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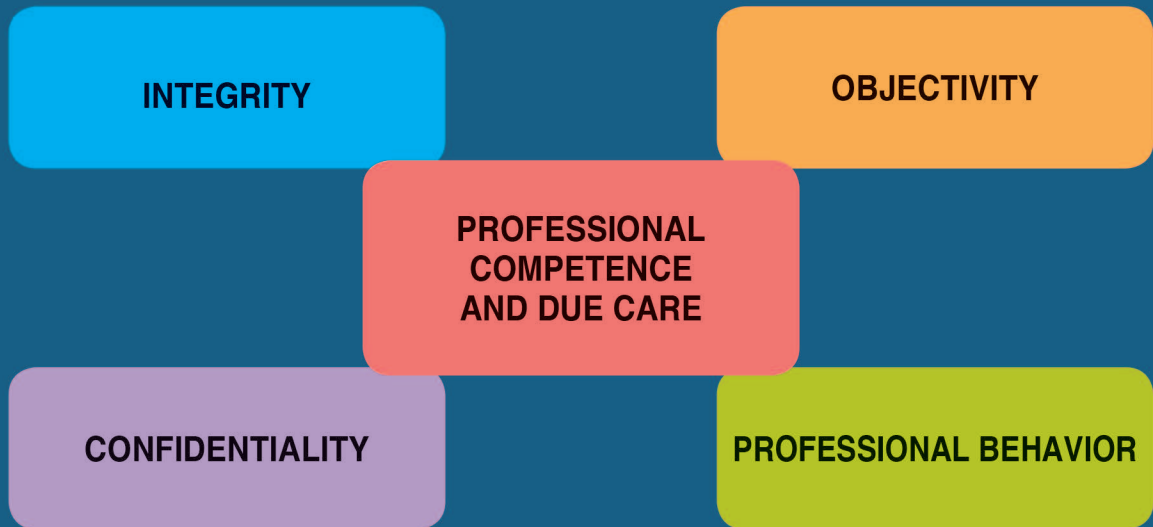


नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

Established under the Nepal Chartered Accountants Act, 1997

Fundamental Principles of Professional Accountants



Strategic Direction of ICAN





THE NEPAL CHARTERED ACCOUNTANT

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The Institute of Chartered Accountants of Nepal
ICAN Marg, Satdobato, Lalitpur, PO Box 5289,
Kathmandu, Nepal

Tel. No. 5430832, 5430730, Fax: 977-1-5450774
E-mail: ican@ntc.net.np, Website: www.ican.org.np

Branch Office Biratnagar

Tel: 021-474395, E-mail: icanbrt@ican.org.np

Branch Office Butwal

Tel: 071-533629, E-mail: icanbtl@ican.org.np

Branch Office Birgunj

Tel: 051-522660, E-mail: icanbrj@ican.org.np

Branch Office Pokhara

Tel: 061-587679, E-mail: icanpkr@ican.org.np

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Tel: 081-530050, E-mail: icannpj@ican.org.np

Branch Office Dhangadi

Tel: 091-527493, E-mail: icanhdg@ican.org.np

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Editorial

Federal Budget 2081/82

In May 2024, the federal budget of Nepal for fiscal year 2081/82 was tabled, detailing a total budget size of NPR 1,860.30 billion. This represents a significant increase of 21% compared to the revised budget of the previous fiscal year, which was NPR 1,530.36 billion. The budget aims to increase production, productivity employment, human resources and to reduce financial inequalities and poverty through balanced and equitable deployment of resources, boost morale of private sector and accelerate economic activities and maintain public service delivery.

During the fiscal year 2080/81, Nepal witnessed a moderate expansion of the economy with the economic growth rate remaining at 3.9%. However, over the last month of fiscal year 2080/81 the inflation remained at 4.60%. Looking ahead to the fiscal year 2081/82, the budget sets out more ambitious targets as the expected economic growth has accelerated to 6% indicating a robust economic expansion while concurrently, the budget also estimates slight rise in inflation to 5.5%. Therefore, the expectation of higher economic growth and inflation reflects the Government's optimistic outlook on economic development despite existing challenges. It has prioritized economic reforms and promotion of private sector, agriculture, energy, information technology, tourism, industrial development and infrastructure construction, education, health, social sector, inclusiveness and social security, good governance and reform in public service delivery.

In taxation sphere, the concept of Virtual Permanent Establishment has been introduced for the first time in the Budget. It is crucial in determining tax liabilities of multinational companies having significant digital presence in Nepal. It is a step towards taxing digital economy where businesses operate across borders without physical presence but have significant economic presence online, thereby promoting fair and effective taxation in the digital economy. However, unilateral measures by countries in taxing digital transactions can jeopardize the global collective initiative set forth by OECD. Policy makers need to create a balance between tax sovereignty as well as global cooperation at the same time while taking any *exparte* measures.

Moreover, in a move to reform and support venture capital and private equity, major amendment has been made in section 57 of the Income Tax Act, whereby capital injection by a third party in the startups shall not be considered while calculating change in control, thereby exempting such capital injection out of taxation net. Furthermore, laying to rest the long-drawn court battle regarding rate of

taxation on retirement payments by approved contributory retirement fund, definition of contributory retirement payment has been added in section 2 of the Income Tax Act. However, case for concern is the delay in refunding the excess tax collected from retired tax payer employees. Even though the court battle has been won by taxpayers, the tax amount has not been refunded to them - this needs to be expedited.

The budget also proposes to introduce measures to levy tax on import of livestock, offal, live and fresh fish, fruits, dairy products etc., ranging from 2.5 percent to 10 percent. Although the tax has been introduced in the garb of advance tax deduction, the provisions to disallow it to be carried forward in the next year and also disallowing its refund, can be perceived by taxpayers as a regressive step. This move to promote local business and farmers is a welcome step, but its effect in price inflation and possibility of violation of international commitment to reduce tariffs in cross border transactions should also be taken into light.

Anti-tax avoidance measures like compulsory deposition of business income in bank account of the concerned taxpayers and forbidding to deposit in personal accounts, compulsory payment of salary in excess of twenty-five thousand rupees through bank, proposal to introduce transfer pricing rules etc., will eventually make tax regime more transparent and digital friendly. Introduction of green taxation is also a positive sign in discouraging consumption of petro-chemical products and spurring growth of eco-friendly economy and electric vehicles.

Apart from making one change in lowering tax rate from ten to five while making payment for interest on loan which has been sourced from foreign bank, notable changes have not been made in attracting foreign investment. Stable, predictable and fair taxation regime is a pre-condition for luring foreign investment. This does not mean that foreign investment should be provided more flexibility and lax treatment in taxation and other legal matters in comparison with local industries, however, decision on attracting FDI should be based on totality of multi-factorial issues, like technological transfers, employment generation etc.

Although much more reforms could have been introduced in taxation and fiscal regime through the Budget, given the limited resources available with the government, the Government has laid a balanced budget. The Institute welcomes the Budget introduced by the Government and commits to be hand and glove with the Government in implementing it.

From the President



CA. Sujan Kumar Kafle
President, ICAN

Dear Professional Colleagues,

It is with great pleasure and much humbleness that I write today as the outgoing President of our esteemed Institute. The Council of the Institute will be completing its 9th session of three years by 20th July 2024. It has been a yearlong of amazing achievement, challenges and above all, significant learning. I can't talk about the success of my tenure without giving accolades to the Council Members who had reposed trust in my leadership.

Looking back at the last 12 months it has been busy. In this note, it is not my intention to list out what we have achieved during my tenure. I believe they will speak for themselves. However, I would like to highlight a few achievements for the year that deserve to be mentioned here. Apart from this it is my duty to keep you abreast of the key events of fourth quarter of the year.

It is known to the entire membership that the process of holding election of 10th Council of the Institute has been completed recently. I take this opportunity to congratulate the newly elected President, CA. Prabin Kumar Jha and newly elected Vice-President, CA. Nil Bahadur Saru Magar. I wish them a very successful tenure.

During the fiscal year 2080/81 various pioneering and key initiations were undertaken under my presidency.

The biometric system was mandated for renewal of Certificate of Practice by the Members and voluntarily for the members in business and industry. Development of new syllabus in collaboration with ICAEW has reached the finalization phase. Nepal Standards on Auditing 2024 was Pronounced. Various pivotal discussions and meetings were held with the University Grant Commission and Universities for advocating for academic equivalency of the Chartered Accountancy qualification. Besides, availability of free recorded class for students of all levels of CA education was inducted for the first time to facilitate students. A technical collaboration agreement was signed with the Office of the Company Registrar for enhancing coordinated regulatory mechanism. The Institute organized 3rd National Convention of Professional Accountants successfully in the gracious presence of Ms. Asmaa Resmouki, President, IFAC. This national convention of accountants was the largest gathering of professionals attending with over 900 participants. Likewise, an International Conference on Sustainability Reporting 2024 and hosted SAFA Board and Committee Meetings. Besides, I also represent the Institute in various international platforms including IFAC, CAPA and SAFA. Several platforms were used for advocating on enhancing the role of professional accountants in public sector for strengthening public financial management in Nepal. It is my pleasure to inform you that for the first time in the history of ICAN a self developed post Qualification Certification Course on Public Financial Management (PFM) was conducted in June 2024 where 29 members attended the program.

Apart from the above I would like to mention some highlights of major activities undertaken during last quarter, April to June 2024.

Regulation and Supervision

The Institute with the objective to strengthen audit quality and enhance credibility of accounting profession has issued first amendment in the Firm's Standard and Fee Related Directives, 2078 addressing the changes and relevance in current market, the amended provision shall be effective from 1st Shrawan 2081. During the period, the Institute pronounced Nepal Standards on Auditing 2024 developed in accordance with 2021 Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Service Pronouncements, which are voluntarily applicable for audit of financial statements for the period beginning from 16th July 2024 and mandatorily applicable from 16th July 2025. Likewise, the Institute has also continued to conduct quality

assurance review of practicing firms and monitoring visits of firms both inside and outside Kathmandu valley

Professional Development

During the period, the Institute has launched its own first post qualification course on “Certification Course on Public Financial Management”. This marks a new era for the Institute, as it paves the way for developing additional post-qualification and certification programs in the future. I am hopeful that this course will empower our members with essential PFM expertise, thereby enhancing their contributions to strengthening Nepal's public financial management system.

Following the unveiling of the federal budget 2081/82, the Institute has organized a post budget interaction program and has published highlights of the federal budget for fiscal year 2081/82. Likewise, the Institute jointly in coordination with the Auditing Standards Board of Nepal also held an interaction program on Nepal Auditing Standards (NSA) for Less Complex Entities (LCEs). Furthermore, an interaction program was organized with the Accounting Technicians of the Institute.

In addition, the Institute also organized post qualification course on Information system audit in coordination with the Institute of Chartered Accountants of India. Similarly, the Institute also organized training on Audit Practice Manual for the Chartered Accountants Member in practice. And, two training were organized on audit documentation for the Registered Auditor Members of ICAN. Likewise, the Institute in technical support from CA Sri Lanka organized a Best Annual Report (BPA) orientation program with the entities participating in BPA and evaluators of BPA. Besides, multiple training on NFRS for SMEs, NAS for MEs, NAS for NPOs along with routine Continue Professional Education (CPE), and capacity development training was organized across the Nation.

Education

The Institute submitted a Concept Paper on Academic Recognition of Chartered Accountancy Qualification before Tribhuvan University and Kathmandu University School of Management (KUSOM) for their consideration. During the period, the Institute conducted Chartered Accountancy Examination of June 2024 batch and published result of CA Membership examinations held on March 2024.

National Relation: Public and Government

A team lead by me attended the meeting of the Public Accounts Committee (PAC) on discussion of audit issues incorporated in the 60th Annual Report of the Office of

the Auditor General (OAG). Likewise, I also attended the Nepal Public Expenditure and Financial Accountability (PEFA) Assessment Reports Dissemination Program organized by Ministry of Finance.

International Relation: Global Positioning and Leadership

Visti of Ms. Asmaa Resmouki, President, International Federation of Accountants (IFAC) is a historical event for us. During her visit she addressed as a Key note speaker in the 3rd National Convention was the significant achievement for the Institute.

During the period, various Council Member represent the Institute in multiple South Asian Federation of Accountants (SAFA) webinars and participated in Confederation of Asian and Pacific Accountants (CAPA) events.

Institutional Development and Sustainability

In order to enhance the operational capacity of the Institute, the Institute recruited 18 new staff in various positions and various training was organized for the staff.

Concluding Remarks,

On behalf of the Council and management of the Institute, I once again congratulate the newly elected team of Council Members. We wish you the very best, a successful tenure and assure you my full support in your future endeavors. Most importantly, I would like to thank all Council Members for the confidence and trust that have placed on me. It has been my privilege and honor for me to have worked closely with all of you throughout the year.

To conclude, I express my sincere gratitude to the Vice-President, CA. Prabin Kumar Jha, Immediate Past President, CA. Bhaskar Singh Lala, Past President, CA. Yuddha Raj Oli, my fellow Council Members, government authorities and regulators for their insightful contribution and support in the initiations undertaken during the tenure of my presidency. I would also appreciate the management team led by Executive Director, CA. Sanjay Kumar Sinha for their dedication towards implementation of the decision of the Council.

With Best Wishes,
CA. Sujan Kumar Kafle,
27th President, ICAN

The Critical Impact of Double Taxation on Nepal's Foreign Direct Investment Landscape

Abstract:

FDI which stands for Foreign Direct Investment and is fundamentally important for driving Nepal towards economic development, but double taxation can discourage cross-border investment flows whereby income is taxed both in the source country and the investor's home country. It is said that to overcome this issue, countries utilize DTAs to determine how taxing rights are to be shared and whether a given income or capital would be taxed in one single country only, or there is the possibility of double taxation, thus promoting FDI inflows and economic cooperation. This article enhances and explores the role of DTAs (Double Taxation) in attracting FDI to the path of Nepal. It tests the Nepal's current DTA network, identifying strengths, weaknesses, & opportunities for expansion to enhance the investment climate. As like everything in the world contains challenges, the challenges associated with this are like limited resources, evolving global policies, & balancing revenue protection with investment promotion are also discussed. Likewise, recommendations are provided here for the issue of optimizing DTA benefits, including capacity building, regulatory frameworks, strategic negotiations, aligning with international standards, integrating DTAs into investment promotion, and stakeholder engagement. Thus, considering the effects of DTAs in mind, the developing countries like Nepal can create a more conducive environment for FDI, fostering economic growth.

Keywords:

Twofold Tax collection Arrangements, Double Taxation Agreements, Foreign Direct Investment, Nepal, Investment Climate, Tax Treaties, Duty Deals, Financial approach, Real Investment.



Dr. Newal Chaudhary¹

The author is Advocate at Supreme Court of Nepal, Assistant Professor and Chief of Student Welfare at Nepal Law Campus, Tribhuvan University and Former Lecturer of Nepal Open University. He can be reached at: nc2067@gmail.com

Introduction:

Simply the word of FDI with the narrow concept has the sense of merging Direct Investment and Foreign Investment. So, in general term Foreign Direct Investment (FDI) is called to an investment made by a company or individual in one country/state into business interests located in another country. It generally involves like establishing interest & the control over an enterprise outside the investors of the home country.

Generally, there are many forms of FDI but in common ways FDI can be taken in several forms, including like:

¹Advocate at Supreme Court of Nepal, Assistant Professor and Former Chief of Student Welfare at Nepal Law Campus, Tribhuvan University, Exhibition Road, Kathmandu, Nepal. Author of "The Art of Cyber Law & Cyber Crimes", "Commercial Law with Special Reference to Foreign Direct Investment in Nepal (Research-based Reference Book)", Author is Co-Author in Book i.e. Comparative Criminal Law, Legal Environment for Business in Nepal. Former Executive Director of Greater Janakpur Area Development Council and Former Lecture of Nepal Open University. Email : nc2067@gmail.com

- **Formulating or formulation of a new subsidiary of or associate company in a foreign country or the foreign states (known as a "greenfield" investment).** For Example: An American technology company (Like ICT) setting up a new manufacturing plant in Nepal.
- **Similarly the Acquiring or merging with an existing foreign company.** Example: A Chinese automobile manufacturer acquiring a controlling stake in a Nepalese automotive company.
- **Likewise the Reinvesting profits from operations in a foreign country.** Example Like: A British hotel chain re-investing its little or the perfect perpendicular profits from its Nepalese operations to expand its presence in the country.

Foreign Direct Investment, which differs from the contrasting impacts of passive portfolio investments. For a sense, it is considered as an important source of capital, the technology, and the knowledge for developing countries like Nepal. The Foreign Direct Investment can create a positive impact which can be employment, facilitate skill transfer, and contribute to economic growth & economic development. Similarly, in order to emerging economies, the FDI provides access to the capital as well as transfer of the advanced technology, managerial expertise, and the best practices from multinational corporations. Moreover, the FDI creates employment opportunities and helps in contributing towards the overall economic growth and development of the recipient nation. However, a significant factor in attracting FDI is to address issues of double taxation, as in which it is referred a situation where the same income or profits generated by a foreign investor are subject to taxation in both the source country (where the income is

generated) and the investor's home country. This duplicative taxation can significantly erase the profitability and the competitiveness of foreign investments, as acting as a deterrent for potential investors and hindering the direct flow of the cross-border investment flows. So, in order to address this critical issue & in order to create a more favorable investment climate, countries worldwide have embraced the concept of Double Taxation Agreements (DTAs), which is also known as tax treaties. As these are basically a standard form of the bilateral agreements which are mostly designed and framed to establish a clear framework for the allocation of taxing rights between the contracting states, ensuring that the same income is not taxed twice (two-time aspect) – once in the source country and again in the investor's home country. Mostly the concept of double taxation refers to the situation where the same income or profits earned by an individual or a company are taxed twice once in the country where the income is generated (source country), and again in the country where the individual or company is resident (home country). This situation generally and mostly arises due to the overlapping tax jurisdictions and differing tax laws between countries. For example, if a Nepalese company as company registered in Nepal earns profits from its business operations in India, it may be subject to corporate income tax in India (source country) on those profits. Subsequently, when the company deliver those profits back to Nepal, they may be taxed again in Nepal (home country) as part of the company's overall taxable income.

Examples of double taxation (Instances of twofold tax assessment):

- An English exile who is working in Nepal is burdened on their business pay in Nepal and then burdened again on a similar pay



in the UK when they move supports back home.

- A Nepalese organization that possesses an auxiliary in China pays corporate personal expense on the auxiliary's benefits in China and then, at that point, pays charge again on those equivalent benefits when they are localized to Nepal as profits.
- A Singaporean financial backer who procures rental pay from a property in Nepal is burdened on that rental pay in Nepal and then burdened again in Singapore when the pay is transmitted back to their nation of origin.

As a DTAs between countries are intended to mitigate or eliminate this double taxation burden, providing tax relief and promoting cross-border investment & economic cooperation. So, double taxation which can also be called as twofold tax collection can fundamentally build the general taxation rate on people or organizations took part in cross-line exercises, making global speculations less alluring and frustrating the free progression of capital, merchandise, and administrations across borders.

Likewise the Principles of Double Taxation can be illustrated as in the following points which are:

- **Source-based Taxation:** This is regarded as the one of the important principle and this principle states that income should be taxed in the country where it is sourced or generated. For example, business profits earned by a foreign company operating in a country would be taxed in that country (source country).
- **Residence-based Taxation:** Likewise the second principle bended with principle of double taxation is the residence-based taxation as this principle holds that income

should be taxed in the country where the recipient (individual or company) is resident for tax purposes, regardless of where the income is sourced. As this principle is based on the possibility that inhabitants to have a commitment to pay duties to their nation of home on their overall pay.

- **Non-discrimination:** The Third Principle which is the principle of Non-Discrimination as this principle requires that countries treat foreign taxpayers (individuals & companies) in the same way as their own residents for tax purposes. So, it plays a vital role that prevents discriminatory tax treatment based on nationality.
- **Permanent Establishment (PE):** The Fourth One is of Permanent Establishment and this principle determines the threshold of business activity in a country that would subject a foreign company to taxation in that country. So, if a foreign company has a permanent establishment (fixed place of business) in a country, it can directly be taxed on the profits attributable to that PE.
- **Arm's Length Principle:** The Fifth Standard is of a safe distance Guideline (Arm's Length Principle) & this rule is utilized to decide the proper exchange valuing for exchanges between related parties (e.g., a parent organization & its auxiliary). This means that such transactions are to be properly valued, they must be treated as if they are conducted between independent entities without any special relationship. These standards form the foundation of DTAs between countries. They aim to eliminate or reduce double taxation, prevent tax discrimination, and clarify tax rules for cross-border activities. DTAs give instruments to keep away

from twofold tax collection, for example, tax breaks, exceptions, or decreased rates. By relieving twofold tax assessment risk, they energize cross-line venture streams & productive allotment of worldwide capital. Where DTAs offer legitimate assurance & consistency for unfamiliar financial backers by obviously characterizing the assessment treatment of different earnings. This lucidity can decrease the overall and actual consistence costs and upgrade the venture environment. For a creating economy like Nepal with development potential, the job of DTAs in drawing in FDI is important. So, by entering important DTAs and ensuring they are enforced, Nepal can become an attractive destination for foreign investors, encouraging the flow of capital, technology, innovations and skills for economic development.

Nepal's DTA Network:

Twofold tax collection arrangement or DTAs play a vital role in creating a favorable investment environment. Nepal recognizes this importance. Therefore, Nepal has actively pursued discussions and implementations of such agreements with its key economic partners. As of the current day, Nepal has gone into DTA (Twofold Tax collection Aversion) with 11 (eleven) nations, as thoroughly spreading over different locales & financial alliances. The nations with which Nepal has marked DTAs incorporate are such as: India, China, Norway, Sri Lanka, Mauritius, Qatar, South Korea, Thailand, Pakistan, Bangladesh, and Austria¹. These arrangements cover many viewpoints connected with tax collection, like pay from business tasks, work, ventures, capital additions, & other cross-line monetary

exercises. One of the main DTAs of Nepal is the concurrence with India, which has been in force starting around 198. It is often regarded that India isn't just Nepal's nearest topographical neighbor yet in addition one of its biggest exchanging accomplices and a significant wellspring of FDI.

The DTA between the two nation's play cover up a pivotal impact in working with venture streams by giving clearness on the tax collection from cross-line pay, decreasing the gamble of twofold tax collection, and offering specific expense impetuses for financial backers. The agreement with Mauritius is another landmark example of Nepal's DTA network.² Mauritius is broadly perceived as a famous ward for directing ventures because of its good expense system and broad organization of DTAs with different nations. The DTA between Nepal & Mauritius guarantees that financial backers from Mauritius are not expose to twofold tax assessment on their pay produced in Nepal, subsequently uplifting venture streams from this vital monetary center point. Besides, Nepal's DTAs with different nations, like China, Norway, Qatar, South Korea, & Thailand, have additionally added to improving the country's speculation environment & cultivating monetary participation with these countries³. These arrangements give a system to the fair & evenhanded tax collection from cross-line exchanges, decreasing the potential for debates & establishing a more unsurprising & straightforward climate for unfamiliar financial backers. Nepal marked its most memorable DTAA with Norway in 19964. The most recent DTAA was signed

1 Chalise, K. B. (2020). *Impact of Double Taxation Avoidance Agreements on Foreign Direct Investment in Nepal*. *The Economic Journal of Nepal*, 43(3-4), 1-18. doi: <https://doi.org/10.3126/ejon.v43i3-4.48036> (Accessed on May 5, 2024)

2 National Bureau of Standards and Metrology. (n.d.). *Measurement Uncertainty of Thermocouples: A Practical Guide*. Retrieved from <https://www.nbsm.com.np/uploads/large/1621329132717593.pdf> (Accessed on May 1, 2024)

3 Ibid

4 Supra Note 2 Chalise



with Bangladesh in March 2019⁵. It is quite important that the arrangements & explicit terms of each DTA might differ relying upon the contracting parties & their individual assessment strategies & goals. However, the main goal of these agreements remains the same: to reduce the risk of double taxation, promote cross-border investments, and facilitate economic cooperation between the participating countries.

Status of FDI in Nepal :

The circumstance with Unfamiliar Direct Venture or FDI in Nepal includes a difference between embraced FDI & genuine inflows due to support to-hypothesis delays. The introduction of the Unfamiliar Venture & Innovation Move Act (FITTA) in 2019 generally helped FDI inflows in FY 2019/20 no matter what a decrease in upheld FDI diverged from before years. Nepal's Carrying on with Work File score showed variances until an eminent improvement in 2020, possible impacted by FITTA updates & new regulation.. The Division of Industry groups endorsed FDI into areas, with Data Innovation showing the most noteworthy Accumulated Typical Development Rate (CAGR) north of five years, trailed by the travel industry, Agro & Ranger service, & Administrations, while assembling encountered a negative CAGR. Sectoral development rates differ, showing lopsided turn of events, exemplified by the huge vacillation in FDI in the energy area.

As per the overview report, the load of FDI in Nepal expanded by 16% to Rs. 264.3 billion as of mid-July 2022. This augmentation was driven by risings of 15.5% in settled up capital, 16.4% for conceivable sometime in the

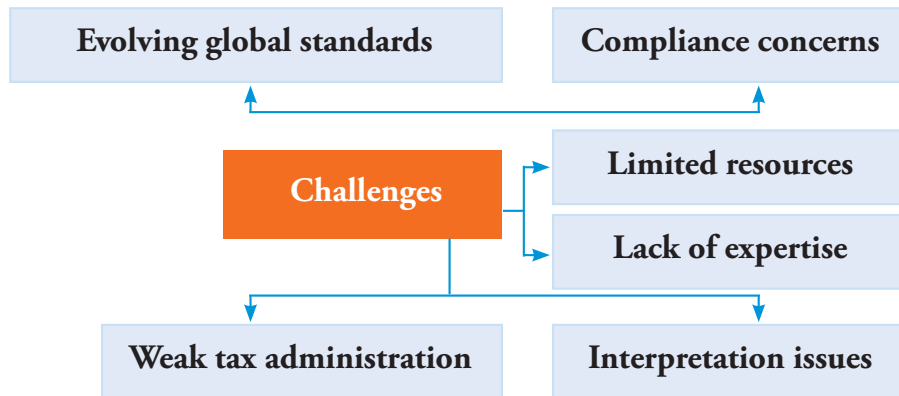
future, & 16.6% in propels from new direct monetary patrons. To the extent that sectoral structure, the advanced region addressed the most raised piece of 62.6% of full scale FDI stock as of mid-2022. Inside the cutting edge region, the power, gas, steam & cooling region (generally hydropower) involved 32.8% of full scale FDI stock, while the collecting region made up 29.5%. The assistance district held the second most prominent piece of 37.3% of inside & out FDI stock. The monetary & affirmation associations (25.6%), solace & food associations (5.3%), & data & correspondence (4.8%) were the basic sub-locales drawing in FDI in associations. From a source country point of view, India stayed the top money related ally in Nepal with a FDI supply of Rs. 88.6 billion (33.5% of aggregate) as of mid-2022. China was the second greatest with Rs. 33.4 billion (12.7%), followed by Ireland, Singapore & blessed individual Kitts & Nevis. The survey moreover revealed that the breaking point utilization of FDI-based gathering associations stayed at 71.1% in 2021/22, while the advantage (return on esteem) of FDI associations was 14.3% during a comparable period. The most recent overview information demonstrates proceeded with development in FDI stock in Nepal, with the hydropower & producing areas getting the main part of ventures, particularly from India & China as the two biggest source nations⁶.

Challenges:

While as the DTAs offer the various advantages as far as drawing in FDI and cultivating the perspective of the monetary participation between countries, it can be seen that, the most common way of arranging & executing these arrangements is many times complex and full of difficulties.

⁵ Republica. (n.d.). Govt steps up preparations to sign double tax avoidance agreement with additional three countries this year. Retrieved from <https://myrepublica.nagariknetwork.com/news/govt-steps-up-preparations-to-sign-double-tax-avoidance-agreement-with-additional-three-countries-this-year/> (Accessed on May 5, 2024)

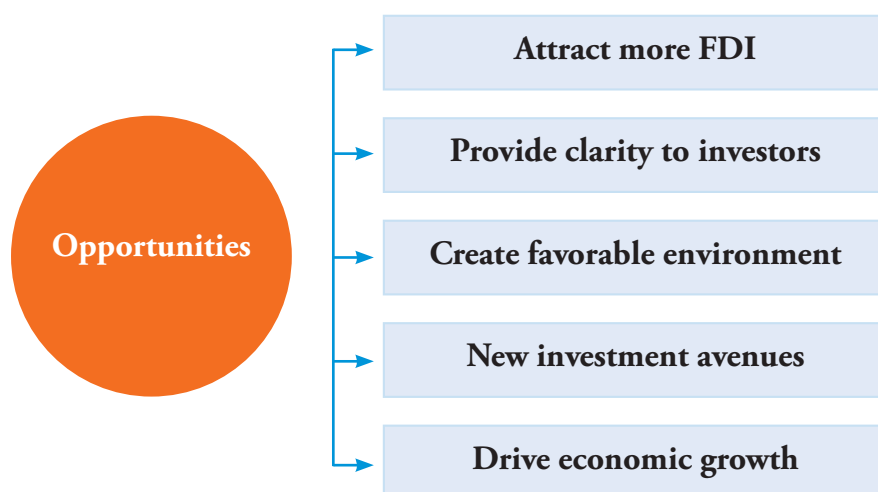
⁶ National Bank of Nepal. (2021). Survey report on FDI in Nepal 2021-22. Retrieved from <https://www.nrb.org.np/red/survey-report-on-fdi-in-nepal-2021-22/> Accessed on May 7, 2024)



- **Limited Expertise:** As one of the essential and the fundamental difficulties looked by Nepal in such manner is the restricted limit and assets accessible for arranging and executing DTAs really. So, arranging a complete DTA requires a profound comprehension of worldwide expense regulations, homegrown tax collection strategies, and the multifaceted financial and legitimate settings of the contracting nations. This cycle requires the association of talented expense specialists, lawful experts, and arbitrators who can explore the intricacies of these arrangements and defend the country's income advantages while advancing venture.
- **Regularity Concern:** Besides, the compelling execution of DTAs requires a strong and exceptional duty organization framework. Likewise, the clear rules, interpretative notes, and prepared workforce are fundamental to guarantee that the arrangements of these arrangements are accurately applied and upheld. As for example, on account of the DTA among Nepal & India, there have been cases where the understanding and utilization of specific conditions, like those connected with long-lasting foundation or tax collection from profits, have prompted questions or vulnerabilities, featuring the significance of a solid managerial system.
- **Evolving Global Standard:** Another challenge that Nepal must grapple with is the ever-evolving global landscape of tax policies & practices. Initiatives such as the Base Erosion & Profit Shifting (BEPS) project by the Organization for Economic Co-operation & Development (OECD) aims to combat tax avoidance strategies employed by multinational corporations. As an individual from the comprehensive system on BEPS, Nepal should guarantee that its DTA network stays lined up with these global norms and best practices. For instance, the BEPS project has acquainted measures with address issues, for example, arrangement misuse, move valuing, and unsafe assessment rehearses, which might expect Nepal to reconsider or refresh specific arrangements inside its current DTAs. Inability to consent to these worldwide principles might actually prompt Nepal being seen as an expense shelter or a ward working with unsafe duty rehearses, which could subvert its endeavors to draw in unfamiliar speculation.

Opportunities:

In spite of these difficulties, DTAs present huge open doors for Nepal to upgrade its speculation environment and draw more



FDI. By decisively growing its organization of expense settlements with key accomplice nations and locales that are huge wellsprings of FDI or potential venture objections for Nepalese organizations, Nepal can give more prominent sureness and clearness to unfamiliar financial backers.

For instance, negotiating a comprehensive DTA with a major economic powerhouse like the United States or the European Union could signal Nepal's commitment to creating a favorable investment environment and adherence to international tax standards. Such agreements could offer investors from these regions greater legal certainty regarding the taxation of their cross-border income and potentially unlock new avenues for investment in Nepal.

Furthermore, effective implementation and administration of DTAs can contribute in fostering a business-friendly environment by reducing compliance costs for investors. Clear and consistent application of the provisions in these agreements can minimize the risk of double taxation, reduce the administrative burden on foreign investors, and promote cross-border trade and investment activities. Take, for example, the case of the DTA between Nepal & Mauritius. Mauritius is a

popular jurisdiction for routing investments due to its favorable tax regime and extensive network of DTAs. The Nepal-Mauritius DTA provides clarity on taxation of Mauritian investors' income in Nepal, reducing double taxation risk and potentially making Nepal more attractive for investments routed through Mauritius.

Recommendations:

As Nepal intends to attract more foreign investment, DTAs with countries known for outward investment could be beneficial. This could include countries in the Gulf region, Japan, or South Korea. Likewise, in order to maximize the benefits of DTAs and as to leverage their potential for attracting FDI, Nepal should need to consider implementing the following recommendations such as:

- a) **Capacity Building:** The first thing began with capacity building which involves putting resources into building the limit of authorities and pertinent specialists is urgent for successfully arranging, deciphering, and carrying out DTAs. This can be accomplished through exhaustive preparation programs that emphasis on creating ability in global assessment regulations, deal exchange

strategies, and the pragmatic utilization of DTA arrangements. Collaboration with international organizations such as the Organization for Economic Co-operation & Development (OECD), the United Nations (UN), and regional bodies like the South Asian Association for Regional Cooperation (SAARC) can provide valuable knowledge-sharing opportunities and access to best practices in the field of tax treaty negotiation and implementation. Also, cultivating associations with scholastic foundations and research organizations can add to the advancement of particular courses and exploration drives zeroed in on worldwide tax assessment and the job of DTAs in advancing speculation. Likewise, Nepal can greatly benefit from studying how countries like Mauritius, Singapore, the Netherlands, United Arab Emirates, and Vietnam have leveraged their DTA networks to attract FDI. Mauritius has over 40 DTAs complementing business-friendly policies. Singapore's 90 DTAs positioned it as a multinational hub. The Netherlands facilitated investments from emerging economies through DTAs. The UAE strategically used DTAs to draw investments into key sectors. Vietnam's DTAs with major economies like the US boosted FDI in manufacturing. So, gaining from such models can direct Nepal in adjusting DTAs to venture objectives, coordinating them into financial strategies, and focusing on need areas - giving accepted procedures to improve its speculation environment through an enhanced DTA approach.

