ISSN : 3021-9302 Online
ISSN 2961-1504 Print

THE NEPAL CHARTERED ACCOUNTANT

March, 2025
Vol. 27 No. 3

Journal of The Institute of Chartered Accountants of Nepal

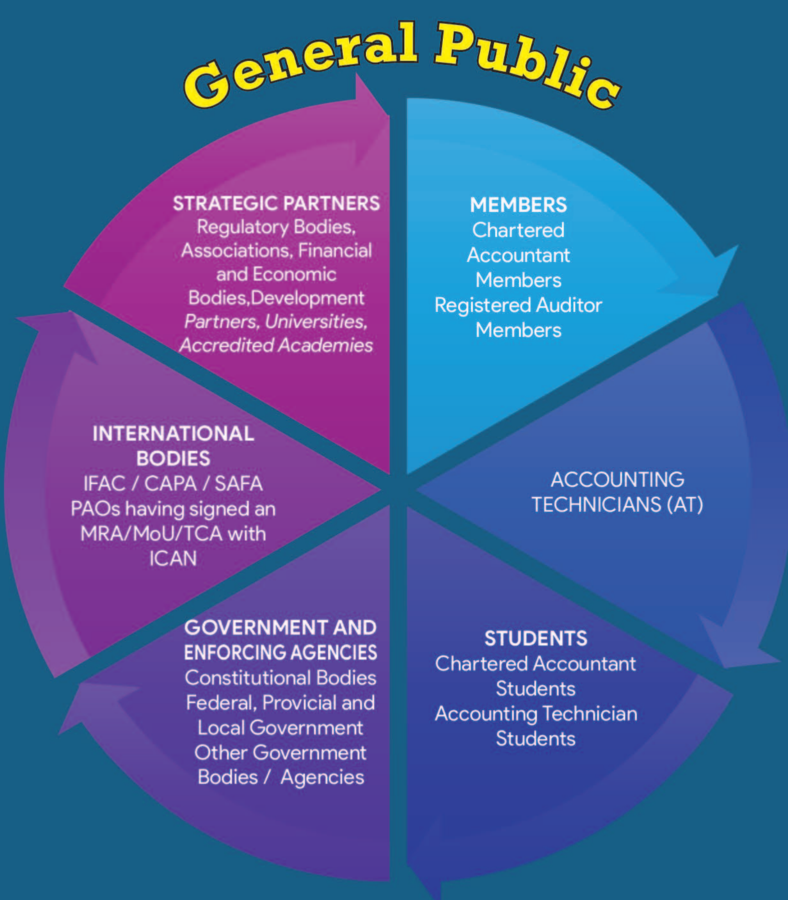
नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

Established under the Nepal Chartered Accountants Act, 1997

Strategic Intent of the Strategic Plan

Key Stakeholders of ICAN



March, 2025
Vol. 27 No. 3

THE NEPAL CHARTERED ACCOUNTANT
(Quarterly Journal of The Institute of Chartered Accountants of Nepal)

About the Journal

The Nepal Chartered Accountants (ISSN 2961-1504 print and ISSN 3021-9302 online) is peer reviewed Journal published quarterly on March, June, September and December every year. The Journal provides a forum to the members of the Institute, professors, professionals, researchers and others to present their original views, critical appraisals of contemporary professional issues, opinion and experiences on improved professional matters. The purpose of the Journal is to disseminate accounting, auditing, financial market and innovative information to enrich the knowledge to its members, students and stakeholders.

Printed At:
Media Journal Pvt. Ltd. Satdobato, Lalitpur

Annual Subscription Rate	**Rs. 600** (including courier charges far Organizations) **Rs. 400** (including courier charges far members) **Rs. 300** (if received by self)

Contents

Editorial

Nepal's Way Forward: Embracing FATF's Recommendation and Strengthening AML/CFT to Exit from Grey list

In February, Nepal has been placed on Financial Action Task Force (FATF)'s list of jurisdictions under increased monitoring, also externally referred to as the grey list based on the decision of plenary meeting of FATF held in Paris during 17th to 21st February 2025. FATF places the countries having strategic deficiencies in their Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) regimes but have committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and are subject to increased monitoring.

Nepal was previously placed under this list during 2008-2014 and exited the list in 2014 following several legislative reforms for combatting AML/CFT related risks. In July 2023, the Asia/Pacific Group on Money Laundering (APG), the regional unit of FATF, responsible for overseeing Nepal, had strongly warned against Nepal's grey-listing and in July 2023, granted one-year extension until October 2024 to enact the reforms in AMF/CFT regime and compliance thereof. Even after long period of arranging adequate legislation and mechanism in place, Nepal remained impassive in implementing them and complied 21 out of 40 FATF Recommendations, a framework of measures that countries should implement to combat AML/CFT and financing of proliferation of weapons of mass destruction. Thus, Nepal was placed on the grey list for the second time in February. This clearly indicates the poor performance of Nepal in dealing with AML activities. Nepal has been unable to function as per its commitment expressed in international forum to deal with AML activities.

The main reason for placing Nepal in grey list is poor implementation of legal provisions, mainly inadequate oversight on high-risk sectors like real estate, cooperatives and its poor monitoring, inadequate enforcement of AML/CFT legal provisions, corruption, revenue leakage, hundi, human trafficking, lack of transparency in NGOs, and lack of effective oversight on illegal transactions and inflow of illegal money. FATF has suggested for improving understanding of ML/TF; improving risk-based supervision of commercial banks, high risk cooperatives, casinos, dealers of precious metals and stones and real estate sectors; demonstrating identification and sanctioning of materially significant illegal Money or Value Transfer Services /hundi providers, without hindering financial inclusion; increasing capacity and coordination of competent authorities to conduct ML investigations; demonstrating an increase in ML investigations and prosecutions; demonstrating measures to identify, trace, restrain, seize and, where applicable, confiscate proceeds and instrumentalities of crime in line with the risk profile; and addressing technical compliance deficiencies in its targeted financial sanctions regime for terrorism financing and proliferation financing.

The detailed breakdown of Nepal's technical compliance with the Financial Action Task Force (FATF) Recommendations as to the Mutual Evaluation Report 2023, showed that the Nepal was fully compliant with 5 recommendations, largely compliant with 16, partially compliant with 16, and non-compliant with 3 recommendations. The non-compliant recommendations include Recommendation 7 on targeted financial sanctions related to proliferation financing, Recommendation 8 concerning non-profit organizations, and Recommendation 15 on new technologies. These strategic deficiencies represent critical gaps in Nepal's legal and regulatory framework and pose significant risks to the effectiveness of its anti-money laundering and counter-financing of terrorism (AML/CFT) regime. Further, the effectiveness rating of report shows Nepal being rated moderate on 4 immediate outcomes whereas low on remaining 7 signifying low overall effectiveness in implementing the AML/CFT measures.

Placement of Nepal in the grey list of FATF indicates a systemic failure to address the vulnerabilities in AML/CFT regime. As a result, there is the possibility of lowered domestic and foreign investor confidence especially in the banking and financial sector, decline in foreign investment prospects and access to international credit, restrictions in transaction banking including increased truncation costs and letter of credit rejections, migration of trade to grey market coupled with increased reputational damage.

In this context, the AML Steering Committee under the Office of Prime Ministers and Council of Ministers has started preparing an action plan as per work plan of FATF and government's strategy on AML by assigning the responsibility to the concerned entities with detailed worksheet for achieving visible outcomes. Currently, there are 13 entities including Nepal Police, Commission for the Investigation OF Abuse of Authority (CIAA), forest offices, Revenue Investigation Department which are authorized to investigate on matters relating to AML. After Nepal was placed in grey list, regulating agencies such NRB, SEBON and Nepal Insurance Authority have issued various policies and directives to the companies with regards to AML under their jurisdiction.

Now, it is necessary for Nepal to take the grey listing as a wakeup call and accepting as opportunity for making financial reforms and strengthening AML/CFT measures. The Institute remain committed to staying on the course and continue to perform our professional responsibility to come out of grey list.

President's Message

CA. Prabin Kumar Jha
President, ICAN

Dear Esteemed Professional Colleagues,

It is my privilege to welcome you to another edition of *The Nepal Chartered Accountant*, featuring insightful articles from our esteemed professionals. This Journal continues to serve as one of the finest platforms for members and academicians to present innovative ideas and share valuable experiences in the accounting profession.

Having completed nine months as President, I would like to share key highlights of the Institute's activities from January to March 2025 to keep you informed and engaged.

Celebrating 28 Years of ICAN

During this quarter, we celebrated the 28th anniversary of our Institute with a series of special programs. In conjunction with the celebration, we organized a workshop and hosted the 7th Convocation Ceremony for our CA graduates.

I had the honor of leading a delegation to New Delhi, India to attend the World Forum of Accountants (WOFA) hosted by the Institute of Chartered Accountants of India from 31 January to 2 February 2025. This global event, themed "Accountability Meets Innovation: AI for a Sustainable Planet," brought together accountants, auditors, finance professionals, and business leaders, providing opportunities to engage with key international delegates. At the World Forum of Accountants (WOFA), I also had the honor of serving as a panelist in a technical session titled *"Building Global Accountants: Enhancing Collaboration and Knowledge Sharing."*

Starting this edition, I am pleased to announce the inclusion of a new section in the Journal dedicated to celebrating the achievements of our members, including career advancements and appointments to senior positions.

Expanding Reach and Credibility of the Accounting Profession

The Institute has recently published model financial statements under NFRS for SMEs, NAS for MEs, and NAS for NPOs which we believe will help members in executing their function effectively. To promote audit quality, we conducted interaction programs with regulatory bodies and audit firms, focusing on quality assurance reviews and feedback for improvement.

We also held an interaction program on the draft FAQs on the Code of Ethics 2023, encouraging open discussion and transparency.

To foster student development, the Institute organized the ICAN Quiz and Public Speaking Contest 2024. Additionally, results of the December 2024 CA Examination were published. I extend heartfelt congratulations to all successful candidates. Following the results, we conducted the 26th Batch of General Management and Communication Skills Training and the 9th Batch of the Pre-Articleship Orientation Program. The CA Membership and AT Examination were also held in March 2025.

Engaging Members and Collaborating with Stakeholders

The Institute hosted a half-day conference on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and Transfer Pricing, addressing regulatory compliance requirements and recent guidelines. We also organized pre-budget interaction programs across our head and branch offices to provide policy suggestions for the upcoming Fiscal Year 2082/83 budget. In celebration of International Women's Day on 8 March 2025, we held a special program promoting women's rights, equality, and empowerment.

To build professional capacity, the Institute conducted the following activities during the quarter:

- One online training on verification of working capital guidelines
- Two programs on audit opinion and misstatement
- One training on financial statement analysis
- One training on NAS for MEs
- Six Continuing Professional Education (CPE) sessions
- The second batch of Public Financial Management (PFM) certification course
- A certification course on Forensic Audit and Fraud Detection (FAFD) in collaboration with ICAI

Additionally, I led a delegation for a courtesy meeting with the Vice-Chancellor of Tribhuvan University to discuss CA education and course credit mapping.

Expanding Our Role as a Government Partner and Elevating Global Presence

I had productive meetings with the Hon'ble Auditor General and the Financial Comptroller General to explore collaboration opportunities. Separate discussions were also held with World Bank and GIZ Nepal representatives at the ICAN office to enhance public financial management (PFM) and support the implementation of PFM reforms.

Furthermore, I also attended the 86th SAFA Board Meeting and 97th Assembly Meeting in Pakistan. I had the privilege of addressing a technical session at the SAFA Conference 2025 on the theme *"South Asia's Economic Outlook: Challenges and Opportunities."* Our delegation also actively participated in various SAFA Committee meetings hosted by ICAP and ICAI.

Operational Resilience and Institutional Sustainability

On 30 January 2025, our 28th Anniversary program was graced by the presence of Hon'ble Finance Minister Mr. Bishnu Prasad Paudel as the Chief Guest, along with Dr. Ganesh Prasad Pandey, Financial Comptroller General, and Mr. Santosh Narayan Shrestha, Chairman of the Securities Board of Nepal. During the event, we launched our Fourth Strategic Plan (2024/25–2028/29) and the Annual Report 2024/25. The celebration also included awards for best employees and winners of various sports competitions.

To improve service delivery, the Institute organized two internal training sessions for staff aimed at enhancing professional competence and responsiveness.

Closing Remarks

As the government prepares the budget for the next fiscal year, the Institute has submitted its recommendations focusing on widening the tax base, streamlining tax laws, enhancing enforcement, and encouraging foreign direct investment and public spending. These are vital steps toward achieving sustainable economic growth and the national development goals of a prosperous Nepal.

The Institute remains steadfast in supporting government initiatives and in upholding the public interest through our professional services.

Finally, I extend my warm wishes to all for a very Happy New Year 2082 (B.S.).

Stay safe and stay healthy.

Warm regards,

CA. Prabin Kumar Jha,

President, ICAN

Concept of Limited Liability Partnership and its Relevance in Nepal

CA. Hem Kumar Kafle
The author is fellow member of ICAN andcurrently serving as a Council Member of ICAN. He can be reached: kaflehem@gmail.com

1. Introduction

Limited Liability Partnership (LLP) is the conceptual fusion of the Partnership firm and Companies.–The concept of LLP creates a new corporate structure that combines the flexibility of a general partnership and the advantages of limited liability of a company at a low compliance cost. In addition to an alternative business structure, LLP would act as a step towards documentation of the economy and will convert an informal, unregistered, and unregulated sector into a formal and regulated regime. In Nepal, Partnership firms are governed by Partnership Act, 2020 and Companies are governed by Companies Act, 2063.

Partnership Firms do not have separate corporate entity and partners have unlimited liability for the work related with partnership firm; however, Companies have separate legal entity having perpetual succession with limited liability of the Shareholders of the Company. LLP is an alternative corporate personality that provides the benefit of limited liability of partnership and allows the partners to select the management based on their mutual agreements as just as general partnership.

LLP shall be useful for service sectors, especially for professionals such as lawyers, doctors, actuaries, chartered accountants, registered auditors, engineers etc. LLP shall be very useful for service sector industries as it provides protection for individual partners against the negligence of other partners within the organization and they shall only take the liability based on capital contribution etc. LLP has one or more general partners or one or more limited partners. LLP as its name, the liability of each partner is limited to the amount invested by them in the business.

Looking at the history of LLP, Australia has implemented LLP Act in 1984 AD, United Kingdom implemented in 2000 AD, Singapore enacted LLP Act in 2005, India has implemented from 2008 AD, Malaysia legislated LLP Act in 2012 and in Pakistan LLP Act was passed in 2017. However, we have now just started the topic for discussion of the LLP. With the increased business activities and involvement of professionals in diverse business entities, LLP is the demand of the time for growth of professional services provided mainly by accountants, lawyers, engineers, architects, valuators etc. under the single entity.

LLP, however, is recent forms of business enterprises, attractive, convenient and appropriate for service type of business enterprises. LLP is new for Nepalese business organizations since we have been practicing companies' modalities since long back (2021B.S.), Partnership since 2020 B.S. and Proprietorship firm as well. However, we have been realizing the importance of forming the specific Act regulating the mixed modalities of companies Act and Partnership Act. Hence, this article tries to highlight the distinction between the companies Act, partnership and LLP and its advantages, disadvantages, LLP legal framework etc.

2. General Partnership and Existing Model in Nepal:

In Nepal, Partnership firms are regulated through Partnership Act, 2020 and such firms are not considered as separate artificial person i.e. having corporate personality. Partners have unlimited liability to fulfill obligations and liabilities of the firm. Partners may be sued for the work of the partnership firms as there is no separate legal entity of the partnership firm.

The Partnership Firms are to be registered in the Department of Commerce in order to operate for commercial matter, Department of Cottage and Small Industries for operating the matter related to cottage and small industry and Department of Industry for any other industry within 6 months from entering into the partnership deed. The Partnership firm which is not registered to the concerned Department shall not get legal validity.

The Firms that are registered under the Private Firm Registration Act, 2014 shall not be required to register under Partnership Act, 2020. The prevailing Partnership Act, 2020 defines partners and Partnership firm as under:

"Any business registered in a record of the Government of Nepal by the persons who have agreed to share the profit of the business carried on by them in a single name under an agreement (Kabuliat) made with each other which entitles all partners to take part in all business for each partner or entitles any of them for the same on behalf of all others."

The Act further states that:

*"Persons who have entered into an agreement of partnership shall be called "**partners**" in relation to each partner and shall be called "**firm**" in a collective form and the name under which their business is carried on is called the "**name of firm**". The Minimum number of partners required to form a partnership firm is two.* However, maximum number of partners required to be in partnership firm has not been defined by the Partnership Act, 2020.

3. Difference between General Partnership and LLP:

LLP is a partnership in which all the partners have limited liability in an incorporated entity and is a legal entity separate from its partners. Existence of LLP is not dependent upon its partners because it has recognition of legal person as per law.

In general partnerships, each partner is personally responsible for the actions of the firm. This includes debts, liabilities and the wrongful acts of other partners. Advantage of a limited liability partnership is the liability protection it affords. This type of partnership structure protects individual partners from personal liability for negligent acts of other partners or employees not under their direct control. In addition, individual partners are not personally responsible for firm's debts or other obligations. This is advantageous for an individual partner when potential lawsuits or claims of negligence against the business are concerned.

A comparative table highlighting the difference between LLP and General partnership is given below:

Comparison between LLP and General Partnership

Basis of Distinction	LLP	Partnership
Liability of Partners	Limited Liability.	Unlimited Liability.
Body Corporate	Separate Body Corporate.	No separate Body Corporate.
Legal Entity	Separate Legal entity from its partners.	Not treated as separate legal entity.
Perpetual Succession	Have perpetual succession.	Can be dissolved after partner's death/ insolvency.
Dissolution	Partners cannot dissolve.	Partners can dissolve.
Common Seal	Shall have.	Shall not have.
Applicability of Partnership Act, 2020	Shall not be applicable.	Shall be applicable.
Applicability of Companies Act, 2063	Applicable to limited extent.	Shall not be applicable.
Ownership of Assets	Remains with LLP.	Ultimately remains with Partners.
Agency Relationship	Partners are agent of LLP.	Partners are agent of the firm and each other.
Amalgamation/Merger	Can be.	No such provision.

4. Difference between Company and LLP:

LLP borrows lot of things in common from companies which include limited liability, separate legal identity, common seal etc. However, LLP is different in some way from companies, mainly in the area of segregation of management function, imposition of tax, flexibility in regulatory reporting etc. A comparative table highlighting the difference between LLP and General partnership is given below:

Comparison between LLP and Company

Basis of Distinction	LLP	Company
Management	Will be from among the partners as agreed among them	Will be Separate from shareholder. Directors have power to conduct day to day affairs of the company, Shareholder practically have no say in the management.
Applicability of Companies Act, 2063	Applicable to limited extent.	Applicable to full extent.
Agency Relationship	Partners are agent of LLP.	Directors act as agent of company
Number of owners	There has to be at least two partners	Can be formed by single person
Liability	Limited. However, in case a partner acts with an intention of fraud, s/he is personally liable. But in some jurisdiction, liability of defined special partners will be unlimited.	Limited to the extent of shares agreed to subscribe by the shareholder.
Common Seal	LLP may have its own common seal, if it decides to have one.	Every company shall have its own common seal.
Name	Suffix 'LLP' or Limited Liability Partnership has to be added to the name.	Suffix 'Limited' or 'Private Limited' has to be added to the name except for company not for profit distribution.
Share Certificate	No Share Certificates are issued. Rights/ Interest of the Partners in the LLP are evidenced by Partnership agreement	Share certificate can be issued by the Company.
Voting Rights	Each partner has only one vote	Shareholders can cast vote as one vote per share.
Transfer of Share / Partnership rights in case of death	In case of death of partner, the legal heir has the right to refund of capital contribution + share in accumulated profits, if any. Legal Heirs will not become partners	In case of death of shareholders, shares are transmitted to the legal heirs.
Cessation as partners / member	A partner can cease to be a member by transferring his share but the transfer of right or cessation of partner does not by itself cause the disassociation of the partner notwithstanding his retirement, and he, like the other continuing partners of the firm, remains liable as partner to third parties for any act done by any of them which would have been an act of the firm if done before retirement until public notice is given of the retirement either by the retired partner or any other partners of the reconstituted firm.	A shareholder can cease to be a shareholder by selling shares.
Drawing	Drawings are permitted as per the LLP agreement	Drawings are not permitted
Establishment for Charitable purpose	LLP cannot be established for charitable purpose.	Companies can be established for charitable purpose.

