



MANAGEMENT ASSOCIATION OF  
PAKISTAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MANAGEMENT ASSOCIATION OF PAKISTAN (Incorporated as a company limited by guarantee)** as at 31 December 2010 and the related income and expenditure account, cash flow statement and statement of changes in capital and reserves, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Association's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that :

- a) in our opinion, proper books of account have been kept by the Association as required by the Companies Ordinance, 1984;
- b) in our opinion :
  - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Association's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Association.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in capital and reserves together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Association's affairs as at 31 December 2010 and of the surplus, its cash flows and changes in capital and reserves for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

*Ernst & Young Ford Rhodes Sidat Hyder*  
Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

22 February 2011  
Karachi

**MANAGEMENT ASSOCIATION OF PAKISTAN  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
BALANCE SHEET AS AT DECEMBER 31, 2010**

	Note	2010 (Rupees)	2009 (Rupees)
Property, plant and equipment	3	784,419	1,159,982
Long term investments	4	4,826,248	7,814,482
<b>Current Assets</b>			
Seminar fee receivable		394,000	220,000
Subscription receivable from members		1,521,875	969,750
Advances – unsecured, considered good		-	31,738
Deposits and prepayments	5	897,501	768,411
Accrued profit		23,515	73,210
Short term investments	6	8,891,972	6,387,442
Cash and bank balances	7	5,371,507	5,740,220
		17,100,370	14,190,771
<b>Less: Current Liabilities</b>			
Advance fee and subscription	8	2,864,085	2,734,720
Trade and other payables	9	154,919	1,267,513
		3,019,004	4,002,233
<b>Net Current Assets</b>		14,081,366	10,188,538
Deferred liability for staff gratuity	10	(1,931,845)	(1,691,004)
		17,760,188	17,471,998

**REPRESENTED BY:**

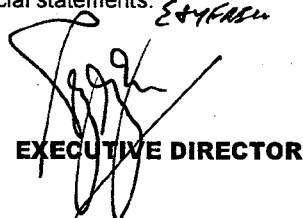
**Capital and reserves**

Capital	87,356	87,356
Library fund	5,000	5,000
Members' general fund	3,147,250	3,063,150
Unrealized gain on available for sale investments	177,951	152,152
Accumulated surplus	14,342,631	14,164,340
	17,760,188	17,471,998

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
**PRESIDENT**

  
**HONORARY TREASURER**

  
**EXECUTIVE DIRECTOR**

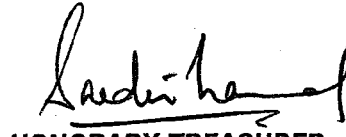
**MANAGEMENT ASSOCIATION OF PAKISTAN  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	2010 (Rupees)	2009 (Rupees)
<b>INCOME</b>			
Subscription from members		5,704,985	5,682,110
Net income from seminars and courses	11	487,841	475,383
Profit on investments	12	1,356,983	1,442,706
Net income from management conference/convention	13	-	1,472,129
Net Income from Corporate Excellence Awards	14	166,430	237,441
Entrance fee		84,100	206,175
Other income	15	905,721	206,411
		8,706,060	9,722,355
<b>EXPENDITURE</b>			
Staff cost	16	5,162,153	5,399,288
Other establishment costs and administrative expenses	17	3,281,516	2,739,377
		8,443,669	8,138,665
<b>Surplus for the year</b>		262,391	1,583,690

The annexed notes from 1 to 20 form an integral part of these financial statements.