- b) Regulatory Framework:** This is second one as in which fostering an exhaustive administrative system to oversee the execution of DTAs is fundamental

for giving lawful conviction and the straightforwardness to unfamiliar financial backers. So, this system ought to incorporate clear rules, interpretative notes, and distinct methodology for the utilization of DTA arrangements. Moreover, establishing robust dispute resolution mechanisms, such as mutual agreement procedures (MAPs) or arbitration clauses, can help address potential conflicts or disagreements arising from the interpretation or application of DTA provisions. This can mostly impart trust in unfamiliar financial backers & sign Nepal's obligation to maintaining the standards of decency and fair treatment.

- c) Strategic Negotiations:** As in which Nepal should must strategically negotiate DTAs with key FDI source countries and regions, and potential investment destinations for Nepalese businesses. So this approach should consider specific investment opportunities with each partner. Comprehensive DTAs with major economies like the US or EU could attract new investments and provide legal certainty. Strengthening existing agreements with neighbors like China and India, major FDI sources, could further boost investment inflows.
- d) Alignment with International Standards:** Guaranteeing that Nepal's DTA network stays lined up with global duty guidelines and best practices, as pushed by the OECD and the Unified Countries, it is urgent for improving the nation's believability and appeal as a speculation objective. Sticking to these guidelines, Nepal can exhibit its obligation to fighting duty evasion techniques, advancing straightforwardness, and cultivating a fair & impartial expense climate for unfamiliar financial backers.



This arrangement can work with the trading of data and participation with different locales, further fortifying Nepal's situation as a solid and trustworthy speculation objective.

So, one might say that through the ideal system of carrying out these suggestions, Nepal can upgrade and then approach to streamline the DTA benefits, improve its speculation environment, and position itself as an appealing FDI objective. A very much planned & successfully carried out DTA organization might severability at any point add to monetary development, innovation move, business valuable open doors, and by & large reasonable turn of events.

Conclusion:

The concept of DTAs is important for Nepal in-order to attract FDI and fostering economic cooperation with partner countries. As a binding of an important portfolio of DTA network it can provide clarity and the protection to foreign investors while mitigating double taxation risks. Therefore, by tending to difficulties like limit imperatives and advancing assessment norms, it can enhance Nepal in-order which can streamline the advantages of DTAs through drives like limit building, administrative structures, & key associations. The Lining up with worldwide duty guidelines can support Nepal's believability & work with collaboration. All around planned DTAs can improve Nepal's seriousness in drawing in unfamiliar speculation by giving legitimate assurance, diminishing consistence costs, & advancing cross-line exercises. DTAs widely facilitate knowledge & technology exchange, contributing to economic growth and development. So, the inflow of foreign capital, technology, & expertise can catalyze innovation, productivity, employment

opportunities, and sustainable development. In conclusion, DTAs are useful assets for Nepal to turn into an appealing speculation objective and cultivate cross-line venture. Thus, by decisively extending its DTA organization, tending to execution challenges through binding and lining up with worldwide principles, Nepal can perfectly advance a business-accommodating climate, filling in as an impetus for monetary development, work creation.

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Making the Nepalese Economy Stronger: The Role of Chartered Accountants



CA. Santosh Neupane

The author is Member of ICAN, and he can be reached at: casantoshneupane@gmail.com

Abstract

This study endeavors to identify the potential role of CAs in the country's economic development. CAs are responsible for maintaining the financial aspects of a business and are trained to be qualified advisors in the fields of taxation, commerce, law, stock market and so on. The demand for chartered accountants is constantly increasing with the changing economic scenario within the country and across the world. They are likened to partners in building a nation's economy. The Institute of Chartered Accountants of Nepal (ICAN) can lead the profession in the country's economic development initiative and continue to play a vital role in advocating reforms and being a facilitator of good governance measures in the functioning of the Central and State Governments. If we can make a meaningful contribution leading to the growth of the Nepalese economy in an accelerated fashion, we can be proud of ourselves and our profession.

Introduction

The global economy can be defined as the sum of activities that take place both within a country and between different countries. Each country is a separate unit, with its own industrial production, labor market, financial market, resources, and environment. There has been a sense of caution in the financial sector worldwide due to the unprecedented crisis that hit developed economies in mid-2007. The impact of the crisis was so severe that economies in the West are still recovering, and signs of normalcy are nowhere in sight. The buoyancy experienced in the early part of the first decade of the 21st century has vanished, and restoring that buoyancy is a challenge that may take longer than expected. The worst affected regions are North America and Europe. The impact of the crisis spilled over to the rest of the world in different dimensions and proportions, affecting a few economies with negative GDP growth. The impact on Nepal was felt, but the situation was handled reasonably well.

Motivation for Undertaking the Matter

The Institute of Chartered Accountants of Nepal regularly invites its members for discussions on various aspects of sustainable country economic development of the country. In this connection, every member of ICAN should be responsible and take part in the country's economic development. The findings from this study may be useful to various CA members, as well as academics in various ways. For example, each member of ICAN needs to be aware of their responsibilities



for each aspect of the country's economic development. Members need to understand the importance of their role in improving the financial transparency of the sectors they are involved in.

Global Scenario

The global financial crisis has affected the economic stability of developed nations and slowed down the progress of developing nations. The year 2023 has not been kind to the pessimists who shape the public's perception of the U.S. economy. Despite a widely predicted "inevitable" recession, the resilient U.S. economy forced growth forecasts to be revised higher and higher by a staggering 2 percentage points as the year nears its end. Recession led to unemployment worldwide. The US Unemployment Rate is at 3.70%, compared to 3.70% last month and 3.40% last year, which is lower than the long-term average of 5.70%. The impact in the UK seems to be no different, as many corporate entities in England announced massive layoffs. Among the various business segments, the worst affected were the Financial, Automobile, and Realty sectors. Unemployment had a severe impact on economies due to the social security policies in place, resulting in a huge outflow from the exchequer to those who lost their earning capacity and were eligible to claim unemployment allowance. Nepal's unemployment rate for 2022 was 11.12%, a 1.1% decline from 2021. Nepal's unemployment rate for 2021 was 12.22%, a 0.85% decline from 2020.

Nepal Scenario

In contrast, the scenario in Nepal is not as gloomy as in India, the USA, or the UK. The Nepalese banking system stood its ground very strongly and admirably, thanks to the regulatory governance mechanism of the Nepal Rastra Bank and the conservative

approach adopted by all the banks. In Nepal, there are various types of financial institutions, i.e., commercial banks, development banks, finance, microfinance, cooperatives, and NGOs (with limited banking), providing financial services to customers. Nepal Rastra Bank (NRB), the central bank of Nepal, regulates the banking sector. The Nepalese economy is heavily dependent on agriculture and remittance; however, the trade deficit is in an increasing trend, showing that the Nepalese economy is totally dependent on other countries and imports food, garments, petroleum products, electric & electronics items, vehicles, etc. Nepal is rich in water resources and fertile land, yet a huge amount of capital is invested in the import of food products and energy despite high potential. Due to the effect of COVID-19 and liquidity crunch, the whole economy is bearing a high interest rate on credit. The turnaround is being experienced in many sectors during the current year, and the economy is predicted to respond positively by the end of 2024. From then on, economists fervently hope, the resurgence would assume a faster pace. Nepal is one of the least developed countries in the world and relies extensively on foreign aid. The main sector of the economy is agriculture, which employs over 70 percent of the population and accounts for 33 percent of GDP. As Nepal is home to the highest mountains in the world, tourism has been steadily growing in importance and is an important source of revenue. Also, the country has been working on exploiting hydroelectric power. Nepal's economy is suffering a form of 'Dutch Disease' where high income from one source paradoxically keeps other sectors of the economy down. Although the Nepalese economy has been steadily growing in recent years, remittance growth has increased savings, but there is nowhere to invest it except to

speculate on the real estate bubble, which has brought a growing population, and remnants of social instability are sources of concern. The GDP growth of Nepal in the preceding three years was 4.2% (FY2020-21), 5.8% (FY2021-22), and 4.4% (FY2022-23).

The main focus of the Government is to bring back the economy on track, and the current 15th Plan of the Nepalese government sets a target of achieving an average annual economic growth rate of 9.6 percent based on fundamental values. However, assessing the progress until the last fiscal year 2079/80, the growth has shrunk to two percent. Similarly, the 15th Plan aims to reduce multidimensional poverty from the existing 17.4 percent to 11.5 percent. It has a target of achieving a 0.624 human development index, and until the last fiscal year, it reached 0.602. Global economies now are viewing Nepal as one of the growing economies in the world. The untapped potential in the Nepalese market and wider horizons of opportunities are turning the attention of global investors in favor of Nepal, and the government has recently successfully completed third Nepal Investment Submit 2024 as on 2024-04-24 with few main agendas as Strengthening Nepal's Agroprocessing Value chain For Export Growth, Driving Innovation and Growth in Manufacturing Sectors & Introducing the Nepal as a vibrant Investment Platform for the world. In light of this background, it is pertinent to analyze what Nepal and ICAN need to focus on to emerge stronger over the next decade, which is perceived to be a critical phase in the annals of the nation.

Limitation and Challenges Faced by Professional Accountant

As Professional Accountant offer indispensable services to businesses and individuals alike. However, with technological advancements

and regulatory changes affecting the accounting profession, as well as shifting client demands and issues with recruitment in many accounting firms, we face an array of challenges. Understanding these challenges and implementing effective solutions is vital to ensure continued success. Business Entities, government body and all sectors of the economy are dependable upon the decision of the Chartered Accountant. All of the business entity, management team, refer to their Chartered accountants as their primary business advisors. Chartered Accountants undeniably offer essential insights into business operations due to their expert grasp of financial statements and regulatory requirements. They provide an essential perspective on business, delineating revenues, costs, profits, and other crucial economic indicators. While these financial insights are pivotal, it is vital to consider whether they cover the comprehensive scope of business operations. As professional accountants can skillfully navigate financial data, pinpointing opportunities to streamline costs, bolster margins, and boost profitability. However, these economic facets only partially depict a multifaceted business landscape—the actual business dynamics stretch significantly beyond the figures displayed in financial reports. For businesses to flourish, they require advice that encompasses more than just financial matters. They need guidance from advisors who understand their products, markets, customers, operations, and much more, necessitating a diversified team of experts who can deliver comprehensive and holistic advice but the professional accountant has limitation to go beyond all the subject matters. Few are the challenges mainly faced by Chartered Accountant.

- **Regular changes to tax laws:** Laws are continually changing and this is a



formidable challenge for accounting professionals. Navigating tax is a task that demands precision and expertise. The sheer complexity of tax laws creates a significant hurdle in itself. Chartered Accountants have to continuously educate themselves and then adapt their strategies to ensure that their work is accurate and constitutes the best advice for their clients.

- **Changes & regular Update in Financial reporting:** The complexity of accounting standards and regulatory requirements poses accounting challenges to Professional accountant in complying with them when preparing financial statements. New regulations and amendments to accounting standards and the format of financial reports need to be kept up to date with. Without robust internal controls it is challenging to ensure that each set of financial statements prepared by Professional accountant is accurate and compliant.
- **Increased automation and artificial intelligence:** New developments in automation and artificial intelligence (AI) are providing opportunities across the accounting industry but are also presenting challenges. One of the primary challenges is the disruption to traditional accounting roles and workflows. Automation and AI can automate routine tasks like data entry, reconciliations and basic analysis - things that would traditionally have been done by entry-level or trainee accountants. This may leave the skill sets in accounting teams looking unbalanced. Improper use of software or relying on AI, when human expertise and judgment is needed, can cause significant accounting issues and loss of reputation.
- **Regulatory changes and compliance:** The Chartered Accountant operates

within a framework of constantly evolving regulations and standards. Regulatory change made by the ICAN and ASB take time to absorb and adjust to.

Role of ICAN

The Institute of Chartered Accountants of Nepal (ICAN) is an autonomous body established under the Nepal Chartered Accountants Act, 1997, for regulating the accounting profession in the country with an objective to enhance social recognition and faith in the Accounting Profession by raising public awareness towards the economic and social responsibility of Accountants; contributing towards economic development and creating awareness among professionals about their responsibility towards the importance of the accountancy profession. ICAN, the only regulator of the accounting profession in Nepal, can partake in the policy formulations of the Government at various levels directly and through its regional centers and branches across the country. ICAN, besides pronouncing accounting standards and bringing out accounting reforms, can also participate at the Central, State, and Local level to infuse financial discipline by facilitating the establishment of systems, procedures, and controls.

Finance is the lifeblood of any economy, and therefore, ICAN should plunge into facilitating the formulation of economic and social policies backed by sound financial measures by three tier Governments in an appropriate manner. ICAN can work with various ministries of the Central Government and Provincial Governments to help focus on identifying the priority areas and prepare a roadmap for funding and effective utilization of funds. This is not something new, and ICAN has worked with several ministries of the government in the past on various

initiatives. In fact, the Institute signed a Memorandum of Understanding (MoU) with the Inland Revenue Department (IRD) on 28 March 2019 to reach a conclusion to allow uninterrupted access and exchange relevant information of both organizations through an online data interface mechanism. With this initiative, the IRD will now accept financial statements audited by a person having a valid and duly renewed Certificate of Practice (COP) issued by the Institute. The Institute believes that this will further strengthen its regulatory function and particularly identify and curb instances of malpractices as well as support IRD in its objectives. The Institute and IRD have also agreed to develop and enforce various formats relating to tax auditing through mutual cooperation.

Looking at the functions, duties and authority as stipulated in Nepal Chartered Accountants Act that includes to render advice and suggestions to Government of Nepal for improvement in prevailing laws related with industry, commerce, finance, revenue and accounting profession. However, the Institute is mainly engaged in revenue and the PFM sector. However, the Institute is offering suggestions or policy prescriptions mainly in Finance Act, collaborating with Department of Money Laundering Investigation (DMLI) and Internal Revenue Department and some other government entities. So, instead of confining in few areas the Institute needs to collaborate and support government as stipulated in the legislation to fulfill its conferred role and responsibility to become a partner of national development

Moreover, it is also appreciated that the Institute has submitted a report to the MOF to recruit CAs in civil service considering the role that CAs can play in public sector. The report has been prepared with wide discussion among the government authorities. The government

authorities are also positive to recruit CA in Civil Service by making legal provision in the concerned Act. It is expected that the entry of CAs in public sector not only open the employment opportunities to CA in public sector but also contribute professionalizing PFM and revenue administration as well.

Role of CA Profession

ICAN has played a crucial role in developing and regulating the accounting profession since its establishment in 1997. Before the establishment of ICAN, CAs were qualified from ICAI, and audit licenses were issued by Office of the Auditor General of Nepal (OAGN). Currently, ICAN has more than 1900 CA members & 7000 RA members, and more than 12,000 students are pursuing CA Course. CA members of ICAN hold influential managerial positions in many sectors and conduct financial and tax audits of more than 1.7 million taxpayers. The CA is responsible for maintaining the financial aspects of a business. They are trained to be qualified advisors in the fields of taxation, commerce, law, and the stock market. The demand for accountants is constantly increasing. They are likened to partners in building a nation's economy. With some exceptions they are mainly employed in private companies. Some are even involved in private businesses. These days, many startups are springing up, and the government is building relationships with international companies. Chartered accountants are hired to manage income and expenses because they are familiar with the law and financial regulation of countries. They act as advisors and help companies stay profitable.

In today's global scenario, chartered accountants would be well suited to ESG (Environmental, Social and Governance) reporting, roles that involves making relevant

data available for decision making .CA will also help to develop ESG framework which is used to assess an organization's business practices and performance on various sustainability and ethical issues.

There help can ensure that business will incorporate sustainability priorities into their processes through budgeting, forecasting, capital allocation, performance assessments and scorecards. CA can use many strategies to keep up with the latest ESG reporting trends, Such as : Researching voluntary ESG frameworks and standards. Developing relevant skills, including data visualization ,data processing and project management. They can play a advising leaders on business decisions and also will be performing assurance engagement on ESG information .CA sets the ESG goals and targets which are then reported to stakeholders and the public .

For the country economic development and prosperity, financial transparency is most important. Chartered Accountants are accountable for securing financial transparency within organizations. In the domain of CSR and sustainability, translucency extends to revealing the environmental. Social and governance (ESG) influences business procedures. Fiscal transparency has a statistically significant influence on government effectiveness. Financial Transparency builds trust among stakeholders in case of company and in general public in case of government organization . Chartered accountants, appointed as auditor-by-Auditor General for the audit of the Public Sector Enterprises will play their vital role in transparency, Compliance ,regular reporting and providing all true and Fair view to the general Public. In addition to this CA would play a vital role in corporate governance too as the main purpose of corporate governance

is to facilitate effective, entrepreneurial and prudent management that will deliver the long-term success of the company. CA as an Auditor or as an CFO or as on Management Team of the organization will Play the role of 4 pillars of corporate governance *i.e accountability, transparency, fairness and responsibility.*

Looking at the nature of services, the Chartered accountants have four key areas of expertise: financial accounting and reporting, management accounting, applied finance, and tax. They may be responsible for all accounting for the company, or each CA may focus on a narrower single department. The Chartered Accountant acts as a trusted advisor to guide the company by strategically giving it financial direction. They prepare monthly and annual financial statements, which is very helpful in making decisions about the company's performance. They are responsible for being familiar with certain rules, regulations, and laws, making changes, and resolving the company's financial problems. They work as business accountants, business analysts, sales managers, and business and industry leaders. Public sector accountants play a key role in managing public spending by strategically monitoring and allocating resources. Some chartered accountants also act as consultants, appointed as auditor-by-Auditor General for the audit of the Public Sector Enterprises, freelancers and so on

It helps them grow in different projects and keep up with changing market trends and new forces. The chartered accountant acts as a company's financial advisor. He/she offers customers real and virtual advice and information. They make customers related to business development, tax plans, financial risks, business acquisitions, and mergers. They advise about the issue of selecting officers in areas such as marketing, production,

data processing, general management, and accounts. They are in charge of establishing and creating Financial Statements for a Chartered accountant. Auditing allows certified accountants to work in a variety of areas, improving their skills with experience. After the audit, they present the reports and recommendations that are essential for decision-making. They are responsible for preventing and investigating fraud and financial fraud within the company. The annual financial statements prepared monthly or annually by the auditor are responsible for building a reputation in the market. It shows the company's financial fluctuations, income, and expenses. All these services offered by CAs contribute directly or indirectly to the national economy.

Conclusion

The ICAN has a responsible role to play in contributing to policy formulation, establishing financial discipline, and promoting accountability, corporate governance, that is inevitable for the progress of the nation. ICAN can lead the profession in this initiative and continue to play a vital role in advocating reforms and being a facilitator of good governance measures in the functioning

of the Central and provincial Governments. If we can make a meaningful contribution leading to the growth of the Nepalese economy in an accelerated fashion as indicated above and thereby alleviate poverty by enabling the percolation of prosperity down the line to the masses, we would justify our existence and leave a legacy that the human race would cherish to preserve besides inspiring others to emulate us. There cannot be two views that Nepal would join the league of developed economies in a decade's time, and it is for us to decide whether we would play an active role in the process as vital change agents or remain as passive spectators. The choice is obvious. It is said that no economy can grow without the involvement of CAs.

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Digital Payment System in Nepal: Opportunities and Challenges



CA. Namuna Joshi

The author is Member of ICAN, and she can be reached at: namuna.joshi21@gmail.com

Abstract

Today, there are multiple payment systems and platforms, payment products and services for individuals and corporate houses. The digital banking has witnessed significant development since COVID-19. The global pandemic has influenced the shift towards digital payments and also increased the adoption rate of digital channels. The majority of people has switched from physical mode of cash payments to digital mode of payments. With the surge in use of digital payment systems, the number of frauds in financial transactions have also risen. The widespread use of mobile devices is accelerating the rate and impact of financial crime. Considering the emerging threat in digital transactions, financial institutions shall ensure proper controls have been placed for prevention of cyber security threat. Also, customers shall be aware regarding the risks that digital system poses and apply safeguards while using the same.

Key Words

Digitalization, cybersecurity, digital fraud, technology, risk mitigation, digital risks, due diligence, digital payment, financial transaction.

A. Introduction

Digital payment system refers to a system that enables customers to make an electronic payment through a personal computer, mobile phones or other intelligent devices. Digital products and services can include wholesale products for corporate customers as well as retail and fiduciary products for consumers. Digital payment offers faster processing of financial transactions, more conveniently and a model that allows for the continuation of a financial industry even in the face of a pandemic.

The digital payment ecosystem of Nepal has rapidly grown over the last few years. The payment landscape has expanded massively with the launch and acceptance of new modes of payment in the market. Over the past few years, the availability of contactless and quick payments have enriched the customer experience. Today, Nepal's market has witnessed multiple payment systems and payment platforms, a wide and varied range of digital payment products and services for individuals and business houses. People from diverse age groups are getting familiar with digital payments every day. As of Falgun end, 2080, there is 20 commercial banks, 17 development banks, and 37 payment system operators in Nepal offering swift flow of digital transactions.

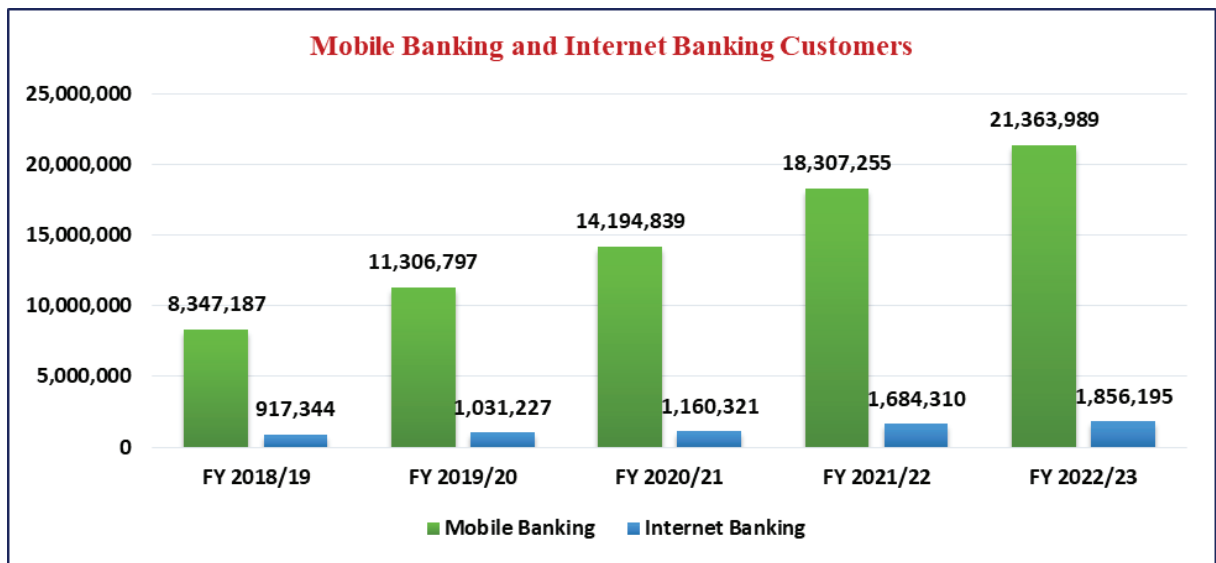
The massive growth and development of the digital ecosystem in Nepal have been mainly caused by the lockdown in COVID-19 and various other factors, which include the central bank's policies and efforts towards digitization, growth of e-commerce

activity and online shopping, high usage of internet and smartphones and technological advancements across the globe. A total of 35.98 million mobile phones are in use as of Chaitra end, 2080 and 38.13 million users have access to the internet as of Poush end, 2079. As of Falgun end, 2080, there are 23.78 million mobile banking customers, 1.87 million internet banking customers and 21.63 million wallet users. However, the information about the coverage of population that using wallet and internet banking has not been published due to lack of mechanism of recording disaggregated data considering the name of account holder.

B. Status of Digital Payments in Nepal

Delivery Channels are the medium by which Banks and Financial Institutions (BFIs) and Payment Service Providers (PSPs) offer its services to its customers. It can also be termed as alternative banking that use technology to meet the demands of its customers. BFIs/ PSPs have been providing wide range of delivery channels and use of technology is highly evident in modern banking. Licensed institutions are also equally aware on the risks involved in such delivery channels and focused on developing of risk mitigation to tackle the risks observed.

The customers of mobile banking and internet banking in banks and financial institutions of last five financial years has been presented in the following graph:



Source: Payment Oversight Report FY 2022/23 published by Payment Systems Department, Nepal Rastra Bank

Mobile banking customers and internet banking customers have seen a tremendous growth year on year with a growth rate of 155.94% and 102.34% respectively from 2018/19 to 2022/23.

The status of payment system usage via various delivery channels in Nepal has been summarized in the following table:

Particulars	Number of transactions				Volume of transaction (in million)			
	2019/20	2020/21	2021/22	2022/23	2019/20	2020/21	2021/22	2022/23
Connect IPS (CIPS)	696,447	3,204,845	4,270,099	5,571,691	51,306	237,758	369,223	498,453
Debit Cards	3,316,554	7,465,439	11,127,683	11,838,532	25,894	66,417	83,200	90,541
Credit Cards	119,610	124,243	227,920	262,057	584	859	1,490	1,830
Prepaid Cards*	5,249	17,231	57,942	73,017	36	73	458	447
Internet Banking	653,459	329,523	318,598	315,202	19,048	13,832	15,638	15,502
Mobile Banking	5,817,681	13,700,993	20,564,308	28,903,872	18,839	73,729	163,255	233,446
Wallet	10,179,557	12,515,904	16,206,356	20,822,861	10,222	12,790	17,752	20,326
Quick Response (QR)	-	855,566	4,281,994	9,766,216	-	3,651	14,526	30,148
Point of Sales (POS)	-	635,599	1,173,548	1,035,206	-	2,665	5,183	5,244
E-Commerce**	-	52,115	68,944	94,509	-	296	504	605
Total	20,788,557	38,901,458	58,297,392	78,683,163	125,929	412,069	671,229	896,542

Source: Nepal Rastra Bank

*Also includes cards issued by payment service provider (PSPs)

**Online payment using cards

From the above table, we can observe that digital transaction conducted through various channels of delivery have been mostly increasing year on year. Major surge has been noted in prepaid cards with an increase of 1140% on transaction volume and mobile banking with a growth rate of 1139% on transaction volume over the past four years. New products such as Quick Response (QR), point of sales and e-commerce transaction have observed tremendous growth on transaction value in the last 3 years. Internet banking users seem to have shifted from internet banking platform to Connect IPS (Interbank payment system) platform as Connect IPS has been offering citizen-to-government (C2G), customer-to-business (C2B) and peer-to-peer (P2P) payment transactions directly from/to the majority of bank accounts and is available on both web channel and mobile application. The establishment of legal framework and other regulatory provisions

regarding payment system by the government has helped consumer to accept and trust digital wallet as a payment system. Thus, the significant growth of 98.85% in terms of transaction volume has been noted in wallet payments. Connect IPS and mobile banking are the two most widely used delivery channel for online payment of transactions.

C. Impact of Digital Payment in Economy

The Nepalese economy in the developing phase, and digitalization plays a crucial role in this development. Some of the significant impacts digital payments have created on the economy have been discussed below:

- Enhance Employment Opportunities:** Digital payments have boosted the FinTech industry creating more opportunities of employment to people.
- Revenue Growth:** Digitization of transaction helps government track sales

and tax of companies, especially the informal and unregulated sectors. This aids to increased government revenue to the country by preventing revenue leakage.

- iii. **Less exposure to corruption and money laundering:** Digitization reduces the usage of cash, and promotes transparent financial transactions through banking channels, which helps to reduce corruption and shrink money laundering crimes in the country.
- iv. **Reduced cost to the government:** Promotion of digital payments reduces the cost of printing currency notes to the central bank, ultimately increasing the revenue to the government.
- v. **Enriched customer experience and enhanced transparency:** QR payments, online payment of transactions using debit card, credit card, prepaid card and wallet payments have enhanced the user experience by providing quick, easy and efficient payment module. As a result, merchants have also installed QR payments and POS machines in their outlets due to increased demand from customers, which has helped increased transparency even in small and medium sector businesses. It has also helped customer to save the cost of travelling place to place to get or make payments.
- vi. **Support Financial Inclusion:** Digital payments enable individuals in remote and underserved areas to access financial services through mobile banking and payment application.
- vii. **Inflation Control:** Digital payment can help central banks to monitor and control inflation by providing real-time data of money flow.

D. Risks and Challenges Posed by Digital Payment Ecosystem

The rapid shift in consumer behavior towards the digital payment system and quick advancement in technologies have also posed significant risks to the financial system. Rapid development of technology has created vulnerabilities that emerge faster than internal controls can respond.

The different risks and challenges posed by digital payment ecosystem in Nepal have been discussed below:

- i. **Cyber Security Issues:** Financial system is constantly prone to cyber attacks posing threat to data loss of large number of customers. Banks and financial institutions in Nepal have been frequently attacked in this aspect such as ATM hack, SWIFT hack, phishing attack and social engineering. Moreover, the lack of skilled and adequate cybersecurity professionals adds more challenges in digitalization.
- ii. **Identity Theft:** Identity Theft are practices of copying identifying elements of a person, brand or organization for fraudulent purposes. An impersonator pretends to be someone else to get an advantage. Impersonators disguise themselves with stolen identities in many ways to make a profit. The criminal then tricks their victim into transferring money using a range of cover stories. Identification of such victims and resolving such issues can be time-consuming and complicated.
- iii. **Money Laundering Risk:** With the increase in digital transactions, criminals are opting for cryptocurrency platform for money laundering. Considering the anonymity and complexity of



cryptocurrency transactions and lack of a regulatory body to oversee such transactions, cryptocurrency is currently considered illegal in Nepal.

- iv. **Lack of adequate digital infrastructure:** Insufficient IT and digital infrastructure, especially in rural areas, has led to poor access to the internet. Insufficient digital accessibility, poor network connectivity, lack of skills and awareness regarding digitalization have limited the digital payment ecosystem in Nepal.
- v. **Lack of knowledge regarding digitalization:** Many people, especially in the remote areas, are not familiar with digital payment system. Moreover, digital system requires constant updating to improve functionality which might be confusing and discouraging for such people.
- vi. **Cross Boarder Transaction:** Cross-boarder digital payments involve currency exchange, which can introduce risk related to fluctuating exchange rates and navigating different regulatory

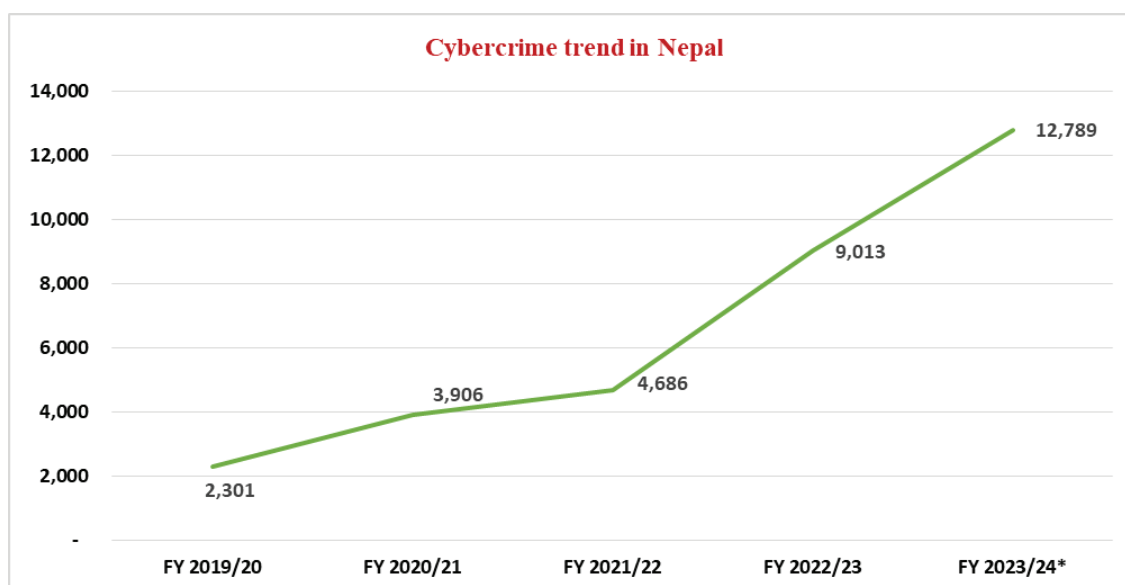
environment across the countries can be challenging for the consumers.

- vii. **Operational Risks:** Technical glitches, system failure or maintenance issues can disrupt digital payment services affecting both consumer and businesses. Over-reliance on digital payment systems can create vulnerabilities in case back up systems are not in place.

E. Current Trends of Digital Frauds in Nepal

As the usage of digital products have increased, the number of digital frauds has also grown significantly. Criminals are using new and innovative techniques to de-fraud the innocent people, especially those who are new and unfamiliar with technology and financial system. As per Nepal Police Headquarters Cyber Bureau data, a total of 12,789 cybercrime cases have been registered till March 7 of FY 2080/81.

The following chart represents the number of cyber fraud cases in Nepal over the past five years:



*till March 7 of FY 2023/24

Source: Nepal Police Headquarters Cyber Bureau data (Reference: <https://english.onlinekhabar.com/cybercrime-cases-nepal-2024.html>)

The current trends and cases of digital frauds observed by the Nepalese market have been noted below:

- Email, phone call or messaging in social media claiming to have won a lottery.
- Pretending to be someone else or stealing identity of another person to gain a financial advantage over social media.
- Setting up a fake online store, requiring to make advance payment through digital platform for delivery of goods and never delivering the actual product.
- Setting up a fake manpower consultancy service in the internet asking for crucial personal information and documents such as copy of citizenship, passport, contact number, and using that information illegally to get access to mobile banking and internet banking platforms thereby resulting unauthorized transfer of funds from victim's bank account to fraudster's account.
- Online blackmailing, online defamation and character assassination for money.
- Stealing personal and financial information through compromised login and transaction credentials.
- Involvement in illegal online gambling and gaming.
- Fraudulent offers of work from home, and requesting application fee for such job offers.
- Hacking the websites of government and corporate organizations for financial advantage.
- Asking ransom for taking control of personal information of people.
- Withdraw money by connecting the ATM card of any person's pocket using ATM card reader.