5. To Whom LLP is suitable?

LLP has accepted most suitable business ventures in services sectors in different jurisdictions around the world. LLP is a lifeline for the service sector, especially for professionals like advocates, engineers, auditors, actuaries etc. The introduction of LLP form of business would also promote entrepreneurship, particularly in relation to knowledge-based industries such as the information technology and biotechnology sectors. However, LLP can be formed to do any type of business such as manufacturing, trading, commercial or professional services with the objective of earning profits.

6. Can LLP be formulated for Charitable Purpose?

LLP cannot be formed for charitable purposes because it is designed for mutual benefit and profit earning through commercial purpose; whereas, charitable organizations are formed for welfare objectives and regulated under separate Act as Non-Governmental Organization.

7. Proposed Legal Framework for LLP:

Currently, we have no legal provision to form a partnership firm with LLP. However, in certain quarter it is being discussed to form LLP in Nepal. Based on the international practice of LLP, some of the key requirements that can be proposed in the LLP Act are discussed below:

7.1. Structure and Nature of Entity:

- LLP is a body corporate and legal entity separate from its partners. Any two or more persons, associated for carrying on a lawful business with a view to profit, may by subscribing their names to an incorporation document and filing the same with the Registrar, form a LLP.
- LLP shall have a perpetual succession.
- Mutual rights and duties of partners of an LLP inter se and those of LLP and its partners are governed by an agreement between partners or between the LLP.
- LLP being a separate legal entity, will be liable to the full extent of its assets, with the liability of the partners being limited to their agreed contribution to the LLP which may be of tangible or intangible nature or both tangible and intangible in nature.
- No partner in LLP would be liable on account of independent or unauthorized actions of other partners or their misconduct. The liabilities of the LLP and partners who are found to have acted with intent to defraud creditors or for any fraudulent purpose shall be unlimited for all or any of the debts or other liabilities of the LLP.
- Every LLP would have at least one partner as Designated/Managing Partners. The duties and obligations of Designated Partners shall be as provided in the Law.
- The Partnership Act, 2020 shall not be applicable to LLP; however, certain provisions of Companies Act, 2063 shall be applicable.

7.2. Registrar of LLPs:

There shall be separate office for Registrar for LLPs. In this connection, a separate Unit or Section be created / any officer of the Company Registrar shall be designated as the Registrar of LLP by the Government of Nepal.

7.3. Ease of Incorporation:

LLP may be registered if an application signed by every person who is to be a partner of LLP is lodged with the Registrar along with the following details:

- Full Name of the LLP;
- Registered address of the LLP.
- Objectives of the LLP including nature of goods/ services to be dealt with.
- Name, surname and address of partners.
- Restrictions, if any, on partners.
- Types of LLP and capital subscribed by each partner.
- Partners representing LLP.
- Designated/Managing Partner
- Mode of settlement of profit /loss among partners and mode to calculate profit.
- Other matters, if any.

7.4. Partnership Deed:

Partnership deed is a constitutive document of LLP, which defines the existence of entity and regulate the structure and control of the entity and its partners. It details matters pertaining to the duties, liabilities and mutual rights of the partners. This is equivalent to the Memorandum of Association (MOA) and Articles of Association (AOA) of the Companies. The requirement of object clause is not mandatory in partnership agreement and it may undertake any business permissible by law and not designed, intended or calculated to deceive or defraud public at large.

7.5. Capital Contribution:

Minimum Capital requirement for incorporation of LLP shall be Rs. 500,000 (Rupees Five Lakhs) (Proposed only).

7.6. Preparation of Statement of Accounts:

LLP shall be under an obligation to maintain annual accounts reflecting true and fair view of its state of affairs.

7.7. Audit:

The LLP shall get the accounts audited by person having membership of The Institute of Chartered Accountants of Nepal (ICAN) and holding Certificate of Practice (COP).

7.8. Annual Returns/Filings:

LLP shall not be required to submit any returns to the Registrar, except:

Annual returns.

- Any changes in the particular of partners (i.e. change in ownership), place of business etc. on prescribed form indicating nature, cause and effect of such change.
- Any changes in capital contribution.
- Any amendments/changes in the LLP Agreement between partners
- Annual returns shall be filed online within 3 months from the end of the relevant fiscal year.
- Change in ownership, change in place of business, change in nature, cause and effect etc. shall be filed within 30 days from the date of such change/amendments. If LLP has not filed returns on the due date; there shall be fine.

7.9. Conversion:

A single member Company, private company or an unlisted public company shall be allowed to convert into LLP and vice versa as in accordance with proposed LLP Act.

7.10. Dissolution:

Dissolution of a limited liability partnership may be either voluntary or by the court. The Registrar of LLP shall have powers to strike off the name of LLP from the register of LLPs; however, consent of creditors is necessary for dissolution of the firm.

7.11. Taxation Issues: (Proposed)

- For tax purpose, LLP shall be treated as a separate entity and will be charged corporate tax rates
- Or,
- For tax purpose, LLP shall not be separate entity and each partner will be taxed on the basis of result of LLP.
- Income from the LLP business shall be distributed as per agreement between and amongst partners and income from LLP shall be added as business income of individual partners.
- Further,
- No tax shall be charged on conversion of partnership firms into LLP.
- No tax shall be charged on conversion of Company into LLP.

7.12. Income Tax Return Filings Date:

LLPs shall have to submit their income tax returns within 3 months from the date of expiry of the relevant fiscal year or as specified in the Income Tax Act.

7.13. Roles of Designated Partners:

- Responsible for Administration and daily affairs
- Preparing and filing of annual statements and accounts
- Ensuring compliance with legal requirements

8. Advantages and Disadvantages of LLP:

In our context the various types of professionals prefer to form general or traditional partnership due to lack legislation for LLP. One of the major drawbacks of traditional partnership is to take unlimited personal liability by the partner for the debt and negligent act of the firm. Some of the pros and cons of LLP are discussed below:

Advantages:

- Separate legal entity: Change of partner do not affect its legal existence.
- No owner/manager distinction. All are partners, no Board of Directors.
- Flexible partnership Deed/Agreement: Free to make or Draft
- Limited Liabilities: Limited to the extent of committed contribution.
- Low Compliance Requirements: No Annual General Meeting (AGM), Filing of annual returns only.
- Easy to dissolve
- Ease of Operations and Management.
- Start up and Small and Medium Enterprises (SMEs) can be benefited.
- Combination of professionals of diverse nature just like lawyers, accountants, engineers, architects, interior designers, human resource personnel etc.
- Can be benefited from the lower income tax rates than corporate tax rates.
- Easy in doing business from the view point of less complex regulatory and compliance requirements.
- Higher productivity from the partners which help in stimulating economic growth.

Disadvantages:

- More rights for one partner (designated partner) than other partners.
- Vote Per share system do not apply.
- Inability to raise venture capital funds due to governance, structure etc.

9. Relevance of LLP in Nepal-

In line with the best practice the legislation related to LLP may make different provisions (specifically relaxed provisions) in relation to maintenance of books of accounts, manner of keeping books of accounts, audit and filing of annual account, mode of service of documents, registration charges and process of registration and Books of accounts, manner of keeping of books of accounts, filing of annual returns, audit of accounts, applicability of accounting standards, mode of service documents etc.

Hence, LLP is relevance for specifically where diverse nature of professionals needs to work on larger nature/complex nature of service industry. The partners do not need to worry about another partner's work and vice versa due to its specific nature and contractual freedom. Registrar of LLPs will also provide relaxation on holding AGM, filing annual returns and make it less complex than companies, taxation authority may also impose less corporate tax rates than the corporate tax rates or even in the developed countries LLP do not impose tax rates instead partners will impose tax rates based on partners drawing. Death, incoming, resignation etc. of partners do not affect the legal existence of the LLP, partners may come and go; however, LLP shall have perpetual legal existence, can sell, transfer, own, buy properties in its own name. Instead of partners, LLP may be sue or be also sued in its name. If business volume needs to be fostered, advancement of business and trade formulation of LLP is best alterative options for the developing nations.

10. Conclusions:

LLP is a hybrid of company and partnership and combine characters of both types of business model. LLP has both pluses and minuses however considering its benefits this model is becoming a popular form of doing business in many countries. It is worth noting that the LLP is relatively new type of legal business entity and its history is also about three decades old. If partners often want to operate collectively and benefit from economies of scale without putting their personal finances at risk, LLP is more suitable. Similarly, for Service nature sectors, senior/experienced partner can concentrate for businesses and junior partner/ fresher can concentrate for quality of services. LLPs combine benefits of partnerships and companies. It provides flexibility, limited liability, and separate legal identity. LLP is suitable for professionals and businesses seeking liability protection like accounting and audit profession. In the view of the benefits of LLP its relevance in Nepal is also high. Therefore, this is the need of hour to formulate LLP Act by the parliament so as to streamline the quality of professional services to the society. In this connection, a collaborative effort of professional bodies like The Institute of Chartered Accountants of Nepal, Nepal Engineering Association/Council, Nepal Bar Association/Council and others is crucial to draw the attention and lobbying with the government officials, politicians and parliamentarians for enactment of legislation on LLP.

11. Reference Documents:

Partnership Act, 2020

Companies Act, 2063

LLP Act, 2008 (India)

LLP Act, 2000 (United Kingdom)

LLP Act, 1984 (Australia)

अनुशासन सम्बन्धी उजुरी उपर सदस्यहरुलाई सचेत गराइएको बारे सूचना ।

एक लघुवित्त संस्थाले सदस्य सुरक्षण शुल्क, पशुधन सुरक्षण शुल्क, दैवि प्रकोप उद्धार राहत कोष लगायतका शिर्षकमा सदस्य, कर्मचारी आदिबाट रकम संकलन गर्ने र सुरक्षण वापत दावि पर्न आएका रकम भुक्तानी गरी बाँकी हुन आउने रकमबाट शिक्षा, स्वास्थ्य र बजार व्यवस्था जस्ता कार्यक्रमहरु एक गैर सरकारी संस्था मार्फत संचालन गर्ने निर्णय गरी उक्त गैर सरकारी संस्थाको नाममा उक्त रकम रकमान्तर गर्दै आइरहेकोमा लघुवित्त संस्थाको बार्षिक वित्तीय विवरणहरुमा सो सम्बन्धमा केही नखुलाइएको र नियमनकारी निकाय लगायत सरोकारवालालाई समेत सोको जानकारी नगरेको भन्ने व्यहोरा सहित उक्त संस्थाका विभिन्न आर्थिक वर्षसँग सम्बन्धित ३ जना लेखापरीक्षकहरु विरुद्ध नेपाल राष्ट्र बैंकबाट नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ को दफा ३५(१) तथा नियमावली २०६१ को नियम ८० बमोजिम संस्थामा उजुरी दर्ता भएकोमा उजुरीको सम्बन्धमा छानविन गर्दा वित्तिय विवरणमा कोषहरु सम्बन्धी संक्षिप्त विवरणको खुलासा गरिएको भएपनि एक गैर सरकारी संस्था मार्फत कोष परिचालन गर्ने भन्ने व्यवस्था तथा ती कोषहरुको शूरु तथा अन्तिम मौज्दातबीचको हिसाब भिडान तथा ती कोषहरुबाट भएको खर्च एवं मौज्दात सम्बन्धी विवरण नखुलाइएको सम्बन्धमा आफ्नो प्रतिवेदनमा कुनै कैफियत उल्लेख नगरेको तथा वित्तीय विवरणमा ती कोषहरुमा जम्मा हुने गरी विभिन्न शिर्षकमा संकलन गरिएको रकमलाई अन्य दायित्व शिर्षकमा लेखाङ्कन गरिएकोमा उक्त रकमलाई आम्दानी बाध्नु पर्ने/नपर्ने भन्ने विषयमा यकिन नगरिएको सम्बन्धमा आवश्यक पेशागत विवेकको प्रयोग नभएको हदसम्म लेखापरीक्षकहरुबाट कमजोरी भएको देखिएको र उक्त कमजोरीहरुलाई दोहोरिन नदिनको लागि आफ्नो बयानको क्रममा प्रतिबद्धता समेत प्राप्त भएकोले सो सम्बन्धमा अनुशासन समितिबाट प्राप्त सिफारिसको आधारमा ३ आरोपितहरु मध्ये २ आरोपितहरुलाई नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था अनुशासन सम्बन्धी उजुरी छानविन कार्यविधि, २०७७ को दफा ५(११) बमोजिम एक पटकको लागि सचेत गराउने र एक जना आरोपित सदस्यको मृत्यु भइसकेकोले नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था अनुशासन सम्बन्धी उजुरी छानविन कार्यविधि, २०७७ को दफा ८(७) बमोजिम निज आरोपित लेखापरीक्षक उपरको कारवाहीलाई तामेलीमा राख्ने निर्णय परिषदको मिति २०८१ चैत्र ०७ गते बसेको ३४४ औं बैठकबाट भएको व्यहोरा सार्वजनिक जानकारीको लागि नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ को नियम ८४(२)(ग) बमोजिम प्रकाशन गरिएको छ ।

नोट : *यो सूचनामा उजुरी तथा उजुरी उपर भएको निर्णयको संक्षिप्त व्यहोरा मात्र उल्लेख गरी सार्वजनिक जानकारीको लागि प्रकाशन गरिएको हुँदा यसलाई अनुशासन छानविनको पूर्ण प्रतिवेदनको रुपमा लिन उपयुक्त नहुने ।*

Transforming Banking Operations with Robotic Process Automation

CA. Rabindra Shahi

The author is member of ICAN, currently serving as Manager at Siddhartha Bank. He can be reached at mail : raabnshahi@gmail.com

Abstract

The banking industry is facing an increasing number of challenges, from growing operational costs and compliance pressures to fierce competition from Financial Technology (FinTech) companies. Robotic Process Automation (RPA) is a disruptive technology that automates repetitive, rule-based tasks, thereby optimizing operational efficiency, minimizing errors, and reducing costs. With capabilities such as integration with Core Banking Systems (CBSs), Loan Management Systems (LMS), and Customer Relationship Management (CRM) platforms, RPA enables smooth digital transformation/automation of processes like customer onboarding, servicing, loan processing, regulatory reporting, and fraud detection. Such benefits of RPA include reduced costs, increased employee productivity, enhanced customer satisfaction, and faster and error-free processing. All these advantages come with implementation challenges like resistance to change, data security, and legacy systems' integration. However, the flexibility and scalability of RPA suggest great potential, and its success within the banking sector is crucial to maintain a competitive edge, achieve operational excellence, and deliver top-drawer services.

Background

Bank and financial institutions (BFIs) are the foundation of the country's economy which plays a pivotal role in the regularization of money along with building a level of public trust (Role of Banking Sector in Indian Economy, n.d.). It equally interacts with deposit as well as loan customers to meet their day-to-day financial needs. Over the years, the customers' expectations from banking industry have been increasing. BFIs strive to meet the requirements of their customers, maintaining an equal focus on shareholders' return. However, with the increasing cost of human resources, different inter-related processes for execution, the cost of delivering these services is increasing year on year, which is not properly justified by the associated revenue. This has been widening the disparity between banks' income and spending patterns. The income stream of banks is not on increasing trend in comparison to the cost due to stiff market competition, increased cost of service and compliance cost to meet the regulatory requirements (Acharya, 2020). So, it's high time for banks to minimize their operating costs in order to stay competitive in the market.

Robotic Process Automation can be a good alternative in banks in order to automate repetitive, manual and rule-based tasks with the objective of lowering the operating cost. RPA is a transformative technology designed to quickly automate manual tasks, sub-processes and entire business processes. In contrast to other automation platforms, it is not a heavyweight technology but only accesses the presentation layer to mimic human behavior (Herm et al., 2023)questions like what people should do, what should be automated, and how those should be automated before its implementation. (Kuppan, 2022)

What is Robotic Process Automation?

Robotic Process Automation is a form of business process automation that is based on software robots which are not as good as artificial intelligence. In traditional workflow automation tools, i.e. before RPA era, a software developer produces a list of actions to automate a process and interface to the back end system using internal application programming interfaces (APIs) or dedicated programming language. In contrast, RPA systems read the process by watching the user to perform the task, develop the process and then perform the automation by repeating those tasks directly in the user interface. This can lower the barrier to the use of automation in products that might not otherwise feature APIs for this purpose. RPA has the potential to eliminate lots of manual effort which helps business to keep pace with current technology trends. With relation to cost, an RPA software license may cost between 1/3rd and 1/5th of the cost of a full-time human capital.

The term RPA can be dated as early as mid-2000s. The underlying technologies such as computer vision and workflow automation has been developing for some time before. While RPA is still considered as a developing technology, it still relies on other technologies like artificial intelligence (AI), screen scraping, workflow automation and elevates these technologies to a new level, advancing their capabilities in a significantly improved way. Rather than being dependent on code as is required in other automation, RPA provides tools for users to build workflows in a visual way that can be somehow independent of coding knowledge. Also, unlike many web scraping tools, some RPA software makes use of optical character recognition (OCR) and Intelligent Character Recognition (ICR) technology to adapt to changing websites without requiring intervention from a human.

Just like with all automations, RPA means replacing processes previously done by humans, but this time done by configuring a robotic software to perform the tasks, interacting between different systems such as spreadsheets, Core Banking System (CBS), Loan Management System (LMS), Customer Relationship Management (CRM) systems or Enterprise Resource Planning (ERP) software (Lacity & Willcocks, 2018). In short, RPA provides the tools to automate rule-based, logical processes involving well-defined and structured data with a deterministic set of output values (Lacity & Willcocks, 2018).

The primary objective of RPA is not to simply assist humans in automating the processes; instead, it aims to move humans entirely from manual and repetitive jobs in order to involve them in more productive, noteworthy, and challenging assignments (Willcocks, n.d.). While applications such as Excel assist humans in calculations, they still require human involvement. Whereas RPA calculates mostly behind the scenes, with only input by a human.

It is not a wonder, since many organizations are now observing ways of cutting expenses and combining different applications. RPA is now seen as a means of quick returns on investments (RoI) which are being delivered by some of the technology companies like AutomationEdge, Uipath, Automation Anywhere, Blue Prism, Kryon etc.

