

**MANAGEMENT ASSOCIATION  
OF PAKISTAN**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

## **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 **December 31, 2004** 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.

*For*

-: 2 :-

- 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 a approved accounting standards as a pplicable i n P akistan, a nd, give t he 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 **December 31, 2004** 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).

**KARACHI: MARCH 29, 2005**

*Ford Rhodes Sidat Hyder*  
**CHARTERED ACCOUNTANTS**

*Flaw*

**MANAGEMENT ASSOCIATION OF PAKISTAN  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)  
BALANCE SHEET AS AT DECEMBER 31, 2004**

	Note	2004 (Rupees)	2003 (Rupees)
<b>Fixed Assets</b>	3	657,348	806,943
<b>Investments</b>	4	8,779,781	6,084,596
<b>Current Assets</b>			
Seminar fee receivable		772,000	135,630
Subscription receivable from members		304,500	313,500
Advances, deposits and prepayments	5	599,534	792,587
Cash and bank balances	6	2,930,634	1,736,408
		4,606,668	2,978,125
<b>Less: Current Liabilities</b>			
Advance fee and subscription	7	1,490,975	750,700
Sundry creditors	8	225,522	45,655
		1,716,497	796,355
<b>Net Current Assets</b>		2,890,171	2,181,770
Deferred liability for staff gratuity	9	(1,355,207)	(1,101,376)
		10,972,093	7,971,933
 <b>REPRESENTED BY:</b>			
<b>Capital and reserves</b>			
Capital		87,356	87,356
Library fund		5,000	5,000
Members' general fund		1,710,600	1,375,100
Accumulated surplus		9,169,137	6,504,477
		10,972,093	7,971,933

The annexed notes 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, 2004**

	Note	2004 (Rupees)	2003 (Rupees)
<b>INCOME</b>			
Entrance fee		335,500	78,250
Subscription from members		3,009,100	3,007,325
Net income from seminars and courses	10	2,295,835	1,481,681
Net income from management convention	11	1,411,436	-
Return on investments and deposit		712,301	727,185
Other income	12	<u>775,941</u>	<u>265,157</u>
		<u>8,540,113</u>	<u>5,559,598</u>
<b>EXPENDITURE</b>			
Staff cost	13	<u>3,174,267</u>	<u>3,124,656</u>
Other establishment costs and administrative expenses	14	<u>2,365,686</u>	<u>2,345,871</u>
		<u>5,539,953</u>	<u>5,470,527</u>
Surplus for the year		<u>3,000,160</u>	<u>89,071</u>
Accumulated surplus brought forward		<u>6,504,477</u>	<u>6,493,656</u>
Accumulated surplus available for appropriation		<u>9,504,637</u>	<u>6,582,727</u>
<b>Appropriations:</b>			
Transferred to members' general fund		(335,500)	(78,250)
Accumulated surplus carried forward		<u><u>9,169,137</u></u>	<u><u>6,504,477</u></u>

The annexed notes form an integral part of these financial statements.

*Firm*

  
**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, 2004**

	Note	2004 (Rupees)	2003 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus for the year		3,000,160	89,071
<b>Adjustments for:</b>			
Depreciation		78,743	91,717
Provision for gratuity		299,913	257,728
Return on investments and deposits		(712,301)	(727,185)
Gain on disposal of fixed assets		(502,698)	-
		2,163,817	(288,669)
<b>Working capital changes</b>			
(Increase) / decrease in seminar fee receivable		(636,370)	150,450
Decrease / (increase) in subscription receivable		9,000	(313,500)
Decrease / (increase) in advances, deposits, prepayments and other receivables		193,053	(270,605)
Increase/(decrease) in advance fee and subscription		740,275	(419,475)
Increase in sundry creditors		179,867	12,843
		485,825	(840,287)
		2,649,642	(1,128,956)
Gratuity paid		(46,082)	-
<b>Net cash generated from / (used in) operating activities</b>		2,603,560	(1,128,956)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(26,450)	(268,270)
Investments made		(3,000,000)	(2,000,000)
Investments encashed upon maturity		333,060	2,466,730
Interest received		684,056	842,242
Proceeds from disposal of fixed assets		600,000	-
<b>Net cash inflow/(outflow) from investing activities</b>		(1,409,334)	1,040,702
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,194,226	(88,254)
<b>Cash and cash equivalents at the beginning of the year</b>		1,736,408	1,824,662
<b>Cash and cash equivalents at the end of the year</b>	6	2,930,634	1,736,408

The annexed notes form an integral part of these financial statements.