F. Risk Mitigation Measures to Minimize Digital Fraud

While the growth of digital payments has accelerated over the years, digital payment ecosystem has been facing severe risks which needs to addressed. Banks and financial institutions as well as end customers shall be aware regarding the digital system and online frauds.

Risk Management is a crucial function in every bank, financial institution, Payment System Operator (PSPs) and Payment Service Provider (PSOs). Some of risk mitigation measures that BFIs and licensed institutions shall adopt to prevent digital risks are as follows:

- Maintain account access controls in a way that only customer can access the customer account.
- Enabling password protection in electronic channel and blocking users in case of multiple attempts of wrong passwords.
- Establishing strong network system and ensuring secure communication.
- Requiring customers to use strong and secure passwords
- Training employees for safe computing practices.
- Restricting access to unauthorized persons to physical assets of BFIs and licensed institutions.
- Establishing strong internal controls such as dual control, segregation of duties, periodic reconciliation of transaction, transaction monitoring, suspicious transaction/ activity reporting.
- Conducting information system audit on a periodic basis, and ensuring compliance with IT guidelines and other regulatory



guidelines to mitigate risks associated with IT.

- Placing transaction threshold for conducting digital transactions in line with the regulatory provisions.
- Proper due diligence at the time of customer onboarding and transaction monitoring of accounts conducting frequent digital transactions.
- Customer awareness programs through online and social media platforms regarding digital risks and safety measures to be applied.
- Providing instant alert to customers via SMS and/ or email regarding transaction conducted in customer's account.
- Enabling biometric login such as fingerprint setup and face recognition technology to access to mobile banking.
- Enabling two-factor authentication to provide extra layer of security.
- Ensuring only a single device is used for one customer account.
- Requiring to change passwords mandatorily to customers on a periodic basis.

Some of risk mitigation measures that consumers shall adopt to prevent digital risks are as follows:

- Changing password frequently and keeping a strong password and use password protector applications.
- Keeping login credentials private and confidential.
- Not using public Wi-fi and unprotected internet to access online banking/ wallet.
- Logging out completely from mobile/ internet banking.
- Do not share One Time Password (OTP)

to anyone.

- Keep debit cards/ credit cards and prepaid cards safely.
- Enable two-factor authentication and/or biometric authentication to access digital services.
- Installing trusted software/application in mobile devices and laptop to protect personal information.
- Scrutiny of personal account and bank transactions on a periodic basis to identify any unauthorized transactions.
- Do not install unsecured software/ applications in electronic devices.
- Inform the bank/ wallet regarding change in mobile number.
- Immediately notify the Bank in case of loss of ATM card/ mobile device.

G. Key Areas to be focused by licensed institutions

Considering the emerging threat in digital transaction, and in order to detect any suspicion regarding digital activity, Nepal Rastra Bank should increase the number the number of on-site inspection and off-site inspection of licensed institutions. It has to further monitor the identified issues to be observed for safe and secure payment mechanism, some of which have been noted below:

- Establishment of adequate policies, manuals and guidelines for safe digital banking and payments.
- Ensuring good corporate governance is in place.
- Implementation of adequate anti-money laundering policies.
- Conducting proper due diligence,

identification of politically exposed persons, account segregation of customers and transaction monitoring.

- Maintaining sufficient balance in settlement account by wallet PSPs.
- Continuous KYC update of customers on time-to-time basis.
- Restriction of cash withdrawal through wallet's agent beyond the regulatory threshold.
- Development of effective strategy for continuous business operation at the time of crisis.

H. Future of Digital Payments in Nepal

The digital payment industry is expected to grow more over the coming years. Nepal Rastra Bank is already studying and working towards implementation of Central bank digital currency (CBDC) in Nepal. CBDC is a digital version of cash currency. Nepal has also been working towards collaboration with neighbor countries to facilitate efficient cross border payments to tourists promoting the tourism sector as well. Also, the central bank has allowed foreign direct investment to payment service providers and payment system operators of up to 15 percent of the total capital. This has opened door to foreign investors in Nepal's digital payment system.

I. Conclusion:

The transition from cashless transaction to digital payments, fueled by COVID-19, has been incredible in the context of Nepalese economy. Digitalization is expected to boost the Nepalese economy in a positive way promoting financial inclusion across the nation, reduced usage of cash, less transaction costs, promoting transparency in financial transactions and creation of more

job opportunities. However, cybersecurity and data privacy are issues of serious concern towards the development of digital payment system in Nepal. Issues in the digital payment ecosystem should be addressed with joint efforts of central bank, banks and financial institutions, payment system operators, payment service providers and stakeholders by investing in digital infrastructure, implementation of effective policies and guidelines, encouraging innovation, digital awareness and financial inclusion amongst the people. On the other hand, customers shall take precautionary measures and apply safety while conducting digital transactions over the internet. With collaborative effort and initiatives from all the stakeholders, revolution towards digital Nepal seems promising.

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Central Bank Digital Currency: The Future of Money

Introduction

The concept of virtual currencies has been around since the late 20th Century. The introduction of Bitcoin in 2009 marked a considerable milestone in the field of digital currencies. Furthermore, the latest rise of the cryptocurrency market has highlighted the capacity of digital currencies and blockchain technology in decreasing transaction costs and making cross-border transactions. However, this rise of decentralized currencies has also raised challenge to the regulatory bodies concerning security, volatility and unlawful transactions. Considering the concerns and possibilities presented by digital currencies, central banks around the world are exploring the potential of a regulated and centralized digital currency referred to as Central Bank Digital Currency (CBDC). A few nations like Nigeria, Jamaica and The Bahamas have already implemented CBDC after gaining achievement in pilot tests, whilst others are exploring it in special ranges. Considering the global context of CBDC, Nepal Rastra Bank (NRB) announced to conduct research on CBDC in its Monetary Policy 2021/22 and in August 2022, NRB posted an idea file on CBDC for public consultation. As Nepal continues to improve its virtual economic system, CBDC can also be a key component for achieving the coverage goals like monetary inclusion, optimum payment system, value efficient foreign money control, etc.

What is CBDC?

A Central Bank Digital Currency is a form of virtual currency issued by means of a country's central bank. It represents the digital version of the country's money in circulation, and



CA. Shiwani Shrestha

The author is Member of ICAN, and she can be reached at: shiwanisth52@gmail.com

is equal to the country's fiat currency and aims to supplement or replace physical coins. CBDC is of two types: retail and wholesale.

A retail CBDCs are used by the overall public. They permit people and corporations to conduct normal transactions with the identical ease and safety as physical cash, however with the added advantages of digital efficiency.

The wholesale CBDCs are used among banks and financial institutions. They facilitate interbank bills and securities transactions, streamlining approaches, and lowering settlement costs and time.

Both forms of CBDCs utilize cryptographic techniques and digital ledger structures to make certain the security and transparency of transactions. By adopting CBDCs, central banks intend to modernize the economic system, reduce fees, and reinforce financial stability.

Foundational Principles and Core Features

Bank for International Settlements (BIS) has mentioned the following 3 key foundational

ideas to be considered by central banks at the time of issuing CBDC:

"Do not Harm" principle indicates that CBDC should not intervene with Central Bank's potential to perform its financial and economic obligations.

"Coexisting" principle shows that CBDC should not replace physical currencies and should not be forced upon immediately. The people should shift to CBDCs on their own terms.

"Innovation and Efficiency" principle shows that CBDC should encourage innovation and efficiency in transactions.

To comply with these foundational principles of CBDC, BIS (2020) has recognized the following additional features:

- a) Making CBDC convertible to physical currencies at par cost.
- b) Making CBDC handy to use as cash.
- c) Accepting CBDC for Peer-to-Peer payments.
- d) Making CBDC available for offline transactions.
- e) Making CBDC reachable for payments at very low or no cost.
- f) Making CBDC secure, instant, resilient and scalable.
- g) Putting in place a clear and sturdy legal framework
- h) Appropriate legal standards.

Cryptocurrencies and CBDCs

CBDCs share numerous foundational similarities with its decentralized counterpart cryptocurrencies. First of all, both exist absolutely in a digital form, without any physical counterparts such as banknotes and cash which lets in for smooth and fast

transactions. Furthermore, both currencies are constructed on blockchain technology which complements security, transparency and performance in transactions. Also, the real time processing system in both currencies reduces the transaction time and, thus lowers transaction charges and will increase efficiency in cross border transactions. Finally, both currencies often use a digital ledger machine to document the transactions to make sure the transactions are transparent and protected.

Why do we need CBDC?

Considering the several similarities between cryptocurrencies and CBDC, one would possibly question the need of CBDC and argue in favor of legalizing cryptocurrencies. However, CBDCs are essential for numerous key motives that go past what can be achieved with the aid of merely legalizing cryptocurrencies. CBDC exploration was initiated with the objective of reaching several goals like enhancing the performance and security of payment systems, reinforcing monetary stability, promoting economic inclusivity, and innovation inside the financial system amongst others. While cryptocurrencies like Bitcoin and Ethereum have validated the capability of digital currencies, they also gift demanding situations that CBDCs are uniquely designed to address.

Ensuring Monetary Sovereignty: Central banks play a critical role in handling a nation's monetary policy, controlling inflation, and ensuring economic stability. Cryptocurrencies, being decentralized and often noticeably unstable, do not offer central banks with the equipment they want to control the economic system efficiently. By issuing CBDCs, central banks can ensure that they keep control over the money deliver and implement guidelines that stabilize the economy during the periods of financial turbulence.



1. **Enhancing Financial Stability and Customer Protection:** While legalizing cryptocurrencies promotes innovation and offers more options for customers, it additionally introduces tremendous risks. The volatility of cryptocurrencies can lead to monetary instability, as seen in numerous times in which prices have fluctuated wildly inside brief intervals. This volatility can pose risks not only to the individual investor but to the broader monetary system. In assessment, CBDCs are designed to be stable and are subsidized by the central bank, supplying a safer and more dependable medium of exchange. Additionally, CBDCs come with regulatory oversight which can shield clients from fraud, theft, and different dangers related to unregulated virtual currencies.
2. **Integrating with Existing Financial Systems:** CBDCs can work alongside conventional banking structures and other financial structures, enhancing performance and accessibility. This integration guarantees that the transition from traditional systems to modern digital currencies does not disrupt the prevailing economic processes, instead improves it. Legalizing cryptocurrencies, on the other hand, might require enormous changes to modern economic structures, leading to compatibility troubles and extended complexity.
3. **Promoting Financial Inclusion:** CBDCs can be designed to be user-friendly and accessible to all. They can be distributed through mobile devices and different technologies which can be widely available, even in far off regions. While cryptocurrencies also have the ability to attain unbanked populations, their use regularly requires a better degree of

technical understanding and access to steady internet connections, which may be boundaries for a few users.

4. **Facilitating Effective Monetary Policy Implementation:** CBDCs provide central banks with new tools for implementing monetary policy with greater success. They additionally offer better monitoring and records analysis competencies, permitting central banks to monitor financial activity more intently and adjust guidelines as required. Cryptocurrencies, due to their decentralized nature, do not offer the same level of control or insight, limiting their usefulness in this regard.
5. **Addressing Legal and Regulatory Challenges:** Legalizing cryptocurrencies involves navigating a complex web of regulatory and legal challenges. Cryptocurrencies operate across borders and often fall into a regulatory gray area, making it difficult to enforce laws and protect consumers. CBDCs, on the other hand, are issued and regulated by the national central bank, ensuring they comply with existing laws and regulations. This clear legal framework provides greater security and predictability for users and financial institutions alike.

Challenges and Considerations

The development and implementation of CBDCs present several demanding situations and concerns that require careful planning and considerations. While Central Bank Digital Currencies (CBDCs) offer numerous advantages, the development and adoption of CBDC comes with numerous risks and challenges which encompasses technological, regulatory, financial and social dimensions.

1. **Technological Readiness:** Implementing CBDC requires robust technological

infrastructure that manage big volume of transactions effectively, efficiently and securely. Considering this, many central banks and other financial institutions may also face difficulty in developing and upgrading the present systems. In the context of Nepal, due to limited digital know-how, limited technological expertise and digital infrastructure, the effective implementation of CBDCs could be affected.

2. **Cybersecurity and Data Privacy:**

Ensuring the safety and privacy of CBDC is critical in retaining trust in the digital currencies, thus making it necessary for central banks to cope with the cybersecurity risks. Strengthening cybersecurity measures, imposing strong protection protocols and growing information safety frameworks are important to ensure protection of CBDC transactions not only in Nepal, but in global scale as well.

3. **Regulatory Framework:** It is necessary to develop an appropriate regulatory framework for CBDC to perform efficiently and effectively, as well as, it is also necessary to make certain that CBDC complies with current regulatory requirements. However, growing the perfect regulatory framework for CBDC in Nepal poses challenges associated with legal clarity, regulatory oversight, and alignment with international standards.

4. **Financial Stability and Banking Sector**

Impact: Implementation of CBDC may affect the financial stability if it results in destabilize the traditional banking practices. Therefore, it is important for the central bank to assess the impact on banks and financial institutions in terms of liquidity management, monetary

transmission, etc.

5. **Financial Inclusion and Accessibility:**

While CBDC has the capacity to promote monetary inclusion, ensuring equitable access to digital currencies remains a challenge, specifically for marginalized or underserved populations. Central banks need to deal with problems related to virtual literacy, development of digital infrastructure, and affordability to ensure a large part of the population is involved in the transaction of CBDCs.

- a. **Cross-Border Transactions with CBDCs:** Facilitating cross-border transactions with Central Bank Digital Currencies (CBDCs) is a complex undertaking that requires international cooperation and harmonization of policies. The purpose is to allow seamless, efficient, and steady transactions among different nation's digital currencies. However, factors such as technical compatibility, legal provisions, currency exchange mechanism, liquidity provisions etc. create a challenge for using CBDCs for cross border payments.

Nepal's Perspective and Stance

With CBDC being a distinctly buzzed word within the latest years, Nepal too has understood that it's now time to explore the possibility of introducing CBDCs in Nepal. The key policy goals motivating the central bank of Nepal to explore CBDC (as per a concept report on CBDC released by Currency Management Department of NRB on August 2022) include the importance of improving access to payments, promoting financial inclusion, enhancing resilience of the payment system, safeguarding the central bank's monetary sovereignty, reducing currency management cost, enhancing the efficiency of cross boarder payment system, promoting financial transparency, improving



monetary policy transmission mechanism, promoting financial stability, and supporting government for welfare distribution.

Governor of Nepal Rastra Bank in his speech at the South Asian BFSI Tech Summit and Awards held on 29 February, 2024 mentioned that "the concept of CBDC as a legal tender is not something to substitute physical currency immediately but rather it serves as supplement to existing legal tender form of currency". Introduction of CBDC in Nepal has been planned phase-wise, with a full implementation in 2026. For this, following plan of actions have been taken:

- a) NRB has established a division and assigned a team to study on CBDC. This is the first phase of the CBDC project.
- b) The second phase would be research on the appropriate design and technology for the introduction of CBDC. This topic has also been explored in the concept report on CBDC.
- c) The third phase would be partnership and collaboration with the financial institutions, payment service provider and banking software to integrate CBDC into their existing system.
- d) Formulation of regulations and making legal arrangements, testing and piloting would be the fourth phase of the project.
- e) The fifth and final phase would be the CBDC roll out. The roll out will be starting with limited use cases and gradually expanding its scope based on user feedback and performance evaluation.

In order to appropriately roll out CBDC into Nepal's banking system, NRB shall also consider the existing laws and regulations that has been governing its functions and duties as the central bank, including the technological

aspects that come with introducing CBDC. For the successful implementation of CBDC, it is also necessary to identify whether the existing laws and regulations support its implementation and functioning. Following updates might be necessary to support the successful implementation of CBDC legally in Nepal:

- a) The existing NRB Act states the function of NRB to issue banknotes and coins, with NRB having the monopoly to issue such banknotes and coins as legal tenders in Nepal. However, in order to introduce CBDC, it might be necessary to update to include the function of NRB to issue CBDC.
- b) It is also necessary to introduce law regarding data protection in relation to use of CBDC.
- c) A regulation addressing the regulation and supervision framework of the department overseeing the introduction and implementation of CBDC would be beneficial.

Conclusion

The exploration and capability of adoption of Central Bank Digital Currency (CBDC) in Nepal presents an enormous step closer to modernizing the nation's financial system and enhancing monetary inclusivity. As virtual bills come to be increasingly more popular globally, CBDC offers Nepal a completely unique possibility to leapfrog traditional monetary limitations and foster a greater inclusive, green, and secure financial framework. The motivations using Nepal's interest in CBDC consist of selling financial inclusion, modernizing fee infrastructures, improving economic policy effectiveness, and strengthening monetary balance. However, the journey toward CBDC adoption is filled with challenges, inclusive of technological readiness,

regulatory framework improvement, making sure cybersecurity, and attaining extensive public recognition. Nepal must spend money on sturdy virtual infrastructure, set up complete legal and regulatory guidelines, and adopt public awareness campaigns to make sure the successful implementation of CBDC.

By mastering from worldwide reviews and engaging in collaborative efforts with global businesses and stakeholders, Nepal can navigate these challenges efficiently. A phased and cautious technique to CBDC deployment will permit the country to mitigate risks and construct a resilient virtual currency mechanism.

In the end, CBDC holds the ability to convert Nepal's economic panorama, providing numerous blessings while also posing enormous demanding situations. With cautious plans, strategic investments, and a commitment to

inclusivity and protection, Nepal can harness the power of CBDC to pressure economic increase, economic stability, and greater get access to financial services for all the citizens.

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अनुशासन सम्बन्धी उजुरी सम्बन्धमा सचेत गराइएको बारे ।

नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ को दफा ३५(२) बमोजिम कार्यकारी निर्देशकको प्रस्तावमा संस्थाका एक सदस्य विरुद्ध “गुणस्तर आश्वस्तता पुनरावलोकन गर्ने क्रममा पुनरावलोकनको प्रयोजनको लागि छनौट गरिएको एक कम्पनीको लेखापरीक्षण फाइल उपलब्ध नगराइएको सम्बन्ध” मा दर्ता भएको उजुरी उपर छानविन गर्दा निज सदस्यले नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३, नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१, Code of Ethics २०१८ तथा गुणस्तर आश्वस्तता पुनरावलोकन कार्यविधि २०७३ बमोजिम पुरा गर्नुपर्ने दायित्व पूरा गरेको नदेखिएको भएतापनि निजले सो सम्बन्धमा आफ्नो बदनियत नरहेको तथा पुनरावलोकनको क्रममा कारणवश फाइल उपलब्ध गराउन नसक्नुमा आफ्नो गल्ती कमजोरी स्वीकार गरी यस प्रकारका गल्ती कमजोरी नदोहोर्याउने प्रतिवद्धता व्यक्त गर्नु भएको तथा अनुशासन छानविनको क्रममा भने लेखापरीक्षण फाइल पेश गर्नु भएकोले मिति २०८१ जेठ २९ गते बसेको परिषद्को ३२८ औं बैठकले नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था, अनुशासन सम्बन्धी उजुरी छानविन कार्यविधि, २०७७ (पहिलो संसोधन २०७८ सहित) को दफा ५ को उपदफा ११ बमोजिम निज सदस्यलाई एक पटकको लागि सचेत गराई निज उपरको उक्त उजुरी तामेलिमा राख्ने निर्णय गरेको तथा लेखापरीक्षण फाइलमा लेखापरीक्षण कागजातको पूर्णता सम्बन्धमा केही कैफियत पाइएकोले निजको फर्मको अर्को वर्ष पनि ताकेता गुणस्तर आश्वस्तता पुनरावलोकन सम्पन्न गर्ने निर्णय गरेको व्यहोरा जानकारीको लागि प्रकाशन गरिएको छ ।

Evaluation of Projects with Unequal Lives

Background

In finance, it is the basic notion that we choose projects with positive Net Present Value (NPV). If all the available projects in hand has positive NPVs but are mutually exclusive such that choice of one project will preclude the choice of other, then we shall choose the projects with higher NPV as this will largely increase shareholders' wealth provided capital constraint is not an issue and all projects are of equal lives. What will be the problem in decision making if projects have different lives?

Example 1: A company has two projects in hand Plant A and Plant B. Plant A has 2 years of life and Plant B has 3 years of life. The investment and cash flows of these two Plants (projects) are depicted as below along with their NPV calculations at cost of capital of 12%.



CA. Nirmal Shrestha

The author is Member of ICAN, and he can be reached at: nnshrestha@gmail.com

	Plant A			Plant B		
Year	CF (CU in mio)	DF@12%	PV	CF (CU in mio)	DF@12%	PV
0	(1,000.00)	1.0000	(1,000.00)	(950.00)	1.0000	(950.00)
1	700.00	0.8929	625.00	400.00	0.8929	357.14
2	800.00	0.7972	637.76	500.00	0.7972	398.60
3				700.00	0.7118	498.25
NPV			262.76			303.99

If we need to choose one Plant out of these two Plants, we may usually go for Plant B as it will contribute to shareholders' wealth with its higher NPV (CU 303.99) as compared to Plant A (CU 262.76). Our evaluation with this NPV results can lead us to wrong decision because these two Plants have different lives so their NPVs cannot be compared to reach at any conclusion.

Plant A will end after two years. Expiry of plant life does not mean that company will stop production after that period. Company

can replace Plant A with the new one with similar features and value and begin earning cash flow in Year 3 and in Year 4 i.e., CU 700 and CU 800 respectively. Company can generate same value in second cycle of the new Plant A which together with first cycle can be higher when discounted to present values as compared with the net present values of the Plant B over its life. Here, the problem is the life cycle of the cash flow because cash flow of Plant A in two cycles will cover for 4 years and cash flow of Plant B in one cycle will cover for

3 years, yet again causing the incomparability of the values between the two plants.

Equivalent Annual Benefit (EAB)

At such instance, we use Equivalent Annual Benefit (EAB) as an investment tool to assist in decision making process when lives of the assets differ from each other.

Steps in computing equivalent annual benefit is as below:

1. Compute NPV of each plant (Project) for each potential life cycle.
2. Compute Equivalent Annual Benefit (EAB) dividing NPV of the plant by its present value of annuity factor for the period covering that plant's life and given cost of capital.

Decision: Choose Plant (project) with higher EAB.

Let's compute the EAB for the two plants stated above.

Particulars	Plant A	Plant B
NPV (in mio)	262.76	303.99
Life (n)	2	3
PVIFA @ 12% for n year	1.6901	2.4018
Equivalent Annual Benefits (EAB) [in mio]	155.47 [262.76/1.6901]	126.56 [303.99/2.4018]

Based on EAB, Plant A will be selected with higher EAB i.e., CU 155.47 million against Plant B which has EAB of CU 126.56 million. Computation of Equivalent Annual Benefit (EAB) is simple, and decision based on EAB is a stress-free approach i.e., just select project with higher EAB.

*But the question is what does this **EAB** mean?*
Meaning of EAB

NPV is simple to understand as it is the present value of future cash streams, and it

adds to shareholders' wealth with the same value. However, EAB is different from NPV, and it is not the real value created in Today's terms. This is just the indicator that helps decision maker to choose the projects with different lives. In pragmatic terms, it is the recasting of earlier cash flow streams which may not be equal into equal cash flow streams over the period of the project.

Here, EAB of Plant A is CU 155.47 million which mean all the cash flow streams (including negative cash flows) of Plant A is recast with equal annual cash flows of CU 155.47 million for next two years which will result in a same NPV as below:

Year	Plant A	DF@12%	PV
0	-	1.0000	-
1	155.47	0.8929	138.81
2	155.47	0.7972	123.94
NPV			262.76

Now we can conclude that investment of CU 1,000 million now and generating CU 700 million in Year 1 and CU 800 million in Year 2 is equivalent to generating two equal cash flows of CU 155.47 million in both end of Year 1 and Year 2. Both alternative cash flows will produce same NPV of Plant A i.e., CU 262.76 million.

Similarly, for Plant B, investment of CU 950 million now and generating CU 400 million, CU 500 million and CU 700 million in Year 1, 2 and 3 respectively is equivalent to generating three equal cash flows of CU 126.56 million in all the 3 years end. (NPV calculation Table will be like Plant A i.e., CU 126.56 million for 3 years with NPV 303.99 million)

Recasting of the actual (probably) unequal cash flows into equal cash flows over the project life will result in following cash flows streams of the two Plants.



Actual Cash Flows				
Years	0	1	2	NPV
Plant A	(1,000.00)	700.00	800.00	262.76

Recast Cash Flows		
1	2	NPV
155.47	155.47	262.76

Actual Cash Flows					
Years	0	1	2	3	NPV
Plant B	(950.00)	400.00	500.00	700.00	303.99

Recast Cash Flows			
1	2	3	NPV
126.56	126.56	126.56	303.99

Now each year's cash flow assumed to be produced by two plants are comparable i.e., each year CU 155.47 is better than each year CU 126.56. But Plant B is producing cash flows for 3 years and Plant A for 2 years leaving our analysis and results incomplete. It does not mean that company will stop production after 2 years in case of Plant A or after 3 years in case of Plant B. Company will buy another similar plant for each life cycle of the Plant which may go infinitely. However, for the sake of comparison let us take fixed period that coincides exactly by replacement of different life cycles of the two plants. This can be derived by taking Least Common Multiples of life of the two plants i.e., $2 \times 3 = 6$ years.

Consider Plant A which require replacement for 2 times in 6 years after its first investment i.e., first replacement at the end of 2nd year and second replacement at the end of 4th year as below.

Years	0	1	2	3	4	5	6	NPV
Initial Investment	(1,000.00)	700.00	800.00	-	-	-	-	
1st Replacement			(1,000.00)	700.00	800.00			
2nd Replacement					(1,000.00)	700.00	800.00	
Cash Flows	(1,000.00)	700.00	(200.00)	700.00	(200.00)	700.00	800.00	
DF@12%	1.0000	0.8929	0.7972	0.7118	0.6355	0.5674	0.5066	
PV	(1,000.00)	625.00	(159.44)	498.25	(127.10)	397.20	405.30	639.21

This way NPV of the Plant A in 6 years will be CU 639.21 million. This can be derived from recast of equal annual cash flow as below:

Years	1	2	3	4	5	6	NPV
Plant A	155.47	155.47	155.47	155.47	155.47	155.47	
DF@12%	0.8929	0.7972	0.7118	0.6355	0.5674	0.5066	
PV	138.81	123.94	110.66	98.81	88.22	78.77	639.21

Similar calculation can be done for Plant B with two alternatives cash flow streams which produces same NPV in 6 years period with 2 life cycle of Plant B. To enable easy comparison in order to reach a conclusion, alternative cash flows of the two plants can be taken as below:

Years	1	2	3	4	5	6	NPV
Plant A	155.47	155.47	155.47	155.47	155.47	155.47	639.21

Years	1	2	3	4	5	6	NPV
Plant B	126.56	126.56	126.56	126.56	126.56	126.56	520.36

In 6 years, period, Plant A will have 3 cycles each of 2 years and Plant B will have 2 cycles each of 3 years. As investment amounts (negative cash flows) are also included in these equal cash flow streams, they are now comparable for decision making process. Over the 6 years' period, Plant A will generate cash flows of CU 155.47 each year or NPV of CU 639.21 and Plant B will generate cash flows of CU 126.56 each year or NPV of CU 520.36. So, investment in Plant A will be beneficial as it generates higher cash inflows than that of the Plant B in each of the 6 years taken into consideration. Decision making is much simple which shall be based on equal annual cash inflow of the two projects i.e., CU 155.47 million or CU 126.56 million for next 6 years. As cash flows represented are cash inflows, one with higher annual cash inflow will be chosen. NPV need not be computed to conclude the evaluation.

However, if we assume the replacement of both plants are done in perpetuity, the NPV can be computed assuming perpetual cash flows. In that case, the NPV of Plant A will be CU 1,295.58 million (i.e., CU 155.47/12%) and that of Plant B will be CU 1,054.67 million (CU 126.56/12%).

Equivalent Annual Costs (EAC)

Unlike EAB, we may be required to evaluate projects with their related costs. Projects will normally generate cash inflows more than cash outflows making it financially viable. However, when two different projects have same production capacity or generate same revenue (cash inflows) but their lifespan, initial costs and their running costs differ from each other; then they can be evaluated based on their related costs only.

Example 2: Suppose Plant M and Plant N both have annual production capacity of 10,000 units and company's annual demand is limited to 8,000 units now and will remain same in future as well. It means revenue of the company shall not be altered because of choice of the plant either M or N. But Plant M costs CU 1,000 million and lasts for 2 years and Plant N costs CU 800 million and has lifespan of 3 years. However, although initial cost of Plant N is lower, its running costs are higher over its lifespan as compared to Plant M which is depicted in table below. Assume running costs are net of disposal value of Plants, if any. The Equivalent Annual Costs (EAC) of both plants shall be computed in the same manner as we have calculated EAB but considering their initial costs and running costs as below.

		Plant M			Plant N		
Particulars	Year	CF (CU)	DF@12%	PV	CF (CU)	DF@12%	PV
Initial Costs	0	1,000.00	1.0000	1,000.00	800.00	1.0000	800.00
Running Costs	1	200.00	0.8929	178.57	400.00	0.8929	357.14
Running Costs	2	300.00	0.7972	239.16	450.00	0.7972	358.74
Running Costs	3				500.00	0.7118	355.89
Present value of Costs				1,417.73			1,871.77
PVIFA				1.6901			2.4018
Equivalent Annual Costs (EAC)				838.87			779.31

Plant M has lower Present Value (NPV) of total costs (CU 1,417.73) over the life of the project in comparison to Present Value of total costs of Plant N (CU 1,871.77). But company can utilize Plant N for production of goods for next 3 years with its higher NPV cost whereas Plant M can be utilized for next 2 years with its lower NPV costs. Thus, NPVs of costs are not comparable for decision making. In this case, like EAB, EAC shall be calculated as shown in the same table above.

The EAC of Plant M is CU 838.87 million and Plant N is CU 779.31 million. The interpretation of the EAC is like EAB. Here, we can conclude that Plant M can be utilized at the annual equal cost (annuity) of CU 838.87 million in perpetuity and Plant N can be utilized at the annual equal costs (annuity) of CU 779.31 million in perpetuity. Therefore, Plant N is better for production because both plants will generate same amount of revenue, but annual equal cost (annuity) is lower that of Plant N.

Replacement Cycle of Single Asset

In example 1 and 2 above, we evaluated two different plants (projects) with different lifespan. However, we can evaluate single project having certain life with different replacement cycles. It means if any asset (project) has 4 years of lifespan then we can

replace this asset at any time before four years. The question may arise why we may need to replace the assets before its useful economic life.

The answer is simple because with the passage of time, repair and maintenance costs or running costs of the assets will increase and in other hand disposal value will gradually decrease.

Example 3: Suppose a company can invest in a Plant for CU 1,000 million which lasts for 3 years. Running costs of the Plant is in increasing trend i.e., CU 200 million, CU 250 million and CU 300 million in next 3 years respectively. The company can replace this Plant before its expiry (3 years) with the new one so that lower running costs can be maintained. In addition, higher disposal value will be realized from the Plant if it is sold before end of its lifespan i.e., CU 700 million in Year 1 and CU 500 million in Year 2. However, the plant will be scrapped at CU 50 million if disposed at the end of Year 3.

Here, shorter replacement cycle will benefit company in two ways i.e., lower running costs and maximizes disposal value (cash inflow) but frequent replacement will demand huge amount of investment in new plant. So, to evaluate appropriate replacement cycle, we need to compute Equivalent Annual Cost (EAC) for each different cycle as below:

Replacement Cycle every Year						
Year	Investment	Running Cost (CU)	Disposal Value	CF (CU)	DF@12%	PV
0	1,000.00			1,000.00	1.0000	1,000.00
1		200.00	(700.00)	(500.00)	0.8929	(446.43)
Present Value of Cash Flows						553.57
PVIFA						0.8929
Equivalent Annual Cost (EAC)						620.00

Replacement cycle of every year has present value of cost of CU 553.57 million which has addressed different cash flow of different years (i.e., outflow CU 1,000 million of Year 0, CU 200 million of Year 1 and inflow of CU 700 million in Year 1).

Replacement cycle of every year gives EAC of CU 620 million which means plant can be utilized by incurring annual equal costs of CU 620 million in perpetuity.

Replacement Cycle every Two Year						
Year	Investment	Running Cost	Disposal Value	CF (CU)	DF@12%	PV
0	1,000.00			1,000.00	1.0000	1,000.00
1		200.00		200.00	0.8929	178.57
2		250.00	(500.00)	(250.00)	0.7972	(199.30)
Present Value of Cash Flows						979.27
PVIFA						1.6901
Equivalent Annual Cost (EAC)						579.43

Replacement cycle of every two year gives EAC of CU 579.43 million which means plant can be utilized by incurring annual equal costs of CU 579.43 million in perpetuity.

Replacement Cycle every Three Year						
Year	Investment	Running Cost	Disposal Value	CF (CU)	DF@12%	PV
0	1,000.00			1,000.00	1.0000	1,000.00
1		200.00		200.00	0.8929	178.57
2		250.00		250.00	0.7972	199.30
3		300.00	(50.00)	250.00	0.7118	177.95
Present Value of Cash Flows						1,555.81
PVIFA						2.4018
Equivalent Annual Cost (EAC)						647.76

Similarly, replacement cycle of every three year depicted that same plant can be utilized by the company at annual equal costs of CU 647.76 million in perpetuity.

As same plant can be utilized in perpetuity at different annual equal costs in each of the three cases above, the lower annual equal costs will be our choice i.e., replacement shall be done every two-year maintaining the annual equal costs at CU 579.43 million.