Key Benefits of using RPA

RPA improves operational efficiency and reduces cost by automating routine and manual activities, minimizing possible human errors and related costs, ultimately freeing human capital for more strategic and analytical work. Considering the variety of benefits noticed, there is a clear tendency for companies of different environments beginning to include RPA software in their processes trying to (Enriquez et al., 2020). Moreover, the use of RPA by companies provides the following advantages

1. leverage the advantages that RPA provides with the aim of bringing operational efficiency
2. improve bottom line figures
3. bring higher motivation in employees
4. easy to configure, so technical team does not require expert level of programming skills.
5. non-disruptive, i.e. no need to create, replace or develop expensive platforms.
6. secure for the entity due to its robust platform that is designed to meet majority of automation requirements in terms of security, scalability, auditability and change management. (Enriquez et al., 2020)

However, it is recommended that the business processes activities suitable for RPA application should meet the minimum criteria: they involve a low level of knowledge that is prone to human errors, they are executed in high-frequency, involve querying in multiple systems and applications, and are standardized with a minimum exception to manage. Considering the above exhaustive criteria, the best station for executing RPA are the entities which are very process oriented and mostly based on back-office activities (Enriquez et al., 2020).

RPA in Banking Sector

RPA applications have been implemented over the last 5 years in business process like reimbursement of travel expenses, account receivables, account payables, fixed asset management and accounting, central data management, invoicing, keeping human capital's job records, user and role management etc. (Willcocks, n.d.). Most of these processes are back office or support related processes for service-oriented business that is ultimately related to delivery of service to the customer without costumer's direct involvement.

The banking sector faces challenges due to numerous time-consuming, routine, and low-value administrative tasks. Robotic Process Automation offers a solution by automating these repetitive processes, thereby enhancing operational efficiency in areas such as customer support, regulatory reporting, fraud identification, and loan administration. Given the intense competition from FinTech and digital banking alternatives, BFIs must continuously adapt, stay competitive, and deliver outstanding customer experiences. These organizations are under significant pressure to reduce expenses and enhance productivity. Additional hurdles confronting the banking industry include a lack of skilled personnel, the need to boost process efficiency, and rapidly increasing labor costs. BFIs have numerous operations that are repetitive, systematic, and routine, requiring substantial human involvement to complete. These include processing loans, verifying credit information or checking for defaults, managing debit/credit card activations, deactivations, and renewals, changing PINs, transferring data between switches and Central Card Management Systems, issuing and printing checks, and adjusting interest rates in CBS. The manual intervention required at each stage of these processes results in slower operations that are more prone to errors and more costly to execute. But the positive aspect is most of the mundane, repetitive business processes at BFIs can be automated using RPA and intelligent automation, which will then require very limited to no human intervention with minimum error rate.

Advantages and Use Cases of RPA in Banking Sector:

Bank and Financial Institutions are equipped with number of internal processes that requires movement of request as well as related documents from person to person or application to application. Moreover, it also requires direct interaction with customers during account opening (onboarding), Loan application and its legal documentation, lodging requests for various related services etc. The use cases of RPA can be explored in all such processes with the objective of bringing operational efficiency, reducing cost, bringing ease for customers and ultimately improving bottom line of the organization. With RPA, BFIs can be benefitted in following ways:

- Automation reduces the time and effort required for manual tasks, freeing up valuable team to focus on higher-value- work.
- Automation processes are typically faster, more accurate, and more consistent than manual processes, leading to improved efficiency and productivity.
- Automation can also improve customer satisfaction by providing faster and more personalized responses.
- RPA solution is user friendly and can be easily integrated with existing systems and processes.

Keeping these benefits in mind, the RPA process or a BOT can be developed and implemented in the following departments in their respective activities.

Departments/ Units	Cases
Compliance	▪ KYC migration from one bank to another or one application to another ▪ KYC status check for each account ▪ Enquire about a customer as per the request of government authorities and regulators and its generation of response letter
User Management	▪ New user creation ▪ Role changes of existing user in all related systems/applications with the change in functional title ▪ Deactivation of registered user with retirement/resignation ▪ Transaction Limit enhancement in CBS

Departments/ Units	Cases
Human Resource	▪ Settlement of travel advance ▪ Reimbursement of fuel and communication allowance ▪ Approval, disbursement and settlement of loans under staff facility ▪ Payment of outsourced staff based on attendance ▪ Payment of leave fare allowance for mandatory leave ▪ Generation of appointment letter and data entry on HCMS
Credit /Loan	▪ Blacklisting and overdue report generation from CIB portal ▪ Data entry in LMS for further processing of loan ▪ Generation of tax report from IRD's portal ▪ Bulk Interest rate adjustment in CBS with change in base rate.
Central Card Operation	▪ Credit card due payment/settlement ▪ Activation/Blocking/Unblocking of cards ▪ Card Destroy ▪ Card pin refresh (after wrong pin attempts); ▪ Card pin reset (create new pin); ▪ Request for card replacement
Digital Banking	▪ Mobile/ Internet Banking account activation ▪ Mobile/ Internet Banking account deactivation ▪ Mobile/ Internet Banking password/Pin refresh and reset ▪ Charge deduction for Mobile/Internet banking service
Central Operation	▪ Data entry of clearing cheque in NCHL's portal ▪ Email reply to customers after completion of tasks ▪ Generation of Exception Report ▪ Customers' information update in different applications used in bank
Finance & Accounts	▪ Account Reconciliation ▪ Compilation of quarterly performance report ▪ Compilation of data from annual reports ▪ Compilation of base rate and interest rate of banks ▪ Preparation of exhibits for maintaining internal control

Challenges of RPA Implementation

Implementing RPA in any organization is not without challenges. Though it comes up with loads of benefits, it may encounter some kind of reservations during implementation. Here are some of the most common challenges that may be faced (*RPA In Insurance Uncovered*, 2023):

- **Selection and prioritization of the process:** It may be misunderstood that the RPA can be used in all kinds of business and operation related processes. However, the process needs to have certain characteristics for its implementation. Once the processes are identified, the next step is to list down the processes in the order of priority for execution. Sometimes, it may be difficult for the developers to prioritize the process as different departments have their own priorities.
- **Resistance to change:** Some employees may be resistant to change, especially if they fear that their jobs may become obsolete. It is important to communicate the benefits of RPA to all employees and involve them in the implementation process conveying the message that they will be upgraded for handling more constructive works/ assignments with the engagement of RPA in routine works.
- **Complexity of processes:** Banking processes are somehow complex by its nature, and it may be difficult to automate them using RPA. It is important to carefully evaluate processes before attempting to automate them and ensure that they are suitable for RPA implementation. The more complex a process is, the higher the likelihood of failing it.
- **Data security:** As banks deal with sensitive customer data and are highly regulated by different government authorities, it is important to ensure that RPA is implemented securely to prevent data breaches, data loss and possible cyber-attacks.
- **Integration with legacy systems:** Banks often have legacy systems that are difficult to integrate with modern technologies like RPA as they are very poor in exposing related APIs. It is important to ensure that RPA is compatible with existing systems and that data can be seamlessly transferred between them with limited use of APIs.
- **High Cost and ROI:** The initial cost of implementing RPA is comparatively higher and the bank may need to wait for 2 to 3 years to get the ROI of the deployment, development and licensing cost. Moreover, it requires regular operating costs as BOT needs to be prepared/ developed for each process.
- **Unauthorized access to live Bots:** The bots once deployed in productions start executing tasks on the set patterns. However, unauthorized access to the bot may expose the risk of mishandling the process. So, access should be limited to authorized users only in order to prevent it from wrong doing.

Role of auditors and auditing the RPA processes

The Robotic Process Automation (RPA) ecosystem is disrupting businesses by automating monotonous activities and thereby increasing efficiency and reducing errors. The rapid growth of RPA systems in organizational usage has made it essential to conduct audits periodically so that the processes being automated remain effective, secure, and compliant with regulations. A complete RPA audit needs to assess these three distinguished core pillars: performance, cybersecurity, and compliance. Confirming the accuracy and reliability of RPA bot functionality, assuring compliance with industry legislation, and data protection laws; and identifying process improvement and scalability opportunities. These audits must be prioritized to minimize risks, maximize ROI on automation, and sustain the governance of their digital workforce. (*Auditing in RPA Environment*, n.d.).

There are certain procedures that need to be followed while conducting the audit of an automated setup to identify the key risks. The following steps elaborates the various phases of audit and the key considerations that the auditors need to take care of (*In-Ra-Auditing-the-Rpa-Environment-Noexp.Pdf*, n.d.):

1. Understanding the areas where the BOT was implemented is an important task during the planning phase. Also crucial for the audit readiness is the assessment of the level of robotic process automation-whether it is partial, complete, or nonexistent. This evaluation allows the auditor to develop an appropriate audit approach based on the level of automation and related risks.
2. Once an auditor finds any automations in the environment, the necessity of incorporating the skillset specialist into the team upfront even from the stage of walkthrough becomes

a priority in auditing. There is also a need to identify another system to test the risks associated with each automation in the end-to-end processes.

3. Not all BOTs will qualify for audit considerations, and so an auditor will have to make careful decisions. Those BOTs that execute significant controls such as producing reports used by management should be considered in general control reviews because of the need to validate their efficacy, reliability, and compliance.
4. Traditionally, auditors always carried out process walkthroughs for understanding risks, controls, systems involved, and interfaces while auditing systems. In BOT-driven environments, however, the importance of code walkthrough is elevated to the same level in assessing automation logic, identifying potential vulnerabilities, and ensuring compliance with control requirements.
5. Bots also interact through various interfaces, thus requiring an audit of the respective linkages. Once the auditors have determined whether these interfaces are uni/bidirectional, it is up to them to assess their configurations for completeness and accuracy of data.

RPA audit is important to maintain control, trust and provide transparency into automated operations. A structured audit methodology equips an organization to efficiently introduce best practices to augment security and compliance. Regular audits of RPA can identify optimization opportunities that can enhance operational performance and reduce risks. Thus, by proactively auditing RPA processes, these organizations can fine-tune their strategy for automation and therefore, ensure sustainable success in the long run (Auditing in RPA Environment, n.d.).

Future of RPA Usage in Banking Industry

Although there are some practical and implementation hurdles, RPA's prospects in the banking sector appear promising. As banks face increasing human resource expenses and pressure on their bottom line due to non-performing assets, they are actively seeking ways to reduce operational costs. In this context, RPA solutions could prove to be a game-changing strategy for managing profitability fluctuations. The following section outlines several ways in which RPA is anticipated to provide advantages to banks in the near future. (*5 Key Components of an RPA Strategy*, 2024):

- **Increased efficiency:** RPA can automate repetitive tasks , freeing up employees to focus on more complex and high-value tasks. This can lead to increased efficiency and productivity.
- **Cost savings:** By automating tasks, BFIs can save on labor costs and reduce errors and rework. This can lead to significant cost savings.
- **Improved customer experience:** RPA can help BFIs provide faster and more accurate service to customers, leading to improved customer satisfaction.
- **Enhanced compliance:** RPA can help BFIs ensure compliance with regulations by automating compliance tasks and reducing the risk of human error.

Conclusion

The banking industry stands to benefit significantly from RPA, which addresses key issues like rising operational expenses, inefficient processes, and regulatory compliance demands. RPA streamlines repetitive, rule-based activities, boosting operational efficiency, minimizing human errors, and enabling staff to concentrate on strategic tasks. Its wide-ranging applications—spanning from customer enrollment to regulatory reporting and fraud identification—highlight its importance in a dynamic and competitive financial environment. Although initial obstacles exist, such as resistance to change and integration difficulties, RPA is emerging as a cost-efficient solution for achieving operational excellence. Its ability to scale, maintain security, and adapt to existing systems makes it an invaluable asset for long-term strategic objectives. As financial institutions continue to innovate, RPA's capacity to provide quicker, more precise services, cut costs, and improve customer experiences solidifies its crucial role in molding the future of banking operations. Embracing RPA is not merely an option but a requirement for maintaining competitiveness in the long run. There are also challenges associated with implementing this technology. There is a risk that RPA could be considered as an ultimate tool to displace human workers, leading to anxiety and uncertainty among employees. However, it should not be treated in that way but should be considered in a positive way. Actually, it frees human capital from tedious, repetitive, and boring activities and could give a wonderful opportunity to get involved in more dynamic, challenging and noteworthy activities.

Bibliography

5 Key Components of an RPA Strategy: Your Complete Manual. (2024, March 5).https://datarundown.com/rpa-strategy/

Acharya, R. (2020). *FINANCIAL PERFORMANCE ANALYSIS OF COMMERCIAL BANKS IN NEPAL*.

Auditing in RPA Environment. (n.d.). https://inscrivere.com/auditing-robotic-process-automation-rpa-ensuring-efficiency-and-compliance/?utm_source=chatgpt.com

Enriquez, J. G., Jimenez-Ramirez, A., Dominguez-Mayo, F. J., & Garcia-Garcia, J. A. (2020). Robotic Process Automation: A Scientific and Industrial Systematic Mapping Study. *IEEE Access*, *8*, 39113–39129. https://doi.org/10.1109/ACCESS.2020.2974934

Herm, L. V., Janiesch, C., Helm, A., Imgrund, F., Hofmann, A., & Winkelmann, A. (2023). A framework for implementing robotic process automation projects. *Information Systems and E-Business Management*, *21*(1), 1–35. https://doi.org/10.1007/s10257-022-00553-8

In-ra-auditing-the-rpa-environment-noexp.pdf. (n.d.). Retrieved February 13, 2025, from https://www2.deloitte.com/content/dam/Deloitte/in/Documents/risk/in-ra-auditing-the-rpa-environment-noexp.pdf

Kuppan, S. (2022). *ROBOTIC PROCESS AUTOMATION (RPA) TO AUTOMATE BUSINESS PROCESS Robotic Process Automation (RPA) to Automate Business Processes View project Quality Problem View project*. https://www.researchgate.net/publication/366012844

Lacity, M. C., & Willcocks, L. P. (2018). A New Approach to Automating Services. In Mit Sloan Management Review, *How to Go Digital* (pp. 81–104). The MIT Press. https://doi.org/10.7551/mitpress/11633.003.0015

Role of Banking Sector in Indian Economy. (n.d.). www.axis.com,

RPA In Insurance Uncovered: Your Roadmap to Success. (2023, July 3). https://datarundown.com/rpa-insurance/

Willcocks, P. L. (n.d.). *Paper 15/05 The IT Function and Robotic Process Automation*.

https://www.uipath.com/

Summary on IFRS 13 "Fair Value Measurement"

CA. Sagar Bhandari

The author is fellow member of ICAN and he can be reached at mail : thrivemas.sagar@gmail.com

Abstract

IFRS 13 – Fair Value Measurement is highly relevant for businesses, investors, and financial professionals. It provides a consistent framework for measuring fair value across various financial and non-financial assets and liabilities. Here's why IFRS 13 is important:

1. IFRS 13 ensures consistency in fair value measurement across different IFRS standards.
2. The standard helps to improve the comparability of financial statements by requiring a market-based measurement rather than an entity-specific valuation.
3. Affects assets such as financial instruments, investment property, biological assets, and intangible assets.
4. Helps companies assess market risks and manage financial exposures effectively.
5. Assists auditors and regulators in verifying fair value estimates.
6. Aligns with US GAAP (ASC 820 – Fair Value Measurement), promoting international consistency in financial reporting.

Background of IFRS 13

IFRS 13, "Fair Value Measurement," was issued by the International Accounting Standards Board (IASB) in May 2011 and became effective on January 1, 2013. It was developed to provide a single, consistent framework for measuring fair value across different IFRS standards.

Before IFRS 13, various IFRS standards referenced fair value but lacked a uniform definition or guidance on how to measure it. This led to inconsistencies in financial reporting and confusion among preparers, auditors, and users of financial statements.

Fair value measurement simply means the process of determining the Fair value of Asset or Liability in accordance with the applicable Financial Reporting Standards. The concept of Fair Value is widely used in IFRS. The list of IFRS where the Fair value is used includes:

1. IFRS-9: Financial Instruments
2. IFRS-16: Leases
3. IFRS-3: Business Combinations
4. IAS-40: Investment Property
5. IAS-41: Agriculture
6. IAS-36: Impairment
7. IFRS-5: NCA Held for Sale
8. IAS-16: Property, Plant & Equipment
9. IAS-38: Intangible Assets

Concept of Fair value

Fair value is "the price that would be *<u>received from selling an asset</u> or paid for **<u>settlement of liability</u> in an ***<u>orderly transaction</u> between ****<u>market participants</u> at the *****<u>measurement date</u>. **So, let's break the ingredients of the definition to understand it clearly**

*Received from selling an asset/**Settlement of Liability: The price that should be considered is the exit price and not the entry price.

***Orderly Transaction: The transaction should be at free will of the participants without any force. *For instance; Party A wants to Sell his Property to Party B, Where A has a burden of Bank loan to be settled. In such case, the price that would be received or paid can't be considered as Fair Value.*

****Market participants must be knowledgeable, well informed, should have both the capacity and intention to enter into the transaction by their free will without any force. *For instance; Party A has the intention to Purchase a Land from Party B, but he doesn't have fund to purchase. So, there must be both intention and capacity to enter into the transaction.*

*****Measurement date is generally reporting date but can be different based on different scenarios. For instance IFRS- 9 requires Fair value at reporting date whereas IFRS-3 requires Fair value at acquisition date.

Concept of Reference Market

IFRS 13 Prescribes two types of Markets to identify the Fair Value; means Fair value should be identified from these markets 1) Principal Market and 2) Most Advantageous market

1. Principal Market is the market with the highest volume of activity for the related asset or liability. So, while calculating Fair Value, Principal market should be prioritized over most advantageous market. Most Advantageous market should be referred only when Principal market is not available for the asset or liability. Further, it has no concern whether the entity transacts in a different market than principal market. *For instance, A Ltd. is a listed Company and its shares are traded both in over- the -counter (OTC) market and Stock Market but the Trading volume is huge in Stock market as compared to OTC market where trading is done only for promoter's share. Since, Stock market is the principal market with comparatively large volume of activity, Fair value will be considered at the price at which the shares are traded on the stock market at measurement date.*
2. Most Advantageous market is the market where an asset or liability would generate highest net realizations after considering transaction cost and transportation cost. *For example, I have a laptop which can be sold at a Shop in Putalisadak and through Hamrobazar online website but I could realize more amount by selling at Putalisadak*. In this case Putalisadak will be the most advantageous market.

Calculation of Fair Value- Measurement Basis (Hierarchy from 1 to 3)

Preference 1 (Level-1 Inputs) – Quoted Price (Observable Inputs)

The first preferred basis is using level-1 inputs for measurement of Fair value. Quoted price generally means the price at which the Assets or liabilities are traded in the active market. Example of Active market in the context of Assets that are traded publically in Nepal is Nepal Stock exchange (NEPSE). The price should be considered gross price without any adjustments.

Examples of Active Market to determine Fair value under Level-1 inputs are:

1) Stock Market prices- for Listed Shares/debentures/bonds etc.
2) Commodity Market- for commodities like Gold, Silver, Crude oil etc.
3) Foreign exchange Market - for forex rates

Preference 2 (Level-2 Inputs) – Similar or Identical (Observable Inputs)

Under this method, quoted price of similar assets or liabilities is considered for calculation of fair value. This method is used only when Level-1 inputs are not available. Liquidity, size and other market adjustments can be done as required with respect to another entity whose quoted price is available in the active market.

For instance: the Stock price of XYZ Limited is traded at Rs 450 per share on the active market on the measurement date. Another company ABC Limited is identical with XYZ Limited with respect to Turnover, Earnings and other financial indicators. So, Fair value of Equity share of ABC Limited can be considered as quoted price of shares of XYZ Limited. However, size and liquidity adjustment can be done as per the difference between size and other indicators.

Preference 3 (Level-3 Inputs) – Use of Valuation Techniques (Unobservable Inputs)

Level-3 Inputs that are not based on observable market data and require the entity to use its own assumptions and estimates. These are subjective inputs and typically involve estimates, projections, or assumptions about future cash flows, growth rates, or other factors.