*Exhibit*

  
**PRESIDENT**

  
**HONORARY TREASURER**

  
**EXECUTIVE DIRECTOR**

**MANAGEMENT ASSOCIATION OF PAKISTAN  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	2010 (Rupees)	2009 (Rupees)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		262,391	1,583,690
<b>Adjustments for:</b>			
Depreciation		123,890	217,849
Gain on disposal of fixed assets		(453,391)	-
Provision for gratuity		240,841	600,006
Profit on investments		(1,356,983)	(1,442,706)
Accrued profit on term deposit		(23,515)	(73,210)
Bad debts written off		23,500	15,000
		(1,183,267)	900,629
<b>Working capital changes</b>			
(Increase) / decrease in seminar fee receivable		(174,000)	3,415,741
Increase in subscription receivable		(552,125)	(637,250)
(Increase) / decrease in advances, deposits, prepayments and accrued interest		(47,657)	130,354
Increase / (decrease) in advance fee and subscription		129,365	(164,185)
Decrease in trade and other payables		(1,112,594)	(3,415,639)
		(1,757,011)	(670,979)
		(2,940,278)	229,650
Gratuity paid		-	(1,309,560)
<b>Net cash used in operating activities</b>		(2,940,278)	(1,079,910)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Fixed capital expenditure		(133,935)	(114,090)
Proceeds from disposal of fixed assets		838,999	-
Investments made during the year		(5,000,000)	(2,000,000)
Investments encashed upon maturity		6,150,734	-
Profit received		715,767	746,524
<b>Net cash generated from / (used in) investing activities</b>		2,571,565	(1,367,566)
<b>Net decrease in cash and cash equivalents</b>		(368,713)	(2,447,476)
<b>Cash and cash equivalents at the beginning of the year</b>		5,740,220	8,187,696
<b>Cash and cash equivalents at the end of the year</b>	7	5,371,507	5,740,220

The annexed notes from 1 to 20 form an integral part of these financial statements.

*ET-11/10/10*

  
**PRESIDENT**

  
**HONORARY TREASURER**

  
**EXECUTIVE DIRECTOR**

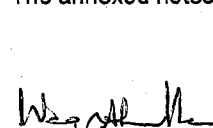
**MANAGEMENT ASSOCIATION OF PAKISTAN  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
STATEMENT OF CHANGES IN CAPITAL & RESERVES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

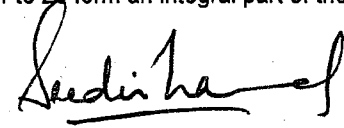
Capital	Library Fund	Members' General Fund	Unrealized gain on available for sale investments	Accumulated Surplus	Total
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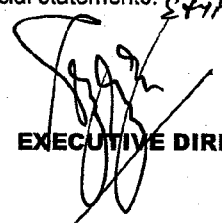
-----Rupees-----

Balance as at December 31, 2008	87,356	5,000	2,856,975	-	12,786,825	15,736,156
Net surplus for the year	-	-	-	-	1,583,690	1,583,690
Transferred during the year	-	-	206,175	-	(206,175)	-
Unrealised gain on available for sale investments	-	-	-	152,152	-	152,152
<b>Balance as at December 31, 2009</b>	<b>87,356</b>	<b>5,000</b>	<b>3,063,150</b>	<b>152,152</b>	<b>14,164,340</b>	<b>17,471,998</b>
Net surplus for the year	-	-	-	-	262,391	262,391
Transferred during the year	-	-	84,100	-	(84,100)	-
Unrealised gain on available for sale investments	-	-	-	25,799	-	25,799
<b>Balance as at December 31, 2010</b>	<b>87,356</b>	<b>5,000</b>	<b>3,147,250</b>	<b>177,951</b>	<b>14,342,631</b>	<b>17,760,188</b>

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
**PRESIDENT**

  
**HONORARY TREASURER**

  
**EXECUTIVE DIRECTOR**

**MANAGEMENT ASSOCIATION OF PAKISTAN  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. LEGAL STATUS AND NATURE OF ACTIVITIES**

The Association was incorporated in 1967 in Pakistan as a company limited by guarantee (Association Not for Profit) under section 26 of the Companies Act, 1913 (now the Companies Ordinance, 1984). The main activities of the Association are to disseminate information of management practices through seminars, courses and conventions. The registered office of the Association is situated at 36-A/4, Chawla House, Opp: Beach Luxury Hotel, Lalazar, Karachi.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of Compliance**

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Small-Sized Entities issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**2.2 Basis of preparation**

These financial statements have been prepared on the basis of historical cost convention except for certain available for sale investments which are carried at fair value.

**2.3 Property, plant and equipment**

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method. Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed off during the year. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets are included in income currently.