Challenges with EAB or EAC Evaluation

Corporate Tax has been completely ignored in our analysis. Capital costs are depreciated over the life of the project and can be claimed as expense in tax which will save cash flow of the company. Similarly, running costs, maintenance costs and disposal value will also attract tax saving or tax payment so cash flow will be affected.

EAC or EAB assumes that similar asset can be replaced at same price after each life cycle. It means inflation is totally ignored which is not practical in inflationary economy. Similarly changes in running costs, price, quantity demanded, etc. may change future cash inflows or outflows.

Alternative projects are assumed to be mutually exclusive not independent. Generally, projects may be independent of each other and if company has no capital constraints, it can select all projects with positive NPV irrespective of their lifespan.

Cost of capital is assumed to be constant for infinite period. Cost of capital are distressed by capital structure of the company that may change in future, prevailing market interest rate and its business risks taken or assumed.

With current pace of Technology Change, we cannot expect availability of similar asset at the time of replacement. The technology may change, and asset may become obsolete or new asset may have accompany varied new features and may cost differently. This is very difficult to address in our evaluation of EAC or EAB.

The EAB or EAC does not consider the risk and uncertainty of the projects. If the projects have different levels of risk or uncertainty, then we need to address the issues with other investment tools like Payback Period, Discounted Payback Period, Probability Analysis, or Sensitivity Analysis. For example, when later years' Cash Flows are uncertain, Payback Period can be an appropriate tool for

evaluation as it prioritizes projects with cash flows in earlier years. When project with lower payback period is selected, the company will have option to replace the asset sooner and grab the opportunity to invest in new project with latest technologies.

Conclusion

Despite many challenges, EAC or EAB tool has many advantages in business. With this analysis and evaluation, company can obtain numerous benefits in various aspects as discussed below.

EAC or EAB can be effective investment tool for deciding purchases of frequently required items like cars, household equipment, spare parts, etc.

The tool enables company to circumvent from wrong decision of selecting project with low initial costs without evaluating later years' cash flows into consideration.

It helps to distinguish durable and non-durable item before buying.

It assists Company to make choice of cost-effective assets or value maximizing projects.

It encourages company to have proper control of the asset's running costs.

Thus, EAC or EAB tool is a potential tool that simplifies the cash flow of unequal periods into equal annual figure and enables investor to make appropriate investment decisions in the field of business and finance.

Implementation of NFRS 9-Expected Credit Loss Model in Bank and Financial Institutions in Nepal



CA. Pratibha Subedi

The author is Member of ICAN, and she can be reached at: connectpratibha92@gmail.com

1. Background

International Accounting Standard Board (IASB) has issued IFRS-9 “Financial Instrument” in July 2014 and effective internationally for financials beginning on or after 1 January 2018. In Nepal, Accounting Standard Board of Nepal (ASB) has introduced Nepal Financial Reporting Standards (NFRS 9) - “Financial Instruments” in 2018 which has applied to Bank and Financial Institutions (BFIs) from FY 2074-75. However, The Institute of Chartered Accountants of Nepal (ICAN) had issued Carve Out in case of implementation of Effective Interest Rate (EIR) and Expected Credit loss model from FY 2074-75 to FY 2080-81 which shall be implemented by FY 2081-82.

NFRS 9 completely replaces the NAS 39- Financial Instruments: Recognition and Measurement. In case of Banks and Financial Institutions of Nepal, NFRS 9 was endorsed with some exceptions, mainly in the impairment requirements. Currently, the Incurred Loss Model as specified in NAS 39

is being used, with minimums to the extent of NRB regulation. As per para 63 of NAS 39, an entity shall assess at the end of each reporting period if there is any objective evidence that financial assets or group of financial assets measured at amortized cost is impaired. Bank has applied Para 63 and has computed impairment loss. However, as per the Carve-out issued by ICAN as a mandatory treatment of impairment loss for the transition period for banks and financial institution, impairment loss to be measured at higher of amount derived as per norms prescribed by Nepal Rastra Bank (NRB) for loan loss provision and as per para 63. Nevertheless, the requirement of NFRS 9 is to apply the Expected Credit Loss Model (ECL).

NFRS-9 “Financial Instruments” mainly covers the calculation of effective interest rates and impairment on Financial Assets and Financial Liabilities. With the introduction of NFRS 9, the Expected Credit Loss model must be used for impairment on loans and advances and other financial assets of Banks and Financial institutions. Bank and Financial Institutions (BFIs) are planning to implement NFRS 9 ECL model from FY 2081-82, as there is no exception for its implementation. Previously, BFIs intended to implement NFRS 9 through a software-based model and were negotiating with different vendors through Nepal Bankers Association (On the basis of provided information from concerned stakeholders). However, due to different procurement modalities, BFIs separately

called for bidding for the NFRS 9 ECL model solution. Some of the BFIs has already hired consultant for the implementation of NFRS 9 ECL model and other remaining banks are also planning for seeking of consultancy services or procurement of software for full implementation of NFRS 9-ECL model and calculation of EIR.

While reviewing international scenarios regarding implementation of IFRS 9, it is observed that countries such as Pakistan, Kuwait and Thailand have adopted IFRS 9. Similarly, Sri Lanka has implemented SLFRS 9, which is equivalent to IFRS 9. However, India has yet to implement IFRS 9.

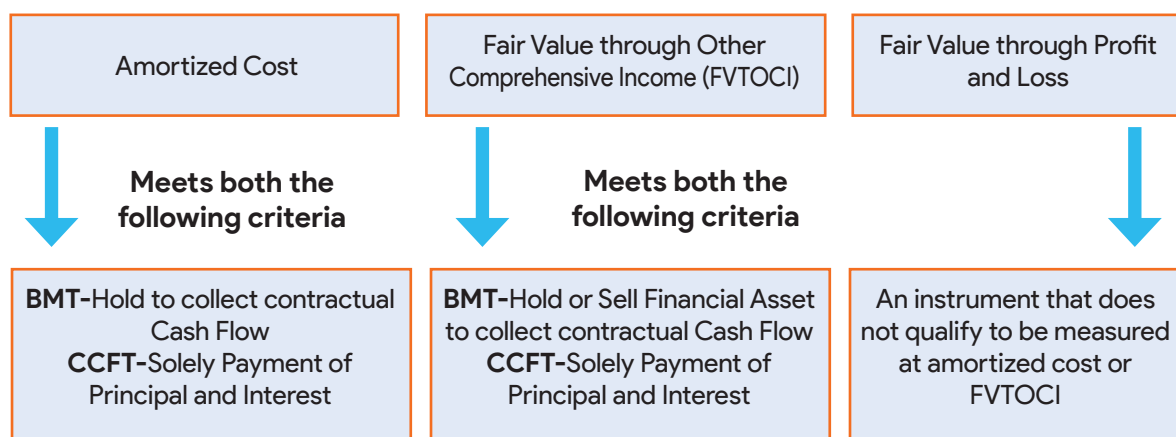
2. Distinction Between NAS 39 and NFRS 9

NAS 39's Incurred Loss model delayed the recognition of impairment until the objective evidence of credit loss event had

been identified. Under NFRS 9, recognition of impairment no longer depends on a reporting entity first identifying a credit loss event. Credit loss events are those incidents where a borrower fails to meet their debt obligations, leading to a loss for the lender. As per the Incurred loss model, banks have set different parameters like-Inability to meet loan agreements, substantial drop in profits, low stock turnover, adverse cash flow, adverse net worth etc. for identifying a credit loss event. While calculating Probability of Default (PD) and Loss Given Default (LGD) as per incurred loss model BFIs are using past data. This is a major change from the previous standard NAS 39. NFRS 9 instead uses more forward-looking information to recognize expected credit losses for all financial assets and forward-looking approach considers both historical and futuristic information when assessing credit risk.

3. Classification of Financial Asset/Liabilities Under NFRS 9

3.1. Classification of Financial Asset:



BMT-Business Model Test

CCFT-Contractual Cash Flow Test

3.2. Classification of Financial Liability:

Financial liabilities are classified as either:

- Financial liabilities at amortized cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortized cost unless either:

- The financial liability is held for trading and is therefore required to be measured at FVTPL or
- The entity elects to measure the financial liability at FVTPL
- Bank and Financial Institutions have been classifying financial assets and financial liabilities under above mentioned classifications. However, EIR calculation on loans and advances and ECL model for calculation of impairment is yet to be implemented which must be implemented from FY 2081-82.

4. Effective Interest Rate (EIR)

The effective interest rate of a financial asset or financial liability is calculated at initial recognition and is the rate that exactly discounts the estimated future cash flows

through expected life of the financial asset or financial liability. NFRS 9 requires expected credit losses to be discounted to the reporting date using the effective interest rate determined at initial recognition or an approximation of it.

Loan and Advances to BFIs and Customers have been valued under amortized cost as allowed under NFRS 9. Currently, the Separate Effective Interest Rate (EIR) has not been computed since all the relevant transactions costs for computing EIR are ignored due to immateriality of such relevant costs. Transaction costs are incremental costs that are directly attributable to the acquisition or issue or disposal of a financial asset or financial liability. Examples of transaction costs are regulatory and registration fees, loan processing fees, brokerage etc. Also, ICAN has provided carve out on calculation of EIR up to FY 2080/81. However, with the full implementation of NFRS 9 from FY 2081-82, BFIs are required to calculate EIR considering initial transaction fees of Loans and Advances. As NRB guidelines regarding NFRS 9- ECL model is silent about calculation of EIR, BFIs are expecting guidance from ICAN and also from NRB.

Financial Instruments in Financial Statement of Banks

Statement of Financial Position of BFIs

As per Directive No.4 of Unified Directives		Coverage under NFRS 9
Assets		
Cash and cash equivalent	4.1	Applicable
Due from Nepal Rastra Bank	4.2	Applicable
Placement with Bank and Financial Institutions	4.3	Applicable
Derivative financial instruments	4.4	Applicable
Other trading assets	4.5	Applicable
Loan and advances to B/FIs	4.6	Applicable

As per Directive No.4 of Unified Directives		Coverage under NFRS 9
Loan and advances to customers	4.7	Applicable
Investment securities	4.8	Applicable
Current tax assets	4.9	Not Applicable
Investment in subsidiaries	4.10	Not Applicable
Investment in associates	4.11	Not Applicable
Investment property	4.12	Not Applicable
Property and equipment	4.13	Not Applicable
Goodwill and Intangible assets	4.14	Not Applicable
Deferred tax assets	4.15	Not Applicable
Other assets	4.16	Applicable
Liabilities		
Due to Bank and Financial Institutions	4.17	Applicable
Due to Nepal Rastra Bank	4.18	Applicable
Derivative financial instruments	4.19	Applicable
Deposits from customers	4.20	Applicable
Borrowing	4.21	Applicable
Current Tax Liabilities	4.9	Not Applicable
Provisions	4.22	Not Applicable
Deferred tax liabilities	4.15	Not Applicable
Other liabilities	4.23	Applicable
Debt securities issued	4.24	Applicable
Subordinated liabilities	4.25	Applicable
Equity		
Share capital	4.26	Not Applicable
Share premium		Not Applicable
Retained earnings		Not Applicable
Reserves	4.27	Not Applicable

5. Expected Credit Loss Model

NFRS 9's **General Approach** to recognizing impairment is based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument. Consequently, NFRS 9 allows to apply **Simplified Approach** for trade receivables, contract assets and lease receivables.

- **Stage 1** covers instruments that **have not**

deteriorated significantly in credit quality since initial recognition or that have low credit risk

- **Stage 2** covers financial instruments that **have deteriorated significantly** in credit quality since initial recognition but that do not have objective evidence of a credit loss event
- **Stage 3** covers financial assets that have

objective evidence of impairment at the reporting date.

- 12-month expected **credit losses** are recognized in stage 1, while **lifetime expected credit losses** are recognized in stages 2 and 3.

“Credit losses”

- Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive. This difference is discounted at the original effective interest rate.

“12-month expected credit losses”

12-month expected credit losses are a portion of the lifetime expected credit losses

They are calculated by multiplying the **probability of a default** occurring on the instrument in the next 12 months by the total (lifetime) expected credit losses that would

result from that default

They are not the expected cash shortfalls over the next 12 months.

They are also not the credit losses on financial instruments that are forecast to actually default in the next 12 months.

“Lifetime expected credit losses”

- Lifetime expected credit losses are the expected shortfalls in contractual cash flows, taking into account the potential for default at any point during the life of the financial instrument.

$$\text{Expected Credit Loss} = \text{EAD} * \text{PD} * \text{LGD}$$

Where,

EAD-Exposure at Default

PD-Probability of Default

LGD-Loss Given Default

Implementation Challenges-ECL Model

Some of the challenges to be faced in implementation of ECL model is given in the matrix below:

Estimating PDs and LGDs	Impact Analysis & Assurance to Board and Regulatory	Defining Default	Grouping of Assets
Availability of Macroeconomic factors	Assessing significant increase in credit risk	ECL for Off Balance Sheet Exposures	Low Credit Risk Criteria
Data Collection and Data Validation	Calculation of EIR	Formulation of policy	Educating the staffs of business sector

Firstly, BFIs are facing challenges in deciding whether to hire consultants or procure software for the implementation of NFRS 9. Procurement of software involves relatively high cost, and without a thorough understanding of the specific requirements of NFRS 9, investing in expensive software may not provide the expected result. Therefore, BFIs must carefully consider their options and ensure that they have the necessary knowledge and resources to effectively implement NFRS 9. The estimation of “expected credit loss” by considering a broader range of information including past events and collection of past data and validation of the same is another challenge.

The main challenges in implementing the ECL model include estimating PD and LGD,

as well as forecasting cash flows using historical data. Additionally, grouping of financial assets and transfer of assets in different stages of ECL model based on indicators of Significant Increase in Credit Risk (SICR) is also key challenges for BFIs.

For effective implementation of ECL model, BFIs must develop a board approved ECL policy that addresses asset grouping, identifies relevant macroeconomic factors for ECL calculation and determines reasonable and supportable forward-looking information for staging of financial assets.

Besides several challenges for implementation of NFRS 9 ECL model, it will help to improve risk management and greater transparency in financial reporting.

5.1. Synopsis of three-stage Process-Expected Credit Loss Model

Deterioration in Credit Quality			
	Stage 1-Performing	Stage 2-Underperforming	Stage 3-Non-Performing
Credit quality	Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date	Financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event	Financial assets that have objective evidence of impairment at the reporting date
Recognition of expected credit losses	12-month expected credit losses are recognized	Lifetime expected credit losses are recognized	Lifetime expected credit losses are recognized
Recognition of Interest	Interest revenue is calculated on the gross carrying amount of the asset	Interest revenue is calculated on the asset's gross carrying amount	Interest revenue is calculated on the net carrying amount (i.e. reduced for expected credit losses)

Source: <https://annualreporting.info/three-stages-expected-credit-losses/>

5.2. NFRS 9 - Rebuttable presumption for Significant Increase in Credit Risk

As mentioned in para 5.5.11 of NFRS 9 regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due and rebuttable only where reasonable and supportable information demonstrates that even where payments more than 30 days past due, this does not represent a significant increase in credit risk.

5.3. Brief of NRB ECL Guidelines

Nepal Rastra Bank has issued NFRS 9-Expected Credit Loss Related Guidelines, 2024 to Banks and Financial Institutions (BFIs) which describes ECL calculation methodology. The following are the guidelines provided to the BFIs for effective implementation of ECL:

5.3.1. Probability of Default (PD)

PD is an estimate of the likelihood of a default over a given time horizon. NRB has advised to BFIs to derive PD by considering at least five-year historical data, ratings, forward looking information etc. However, prudential floor of 2.5% for credit exposures PD has been prescribed as a regulatory backstop measure which will be reviewed based on experience of 5 years post implementation period.

5.3.2. Loss Given Default (LGD)

LGD is the percentage of exposure that is not expected to be recovered in the event of default. BFIs are advised to develop LGD models based on historical data and relevant

and supportable forward looking information and required to use a minimum of LGD of 45 % if BFIs are unable to compute LGD after obtaining approval from Board of Directors.

5.3.3 Collateral Valuation

While determining loss rate or recovery rate for the purpose of calculation of loss allowance, expected cash flows from collateral realization are to be considered based on latest reliable valuations (within last 2 years).

5.3.4 Exposure at Default (EAD)

EAD to include all outstanding exposure and off-balance sheet exposure after adjustment with contractual cash flows to reflect expected exposure when default occurs.

5.3.5 Recognition of Interest Income

Interest income has to be recognized by applying effective interest rate on gross carrying amount of financial asset under stage 1 and stage 2 and on actual receipt basis under stage 3.

6. NRB's Expectation from BFIs

BFIs are expected to, at least Identify and document the ECL assessment, inputs, data and assumptions used in assessment and reasons behind the selection of methods and ensure that the models and ECL estimations are consistent with the objectives of NFRS 9.

7. Conclusion

NFRS 9 "Financial Instruments" which deals in calculation of effective interest rate and impairment on financial assets, shall be implemented from FY 2081-82 in BFI's as full implementation of NFRS 9 was deferred till FY 2080-81. It represents a significant shift in accounting practices, requiring banks to adopt new methodologies for assessing and reporting financial assets and financial liabilities. While the transition to NFRS 9-ECL Model presents various hurdles such as data management

complexities and model development, BFIs are gearing up to comply with the regulatory requirements and adapt to the changing landscape of NFRS 9-ECL Model.

As per ECL guidelines issued by NRB, BFIs are required to recognize impairment on credit exposures as the higher of total ECL calculated as per NFRS 9 and existing regulatory provisions in Unified Directives which shall prevail for a minimum of 5-year period.

However, this seems to be self-declared carve out taking prudential floor of 2.5% in PD and 45% LGD. So, it's necessary to have discussion with the regulatory authorities regarding continuation of carve out for next 5 years period or appropriate method for full phase implementation of NFRS-9. Also, BFIs are required to recognize impairment on credit exposures as per NFRS 9, in case where the impairment on credit exposure as per NFRS 9 is lower than impairment on credit exposure as per existing regulatory provision in Unified

Directives, the difference or the shortfall in the expected credit loss as compared to required provision as per directives shall be transferred from retained earnings to regulatory reserve annually.

Reference:

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नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act, 1997)



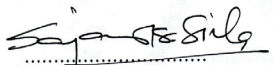
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लेखाव्यवसायी फर्मको मापदण्ड तथा शुल्क सम्बन्धी निर्देशिका, २०७८ को संसोधन सम्बन्धी सूचना !

मिति: २०८१/०१/१७

उपरोक्त विषयमा संस्थाको परिषदको २५७ औं बैठकबाट निर्णय भई मिति २०७८/०४/०१ बाट लागू हुने गरी लेखाव्यवसायी फर्मको मापदण्ड तथा शुल्क सम्बन्धी निर्देशिका, २०७८ जारी गरिएको व्यहोरा सर्वविदितै छ। यसै सन्दर्भमा सो निर्देशिकामा रहेका केहि व्यवस्थाहरु परिमार्जन गर्न, केहि व्यवस्थाहरु थप गर्न तथा केहि व्यवस्थाहरु अझ स्पष्ट पार्ने उद्देश्यले परिषदको मिति २०८०/१२/१६ मा बसेको ३२२ औं बैठकको निर्णयबाट उक्त निर्देशिकाको संशोधन भई नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था, लेखाव्यवसायी फर्मको मापदण्ड तथा शुल्क सम्बन्धी निर्देशिका, २०७८ (पहिलो संसोधन, २०८०) जारी गरिएको व्यहोरा जानकारी गराइन्छ। साथै उक्त संसोधित व्यवस्थाहरु मिति २०८१/०४/०१ पश्चात स्वीकार गरिने अनुबन्धहरुमा लागू हुने व्यहोरा समेत जानकारी गराइन्छ। उक्त निर्देशिकाको **Softcopy** संस्थाको website www.ican.org.np बाट प्राप्त गर्न सकिनेछ।



सिए. संजय कुमार सिन्हा
कार्यकारी निर्देशक

Leveraging AI and Automation for Efficiency: Threats and Opportunities for Finance Professionals



CA. Aishwarya Poudel

The author is Member of ICAN, and she can be reached at: aishwaryapoudel46@gmail.com

Abstract

This write up examines the potential role of artificial intelligence (AI) and automation in financial practices and includes a comprehensive analysis of the opportunities presented by the strategic integration. It also explores the examination of how automation of mundane tasks can free time for accountants to engage in strategic analysis and decision-making, mitigating risks, and identifying growth opportunities.

Background

In today's fast-paced financial landscape, the combination of artificial intelligence (AI) and automation has become a driver of revolution for changing established procedures and empowering professional accountants to handle issues with precision. This analysis looks into the delicate domain of AI and automation in financial operations, explaining the significant prospects, inherent risks, nuanced restrictions, and pragmatic solutions resulting from the strategic integration.

In the ever-changing field of AI, staying on the top of emerging areas is not just an option, but a must for professionals who want to remain relevant and competitive. As the AI environment advances, the new frontiers will open up will have the potential to disrupt sectors. The exponential growth of data, along with the need for real-time insights, has highlighted the importance of AI and automation inside financial frameworks. These technologies use complex algorithms and machine learning capabilities to automate monotonous operations, improve accuracy, and permit predictive analytics, allowing professional accountants to go beyond traditional boundaries for providing better value propositions to stakeholders.

Further, the predictive analytics capabilities of these technologies enable practitioners to derive actionable insights, manage risks, and uncover untapped development opportunities fostering a proactive culture of informed decision-making.

In 2023, a majority of financial institutions globally employed AI for data analytics, making it the most used application in the business. Data processing and natural language processing were two of the most popular AI uses, both classic AI applications. Nonetheless, more than 40% of financial institutions adopted generative AI, with industry leaders continuing to explore the technology. The worldwide generative AI market in finance is expected to develop at a compound yearly growth rate of 28.1% between 2023 and 2032, from USD 1.09

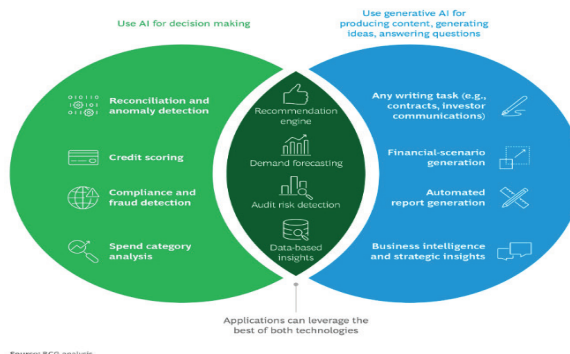
billion in 2023 to USD 9.48 billion in 2032 *Statista, 2024* [www.statista.com]. This rising usage shows a growing emphasis on generative AI. According to PwC, AI is expected to improve productivity by 40% by 2035, *PWC India, 2024* [www.pwc.in] To maintain the accuracy and error-free data, 48% of businesses are optimizing the use of machine learning (ML), data analysis, and several other AI tools. The global artificial intelligence market size is projected to expand at a compound annual growth rate (CAGR) of 37.3% from 2023 to 2030. The global enterprise adoption of AI has more than doubled since 2017 and is growing at an impressive rate showing signs of faring better in the upcoming years. *Forbes, 2024* [www.forbes.com/advisor/in/business]

The Role of AI and Automation in Finance

The accounting and finance practices have evolved over time, requiring increased efforts to keep up with the pace of the changes. A shift has taken place from maintaining records manually to using accounting systems by applying excel or analytical tools like power-bi to analyze the trends and performance, and now to the use of sites like ChatGPT, bots and applications to manage and operate financial and accounting practices. Or AI and automation have are now increasingly used in the operational practices.

Finance automation can make the time-consuming operation of gathering and combining financial data from several sources easier. This can assist firms to create more accurate and comprehensive financial reports with minimum manual work. Real-time analytics and dashboards provide rapid insights into critical financial parameters, enabling data-driven choices for strategic planning.

Exhibit 2 - Generative AI and Traditional AI Have Both Separate and Combined Finance Applications



With strategic use of AI, professionals can devote more time for value added activities for strategic analysis and proactive decision-making by automating labor-intensive activities like data collection, reconciliation, and regulatory compliance. Big data sets may be analyzed by machine learning algorithms to find trends and abnormalities, which can also assist towards fraud detection and risk management. AI and automation lower the risk of financial misstatements and regulatory non-compliance by eliminating human mistake and guaranteeing consistency in computations and compliance. Complex regulatory requirements can be interpreted by sophisticated software, ensuring that financial statements comply with relevant standards like IFRS or GAAP. Predictive analytics powered by AI can make financial forecasting more precise by seeing patterns and projecting future results from past data. With this support, accountants would be able to insightful information to stakeholders for strategic planning and informed decision making.

Opportunities in the Nepalese Market:

Technological landscape

The "AI Readiness Index" 2023 places Nepal at the 150th place out of 181 nations (139th place in 2022), which points to the critical need

for addressing the achievement gap in digital skills and education. Laws, rules, regulations, processes, policies, and guidelines pertaining to this are vital since there is a need for skilled workers in the industry. In Nepal, AI is being used by organizations for tasks including automation, language processing, and data analysis.

Introduction of AI in Nepal

AI was introduced by Nepal SBI Bank in 2017, and Macchapuchhre Bank had introduced the MAYA chat bot, which practically all banks and financial institutions now use. Even small online businesses have been able to reach consumers more effectively using chatbots in applications like Facebook, Instagram and websites. AI has been useful in this regard, as the software enables banks to link transactions, improve navigation, detect fraud and disasters, and ensure regulatory compliance. The government introduced the Nagarik App in 2019 which is a one stop application for all documents related to an individual. This has reduced the need to carry all documents in person as all data stored in a simple app. The increasing use of online portals for payments is another indicator of the increasing use of AI.

Scenario of AI and technology

Nepal is at the beginning stages of technological advances which could change its social and economic future. Internet access has been increasing with the availability of affordable data plans, and more and more people are online. In Nepal, AI and automation are mainly used in sectors like banking institutions, remittance companies, MNCs while other smaller entities do not have databases and rely on manual or unsystematic processes.

Policy and Regulatory Landscape

The government has approved the Digital Nepal Framework 2019, which is a plan to make Nepal a digital state within five years. This would mean moving towards developing programs using AI.

The obvious uses are the adaptive capabilities of AI that enable personalized learning experiences for students and professionals.

■ Opportunities for Growth

Nepal presents numerous opportunities for deploying AI and automation, particularly in sectors such as agriculture, healthcare, education, finance, and manufacturing. For instance, precision farming powered by AI can enhance agricultural productivity, while AI-driven telemedicine solutions can improve access to healthcare services. In the financial sector, AI and automation can streamline operations, enhance accuracy, and provide strategic insights, contributing to economic growth and development.

■ Challenges and Barriers

Despite the potential benefits, Nepal faces several challenges in the widespread adoption of AI and automation. These challenges include limited access to technology, inadequate infrastructure, and a shortage of a skilled workforce. Additionally, there is also a need for a regulatory framework and policies to support the responsible deployment of these technologies. Addressing these barriers is essential to unlocking the full potential of AI and automation in Nepal.

Risks and Limitations

Many wonders at what the future of AI might look like in light of its rapid spread. Will AI change industries? Will the results be better or worse? Are some of the questions they ask. The banking industry has seen significant transformation in the past 10 years due to the increased availability of data and ever-more-powerful computation, which are the same factors that drive AI. The experiences of the financial industry can offer insights to both the opportunities and challenges.

■ Addressing Bias and Ensuring Transparency

Biases in training data can lead AI systems to reinforce societal prejudice and discrimination. Ensuring transparency in AI decision-making processes is also crucial for identifying areas for improvement and maximizing performance. Robust governance frameworks and transparency measures are, therefore, essential to mitigate these risks and ensure the ethical use of AI in financial practices.

■ **Ethical and Operational Risks**

The rapid spread of AI has brought significant ethical and operational risks. One primary concern is the lack of transparency in AI models, often referred to as the "black box" problem. This opacity makes it difficult to understand how AI systems make decisions, identify biases, and correct errors. Ensuring transparency and accountability in AI systems is, therefore, crucial to mitigating these risks and ensuring fair and accurate outcomes.

■ **Data Security and Privacy**

Data security and privacy are paramount concerns in the implementation of AI and automation. Financial institutions must adopt robust cybersecurity measures to protect sensitive data from breaches and ensure compliance with privacy regulations. This includes implementing encryption, access controls, and undertaking regular vulnerability assessments to safeguard financial data and maintain stakeholder trust.

■ **Job Displacement and Inequality**

AI's ability to automate non-routine tasks poses a risk of job displacement, potentially exacerbating inequality. While AI can enhance efficiency and productivity, it could also lead to significant shifts in labor demand, with a growing emphasis on high-skilled jobs. Addressing these concerns requires a balanced approach that

includes upskilling initiatives and policies to support workers for transitioning to new roles in an AI-driven economy.

■ **Integration Challenges**

Integrating AI and automation with existing financial systems can be complex and costly. Organizations must ensure that new technologies are interoperable with legacy systems to avoid data inconsistencies and for streamlining operations. Additionally, careful planning and execution are required to manage the transition and for minimizing business process disruptions.

Way forward

These days AI is widely being used in all business sectors. With the increased complexities in business processes, AI could be useful tool in accounting for conducting audits in desired ways and arrive at the appropriate audit opinions. The following are some recommendations for incorporating AI in auditing:

■ **For Policymakers**

- **Regulatory framework:** Develop and implement comprehensive policies and regulations to support the ethical and responsible use of AI and automation.
- **Infrastructure investment:** Invest in technological infrastructure to enhance connectivity and access to advanced technologies.
- **Education and training:** Promote education and training programs to build a skilled workforce capable of leveraging AI and automation.

■ **For Businesses**

- **Strategic adoption:** Identify key areas where AI and automation can drive efficiency and strategic value and invest in suitable technologies.

- **Data security:** Implement robust cybersecurity measures to protect sensitive financial data and ensure compliance with privacy regulations.
- **Collaboration:** Foster partnerships with technology vendors, academia, and industry leaders to stay abreast of the latest developments and best practices.
- **For Financial Professionals**
- **Upskilling:** Engage in continuous learning and professional development to stay relevant in an AI-driven landscape.
- **Ethical considerations:** Advocate for transparency and accountability in AI systems to ensure fair and unbiased outcomes.
- **Strategic focus:** Utilize the time freed by automation to focus on strategic analysis and decision-making, adding greater value to the organization.

Conclusion:

As AI becomes more widely used, businesses are merging it with big data to construct and design better goods, respond faster to changing market conditions, and safeguard consumers from fraud. Even though big data and AI provide up new possibilities for these kinds of use cases, they alone do not make up a corporate strategy. Therefore, the question: How do you use AI wisely or correctly? Therefore, even though the AI industry has been growing, one should not hurry and sign up while ignoring the fundamental questions like how can I deploy capital most effectively so that we innovate to create products and services that can serve our customers better? Or what will allow my enterprise to succeed in 10 years? What can we do to improve the performance? etc. These decisions require judgement, experience, imagination and conviction.

It is important to understand that AI and automation are merely a technological tool,

and it is up to the user to leverage maximum output from the processes. With the help of finance automation, which is a potent instrument that can completely transform financial management procedures, companies can increase productivity, cut expenses, and make better decisions. In order to remain competitive in the quickly changing financial market, the firms must embrace some level of automation. Thereafter, businesses can enhance cash flow control, remove manual chores, and free up their finance staff to concentrate on more crucial responsibilities like financial planning and analysis by automating crucial areas like accounts payable, accounts receivable, spend and expense management, and financial reporting.

To summarize, the strategic integration of AI and automation signal a new age in financial operations, marked by extraordinary efficiencies, predictive insights, and strategic foresight. By embracing AI and automation as strategic enablers, professional accountants can confidently negotiate the complexity of the digital age, transcending traditional paradigms and establishing a road for long-term financial success. Mitigating the risks and overcoming the limitations of AI and automation requires a multifaceted approach encompassing robust governance frameworks, strategic investments in data integrity, and holistic upskilling initiatives.

Increasing operational efficiency is not the only goal of finance automation. It has a major influence on business choices as well. Finance automation can enable professionals and enterprises make more strategic and well-informed decisions by supplying timely and accurate data, boosting overall financial business growth.

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JUDICIAL UPDATE

Case-I: Labor Act, 2074

Supreme Court Decision Date:- 2080/11/16

Parties:- Yak & Yeti (Appellant) V. Labor Court, Kathmandu *et al.* (Defendant)

Supreme Court Case No.:- 079-WO-0350

Link: https://supremecourt.gov.np/cpl/assets/downloads/supreme_257249.pdf

All employees irrespective of their level are entitled for increased amount of minimum remuneration [Sec 106]:



CA. Pramod Lingden

The author is a fellow member of ICAN. He can be reached at mail to : ca.pramodlingden@gmail.com

Abstract:

There is no clear provision in the law that such minimum remuneration and its increment shall be applicable only for employees of a specific field and grade/level. In this context, employers cannot make a decision that such an increment in the minimum remuneration shall be applicable only for the specific level of employees. So, the Court cannot consent with the claim of the appellant that, as the defendant employees are of executive level and already drawing remuneration higher than the new minimum remuneration rate published in the Nepal Gazette, the increased amount of minimum remuneration shall not be applicable for them.

Background:

The Government of Nepal, Ministry of Labor, Employment and Social Security, had increased the minimum remuneration of employees by NPR 3,750 to NPR 13,450 per month, with effect from 1 Shrawan, 2075. The increment notice was published in Nepal Gazette on 31 Shrawan, 2075. The Government of Nepal had made such an increment in remuneration pursuant to Section 106 of the Labor Act, 2074.

Prior to the pronouncement of this new minimum remuneration rate, a federal level collective bargaining agreement was concluded pursuant to section 123 of the Labor Act, 2074 among Hotel Association Nepal and 3 trade unions active in hotel sector on 18 Jesth, 2075. Those 3 trade unions were All Nepal Hotel, Casino and Restaurant Workers Union, Nepal Independent Hotel, Casino and Restaurant Workers Union and Nepal Tourism & Hotel Related Workers Union. The collective agreement, in its point no. 6, had incorporated that the increased amount of remuneration fixed by the Government of Nepal while increasing the

minimum remuneration shall be provided to all level of employees in equal status. So, as an implementation part of the collective agreement, the defendant employees of Yak & Yeti had claimed for increment in their remuneration by NPR 3,750 per month. However, the appellant Yak & Yeti denied increasing it.