If Fair value can't be calculated by using Level-1 and Level-2 inputs or the required information under the above two methods are not available then Valuation techniques should be used to calculate the Fair value of Assets and Liabilities. Under this method, Valuation is based on Balance sheet, Profit or Loss Account and Cash flow of the entity. Two approaches 1) Income Approach 2) Cost approach can be used to determine the Fair value under this technique

1. Income Approach

  11.1. **Discounted Cash flow model**- For determining fair Value of Property, Plant and Equipment (IAS 16)

  11.2. **Rent Capitalization Method**- For determining fair Value of Investment Property (IAS 40)

  11.3. **Multi Period excess earning method**- For determining fair Value of Intangible assets (IAS 38)

  11.4. **Options Valuation models** - For determining fair Value of Call/Put Options e.g.; Black Scholes model, Binomial Option Pricing Model (BOPM) etc. (IFRS 9)

2. Cost Approach

  2.1. **Replacement Cost approach**-For determining fair Value of Property, Plant and Equipment (IAS 16)

  2.2. **Reproduction Cost approach**- For determining fair Value of Property, Plant and Equipment (IAS 16)

  2.3. **Direct Cost Approach** -For determining fair Value of Property, Plant and Equipment (IAS 16)

Key Considerations while calculating Fair value

This standard does not prescribe use of any particular technique for calculation of Fair value. So, appropriate valuation techniques should be used depending up on the circumstances. Techniques should be used which possess sufficient observable data and to the extent possible unobservable inputs should be avoided. Further, valuation techniques used should be consistently used over time.

With some exceptions Transaction price is always considered as Fair value at initial recognition. Some Exceptions:

1) Transaction not entered in principal market
2) Transaction between related parties
3) Transactions involving business combination
4) Transaction done without free will i.e. at force

Key Take away for Measurement of Fair Value of Non Financial Assets

(Like Property, Plant and Equipment, Biological Assets, Investment property, Intangibles)

To determine the fair value of non-financial assets, following aspects should be considered:

- Use the highest and best use of the asset.

  For example; a piece of Land can be used for Industrial purpose, Residential purpose and Mining purpose. If the highest and best use of the land is for Mining purpose, its fair value should be determined considering it will be used for mining in future.

- Determine fair value from the perspective of market participants.

  Example: A company owns a piece of land acquired 10 years ago for Rs 100,000. The company wants to determine its fair value today.

  Market Participants' Perspective: *Similar land plots in the same location are currently selling for Rs 250,000.*

  Fair Value Measurement: *The fair value of the land is determined based on the* ***perspective of market participants*** *leading to an estimated fair value of Rs 250,000.*

- Choose the appropriate valuation approach (market, income, or cost) based on the asset's characteristics.

  For example: ***Market approach*** *can be used to determine fair value of Land by comparing the price of land in the similar location. Fair Value of Income Generating Assets like Bonds, rental properties can be measured by using* ***Income approach*** *like discounted cash flow model.* ***Replacement Cost*** *approach can be used to determine fair value of building by calculating cost that may be incurred now to replace the building.*

- Market specific restrictions should be considered but entity specific restrictions should not be considered.

  Example: A piece of land is located in a highly regulated area where only certain types of development are allowed. For example, the land is allowed **for residential use** only (a market-specific restriction).

  Example: If the current owner of the land has an internal policy that prevents them from selling the land or developing it for any purpose, this restriction is specific to the entity.

- Transaction should be physically possible and legally permissible

For example a company owns a plot of land in a city where local laws/regulations allow only residential construction of houses or apartments.

Physically Possible: *The land is suitable for building houses or apartments based on its location, terrain, and accessibility and it's also physically possible to use it for commercial development or use it for factory building.*

Legally Permissible: *Since, local laws allow the land to use for residential purposes only; it* ***cannot*** *be used for commercial buildings or factories.*

So, a buyer wants to build a shopping mall on this land or establish a factory building, the transaction would not be legally permissible. Therefore, fair value must be determined based on its allowable residential use, not commercial development or Factory use.

- Make adjustments for the condition and location of the asset.
- For specialized assets, use the cost approach.
- For income-producing assets, use the income approach or discounted cash flows.

Key Take away for Measurement of Fair Value of Financial Assets

<u>Liabilities and Equity Held by other party as Asset:</u>

When it comes to liabilities and equity held by another party as an asset, the measurement base focuses on the asset held by the other party rather than the liability or equity from the perspective of the original issuer. This means that the fair value of a financial instrument held as an asset by a third party will be determined by the perspective of that third-party holder (e.g., creditor, investor), rather than the issuer of the liability or equity.

Example: Bond held by investor

- <u>Issuer's Perspective (Liability):</u> A company issues a bond (liability). The issuer's liability is the face value of the bond plus interest payments.
- <u>Holder's Perspective (Asset)</u>: An investor holds the bond. The fair value of this bond as an asset is determined by the market price of the bond or its present value of future cash flows (discounted at the market interest rate), reflecting how much the investor could sell the bond for in the market or the expected future returns.

Equity Held by Another Party as an Asset:

When an investor or another party holds equity (e.g., shares) issued by a company, the fair value of that equity from the holder's perspective is typically based on the market price of the equity in an active market (if publicly traded).

If the equity is not publicly traded, the fair value will be determined using alternative methods, such as:

- Comparable company valuations
- Discounted cash flow models

The focus here is again on how the asset is viewed by the holder, not the issuer of the equity.

Example: Shares Held by an Investor

- Issuer's Perspective (Equity): A company issues shares of stock to raise capital, representing ownership in the company.
- Holder's Perspective (Asset): An investor holds the shares. The fair value of the shares is determined by the market price of the shares in an active stock exchange (if publicly traded). If the shares are privately held, the investor might use a valuation model based on comparable companies or projected cash flows to determine fair value.

Exceptions of IFRS 13 "Fair Value Measurement"

<u>General Principal is that:</u> Fair value should be generally measured in accordance with IFRS 13 – Fair Value Measurement, which provides a comprehensive framework for fair value measurement across all IFRS standards. However, there are certain cases where specific IFRS standards **override IFRS 13** and provide their own measurement guidance. *(In Short; unless Fair value measurement is provided in the respective standard; IFRS 13 shall apply but if particular standard provides to measure fair value as per the standard, then Fair value shall be calculated as provided in the respective standard)* The details are provided below:

1. IFRS 2 – Share-based Payment

   Fair values of equity-settled share-based transactions are determined based on **IFRS 2** and not IFRS 13.

   <u>Measurement as per Respective standard</u>*: The measurement focuses on grant-date fair value using option pricing models (like Black-Scholes or binomial models).*

2. IFRS 16 – Leases

Fair value of leased assets and lease liabilities is determined under **IFRS 16**, rather than IFRS 13.

Measurement as per Respective standard: *The measurement considers the present value of lease payments using an appropriate discount rate.*

3. IAS 2 – Inventories

   When fair value is used to measure agricultural produce at the point of harvest (initial measurement), IFRS 13 applies.

   Measurement as per Respective standard: *However, subsequent measurement under **IAS 2** follows the lower of cost and net realizable value (NRV), not IFRS 13 fair value principles.*

4. IAS 19 – Employee Benefits

   Measurement as per Respective standard: Fair Value of Defined benefit obligations and plan assets are measured using actuarial valuation techniques rather than IFRS 13.

5. IAS 36 – Impairment of Assets

   Impairment is calculated as – Higher of 1) Fair value less costs of disposal or 2) Value in use. Value in use is calculated as Present value of future cash flows from the asset.

   While calculating Fair value (one of the ingredient to calculate Impairment/Impairment Test) Here, Fair value means Fair value less cost of disposal. *Since, IFRS 13 applies to fair value measurement for Financial Reporting purpose but IAS 36 uses Fair value to test whether Asset is impaired or not and how much impairment to be charged*. Another reason is IFRS 13 requires to calculate Fair Value from Market participants perspective but IAS 36 is entity specific and requires to calculate entity specific fair value in absence of market data. Hence, Fair value as per IFRS 13 and IAS 36 can differ.

6. IAS 41 – Agriculture

   Measurement as per Respective standard: Biological assets are measured at fair value, but IAS 41 provides specific guidance, such as:

   1) If there is an active market for a biological asset (e.g., livestock, crops, timber plantations etc.), fair value is determined using quoted market price.
   2) Price of Similar Asset in less active market
   3) If no Market price exists, in that case discounted cash flow models can be used

Conclusion

IFRS 13 ha been developed on the premise of standardizing fair value measurement across all IFRSs/IASs that require or permit it. It provides a reliable, consistent and comprehensive framework by providing clear definition and introducing a single set of requirements for almost all fair value measurements. The standard promotes market-based valuation approaches rather than entity-specific assumptions by defining fair value as an exit price and introducing a three-level hierarchy of inputs. The standard augments trustworthiness, transparency and comparability in financial reporting by enhanced disclosure requirements for understanding of valuation techniques and underlying assumptions adopted by the preparer of financial statement to derive or measure fair value of assets or liabilities. The reporting entities can provide a coherent, relevant and faithful representation of their financial performance and position by complying with IFRS 13 which eventually supports informed decision-making by investors and stakeholders.

Reference:

IFRS 13- Fair Value Measurement

Environmental & Social Risk Management for Banks and Financial Institutions (BFIs)

CA. Prem Subedi
The author is member of ICAN, currently serving asHead of Credit Risk Management Departnment at Shine Resunga Development Bank Ltd. He can be reached at mail : capremsubedi@gmail.com

Abstract:

The BFIs must acknowledge its direct and indirect impacts on the environment and communities through its operations. This includes the impact on buildings, IT systems, business travel, and client services. Environmental risk refers to the negative effects that a company's operations or projects can have on the nature. It includes polluting air, water, and soil, depletion of natural resources such as water or forests, habitat destruction, biodiversity loss, and contribution to climate change through greenhouse gas emissions. Social risks pertain to the potential harm that a company's activities can cause to people and communities. The Nepal Rastra Bank (NRB) has issued a separate guideline 'Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institution, 2022' to incorporate the provision related to Environmental and social risk and meeting the criteria of Substantial Development Goal 2030.

Introduction:

Nepal has experienced rapid industrial growth in the past two decades, leading to economic advantages together with environmental and social challenges. Environmental concerns include climate change effects, such as damage from extreme weather events and declining asset values in carbon-intensive sectors, as well as untreated wastewater discharge, air pollution from low-grade fuel combustion, water scarcity, land contamination from chemical waste, and unregulated industrial expansion impacting local biodiversity in ecologically sensitive zones. Social issues encompass labor practices, working conditions, child labor, public health, safety, indigenous peoples' rights, discrimination, minimum wage, and community resettlement and so on across the globe.

The BFIs must acknowledge its direct and indirect impacts on the environment and communities through its operations, including buildings, IT systems, business travel, and client services. It recognizes that clients' financial and operational sustainability may suffer from adverse environmental and social effects of their activities, which could harm the bank's reputation, business, and lead to legal liabilities or revenue loss.

Environmental & Social Risk:

Environmental and social risks (E&S Risk) encompass a wide range of potential adverse impacts that can arise from business activities. It can be further elaborated as follows:

1. **Environmental Risk**: Environmental risk means any harm a company's actions or projects can cause to nature, such as polluting air, water, and soil; using up resources like water and forests; destroying habitats; reducing biodiversity; and adding to climate change by releasing greenhouse gases. For example, a manufacturing industry emitting pollutants into the air or discharging untreated wastewater into rivers would pose environmental risks.
2. **Social Risk**: Social risks pertain to the potential harm that a company's activities can cause to people and communities. This can include issues such as community displacement or

resettlement, violation of human rights, labor rights abuses (such as unsafe working conditions, child labor, or forced labor), impacts on indigenous peoples and their cultures, and negative effects on public health and safety. Social risks also encompass broader societal impacts such as inequality, discrimination, and social unrest. For instance, a construction project displacing local communities without proper compensation or consultation would pose significant social risks.

In case of BFIs, they are exposed to some level of Environment and Social risk through their clients. If left unmanaged, these risks can lead to a decline in the BFI's reputation, costly litigation, or loss of revenue. Different types of E&S risk associated with their clients may be:

- Air Emissions and Air Quality
- Water Use and Conservation
- Wastewater and Water Quality
- Solid Wastes
- Labor and Working Conditions
- Community Health, Safety and Security
- Biodiversity and Ecosystem Services
- Land Acquisition and Resettlement
- Indigenous Peoples (IPs) and Vulnerable Populations (VPs)
- Cultural and Natural Heritage

Environmental and Social Requirements:

The BFIs must be aware about the implication of Environmental and Social Risk Management and impact in its operation as well as on its clients. Every BFIs must understand about provision of E&S requirements and its risk in the constitution, law, standards, regulations, treaty, Nepal Rastra Bank Directives, Guidelines etc. and its impact in the daily operation of the BFIs as well as on its clients. The requirements shall include:

a) Compliance with Nepalese constitution, laws and regulations on environment, health and safety and labor issues:

The *Constitution of Nepal* has also incorporated the related provision of Environmental & Social Risk as fundamental Rights. Some rights are right to equality, right against untouchability and discrimination, right relating to property, right against exploitation, right to clean environment, right to labour, right to housing, right to women, child and consumer.

Further, as per the Article 50 & 51, 'Directive Principles, Policies and Obligations of the State' of Constitution of Nepal also emphasis:

- To build a civilized and egalitarian society by eliminating all forms of discrimination, exploitation and injustice
- To attain a sustainable economic development, while achieving rapid economic growth, by way of maximum mobilization of the available means and resources through participation and development of public, private and cooperative
- To protect, promote, and make environmentally friendly and sustainable use of, natural resources available in the country, in consonance with national interest and by adopting the concept of inter-generational equity, and make equitable distribution of benefits, according priority and preferential right to the local communities.
- To conserve, promote, and make sustainable use of, forests, wildlife, birds, vegetation and bio-diversity, by mitigating possible risks to environment from industrial and physical development, while raising awareness of public-in-general about environment cleanliness.
- To pursue principles of environmentally sustainable development such as the principles of polluter pay, of precaution in environmental protection and of prior informed consent.

Other Related Provision related to Environment and Social Risk:

- Labour Act 2074 and related Rules
- Environmental Protection Act 2076 & related Rules
- Forest Act 2076 & related Rules
- National Parks and Wildlife Conservation Act, 2029 & related Rules
- Solid Waste Management Act 2068 & related Rules
- Industrial Enterprises Act 2076 & related Rules etc.

b) Environmental & social risk management requirements of NRB;

c) Compliance with relevant International Standards that include;

- The core International Labor Organization's (ILO) conventions related to child labor and forced labor,
- for large, long term corporate loans and for project finance, the International Finance Corporation (IFC) Performance Standards;
- Task Force on Climate-related Financial Disclosures that recommend for disclosing climate-related financial risks.

Initiatives of Nepal Rastra Bank to manage Environmental and Social Risk:

The NRB has issued a separate guideline *'Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institution, 2022'* to incorporate the provision related to Environmental and social risk and meeting the criteria of Substantial Development Goal 2030. The earlier published guideline *'Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institution, 2018'* has been repealed by this Guideline.

The major provision of ***'Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institution, 2022'*** can be summarized as follows:

1. The main objective of the guideline is to ensure that BFIs include Environmental & Social risk management as part of their overall credit risk evaluation, so that the credit authority is well informed about E&S risks before approving any individual financing transaction.
2. The guideline emphasizes and describes the effect of environmental and social risk in the BFI's lending decision.
3. It describes the BFI's roles and responsibilities to integrate E & S risk management into their credit policy and also provides tools and templates to enable general staff to monitor and facilitate overall E & S risk management.
4. It also elaborates about the various E&S risk associated with the client.
5. Applicability of Guideline:

   ESRM Guideline is applicable to loan categories like SME finance, commercial leasing, term finance and project finance.

   All business purpose loan applications (New/Renewal/Rescheduling/Restructuring) will have to be first screened against the exclusion list. If the business proposal falls under the exclusion list of the guideline, the BFIs must reject the proposal and the transactions must be kept in record for reporting purpose as per the Unified Directives issued by Nepal Rastra Bank (NRB).

   The list of business transaction which are in exclusion list of the guideline are as follows:

SN	Sector/Activities
1	Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wild life or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Links: United Nations (UN) list of banned chemicals and products:http://www.un.org/esa/coordination/Consolidated.list-13FinalFinal.pdf CITESlistofendangeredspecies:http://www.cites.org/eng/app/E-Apr27.pdf.
2	Fishing with the use of explosives or cyanide
3	Operations impacting UNESCO World Heritage Site or other cultural heritage in Nepal
4	Illegal logging, and logging operations or conversion of land for plantation use in primary tropical moist forests

SN	Sector/Activities
5	Production or activities involving forced labor/ child labor or resulting in violation of human rights or human trafficking
6	Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples
7	Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is considered to be trivial and/or adequately shielded.
8	As per Schedule 1, Section 8 of the Industrial Enterprises Act, 2076 (2020) - license from the Industrial and Investment Promotion Board shall be obtained in order to establish the following industries. a) Industries producing arms, ammunition, gunpowder or explosives; b) Security printing, bank notes and coin industries; c) Industries producing cigarette, bidi, cigar, chewing tobacco and other goods utilizing tobacco as the basic raw materials, and electronic cigarettes; d) Micro-brewery, beer, alcohol, or alcoholic substances producing industries; e) Stone, ballast, sand excavation, processing industries; f) Industries producing radio communication equipment; g) Industries like excavation of precious minerals and petroleum products; h) Liquefied petroleum gas (L.P.G) refilling industries; i) All kinds of industries producing drone products or providing services through drone; j) Other industries requiring permission under the prevalent laws.

Source: https://www.nrb.org.np/contents/uploads/2022/02/Final-ESRM-with-cover.pdf

Further, the guideline has categorized the loan as small loan, term finance, project finance and short-term loan.

a) Small Loan: As per the guideline the small loan means a loan application (New/Renewal/ Rescheduling/ Restructuring) worth less than NPR 10 million. If loan proposal falls under the small loan category, then in initial stage the BFIs have to verify whether the business falls under the exclusion list or not. If business does not fall under the exclusion list, then the BFIs should verify whether the business falls under the critical sectors or not. If the business falls under the critical sector, then E&S due diligence must be made as per the generic checklist prescribed by NRB.

The **critical sectors** are as follows:

- Washing, dyeing and finishing units of RMG sector (water, chemical pollution)
- Small steel re-rolling mills (operational health and safety, thermal, air pollution)
- Brick kilns (air pollution, child labor, burning of fossil fuel)
- Units for tanning, dressing and dyeing of leather and fur (water, chemical, air pollution)
- Pesticides, agro-chemical and nitrogen manufacturing units (land contamination, water, air pollution)
- Chemicals and chemical products manufacturing units (safety, pollution)
- Rubber and plastic products manufacturing units (pollution)
- Batteries and accumulators manufacturing units (chemical pollution)
- Paper manufacturing and paper pulp processing unit (water contamination,

depletion of water source, chemicals)

- Small foundries (air pollution, safety, child labor)

b) **Term Finance:** *Term Financing* is payable over a term greater than 1 year. All loan applications (New/Renewal/Rescheduling/Restructuring) from NPR 10 million will have to undergo E&S due diligence process using the generic ESDD checklist as specified by NRB.

c) **Project Finance:** *Project finance* is the financing of long-term infrastructure, industrial projects and public services based on a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project.