**2.4 Revenue recognition**

- Entrance fee from members is recorded on accrual basis.
- Seminar fee is recognized on accrual basis.
- Management convention fee is recognized on accrual basis.
- Subscription from members is recorded on accrual basis. Subscription received in advance for the following year(s) is taken to liabilities.
- Profit on investments is recognized on accrual basis based on effective interest rate method.
- Profit on bank deposits is recognized on accrual basis.

**2.5 Investments**

**Held to maturity**

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost using the effective interest rate method. Gains and losses are recognized in income and expenditure account when the investments are derecognized or impaired, as well as through the amortization process.

*SP/FA*

**Available for sale**

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. They are initially measured at fair value plus directly attributable transaction costs. After initial measurement, these are stated at fair values (except for unquoted investments where active market does not exist) with unrealized gains or losses recognized directly in equity until the investment is disposed or determined to be impaired. At the time of disposal, the cumulative gain or loss previously recorded in equity is recognized in the income and expenditure account.

**2.6 Financial instruments**

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received and are recognized at the time when the Association becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is reported in the income and expenditure account for the period in which it arises.

**2.7 Advances and receivables**

After initial measurement these are carried at amortized cost less any allowance for impairment.

Gains and losses are recognised in the income and expenditure account when the advances and receivables are derecognised or impaired.

**2.8 Staff retirement benefits**

The Association operates an unfunded defined benefit gratuity scheme for all employees who have completed the minimum qualifying period of service. Provision is made annually to cover the obligations under the scheme on the assumption that such benefits are payable to all employees at the end of each accounting year.

**2.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash in transit and deposits with banks.

**2.10 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received whether or not billed to the Company.

**2.11 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**2.12 Impairment**

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

*ET/FAR*



Management Association of Pakistan

3. PROPERTY, PLANT AND EQUIPMENT

	COST		Rate %	ACCUMULATED DEPRECIATION			BOOK VALUE As at December 31, 2010
	As at January 01, 2010	Additions (Disposals)		As at January 01, 2010	Charge for the year	(On disposal)	
<b>December 31, 2010</b>							
Furniture and fixtures	465,827	14,450	10	233,159	24,712	-	257,871
Library books	8,909	-	15	8,796	17	-	8,813
Office equipment	1,325,236	50,485	15	827,592	82,219	-	909,811
Air conditioner and refrigerator	242,883	69,000	15	198,934	16,942	-	215,876
Motor vehicle	941,425	(941,425)	20	555,817	-	(555,817)	-
Others	1,063	-	15	1,063	-	-	1,063
	<b>2,985,343</b>	<b>133,935</b>		<b>1,825,361</b>	<b>123,890</b>	<b>(555,817)</b>	<b>1,393,434</b>
							<b>784,419</b>

	COST		Rate %	ACCUMULATED DEPRECIATION			BOOK VALUE As at December 31, 2009
	As at January 01, 2009	Additions (Disposals)		As at January 01, 2009	Charge for the year	(On disposals)	
<b>December 31, 2009</b>							
Furniture and fixtures	465,827	-	10	207,307	25,852	-	233,159
Library books	8,909	-	15	8,776	20	-	8,796
Office equipment	1,211,146	114,090	15	739,773	87,819	-	827,592
Air conditioner and refrigerator	242,883	-	15	191,178	7,756	-	198,934
Motor vehicle	941,425	-	20	459,415	96,402	-	555,817
Others	1,063	-	15	1,063	-	-	1,063
	<b>2,871,253</b>	<b>114,090</b>		<b>1,607,512</b>	<b>217,849</b>	<b>-</b>	<b>1,825,361</b>
							<b>1,159,982</b>

ET/MAN

**Management Association of Pakistan**

4. LONG TERM INVESTMENTS – Held to maturity – amortised cost	Note	2010 (Rupees)	2009 (Rupees)
<b>Certificates of investment</b>			
Orix Leasing Pakistan Limited	4.1	1,583,292	1,382,667
Orix Leasing Pakistan Limited	4.2	1,225,008	1,225,008
Orix Leasing Pakistan Limited	4.3	<u>2,017,948</u>	<u>2,017,948</u>
		<b>4,826,248</b>	<b>4,625,623</b>
<b>Term Deposit Receipts</b>			
Summit Bank Limited (formerly Atlas Bank Limited)	4.4	<u>3,171,188</u>	<u>3,188,859</u>
		<b>7,997,436</b>	<b>7,814,482</b>
Current portion of long term investments shown under short term investments	4.4 & 6	<u>(3,171,188)</u>	<u>-</u>
		<b>4,826,248</b>	<b>7,814,482</b>