The appellant's claim for refusal was that the minimum remuneration fixed by the government of Nepal applies only for employees who are drawing remuneration less than it, not to those who are already getting an excess amount. In addition, the defendant employees are of executive level and are already drawing remuneration very high than the minimum remuneration fixed by the Government of Nepal (i.e. NPR 13,450). Hence, the recent increment in minimum remuneration by NPR 3,750 per month does not apply for them.

The defendant employees, being dissatisfied with the restraint to increase their salary by NPR 3,750 per month, *inter alia*, lodged a complaint to the Labor Office, Kathmandu, against their employer.

On 9 Magh 2077, the Labor Office made a decision on behalf of the employees, stating, *inter alia*, the increased remuneration by NPR 3,750 per month shall be applicable for all employees even if they are already drawing the remuneration higher than the newly increased minimum remuneration of NPR 13,450 per month.

Appeal

Employer Yak and Yeti, being dissatisfied with the decision of the Labor Office, filed an appeal to the Labor Court on 18 Chaitra, 2077. The Labor Court, *inter alia*, endorsed the decision of the Labor Office, Kathmandu, on 27 Ashadh, 2079. The Labor Court stated

that the increased minimum remuneration of NPR 3,750 applies for all employees, irrespective of their level and amount of remuneration being drawn. So, the increased amount NPR 3,750/- should be provided to defendant employees as well though they are of executive level and are already drawing remuneration higher than the new minimum remuneration.

Then, Yak & Yeti filed a writ application to the Supreme Court with a demand of certiorari order to quash the decision of the Labor Court along with an interim order. The Supreme Court granted a conditional interlocutory interim order restraining to bring into effect the decision of the Labor Court immediately.

Supreme Court Judgement:

The Supreme Court denied granting an order of certiorari for quashing the decision of the Labor Court stating that though enterprises are entitled to prescribe the minimum remuneration of their employees, Labor Act 2074 has provided that such remuneration shall not be less than the minimum rate published in the Nepal Gazette. The government has made provisions to fix minimum remuneration through law and gazette and to review such provisions every two years. However, there is no clear provision in the law that such minimum remuneration and its increment shall be applicable only for employees of a specific field and grade/level. In this context, an employer cannot make any decision that the increment in minimum remuneration shall be applicable only for specific grade of employees. So, the Court cannot consent with the claim of the appellant that, as the defendant employees are already drawing remuneration higher than the new minimum remuneration rate published in the Nepal Gazette, the increased amount of minimum remuneration shall not be applicable for them.



In addition, section 171(2) of the Labor Act, 2074 has not allowed the managers and managerial/executive level labors to submit collective demands or take part in collective bargaining or in a strike, on behalf of any trade union. However, there is no restriction to managerial level employees who are not holding the final authority for obtaining the result of collective bargaining agreement. Hence, the managerial/executive level employees other than the chief executive are entitled to obtain the benefit & services provided under the collective bargaining agreement.

Case-II: Public Procurement Act, 2063

Supreme Court Decision Date: 2078/06/11

Parties: Biomed International Pvt Ltd., Kathmandu (Appellant) v. Public Procurement Review Committee, Kathmandu *et al.* (Defendant)

Supreme Court Case No.: 075-WO-1306

Link: https://supremecourt.gov.np/cp/assets/downloads/supreme_203126.pdf

Review committee is not entitled to cancel the procurement contract [Sec. 50(5)]

Abstract:

Prior to concluding any procurement contract, the Public Procurement Review Committee is entitled to make a decision upon legal errors that occurred during the bid evaluation and decision-making process. However, after concluding the procurement contract, the Review Committee is not authorized to cancel the contract already concluded.

Background:

One of the defendants in the case, National Academy for Medical Sciences (NAMS), Mahaboudha, Kathmandu, had published a notice for invitation to bid 2 units (amended notice) of neurosurgery equipment in Gorkhapatra National Daily on 21 Jesth, 2074.

Just two bidders, viz., Biomed International Pvt. Ltd. and Himalayan Meditech Pvt. Ltd., had submitted their bids to NAMS. While evaluating the documents submitted by those bidders, the technical evaluation committee of NAMS figured out that the bids of Biomed International Pvt Ltd and Himalayan Meditech Pvt Ltd could not meet 2 and 16 points, respectively, out of the total specimen criteria set forth in the bidding documents. Hence, with the conclusion that the bid of Biomed International Pvt. Ltd. is substantially responsive to the technical specifications of NAMS, the technical evaluation committee made a recommendation on its behalf pursuant to Rule 62 of the Public Procurement Rules, 2064. The bid price per unit submitted by Biomed International Pvt. Ltd. was NPR 20,49,000 (exclusive of VAT).

On the basis of such a recommendation and with reference to the selection decision made on 22 Ashadh, 2074, NAMS published a notice of intent to accept Biodmed International Pvt. Ltd.'s bid in Gorkhapatra National Daily on 23 Ashadh, 2074. Further, it communicated to the bidder for furnishing the performance bond and signing the procurement contract on 30 Ashadh, 2074. On the same day, after furnishing the performance bond, both parties concluded a procurement contract, and Biomed received a work order from NAMS. Then, irrevocable letters of credit were also opened by Biomed in order to import and supply the equipment agreed upon in the contract.

Himalayan Medicate Pvt. Ltd., being dissatisfied with the decisions of NAMS, lodged a complaint to the Public Procurement Review Committee, Kathmandu, on 5 Shrawan, 2074. Accordingly, on 32 Shrawan 2074, the Review Committee quashed the decision of NAMS dated 2074/03/22, which was made to accept the bid of Biomed, the

procurement contract concluded between them, and the Letters of Credit opened on the basis of such a contract.

Appeal

Biomed International Pvt. Ltd., being dissatisfied with the decision of the Review Committee, filed a writ application to the Supreme Court. The Supreme Court, on the ground that the decision made by the Review Committee is against the Principle of Natural Justice, quashed its decision through an order of certiorari on 12 Kartik, 2075. Along with it, the Supreme Court, through a mandamus, ordered the Review Committee to re-decide on the subject matter pursuant to law after summoning Biomed International Pvt. Ltd. and making an appropriate analysis and evaluation of their documents and evidences.

Meanwhile, the two units of equipment had already been imported and installed at NAMS, and 70% of the price had also been paid.

After the mandamus of the Supreme Court, the Review Committee re-decided the case on 17th Baisakh, 2076. However, the decision was again to quash the procurement contract concluded between NAMS and Biomed.

So, Biomed International Pvt. Ltd. filed a writ application with a demand of certiorari to void the decision of the Review Committee made on 17 Baisakh, 2076, along with an interim order for restraining the execution of its decision until the final judgment of the writ application.

Supreme Court Judgement:

The Supreme Court quashed the decision of the Public Procurement Review Committee through an order of certiorari stating that prior to concluding any procurement contract, the Public Procurement Review Committee is entitled to make a decision upon legal errors that occurred during the bid evaluation and decision-making process. However, after concluding the procurement contract, the Review Committee is not authorized for making a decision to cancel the contract subject to Section 50(5)(c) of the Public Procurement Act, 2063. Hence, as the decision made by the Review Committee to void the procurement contract dated 2074/03/30, is against the jurisdiction mandated by the prevailing law and precedent established by the Supreme Court, such a decision of the Committee shall be quashed by an order of certiorari. Furthermore, in the absence of reasonableness to restrain the equipment procurement process proceeded under the procurement contract, and the equipment has already been installed after completing the procurement process and even put to use, an order of mandamus shall be granted to all defendants for continuing or causing to continue the works from the machine.

Key Note Speech on the 3rd National Convention of Accounting Professionals: “Sustainable Accounting Practices”



Ms. Asmâa Resmouki,
President,
International Federation of Accountants (IFAC)
18 April 2024 /
Nepal Academy Hall, Kathmandu, Nepal

Hello everyone, Namaste,

As the President of IFAC, the International Federation of Accountants, it is an honor and a pleasure to be here in Kathmandu with all of you.

I thank ICAN and the leadership team, the ICAN President, Vice President, and Executive Director, for inviting me to speak, and for their hospitality, which makes me feel so humbled. We have been trying to arrange this visit since I took office, but when things must happen they happen. So thank you for persevering and accommodating my schedule to make this outreach possible.

To briefly introduce IFAC, I would say that We are the global organization of the accountancy profession. We represent millions of professional accountants through our 181 member organizations across 135 jurisdictions.

I’ve been asked to speak about “sustainable accounting practices” — that is, accounting practices that are built to last.

To start, let me highlight that there are many emerging trends that call for our attention.

One of the most important trends is the enormous importance that all stakeholders are placing in the field of **sustainability**. There has been a revolution in corporate reporting over the last 20 years or so. Today we can all agree that enhancing corporate reporting with high-quality sustainability disclosures is the future of corporate reporting.

I want to reaffirm IFAC’s support for the International Sustainability Standards Board (ISSB) and the global adoption and

implementation of its first two standards. But I also want to emphasize that all jurisdictions also need mandatory **assurance**; otherwise, ESG information will never be on par with financial information.

Already, we can see the market for ESG assurance is growing around the world. IFAC's own "State of Play" research, which you can find [on our website](#) and which I encourage you all to read, is a valuable resource for quantifying this trend.

There is a rapidly growing opportunity for accounting practices to step into sustainability assurance. To seize that opportunity, it is vital to move quickly and deliberately — and to keep standing out among other assurance providers by fulfilling our public interest mandate, our long tradition of professionalism, and our unparalleled Code of Ethics. We should also anticipate a larger trend on the horizon: the further **evolution of assurance** to cover much more than financial and ESG information.

Assurance is and will remain one of those areas where we as professional accountants are expected to play a bigger role as trusted partners to honor our public interest mandate. So, allow me over the next few minutes to raise some key emerging areas in assurance, and then consider what we should be doing as a profession to adapt to these trends and remain sustainable.

Let me turn first to digital technology and technology services.

We can look to regulators to understand what is driving the emergence of assurance in this area.

European Union and UK regulators are moving to designate as "[Critical Third Parties](#)" a wide range of companies that provide technology services — for example, the managed service providers for the information systems used by

payment processors. Singapore requires that any company that performs cybersecurity monitoring be licensed and regulated. In certain jurisdictions, such as France, there are steep criminal penalties for violating data privacy laws.

With this attention from regulators, technology service providers will want to be able to demonstrate that they have taken proper cybersecurity measures. I believe the market for assurance services is very clear here.

Artificial intelligence is another key emerging area. Lawmakers in the UK have [introduced a bill](#) that would increase transparency in the disclosure of AI algorithms. Scrutiny of the use of AI is certain to grow elsewhere, too. As with other digital technologies, firms that use AI will want to be able to show their regulators that they have done their homework about transparency and other regulatory issues.



Left: Senior Vice-President, AuDAN, Mr. Badri Prasad Bhattarai; Immediate Past President and Council Member, ICAN, CA. Bhaskar Singh Lala; Governor, CA. Maha Prasad Adhikari, Hon'ble Minister Industry, Commerce and Supplies, Mr. Damodar Bhandari; ICAN President, CA. Sujan Kumar Kafle; IFAC President, Ms. Asmaa Resmouki; ICAN Vice-President, CA. Prabin Kumar Jha; ACAN President, Deepak Pandey at the inaugural session of the convention

In addition to technology services and AI, there is also **anti-money laundering**, another area where assurance services are expected to emerge and grow. In many jurisdictions, policymakers and regulators have redoubled their efforts to fight corruption and financial crime. Globally,

AML inspections are becoming common.

Here again companies will want to demonstrate to regulators, as well as their investors and other stakeholders, that they're in compliance with AML procedures. And this is another huge potential market for assurance.

Now we need to consider how best to meet the demand for these emerging assurance services.

This is truly a brand-new space. There are very few actors here, which means there is a lot of room for firms to grow — and not just large firms or small firms, but all firms.

As with ESG assurance, it will be essential for our profession to engage and collaborate with subject matter experts — either across the firm in a multidisciplinary firm, or with outside experts.



CA. Sujan Kumar Kafle, President, ICAN presenting Token of Love to Ms. Asmaa Resmouki, President, IFAC during the 3rd National Convention

Fundamentally, the opportunity here stems from the same factors that have driven ESG reporting and assurance to become a headline issue: regulators, investors, and other stakeholders want to understand the full picture of an organization's value, risks, and overall resilience. Cybersecurity, AI, and AML are just a few examples of the areas that are expected to become integral to the corporate reporting environment, to join financial information and sustainability information;

the list is sure to grow much longer.

In theory, consultants outside of our profession could provide assurance services in these new areas. We have seen this in many jurisdictions with the assurance of ESG information: where the regulations allow for it, consultants are meeting some of the demand. It is very important, with ESG information and all other areas, that all service providers are held to the same standards. They must demonstrate independence. They must be free from conflicts. They must have a robust quality management system. And very importantly, they must be held to the same standards for professional ethics as regulated professionals.

For standards to be meaningful, they need to apply to everyone on the field. And so our profession should vigorously advocate for a level playing field on assurance. Professional accountancy organizations, including ICAN, should lead their jurisdictions in engaging with regulators to achieve this. **Your voice** is needed!

Finally, I want to turn to the topic of accountancy education, which will always be crucial to sustainable practices.

The times have changed, and they will keep changing. But accountants do not need to reinvent themselves! We have the right foundational skills. We will, however, need to develop new competencies through education and training.

Let me illustrate this through an ongoing initiative by IFAC's International Panel on Accountancy Education to promote sustainability skills and competencies.

The Panel describes the new demands of sustainability in terms of "what hasn't changed" and "what's new":

- **What hasn't changed** are the competencies we already have that

are easily transferable to sustainability reporting and assurance.

- **What's new** are the additional competencies that we need to develop through learning and other professional development activities.

The Panel identifies four key focus areas:

1. Business acumen,
2. Behavioral competence,
3. Technical expertise, and
4. Ethical behavior.

And here, I encourage you all to read a placemat published on IFAC's Knowledge Gateway which covers these areas in detail.

Also, as some of you already know, the Panel is currently revising its International Education Standards — the global baseline for accountancy education — to ensure that these Standards adequately address sustainability.

To conclude, I would emphasize that preparing the next generation of accountants — and, by extension, their practices — for all these future trends and opportunities I have spoken about calls for close collaboration with educational

institutions. And professional accountancy organizations need to support the upskilling and reskilling of incumbent accountants.

I would like to say a few words to young and aspiring professional accountants: This profession is not only a viable and desirable career path, but one that makes a difference in the world. So I strongly encourage you to explore what opportunities there are to continuously educate yourself. **Keep learning, Keep learning, Keep learning** — because your skills and expertise are what will drive growth in your economy and society.

With our purpose-driven profession, we have a powerful story to tell. The profession is a leader on sustainability. We are committed to the fight against corruption and money laundering. We safeguard public funds through our exceptionally important role in public financial management. We are a natural fit in countless ways for people seeking purpose in their careers. But we need to spread the word!

With that, I want to thank ICAN again for inviting me to speak today. It is an honor and a pleasure to share a few ideas and thoughts with such a distinguished group of colleagues. I wish you all a great conference! Thank you.

संस्थाका पेशागत सदस्यहरूलाई सूचीकृत नहुनको लागि जारी गरिएको सूचना ।

“नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था” नेपालमा लेखाव्यवसायको विकास, संरक्षण र सम्बर्द्धन गर्नको लागि नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ अन्तर्गत स्थापित एकमात्र स्वशासित नियमनकारी निकाय हो । नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ अन्तर्गत प्रचलित कानुन अनुसार लेखाव्यवसाय गर्नको लागि यस संस्थामा दर्ता भई कायम रहेका पेशागत प्रमाण पत्र प्राप्त सदस्यहरू मात्र योग्य रहने व्यवस्था छ । संस्थाका पेशागत सदस्यहरूले आफ्नो लेखाव्यवसायसँग सम्बन्धित सेवा प्रदान गर्नकै लागि शुल्क तिरी वा नतिरी कुनै निकायमा दर्ता वा सूचीकृत हुनुपर्ने भएमा लेखापरीक्षण कार्यको निष्पक्षता तथा स्वतन्त्रता माथि प्रश्नचिन्ह खडा हुन सक्ने तथा समग्र स्वतन्त्र लेखापरीक्षण व्यवसायप्रति नै अन्यौल सिर्जना हुन जाने भएको र पेशागत सदस्यहरूले लेखापरीक्षण वा अन्य लेखाव्यवसाय गर्नको लागि विभिन्न निकायमा सूचीकृत हुनु पर्ने व्यवस्था व्यवहारिक समेत नहुने स्पष्ट देखिन्छ । यसै सन्दर्भमा परिषदको १३२ औं बैठकको निर्णयले पेशागत प्रमाणपत्र प्राप्त सदस्यहरू बाट सम्पादन गरिने लेखा, लेखापरीक्षण वा लेखाव्यवसायसँग सम्बन्धित कुनै पनि कार्य गर्न कुनै पनि निकायमा सूचीकरण गर्नु नपर्ने व्यवस्था गरी संस्थाका सबै सदस्यहरूलाई कुनैपनि निकायमा सूचीकरण नहुन निर्देशन दिने निर्णय गरेको थियो ।

यसर्थ संस्थाका पेशागत सदस्यहरूले कुनै पनि प्रकारको शुल्क वा रकम तिरी वा नतिरी “सूचीकृत” भए गरेको पाईएमा नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३, नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ र लेखापरीक्षण सम्बन्धी आचार संहिताको पालना नगरेकोमा आवश्यक कारबाही हुने व्यहोरा सम्बन्धित सबैमा जानकारी गराउँदै यस्तो कार्य नगर्नुहुन पुनः यो सूचना प्रकाशित गरिएको छ । तर संस्थाका पेशागत सदस्यहरूले कुनै पनि प्रकारको शुल्क वा दस्तुर नतिरी सम्बन्धित निकायबाट लेखापरीक्षण वा अन्य लेखाव्यवसाय सम्बन्धी कार्यको लागि “आशयपत्र” माग भएमा आफ्नो प्रस्ताव पेश गर्न सक्नेछन् ।



HIGHLIGHTS OF FEDERAL BUDGET OF NEPAL FISCAL YEAR 2081/82 (2024/25)



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act 2053)

The Institute of Chartered Accountants of Nepal (ICAN)
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A QUICK INSIGHT OF NEPAL'S FEDERAL BUDGET 2081/82 (2024/25)**1. BUDGET SUMMARY**

The annual budget acts as a tool to strengthen a nation's economic, social, and governmental system by outlining economic policies, priorities and directing investments, which ultimately promotes overall development. The Federal Budget of Nepal for Fiscal Year 2081/82 (2024/25) was framed by prioritizing economic reforms, encouraging private sector participation, good governance, public services delivery and promoting social security and inclusiveness. The Budget focuses on key areas to boost the economy such as agriculture, energy, information technology, tourism, industrial development and infrastructure construction and development of education, health, and social sector.

Federal Budget for the Fiscal Year 2081/82 as presented by Hon'ble Finance Minister, Mr. Barsha Man Pun on 28th May 2024 (2081/02/15) has been summarized below:

1.1. OBJECTIVES OF BUDGET

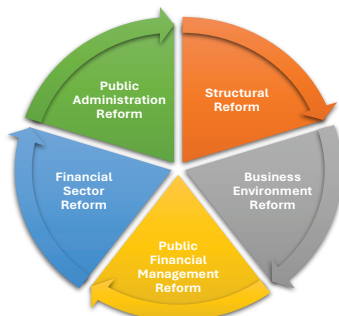
-  To increase production, productivity, and employment
-  To boost morale of private sector and accelerate economic activities
-  To develop human resources
-  To reduce financial inequalities and poverty through balanced and equitable deployment of resources
-  To maintain effective public service delivery



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1.2. PRIORITIES OF BUDGET

-  Economic Reforms and Promotion of Private Sector
-  Agriculture, Energy, Information Technology, Tourism, Industrial Development, and Infrastructure construction
-  Development of Education, Health and Social Sector
-  Inclusiveness and Social Security
-  Promotion Good Governance and Reform in Public Service Delivery

1.3. STRATEGIES FOR FINANCIAL REFORMS AND AREAS OF TRANSFORMATION

-  Transformation of Agricultural sector
-  Development of Energy Sector
-  Development of Information Technology
-  Promotion of Tourism
-  Entrepreneurship and Industrial Development



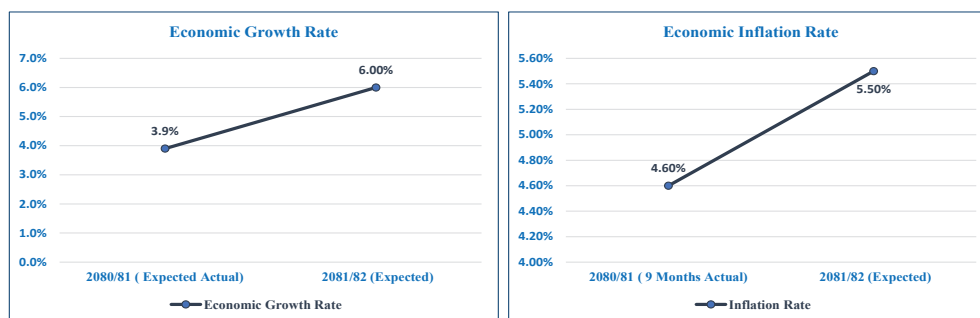
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1.4. ECONOMIC GROWTH RATE AND INFLATION



1.5. COMPARISON OF BUDGET SIZE

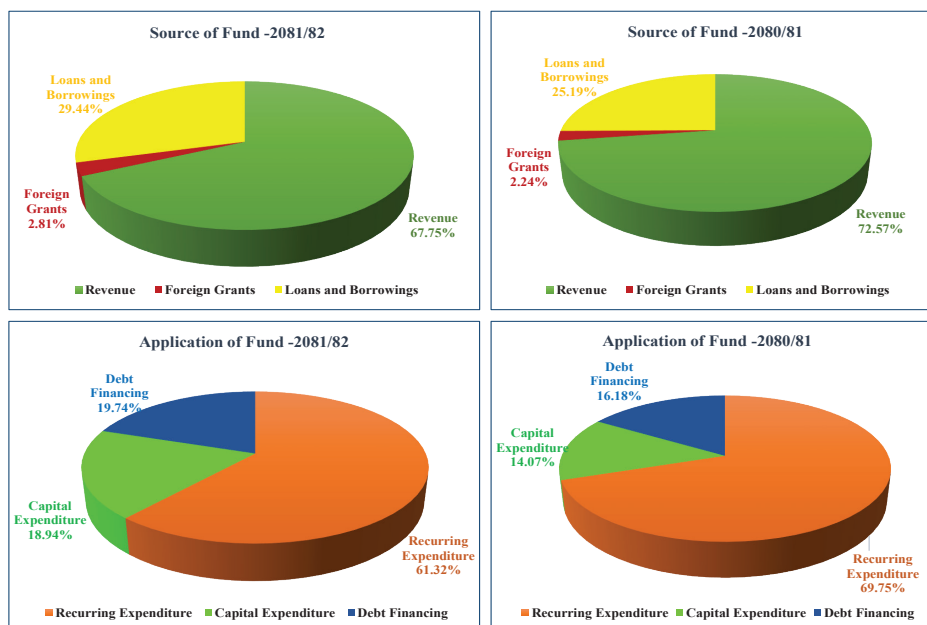
SN	Source of Fund	NPR (Billion)-2081/82	Revised NPR (Billion)-2080/81	Application of Fund	NPR (Billion)-2081/82	Revised NPR (Billion)-2080/81
1	Revenue	1,260.30	1,110.57	Recurring expenditures	1,140.66	1,067.49
2	Foreign Grants	52.33	34.35	Capital expenditures	352.36	215.30
3	Loans and borrowing	547.67	385.44	Debt Financing	367.28	247.57
	Total	1,860.30	1,530.36	Total	1,860.30	1,530.36



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1.6. MINISTRY WISE BUDGET ALLOCATION

(NPR in Lakhs)

S.N.	Ministry	Central	Province	Local Level	Total Budget	% of Total
1.	Office of the Prime Minister and Council of Ministers	55,917.00	-	-	55,917.00	0.30%
2.	Ministry of Finance	486,155.00	707,451.00	1,035,000.00	2,228,606.00	11.98%
3.	Ministry of Industry, Commerce and Supplies	82,556.00	-	10,266.00	92,822.00	0.50%
4.	Ministry of Energy, Water Resources and Irrigation	869,799.00	5,800.00	-	875,599.00	4.71%
5.	Ministry of Law, Justice and Parliamentary Affairs	5,453.00	-	-	5,453.00	0.03%
6.	Ministry of Agriculture and Livestock Development	529,055.00	11,566.00	32,284.00	572,905.00	3.08%
7.	Ministry of Water Supply	233,228.00	12,592.00	20,527.00	266,347.00	1.43%
8.	Ministry of Home Affairs	1,988,707.00	-	3,727.00	1,992,434.00	10.71%
9.	Ministry of Culture, Tourism and Civil Aviation	90,018.00	-	29,097.00	119,115.00	0.64%
10.	Ministry of Foreign Affairs	67,742.00	-	-	67,742.00	0.36%
11.	Ministry of Forests and Environment	124,747.00	28,799.00	3,545.00	157,091.00	0.84%
12.	Ministry of Land Management, Cooperatives and Poverty Alleviation	66,308.00	-	1,954.00	68,262.00	0.37%
13.	Ministry of Physical Infrastructure and Transport	1,505,321.00	-	-	1,505,321.00	8.09%
14.	Ministry of Women, Children and Senior Citizen	13,075.00	475.00	2,495.00	16,045.00	0.09%
15.	Ministry of Youth and Sports	35,048.00	-	-	35,048.00	0.19%
16.	Ministry of Defense	598,714.00	-	-	598,714.00	3.22%
17.	Ministry of Urban Development	693,144.00	76,777.00	156,433.00	926,354.00	4.98%
18.	Ministry of Education, Science and Technology	576,963.00	46,099.00	1,413,558.00	2,036,620.00	10.95%
19.	Ministry of Information and Communications	73,529.00	-	-	73,529.00	0.40%
20.	Ministry of Federal Affairs and General Administration	64,856.00	10,065.00	16,793.00	91,714.00	0.49%
21.	Ministry of Health and Population	461,423.00	63,786.00	337,180.00	862,389.00	4.64%
22.	Ministry of Labor, Employment and Social Security	18,497.00	1,098.00	61,402.00	80,997.00	0.44%
23.	Others than above-including committees, commission	5,874,006.00	-	-	5,874,006.00	31.58%
	Total Budget	14,514,261.00	964,508.00	3,124,261.00	18,603,030.00	
	% of Total Budget Level Wise	78.02%	5.18%	16.79%		100.00%

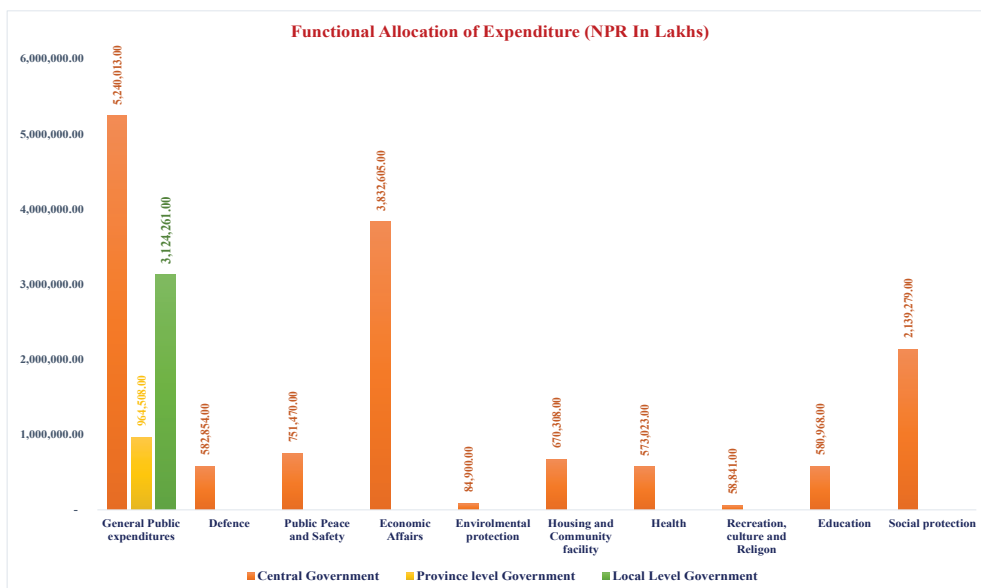


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1.7. FUNCTION WISE BUDGET ALLOCATION



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1.8. MAJOR HIGHLIGHTS OF BUDGET 2081/82

MAJOR HIGHLIGHTS OF BUDGET 2081/82
2081 to 2091 B.S. will be celebrated as the decade of "Investment in Agriculture" by facilitating investment from government, private, cooperative & development partners to increase agricultural productivity through commercialization & modernization. (No. 31)
Addition of 900 MW in the national grid of electricity to enhance current capacity to 4500 MW. Per capita electricity consumption shall be increased to 450 units. Procedure for export of electricity to Bangladesh from upcoming fiscal year will also to be initiated. (No. 51)
Initiation of construction work of hydropower; Budhigandanki (1200 MW), Dudhkoshi (670 MW), Nalsing Gad Reservoir based hydropower project (417 MW), Naumure (280 MW), Ghunsa (77.5 MW) and Simbuwa (70.3 MW) to fulfil the electricity demand in the dry season. (No. 52)
Developing Nepal as Information Technology Hub celebrating ensuing year as embarkment of Information Technology (IT) decade with targeted export of NPR 3000 billion of IT services & generating 5 lakhs direct and 10 lakhs indirect employment during the next 10 years. (No. 59)
Attract 1.6 million tourists by profiling options for tourist destination through identification of new places and development of the existing ones (No. 65)
Promoting the Ram Janaki's wedding location at Janakpur as wedding hub and birthplace of Gautam Buddha as birthing hub (No.71)
National/international persons and organizations playing pivotal role in the promotion of mountaineering tourism to be honoured on International Everest Day which will be celebrated on May 29 of each year(No. 73)
Construction work of the second terminal of Tribhuvan international airport will be initiated and investment structure and initial work for the construction of Nijgadh International Airport on Public-Private-Partnership model shall be initiated. (No. 74)
Conduction of "Partnership Program for productivity and employment" to increase domestic production to substitute import, increase export and link the productivity with employment (No.78)
Promotion of domestic production through "Make in Nepal and Made in Nepal" campaign with co-ordination with the private sectors under Prime Minister's Nepalese Production and Consumption Promotion Program (No. 79)
Formation of Nepal Startup Fund of NPR. 1 billion to facilitate financial requirement of startups in order to increase the participation of youth in entrepreneurship (No.89)
Operation of Business Incubation Center in each province to materialize the entrepreneurial mindset of youths into business (No. 90)



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MAJOR HIGHLIGHTS OF BUDGET 2081/82
Amendment of laws related to Investment and Industry to facilitate & ease investment like Industrial Enterprise Act, Insolvency Act, Labor Act, Hedging Regulation, Forest Act, Land Acquisition Act, Formation of law relating to Derivatives, Intellectual Property and Credit Transaction & amendment of Companies Act to ease registration, regulation and de-registration process (No. 93)
Development of Legal Provision for the production, branding, marketing, and sales of domestic alcohol. (No. 94)
Non-Resident Nepali (NRN) campaign to be conducted to connect their capital, technology, knowledge, and skills to the motherland. Facilitate the utilization and investment opportunities of the NRN Nepal Development Fund. (No. 104)
Restructuring of postal service to Electronic Business Hub, construction of Film Studio at Banepa, Kavrepalanchowk and Dolakha Cinema City through Public-Private-Partnership (No. 119)
Providing employment to around 2 lakhs unemployed individuals registered under Prime Minister Employment Program for at least 100 days in Public Construction and Maintenance Projects (No. 134)
"Returnee Entrepreneurship Program" to be conducted making at least 1 lakh foreign returnee Nepali self-employed through effective utilization of their knowledge, skill, and capital (No.138)
Developing interconnection between Social Security Fund (SSF) and Health Insurance under the concept of Unified Social Security and managing health insurance of the participants of SSF through SSF itself. (No. 140)
Establishment of Regulatory Body for the regulation of Saving & Credit Co-operatives and easing the merger process of the Saving and Credit Co-operatives (No. 146)
To minimize the current liquidity crisis in Saving & Credit Co-operative, managing the refund of deposit holders with deposit up to NPR 5 lakhs on the security of the collateral of the directors and their immediate family members of the co-operatives (No. 147)
Facilitate additional 45,000 students by expanding the scholarship provided to the students of very poor and marginalized class from Grade 6 to Grade 12 which is currently provided to the students from Grade 9 to Grade 12 (No. 161)
The infrastructure development of Sita Dahal Memorial College of Naturopathy and Yogic Science College under the Tribhuvan University will be initiated (No. 189)
80 National Level Sports will be conducted with the promotion of sports that reflect Nepali culture like Bagchal. Dandinbiyo, Ghodchadi etc. (No. 201)
Mulpani Cricket Stadium and Girija Prasad Koirala Cricket Stadium will be constructed as the national pride project. Upgradation of Kirtipur Cricket Stadium and construction of Fapla Cricket Ground to be expedited. Construction work of Gautam Buddha International Cricket Stadium will be continued through the collaboration of federal, state and local level of government. (No. 202)



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**MAJOR HIGHLIGHTS OF BUDGET 2081/82**

Upcoming year to be celebrated as the year of Investment in Women. (No. 206)

Prime minister Daughter Independence Program will be conducted to provide employment-oriented knowledge and skill in coordination of province and local level (No. 208)

Survey and census program will be conducted to change the base year for national accounting (No. 269)

1% of annual capital expenditure will be set aside for research and development (No. 271)