All Project Finance transactions must conduct Generic ESDD checklist as specified by NRB with a third-party Environmental Impact Assessment (EIA), apart from Exclusion List. BFIs must ensure that the third party is qualified to carry out the ESDD in this purpose.

d) **d. Short Term loan:** *Short term loans* are those with less than 1 year tenure. For all **Short-Term Loans** including Business Working Capital Loan, Trade & Retail the requirements will be exclusion list screening and compliance with national laws and regulations. Any transaction in the Exclusion List and non-compliance with national laws and regulations shall be terminated.

The applicability of guideline can be summarized in the following table:

SN	Transaction Type	Exclusion List	E&S Due Diligence (incl. ESDD check-list)	EIA Re-view
1	Small loans in non-critical sectors	✓		
2	Small loans in critical sectors	✓	✓	
3	Term Finance	✓	✓	
4	Project Finance	✓	✓	✓*
5	All Short-Term Loans (Less than 1 year tenure)	✓		

*If the EIA is required by Nepalese Law.

Source: https://www.nrb.org.np/contents/uploads/2022/02/Final-ESRM-with-cover.pdf

6. **Applicability Standards:**

All proposals (New/Renewal/Rescheduling/Restructuring) for transactions subject to the guideline must require to screen as per the Exclusion list and those transactions must be excluded during the financing. However, record must be kept for reporting purpose to NRB.

All national environmental, health, safety and labor regulations and relevant international conventions are applicable to all transactions subject to this Guideline. While carrying out E&S due diligence, all required E&S permits, licenses, and monitoring of E&S parameters are to be considered as mandatory compliance requirements for evaluation of a loan application. A list of key national E&S regulations, required documentation and permits, and International Labor Organization (ILO) treaties to which Nepal is a signatory is provided in the annexure of that guideline for the reference.

7. **Importance of Environmental and Social Management System (ESMS):**

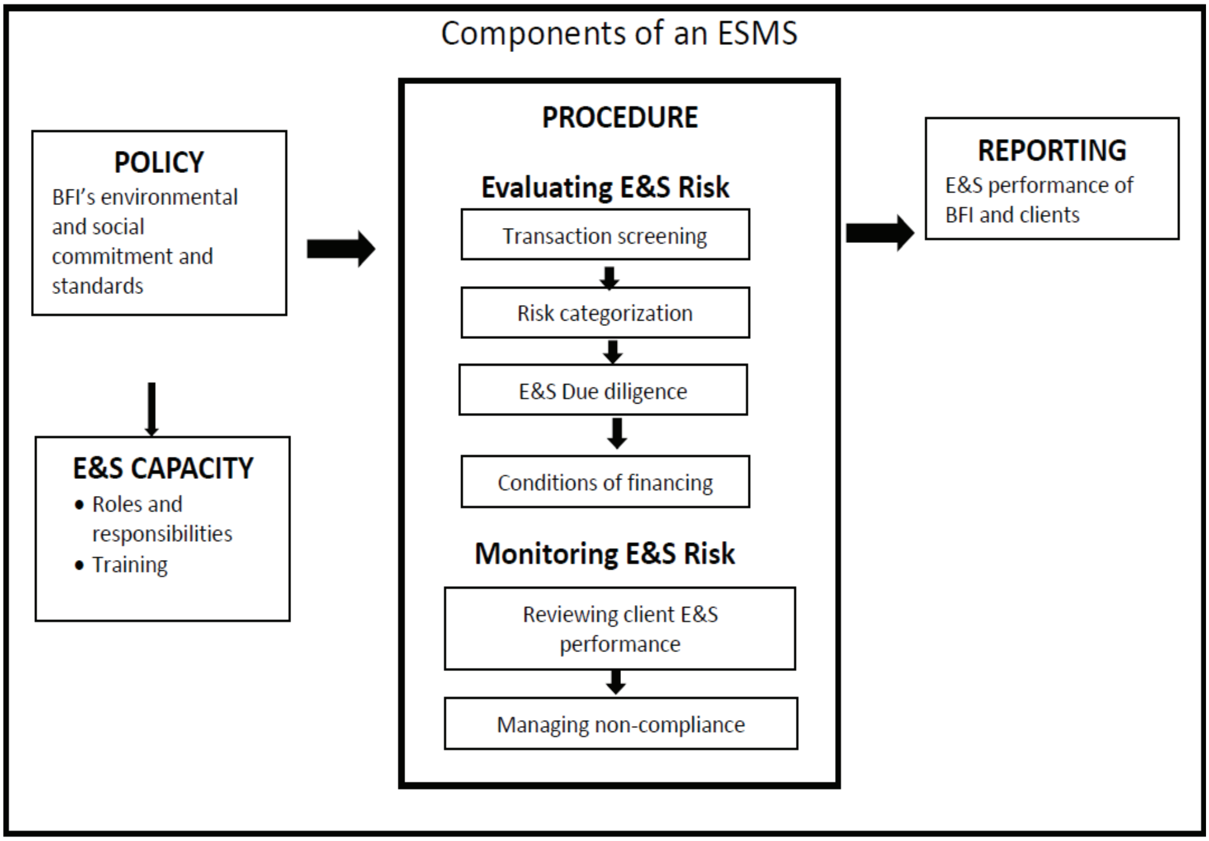
The ESMS consists of a policy, procedure, tools, and internal system to identify, appraise, manage, and monitor a BFIs exposure to E&S risk of the customer of BFIs.

The ESMS helps to:

- Identifying and assessing potential environment and social risk associated with the customer of BFIs.

- ❖ Take necessary steps to mitigate the potential environmental and social risk.
- ❖ Periodic and regular monitoring the compliances with statutory national and international laws, treaties etc. related to social and environmental regulations.
- ❖ It helps to determine the role and responsibilities of all person engaged in approval system.
- ❖ BFIs can identify the area where the business can be expanded with taking lesser risk.
- ❖ It helps to make quick and accurate decision make due to uniformity and lesser ambiguity.
- ❖ It helps to monitor the E&S risk of the customer on periodic basis.
- ❖ ESMS helps in reporting towards the NRB or other governmental authorities.

The key components of ESMS can be shown in the below picture:



Source: https://www.nrb.org.np/contents/uploads/2022/02/Final-ESRM-with-cover.pdf

8. E & S Risk Management and Control:

The BFIs must manage and identify the risk related to E&S and should focus to manage it through proper policy and procedure. The separate role and responsibilities must be given to all credit approval chain to minimize, identify and control the risk related to E&S. The following steps will take care of during the E&S Risk Management:

a) All loan application (Small loan, Term Finance, Project finance and Short-Term loan) must go through screening of exclusion list. If those business falls under the exclusion list, then it must be terminated.

b) Determining the category of loan from type of loan or size of the loan.

c) Carried out the Environmental & Social Due Diligence (ESDD), if applicable in the generic format given by NRB.

d) Determining the associated risk related to client i.e. E&S Risk Rating, if ESDD applicable. Risk rating may be assessed as Low, Medium and High risk.

e) Determining the loan approval process whether to apply the normal approval chain or one step higher authority than existing normal chain.

f) Taking necessary documents, time bound action plan and relevant covenants from the business unit in the prescribed format of guideline if the risk is associated to the borrower is assessed as medium or high risk.

It can be summarized as follows:

Category of Loan	Criteria	Loan Approval Process	Required ESDD Action
Small Loan in non-critical sector	Loan less than NPR 10 million	Credit shall be approved through normal credit approval process.	▪ No requirement of ESDD action
Small Loan in critical sector	Loan less than NPR 10 million	▪ ESDD must be done ▪ Credit shall be approved by one step higher authority than existing authority in case of E&S risk rating will be Medium or High Risk. ▪ Obtainment of third-party report of Brief Environmental Study (BES)/ Initial Environmental Examination (IEE) / Environmental Impact Assessment (EIA), if applicable	▪ Documentation review and compliance check to ensure the compliances of E&S related laws, permit and regulations Nepal; ▪ Site visit by the Branch or BFIs authorized person ▪ Obtainment of third-party report of Brief Environmental Study (BES)/ Initial Environmental Examination (IEE) / Environmental Impact Assessment (EIA), if applicable ▪ Completing ESDD and preparation of E&S Risk Summary
Term Finance	Loan from NPR 10 million (Financing with more than 1 year tenor)		
Project Finance	Project Finance is financing of long-term infrastructure, industrial projects and public services and are paid back from the cash flow generated by project.		
All Short-Term Loans	Short Term Loan is financing with less than 1 year tenor.	Credit shall be approved through normal credit approval process.	▪ No requirement of ESDD action

If ESDD action is taken as per the guideline, then the risk rating shall be Low Risk, Medium Risk and High Risk.

Low Risk: If risk rating is Low risk as per ESDD, it means that the business activities with minimal or no adverse E&S impact. All compliances related to the E&S have been made and no such non- compliances are observed.

Medium Risk: It indicates business activities of client with specific E&S impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures there is less serious non-compliance or unresolved non-material issues.

High Risk: It indicates business activities of client with significant adverse E&S impacts that are diverse, irreversible or unprecedented and there is serious non-compliance or irresponsible behavior of the client towards managing E&S issues.

If E&S Risk Rating is Medium or High Risk, then the proposal shall be escalated to the one level higher related credit approval authority. Further, a time bound action plan and relevant covenants addressing required remedial actions must be taken as per the format given in guideline from the customer.

9. Monitoring and Reporting:

The E&S risk rating must be monitored by the BFIs in frequent interval. The implementation, follow-up and compliances of a time bound action plan and relevant covenants addressing the remedial actions (in case of medium or high risk) given by the customer to BFIs. The assessment of E&S risk rating is conducted in periodic basis.

Further, the reporting of the status of E&S compliances, appointment of focal person and status of E&S risk rating shall be made to senior management/BOD on need basis and NRB on annual basis in the format prescribed.

10. Compliance status E &S Risk Management guideline

According to the Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions (BFIs), 2022, it is mandatory for all BFIs to implement the necessary measures outlined in the guidelines. Recently, the Nepal Rastra Bank (NRB) released a report for the fiscal year 2080-81, detailing the compliance status and actions taken by BFIs in adhering to these ESRM guidelines. However, it's important to note that the report primarily focuses on commercial banks and infrastructure development banks, leaving out other types of BFIs.

The report can be summarized as below:

Particulars	Compliance Status	
	Commercial Banks	Infrastructure Bank
a. Policy formulation and governance		
Formulation and Board approval of an ESRM Policy (or similar policy document)	Fully complied	Fully complied
Formulation and Board approval of an ESRM Procedure (Manual)	Fully complied	Not Complied
Nomination of an E&S Officer	Fully complied	Fully complied
b. Employee trainings and capacity building		
Allocation of Fund in the budget for ESRM Training Programs/Seminars/Workshops (in NRs)	2,31,60,993.28	-
No. of ESRM Training Programs/ Seminars/ Workshops conducted	163	-
No. of attendees of the ESRM Training Programs/ Seminars/ Workshops conducted	3408	-
c. Incorporation of Environmental & Social Risk in Core Risks Management		
No. of loan requests rejected due to the Exclusion List	-	-

No. of transactions subject to Environmental & Social Due Diligence (ESDD)	71,443	-
Share (% total loan value) of the transactions subject to ESDD in the total disbursed commercial (business purpose) loan portfolio	32.73%	99.6%
Total No. of disbursed transactions by E&S Risk Rating	71,212	30
Total amount in disbursed transactions by E&S Risk Rating (NRs Billion.)	923.53	21.14
No. of transactions with specific E&S Action Plan	3628	-
No. of transactions rejected on the E&S risk management grounds	-	-
No. of transactions beneficial to E&S improvement	1,113	12

Source: *https://www.nrb.org.np/contents/uploads/2025/03/ESRM-80.81-Updated.pdf*

Based on the above table, the adherence to ESRM guidelines can be compared between Commercial Banks and Infrastructure Banks across three key areas: policy framework, training programs, and risk integration:

Both bank types fully comply with ESRM Policy formulation and appointing an E&S Officer.

Infrastructure Bank lags in formulating an ESRM Procedure Manual.

Commercial Banks actively invest in ESRM training (allocating NRs 23.16 million, conducting 163 programs with 3,408 attendees) while Infrastructure Bank shows no activity in this category.

Commercial Banks conduct 71,443 Environmental & Social Due Diligence (ESDD) checks, covering 32.73% of their loan portfolio by value.

Infrastructure Bank has a higher coverage (99.6%) but far fewer transactions (30 total).

Zero loans rejected by either bank due to Exclusion List or E&S risks.

Commercial Banks disbursed 71,212 transactions (worth NRs 923.53 billion with 3,628 requiring E&S Action Plans.

Infrastructure Bank disbursed 30 transactions (worth NRs 21.14 billion), with 12 benefiting E&S improvement.

Role of Auditor in relation to Environmental and Social Risk during the audit of BFIs:

Nepal is focusing on sustainable finance and responsible lending. The NRB has mandated the Banks and Financial Institutions (BFIs) to assess the risk related to environmental and social during the funding for the projects, businesses, and other activities which may have environmental and social impacts. In this context, the auditors play a major role in ensuring whether the BFIs are complying with the laws related to environmental and social risk, adherence of the policies and procedure, implementation of E&S risk identification, assessment, mitigation and monitoring tools. Further, the auditor can assess its adequacy to minimize the E&S Risk.

The role of the auditor in relation to the environmental & social audit can be summarized as follows:

a. Compliance with regulatory requirements:

The auditor of BFIs must verify whether banks comply with the ESRM guidelines issued by the NRB during their lending & investing activities or not. The adherence of environmental and social laws, regulations and international standards during the project financing.

b. Assessment of the Environmental and Social Risk Management system:

The auditor must verify the compliance with existence, adequacy and implementation of E&S policies by BFIs. The policies must be as per the ESRM guidelines issued by the NRB and incorporating all treaties entered by the country, prevailing statutory laws and international standards. Further, the auditor must verify the adequacy of Environmental and Social Management System (ESMS) implemented by BFIs.

c. Assessment of Assets and Investment quality

and its impact on the financial statements: Auditor must verify the E&S risk associated on major projects and investment made by BFIs. Further, the auditor must verify the chances of legal penalties or reputational risks from financing environmentally harmful projects and its effect on the assets and investment quality of BFIs. This may include impairment assessment, loan loss provision and deterioration of assets & investment quality of BFIs.

d. **Disclosure and Reporting:**

Auditors must assess legal and reputational risks from financing harmful environmental projects, evaluating impacts like asset impairment and loan loss provisions. If risks threaten financial stability, findings must be reported to ensure accurate sustainability disclosures. This safeguards asset quality and aligns with regulatory expectations. Transparent reporting helps BFIs to mitigate risks and maintain credibility.

e. **Governance and adequacy of Internal Control Mechanism:**

Auditors must assess whether banks and financial institutions (BFIs) have adequately implemented Environmental and Social Risk Management (ESRM) systems by verifying proper E&S risk rating assessments as per guidelines, ensuring appropriate covenants and action plans are in place for medium/high-risk assessed projects, and confirming clear role assignments among the Board, senior management, legal department, credit risk management departments (including dedicated Environmental & Social Risk Officers). Additionally, they should evaluate whether staff receive sufficient training to effectively identify, mitigate and report E&S risks in a timely manner to support sustainable banking practices.

Challenges and way forward

The adoption of Environmental and Social Risk Management (ESRM) guidelines by Nepal Rastra Bank (NRB) presents several challenges for banks in Nepal. These challenges arise from regulatory, operational, technical, and cultural factors. Below are the main difficulties faced by banks:

1. **Lack of Awareness and Expertise:**

A significant number of banks lack the necessary expertise in ESRM and sustainability, with limited understanding of environmental and social (E&S) risks among both staff and management. To address this, banks need capacity-building initiatives to train their personnel on ESRM compliance and enhance risk management capabilities.

2. **Weak Regulatory Enforcement and Lack of Incentives:**

While NRB has issued ESRM guidelines, weak enforcement and the absence of incentives hinder proper implementation. As a result, many banks treat these guidelines as mere formalities instead of incorporating them into their core operations.

3. **High Compliance Costs:**

Implementing effective ESRM practices requires considerable investment, including hiring ES specialists, conducting environmental and social due diligence, and setting up monitoring systems. Smaller banks and financial institutions often lack the financial resources to absorb these additional costs, posing a barrier to full compliance.

4. **Limited Data and Reporting Frameworks:**

Banks face significant challenges due to the absence of standardized ESG disclosures from clients, making it difficult to accurately assess and evaluate environmental and social risks. Furthermore, the lack of adequate digital infrastructure for monitoring and reporting further complicates ESRM compliance.

5. **Resistance from Borrowers and Businesses:**

Low awareness among small and medium-sized enterprises (SMEs), resistance from borrowers to provide required disclosures, and the complexity of assessing risks in high-impact sectors hinder effective implementation of ESRM guidelines.

6. **Integration with Credit Risk Assessment:**

Integrating environmental and social risks into credit risk assessment models proves challenging for banks, as traditional models fail to capture long-term sustainability impacts. There is a critical need for the development of new frameworks that align with ESRM principles for credit evaluation.

7. **Cultural and Behavioral Barriers:**

Many banks remain focused on short-term profits, often at the expense of long-term environmental and social sustainability. This is compounded by a lack of strong commitment from senior management. For ESRM to be truly effective, banks need to transform their corporate culture to prioritize responsible banking alongside financial success.

8. **External Challenges:**

ESRM faces several external challenges in Nepal, including frequent policy disruptions due to changes in government, a limited number of eco-friendly projects, and a lack of cooperation among various stakeholders, which complicates effective implementation.

To tackle these challenges, banks can adopt the following strategies:

Enhance Training and Capacity Building: Conduct specialized training programs to improve staff expertise in Environmental and Social Risk Management (ESRM).

Leverage Digital Solutions for Risk Assessment: Adopt advanced digital platforms to automate and improve the efficiency of environmental and social risk assessments.

Strengthen Collaboration with NRB: Partner with Nepal Rastra Bank to reinforce ESRM compliance, enhance regulatory enforcement, and introduce rewards for banks demonstrating strong ESRM implementation.

Promote Borrower Awareness: Educate borrowers, especially SMEs, on the advantages of ESRM and the value of sustainable business practices.

Embed ESRM in Governance and Risk Frameworks: Incorporate ESRM principles into corporate governance and risk management systems to ensure sustainable and responsible banking operations.

Conclusion:

There are various types of risk associated with BFIs like Credit risk, Legal risk, Operational risk, Reputational risk, liquidity risk etc. One of the recent trending risks associated in modern banking is Environmental & Social Risk. This risk can be identified, assessed & managed through the compliance with E&S regulations, different treaties related to E&S and E&S guidelines issued by NRB. The guideline helps BFIs to make decisions according to the E&S risk associated with the customer. The guideline involves systematic identification, assessment, mitigation, and monitoring of potential adverse impacts that a company's activities may have on the environment and society.

References:

https://www.nrb.org.np/contents/uploads/2022/02/Final-ESRM-with-cover.pdf

https://www.bb.org.bd/mediaroom/circulars/gbcrd/jun262022sfd03e.pdf

https://www.nrb.org.np/contents/uploads/2025/01/UD-2081-ABC-merged.pdf

https://www.nrb.org.np/contents/uploads/2025/03/ESRM-80.81-Updated.pdf

The Future of Accounting: Understanding the Hurdles and the Latest Shifts

CA. Umesh Rijal
The author is member of ICAN, currently serving as Director of Nepal, Now CFO. He can be reached at mail : rijal255@gmail.com

Introduction

Accounting has always been there since the early stages of the history of human evolution, i.e., accounting goes back as human evolution goes on. The early traces of accounting can be found in history as back as 9th millennium BC when Sumerians developed clay token to represent the economic units of specific goods. Those tokens were an important part of record-keeping and accounting (Robson, 1992). Yet, the concept of modern accounting has been introduced by Luca Pacioli in 15th century AD Italy, in his book on the double-entry bookkeeping system and the rules of debit and credit changed the face of the accounting forever. Even though he didn't invent the system, he summarized the concepts used by the merchants of Venice at that time and helped the development of accounting that we still practice today (Smith, 2013).