  
**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, 2004**

	Capital	Library Fund	Members' General Fund	Accumulated Surplus	Total
	-----Rupees-----				
Balance as at January 1, 2003	87,356	5,000	1,296,850	6,493,656	7,882,862
Net surplus for the year	-	-	-	89,071	89,071
Transferred during the year	-	-	78,250	(78,250)	-
<b>Balance as at December 31, 2003</b>	<b>87,356</b>	<b>5,000</b>	<b>1,375,100</b>	<b>6,504,477</b>	<b>7,971,933</b>
Net surplus for the year	-	-	-	3,000,160	3,000,160
Transferred during the year	-	-	335,500	(335,500)	-
<b>Balance as at December 31, 2004</b>	<b>87,356</b>	<b>5,000</b>	<b>1,710,600</b>	<b>9,169,137</b>	<b>10,972,093</b>

The annexed notes form an integral part of these financial statements.

  
**PRESIDENT**

  
**HONORARY TREASURER**

*Finu.*  
  
**EXECUTIVE DIRECTOR**

**MANAGEMENT ASSOCIATION OF PAKISTAN**  
**(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31,2004**

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

The Association was incorporated in 1966 in Pakistan as a company limited by guarantee under 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 and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

**2.2 Accounting convention**

These financial statements have been prepared on the basis of historical cost convention.

**2.3 Fixed assets**

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 capitalised 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 receipt basis.
- Seminar fee is recognised 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.
- Return 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**

Investments are classified as held to maturity, which are securities with a fixed maturity that the Association has the intent and ability to hold until maturity. All investments are initially recorded at cost. Held to maturity investments are subsequently carried at amortized cost using the effective interest rate method.

*Jahan*



**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 Gratuity**

An unfunded gratuity scheme is in force for all employees of the Association who are eligible for this benefit and obligations under the scheme are accrued in the financial statements. Every permanent employee who resigns from his service or his service is terminated by the Association shall be paid gratuity equivalent to the product of his 15 days last drawn salary and the year of services rendered after 3 completed years of service. No actuarial valuation has been carried out to make an estimate of the amount of benefits, as the management is of the opinion that the financial impact of the actuarial valuation would not be material.

(How many employees)

**2.8 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, cash with banks on current, saving and deposit accounts.

**3. FIXED ASSETS - Tangible**

	Cost as at January 01, 2004	Additions/ (deletions)	Cost as at December 31, 2004	Accumulated depreciation as at January 01,2004	Depreciation for the year/ (Accumulated depreciation on deletions)	Accumulated depreciation as at December 31,2004	Book value as at December 31, 2004	Depreci- ation rate %
Leasehold improvements	255,778	(255,778)	-	168,670	(168,670)	-	-	5
Furniture and fixture	457,661	7,700 (12,034)	453,327	103,464	21,114 (2,036)	122,542	330,785	6
Library books	9,222	- (313)	8,909	8,728	45 (121)	8,652	257	15
Office equipment	674,571	-	674,571	407,213	40,104	447,317	227,254	15
Air conditioner and refrigerator	224,133	18,750	242,883	126,354	17,478	143,832	99,051	15
Others	1,074	- (11)	1,063	1,066	2 (6)	1,062	1	15
2004 - Rupees	<u>1,622,439</u>	<u>26,450</u> <u>(268,136)</u>	<u>1,380,753</u>	<u>815,495</u>	<u>78,743</u> <u>(170,833)</u>	<u>723,405</u>	<u>657,348</u>	
2003 - Rupees	<u>1,354,169</u>	<u>268,270</u>	<u>1,622,439</u>	<u>723,778</u>	<u>91,717</u>	<u>815,495</u>	<u>806,943</u>	