Branch of bank will be established in Saipal Rural Municipality which doesn't have access to the banking facility till date (No. 273)

Sovereign Wealth Fund will be established to utilize remittance in productive areas. (No.274)

Regulation and Supervision capacity of the regulatory bodies will be strengthened and made more effective. Nepal Rastra Bank Act and Foreign Exchange Regulation Act will be amended, and institutional capacity of the Securities Board of Nepal and Nepal Insurance Authority will be strengthened. (No. 276)

Structural reforms of Nepal Stock Exchange Limited and CDS and Clearing Limited will be made. Legal and institutional arrangements will be made to operate a commodity exchange market. Companies with capital exceeding a specified amount will be made compulsory to be listed in the securities market. (No.278)



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**1.9. MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH****MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH**

Custom and excise duties applicable on the import of raw materials by industries such as medicines, induction stoves, thread, helmets, incense sticks, sanitary pads, cashew and almond processing, spring plates, etc., have been decreased to prioritize and promote local industry by imposing duties on finished goods that are at least one level higher than the duties applicable on import of raw materials. (306)

Income tax applicable on payment of interest on loan taken from foreign banks and financial institutions has been decreased. (308)

Dividend tax has been exempted on capitalization of profit by Information Technology Industry. (311)

Tax exemptions will be provided on applicability of change in control due to an increase in capital by enhancing business capacity. (312)

Custom duty has been decreased on import of steel milk cans by animal farms producing more than 1,000 liters of milk daily. (313)

VAT on import of scooter by differently abled person has been exempted at the point of custom instead of providing VAT refund. (316)

A separate Custom Duty Bill has been formulated from the current fiscal year. (317)

Transactions of taxpayers having annual transactions exceeding NPR 25 crore shall be connected to the Central Billing Monitoring System (CBMS). (321)

Problems identified in implementation of the system for refunding 10% of the VAT amount paid via digital medium will be resolved and implemented effectively from Shrawan. (322)

A system shall be developed to provide automated tax clearance certificates with QR code to the taxpayers. (326)

A system shall be developed to ensure that the financial statements submitted to banks and financial institutions are linked with the information submitted in the tax system. (326)

Legal provisions have been made to ensure that payments related to business transactions are deposited only in the bank account of business. (326)

A Transfer Pricing Guideline shall be formulated to reduce tax evasion from activities such as base erosion, profit shifting, and income splitting. (327)

E-assessment and faceless audit system will be implemented. (328)



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MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH

Applicability of VAT on potato, onion, apple, and some other vegetables and fruits have been removed. (330)
Excise duty on liquor, beer, tobacco, and cigarettes have been increased. (330)
Threshold for registration under VAT by businesses engaged in the transaction of goods and services has been increased to NPR. 30 lakhs. (331)
Green tax has been introduced on import of petroleum products and coal. (333)



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2. MAJOR AMENDMENTS IN TAX LAWS

2.1. SPECIAL AMENDMENTS MADE BY FINANCE BILL, 2081

SECTION	PROVISIONS
Section 07	Green Tax shall be levied on import of the various goods like petrol, coal, etc. at customs points.
Section 22	Rebates to the person who comes under Tax Bracket 1. If a person involved in a taxable transaction without obtaining PAN obtains PAN and submits income return and tax of Income Year 2078/79 and 2079/80 within Falgun end, 2081 applicable fee and interest shall be exempted; 2. Taxes, fees, and interest of other previous income years will be exempted if the Income Return is submitted and tax is deposited as mentioned in subsection (1).
Section 23	Rebates to the taxpayer remaining to submit the Income Returns Taxpayers who have taken PAN but have not submitted the income return can avail the waiver on fees and remaining interest if the income return is submitted and tax along with 25% of applicable interest are deposited within Falgun end, 2081.
Section 24	Rebates to the taxpayer remaining to submit the VAT Returns Taxpayers who are registered in VAT but have not submitted the VAT return up to Ashad end, 2081 can avail the waiver on penalties, additional fees, and remaining interest if the VAT returns, VAT, and 50% of applicable interest are submitted within Falgun end, 2081.
Section 25	Rebates on VAT to international air transport service providers 1. If the international air transport service providers registered or not registered in VAT have not collected or submitted the VAT to be collected on the air transport service within the period from 2080 Jesth 15 to 2080 Aswin end, such VAT, penalties, additional fees, and interest are exempted. 2. International air transport service providers not initiating the flight from Nepal (Offline Airlines) can avail waiver on penalties, additional fees, and interest, if it gets registered in VAT and submits the collected VAT within Ashad End, 2081.
Section 26	Waiver on VAT to the person doing the transaction of the transportation service 1. If a person engaging in transaction of renting transportation vehicles or providing transportation services, who was required to be registered for VAT but did not collect VAT either being registered under VAT or without being registered for VAT from 2076 Jesth 15 to 2078 Jestha 14, deposit 1 percentage of such transaction within Mangsir end, 2081, remaining tax, additional fee, interest, and penalty shall be exempted. 2. If the tax amount is due after completion of tax assessment on the transaction mentioned in sub-section (1) or such assessment is under administrative review or any other judicial hearings and if such cases are withdrawn and 1



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SECTION	PROVISIONS
	percentage of transaction is deposited within Mangsir end, 2081, remaining tax, additional fee, interest and penalty shall be exempted.
Section 27	Waiver on VAT on the local production of potato, onion and apples Due VAT, interest, additional fees, and penalties will be waived to the person doing the transaction of potato, onion, and apples produced locally in Nepal even if the person has not collected the applicable VAT up to Jestha 14, 2081 or Inland revenue office has completed tax assessment on such transaction.
Section 28	Waiver on VAT to the entity providing the credit information If the entity established under section 88 of Nepal Rastra Bank Act 2058 with the objective of providing credit information service to bank and financial institutions licensed by Nepal Rastra Bank, is not registered in VAT, gets registered in VAT within Asad end 2081 and deposits the 50% of VAT to be collected up to that period within Asoj end 2081, then the remaining VAT, penalty, interest and additional fees will be waived. If the tax amount is due after completion of tax assessment on the transaction mentioned in sub-section (1) or such assessment is under administrative review or any other judicial hearings and if such cases are withdrawn and amount defined in sub-section (1) is deposited within Mangsir end, 2081, remaining tax, additional fee, interest and penalty shall be exempted.



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2.2. AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
2(Tra1)	Definition: Contribution Based Retirement Payment "Contribution Based Retirement Payment" means the payments of the amount deposited in approved retirement fund derived from the monthly deduction from remuneration of the employee or workers along with the addition by the employer as retirement contribution and the increment in such amount.	No Provision
2(KaDa)	Definition: Permanent Establishment (5) A place outside Nepal where the person resides and assumes a significant digital presence in Nepal, or a place outside Nepal where a data server is kept and is engaged in the transaction of data or services in Nepal for at least 90 days in a period of last twelve months.	No Provision
10(Ta)	Removed	Amounts earned by Drinking Water and Sanitation Consumer Organizations, registered under the Water Resources Act, 2049, in accordance with its objective.
11(3Tha)	If a Special Industry, Information Technology Industry , or Industry related to Tourism Sector capitalizes its accumulated profit into shares for increase in capacity of the same industry, there shall be full exemption from the dividend tax leviable in distribution of dividends from such capitalization. Clarification: "Information Technology Industry" for this subsection refers to the industries related to technology parks, information technology parks, biotech parks, software development, data processing, digital mapping, business process outsourcing, data mining, cloud computing.	If a special industry or industry related to tourism sector capitalizes its accumulated profit into shares for increase in capacity of the same industry, there shall be full exemption from the dividend tax leviable in distribution of dividends from such capitalization.
21(1)(Kha)	Tax payable under this Act and a fine or similar other fee paid to the government of any country or any local body	Tax payable under this Act and a fine or similar other fee paid to the government of any country or any local body





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SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
	thereof for a violation of any law or regulation, byelaw framed thereunder, Provided that tax collected under section 95Ka(7) and not settled within the related income year , tax paid to the provincial government and local level is allowed for deduction as expenses.	thereof for a violation of any law or regulation, byelaw framed thereunder, Provided that tax paid to the provincial government and local level is allowed for deduction as expenses.
21(1)(Nga)	List of expense or amount not allowed for deduction while calculating income from business, employment, or investment: Monthly remuneration exceeding NPR.25,000 per individual not paid through the bank.	No Provision
33(3)	The valuation method of transfer pricing between associated persons under this section shall be as prescribed by the department.	No Provision
57(1)	If the ownership of any entity changes by fifty percent or more as compared to its ownership until before the last three years, the entity shall be deemed to have disposed the property under its ownership or the liability borne by it. However, the provision of this subsection will not be applicable if the capital has been increased through addition of shareholder or partner keeping the number of shares and capital of the existing shareholders or partners same.	If the ownership of any entity changes by fifty percent or more as compared to its ownership until before the last three years, the entity shall be deemed to have disposed the property under its ownership or the liability borne by it.
65(1)	Removed	Clarification: For the purpose of this section, "Contribution-based Interest" means interest related



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SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
		to the retirement contribution contributed within the limit as per section 63(3).
76 (6)	The department is bound to take action in accordance with the advance ruling unless the advance ruling issued under subsection (1) is cancelled.	No Provision
81(5)	Notwithstanding anything contained in subsection (4), the department may by publishing a notice instruct the taxpayer, mentioned in the notice, to compulsorily issue invoice through electronic medium and link it to the Central Billing Monitoring System (CBMS).	No Provision
81 (6)	The department shall develop and implement procedure for safety and confidentiality of equipment and software used in issuance of invoice through electronic mediums. Producers, distributors, and users shall comply such procedure.	No Provision
81Ka	Amount related to business transactions shall not be deposited in individual accounts: Any person receiving an amount in cash, cheque, QR Code or through any other electronic medium is not allowed to deposit such amount in individual bank account.	No Provision
88(1)	Proviso 9: In an interest payment by resident bank and financial institutions to the loan received in foreign currency from foreign Banks to invest in the areas as specified by Nepal Rasta bank, at the rate of five percent .	Proviso 9: In an interest payment by resident bank and financial institutions to the loan received in foreign currency from foreign Banks to invest in the areas as specified by Nepal Rasta bank, at the rate of ten percent .
88Ka(2)	Notwithstanding anything contained in sub-section (1), no tax shall be levied on national and international awards of up to five hundred thousand rupees for contributions made	Notwithstanding anything contained in sub-section (1), no tax shall be levied on national and international awards of up to five hundred thousand rupees for



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SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
	to literature, art, culture, sports, journalism, science, technology, and public administration. However, if the amount of award is more than five lakh rupees windfall gain tax shall be levied only on the excess amount.	contributions made to literature, art, culture, sports, journalism, science, technology, and public administration.
94(2Ka)	Notwithstanding anything contained in this section, advance tax under section 95Ka shall not paid in installments in case of gain from disposal of Non-Business Taxable Asset.	No Provision
95Ka(7)	Advance tax shall be collected as below at custom point on goods imported, as per the prevailing laws on custom duty, for business purpose: Ka) 10% on the value determined for custom purpose on import of living animals under Chapter 1, meat, and edible offal under Chapter 2, live, fresh, and all types of fish products under Chapter 3, fresh flowers and other products under Chapter 6, edible plants, roots, and stems under Chapter 7, edible fruits, wood fruits and other products under Chapter 8. Kha) 2.5 % percentage on the value determined for custom purpose on import of dairy products, eggs, honey and other products under Chapter 4, food products other than for seed purpose under Chapter 10, falling in Chapter 4, flour, wheat flour and other product under Chapter 11, herbs and sugarcane under Chapter 12 and plant-based products under Chapter 14.	Advance tax shall be collected and recovered at custom point at the rate of 5% on the value determined for custom purpose on import of he-buffalo, buffalo, he-goat, hogget, sheep, mountain goat (chyangra) falling in Chapter 1; live, fresh or frozen fish falling in Chapter 3; fresh flowers falling in Chapter 6; fresh vegetables, potato, onion falling in Chapter 7 and fresh fruits falling in Chapter 8 of HS system and at the rate of 2.5% on import of meat falling in Chapter 2, dairy products, eggs, honey falling in Chapter 4, kodo, tapar, junelo, rice, kanika falling in Chapter 10, flour, wheat flour falling under Chapter 11, herbs and sugarcane falling in Chapter 12 and plant-based products falling in Chapter 14, imported for business purpose. However, advance tax at the rate of 1.5% shall be collected on import of goods on which Value Added Tax (VAT) is applicable.



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SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
	However, advance tax at the rate of 1.5% shall be collected on import of goods on which Value Added Tax (VAT) is applicable.	
95(15)	If the department is convinced that the person who is required to collect and deposit tax under this section has not deposited the tax, deposited less tax, or has not deposited tax within prescribed time, order may be given to deposit undeposited tax or less deposited tax and interest under section 119 and charge under section 120. However, a written notice shall be given providing period of 15 days to submit justification for doing such.	No Provision
101Ka	Tax Assessment on assets with unidentified source: (1) If a written notice is received by the department regarding the tax assessment of assets with unidentified source under section 28 of the Money Laundering Prevention Act, 2064, the department shall investigate under such section whether or not he/she has committed a tax-related offense. (2) If, after conducting the investigation under subsection (1), no tax related offence is found, income tax shall be collected from that person at the maximum rate applicable to the income of that year.	No Provision
113(8)	If the amount collected under section 95Ka(7) in an income year is in excess after deduction of tax liability for that income year, the excess amount shall not be allowed to carry forward for upcoming income years or refunded.	No Provision
117(1)(Ga)	If the income return of any income year is not submitted under section 96(1), NPR. 1200 per return (or NPR. 100 per	If the income return of any income year is not submitted under section 96(1), NPR. 100 per month shall be



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SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
	month if the period is less than one year shall be imposed as a charge to the persons defined in section 4(4) and for other persons, higher of 0.1 percent per year of the assessable income (including all the amount that needs to be included and without deducting any amount that can be deducted while calculating income) or NPR. 1200 per return (or NPR. 100 per month if the period is less than one year) shall be imposed as a charge.	imposed as a charge to the persons defined in section 4(4) and for other persons, higher of 0.1 percent per year of the assessable income (including all the amount that needs to be included and without deducting any amount that can be deducted while calculating income) or NPR. 100 per month shall be imposed as a charge.
119Ka	Charge to be Imposed: (1) If a taxpayer, who has obtained approval to issue an electronic invoice under section 81(4) or not, uses software in which the data can be deleted or modified, a charge of NPR. 5 lakhs shall be imposed. (2) If a person engaged in the development, installation, or operation of software or equipment related to electronic invoices doesn't comply with the procedure issued by the Inland Revenue Department, a charge of NPR. 5 lakhs shall be imposed. (3) In case of violation of section 81Ka the lower of NPR. 5,000 or 2% of the total amount shall be imposed as a charge on each monitoring. (4) Except as otherwise provided in this Act, a charge of five thousand to twenty-five thousand rupees shall be imposed to the person who does not comply with any provision of this Act or the Rules framed under this Act	Charge to be Imposed: Except as otherwise provided in this Act, there shall be imposed a charge of five thousand to twenty-five thousand rupees on a person who does not comply with any provision of this Act, or the Rules framed under this Act.



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2.3. AMENDMENTS IN VALUE ADDED TAX ACT, 2052

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
10 Kha1	Registration related provision for nonresident person: (1) Notwithstanding anything mentioned in the Act, a non-resident person providing taxable electronic services or offline air transport services in Nepal of more than 30 lakhs in last 12 months shall be registered in VAT. (2) Registration process of non-resident persons as per subsection (1) shall be as determined by the department. (3) If the non-resident person registered under sub-section (1) closes the business or ceases to do the transaction, the registration shall be canceled according to the procedure determined by the department	Registration related provision for nonresident person providing electronic services: (1) Notwithstanding anything mentioned in the Act, non-resident person providing electronic service business of more than 20 lakhs in last 12 months shall be registered in VAT. (2) Registration procedure for nonresident person involved in electronic service business shall be as determined by the Department. (3) If the nonresident person involved in electronic service business and registered as per sub sec. (1) closes the business or ceases to do the transaction, the registration shall be cancelled according to the procedure determined by the department.
11 (1)(Cha)	Cancellation of Registration: If the taxable transaction of the taxpayer does not reach fifty lakhs in case of goods, and thirty lakhs in case of services and transaction mixed with goods and services in past twelve months.	Cancellation of Registration: If the taxable transaction of the taxpayer does not reach fifty lakhs in case of goods, and twenty lakhs in case of services and transaction mixed with goods and services in past twelve months.
18(3)	If the taxpayer who is required to submit the tax return according to this section fails to submit it within 4 months from the date of submission of the tax return, the tax officer may stop the import or export of taxpayer.	No Provision



2.4. AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
2 (Ja1)	"Tobacco Products" means pan masala, gutkha, chewing tobacco or other similar products containing mixture of tobacco or tobacco products for smoking or for consumption by chewing or to be put in mouth and this term also includes cigarette, quid of tobacco (bidi), cigar, electronic cigarette (vape) and hukkah flavor.	"Tobacco Products" means pan masala, gutkha, chewing tobacco or other similar products containing mixture of tobacco or tobacco products for smoking or for consumption by chewing or to be put in mouth and this term also includes cigarette, quid of tobacco (bidi), cigar.
3Ka (4)	Any excise duty paid for goods incurring loss due to fire, theft, accident, destructive incident or remained in stock due to expiry of the date of utility of the good, may be deducted as prescribed by the Department.	Any excise duty paid for goods incurring loss due to fire, theft, accident, destructive incident or expiry of the date of utility of the good, may be deducted as prescribed by the Department.
4Ga (2) (Kha)	If any diplomatic agency, project, person and other governmental or non-governmental organization intends to scrap and cancel the registration of any motor vehicle imported by them under tariff facility ⁶ , which is older than ten years from the year of its production or such old vehicles used by diplomatic agency or diplomatic employees which can't be used further due to accident or technical reason , with the approval of Ministry of Finance such that it cannot be re-used, the excise duty shall not be levied on such motor vehicle.	If any diplomatic agency, project, person and other governmental or non-governmental organization intends to scrap and cancel the registration of any motor vehicle imported by them under tariff facility, which is older than fifteen years from the year of its production, with the approval of Ministry of Finance such that it cannot be re-used, the excise duty shall not be levied on such motor vehicle.
9 (1)	However, no excise duty license shall be required to import excisable goods under the diplomatic facility on the recommendation of the Ministry of Foreign Affairs, Government of Nepal and to sell or store or export goods under self-removal system.	However, no excise duty license shall be required to import excisable goods under the diplomatic facility on the recommendation of the Ministry of Foreign Affairs, Government of Nepal and to sell or store goods under self-removal system.
9 (6Ka)	For renewal within the timeframe as mentioned in Sub-Section (5), fine equivalent to fifty percent of renewal fee for the first 3 months after expiry of time limit, hundred percent of renewal fee for second 3 months after expiry of first 3	The licensed producers and importers failing to renew the license within the time limit set forth in Sub-section (5), shall, for renewal of license, deposit the fine equivalent of fifty percent of the renewal fees in the first three months after the expiry of time limit and a fine of



SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
	months time limit and two hundred percent of renewal fee for remaining period of the fiscal year shall be levied.	hundred percent of renewal fees in the next three months.
10 Chha	The Excise Duty Officer may at any time examine the content or quality of alcohol in the liquors removed from the factory with approval and in the substances sent for processing for production of liquor at the laboratory of the department or laboratory as prescribed by the department. The alcohol content shall not differ more than one percent or the quality shall not be substantially different.	The Excise Duty Officer may at any time examine the content or quality of alcohol in the liquors removed from the factory with approval and in the substances sent for processing for production of liquor. The alcohol content shall not differ more than one percent or the quality shall not be substantially different.
10Yna1	Use of Excise Ticket: (1) Excise ticket shall be used in excisable goods as prescribed by the department that are produced and exported within Nepal. (2) The format of excise ticket shall be as prescribed by the department.	No Provision
10Ta	Explanation: For the purpose of this section "fake excise duty ticket" means: (1) Not confirming to or different from the security mark or features or quality as approved by the department. (2) Excise duty ticket issued for one industry or entity used by another industry or entity. (3) Excise duty ticket issued for production of one class (category) used for production of another class (category) without the approval of department. (4) Excise duty ticket used once is reused. (5) Having torn, fragmented or false QR code.	No Provision
10Tha	Can be destroyed: (1) The prescribed committee may by determining the quantity destroy following excise duty tickets: excise	No Provision





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SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
	<p>duty tickets kept in stock after making decision of not using the same due to not confirming the characteristics or standards as prescribed by the department, excise duty tickets having no cost, covered by dew, covered by fungus, eaten by termite, torn, not suitable for use due to change in mark of Nepal Government, unmatched or missing serial number, unmatched size and shape, partially burned due to fire, damaged due to destructive activities or can't be used due to any other reason. However, in case where quantity of old excise duty tickets can't be ascertained, the committee may destroy the excise duty tickets by raising <i>muchulka</i> of existing status.</p> <p>(2) Date expired tobacco products, cigarettes, beer, wine and other excisable goods that cannot be consumed may be destroyed as prescribed.</p>	
16 (4) (Ta)	If excise duty is not recovered or recovered less during sale of goods and services produced by the entity under Self-Removal System, upon recovering the excise duty leviable, fine of cent percent of the excise duty not recovered or less recovered.	If excise duty is not recovered or recovered less during sale of goods and services under Self-Removal System, upon recovering the excise duty leviable, fine of cent percent of the excise duty not recovered or less recovered.
16 (4) (Dha)	While examining the stock of a licensee producing liquors, cigarettes, tobacco products, molasses, spirit used as raw material for liquor and other substances subject to excise duty, if the stock is found to be more than the goods mentioned in the purchase book or stock book as prescribed in Excise Duty Rules, 2059 (2002) , the Excise Duty Officer may, upon adding the income of such goods and valuating such additional goods at the market value,	While examining the stock of a licensee producing liquors, cigarettes, tobacco products, molasses, spirit used as raw material for liquor and other substances subject to excise duty, if the stock is found to be more than the goods mentioned in the purchase book or stock book as prescribed in Excise Duty Rules, 2059 (2002) , the Excise Duty Officer may, upon adding the income of such goods and valuating such additional goods at the



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SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
	impose a fine of cent percent of such value of the additional goods.	market value, impose a fine of cent percent of such value of the additional goods.



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2.5. AMENDMENTS IN CUSTOM ACT, 2064

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/ (2080/81)
34(18)	The audit referred to in this section may be done within two years after the date of clearance of goods. If it is proven that the importer or exporter, by producing false documents, has deposited less custom duty than required, the custom auditor upon approval of Director General, may conduct an audit even after the period of two years .	The audit referred to in this section may be done within four years after the date of clearance of goods. If it is proven that the importer or exporter, by producing false documents, has deposited less custom duty than required, the custom auditor upon approval of Director General, may conduct an audit even after the period of four years .
47 (3)	The concerned Customs Office shall publish a seven-day public notice for taking delivery of the goods which have not been cleared within the period referred to in subsection (2).	The concerned Customs Office shall publish a fifteen-day public notice for taking delivery of the goods which have not been cleared within the period referred to in subsection (2).
49 (Ka)	Goods to be forfeited: Parcels, packets, or containers used to pack or transport such goods other than the container transported through cargo rail .	Goods to be forfeited: Parcels, packets, or containers used to pack or transport such goods.
2 (Fa)	"Customs duty" means customs duty chargeable on goods to be exported or imported in accordance with Customs Tariff Act, 2081 .	"Customs duty" means customs duty chargeable on goods to be exported or imported in accordance with laws .
22 (1)	After determining the customs value in accordance with Section 21, the customs officer shall examine whether the declared goods have been classified in accordance with Customs Tariff Act 2081 . In such examination, the customs officer determines whether the classification is appropriate or not also based on subject matter mentioned in Section 61A (3).	After determining the customs value in accordance with Section 21, the customs officer shall examine whether the declared goods have been classified in accordance with the sub-headings of the relevant Finance Act . In such examination, the customs officer determines whether the classification is appropriate or not also based on subject matter mentioned in Section 61A (3).
	Section Removed	Section 5, 6, 7, 8, 9, 11, 72, 73, 74 and 75



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DISCLAIMER

The Institute of Chartered Accountants of Nepal (ICAN) has created and maintains this publication as a service to its members, students, and the stakeholders. The compilation is extracted from Budget Speech 2081/82 and Finance Bill 2081. This publication is intended to provide general information and is not intended to provide or substitute legal or professional advice. This publication has been prepared so that it is current as at the date of writing.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

(Established under the Nepal Chartered Accountants Act, 1997)

ICAN Marga, Satdobato, Lalitpur, Nepal;

Phone: 00977-1-5530832, 5530730

Fax: +977-1-5550774

Email: ican@ntc.net.np

Website: <http://www.ican.org.np>

CONGRATULATIONS TO THE NEWLY ELECTED PRESIDENT AND VICE-PRESIDENT



CA. Prabin Kumar Jha
Newly Elected President

CA Prabin Kumar Jha, served as the Council Member of the Institute from 2021/22 - 2023/24 and held the position of Vice President in 2023/24. In addition, he also served as a Board Member of the Securities Board of Nepal and as a Chair and Committee Member in various Committee of ICAN. With around two and half decades of professional experience in practice, he also holds working experience in International Mission in South and East Asia. Besides, he possesses extensive experience in Chartered Accountancy education, having dedicated years to teaching aspiring Chartered Accountant Professionals. Furthermore, he has demonstrably facilitated numerous training programs and address multiple conferences as a panelist or paper presenter at National and International level.



CA. Nil Bahadur Saru Magar
Newly Elected Vice-President

CA. Nil Bahadur Saru Magar, is the Fellow Member of the Institute. He holds MPhil in Finance from Tribhuvan University and he is currently a PhD Scholar in Finance. He holds more than one and half decade of professional experience. He was appointed as an expert Board Member of Securities Board of Nepal (SEBON) by the Ministry of Finance from 2016-2019. Besides, he also served as Coordinator of various sub-committees including sub-committee for Development of Valuation Guidelines for the Further Public Offer (FPO), Development of Alternative Investment Fund Regulation (Private Equity Regulation), Development of Corporate Governance Directive, Development of Commodity Derivative Regulation. In addition, he served as a Member of the Quality Assurance Board of the Institute and as a member of various committee at the Institute and Nepal Insurance Authority

Congratulations to the Newly Elected Council Members of the 10th Council of the Institute

- | | |
|-------------------------------|-------------------------------|
| 1. CA. Umesh Raj Pandeya | 8. CA. Thakur Prasad Adhikari |
| 2. CA. Nil Bahadur Saru Magar | 9. CA. Sunil Devkota |
| 3. CA. Aman Uprety | 10. CA. Peeyush Anand |
| 4. CA. Prabin Kumar Jha | 11. RA. Hari Bahadur Karki |
| 5. CA. Hem Kumar Kafle | 12. RA. Bharat Kumar Shrestha |
| 6. CA. Anand Raj Sharma Wagle | 13. RA. Jhalak Mani Lamsal |
| 7. CA. Hari Kumar Silwal | 14. RA. Pradeep Kumar Yadav |

STRATEGIC REVIEW

Regulation and Supervision

Issuance of First Amendment in the Firm's Standard and Fee Related Directives, 2078

The Institute has issued the first amendment in the Firm's Standard and Fee Related Directives, 2078 (First Amendment 2080). The Directives shall be effective from 2081/04/01. Notice regarding issuance of Directives can be viewed from the link below:

<https://en.ican.org.np/uploads/downloads/files/3/612f9f6e92ede5b8f8dd5ff193036d77.pdf>

Also, the Directives can be downloaded from the link below:

https://en.ican.org.np/browsable/file/general/Amendment_Note_regarding_Firms_Standard_and_Fee_Related_Directives_2078.pdf

Pronouncement of Nepal Auditing Standard (NSA)

The 324th meeting of the Council held on dated 29th April 2024, in exercise of power conferred by Section 11 (m) of the Nepal Chartered Accountants Act, 2053 has decided to pronounce Nepal Auditing Standard – 2024 which are effective for voluntary application for audit of financial statements for the period beginning from 16th July 2024 and mandatorily applicable from 16th July 2025. The pronounced Nepal Auditing Standard (NSA) – 2024 was developed by the Auditing Standards Board of Nepal (AuSB, Nepal) in accordance with “2021 Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Service

Pronouncements” issued by the International Auditing Standards Board (IAASB).

The notice of the same along with the list of NSA with their effective date of application can be viewed from the link below:

<https://en.ican.org.np/uploads/downloads/files/3/bb78a02750cc382064835a5c8b1a528f.pdf>

Monitoring Visit

The Monitoring and Financial Reporting Review Committee of the Institute has conducted monitoring visit of firms located in Butwal, Bhairahawa, Dang and Parasi.

Professional Development

Third National Convention of Accounting Professionals

The Institute organized the third National Convention of Accounting Professionals on the theme “Sustainable Accounting Practices” on 18th and 19th April 2024 at Nepal Academy, Kathmandu. The Convention was graced by Hon'ble Minister Industry, Commerce and Supplies, Mr. Damodar Bhandari, as Chief Guest. Likewise, Ms. Asmaa Resmouki, President, International Federation of Accountants (IFAC) addressed the program as a Special Guest and delivered a Keynote Speech on the theme of the Convention. CA. Maha Prasad Adhikari, Governor, Nepal Rastra Bank also addressed the program as a Special Guest. Similarly, CA. Deepak Pandey, President, The Association of Chartered Accountants of Nepal (ACAN) and RA. Badri Prasad Bhattarai, Senior Vice-President, Auditors Association of Nepal (AuDAN) also addressed the opening session of the convention as a Guest.



Glimpse of the inaugural session of the convention

The program was organized in three technical sessions whereby eminent speakers from national and international repute shared their valuable insights.

The two days of convention had in total five technical sessions along with two non-technical sessions and musical performance. The profound leaders, eminent speakers and panelist addressed the session are presented below:

Session 1: Strengthening Practice Management of SMPs

Session Chair and Moderator: CA. Madan Krishna Sharma, Past-President, ICAN

Paper Presenter: CA. Prabin Kumar Jha, Vice-President, ICAN

Panelist:

CA. Bhaskar Singh Lala, Immediate Past President and Council Member, ICAN

CA. Rabindra Raj Bhandari, Practicing Chartered Accountant

CA. Pradeep Sigdel, Practicing Chartered Accountant and General Secretary, ACAN

RA. Kumar Prasad Khatiwoda, Practicing Registered Auditor



Glimpse of the first technical session of the convention

Session 2: Role of Professional Accountants in Public Sector

Session Chair and Moderator: CA. Pradeep Kumar Shrestha, Past President, ICAN

Paper Presenter: CA. Amrit Shrestha, Practicing Chartered Accountant

Panelist:

Mr. Suman Dahal, Joint Secretary, Ministry of Federal Affairs and General Administration (MOFAGA)

Mr. Padam Shrestha, Director, Inland Revenue Department (IRD)

Mr. Niraj KC, Deputy Secretary, Financial Comptroller General Office (FCGO)

CA. Chandrakanta Bhandari, Assistant Auditor General, Office of Auditor General

Mr. Ramu Prasad Dotel, Former Deputy Auditor General



Glimpse of the second technical session of the convention

Session 3: Sustainable Business Strategies for SMEs

Session Chair and Moderator: Mr. Hari Bhakta Sharma, Former President, Confederation of Nepalese Industries (CNI)

Paper Presenter: CA. Bidhyabaridhi Sigdel, Managing Director, Dolma Advisors Pvt. Ltd.

Panelist:

CA. Surendra Shrestha, Council Member, ICAN

CA. Anal Raj Bhattarai, Chief Executive Officer, N.R.N Development Fund Ltd.

CA. Sewa Pathak, Chief Executive Officer, Vianet Communication Limited



Glimpse of the third technical session of the convention

Session 4: Regulation by Coordination – An Integrated Approach of Regulators

Session Chair and Moderator CA. Yuddha Raj Oli, Past President, ICAN

Panelist:

Mr. Ambika Prasad Giri, Deputy Executive Director, Securities Board of Nepal (SEBON)

CA. Rajan Dev Bhattarai, Director, Nepal Rastra Bank (NRB)

CA. Birodh Wagle, Deputy Director, Nepal Insurance Authority (NIA)

Mr. Deepak Kumar Pahadi, Registrar, Office

of the Company Registrar (OCR)

Mr. Tolaraj Upadhyay, Deputy Registrar, Department of Cooperatives (DEOC)

Mr. Prakash Poudel, Chief Tax Officer, LTPO, Inland Revenue Department (IRD)

SP. Hobindra Bogati, Central Investigation Bureau (CIB)



Glimpse of the fourth technical session of the convention

Besides the technical session, there were two non-technical sessions on “Spiritual Awareness for Professional Accountants” facilitated by CA. L.P. Bhanu Sharma and “Lifetime Experience Sharing” facilitated by Mr. Sambhujee Baskota. CA. Sanjay Kumar Sinha, Executive Director concluded the convention with a vote of thanks. The convention was attended by altogether 900 participants.

Interaction Program on Format of Certification of Income Tax Return

The Fiscal Taxation and Research (FTR) Committee of the Institute organized a half day interaction program on “Format of Certification of Income Tax Return” on 22nd April 2024 at ICAN Conference Hall located at Satdobato, Lalitpur. CA. Sujan Kumar Kafle, President, ICAN; CA. Prabin Kumar Jha, Vice-President, ICAN along with the RA. Kedar Nath Poudel, President, AuDAN, representative of ACAN, member



of FTR Committee and other practicing members addressed the program and shared their feedback on the draft template for filing income tax return.

Interaction Program on NFRS for SMEs and NAS for MEs

The Standard Implementation and Review Committee (SIRC) of the Institute organized an interaction program on “NFRS for SMEs and NAS for MEs” on 10th April 2024 at ICAN conference hall located at Satdobato, Lalitpur. The objective of the program was to understand the state of preparedness of the relevant stakeholders in the implementation of these standards and knowing the expectations to ensure effective implementation of standards and enhance financial reporting transparency. CA. Prabin Baral delivered a presentation on “NFRS for SMEs and NAS for MEs” in the program after which there

was an open floor discussion. Altogether, 58 members participated in the program.