The accountants have always been revered and respected throughout human history due to the reliance and trust of the rulers of the lands. They played an important role throughout modern history by record keeping of all the economic activities and aiding rulers and decision makers in making informed decisions. Such as in 1122 BC in China, Chou dynasty appointed accountants to manage government property, financial management, and government accounting. The rulers used accounting as a measure of financial control, and yearly reports were presented by the appointed accountants at the end of each year (Berisha & Asllanaj, 2017).

The accounting profession has transformed a lot throughout history due to the advancement in technology and tools at the disposal of accountants to record the financial transactions and inform the stakeholders. The first shift came in 1880 AD with the invention of the adding machine which improved the speed and accuracy of. Similarly, in 1955 AD, General Electric purchased the first computer in human history to perform accounting functions followed by the spreadsheet software named VisiCalc to help develop financial models on the computer (Maryville University, 2022). Since when computers and technology started to take a rapid pace of advancement, the ways of accounting have transformed rapidly. Modern technology, regulatory and compliance requirements has transformed the accounting and accountants to a different level that were unimaginable a few decades ago.

It has become paramount for the accountants to stay updated with the latest regulatory and compliance requirements, changing technological landscape, and modern accounting concepts such as Environmental, Social, and Governance (ESG) impact, biodiversity, carbon accounting, etc. The major objective of this article is to shed some light on the key trends that are shaping the accounting and accountants for good.

Technological Advancement in Accounting

Since the last decade of the 20th century and the advent of the 21st century, information communication technology has evolved rapidly, and all other domains are staying on their toes to catch the technological wave of advancement and not to miss the efficiency and effectiveness that technology brings to their respective professions. Accounting is no exception, and a 55-year-old accountant today might have seen too many transformations in the ways of accounting than any other accountant in the history of the world.

In the following paragraphs, let's look briefly at the latest technological advancements in the accounting industry:

- **Robotic Process Automation (RPA):**

  The International Business Machine (IBM) defined RPA as "software using intelligent automation technologies to perform repetitive office tasks of human workers, such as extracting data, filling in forms, moving files and more" (IBM, 2025). In the accounting industry the use of RPA has been in prevalence since more than a decade now, and tools such as K-analyzer, Payroll Tax Automator, Automatic Exchange of Information Reporting Tool, etc. are already been used by large accounting firms (Hasan, 2022). RPA saves time and increased efficiency by automating manual or clerical tasks that an accountant must perform and reduces human errors.

- **Cloud-based Accounting Software:**

  Accounting software are no longer on-prem now, and majority of the popular accounting software like QuickBooks, Xero, Sage, NetSuite, Business Central, etc. are already on the cloud. In Nepal, Tigg has been the most popular accounting software, which is also cloud-based. The benefits of cloud-based accounting software enhance security, scalability, flexibility, anytime and anywhere access, enhance efficiency, etc. Accountants prefer more to the cloud-based accounting software, which has also helped scale the offshoring and outsourcing business in the accounting industry and provided accountants with flexibility to work from anywhere and anytime. Even though there are some skepticisms on cloud-based accounting, the wave is shifting towards it and businesses have greater advantage over the rapidly competitive environment (Dimitriu & Matei, 2015)

- **Artificial Intelligence and Machine Learning (AI/ML):**

  AI/ML is so huge and wide that their applications is on every conceivable profession and domain around the world. The accounting world is not far from it, and there are multitude of applications of AI/ML in the accounting. Tools like IDEA and ACL are already being used by the auditors and they are AI/ML powered. Similarly, tools to automate, predict, and forecast accounting information and parameters, providing better decision supports to the management, fraud detection and prevention, etc. are some of the applications of AI/ML in accounting (Donny C. Shimamoto, 2018).

- **Blockchain and Accounting:**

  The application and adoption of Blockchain in accounting is still under discussion and consideration. Unlike other technologies, Blockchain is more sophisticated and requires support from the overall ecosystem affecting the accounting processes and practices. It has been theorized to provide immense benefits such as enhanced trust and security, increased transparency and accountability, real-time reporting, efficient record-keeping, continuous auditing, reduced errors and frauds, etc. (Akter, Kummer, & Yigitbasioglu, 2024). Similarly, there are several limitations, such as higher adoption cost, lack of technical expertise, misconceptions, etc., which are hindering the adoption of Blockchain in accounting. However, there are several applications of Blockchain in the accounting world such as "Smart Credential" of PwC that allows credentials to be issued, carried, and shared globally in a secure manner. Other applications of Blockchain are in cross border payments such as Ripple, digital identity verification, real estate transactions, etc. (Pyne, 2023)

Regulatory Changes and Compliances

Not only on the technological front, but the accounting world is also facing constant changes from the legal and regulatory perspectives as well. The following bullet points highlights the constant shift in the legal and regulatory environment which has a direct impact in the accounting industry:

- **Legal, Regulatory, and Tax Compliances:**

  Accountants scratch their heads and are on their toes when a new regulation or law is going to be announced which might have a direct impact on financial reporting and accounting. Changes are inevitable, and it puts pressure on the accountants to maintain accuracy and transparency required in the professional assignments (INAA Group, 2023). Recently in Nepal, there has been updates on tax laws such as Transfer Pricing Directive of 2081, VAT Refund on digital payment transactions, etc. compels accountants to stay updated and informed to better discharge their duties.

- **Biodiversity, Climate, and ESG Related:**

  The world is becoming more and more concerned about the environment, biodiversity, and climate with new initiatives such as Kunming-Montreal Global Biodiversity Framework, Environment, Social and Governance Reporting, Carbon Accounting, etc. are being introduced and implemented all over the world. Nepal is also a party to most of such initiatives, and Nepalese accountants soon will have to start providing their opinions on reporting other than financial reporting such as biodiversity reporting or environmental reporting by the entities. The European Union, vide Directive (EU) 2013/34/EU of the European Parliament and of the Council, requires countries to ensure that the statutory auditor or audit firm checks whether the non-financial statement or the separate report has been provided for the matters related to ESG. For this capacity of auditors or audit firm to provide reasonable assurance on such reports must be enhanced (The European Parliament and the Council of the European Union, 2022). It's only a matter of time that Nepalese accountants are expected to deliver a similar assurance.

- **Data Privacy and Cybersecurity:**

  Around $ 10.05 trillion is the monetary value of damage done by cybercrime around the world, and the figure is in upward moving trends. It has been estimated that around $ 1.3 million is the average loss per cyber incident and it takes around $ 1.58 million to detect and escalate a cybercrime (John & Swanston, 2024). Daily, thousands of cybercrime incidents are occurring around the world, and Nepal is not new to this. The reporting and publication of such statistics is at the early stages in Nepal, and that's the reason we still feel safer when it comes to cyber incidents. However, it is a wakeup call to accountants as well to understand these incidents, assess the controls in an entity (some of the cyber incidents might have an impact on going concern), and provide reasonable assurance to the stakeholders. What if an auditor provided unqualified opinion and reasonable assurance, and after a while the controls were breached, and a major incident occurred? What if accountants fail to understand the gravity of the cyber-control measures, and test it? These are some of the pertinent questions that all accountants need to ponder upon and be prepared to dive into technology by upskilling and training. The existing risk management framework might not work, and a new risk management framework might be needed to handle sensitive data that has a direct or indirect impact on financial reporting.

Changing Role of Accountants

The accounting profession is very dynamic, and the roles of accountants are ever-changing. Accountants, merely seen as record keepers and number crunchers, are now being transformed into more strategic advisory roles. With the rise in technological advancement, many tasks that accountants used to keep themselves busy are automated and it freed the time of accountants which helped them shift focus on business analyst and advisory roles providing business intelligence and analytical support to the management (Mujiono, 2021). The profession of accounting is shifting rapidly and increasing towards analysis and interpretation, the accountants must be prepared accordingly. Asking the right questions and interpreting different things and connecting the dots has become more important (Prescott & Gounder, n.d.).

KPMG shared that historical accounting concept will be a thing of the past when the technology advances and businesses shifts towards more real-time accounting methods. Moving beyond the reporting roles, accountants will contribute and collaborate more on strategic decision making, forecasting, and so on (Brande, n.d.). Building the trust will become much more important than ever with real-time accounting, cyber security threats, and rapidly changing business landscape. Here the role of accountants becomes more critical by acting as a bridge between all departments, processes, and stakeholders while building and maintaining trust. The concept of virtual CFO is in increasing trends, and will rise up sharply in the coming decade, which will shift the traditional CFO role and provides both accountants and the businesses to be more flexible in their relationships.

All these changes will be favorable to the accountants only if we prepare ourselves, upskill and train ourselves towards the new dynamic accounting landscape. Continuous Professional Education (CPE) becomes more critical in this context, and the CPE programs must embrace these challenges as soon as possible to prepare our accounting professionals for the times ahead. To stay competitive in this ever-changing landscape, new tools such as AI/ML, data analytics, financial modelling, programming languages, biodiversity and environmental factors, etc. become much more important for an accountant. Hence, individual as well as institutional capacity must be prepared according to the needs of the world.

Challenges and Ethical Considerations

A change is not without any challenge, and the changes that we are discussing in this paper also come with different challenges and ethical considerations. Let's discuss some of the challenges and ethical considerations that accountants must understand and be prepared to address in the following points:

A report published by ACCA suggests that accountants are facing an unprecedented ethical challenge due to a rise in technology and expectations. Leadership and culture, AI and technology, and sustainability are the most pressing areas that have posed significant challenges and ethical issues among the accountants (Lane, n.d.).

Another research suggests challenges such as integration of advanced technologies in the daily practice of accounting, ensuring data integrity and security, revamping regulatory benchmarks, and navigating maladroitness in the workforce (Das, 2025). These issues are pertinent, and especially the maladroitness among accountants. Accountants are overwhelmed by the rapid changes in the accounting landscape, stakeholders' expectations, and the skills that we need to add rapidly to stay relevant. The current curriculum is not longer serving the purpose, and there is a need for updating the professional development programs.

- There are other ethical considerations with the understanding of the AI/ML algorithm. Accountants are not sure whether the algorithm is bias free, and tools that businesses use are free from any malicious codes. Of course, tools from large corporations and highly reputable companies are one thing, but many times situations come such that tools are in-house built or customized as per the organizational needs. In such a situation, accountants are unable to make sure that such tools are working properly as per the intention or are free from any errors and biases.
- We already have discussed the impact of cybersecurity and challenges it bring upon the accountants. The risk of financial data breach, privacy concerns, and high cost of security has become more challenging than ever.

Even though we love technology and want to adopt our practices, the implementation cost is high and requires special training and investment to use the tools (Altawalbeh, Al Frijat, & Alhajaya, 2025). This is another challenge or dilemma that accountants are facing at present.

The regulators are introducing new regulations and frameworks that accountants must get familiar with. The new regulations such as ESG reporting, sustainability reporting, Biodiversity reporting, etc. are new to the accountants. This is a challenge that every accountant are facing or will face sooner. Accountants are not trained in these concepts, and it demand a significant investment in time and resources to learn these new requirements and embody them in professional engagements. Similarly, there are not enough data sources to comply with these new requirements, there lacks the standard framework for reporting, and many of the outcomes of such framework are not directly affecting the financial and are subjective and intangible in nature (Queree, 2023).

Similarly, balancing between automation and human oversight is another challenge in the accounting world. We know that there are numerous benefits of AI or technology in the accounting profession; however, human oversight is still needed to provide the context, train the system, managing changes, etc. (Hreha, 2023) Technology has not become mature yet, and the balance between the use of technology and human oversight is still not reached, and this is a challenge that every accountants are facing at present.

Conclusion and Future Outlook

We discussed a lot of trends in accounting today, and their potential impact on profession and industry. Technology is transforming the way we do things, and with every new technology there will always be fear and insecurity associated with it. The professional is shifting to a new paradigm, and we must be ready to embrace it with a skeptic mindset. The World Economic Forum predicts that 92 million jobs will be displaced by AI and 1,090 new jobs will be created. Accounting, bookkeeping, and auditing are among the top ten declining jobs in the coming decade, and top professional in demands will be data analysts, fintech scientists, information security analysis, etc. New skills are in demand in the next decades, and skills such as creative thinking, resilience, flexibility, adaptability, leadership, and social influence, analytical thinking, etc. will be very critical in the coming decade for any professional to sustain and thrive (World Economic Forum, 2025). Accountants must embrace themselves with these new skills and be prepared for a massive wave in the job market soon. The world is changing, and the only losers will be the people who wants *status quo*; hence, we must be flexible and resilient to the changes that already are on our way and be prepared.

References

Akter, M., Kummer, T.-F., & Yigitbasioglu, O. (2024). Looking beyond the hype: The challenges of blockchain adoption in accounting. *International Journal of Accounting Information Systems, 53*(4). doi:http://dx.doi.org/10.1016/j.accinf.2024.100681

Altawalbeh, M., Al Frijat, Y., & Alhajaya, M. (2025). Pros and Cons of using Artificial Intelligence in Accounting: The Dual effect and Financial Control. *International Review of Management and Marketing, 15*(2), 200-208. doi:doi.org/10.32479/irmm.17854

Berisha, V., & Asllanaj, R. (2017). Literature Review on Historical Development of Accounting. *ACTA UNIVERSITATIS DANUBIUS The Journal of Accounting and Management, 13*(6). Retrieved from https://www.researchgate.net/publication/322420805_Literature_Review_on_Historical_Development_of_Accounting

Brande, W. V. (n.d.). *The role of accountant has changed: from reporting to advising*. Retrieved from KPMG: https://kpmg.com/be/en/home/insights/2022/09/acc-the-role-of-accountant-has-changed-from-reporting-to-advising.html

Das, P. K. (2025). Accounting Transformation in the Ongoing Era-Challenges andOpportunities. *British Journal of Multidisciplinary and Advanced Studies, 6*(1), 27-43. doi:doi.org/10.37745/bjmas.2022.04215

Dimitriu, O., & Matei, M. (2015). Cloud Accounting: A New Business Model in a Challenging Context. *Procedia Economics and Finance, 32*, 665-671. doi:https://doi.org/10.1016/S2212-5671(15)01447-1

Donny C. Shimamoto. (2018, April 18). *Why Accountants Must Embrace Machine Learning*. Retrieved from IFAC: https://www.ifac.org/knowledge-gateway/discussion/why-accountants-must-embrace-machine-learning

Hasan, A. R. (2022). Artificial Intelligence (AI) in Accounting & Auditing: A Literature Review. *Open Journal of Business and Management, 10*, 440-465. doi:https://doi.org/10.4236/ojbm.2022.101026

Hreha, J. (2023, June 10). *Balancing AI, Automation, and Human Oversight in the Workplace*. Retrieved from Persona: https://www.personatalent.com/business/balancing-ai-automation-and-human-oversight-in-the-workplace/

IBM. (2025, February 18). *What is robotic process automation (RPA)?* Retrieved from IBM: https://www.ibm.com/think/topics/rpa

INAA Group. (2023, November 2). *Navigating Regulatory Changes in Accounting*. Retrieved from INAA Group: https://www.inaa.org/navigating-regulatory-changes-in-accounting/

John, M., & Swanston, B. (2024, February 28). *Cybersecurity Stats: Facts And Figures You Should Know*. Retrieved from FOrbes: https://www.forbes.com/advisor/education/it-and-tech/cybersecurity-statistics/#Sources

Lane, S. (n.d.). *The new era of ethical challenges for professional accountants*. Retrieved from accaglobal: https://stories.accaglobal.com/the-new-era-of-ethical-challenges/index.html?_gl=1*123h9o7*_gcl_au*NjMzNTQyMzYyLjE3NDE2ODI1MjY.*_ga*OTA4Nzg4NjMxLjE3NDE2ODI1Mjc.*_ga_J7W3P5MX6E*MTc0MTY4MjUyNy4xLjEuMTc0MTY4MjY3MC4wLjAuMA..

Maryville University. (2022, October 4). *History of Accounting: How It's Evolved Over Time*. Retrieved from History of Accounting: How It's Evolved Over Time: https://online.maryville.edu/blog/history-of-accounting/#:~:text=1955%3A%20First%20purchase%20of%20a,financial%20modeling%20on%20the%20computer.

Mujiono, M. N. (2021). The Shifting Role of Accountants in the Era of Digital Disruption. *INTERNATIONAL JOURNAL OF MULTI-DISCIPLINARY: APPLIEDBUSINESS AND EDUCATION RESEARCH, 2*(11), 1259-1274. doi:10.11594/ijmaber.02.11.18

Prescott, S., & Gounder, N. (n.d.). *The changing role of accounting: asking the right questions*. Retrieved from researchbank: https://www.researchbank.ac.nz/server/api/core/bitstreams/16a70056-7c98-4152-845e-49d790fe091c/content

Pyne, S. (2023, April 20). *Blockchain Adoption in Accounting: Opportunities and Challenges for Professional Accountants*. Retrieved from CAclubindia: https://www.caclubindia.com/articles/blockchain-adoption-in-accounting-opportunities-challenges-for-professional-accountants-49542.asp

Queree, H. (2023, March 15). *ESG Accounting: ESG Reporting Standards, Benefits and Challenges.* Retrieved from clinked.com: https://www.clinked.com/blog/esg-accounting

Robson, K. (1992). Accounting Numbers as "Inscription": Action at a Distance and the Development of Accounting. *Accounting Organizations and Society, 17*(7), 685-708. doi:https://doi.org/10.1016/0361-3682(92)90019-O

Smith, M. (2013). Luca Pacioli: The Father of Accounting. *SSRN Electronic Journal.* doi:10.2139/ssrn.2320658

The European Parliament and the Council of the European Union. (2022, December 14). *EUR-Lex, Access to European Union Law.* Retrieved from European Union: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464

World Economic Forum. (2025). *Future of Jobs Report 2025.* Switzerland: World Economic Forum. Retrieved from https://reports.weforum.org/docs/WEF_Future_of_Jobs_Report_2025.pdf

अनुशासन सम्बन्धी उजुरी उपर सदस्यलाई सचेत गराइएको बारे सूचना ।

एक वन उपभोक्ता समुहको लेखापरीक्षण गर्ने संस्थाका “घ” वर्गका एक लेखापरीक्षकले भ्रष्टाचार निवारण ऐन, २०५९ को दफा १९ को उपदफा (१) बमोजिम कसुर गरेको आरोप सहित श्री अख्तियार दुरुपयोग अनुसन्धान आयोगको पत्रको आधारमा डिभिजन वन कार्यालय मोरङ्गबाट नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ को दफा ३५(१) तथा नियमावली २०६१ को नियम ८० बमोजिम संस्थामा उजुरी दर्ता भएकोमा उजुरीको सम्बन्धमा छानविन गर्दा आरोपित लेखापरीक्षकले उक्त वन उपभोक्ता समुहको लेखापरीक्षण गर्ने क्रममा उजुरीकर्ताले आरोप लगाए अनुसारको भ्रष्टाचारमा संलग्न भएको कुनै प्रमाण फेला नपरेको तथा विशेष अदालतले भ्रष्ट्राचार मुद्दामा लेखापरीक्षकलाई सफाई दिएको पत्र प्राप्त भएकोबाट निज लेखापरीक्षकले जानाजान कुनै गम्भीर तथा कसुरजन्य गल्ती गरेको मान्न मिल्ने अवस्था नदेखिएकातापनि उक्त समूहको आय हिसाबको यथार्थता यकिन गर्ने सम्बन्धमा आवश्यक लेखापरीक्षण प्रक्रिया पुरा गरेको नदेखिएको, लेखापरीक्षण गर्ने क्रममा नेपाल लेखापरीक्षणमानका आधारभूत आवश्यकताको समेत पालना गरेको नदेखिएको, लेखापरीक्षण सम्बन्धी कागजात तथा प्रमाण पेश गर्न नसेको र आफ्नो कमजोरी स्वीकार गरी यसप्रकारका गल्ती कमजोरी नदोहोर्‍याउने प्रतिवद्धता समेत व्यक्त गरेकोले निजले गरेको कमजोरी प्रति निज लेखापरीक्षकलाई अनुशासन छानबिन कार्यविधिको दफा ५(११) बमोजिम निज लेखापरीक्षकलाई एक पटकको लागि सचेत गराउने र निज उपरको उजुरीलाई तामेलीमा राख्ने निर्णय परिषदको मिति २०८१ चैत्र ०७ गते बसेको ३४४ औं बैठकबाट भएको व्यहोरा सार्वजनिक जानकारीको लागि नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ को नियम ८४(२)(ग) बमोजिम प्रकाशन गरिएको छ ।

नोटः *यो सूचनामा उजुरी तथा उजुरी उपर भएको निर्णयको संक्षिप्त व्यहोरा मात्र उल्लेख गरी सार्वजनिक जानकारीको लागि प्रकाशन गरिएको हुँदा यसलाई अनुशासन छानविनको पूर्ण प्रतिवेदनको रुपमा लिन उपयुक्त नहुने ।*

Impact of Debt on the Economic Growth of Nepal

Ms. Sugita Khanal
The author, Ms. Sugita Khanal is a Mphil Scholar at Central Departnment of Economics, Tribhuvan University and she can be reached at mail : khanalsugita@gmail.com.