- 4.1 Represents Rs.1 million (2009: Rs 1 million), invested in Certificate of Investment of Orix Leasing Pakistan Limited carrying markup rate of 14.51% per annum maturing on August 16, 2013.
- 4.2 Represents Rs. 1.2 million (2009: 1.2 million), invested in Certificate of Investment of Orix Leasing Pakistan Limited carrying markup rate of 11% per annum maturing on April 16, 2013.
- 4.3 Represents Rs. 2 million (2009: Rs. 2 million ), invested in Certificate of Investment of Orix Leasing Pakistan Limited carrying markup rate of 14% per annum maturing on March 05, 2012.
- 4.4 Represents Rs. 3 million (2009: 3 million), invested in Term Deposit Receipts of Summit Bank Limited (formerly Atlas Bank Limited) carrying markup rate of 11.1% per annum maturing on September 03, 2011.

5. DEPOSITS AND PREPAYMENTS	Note	2010 (Rupees)	2009 (Rupees)
Security deposits		115,480	115,480
Prepayments		<u>782,021</u>	<u>652,931</u>
		<b>897,501</b>	<b>768,411</b>

**6. SHORT TERM INVESTMENTS**

**Held to maturity – at amortised cost**

Term Finance Certificates		-	5,720,399
Certificate of Investment	6.1	2,506,281	-
Term Deposit Receipts	6.2	<u>2,521,661</u>	<u>-</u>
		<b>5,027,942</b>	<b>5,720,399</b>
Available-for-sale – Quoted securities – fair value	6.3	692,842	667,043
Current portion of long term investments	4.4	<u>3,171,188</u>	<u>-</u>
		<b>8,891,972</b>	<b>6,387,442</b>

- 6.1 Represents Rs.2.5 million (2009: Rs Nil), invested in Certificate of Investment of Pak Oman Investment Company carrying markup at the rate of 13.10% per annum maturing on December 24, 2011.
- 6.2 Represents Rs. 2.5 million (2009: Rs. Nil) invested in MCB Bank Limited, carrying markup at the rate of 12.65% per annum, maturing on December 06, 2011.

*Syfar*

Management Association of Pakistan

	Note	2010 (Rupees)	2009 (Rupees)
<b>6.3 Available-for-sale - Quoted securities - fair value</b>			
		<u>No. of units</u>	
		<u>2010</u>	<u>2009</u>
		UNITS	
		<u>22,051</u>	<u>22,051</u>
		National Investment Trust Units	
		<u>692,842</u>	<u>667,043</u>
<b>7. CASH AND BANK BALANCES</b>			
In hand		1,054	24,817
With banks on - current account		83,599	140,559
- PLS account	7.1	70,246	5,574,844
- treasury call account	7.2	5,216,608	-
		<u>5,371,507</u>	<u>5,740,220</u>
7.1 It carries profit at the rate of 5 % (2009: 5 %) per annum.			
7.2 It carries profit at the rate of 10 % (2009: Nil) per annum.			
<b>8. ADVANCE FEE AND SUBSCRIPTION</b>			
Subscription from members		2,843,330	2,734,720
Seminar fee		20,755	-
		<u>2,864,085</u>	<u>2,734,720</u>
<b>9. TRADE AND OTHER PAYABLES</b>			
Accrued liabilities		154,919	101,845
MAP Conference/Convention expenses payable		-	1,165,668
		<u>154,919</u>	<u>1,267,513</u>
<b>10. DEFERRED LIABILITY - Staff gratuity</b>			
Opening balance		1,691,004	2,400,558
Provision for the year		240,841	600,006
Payments during the year		-	(1,309,560)
		<u>1,931,845</u>	<u>1,691,004</u>
<b>11. NET INCOME FROM SEMINARS AND COURSES</b>			
Fee		881,863	1,232,068
Expenses		(394,022)	(756,685)
		<u>487,841</u>	<u>475,383</u>
<b>12. PROFIT ON INVESTMENTS</b>			
Certificate of investments		577,686	521,601
Term finance certificates		430,335	540,605
National Investment Trust Units		39,140	58,986
Term deposits		309,822	321,514
		<u>1,356,983</u>	<u>1,442,706</u>
<b>13. NET INCOME FROM MANAGEMENT CONFERENCE/CONVENTION</b>			
Fee		-	3,703,096
Expenses		-	(2,230,967)
		<u>-</u>	<u>1,472,129</u>