Training on NAS for MEs and NPOs

The Pokhara Branch Office of the Institute organized a two-day training on NAS for MEs and NAS for NPOs on 10th and 11th April 2024 in Pokhara. The training was organized in total eight sessions whereby, a total of 22 participants attended the training.

Continuing Professional Education (CPE) Training

The Institute, with the objective to enhance conceptual and practical knowledge of the members organized a three-day CPE training on various contemporary issues in Kathmandu, Pokhara and Dang along with one virtual meeting. The details of CPE organized is presented in table below:

S.No.	Place of Training	Date	Number of Participants
1	ICAN Premises, Lalitpur	4 to 6 April 2024	69
2	Virtual	7 to 9 April, 2024	305
3	Kathmandu	18 th to 20 th May 2024	86
4	Pokhara	17 th to 19 th May 2024	43
5	Dang	24 th to 26 th May, 2024	68

Capacity Development Training

The Butwal Branch of the Institute organized three days of Capacity Development Training on Audit Documentation from 7th to 9th April 2024. The objective of training was to enhance members’ understanding on auditing standards and disseminate best practices for audit documentation for enhancing overall audit quality amongst the members. The training was organized in 12 sessions and training was facilitated by CA. Sanjeev Dhakal. Altogether 27 members participated in the training.

Publication of Federal Budget Highlights for Fiscal Year 2081/82

The Institute has published federal budget highlights for fiscal year 2081/82. The same can be viewed from the link below:

https://en.ican.org.np/_browsable/file/resouces/Highlights_of_Federal_Budget_2081_82.pdf

Interaction Program on Federal Budget 2081/82

The Institute organized a half day interaction

program on federal budget 2081/82 on 31st May 2024 in Kathmandu. The objective of the interaction program was to analyze the rationality of budget and its likely impact on various spheres of economy. The program started with the opening remarks of CA. Sujan Kumar Kafle, President, ICAN. Dr. (CA.) Biswash Gauchan, Executive Director and Director, Center for Economic Policy, IIDS presented a paper on “Federal Budget 2081/82” whereby CA. Prabin Raj Kafle, Member of Fiscal Taxation and Research Committee of ICAN, presented paper on “Changes in Tax Laws by Finance Bill, 2081”.



Glimpse of group photo of panelist along with CA. Sujan Kumar Kafle, President ICAN in the interaction program

Followed by a presentation of Dr. (CA.) Biswash Gauchan, a panel discussion was held on “Budget and its Expected Impact on National Economy”. The panel discussion was Chaired by CA. Sudarshan Raj Pandey, Past President, ICAN whereby, Dr. (CA.) Biswash Gauchan, Executive Director and Director, IIDS; Mr. Deepak Shrestha, Vice-President, Nepal Chamber of Commerce; CA. Anal Raj Bhattarai, CEO, NRN Nepal Development Fund; RA. Balram Chaudhary, Treasurer, AuDAN, Central Committee and Mr. Rohit Gupta, Vice-President, Confederation of Nepalese Industries were the panelist in the session. The program was attended by 170 individuals including members of the Institute.

Training on Audit Practice Manual (APM)

The Institute organized two-day training on Audit Practice Manual on 6th and 7th May 2024 at ICAN premises for the Chartered Accountants Members in practice. The objective of the training was to assist audit firms to carry effective and efficient audit by introducing the Audit Practice Manual and system designed to be used on audit of all general audit clients, with few customizations required for particular audit. The two days training was facilitated by CA. Nanda Kishor Sharma whereby, the inaugural session of the training was addressed by CA. Prabin Kumar Jha, Vice-President, ICAN and RA. Dev Bahadur Bohara, Chairperson, Quality Assurance Board. Similarly, CA. Sanjay Kumar Sinha, Executive Director, ICAN addressed the closing session of the training. Altogether 46 Chartered Accountants participated in the training.



Glimpse of Group photo of participants of training on APM along with the Executive Director and facilitator of the training

Training on NFRS for SMEs for Account Preparer

The Butwal Branch of the Institute organized a three-day Training on Nepal Financial Reporting Standards for Small and Medium Enterprises (NFRS for SMEs) for Accounts Preparers from 24th to 26th May 2024 at Butwal. Altogether, 50 individuals participated in the training.



Training on Audit Documentation Manual

The Institute with the objective to introduce the audit documentation manual and improve quality assurance review amongst the Registered Auditors whose firm has been identified for QA review by from the Institute has organized two trainings on audit documentation manual. The two-day training was organized on 13th & 14th June and 25th & 26th June 2024. The training session was facilitated by CA. Sanjeev Dhakal, Practicing Chartered Accountants whereby 77 practicing Registered Auditor members participated in the training.

Interaction Program on Nepal Auditing Standards of Less Complex Entities (LCEs) with ACAN and AuDAN

The Institute jointly in coordination with the Auditing Standards Board of Nepal (AuSB, Nepal) organized an interaction program on Nepal Auditing Standards (NSA) for Less Complex Entities (LCEs) with the representatives of the Association of Chartered Accountants of Nepal (ACAN) and Auditors Association of Nepal (AuDAN) on 23rd June 2024, at the premises of the Institute. The Program was attended by 37 participants including the CA. Sujan Kumar Kafle, President, ICAN; CA. Anup Kumar Shrestha, Chairman AuSB, Nepal; CA. Prakash Jung Thapa, Chairman ASB, CA. Arun Raut, President, ACAN and RA. Badri Prasad Bhattarai, Vice-President, AuDAN; Past Presidents of AuSB and representatives of these institutions and management team of the Institute.

BPA Orientation Program with Entities and Evaluators

The Institute in technical support from the Institute of Chartered Accountants of Sri Lanka

(CA Sri Lanka) organized an Orientation Program on Best Presented Annual Reports on June 24, 2024, at its premises. The program was organized in two technical sessions. The first session was organized for preparer of Financial Statements targeting the CFOs of the corporate houses/entities, with the objective to highlight major disclosures to be incorporated in the Annual Reports of an entity and evaluation criteria of BPA Awards being adopted by the Institute.

Likewise, the second session was organized for the independent evaluators of the BPA reports with the objectives to orient the evaluators on the BPA evaluation guidelines and discussion on various aspects of the evaluation of financial and non-financial information sharing of insights and experience of the evaluators. Both sessions were facilitated by Mohammad Minfaz Hilmy, FCA, FCMA and Partner, Deloitte Sri Lanka. Altogether, more than 70 participants attended the orientation program.

Interaction Program with Accounting Technicians (ATs)

The Accounting Technician Board of the Institute organized an interaction program with the Accounting Technicians of the Institute on 23rd June 2024 at ICAN premises. The program was Chaired by CA. Jagannath Upadhyay Niraula, Chairman of AT Board and Past President of ICAN. The objective of the interaction program was to discuss the progress and major activities of AT Board performed during last 3 years and obtain feedback from participants on AT Education and AT Profession. Speaking in the interaction program ICAN President CA. Sujan Kumar Kafle also emphasized on growing need of ATs in the market and initiations being taken by the Institute to attract students to pursue ATs course. The program was attended by 16 ATs of the Institute.

New Members Welcome Program

The Institute has organized the New Members Welcome program on 27th June 2024 in its Head Office to welcome the newly enrolled Chartered Accountant Members of the Institute within the fraternity of members of the Institute. Coinciding with the Welcome Program, one and half hour program on Artificial Intelligence has been conducted to enhance technical knowledge of the new members which was facilitated by CA. Mukund Pokharel. The program was Chaired and addressed by President of the Institute, CA. Sujan Kumar Kaffle. Besides Vice-President of the Institute, CA. Prabin Kumar Jha also highlighted on various initiatives undertaken by the Institute for capacity development of the members. The program was participated by Council Member, CA. Surendra Shrestha and RA. Posh Raj Nepal. The program ended with the Closing Remarks of Executive Director, CA. Sanjan Kumar Sinha.

Post Qualification Course on Information System Audit (ISA-3.0)

The Institute in technical support from the Institute of Chartered Accountants of India has commenced online batch of a post qualification course on Information System Audit (ISA-3.0) from 23rd June 2024. This course will be organized till 10th July 2024. Altogether, 42 CA members of the Institute have enrolled for the ISA post qualification course.

Certification Course on Public Financial Management

The Institute with the objective to equip members with an understanding of the Public Financial Management (PFM) cycle and its components in both theoretical and practical aspects within a national context, has organized the first batch of post qualification course on “Certification Course on Public Financial Management (Cert. PFM)” for the Chartered Accountants members. The 10 days of post qualification course was organized from 28th June to 7th July 2024 and the examination of post qualification course was conducted on 13th July 2024. Altogether, 29 CA members have enrolled for the post qualification course.



Glimpse of the inaugural session of Post Qualification Course

Education

Concept Paper on Academic Recognition of Chartered Accountancy Qualification

The Institute has prepared a Concept Paper on Academic Recognition of Chartered Accountancy Qualification to determine a Pathway to University Degree to Chartered Accountants. The Concept Paper has already been submitted to Tribhuvan University and Kathmandu University School of Management (KUSOM) for their consideration.

Career Counselling

The Institute's with the objective to make students aware of the Chartered Accountancy (CA) and Accounting Technician (AT) Course offered by the Institute and to provide a brief profile about the Institute and its role has been organizing career counselling programs throughout the nation. Details of career counselling during the quarter has been presented below:

S.No.	Place of Training	Date
1	Kathmandu	20 th , 21 st and 28 th March 2024; 24 th to 26 th May 2024
2	Lalitpur	9 th April 2024
3	Pokhara – AT Career Counselling	7 th April 2024
4	Biratnagar, Pokhara, Butwal, Birgunj	24 th May 2024

Membership Examination Result Published

The Institute published the result of March 2024 Membership Examination held on 14th and 15th March 2024 which were held across eight different centers across the country. The result was published on 5th May 2024. Altogether, 27 examinees have qualified to obtain ICAN membership out of total 347 examinees appeared in the exam among 422 applied examinees. Examinees can view their result from the website of the Institute under members menu or by sending message <<ICAN Membership Roll No.>> at 35001. Press release of the membership exam result can be viewed from the link below:

https://en.ican.org.np/uploads/_downloads/_files/3/b9c465ff801a86b5f934dae398e0b190.pdf

Chartered Accountancy Examination of June 2024

The Institute has conducted the Chartered Accountancy Examination and CA Membership Examination for ACCA of June 2024 batch from 1st to 12th June, 2024 inside Kathmandu Valley and in Pokhara, Butwal, Birgunj, Biratnagar, Chitwan and Nepalgunj. Altogether, 6,524 students appeared in CA examination out of 7,210 students applied for CA examination in different levels. The details about applicants and appeared students are as depicted below:

Level	CAP I		CAP II		CAP III	
	Applicants	Appeared	Applicants	Appeared	Applicants	Appeared
Both Group	1414	1290	2649	2520	409	401
Group I			906	699	699	648
Group II			768	365	365	314
Total	1414	1290	4323	3871	1473	1363

Likewise, 5 applicants applied and appeared for CA membership Examination for ACCA.

New Students' Orientation Program

The Institute organized a New Student's Orientation Program for the students registered for December 2024 batch on 27th June 2024 at Nepal Academy Hall, Kathmandu, Nepal. The program started with welcome remarks from CA. Sanjay Kumar Sinha, Executive Director, ICAN. Likewise, CA. Sujan Kumar Kafle, President, ICAN and CA. Prabin Kumar Jha, Vice-President, ICAN also delivered speech on the program. Besides, CA. Chandrakanta Bhandari, Assistant Auditor General and CA. Nikita Agrawal, Practicing Chartered Accountant also delivered speech on Career Aspects and CA Profession. Further, recently qualified Chartered Accountant CA. Samigya Acharya and Mr. Kushal Nepal shared their experience on journey to Chartered Accountancy. The program also included cultural performances by newly registered students. Altogether, 700 students attended the program.

Meeting with NCASA

A meeting was held between NCASA representatives comprising of NCASA President, Mr. Mahendra Khadka and CA. Sujan Kumar Kafle, President ICAN, CA. Sanjay Kumar Sinha, Executive Director and management team of ICAN. The objective of the meeting was to have a comprehensive discussion on a letter of demand submitted by the NCASA.

Participation in Employment Fair organized by The Ministry of Labor, Employment and Social Security

The head office and branch office of the Institute marked its presence in the Employment Fair "Shramadan" organized by

the Ministry of Labor, Employment and Social Security in different provinces. The Institute held a consultation stall about Chartered Accountancy Education and Profession, in this two-day employment fair.

National Relation: Public and Government

Participation in Nepal Public Expenditure and Financial Accountability (PEFA) Assessment Reports Dissemination Program

CA. Sujan Kumar Kafle, President, ICAN attended the Nepal PEFA Assessment Reports Dissemination Program organized by Ministry of Finance on 30th April 2024 at Marriot Hotel. The program was held in the presence of Hon'ble Finance Minister Barsha Man Pun and Mr. Madhu Kumar Marasini, Secretary, Ministry of Finance.

Meeting with Public Accounts Committee (PAC)

CA. Sujan Kumar Kafle, President, ICAN; CA. Prabin Kumar Jha, Vice-President, CA. Kiran Kumar Khatri, Director, CA. Suman Kumar Bohara, Joint Director, and CA. Santosh Bista, Assistant Director, ICAN attended a meeting of Public Accounts Committee (PAC) on June 4, 2024. The meeting was focused on discussion of audit issues incorporated in the 60th Annual Report of the Office of the Auditor General (OAG).

International Relation: Global Positioning and Leadership

Visit of Ms. Asmaa Resmouki, President, IFAC

Ms. Asmaa Resmouki, President, International Federation of Accountants (IFAC) paid a courtesy visit to the Institute from 17th to 19th April 2024. During the visit, she addressed the 3rd National Convention of Accounting Professionals and had meeting with Hon'ble Auditor General, Mr. Toyam Raya; Governor of NRB, CA. Maha Prasad Adhikari and officials of the World Bank and discussed on issues related to Nepal Public Sector Accounting (NPSAS), implementation of NFRS 9 in banking and financial sector and Anti-Money Laundering policies of Nepal.



Glimpse of Ms. Asmaa Resmouki, IFAC President attending the Council Meeting at ICAN Premises on 17th April 2024

Participation in Confederation of Asian and Pacific Accountants (CAPA) Board Meeting

CA. Yuddha Raj Oli, Past President and Council Member, ICAN attended in Confederation of Asian and Pacific Accountants (CAPA) Board Meeting in the capacity of CAPA Board Director. He also participated in CAPA-Asian Federation of Accountants (AFA) Strategic Leadership Program, Islamic Finance event and Malaysian Institute of Accountants (MIA) Conference held from 10th to 12th June 2024 in Kuala Lumpur, Malaysia.

Representation in SAFA Webinar on Navigating Sustainability: Insights and Best Practices for Sustainability Reporting in Business

CA. Prabin Kumar Jha, Vice-President, Chairman, Sustainability Reporting Committee, ICAN and Member, SAFA Committee on Sustainability Reporting and Assurance addressed the Webinar on "Navigating Sustainability: Insights and Best Practices for Sustainability Reporting in Business" organized by the Sustainability Reporting Standards Board (SRSB) jointly with the South Asian Federation of Accountants (SAFA) on 16th May 2024. Speaking in the webinar, CA. Prabin Kumar Jha shared the perspective of sustainability reporting in Nepal, major initiatives undertaken by the Institute and Government of Nepal and challenges & way forward for promoting sustainable business practices.

Representation in SAFA Webinar on "Post Implementation Challenges of IFRS 9 Financial Instruments"

CA. Surendra Shrestha, Council Member; Chairman, Standard Implementation Review Committee, ICAN and Member, SAFA Committee on Accounting Standards addressed as a panelist in the SAFA Webinar on "Post Implementation Challenges of IFRS 9 Financial Instruments" organized by SAFA Accounting Standard Committee on 15th May 2024. Speaking in the webinar, CA. Surendra Shrestha shared the status and challenges for implementation of NFRS 9 in Nepal and highlighted the initiatives of Central Bank of Nepal, Nepal Rastra Bank (NRB) for development of guidelines on NFRS 9- Expected Credit Loss.

Representation in SAFA Webinar on Impact of Global Economic Volatilities on Financial Reporting in the SAFA Region

CA. Yuddha Raj Oli, Past President and

Council Member of the Institute participated as Panelist in SAFA webinar on "Impact of Global economic volatilities on financial reporting in the SAFA Region" organized by the Committee on Accounting Standards of SAFA hosted by CA Sri Lanka on 6th June, 2024.

Participation in CAPA Meetings and Related Events

CA. Yuddha Raj Oli, Past President and Council Member, ICAN participated in Confederation of Asian and Pacific Accountants (CAPA) Board Meeting, CAPA-Asian Federation of Accountants (AFA) Strategic Leadership Program, Islamic Finance event and Malaysian Institute of Accountants

(MIA) Conference held from 10th to 12th June 2024 in Kuala Lumpur, Malaysia.

Participation in SAFA Webinar on "Adapting to Change: International Education Standards and its Influence on Accounting Profession."

Vice- President of the Institute, CA. Prabin Kumar Jha participated in the Webinar organized by the SAFA on the topic "Adapting to Change: International Education Standards and its Influence on Accounting Profession" on 25th June 2024. As an Eminent Speaker of the webinar, he presented a paper and deliberations on the above subject.

Unique Document Identification Number (UDIN) यकिन गर्ने बारे सूचना ।

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था नेपालमा लेखाव्यवसायको विकास, संरक्षण र सम्बर्द्धन गर्नको लागि नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ अन्तर्गत स्थापित एक स्वायत्त नियमनकारी निकाय रहेको सर्वविदितै छ । संस्थाका पेशागत प्रमाणपत्र प्राप्त सदस्यहरूले लेखापरीक्षण (Audit) वा प्रमाणिकरण (Certification) लगायतका कार्यहरू गर्दा आफ्नो प्रत्येक प्रतिवेदनमा अनिवार्य रूपमा १८ अंकको एक अद्वितीय संकेत नं. (Unique Document Identification Number (UDIN) संस्थाको वेबसाईट www.ican.org.np मा रहेको UDIN Portal बाट जारी गरी सो नम्बर आफ्नो प्रतिवेदनमा उल्लेख गर्नुपर्ने व्यवस्थालाई मिति २०७६ कार्तिक ०१ गतेबाट अनिवार्य लागू गरिएको व्यहोरा सर्वविदितै छ ।

यसै सन्दर्भमा कुनै पनि व्यक्ति वा निकायको लेखापरीक्षण वा प्रमाणिकरण गरी संस्थाका पेशागत प्रमाणपत्र प्राप्त सदस्यहरूले प्रदान गर्ने प्रतिवेदनहरूमा अनिवार्य रूपमा १८ अंकको अद्वितीय संकेत नम्बर (UDIN), हस्ताक्षर मिति, लेखापरीक्षण फर्मको छाप, लेखापरीक्षकको नाम तथा पेशागत प्रमाणपत्र नं. लगायतका विवरणहरू उल्लेख नभई प्राप्त भएमा सो प्रतिवेदन स्वीकार नगर्न सरोकारवाला सबैमा अनुरोध गरिन्छ । साथै संस्थाका पेशागत प्रमाणपत्र प्राप्त सदस्यहरूले हस्ताक्षर गरेको लेखापरीक्षण वा प्रमाणिकरण लगायतका कार्यहरूको प्रतिवेदनमा यस्तो UDIN, हस्ताक्षर मिति, लेखापरीक्षण फर्मको छाप, लेखापरीक्षकको नाम तथा पेशागत प्रमाणपत्र नं. नभएमा सो प्रतिवेदन यस संस्थाको लागि आधिकारिक नहुने व्यहोरा जानकारी गराईन्छ । साथै कुनै प्रतिवेदनमा उल्लेख भएको UDIN यथार्थ तथा आधिकारिक भए नभएको सम्बन्धमा नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्थाको वेबसाईट वा सिधै <https://udin.ican.org.np/verifydocument> मा गई जाँच गर्न सकिने व्यहोरा समेत जानकारी गराईन्छ ।

Institutional Development and Sustainability

10th Council Election of the Institute

Election of 10th Council of the Institute was held successfully on 7th June 2024. The name of newly elected Council Members are as follows:

1. CA. Umesh Raj Pandeya
2. CA. Nil Bahadur Saru Magar
3. CA. Aman Uprety
4. CA. Prabin Kumar Jha
5. CA. Hem Kumar Kafle
6. CA. Anand Raj Sharma Wagle
7. CA. Hari Kumar Silwal
8. CA. Thakur Prasad Adhikari
9. CA. Sunil Devkota
10. CA. Peeyush Anand
11. RA. Hari Bahadur Karki
12. RA. Bharat Kumar Shrestha
13. RA. Jhalak Mani Lamsal
14. RA. Pradeep Kumar Yadav

Out of 17 Council Members remaining 3 members will be nominated by the Government of Nepal on the recommendation of the Auditor General.

Certificate Distribution Ceremony of Newly Elected Council Members of 10th Council

The Office of Election Officer of ICAN organized a “Certificate Distribution Ceremony to distribute certificates to newly elected Council Members of the 10th Council” on 10th June 2024 at ICAN Head Office, Lalitpur. President CA. Sujan Kumar Kafle and Election Officer Mr. Shree Kumar Rai felicitated the newly elected members of 10th Council. The ceremony was participated by the members of 9th Council and senior management team of the Institute.

Unveiling of ICAN Flag

The Institute unveiled the ICAN flag on

17th April 2024 at ICAN premises. The flag unveiling ceremony was presided over by Ms. Asmaa Resmouki, President, IFAC who was in Kathmandu in the invitation of the Institute.



Glimpse of ICAN Flag unveiling ceremony at ICAN

Launch of ICAN Song

The Institute launched its official song “Punantu Mansaa Dhiya” (“Purity of Mind and Clarity of Wisdom”) during the inaugural session of the 3rd National Convention of Accounting Professionals on 18th April 2024. The song embodies the solidarity amongst accounting professionals. The song can be downloaded from the link below:

https://www.youtube.com/watch?v=LrIXb_2AqZU

Staff Participation in Training on IFRS/NFRS 17

CA. Santosh Bista, Assistant Director and CA. Amrita Thapa, Assistant Director participated in the two days “Training on IFRS/NFRS 17” organized by the Accounting Standards Board Nepal on 1st and 2nd April 2024. The training was facilitated by delegates from the Korea Accounting Standards Board (KASB) led by Board Member Jeong-Hyeok Park. The training conducted a special session for CEOs of insurance companies in Nepal regarding implementation of NFRS 17 and technical session on Korean Regulator’s related to life / non-life insurance and reinsurance.

Recruitment of New Staffs

The Institute recruited 18 new staff in various vacant positions with effective from 29th May 2024. The details of newly recruited staffs along with their position is presented below:

S. No.	Position	Number of Newly Recruited Staffs
1.	Assistant Director	1
2.	Senior Officer – Chartered Accountant	1
3.	Senior Officer	2
4.	Officer	5
5.	Senior Assistant	3
6.	Assistant	6

Staff Training on Public Speaking

The Employee Union of the Institute organized half day staff training on Public Speaking for the staff of the Institute on International Labor Day on 1st May 2024. The training was facilitated by Mr. Rajesh Pandey and was conducted at Durbar Resort, Bhaktapur. Along with the training, there was a session relating to the benefits of the Trade Union. In this occasion a recreational session was conducted for the staff. The opening session was Chaired by Mr. Sanoj Bhattarai, President, ICAN Employee Union and was addressed by CA. Sujan Kumar Kafle, President, ICAN; CA. Prabin Kumar Jha, Vice-President, ICAN along with Mr. Padam Raj Regmi, President, Financial Institute Employee Union (FIEUN) and Mr. Bikash Shrestha, General Secretary, FIEUN and the Directors of the Institute.



Glimpse of the inaugural session of the training

Workshop on “Enhancing Workplace Effectiveness through Emotional Intelligence, Behavioral Understanding, Organizational Behavior, and Team Building”

The Institute has organized a Workshop on “Enhancing Workplace Effectiveness through Emotional Intelligence, Behavioral Understanding, Organizational Behavior, and Team Building” for the staffs of the Institute on 22nd June 2024 at Lemon Tree Premier Hotel, Budhanilkantha. The objective of the Workshop was to provide an insight into the intricate dynamics of human behavior within organizational settings to enhance workplace effectiveness. Altogether 65 staff participated in the workshop.



NATIONAL UPDATES

Amendment in Unified Circular, 2080 issued for Licensed Entity conducting Foreign Exchange Transactions

Nepal Rastra Bank has issued circular regarding amendment in the Unified Circular, 2080 issued to licensed entities to carry foreign exchange transactions. The amendment can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2024/04/10_2080-81_2081.01.04_FEMD-Circular_Peace-Mission-LC-1.pdf

Issuance of Insurer Corporate Governance Directives, 2080

Nepal Insurance Authority has issued Insurer Corporate Governance Directives, 2080. The Directives can be viewed from the link below:

https://nia.gov.np/Admin/images/Law/Directive/662f7a9e71f06_1714387614.pdf

Issuance of Insurer Financial Statement Directives, 2080

Nepal Insurance Authority has issued Insurer Financial Statement Directives, 2080. The Directives can be viewed from the link below:

https://nia.gov.np/Admin/images/Law/Directive/660fd3d24cb51_1712313298.pdf

Federal Budget 2081/82 Tabled

The Federal Budget for Fiscal Year 2081/82 was tabled by Hon'ble Finance Minister Mr. Barsha Man Pun, in the joint session of House of Representatives and National Assembly on 28th May 2024 (2081/02/15). The budget speech can be viewed from the link below:

<https://www.mof.gov.np/site/publication-detail/3359>

Issuance of Circular (Hire Purchase): Prevention of Financial Investment in Money Laundering and Terrorism Activities

Nepal Rastra Bank has issued circular to all the licensed company providing hire purchase loan regarding the provision related to prevention of financial investment in money laundering and terrorism activities. The circular can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2024/05/Hirepurchase-AML-CFT.pdf>

Issuance of Circular (Employee Provident Fund and Citizen Investment Trust): Prevention of Financial Investment in Money Laundering and Terrorism Activities

Nepal Rastra Bank has issued circular to Employee Provident Fund and Citizen Investment Trust regarding the provision related to prevention of financial investment in money laundering and terrorism activities. The circular can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2024/05/EPF-CIT-AML-CFT.pdf>

Amendment in Unified Directives, 2080 issued for Licensed A, B and C Class Banks and Financial Institutions

Nepal Rastra Bank has issued circular regarding amendment in the Unified Directives, 2080 issued to licenses A, B and C class Banks and Financial Institutions. The circular can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2024/05/Circular-8-ABC-Final.pdf>

Issuance of Inspection and Supervision Byelaws, 2074 (Second Amendment 2080)

Nepal Rastra Bank has issued second amendment of the Inspection and Supervision Byelaws, 2074 with effective from 19th March 2024. The Byelaws can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2024/04/NRB-Inspection-and-Supervision-Biniyamawali-2074-second-Amendment-2080.pdf>

Issuance of Prevention of Financial Investment in Money Laundering and Terrorism Financing Directive, 2081

Nepal Insurance Authority has issued Directive related to Prevention of Financial Investment in Money Laundering and Terrorism Financing. The Directive can be viewed from the link below:

https://nia.gov.np/Admin/images/Law/Directive/6649e1116ed6b_1716117777.pdf

Digital Insurance Policy Guidelines, 2081

Nepal Insurance Authority has issued Digital Insurance Policy Guidelines, 2081. The Guidelines can be viewed from the link below:

https://nia.gov.np/Admin/images/Law/Directive/664c2a602f50f_1716267616.pdf

Amendment in Annexure of Securities Trader (Securities Broker and Securities Dealers), Byelaws, 2064

Securities Board of Nepal has issued amendment in the Annexure 14 of the

Securities Trader (Securities Broker and Securities Dealers), Byelaws, 2064 with effective from 14 May 2024. The amended annexure can be viewed from the link below:

<https://sebon.gov.np/uploads/2024/05/17/fohqAhp8im8aKSMajgCy9JGLusaXJCCNtV.pdf>

Issuance of Circular regarding addition in Unified Directives 2080 on Payment System

Nepal Rastra Bank has issued circular to all licensed entities conducting payment system transaction regarding additions made in Unified Directives 2080 on Payment System. The circular can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2024/06/Nirdeshan20801.pdf>

Issuance of Prevention of Financial Investment in Money Laundering and Terrorism Financing Directive, 2081 (First Amendment)

Nepal Insurance Authority has issued first amendment of Directive related to Prevention of Financial Investment in Money Laundering and Terrorism Financing. The Directive can be viewed from the link below:

https://nia.gov.np/Admin/images/Law/Directive/6674094e7f6d6_1718880590.pdf

Issuance of Insurance Claim Payment Guidelines, 2081

Nepal Insurance Authority has Insurance Claim Payment Guidelines, 2081. The Guidelines can be viewed from the link below:

https://nia.gov.np/Admin/images/Law/Directive/6680e74b101cd_1719723851.pdf



INTERNATIONAL UPDATES

Equipping Accountants for Sustainability Reporting: IFAC Proposes Enhancements to International Education Standards

The International Federation of Accountants (IFAC) has unveiled [proposed changes to the International Education Standards \(IESs\)](https://www.ifac.org/news-events/2024-04/equipping-accountants-sustainability-reporting-ifac-proposes-enhancements-international-education) that embed sustainability—from analysis to reporting to assurance—across aspiring professional accountants’ training. IFAC encourages all stakeholders to provide feedback on both sets of proposed changes by July 24, 2024, using the Response Templates available on the IFAC website. Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2024-04/equipping-accountants-sustainability-reporting-ifac-proposes-enhancements-international-education>

IFAC Identifies Key Areas Accountants Need to Update their Knowledge & Skills to Prepare for Increasing Sustainability Demands

The International Federation of Accountants (IFAC) has released a new publication setting out four key areas where accountants need to update their knowledge to meet the growing demand for high-quality sustainability-related information. [Equipping Professional Accountants for Sustainability: What's New and What Hasn't Changed](https://www.ifac.org/news-events/2024-04/ifac-identifies-key-areas-accountants-need-update-their-knowledge-skills-prepare-increasing) speaks to the vital role accountants play in producing reliable sustainability-related data, reporting and assurance, as well as the importance of education and training in ensuring professional accountants are able to meet society’s needs. Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2024-04/ifac-identifies-key-areas-accountants-need-update-their-knowledge-skills-prepare-increasing>

IAASB Announces New Strategy and Work Plan to Advance Global Audit and Assurance Standards

The International Auditing and Assurance

Standards Board (IAASB) published its approved strategy and work plan aimed at enhancing consistency and quality of audit and assurance standards worldwide. [Elevating Trust in Audit and Assurance: IAASB’s Strategy and Work Plan for 2024-2027](https://www.iaasb.org/news-events/2024-04/iaasb-announces-new-strategy-and-work-plan-advance-global-audit-and-assurance-standards) reflects the crucial role of audit and assurance in fostering trust in the world’s economies. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2024-04/iaasb-announces-new-strategy-and-work-plan-advance-global-audit-and-assurance-standards>

New IAASB Video Series Explores Proposed Changes to Fraud Standard

As the International Auditing and Assurance Standards Board reaches the midpoint of its public consultation on proposed amendments to its fraud standard, a new four-part video series has been released. The series will help stakeholders understand the proposed changes that strengthen auditor’s responsibilities related to fraud, and the rationale behind them. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2024-04/new-iaasb-video-series-explores-proposed-changes-fraud-standard>

IESBA Unveils 4-Year Strategic Roadmap Putting Ethics at The Heart of Corporate Decision-Making

The International Ethics Standards Board for Accountants (IESBA) has announced the publication of its Strategy and Work Plan for 2024-2027 (SWP), titled [Towards a More Sustainable Future: Advancing the Centrality of Ethics](https://www.ethicsboard.org/news-events/2024-04/iesba-unveils-4-year-strategic-roadmap-putting-ethics-at-the-heart-of-corporate-decision-making). The SWP sets out the IESBA’s vision and strategic goals and actions, underpinning its ambition to put the *International Code of Ethics for Professional Accountants (including International Independence Standards)* at the heart of business and organizations. Further details can be viewed from the link below:

[https://www.ethicsboard.org/news-events/2024-04/iesba-unveils-4-year-strategic-roadmap-putting-](https://www.ethicsboard.org/news-events/2024-04/iesba-unveils-4-year-strategic-roadmap-putting-ethics-at-the-heart-of-corporate-decision-making)

[ethics-heart-corporate-decision-making](#)

IESBA Launches First Global Ethics Standards on Tax Planning

The International Ethics Standards Board for Accountants (“IESBA”) has announced the launch of the first comprehensive suite of global [standards on ethical considerations in tax planning and related services](#), incorporated in the IESBA Code of Ethics. These new standards are aimed at complementing and further strengthening the relevance of the existing IESBA Code addressing Tax Planning and Related Services. The standards become effective July 1, 2025. Further details can be viewed from the link below:

<https://www.ethicsboard.org/news-events/2024-04/iesba-launches-first-global-ethics-standards-tax-planning>

IESBA To Hold Interactive Webinars on The Recently Released Global Ethics Standards on Tax Planning

The IESBA will hold two interactive global webinars in the coming weeks to present the first global ethics standards on tax planning, released earlier this month. The 1.5-hour webinar will feature a high-level overview of the standards and provide an opportunity for stakeholders to participate in a questions-and-answers session with the presenters. The webinar will be held on 13th May 2024 at 10:30 PM, EDT. And 15th May 2024 at 12:00 PM, EDT. Further details can be viewed from the link below:

<https://www.ethicsboard.org/news-events/2024-04/iesba-hold-interactive-webinars-recently-released-global-ethics-standards-tax-planning>

IPSASB Seeks Comments on Proposed Amendments Considering IFRIC Interpretations

The International Public Sector Accounting Standards Board (IPSASB) has released [Exposure Draft \(ED\) 89, Amendments to Consider IFRIC Interpretations](#) for public comment. ED 89 proposes amendments based on five IFRIC Interpretations issued by the IFRS Interpretations Committee which the IPSASB had not yet considered. The IPSASB proposes amendments

to IPSAS for guidance based on the IFRIC Interpretations which are applicable for public sector entities and helpful in applying existing IPSAS principles. [Access the Exposure Draft, its summary At-a-Glance document, or submit a comment.](#) Comments are requested in English by June 17, 2024. Further details can be viewed from the link below:

<https://www.ipsasb.org/news-events/2024-04/ipsasb-seeks-comments-proposed-amendments-considering-ifric-interpretations>

IASB Proposes IFRS Accounting Taxonomy update for IFRS 18

The International Accounting Standards Board (IASB) has published proposals to amend the IFRS Accounting Taxonomy to reflect the new presentation and disclosure requirements introduced in IFRS 18 Presentation and Disclosure in Financial Statements. The IASB is inviting feedback on these proposals. The deadline for submitting comments is 3 September 2024. The IASB will analyze the feedback and make the necessary changes before finalizing the IFRS Accounting Taxonomy Update for IFRS 18.

