>
<td>430</td>
<td>250</td>
<td>1598</td>
</tr>
<tr>
<td></td>
<td>Appeared Number in Examination</td>
<td>884</td>
<td>351</td>
<td>211</td>
<td>1446</td>
</tr>
<tr>
<td>CAP III</td>
<td>No. of Applicants</td>
<td>198</td>
<td>219</td>
<td>127</td>
<td>544</td>
</tr>
<tr>
<td></td>
<td>Appeared Number in Examination</td>
<td>189</td>
<td>195</td>
<td>94</td>
<td>478</td>
</tr>
</tbody>
</table>
The total applicants for all level of CA Examination were 2751 and those who appeared at least in one subject were 2500.

**AT Examination Result Published**

The Accounting Technician Board has published Accounting Technician Examination result in pursuance of Bye-Law 17 of the Accounting Technician Bye-Laws, 2067 on 28 October 2016. The Accounting Technician Examination was conducted in September 2016 at ICAN Building, Satdobato, Lalitpur. Two students declared pass in the AT examination. Successful candidates are eligible to get AT License from the Accounting Technician Board After fulfilling the necessary requirements.

Accounting Technician examination is being conducted in March and September each year.

**ISA Assessment Test**

The Institute of Chartered Accountants of Nepal conducted Information System Audit (ISA) Assessment test on 24 December, 2016 in technical collaboration with the Institute of Chartered Accountants of India. A total of 4 CA Member of ICAN appeared in the test.

**Student Registration**

Chartered accountancy course is job oriented and highly professional course for the student interested to make their career in accounting and auditing profession. Interest towards this course is growing and becoming the choice of the youngsters. The new students enrolled during October 1, 2016 to 31 December 2016, was 363 in different level of CA education and AT course.

**Hall Test for CAP II and CAP III**

The Institute of Chartered Accountants of Nepal conducted hall test for CAP II and CAP III level of chartered accountancy course. Hall test is mandatory for all CAP II and CAP III level students for appearing in final examination of respective level. During the three months period of October 2016 to December 2016 12 hall tests were conducted and a total no of 3653 students appeared in test in different subjects.

**One year Internship for Foreign CA Degree Holders**

Pursuant to Nepal Chartered Accountants Regulation, 2061, Rules 41(KA) (5th amendment), The Institute of Chartered Accountants of Nepal has made a mandatory provision of one year internship to the foreign CA degree holders for getting Membership and Certificate of Practice. During the period of October to December 2016, a total no of 31 ICAI qualified Chartered Accountant member joined one year internship.

**Career Counseling**

The Institute is using Career Counseling mechanism as an effective tool to attract the new students in chartered accountancy education. Approximately 1100 students in Kathmandu valley and 800 students from outside the valley actively participated in the counseling program. The Institute organized career counseling program outside the valley in Nuwakot, Dhading, Birgunj and Biratnagar during last three months.

**Publication**

The Institute has published Suggested Answers of 2016 June examination and Revision Test paper (RTP) for 2016 December examination for CAP II and CAP III. Similarly, The Institute revised and updated Advance Audit & Assurance and Advance Financial Management of CAP III. The study Materials has been made available in ICAN website.

**Registration of New Chartered Accountant**

The Institute of Chartered Accountants of Nepal registered new chartered accountant from 1st October 2016 to 31st December, 2016 persuant to section 16 (2) of Nepal Chartered Accountant Act, 1997. The List of new 39 Chartered Accountant Members Registered in ICAN is as follows.