	Note	2004 (Rupees)	2003 (Rupees)
<b>4. INVESTMENTS – Held to maturity</b>			
Term Finance Certificates–Sui Southern Gas Company Limited	4.1	499,610	832,670
Certificate of Investments	4.2	8,280,171	5,251,926
		<u>8,779,781</u>	<u>6,084,596</u>

4.1 These carry profit at the rate of 14 percent per annum and will be matured latest by 2006.

4.2 Certificates of investments are for a term of 5 years with the following institutions:

	Amount (Rupees)	Yield (per annum)	Maturity
- Saudi Pak Leasing Company Limited	1,004,563	6.27% - 13.75% ?	April, 2005
- ORIX Leasing Pakistan Limited	2,245,403	13.5% - 13.75% ?	April, 2007
- Atlas Investment Bank Limited	5,030,205	7.5% - 8.25%	August, 2008
	<u>8,280,171</u>		

**Management Association of Pakistan**

	Note	2004 (Rupees)	2003 (Rupees)
<b>5. ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
Advances – unsecured, considered good			
- To suppliers		-	40,975
- Corporate excellence award		28,695	14,068
- Convention		-	10,855
		<u>28,695</u>	65,898
Deposits		115,480	101,130
Prepayments		455,359	625,559
		<u>599,534</u>	<u>792,587</u>
<b>6. CASH AND BANK BALANCES</b>			
In hand		6,482	14,907
In transit		-	48,000
With banks on - current account		630,528	150,280
- PLS account	6.1	2,293,624	1,523,221
		<u>2,930,634</u>	<u>1,736,408</u>
6.1	The above account carries profit at the rate of 0.5 percent per annum.		
<b>7. ADVANCE FEE AND SUBSCRIPTION</b>			
Seminar fee		119,650	443,700
Subscription from members		1,371,325	307,000
		<u>1,490,975</u>	<u>750,700</u>
<b>8. SUNDRY CREDITORS</b>			
Seminar expenses		143,865	-
Audit fee		15,000	12,000
Electricity, gas and water		3,800	650
Telephone		16,220	4,940
Newspapers		2,595	2,152
Salaries		44,042	23,993
Laundry		-	120
Medical		-	1,800
		<u>225,522</u>	<u>45,655</u>
<b>9. DEFERRED LIABILITY - Gratuity</b>			
Opening balance		1,101,376	843,648
Provision for the year		299,913	257,728
Paid to employees		(46,082)	-
		<u>1,355,207</u>	<u>1,101,376</u>
<b>10. NET INCOME FROM SEMINARS AND COURSES</b>			
Fee		5,767,948	2,896,860
Expenses		(3,472,113)	(1,415,179)
		<u>2,295,835</u>	<u>1,481,681</u>

*From*

**Management Association of Pakistan**

	2004 (Rupees)	2003 (Rupees)
<b>11. NET INCOME FROM MANAGEMENT CONVENTION</b>		
Fee	4,513,400	-
Expenses	<u>(3,101,964)</u>	<u>-</u>
	<u>1,411,436</u>	<u>-</u>
<b>12. OTHER INCOME</b>		
Income from corporate excellence awards	262,260	210,070
Income from sale of articles	10,983	47,210
Gain on disposal of fixed assets	502,698	-
Provision no longer required written back	-	7,877
	<u>775,941</u>	<u>265,157</u>
<b>13. STAFF COST</b>		
Salaries and allowances	2,643,698	2,601,422
Provision for gratuity	299,913	257,728
Ex-gratia payments	116,147	163,817
Contribution to Employees Old Age Benefits Institution	16,320	14,960
Medical assistance	98,189	86,729
	<u>3,174,267</u>	<u>3,124,656</u>
<b>14. OTHER ESTABLISHMENT COSTS AND ADMINISTRATIVE EXPENSES</b>		
Office rent	660,692	389,717
Utilities	114,611	120,334
Telephone expenses	170,483	129,776
Office and general expenses	246,520	369,399
Printing and stationery	288,194	165,116
Postage	79,487	103,838
Conveyance	46,760	68,340
Annual report and meeting	101,733	143,035
Entertainment	130,391	144,375
Corporate excellence award	134,824	246,803
Depreciation	78,743	91,717
Bad debts	190,880	172,970
Bank charges	12,170	8,618
Audit fee	15,000	12,000
Membership subscriptions	30,199	29,731
Travelling, boarding and lodging	48,599	104,602
Repair and maintenance	16,400	45,500
	<u>2,365,686</u>	<u>2,345,871</u>
<b>15. TAXATION</b>		