Mr. Madhav Khanal
The author, Mr. Madhav Khanal is Campus Chief at Surkhet Multiple Campus and he can be reached at mail madhavkhanal768@gmail.com.

ABSTRACT

This research analyzes the impact of public debt on Nepal's economic growth. The study utilizes annual data on various variables, including public debt and GDP, over 48 years from FY 1974/75 to 2022/23. An OLS regression model has been utilized to evaluate the link between GDP (dependent variable) and foreign and internal debt (independent variables). The preliminary study revealed positive autocorrelation, indicated by a D-W test result of 0.23210. The analysis was re-examined by evaluating the growth rates of foreign grants, internal loans, and external loans. The findings indicate that foreign loans negatively and significantly affect GDP growth, whereas the other factors (foreign grants and domestic loans) do not exhibit statistically significant effects. This study recommends that debt accumulation should align closely with the nation's goals for sustainable economic development, highlighting the need of both debt repayment and the optimization of achievable growth.

Key Words: Internal Debt, External Debt, GDP Growth, Ordinary Least Squares.

Introduction

The modern concept of public debt originated in Great Britain in themed Seventeenth Century. After the glorious revolution in 1688 A.D., the system of regular public borrowing was implemented from where parliament was granted significant authority in public finance. The establishment of the Bank of England in 1694 with the prime motive of raising funds for wars at lower cost carries the original root for today's prevailing public debt (Stasavage, 2003). Numerous academics and policymakers have engaged in a substantial amount of discussion over the correlation between the level of public debt and economic growth. Numerous divergent perspectives exist concerning the impact of governmental debt on economic growth. Classical and Ricardian theories assert that heightened domestic and external debt imposes superfluous financial burdens on future generations and diminishes long-term economic investments inside the economy (Ashfaq & Padda, 2019). The government needs a significant amount of revenue for repaying interest to the borrowers. This important portion of the government revenue could otherwise have been invested in infrastructural development like roads and electricity or in social sectors like health and education. For repaying the interests, the government further needs to raise the tax rates which can decrease the private investments in the economy. Modigliani (1961) also claims that because of reduction in private investments, the future production and availability of goods and services for the next generation is reduced and higher public debt creates financial burden for a prolonged period. Lerner (1948) have demonstrated that national debt does not confer any advantages or disadvantages to a country. On the contrary, Keynes posits that maintaining a reasonable level of public debt fosters investment and stimulates employment in the short term. He opined that government often uses borrowed funds to invest in infrastructures which can create significant employment opportunities. Economic growth may be augmented, and public debt can beneficially influence total production, disposable income, and aggregate demand within the economy (Elmendorf & Mankiw, 1998). Proper utilization of public debt on creating good public services and better social programs increases the aggregate demand in the economy (De Rugy & Salmon, 2020).

Nepal has had a relatively short history of obtaining loans both domestically and internationally to fulfill its economic needs. In 1951, the first national budget was announced by the then finance minister, Subarna Shumsher Rana. 11 years after introducing national budget, first domestic debt was raised by Nepal in 1962 A.D through treasury bills while external borrowing was started since 1963 from Russia, erstwhile Union for the Soviet Socialist Republic (USSR) (Bhatta & Mishra, 2020). Public borrowing and taxation are the main approaches Nepal employs to generate funds for its investment needs. However, economic growth is impeded by taxation as it increases inflation, reduces purchasing power and generates economic instabilities. As a result, taxation is regarded as an unfavorable tool for generating public finance by the policy makers (Barro, 1979). In a nation such as Nepal, characterized by constrained domestic savings and investments, public debt serves as an essential instrument for bridging financial gaps and promoting sustained economic growth. Through internal and external debts, the government can easily fund large-scale infrastructure projects, provide better public services and encourage private sectors to invest more. Such investments will fulfill the immediate development needs and create a strong foundation for long-term economic development (Rahman, Ismail, and Ridzun, 2019).

The public debt was at 32.14 percent of the Gross Domestic Product (GDP) during the 1980s. The ratio had a growth to 64.84 percent in the 1990s, followed by a decline to 50.72 percent in the 2000s. In the 2010s, Nepal's governmental debt constituted 26.91 percent of GDP. Over the past few years, there has been a progressive increase in this percentage, which reached 41.43 percent in the fiscal year 2021/22.

Empirical evidence suggests that the optimal threshold for public debt aimed at maximizing economic growth lies between 33 and 35.43 percent of GDP (Prasai, 2024). The outstanding public debt amounted to Rs.2433.24 billion in 2024. Out of which, the amount of foreign and domestic debt stood at Rs.1252.34 billion and Rs.1180.90 billion respectively. The ratio of total outstanding public debt to GDP reached 42.65 percent in FY 2023/24. Exceeding this threshold may hinder growth by crowding out productive investments and constraining fiscal policy space. The Government of Nepal is increasingly turning to public debt to meet its financial obligations. The Public Debt Management Act (PDMA) of 2022 guide public debt management in Nepal, with the Public Debt Management Office (PDMO) responsible for implementing these policies and managing both domestic and external debt. Heavy reliance on public debt for public finance is reflecting Nepal's inability in raising enough domestic revenues. For meeting fiscal deficits, government of Nepal primarily utilizes external loan from foreign entities and international organizations. Financial Institutions in the nation are used to raising the internal debt. Sometimes, the government also adjusts its cash reserves for meeting short-term financing gaps. Despite steadily increasing public debt in recent years, the country's economic growth remains sluggish and unremarkable. This situation has led to the increasing debate over whether public debt has positive or negative impacts in fostering the economic growth of developing nations (Sharma, 2014). The main objective of this study is to estimate the relationship between public debt (domestic and foreign debt), using time series data for the last 49 years.

Literature Review

A multitude of studies have been carried out around the world to examine the correlation between public debt and economic growth. In Malysia, the internal debt negatively influences long-term economic growth. However, during the same period, the external debt did not show any significant impact on economic growth (Rahman, 2012).

Public debt exceeding 100% of its GDP and external debt exceeding 55% of GDP can seriously cause slow economic growth (Tarick, 2015). It particularly means that the government is owing more value of the country's output to others. This increases the risk of financial instability, reduces investor's confidence and creates unsustainable debt thresholds.

Reinhart and Rogoff (2009) conducted an empirical study on a sample of 44 countries over several decades and found a negative relationship between public debt and economic growth. Public Debt can be a better tool in the short-term, but when debt level exceeds a certain threshold such as 90% of GDP, it can lead to serious long-term economic consequences. Similarly, Fosu (1996) conducted an in-depth study to examine the impact of external debt on the economic growth in Sub-Saharan African (SSA) countries using 16 years data during the period from 1970 to 1986. He utilized OLS estimation technique, and his analysis revealed that high levels of external public debt have a detrimental impact on the economic growth across SSA nations. His research suggests that implementing effective debt management strategies is necessary to control macroeconomic instability and slow economic growth in SSA countries.

Oho and Ogawa (2010) through their empirical study found that public debt does not create any burdens for future generations. They opined that public debt instruments like treasury bonds can play a significant role in stimulating aggregate demand and creating more employment opportunities for future generations.

Akram (2011) examined the influence of public debt on Pakistan's economic growth and its effect on investment, highlighting the dynamic interplay between heightened investment and economic development. The research illustrated that there is a complex and dynamic relationship between public debt and investment. His research uncovered a substantial and robust negative correlation between economic indicators, such as GDP and investment, and external public debt. He identified that in both long-term and short-term, the external public debt imposes challenges for Pakistan's economic growth. The research also found that internal debt too adversely affects investment and limits entrepreneurial activities. Overall, the study highlighted that both internal and external and internal borrowings cause the resources to divert away from productive uses and create significant opportunity costs for the economy.

Obademi (2012) provided empirical evidence that shows a negative relationship between public debt and economic growth in Nigeria for the period of 30 years between 1975 and 2005. Both internal and external debts were measured as a percentage of GDP including the servicing cost associated with external debt. The study found a negative impact external debt on Nigeria's growth overtime. The study concluded that although debt can support economic growth in the short-run, in the long-run, the benefit cannot be sustained.

A comprehensive study was conducted by Kharusi and Ada (2018) to identify the impact of external debt on economic growth of Oman utilizing the time series data for 25 years from 1990 to 2015. This study also indicated that the country's GDP growth is adversely impacted by external debt. The study emphasizes the significance of efficiently employing foreign debt in the productive sector for robust and sustained growth.

Adhikari (2020) discovered that the persistent increase in public borrowing was a significant challenge for any country in the long term, particularly in relation to foreign loans. Excessive reliance on external debt leads to economic instability in the nation. His study suggested that the public debt, especially external debt, must be reduced to sustainable levels and focus should be made on the effective mobilization of domestic resources.

Rathnayake, Perera, and Vaas (2022) conducted a thorough analysis and determined that Sri Lanka's economic growth is adversely affected by both local and international debt. Overreliance on public debt for financing diverts resources from profitable investments.

Sapkota (2023) did a comprehensive analysis to ascertain the correlation between governmental debt (both domestic and foreign) and the economic growth of Nepal. By analyzing time series data under the Autoregressive Distributed Lag (ARDL) model, he found that the growth rate of Nepal remains constant in both the short-run and long-run. Although public debt can address fiscal gaps, it does not create any economic growth over time.

Despite substantial earlier research on the influence of public debt on economic growth, this study revisits the subject, with a particular emphasis on Nepal's changing financial situation. The growing reliance on external debt, as well as the potential long-term implications for economic stability, requires a fresh analysis. Furthermore, this analysis uses updated time-series data covering 49 years, allowing for a more comprehensive analysis of current patterns and policy adjustments. This study addresses gaps in the current literature, providing empirical insights adapted to Nepal's specific budgetary issues and economic situations.

Methodology

This section provides an overview of the variables, data, model and the methodological considerations employed in the study.

The primary goal of this paper is to ascertain the impact of public debt employed by the government in the economic growth in Nepal. The econometric model is designed to identify the relationship between dependent and independent variables. To analyze the influence of domestic and external outstanding debt on economic growth, the dependent and independent variables are selected and specified. The paper takes economic growth measured by real GDP as dependent variable and internal and external debt as independent variables. The paper applies annual data of different variables from FY 1974/75 to 2022/23. The secondary data related domestic debt, external debt and real GDP are directly downloaded from macroeconomic dashboard of Ministry of Finance, Government of Nepal and these data will be converted to Rs. Million multiplying each by 10. The time series data has been analyzed by using the Eviews software.

The Ordinary Least Squares (OLS) model for the relationship between GDP (as the dependent variable) and external debt and internal debt (as the independent variables) is specified as follows:

$$\mathbf{GDP_t = \beta_0 + \beta_1 . Internal\ Debt_t + \beta_2 . External\ Debt_t + U_t} \quad \text{.........................} (1)$$

Where,

GDP_t = Gross Domestic Product of Nepal at time t.

Internal Debt $_t$ = Internal Debt of Nepal at time t.

External Debt $_t$ = External Debt of Nepal at time t.

β_0 = Intercept term

β_1 = Coefficient of internal debt

β_2 = Coefficient of external debt

U_t = Error term (non-included variables affecting the economic growth)

Results and Findings

This section explores the empirical analysis conducted to understand the relationship between public debt and economic growth in Nepal. Using OLS method, the study examines the impact of different levels of public debt to the GDP growth rate.

Empirical Results

Table 1: Relationship between Public debt (internal and external debt) and GDP

Dependent Variable: GDP
Method: Least Squares
Date: 07/04/24 Time: 07:08
Sample (adjusted): 1 49
Included observations: 49 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INTERNAL_DEBT	0.867723	1.095211	0.792288	0.4323
EXTERNAL_DEBT	4.362749	1.000150	4.362094	0.0001
C	-69823.97	97126.54	-0.718897	0.4758

R-squared	0.924347	Mean dependent var	1050751.
Adjusted R-squared	0.921058	S.D. dependent var	1462163.
S.E. of regression	410818.0	Akaike info criterion	28.74896
Sum squared resid	7.76E+12	Schwarz criterion	28.86478
Log likelihood	-701.3495	Hannan-Quinn criter.	28.79290
F-statistic	281.0211	Durbin-Watson stat	0.230210
Prob(F-statistic)	0.000000		

The coefficient of internal debt is 0.867723. It means that for every one unit increase in internal debt, GDP increases by approximately 0.867723 units, holding external debt constant. The p-value is greater than 0.05 indicating that internal debt is not statistically significant in explaining variations in GDPP at the 5% significance level.

The coefficient of external debt is 4.362749. It means for every one unit increase in external debt, GDP increases by approximately 4.362749 units, holding internal debt constant. P-value is less than 0.05, indicating that external debt is statistically significant in explaining variations in GDP at 5% level of significance.

When both internal debt and external debt are zero, the expected value of GDP is -69,823.97. R-squared value is 0.924347. It means approximately, 92.43% of the variability in GDP can be explained by the model (Internal Debt and External Debt).

This regression model indicates a strong relationship between external debt and GDP as evidenced by the significant coefficients and p-value. Internal debt does not show any statistically significant relationship with GDP. However, D-W Test value of 0.230210 shows that there is positive autocorrelation. The presence of autocorrelation does not give minimum efficient results. The variance is not minimal, which does not provide any precise result. The initial analysis of the relationship between internal debt, external debt, and GDP in absolute amounts revealed the presence of autocorrelation in the model. To address this issue, the variables were transformed to represent growth rates, and the analysis was conducted again to examine the relationships. Below are the results of the Ordinary Least Squares (OLS) regression analysis using the growth rates of the variables:

Table 2: Autocorrelation Corrected Relationship

Dependent Variable: GDP_GROWTH
Method: Least Squares
Date: 07/08/24 Time: 07:09
Sample (adjusted): 2 48
Included observations: 46 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FOREIGN_GRANT_GROWTH	-0.017502	0.011934	-1.466546	0.1499
FOREGIN_LOAN_GROWTH	-0.024910	0.011757	-2.118698	0.0401
DOMESTIC_LOAN_GROWTH	0.006184	0.008571	0.721596	0.4745
C	4.923003	0.529394	9.299311	0.0000

R-squared	0.140314	Mean dependent var	4.355990
Adjusted R-squared	0.078908	S.D. dependent var	2.564240
S.E. of regression	2.460992	Akaike info criterion	4.721948
Sum squared resid	254.3723	Schwarz criterion	4.880960
Log likelihood	-104.6048	Hannan-Quinn criter.	4.781515
F-statistic	2.285013	Durbin-Watson stat	2.311340
Prob(F-statistic)	0.092717		

The coefficient of foreign grant growth is -0.017502 with p-value, indicating that it is not statistically at the 5% level. The coefficient of foreign loan growth is -0.024910 with p-value of 0.0401, indicating a statistically significant negative relationship with GDP growth at the 5% level. The coefficient of domestic loan growth is 0.006184 with a p-value of 0.4745, indicating that it is not statistically significant. The Durbin-Watson statistic is 2.311340, which suggests that the autocorrelation problem has been effectively addressed. The overall model's R-Squared and adjusted R-Squared indicate that around 14% and 7.9% of the variability in GDP growth is explained by the model respectively.

The autocorrelation issue identified in the initial model using absolute amounts has been mitigated by employing the growth rates of the variables. This transformation has improved the model, making it more reliable for interpreting the relationship between internal and external debt and GDP growth.

This research analyzed the effect of debt on Nepal's economic growth. The research utilized the Ordinary Least Squares (OLS) method. The OLS model results indicate a statistically significant correlation between GDP and foreign debt. The relationship between these variables is established as inverse, signifying that foreign debt adversely affects GDP. There exists a favorable correlation between GDP growth and domestic loan growth. Internal debt positively influences GDP, which is advantageous for the nation.

Discussion and Conclusion

The research intended to determine the effect of public debt on economic growth in Nepal. The results demonstrate that foreign debt adversely impacts the economy, whereas domestic debt does not exhibit statistically significant effects. Bhatta's (2003) empirical investigation revealed also an insignificant yet positive correlation between internal public debt and economic development. Consequently, it is imperative that policy makers do not accord greater importance to foreign debt. Instead, they might prioritize domestic debt to improve the economy. The government should exercise prudent judgment while utilizing these loans. They should concentrate exclusively on the producing sector. debt accumulation beyond the threshold ratio of 33 percent would adversely affect Nepal's economic growth (Bhatta, 2020)

Public debt can promote economic growth, but if it rises uncontrollably, it will have a detrimental effect on the economy. The external loan has significant negative impacts on the economic growth in Nepal. In Nepal, public debt has primarily been allocated to the unproductive sectors and the government encounter regular financial deficits that require further loan acquisitions to manage the existing obligations (Bhul, 2023). The government should only resort to borrowing funds in extraordinary circumstances and utilize them effectively, with a particular emphasis on capital expenditures (Roșoiu, 2019). An excessive financial deficit results in a debt crisis, imposing repayment burdens on future generations. It also results in the crowding out effect and a larger burden of interest payments. This study advises not exceeding the optimum level of public debt, defined by the threshold that maximizes economic growth. Debt accumulation must closely coincide with the nation's objectives for sustainable economic development, emphasizing both debt repayment and the maximization of attainable growth.

References

Akram, N. (2011). Impact of public debt on the economic growth of Pakistan. *The Pakistan Development Review, 50*(4), 599-615. https://www.jstor.org/stable/23617723

Ashfaq, M., & Padda, I. U. (2020). Estimating the optimal level of public debt for economic growth: Evidence from Pakistan. *Quest Journal of Management and Social Sciences*, 222-232. https://doi.org/10.3126/qjmss

Barro, R. J. (1979). On the determination of the public debt. *The Journal of Political Economy, 87*(5), 940-971.

Bhatta, G. (2003). An assessment of the impact of external debt on economic growth of Nepal. *Economic Review, 15*(6), 243-262.