<table>
<thead>
<tr>
<th>Sno</th>
<th>Membership No</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1010</td>
<td>SANTOSH REGMI</td>
</tr>
<tr>
<td>2</td>
<td>1011</td>
<td>CHIRANJIBI PANDEY</td>
</tr>
<tr>
<td>3</td>
<td>1012</td>
<td>NIRANJAN BHANDARI</td>
</tr>
<tr>
<td>4</td>
<td>1013</td>
<td>PRABIN RAI</td>
</tr>
<tr>
<td>5</td>
<td>1014</td>
<td>ANANDA ADHIKARI</td>
</tr>
<tr>
<td>6</td>
<td>1015</td>
<td>GHANSHYAM KAFLE</td>
</tr>
</tbody>
</table>
SAFA BPA Conference Marking Meeting: Colombo, Sri Lanka

The SAFA Best Presented Annual Report Awards-2015, Technical Committee meeting was held to finalize the winners of SAFA BPA & CG Awards, 2015 from 7-8 December 2016 at Colombo, Sri Lanka. The Technical Committee moderated the marks awarded by the member bodies and recommended its finding to the SAFA iTAG Committee. Technical Staffs from the five SAFA Member Bodies Bangladesh, India, Nepal, Pakistan and Sri Lanka were represented in the marking session and comprehensive discussion was held for the preliminary markings moderation process to finalize the SAFA BPA & SAARC Corporate Governance Award winners. Based on the present marking criteria, the Technical Committee carried out the marking session and finalized all the business categories nominated for SAFA BPA Awards from member bodies.

CA. Puspender Singh, Joint Director attended the Technical Committee meeting representing the Institute of Chartered Accountants of Nepal.

Meeting of the SAFA iTAG Committee: Colombo, Sri Lanka

The SAFA iTAG Committee meeting was held on 8 December 2016 in Sri Lanka. The meeting recognized and formalized the contribution of the Technical Committee

Status of Membership, Certificate of Practice and Audit Firms

The status of membership, Certificate of Practice and Audit Firms as of 2016 December end is given below:

<table>
<thead>
<tr>
<th>Category/Class</th>
<th>Membership</th>
<th>COP</th>
<th>Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total No</td>
<td>Renewal No</td>
<td>Total No</td>
</tr>
<tr>
<td>FCA/CA</td>
<td>1041</td>
<td>711</td>
<td>757</td>
</tr>
<tr>
<td>RA- B</td>
<td>3379</td>
<td>1817</td>
<td>3147</td>
</tr>
<tr>
<td>RA- C</td>
<td>1603</td>
<td>804</td>
<td>1471</td>
</tr>
<tr>
<td>RA- D</td>
<td>2283</td>
<td>1177</td>
<td>2091</td>
</tr>
<tr>
<td>Total</td>
<td>8306</td>
<td>4509</td>
<td>7466</td>
</tr>
</tbody>
</table>
for the work done during the marking sessions and for the successful completion of the finalization of SAFA BPA award winners.

CA. Puspendra Singh, Joint Director represented in the iTAG Committee Meeting from the Institute of Chartered Accountants of Nepal.

The Nepalese companies that includes Citizen Bank International Ltd and Butwal Power Company won the Merit Award from SAFA BPA 2015 Evaluation.

Participation in IFAC Council Meeting in Brazil

A delegation consisted of 5 members led by the President of ICAN CA. Mahesh Khanal attended IFAC Council meeting held in Brazilia, the city of Brazil on 16th and 17th November, 2016. The other delegates were Vice-

SAFA’s First Regional Seminar on Public Financial Reporting, Sri Lanka

A two members team consisted of Council Member Mr. Baburam Gautam and Past President of ICAN CA. Suvod Kumar Karn participated in the SAFA Committee and SAFA Board meeting including seminar of the theme “Implementation of International Public Sector Accounting Standards (IPSAS) and the path to accrual accounting” conducted on 3rd & 4th November 2016 which was hosted by the Institute of Chartered Accountants of Sri Lanka.

The Seminar was organized aiming at creating awareness on the usefulness of high quality financial reporting for decision-making and promote peer to peer learning for moving towards transparent and comparable financial reporting for enhanced governance and effective fiscal management of South Asian countries.

Over 200 delegates from across South Asia have been gathered in the conference to discuss on the importance of high quality financial reports in the public sector.

Delegates at IFAC Council Meeting from ICAN.

President CA. Prakash Jung Thapa, IPP CA. Prakash Lamsal, Council Member RA. Yadav Prasad Nyaupane and Past Council Member RA. Mohan Raj Regmi.
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