The proposed taxonomy can be viewed from the link below:

<https://www.ifrs.org/content/dam/ifrs/project/ifrs-accounting-taxonomy-update-primary-financial-statements/iasb-ptu-2024-1-ifrs18.pdf>

Further details can be viewed from the link below:

<https://www.ifrs.org/news-and-events/news/2024/05/iasb-proposes-ifrs-accounting-taxonomy-update-for-ifrs-18/>

Global Accountancy Profession’s Response to the IESBA’s Proposed International Ethics Standards for Sustainability Assurance (IESSA)

On behalf of the global accountancy profession, IFAC welcomes the opportunity to provide input to the IESSA ED. The comment letter IFAC on proposed IESSA can be viewed from the link below:

<https://ifacweb.blob.core.windows.net/publicfiles/2024-05/IFAC%20IESBA%20Sustainability%20ED%20Response.pdf>

Further details can be viewed from the link below:



<https://www.ifac.org/news-events/2024-05/global-accountancy-profession-s-response-iesba-s-proposed-international-ethics-standards>

IFAC Congratulates IFRS Foundation and International Sustainability Standards Board (ISSB) on Growing Global Commitment to ISSB Standards, Welcomes New Jurisdictional Guide

The International Federation of Accountants (IFAC) congratulates the IFRS Foundation and the ISSB on their [announcement](#) today that more than twenty jurisdictions, representing over half the global economy by GDP, have already decided to use, or are taking steps to introduce, ISSB Standards in their legal or regulatory frameworks. Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2024-05/ifac-congratulates-ifrs-foundation-and-international-sustainability-standards-board-issb-growing>

Joint Statement from the IAASB And IESBA Chairs on the ISSB's New Jurisdictional Adoption Guide

New evidence came today of the global momentum toward sustainability disclosure. The [International Sustainability Standard Board \(ISSB\) released a new guide to](#) help jurisdictions adopt its sustainability reporting standards, S1 and S2, and announced that more than 20 jurisdictions have indicated plans to incorporate these standards into their legal or regulatory frameworks. These jurisdictions collectively represent nearly 55% of global GDP and more than 30% of global market capitalization. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2024-05/joint-statement-iaasb-and-iesba-chairs-issb-s-new-jurisdictional-adoption-guide>

Proposed IFRS Taxonomy Update 2024 and comment letters: IFRS 18 Presentation and Disclosure in Financial Statements

On 23 May 2024, the IASB published for public comment IFRS Accounting Taxonomy 2024—Proposed Update 1 IFRS 18 Presentation and

Disclosure in Financial Statements. The proposed changes reflect the presentation and disclosure requirements introduced by IFRS 18, published in April 2024. Stakeholders can respond to the Proposed Taxonomy Update by submitting a comment letter or a survey.

Link to access comment letter:

<https://www.ifrs.org/content/dam/ifrs/project/ifrs-accounting-taxonomy-update-primary-financial-statements/iasb-ptu-2024-1-ifrs18.pdf>

Link to access a survey:

https://ifrs.qualtrics.com/jfe/form/SV_6VfTTggsGaIKqH4

The deadline for submitting comments is 3rd September 2024.

Further details can be viewed from the link below:

<https://www.ifrs.org/projects/work-plan/ifrs-accounting-taxonomy-update-primary-financial-statements/ptu-and-comment-letters-ifrs18-pdfs/>

Exposure Draft and comment letters: Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard

The International Accounting Standards Board (IASB) has published for public comment the Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard, which supplements the [exposure draft published in September 2022](#). The deadline for comments on the proposals in the Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard is 31 July 2024.

Link for Exposure Draft:

<https://www.ifrs.org/content/dam/ifrs/project/addendum-to-the-exposure-draft-third-edition-of-the-ifrs-for-smes-accounting-standard/addendum-ed-smes.pdf>

Further details can be viewed from the link below:

<https://www.ifrs.org/projects/work-plan/addendum-to-the-ed-third-edition-of-the-ifrs-for-smes/exposure-draft-and-comment-letters-addendum-ed-sme/>

Exposure Draft and comment letters: Contracts for Renewable Electricity

On 8 May 2024 the International Accounting Standards Board (IASB) published for public comment the Exposure Draft Contracts for Renewable Electricity (*Contracts for renewable electricity are often structured as power purchase agreements (PPAs)*). They are grouped as either physical PPAs or virtual PPAs). The Exposure Draft proposes narrow-scope amendments to ensure that financial statements more faithfully reflect the effects that renewable electricity contracts have on a company. The proposals amend IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The IASB's swift action responds to the rapidly growing global market for these contracts. The IASB is inviting feedback on the proposed amendments until 7th August 2024.

Link to access exposure draft:

<https://www.ifrs.org/content/dam/ifrs/project/power-purchase-agreements/exposure-draft/iasb-ed-2024-3-contracts-re.pdf>

Further details can be viewed from the link below:

<https://www.ifrs.org/projects/work-plan/power-purchase-agreements/exposure-draft-and-cl-contracts-re/>

IFAC Continues to Convene and Lead Global Discussion on Sustainability Assurance; New Publication Focuses on “What to Expect”

As part of its ongoing initiative to convene, inform and mobilize sustainability reporting and assurance stakeholders, IFAC, the voice for the global accountancy profession, has released [*Sustainability Assurance: What to Expect*](#).

Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2024-06/ifac-continues-convene-and-lead-global-discussion-sustainability-assurance-new-publication-focuses>

Islamic finance can address barriers to achieve SDGs says IFAC, MIA, and World Bank in new report

[*Unleashing the Potential of Islamic Finance: Global Perspectives on Achieving the SDGs with Islamic Finance Tools & Concepts*](#), a new report from the International Federation of

Accountants, Malaysian Institute of Accountants (MIA) and the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia (World Bank) looks at the opportunities presented by Islamic finance, practical examples of its usage from Malaysia, and future pathways towards addressing challenges and unlocking the full potential of Islamic finance to support the SDGs. The report was released at Innovation in Sustainable Development: Islamic Finance Paving the Way hosted by MIA in Kuala Lumpur featuring a keynote address from IFAC President Asmaa Resmouki.

Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2024-06/islamic-finance-can-address-barriers-achieve-sdgs-says-ifac-mia-and-world-bank-new-report>

IPSASB Developing the First Public Sector Sustainability Reporting Standard with Support from the World Bank

The International Public Sector Accounting Standards Board (IPSASB), with support from the World Bank, is developing a climate-related disclosures standard for the public sector. Alongside this announcement, the IPSASB has also published a [*Stakeholder Engagement Plan*](#) outlining how people can provide feedback about the project, through mechanisms that are already a central part of the IPSASB's due process.

Further details can be viewed from the link below:

<https://www.ipsasb.org/news-events/2024-06/ipsasb-developing-first-public-sector-sustainability-reporting-standard-support-world-bank>

IESBA Marks a Year of Transformation with Publication of 2023 Annual Report

The International Ethics Standards Board for Accountants (IESBA) today released its [*2023 Annual Report, Respecting the Past, Planning for the Future*](#).

Further details can be viewed from the link below:

<https://www.ethicsboard.org/news-events/2024-06/iesba-marks-year-transformation-publication-2023-annual-report>

आ.व. २०८१/८२ को सदस्यता, पेशागत प्रमाणपत्र तथा लेखा व्यवसायी फर्म नवीकरण गर्ने सम्बन्धी सूचना

यस संस्थाका सदस्यहरूलाई समयमै आफ्नो सदस्यता, पेशागत प्रमाणपत्र तथा लेखाव्यवसायी फर्मको नवीकरण गर्नुहुन यसै सूचना मार्फत सूचित गरिन्छ। नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमवाली, २०६१ अनुसार नवीकरण सम्बन्धी व्यवस्था निम्नानुसारको रहेको व्यहोरा सम्पूर्ण सदस्यहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ।

नियम	नवीकरणको समयवधि	अतिरिक्त शुल्क सम्बन्धी व्यवस्था
४६(१), ५०(२), ५९(३)	आर्थिक वर्ष शुरू भएको मितिले ६० दिन भित्र	कुनै अतिरिक्त शुल्क नलाग्ने
४६(२), ५०(३), ५९(४)	आर्थिक वर्ष शुरू भएको मितिले ६१ दिन देखि १२० दिन सम्म	१५ प्रतिशत अतिरिक्त शुल्क लाग्ने
४६(२), ५०(३), ५९(४)	आर्थिक वर्ष शुरू भएको मितिले १२१ दिन देखि १८० दिन सम्म	२५ प्रतिशत अतिरिक्त शुल्क लाग्ने
४६(३), ५०(४), ५९(५)	आर्थिक वर्ष शुरू भएको मितिले १८० दिन पछि	सदस्यको सदस्यता, पेशागत प्रमाणपत्र तथा लेखाव्यवसायी संस्थाको दर्ता प्रमाणपत्र स्वतः रद्द हुनेछ

नवीकरणको लागि अन्य आवश्यक जानकारी निम्नानुसार रहेको छ :

- स्वदेश तथा विदेशमा रहनुभएका सदस्यहरूले संस्थाको Website मा रहेको Member Login Portal भित्र गई Online Renewal गर्दा E-sewa, Connect IPS र कार्डबाट भुक्तानी गरी नवीकरण गर्न सकिनेछ।
- सदस्यता नवीकरण गर्नको लागि सदस्यहरूले प्रत्येक वर्ष न्यूनतम १५ क्रेडिट आवर र तीन वर्षमा ६० क्रेडिट आवर बराबरको सि.पि.ई. पूरा गरेको हुनुपर्नेछ। साथै पेशागत प्रमाणपत्र लिएका चार्टर्ड एकाउन्टेन्ट र 'ख' तथा 'ग' वर्गका दर्तावाला लेखापरीक्षक सदस्यले प्रत्येक वर्ष न्यूनतम ३० क्रेडिट आवर र तीन वर्षमा १२० क्रेडिट आवर तथा '३' वर्गका दर्तावाला लेखापरीक्षक सदस्यले प्रत्येक वर्ष न्यूनतम २० क्रेडिट आवर र तीन वर्षमा ९० क्रेडिट आवर बराबरको सि.पि.ई. पूरा गरेको हुनु पर्नेछ।
- देशभित्र रहेका सम्पूर्ण सदस्यहरूको सदस्यता तथा पेशागत प्रमाणपत्र नवीकरण गर्न Biometric विवरण अद्यावधिक गरेको हुनुपर्ने र लेखा व्यवसायी फर्म नवीकरण गर्न आ.व. २०७९/८० को कर चूक्ता प्रमाणपत्र अनिवार्य रुपमा पेश गर्नु पर्नेछ।
Biometric विवरणको लागि कार्यालय समयभित्र संस्थाको मुख्य कार्यालय (सातदोवाटो, ललितपुर) वा शाखा कार्यालयहरू धनगढी, बूटवल, पोखरा, नेपालगंज, वीरगंज र विराटनगरमा सम्पर्क गर्न सकिनेछ। Biometric विवरण अद्यावधिक गर्न संस्थाबाट जारी गरिएको सदस्यता परिचयपत्र/फोटो भएको सदस्यता प्रमाणपत्र/पेशागत प्रमाणपत्र र नागरिकता/सवारी चालक अनुमतिपत्र/नागरिक परिचयपत्र/राहदानी सहित भौतिक रुपमा स्वयं उपस्थित हुनु पर्नेछ।
साथै, पहिले Biometric विवरण अद्यावधिक गरिसकेका सदस्यहरूले पुनः Biometric विवरण अद्यावधिक गर्नु पर्ने छैन।
- सम्पूर्ण सदस्यहरूले नवीकरण गर्नुभन्दा अगाडि अनिवार्य रुपमा आफ्नो Know Your Member (KYM) अद्यावधिक गर्नु पर्नेछ।

यस सम्बन्धी आवश्यक जानकारीको लागि इमेल member@ican.org.np वा सम्पर्क नं ५४३०८३२ / ५४३०७३० Ext १०८/२११/२१३ र संस्थाको शाखा कार्यालयहरूमा सम्पर्क गर्न सकिनेछ।

MEMBERS AND FIRM UPDATE

[From April 2024 – June 2024]

Name and Membership Number of New Chartered Accountants (CA) Member

The Institute registered Chartered Accountant Members pursuant to Section 16(2) of the Nepal Chartered Accountants Act, 1997. New CA Membership issued during this quarter from April to June 2024 is presented in table below:

S.N.	Membership No.	Members Name	S.N.	Membership No.	Members Name
1.	CA-2200	Anish Adhikari	19.	CA-2218	Bandana Thapa
2.	CA-2201	Jemika Dulal	20.	CA-2219	Siddanta Raj Dahal
3.	CA-2202	Ashma Khadka	21.	CA-2220	Upama Lama
4.	CA-2203	Sabu Nepal	22.	CA-2221	Ruby Mahato
5.	CA-2204	Mahesh D. C.	23.	CA-2222	Raunak Mulmi
6.	CA-2205	Saroj Shilpakar	24.	CA-2223	Tikadatta Chaulagain
7.	CA-2206	Ajaya Gyawali	25.	CA-2224	Keshav Gautam
8.	CA-2207	Tenjay Tamang	26.	CA-2225	Udeshya Shrestha
9.	CA-2208	Manoj Aryal	27.	CA-2226	Nikesh Adhikari
10.	CA-2209	Shambhu Paudel	28.	CA-2227	Sangita Khanal
11.	CA-2210	Unique Achhami	29.	CA-2228	Nem Raj Paudel
12.	CA-2211	Amrita Khadka	30.	CA-2229	Shraddha Nepal
13.	CA-2212	Elisha Sharma	31.	CA-2230	Deepak Kumar Dev
14.	CA-2213	Tek Raj Joshi	32.	CA-2231	Aruna Poudel
15.	CA-2214	Sayara Pokharel	33.	CA-2232	Sabita Phoju
16.	CA-2215	Sushila Pandey	34.	CA-2233	Dipak Acharya
17.	CA-2216	Saroj Thapa	35.	CA-2234	Kshitiz Singh
18.	CA-2217	Oscar Dangal			

Name and Membership Number of New Fellow Chartered Accountants (FCA) Member

The Institute registered Fellow Chartered Accountants pursuant to Section 17(b) of the Nepal Chartered Accountants Act, 1997. New Fellow Chartered Accountants Membership issued during this quarter from April to June 2024 is presented in table below:

S.N.	Membership No.	Members Name	S.N.	Membership No.	Members Name
1.	CA-605	Jagadishowr Devkota	8.	CA-1348	Bahutantra Pratap Singh Kshetree
2.	CA-1050	Deepak Gautam	9.	CA-1349	Keshab Bashyal
3.	CA-1248	Vijay Prasad Rouniyar	10.	CA-1351	Subas Acharya
4.	CA-1261	Prashidhda Neupane	11.	CA-1358	Subash Rijal
5.	CA-1272	Satyendra Sharma Satyam	12.	CA-1373	Kalpiti Dhakal
6.	CA-1305	Ankur Goyal	13.	CA-1385	Bishal Baral
7.	CA-1345	Manoj Chhetri			



Name and Membership Number of New Certificate of Practice (CoP) issued Member

The Institute issues Certificate of Practice to the Chartered Accountant Members pursuant to Section 28 of the Nepal Chartered Accountants Act, 1997. New CA Membership issued during this quarter from April to June 2024 is presented in table below:

S.N	Membership No.	Members Name	S.N	Membership No.	Members Name
1.	CA-1490	Gomedh Koirala	11.	CA-2186	Bishal Gaire
2.	CA-1630	Sijan Amatya	12.	CA-2188	Deepak Thapa
3.	CA-1955	Krishna Prasad Paudel	13.	CA-2189	Phanindra Kunwar
4.	CA-2003	Ananta Bijaya Dauliya	14.	CA-2193	Pratigya Shrestha
5.	CA-2032	Milan Rumba	15.	CA-2200	Anish Adhikari
6.	CA-2100	Rajiv K. C.	16.	CA-2207	Tenjey Tamang
7.	CA-2108	Yam Prasad Mainali	17.	CA-2210	Unique Achhami
8.	CA-2161	Prakash Acharya	18.	CA-2226	Nikesh Adhikari
9.	CA-2181	Bishal Ghimire	19.	CA-2228	Nem Raj Paudel
10.	CA-2185	Anish Rijal			

Name of New Chartered Accountancy Firm

The Institute issues registration of Auditing Firms pursuant to Section 28A of the Nepal Chartered Accountants Act, 1997. New firms' registration during this quarter from April to June 2024 is presented in table below:

S.N	Firm No.	Firm Name	S.N	Firm No.	Firm Name
1.	1288	Y. P. Mainali & Associates	9.	1296	Unique Achhami & Associates
2.	1289	Rajiv K. C. & Associates	10.	1297	Anish & Associates
3.	1290	Ghimire Bishal & Associates	11.	1298	Gomedh Koirala & Associates
4.	1291	P. Kunwar & Associates	12.	1299	Nikesh Adhikari & Associates
5.	1292	Bishal Gaire & Associates	13.	1300	Nem Raj & Associates
6.	1293	Sijan & Associates	14.	1301	Anish Rijal & Associates
7.	1294	Prakash Acharya & Associates	15.	1302	A. B. D. Associates
8.	1295	Tenjey & Associates			



Nepal Standards on Auditing -2024

Volume - I of the Handbook

S. No.	NSA No	Standards	Effective for Audits of Financial Statement for the Periods Beginning on:	
			Voluntary Compliance	Mandatory Compliance
1		Structure of Pronouncements Issued by the Auditing Standards Board	Not Applicable	Not Applicable
2		Preface to the Nepal Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements	Not Applicable	Not Applicable
3		Glossary of Terms	Not Applicable	Not Applicable
NEPAL STANDARDS ON QUALITY CONTROL				
4	NSQC 1	Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements (<i>Note: It will be repealed once NSQM - 1 & 2 become mandatory</i>)	1st Shrawan, 2081	1st Shrawan, 2082
AUDITS OF HISTORICAL FINANCIAL INFORMATION				
200-299 General Principles and Responsibilities				
5	NSA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Nepal Standards on Auditing	1st Shrawan, 2081	1st Shrawan, 2082
6	NSA 210	Agreeing the Terms of Audit Engagements	1st Shrawan, 2081	1st Shrawan, 2082
7	NSA 220	Quality Control for an Audit of Financial Statements	1st Shrawan, 2081	1st Shrawan, 2082
8	NSA 230	Audit Documentation	1st Shrawan, 2081	1st Shrawan, 2082
9	NSA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	1st Shrawan, 2081	1st Shrawan, 2082
10	NSA 250 (Revised)	Consideration of Laws and Regulations in an Audit of Financial Statements	1st Shrawan, 2081	1st Shrawan, 2082
11	NSA 260 (Revised)	Communication with Those Charged with Governance	1st Shrawan, 2081	1st Shrawan, 2082
12	NSA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	1st Shrawan, 2081	1st Shrawan, 2082
300-499 Risk Assessment and Response to Assessed Risks				
13	NSA 300	Planning an Audit of Financial Statements	1st Shrawan, 2081	1st Shrawan, 2082
14	NSA 315 (Revised)	Identifying and Assessing the Risks of Material Misstatement	1st Shrawan, 2081	1st Shrawan, 2082
15	NSA 320	Materiality in Planning and Performing an Audit	1st Shrawan, 2081	1st Shrawan, 2082
16	NSA 330	The Auditor's Responses to Assessed Risks	1st Shrawan, 2081	1st Shrawan, 2082
17	NSA 402	Audit Considerations Relating to an Entity Using a Service Organization	1st Shrawan, 2081	1st Shrawan, 2082
18	NSA 450	Evaluation of Misstatements Identified during the Audit	1st Shrawan, 2081	1st Shrawan, 2082
500-599 Audit Evidence				
19	NSA 500	Audit Evidence	1st Shrawan, 2081	1st Shrawan, 2082
20	NSA 501	Audit Evidence – Specific Considerations for Selected Items	1st Shrawan, 2081	1st Shrawan, 2082
21	NSA 505	External Confirmations	1st Shrawan, 2081	1st Shrawan, 2082
22	NSA 510	Initial Audit Engagements—Opening Balances	1st Shrawan, 2081	1st Shrawan, 2082
23	NSA 520	Analytical Procedures	1st Shrawan, 2081	1st Shrawan, 2082
24	NSA 530	Audit Sampling	1st Shrawan, 2081	1st Shrawan, 2082



25	NSA 540 (Revised)	Auditing Accounting Estimates and Related Disclosures	1st Shrawan, 2081	1st Shrawan, 2082
26	NSA 550	Related Parties	1st Shrawan, 2081	1st Shrawan, 2082
27	NSA 560	Subsequent Events	1st Shrawan, 2081	1st Shrawan, 2082
28	NSA 570 (Revised)	Going Concern	1st Shrawan, 2081	1st Shrawan, 2082
29	NSA 580	Written Representations	1st Shrawan, 2081	1st Shrawan, 2082
600-699 Using the Work of Others				
30	NSA 600	Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	1st Shrawan, 2081	1st Shrawan, 2082
31	NSA 610 (Revised)	Using the work of Internal Auditors	1st Shrawan, 2081	1st Shrawan, 2082
32	NSA 620	Using the work of an Auditor's Expert	1st Shrawan, 2081	1st Shrawan, 2082
700-799 Audit Conclusions and Reporting				
33	NSA 700 (Revised)	Forming an Opinion and Reporting on Financial Statements	1st Shrawan, 2081	1st Shrawan, 2082
34	NSA 701	Communicating Key Audit Matters in the Independent Auditor's Report	1st Shrawan, 2081	1st Shrawan, 2082
35	NSA 705 (Revised)	Modifications to the Opinion in the Independent Auditor's Report	1st Shrawan, 2081	1st Shrawan, 2082
36	NSA 706 (Revised)	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	1st Shrawan, 2081	1st Shrawan, 2082
37	NSA 710	Comparative Information – Corresponding Figures and Comparative Financial Statements	1st Shrawan, 2081	1st Shrawan, 2082
38	NSA 720 (Revised)	The Auditor's Responsibilities Relating to Other Information	1st Shrawan, 2081	1st Shrawan, 2082
800-899 Specialized Areas				
39	NSA 800 (Revised)	Special Considerations – Audit of Financial Statements Prepared in Accordance with Special Purpose Frameworks	1st Shrawan, 2081	1st Shrawan, 2082
40	NSA 805 (Revised)	Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	1st Shrawan, 2081	1st Shrawan, 2082
41	NSA 810 (Revised)	Engagements to Report on Summary Financial Statements	1st Shrawan, 2081	1st Shrawan, 2082

Nepal Standards on Auditing - 2024

Volume - II of the Handbook

S. No.	NSA No	Standards	Effective for Audits of Financial Statement for the Periods Beginning on:	
			Voluntary Compliance	Mandatory Compliance
NEPAL AUDITING PRACTICE NOTES				
1	NAPN 1000	Special Considerations in Auditing Financial Instruments	Not Applicable	Not Applicable
AUDITS AND REVIEWS OF HISTORICAL FINANCIAL INFORMATION				
2000-2699 Nepal Standards on Review Engagements				
2	NSRE 2400 (Revised)	Engagements to Review Historical Financial Statements	1st Shrawan, 2081	1st Shrawan, 2082
3	NSRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity	1st Shrawan, 2081	1st Shrawan, 2082
ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION				
3000-3699 Nepal Standards on Assurance Engagements (NSAEs)				



3000-3399 Applicable to All Assurance Engagements				
4	NSAE 3000 (Revised)	Assurance Engagements Other than Audits or Reviews of Historical Financial Information	1st Shrawan, 2081	1st Shrawan, 2082
3400-3699 Subject Specific Standards				
5	NSAE 3400	The Examination of Prospective Financial Information (Previously NSA 810)	1st Shrawan, 2081	1st Shrawan, 2082
6	NSAE 3402	Assurance Reports on Controls at a Service Organization	1st Shrawan, 2081	1st Shrawan, 2082
7	NSAE 3410	Assurance Engagements on Greenhouse Gas Statements	1st Shrawan, 2081	1st Shrawan, 2082
8	NSAE 3420	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus	1st Shrawan, 2081	1st Shrawan, 2082
RELATED SERVICES				
4000-4699 Nepal Standards on Related Services (NSRS)				
9	NSRS 4400	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (Previously NSA 920)	1st Shrawan, 2081	1st Shrawan, 2082
10	NSRS 4410 (Revised)	Compilation Engagements	1st Shrawan, 2081	1st Shrawan, 2082
AUDIT QUALITY				
11		A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality	Not Applicable	Not Applicable
ASSURANCE FRAMEWORK				
12		Amended Nepal Framework for Assurance Engagements	Not Applicable	Not Applicable

New and Revised Standards (Included in Volume - I & II of the Handbook)

S. No.	NSA No	Standards	Effective for Audits of Financial Statement for the Periods Beginning on:	
			Voluntary Compliance	Mandatory Compliance
1	NSQM 1	Quality Management for Firms That Perform Audit or Reviews of Financial Statements, or Other Assurance or Related Services Engagements	1st Shrawan, 2081	1st Shrawan, 2083
2	NSQM 2	Engagement Quality Reviews	1st Shrawan, 2081	1st Shrawan, 2083
3	NSA 220 (Revised)	Quality Management for an Audit of Financial Statements	1st Shrawan, 2081	1st Shrawan, 2083
4		Confirming Amendments to Nepal Standards on Auditing (NSA) and Related Material Arising from the Quality Management Standards	Not Applicable	Not Applicable
5	NSA 600 (Revised)	Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	1st Shrawan, 2081	1st Shrawan, 2083
6		Conforming and Consequential Amendments Arising from Proposed NSA 600 (Revised)	Not Applicable	Not Applicable
7	NSRS 4400 (Revised)	Agreed-upon Procedures Engagements	1st Shrawan, 2081	1st Shrawan, 2083
8		Conforming and Consequential Amendments to the AuSB's Other Standards as a Result of the New and Revised Quality Management Standards	Not Applicable	Not Applicable

पेशागत सदस्यहरूले जारी गर्ने प्रतिवेदनहरूमा समावेश गरिने

Unique Document Identification Number (UDIN) सम्बन्धी सूचना ।

यस संस्थाका पेशागत प्रमाणपत्र प्राप्त सदस्यहरूले लेखापरीक्षण तथा प्रमाणिकरण लगायतका कार्यहरू गरी प्रतिवेदन जारी गर्दा संस्थाको UDIN Portal बाट 18 Digit को UDIN लिई सो UDIN उक्त प्रतिवेदनमा समेत उल्लेख गर्नुपर्ने व्यवस्था अनिवार्य गरिसकिएको व्यहोरा सर्वविदितै छ । यसरी UDIN समावेश नगरी जारी गरिएका प्रतिवेदनहरूलाई संस्थाले मान्यता नदिने तथा त्यस्तो प्रतिवेदन जारी गर्ने सदस्यहरू कारवाहीको भागिदार हुने व्यवस्था समेत यस अधिनै सूचीत गराईसकिएकोमा यस व्यवस्थाको प्रभावकारी कार्यान्वयनको लागि पुनः यो सूचना प्रकाशित गरिएको छ ।

यस सन्दर्भमा संस्थाका पेशागत सदस्यहरूले तल उल्लेखित लेखापरीक्षण तथा प्रमाणिकरण लगायत अन्य कार्य गर्दा प्रत्येक प्रतिवेदनको लागि छुट्टै अनुबन्धन गर्नुको साथै छुट्टा छुट्टै UDIN Generate गरी उक्त प्रतिवेदनहरूमा अनिवार्य रूपमा UDIN समोवश गर्नुपर्नेछ ।

- बाह्य लेखापरीक्षण (Statutory Audit)
- आन्तरीक लेखापरीक्षण (Internal Audit)
- कर लेखापरीक्षण (Tax Audit)
- दाता/प्रोजेक्ट लेखापरीक्षण (Donor/Project Audit)
- विशेष प्रयोजनका लागि गरिने लेखापरीक्षण (Special Purpose Audit)
- मुल्यांकन लेखापरीक्षण (Due Diligence Audit)
- संचालन लेखापरीक्षण (Operational Audit)
- शाखा लेखापरीक्षण (Branch Audit)
- समुह लेखापरीक्षण (Group Audit)
- नियमकारी निकायलाई आवश्यक पर्ने प्रतिवेदन जस्तै (Long Firm Audit Report- LFAR)
- अन्य लेखापरीक्षण (Other Audits)
- मुल्यांकन प्रतिवेदन (Valuation Report)
- कुनै पनि प्रमाणिकरण कार्य जस्तै (Working Capital Certification, Sec 78 of Company Act Certification, etc.)
- अन्य प्रमाणिकरणहरू (Other Certifications)
- समीक्षा सम्बन्धी अनुबन्ध (Review Engagement such as: Internal Control Review, Review engagement under NSRE 2400 and 2410)
- आश्वस्तता सम्बन्धी अनुबन्ध (Assurance Engagements such as: Assurance engagement under NSAE 3000, 3402, 3410 and 3420)
- सम्बद्ध सेवा सम्बन्धी अनुबन्ध (Related Service Engagements such as: Engagement under NSRS 4400 and 4410)
- पेशागत सदस्यको रूपमा जारी गर्ने अन्य प्रतिवेदनहरू (Other)

यसरी संस्थाले जारी गरेका निर्देशनहरूको विपरित UDIN उल्लेख नगरिएका प्रतिवेदन जारी गर्ने पेशागत प्रमाणपत्र प्राप्त सदस्यलाई नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ र नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ बमोजिम आवश्यक कारवाहीको प्रकृया अगाडी बढाईने व्यहोरा समेत जानकारी गराईन्छ ।



Note



Lined area for writing notes, consisting of 25 horizontal lines.

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3. Introduction
4. Main body
 - Heading - It must be in concise form and related to topic
 - Sub-heading – supports to heading
5. Conclusion- Article should be concluded with conclusion
 - a) References- Must be adequate and provided in case of need

Moreover, articles should be original in nature, and it shall not have been published or submitted for publication elsewhere either in print or electronic media. Author should avoid plagiarism of all kinds in their article. Author shall maintain at least 85% originality in their article.

Offices

DHANGADHI

Santoshi Tale -2, Dhangadhi
Tel.: 091-527493
E-mail: icanhg@ican.org.np

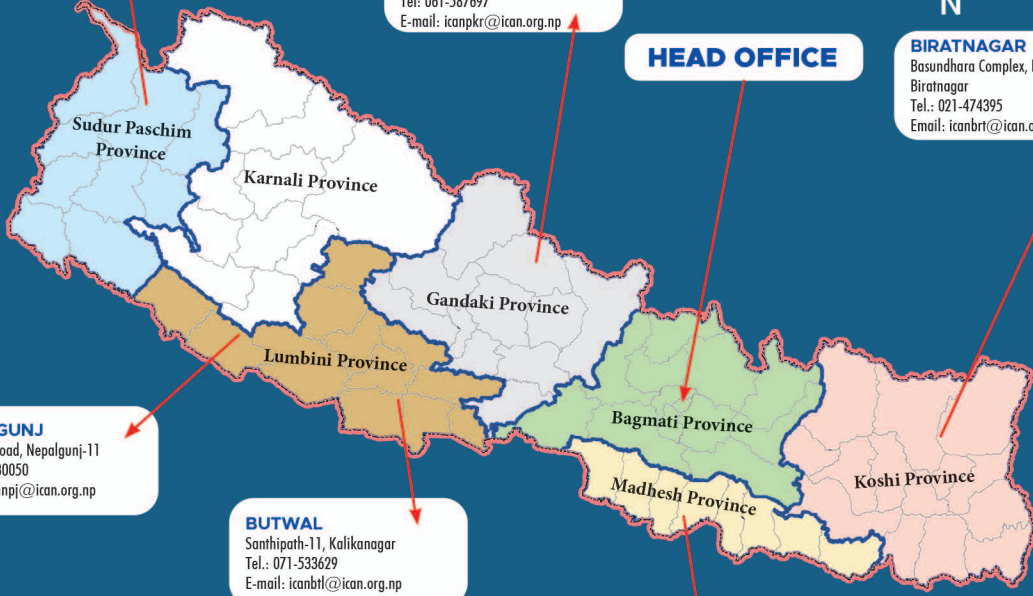
POKHARA

New Road, Street Number 10
Pokhara - 8
Tel.: 061-587697
E-mail: icanpkr@ican.org.np

HEAD OFFICE

BIRATNAGAR

Basundhara Complex, Roadless Chowk
Biratnagar
Tel.: 021-474395
Email: icanbrt@ican.org.np



NEPALGUNJ

Sristi Hall Road, Nepalgunj-11
Tel.: 081-530050
E-mail: icannpj@ican.org.np

BUTWAL

Sanhipath-11, Kalikanagar
Tel.: 071-533629
E-mail: icanbtl@ican.org.np

BIRGUNJ

Ghariaiba Pokhari - 13,
Adarsha Nagar, Birgunj
Tel.: 051-522660
E-mail: icanbrj@ican.org.np



नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

Established under the Nepal Chartered Accountants Act, 1997

ICAN Marg, Satdobato, Lalitpur
P O Box 5289, Ph.: 5430832, 5430730
Web: <http://www.ican.org.np>
E-mail: ican@ntc.net.np

www.ican.org.np



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