The Association, being a charitable organization, is 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.

*Fraser*

**Management Association of Pakistan**

**16. NUMBER OF EMPLOYEES**

	2004	2003
Number of employees at year end	13	15

**17. FINANCIAL INSTRUMENTS**

**17.1 Interest/mark-up rate risk exposure**

Interest / mark-up risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. As the Association's financial instruments are invested in fixed rate securities, with well rated balances, financial institutions and companies, the Association does not believe it is exposed to interest rate risks.

Financial assets and liabilities:

	----- (Rupees) -----								Total
	Interest/mark-up bearing				Non Interest/mark-up bearing				
	Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	
<b>2004</b>									
<b>Financial assets</b>									
Investments	-	8,779,781	-	8,779,781	-	-	-	-	8,779,781
Deposits	-	-	-	-	115,840	-	-	115,840	115,840
Seminar fee receivable	-	-	-	-	772,000	-	-	772,000	772,000
Cash and bank balances	2,293,624	-	-	2,293,624	637,010	-	-	637,010	2,930,634
	<u>2,043,624</u>	<u>8,779,781</u>	<u>-</u>	<u>11,073,405</u>	<u>1,524,850</u>	<u>-</u>	<u>-</u>	<u>1,524,850</u>	<u>12,598,255</u>
<b>Financial liabilities</b>									
Sundry creditors	-	-	-	-	225,522	-	-	225,522	225,522
Gratuity payable	-	-	-	-	1,355,207	-	-	1,355,207	1,355,207
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,580,729</u>	<u>-</u>	<u>-</u>	<u>1,580,729</u>	<u>1,580,729</u>
<b>2003</b>									
<b>Financial assets</b>									
Investments	-	6,084,596	-	6,084,596	-	-	-	-	6,084,596
Deposits	-	-	-	-	101,130	-	-	101,130	101,130
Seminar fee receivable	-	-	-	-	135,630	-	-	135,630	135,630
Cash and bank balances	1,523,221	-	-	1,523,221	213,187	-	-	213,187	1,736,408
	<u>1,523,221</u>	<u>6,084,596</u>	<u>-</u>	<u>7,607,817</u>	<u>449,947</u>	<u>-</u>	<u>-</u>	<u>449,947</u>	<u>8,057,794</u>
<b>Financial liabilities</b>									
Sundry creditors	-	-	-	-	45,655	-	-	45,655	45,655
Gratuity payable	-	-	-	-	1,101,376	-	-	1,101,376	1,101,376
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,147,031</u>	<u>-</u>	<u>-</u>	<u>1,147,031</u>	<u>1,147,031</u>

The effective interest/mark-up rates for the monetary financial assets are mentioned in the respective notes to the financial statements.

*FAW*

**17.2 Fair value of financial assets and liabilities**

The carrying values of financial assets and liabilities reflected in the financial statements approximate their fair values.

**17.3 Risk management**

Association does not believe that it is exposed to major concentration of credit risk.

**18. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue by the Executive Committee of the Association on ~~2-9 MAR 2005~~, 2005.

**19. GENERAL**

**19.1** Corresponding figures have been reclassified, wherever necessary, to facilitate comparison. There were no material reclassifications.

**19.2** Figures have been rounded off to the nearest rupee.


*Faruq*



**PRESIDENT**



**HONORARY TREASURER**



**EXECUTIVE DIRECTOR**