

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **Pakistan**



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This Profile provides information about the application of IFRS Standards in Pakistan. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisations

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

Role of the organisations

The ICAP regulates the Chartered Accountancy profession. It is the body responsible for adopting and issuing auditing standards and for recommending accounting standards for notification (formal adoption by regulation) by the Securities and Exchange Commission of Pakistan (SECP). ICAP is the standard setting body for Islamic Financial Accounting Standards.

The SECP has authority to notify accounting standards for all entities, not just listed companies.

Websites

ICAP: www.icap.org.pk

SECP: www.secp.gov.pk

Email contacts

rsrirlhr@gmail.com and haroon.tabraze@icap.org.pk

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	Pakistan has adopted most but not all IFRS Standards. Because one of the standards that has not been adopted is IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> , Pakistan has not gone through the same first-time adoption process that has been followed by other jurisdictions in similar circumstances.
Additional comments provided on the adoption status?	More information about the standards that Pakistan has not adopted.
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	Domestic companies whose securities trade in a public market are required to use IFRS Standards as adopted in Pakistan. Some important standards have not been adopted for companies asserting compliance with IFRS Standards as adopted in Pakistan. And Pakistan has not applied IFRS 1 <i>First-time Adoption of IFRS</i> . More information .
If YES, are IFRS Standards REQUIRED or PERMITTED?	Required.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	All.
Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes.
For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Yes.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

On 15 September 2015, the Securities and Exchange Commission of Pakistan (SCEP) issued Statutory Notifications 928(I)/2015 and 929(I)/2015 adopting the following financial reporting framework for Pakistani companies:

<p>Listed companies (including foreign companies listed in Pakistan)</p> <p>Public interest companies (public sector company, public utility, financial institution, company in process of listing)</p> <p>Large-sized non-listed companies (paid-up capital exceeding 200 million rupees (approximately US\$2 million) or annual turnover exceeding 1 billion rupees (approximately US\$9.5 million)</p>	<p>Full IFRS Standards as adopted in Pakistan</p>
<p>Medium-sized entities (all companies other than listed, public interest, large-sized, and small-sized)</p>	<p>IFRS for SMEs Standard is required. These companies may choose instead to use full IFRS Standard as adopted in Pakistan.</p>
<p>Small-sized entities (paid-up capital not exceeding 25 million rupees (approximately US\$250,000) and turnover not exceeding 100 million rupees (approximate US\$950,000)</p>	<p>Accounting and Financial Reporting Standards for Small-sized Entities (AFRS for SSEs) as issued by the Institute of Chartered Accountants of Pakistan is required. These companies may choose instead to use either the IFRS for SMEs Standard or full IFRS Standards as adopted in Pakistan.</p>

Links to the above-mentioned Statutory Notifications (PDF format):

- [Statutory Notification 928\(I\)/2015](#)
- [Statutory Notification 929\(I\)/2015](#)

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future? Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements? Foreign companies whose securities trade in a public market in Pakistan are required to use IFRS Standards as adopted in Pakistan. Some important standards have not been adopted for companies asserting compliance with IFRS Standards as adopted in Pakistan. And Pakistan has not applied IFRS 1 *First-time Adoption of IFRS*. [More information](#).

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases? Required.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones? All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?	Pakistan has adopted most but not all IFRS Standards as issued by the IASB. More information . Because one of the standards that has not been adopted is IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> , Pakistan has not gone through the same first-time adoption process that has been followed by other jurisdictions in similar circumstances.
The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	IFRS Standards as adopted in Pakistan.
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	Yes.
Are IFRS Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	IFRS Standards are adopted by the Securities and Exchange Commission of Pakistan by notification in the <i>Official Gazette</i> . When notified, the standards have the authority of the law.
If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	Adoption of an IFRS or IAS Standard involves the following steps: <ol style="list-style-type: none">1. Initially, the IFRS/IAS Standard is considered by the Accounting Standards Committee (ASC) of ICAP, which identifies any issues that may arise on adoption.2. The ASC refers the matter to Professional Standards and Technical Advisory Committee (PS&TAC) of ICAP and then to the Council of ICAP.3. The PS&TAC, after considering the local environment, determines how the adoption and implementation can be facilitated, eg the length of the transition period and whether the issue requires amendments in local regulations.4. If the identified issues necessitate amendments in the local regulations then the matter is referred to the Securities and Exchange Commission of Pakistan (SECP) and/or the State Bank of Pakistan (SBP) through the Coordination Committees of ICAP and SECP/SBP.5. After the satisfactory resolution of issues the PS&TAC and the Council reconsider the matter of adoption.6. By decision of the Council, the ICAP recommends the adoption to the SECP (and to the SBP in the case of banks and other financial institutions) for notification in the <i>Official Gazette</i>. The decision to adopt rests with the SECP and SBP.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	Yes.
If yes, what are the changes?	<p>Pakistan has not adopted IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>. Adoption of IFRS 1 is under active consideration by the ICAP.</p> <p>IASs 39 <i>Financial Instruments: Recognition and Measurement</i>, IAS 40 <i>Investment Property</i>, and IFRS 7 <i>Financial Instruments: Disclosures</i> have not been adopted for banks and other financial institutions regulated by the State Bank of Pakistan (SBP). SBP has prescribed its own criteria for recognition and measurement of financial instruments for such financial entities. Those Standards do apply to other companies not regulated by the SBP.</p> <p>Pakistan has not adopted IFRIC 4 <i>Determining whether an Arrangement contains a Lease</i>.</p> <p>Pakistan has not adopted IFRIC 12 <i>Service Concession Arrangements</i>.</p> <p>Power sector companies have been exempted from the requirements of IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> to the extent of capitalisation of a foreign exchange loss.</p>
Other comments regarding the use of IFRS Standards in the jurisdiction?	<p>Pakistan has not yet adopted:</p> <ul style="list-style-type: none"> • IFRS 9 <i>Financial Instruments</i> • IFRS 14 <i>Regulatory Deferral Accounts</i> • IFRS 15 <i>Revenue from Contracts with Customers</i>

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	No.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	Not applicable.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	Yes. See below .
If no, is the adoption of the IFRS for SMEs Standard under consideration?	Not applicable.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Yes.
If the jurisdiction has made any modifications, what are those modifications?	SMEs in Pakistan that use the IFRS for SMEs Standard are permitted, as an option, to capitalise borrowing costs relating to the construction or acquisition of an asset similarly to the requirement of IAS 23 <i>Borrowing Costs</i> .

Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?

On 15 September 2015, the Securities and Exchange Commission of Pakistan (SCEP) issued Statutory Notifications 928(I)/2015 and 929(I)/2015 adopting the following financial reporting framework for Pakistani companies:

<p>Listed companies (including foreign companies listed in Pakistan)</p> <p>Public interest companies (public sector company, public utility, financial institution, company in process of listing)</p> <p>Large-sized non-listed companies (paid-up capital exceeding 200 million rupees (approximately US\$2 million) or annual turnover exceeding 1 billion rupees (approximately US\$9.5 million))</p>	<p>Full IFRS Standards as adopted in Pakistan</p>
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For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use? See above.

Other comments regarding use of the IFRS for SMEs Standard? None.