**Management Association of Pakistan**

	Note	2010 (Rupees)	2009 (Rupees)
<b>14. NET INCOME FROM CORPORATE EXCELLENCE AWARDS</b>			
Income		1,326,710	1,257,810
Expenses		<u>(1,160,280)</u>	<u>(1,020,369)</u>
		<u>166,430</u>	<u>237,441</u>
<b>15. OTHER INCOME</b>			
Profit on PLS account		124,554	206,411
Profit on treasury call account		327,776	-
Gain on disposal of fixed assets		<u>453,391</u>	<u>-</u>
		<u>905,721</u>	<u>206,411</u>
<b>16. STAFF COST</b>			
Salaries and allowances	16.1	4,480,804	3,991,359
Provision for gratuity		240,841	600,006
Ex-gratia payments		227,688	586,129
Contribution to Employees Old Age Benefits Institution		23,400	25,920
Medical assistance		<u>189,420</u>	<u>195,874</u>
		<u>5,162,153</u>	<u>5,399,288</u>

**16.1 Salaries and allowances**

Include remuneration amounting to Rs. 2.408 million (2009: Rs. 2.210 million) to the Executive Director of the Association.

	Note	2010 (Rupees)	2009 (Rupees)
<b>17. OTHER ESTABLISHMENT COSTS AND ADMINISTRATIVE EXPENSES</b>			
Office rent		759,448	690,408
Utilities		245,117	233,711
Telephone expenses		81,994	92,439
Office and general expenses		246,968	274,824
Printing and stationery		139,630	153,007
Postage		65,866	123,952
Insurance		80,214	-
Conveyance		78,579	113,599
Annual report and meeting		338,090	273,946
Entertainment		175,644	210,494
Depreciation	3	123,890	217,849
Bad debts		23,500	15,000
Bank charges		32,732	24,976
Legal and professional		85,000	50,000
Auditors' remuneration		75,000	75,000
Membership subscriptions		339,785	23,265
Travelling, boarding and lodging		250,627	21,650
Repair and maintenance		47,490	37,470
Website cost		<u>91,942</u>	<u>107,787</u>
		<u>3,281,516</u>	<u>2,739,377</u>

*Signature*

**18. TAXATION**

The Association, being a charitable organization, contends its income exempt from tax under clause 58 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision for taxation has been made in these financial statements in respect of the sources of income specified to be exempt from tax under the said clause.

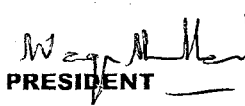
**19. CONTINGENCY**

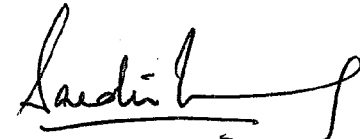
A show cause notice from the Securities and Exchange Commission of Pakistan (SECP) arising out of a complaint, was received by the Association in September 2009, raising an issue relating to the payment of remuneration to the Executive Director being a nominee of an institutional member / individual member. Representations were made through a legal counsel that the payments were not in violation of any regulations. However, an order of SECP dated March 12, 2010 was received, which required that the Association should recover amounts paid to the Executive Director approximating to Rs.4.7 million covering the period of his alleged individual membership till his retirement from the Association. SECP also imposed a fine of Rs.20,000/- on the Association. The Association has filed an appeal dated April 7, 2010 before the appellate bench of Securities and Exchange Commission of Pakistan which is pending adjudication.

**20. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue by the Executive Committee of the Association on 22 Feb, 2011.

*EMAPSA*

  
**PRESIDENT**

  
**HONORARY TREASURER**

  
**EXECUTIVE DIRECTOR**