Bhatta, G. P., & Mishra, A. (2020). Estimating optimum growth-maximizing public debt threshold for Nepal. *NRB Economic Review, 32*(2), 1-28.

Bhul, B. (2023, February 1). *Public debt management in Nepal: Current position and future consequences*. *Development*, 39, 175-192. https://doi.org/10.5281/zenodo.12785627

de Rugy, V., & Salmon, J. (2020). Debt and growth: A decade of studies (Policy brief). Mercatus Center at George Mason University. Retrieved from https://www.mercatus.org/publications/debt-and-growth

Elmendorf, D. W., & Mankiw, N. G. (1998). Government debt. *NBER Working Paper, 6470*.

Kharusi, S. A., & Ada, M. S. (2018). External debt and economic growth: The case of emerging economy. *Journal of Economic Integration, 33*(1), 1141–1157. https://doi.org/10.11130/jei.2018.33.1.1141

Lerner, A. P. (1948). The burden of the national debt. In L. Metzler et al. (Eds.), *Income* (pp. 255–275). W. W. Norton.

Modigliani, F. (1961). Long-run implication of alternative fiscal policies and the burden of the national debt. *The Economic Journal, 71*(284), 730–755.

Obademi, O. E. (2012). An empirical analysis of the impact of public debt on economic growth: Evidence from Nigeria 1975-2009. *Canadian Social Science, 8*(4), 154-161. https://tinyurl.com/3xfkjut6

Ogawa, T., & Ono, Y. (2010). *Public debt places no burden on future generations under demand shortage* (ISER Discussion Paper No. 791). Osaka University, Institute of Social and Economic Research (ISER). https://doi.org/10.2139/ssrn.1665631

Prasai, L. P. (2024, May). *Optimal public debt threshold for Nepal* (NRB Working Paper No. 58). Nepal Rastra Bank.

Rahman, N. H., Ismail, S., & Ridzuan, A. R. (2019). How does public debt affect economic growth? A systematic review. *Cogent Business & Management, 6*(1), 1-16. 10.1080/23311975.2019.1701339

Rathnayake, R. W. S. K., Perera, W. T. N. M., & Vaas, W. U. S. (2022). Public debt and economic growth: Evidence from Sri Lanka. In *Proceedings of the 12th ICME (International Conference on Management & Economics) 2023* (pp. 1-18). https://tinyurl.com/55ax7835

Roșoiu, I. (2019). The impact of public debt on economic growth. *Cross-Cultural Management Journal, 21*(1), 73. https://tinyurl.com/ycxusj78

Sapkota, P. (2023). Effects of public debt on economic growth of Nepal. *The Lumbini Journal of Business and Economics, 11*(1), 343-362. https://doi.org/10.3126/ljbe.v11i1.54340

Sharma, Y. R. (2014). Trend and impact of public debt in Nepalese economy. *Academic Voices: A Multidisciplinary Journal, 4*(1). https://doi.org/10.3126/av.v4i0.12363

Stasavage, D. (2003). *Public debt and the birth of the democratic state*. Cambridge University Press.

Tarick, B. (2015). Investigating the Impact of Public Debt on Economic Growth in Jamaica. Technical Report, Department Bank of Jamaica. 10.4236/jfrm.2022.112019

JUDICIAL UPDATE

CA. Pramod Lingden
Ph.D. Scholar
The author is a fellow member of ICAN. He can be reached at : ca.pramodlingden@gmail.com

Case I: Customs Act, 2064

Supreme Court Decision Date: 2081/08/20

Supreme Court Case No.: 079-RF-0004

Parties: Valuation Review Committee (Petitioner) v. New Everest Traders, Kathmandu (Respondent)

Link: https://supremecourt.gov.np/cp/assets/uploads/supreme_263895.docx

Determination of Customs Value

Abstract:

- Merely considering the invoice and proof of payment as sufficient evidence of transaction value would render the other provisions of Section 13 of the Customs Act, 2064 ineffective.
- If the transaction value declared by the importer does not conform to the 'actual transaction value' method, the customs officer shall not accept the declared transaction value and shall determine the value of such goods based on records, price lists, or the value of similar goods, and accordingly assess the customs duty.
- Although the invoice value is a basic and important piece of evidence for the purpose of determining customs value, when the invoice value appears suspicious, the responsibility lies with the importer to provide evidence substantiating that the invoice value is indeed the transaction value. In cases where the credibility of the invoice is questionable, the transaction value determined by the customs officer in accordance with the method and procedures set forth under the Customs Act, 2064, should be recognized.

Background:

New Everest Traders submitted a Custom Declaration Form to the Dryport Customs Office, Sirsiya, Parsa on 14 Shrawan 2066, declaring the import of goods, inter alias, a Land Rover Discovery-3 6 CYL TDV6, 7-seater, 2720cc vehicle with a CIF/CAL USD 22,580.00, requesting for the valuation based on declared invoice price.

Upon processing the declaration form, the Dryport Customs Office, Sirsiya, pursuant to Section 13(9) of the Customs Act, 2064, determined the transaction value per unit of Land Rover Discovery-3 at CIF/CAL USD 29,046 on 3 Chaitra 2066. Then, based on a letter Ref. No. 2299 received from the Department of Transport Management, the declared goods were released under guarantee by the Dryport Customs Office, Sirsiya on 4 Chaitra 2066.

The importer, based on the official price list received from the authorized distributor Guava International Limited, GV3 INE, England which listed the unit price as USD 22,580.00, had opened a Letter of Credit and imported the vehicle. However, the Customs Office did not accept the declared invoice value and determined the value as USD 29,046. So, aggrieved by this valuation, the importer filed a valuation review application dated 17 Chaitra 2066 before the Valuation Review Committee seeking cancellation of the valuation decision.

The Valuation Review Committee, considering the valuation made upon applying the Fallback Method pursuant to Section 13(12) of the Customs Act, 2064 to be reasonable, upheld the customs valuation decision of the Customs Office on 20 Poush 2067. Dissatisfied with the initial valuation made by the Dryport Customs Office and subsequent upholding decision of the Review Committee, the importer filed an appeal before the Revenue Tribunal Kathmandu, seeking to quash these decisions and refund the amount held in deposit.

The Revenue Tribunal, after examination, ruled on 28 Ashadh 2069 that the value determined by the Customs Office after rejecting the importer's value and the subsequent decision of Review Committee to uphold it are not consistent and therefore subject to reversal. The Valuation Review Committee, being dissatisfied with this decision of the Revenue Tribunal Kathmandu, made an appeal to the Supreme Court.

Argument:

The Valuation Review Committee argued that there exist clear grounds indicating that the import price declared by the importer was under-invoiced. Due to various technical and other factors related to the vehicle, the value determined by the Committee cannot be considered otherwise. The value has been determined based on the valuation set by the initial customs office and the Valuation Review Committee, taking reference from the same brand of vehicle previously imported by other companies. This valuation is not arbitrary. Considering the technical specifications and other relevant factors of the vehicle, the value fixed by the Committee is reasonable and cannot be deemed inaccurate. The valuation was carried out based on reasonable grounds under Section 13 Sub-section (12) of the Customs Act, 2064 through the application of the Fallback Method. So, the valuation amount and method adopted by the Customs Office and upholding decision of the Review Committee are valid.

On the other hand, the importer argued that it has made payment for the goods as per the invoice value stated through a letter of credit issued by Nepal Investment Bank Ltd. In order to disregard such declared value, it shall be proven that the make, quality, nature, and specifications of the goods alleged to be similar are in fact identical in all respects. Mere similarity in nature is insufficient. Furthermore, it is evident that the Customs Office and the Valuation Review Committee have not adopted a uniform standard for valuation. So, their valuation amount and method are not valid.

Supreme Court Judgment:

The Supreme Court quashed the decision of the Revenue Tribunal Kathmandu and upheld the decision of the Valuation Review Committee along with the valuation of the Dryport Custom Office, Sirsiya, Parsa stating that merely considering the invoice and proof of payment or letter of credit as sufficient evidence of transaction value would render the other provisions of Section 13 of the Customs Act, 2064 concerning transaction value determination ineffective. In a similar case, Department of Customs v. Nirmala Devi Goenka, regarding the refund of customs valuation deposit, it was held that "If the transaction value submitted by the owner of the imported goods does not conform to the 'actual transaction value' method, the customs officer shall not accept the declared transaction value and shall determine the value of such goods based on records, price lists, or the value of similar goods, and accordingly assess the customs duty." This principle is applicable to this case as well. Although the invoice value is a basic and important piece of evidence for the purpose of determining customs value, when the invoice value appears suspicious, the responsibility lies with the importer to provide evidence substantiating that the invoice value is indeed the transaction value. In cases where the credibility of the invoice is questionable, the transaction value determined by the customs officer in accordance with the method and procedures set forth under the Customs Act, 2064, should be recognized.

Case-II: Income Tax Act, 2058

Supreme Court Decision Date: 2081/07/20

Supreme Court Case No.:- 076-RB-0591

Parties: Large Taxpayer Office, Lalitpur (Petioner) v. Hotel De L' Annapurna Pvt Ltd, Kathmandu (Respondent)

Link: https://supremecourt.gov.np/cp/assets/uploads/supreme_219198.doc

Advance Paid to Vendors and Its Interest Amount

Abstract:

- The tax assessment performed by a Tax Officer constitutes a judicial function, and the responsibility to make a fair and lawful determination lies with the Tax Officer. The burden of proof regarding tax assessment lies on the Tax Officer.
- The act of obtaining a loan from a bank with interest and using the funds to make an advance payment for the procurement of goods related to income-generating business activities shall be interpreted logically, considering the nature and procedure of such transactions.

Background:

The assessee M/s Hotel De L' Annapurna Pvt Ltd had submitted its self-assessed Income Tax Return of F/Y 2068/69 pursuant to section 96 of the Income Tax Act, 2058 under section 99 of the Act on 27 Poush 2069. Subsequently, the Large Taxpayer Office (LTO) issued an initial tax assessment notice for F/Y 2068/69 against the assessee under section 101(6) of the idem Act on 8 Poush 2071.

The assessee had obtained loan from a bank and claimed interest expense for deduction against its income of the concerned fiscal year. Also, it had paid interest-free advance amount of NPR 1,06,07,744 to several vendors and persons for business purposes. So, in the notice issued thereof, the LTO had disallowed the assessee to claim deduction the interest expenses of NPR 8,62,410 computed at the interest rate of 8.13% p.a. of the total advance amount and caused to add back to its assessable income. Out of the total advance amount released, NPR 73,10,622.30 was paid to M/s Puja International for procuring an official vehicle. Even after receiving a clarification letter of such disallowed interest from the assessee, LTO decided not to change the initial assessment on 23 Poush 2071 and delivered a notice of final tax assessment with the consistent provision.

The assessee, being dissatisfied with such tax assessment order made by the LTO, applied to the Inland Revenue Department (IRD) for Administrative Review under Section 115 of the Income Tax Act, 2058 on 12 Chaitra 2071. However, the IRD did not make any decision despite of frequent requests and follow up. Hence, the assessee appealed to the Revenue Tribunal Kathmandu under section 116 of idem Act.

The Revenue Tribunal quashed the LTO's decision to add back the interest expense equivalent to interest applicable on advance amount paid to Puja International as income on 15 Ashwin 2075. So, the LTO, being dissatisfied with such decision of the Revenue Tribunal, appealed to the Supreme Court against its decision.

Argument:

The LTO argued that it is necessary to establish the justification of the advance payment. It is not a normal circumstance for the advance to remain unsettled for several fiscal years without any related transactions taking place. In the case of a person claiming interest expenses on borrowed funds, corresponding interest income on such outstanding receivables should either be accounted for or the equivalent interest expense should not be deducted.

On the other hand, the assessee argued that since the advance payment made was for the purchase of necessary goods and services for hotel operations, as per the agreement, the transaction is related to business activity, and thus, the interest on advance should not be imputed as income merely because the advance was provided interest-free.

Supreme Court Judgment:

The Supreme Court quashed the tax assessment order of LTO and upheld the decision of Revenue Tribunal stating it is established that the tax assessment performed by a Tax Officer constitutes a judicial function, and the responsibility to make a fair and lawful determination lies with the Tax Officer. It has also been interpreted in the income tax case of Hulas Wire Industries Pvt. Ltd. vs. Inland Revenue Office, Biratnagar (NKP 2063, Decision No. 7730), that the burden of proof regarding tax assessment lies on the Tax Officer. In this case, the respondent office could not submit conclusive evidence proving that the claimed interest expense on an advance payment was not actually for the purpose of promotion or that the advance itself was never made. The act of obtaining a loan from a bank with interest and using the funds to make an advance payment for the procurement of goods related to income-generating business activities shall be interpreted logically, considering the nature and procedure of such transactions.

STRATEGIC REVIEW

Expanding Reach and Credibility of Accounting Profession

Publication of Model Financial Statements under NFRS for SMEs, NAS for MEs and NAS for NPOs

The Institute has published Model Financial Statements under the Nepal Financial Reporting Standards for Small and Medium Sized Entities (NFRS for SMEs), Nepal Accounting Standards for Micro Entities (NAS for MEs) and Nepal Accounting Standards for Not-for-Profit Organizations (NAS for NPOs). The notice of the same can be viewed from the link below:

https://en.ican.org.np/_uploads/_downloads/_files/3/3740dc72d299bf56b57d6e85ecbf643d.pdf

Interaction Program on Quality Assurance with the Regulatory Bodies

On February 18, 2025, the Institute held an Interaction Program on Audit Quality Assurance at the ICAN premises with the representatives of regulatory bodies. The event focused on improving audit quality standards. CA. Kiran Kumar Khatri, Technical Director, presented a paper highlighting important aspects of audit quality assurance. The program provided a platform for discussions on strengthening audit practices and compliance with auditing standards.

The session began with opening remarks from RA. Dev Bahadur Bohara, Chairman of the Quality Assurance Board, followed by insights from ICAN President CA. Prabin Kumar Jha and Vice President CA. Nil Bahadur Saru Magar. Council Members CA. Hem Kumar Kafle, CA. Peeyush Anand, RA. Hari Bahadur Karki, RA. Bharat Kumar Shrestha, and RA. Jhalak Mani Lamsal also participated in the discussion. The event featured participation from representatives of key regulatory bodies, including the Securities Board of Nepal (SEBON), Inland Revenue Department (IRD), Nepal Rastra Bank (NRB), Office of the Company Registrar (OCR), Nepal Telecommunication Authority (NTA), and the Department of Cooperative. A total of 29 participants attended the program.

Group photo of the participants of the Interaction program with Regulatory Bodies on Audit Quality Assurance

7th Chartered Accountants' Convocation Ceremony

The Institute organized the 7th Chartered Accountants' convocation on 30th January 2025 in Kathmandu. The convocation ceremony commenced with lightning of lamp by the Chief Guest Prof. Dr. Keshar Jung Baral, Vice Chancellor, Tribhuvan University. The program was Chaired by CA. Prabin Kumar Jha, President, ICAN and CA. Nawal Kishor Yadav, former Auditor at the United Nations, addressed the program as a keynote speaker. Altogether, 77 newly qualified CA members were convocated in the ceremony.

Glimpse of 7th Chartered Accountants' Convocation Ceremony

Coinciding with the convocation ceremony, the Institute also awarded the Merit Holders in December 2023 and June 2024 CA Examination. Besides, the winners of ICAN Quiz and Public Speaking Contest, 2025 were also awarded with Certificate and cash prize. CA. Nil Bahadur Saru Magar concluded the program with a closing remark extending congratulations and best wishes to the convocated members.

ICAN Quiz and Public Speaking Contest, 2025

The Institute conducted ICAN Quiz and Public Speaking Contest, 2025 on 24th January 2025 at ICAN premises. Altogether, 15 students of CAP III level participated in the ICAN Quiz, and 20 students participated in Public Speaking Contest, 2025.

The winners of the ICAN Quiz Contest, 2025

S. No.	Name of Student	Registration Number	Position
1	Dibas Adhikari	FN004274	Winner
2	Niranjan Shahi	FN002933	1st Runner Up
3	Sagar Gyawali	FN003421	2nd Runner Up

The winners of the ICAN Public Speaking Contest, 2025

S. No.	Name of Student	Registration Number	Position
1	Kashyap Raj Shrestha	FN004457	Winner
2	Rabita Khanal	FN004246	1st Runner Up
3	Shreya Rajbhandari	FN003891	2nd Runner Up

The winner and 1st Runner Up of the ICAN Quiz and Public Speaking Contest, 2025 have been nominated to participate in SAFA Quiz and Public Speaking Contest 2025.

Publication of Result of Chartered Accountancy Examination-December 2024

The Institute has announced the results of the Chartered Accountancy Examination – December 2024 for CAP I, CAP II, and CAP III levels. The results were published on February 14, 2025, in accordance with Rule 17 of the Nepal Chartered Accountants Regulation, 2061. The detailed breakdown of students who passed (single or both groups), and qualified at different levels of the CA Examination is presented below.

	CAP – I	CAP - II			CAP - III		
		Group I	Group II	Both	Group I	Group II	Both
Applicants	1502	813	602	2750	782	328	386
Appeared	1348	647	465	2549	676	271	369
Passed	790	188	417	312	61	105	12
Qualified	**790**	**517**			69		

Likewise, l one applicant who applied and qualified in the CA Membership Examination having ACCA qualification.

Retotaling Result for December 2024 Published.

The Institute published retotaling results for December 2024 CA Examination.

26th Batch of General Management and Communication Skills (GMCS) Training

The Institute conducted 26th Batch of General Management and Communication Skills (GMCS) Training for the students who appeared or passed both groups of CAP III level in December 2024 CA Examination. The 15 days training was conducted from 5th to 21st March 2025 at ICAN premises located at Satdobato, Lalitpur and was attended by a total of 72 participants.

The purpose of this training was to impart knowledge among participants to make them capable of translating challenges into rewarding opportunities by applying emotional intelligence and soft skills in the working atmosphere. The training is targeted to enhance presentation, communication, and interpersonal skills and to provide understanding of contemporary business environment and opportunities. Further, this training is expected to be helpful for aspiring Chartered Accountants to prepare for a career in employment or practice by coaching them to be adaptable and accountable.

Glimpse of 26th Closing Ceremony of 26th Batch of GMCS Training

9th Pre-Articleship Orientation Program

The Institute organized the 9th Pre-Articleship Orientation Program for students who passed CAP II level in December 2024 CA Examination in Kathmandu on 24th February 2025. The program started with a welcome remark of CA. Surendra Bhusan Shrestha, Executive Director, ICAN whereby, CA. Prabin Kumar Jha, President, ICAN delivered speech on objective of the program. Similarly, CA. Nil Bahadur Saru Magar, Vice-President, ICAN gave a presentation on Environment and Practices at Audit Firm to the students, CA. Gaurab Khatiwoda, Assistant Director, ICAN made presentation on Policies and Procedures regarding Articleship Deed. Council Member CA. Umesh Raj Pandey gave speech on Business Communication Skills. The program concluded with closing remarks of CA. Hari Kumar Silwal, Council Member.

Glimpse of 9th Pre-articleship Orientation Program

Glimpse of 9th Pre-articleship Orientation Program

The purpose of this orientation training program was to enhance the understanding and capabilities of aspiring Chartered Accountants pursuing articleship training by providing proper orientation and training on personality development, communication skills and professional behavior and culture at audit firms and client's offices. This program was mandatory for all CAP II passed students for submission of their articleship deed to the Institute. The Institute also facilitated the students residing outside valley by providing virtual platform to participate in the program. The program was attended by 515 CAP II qualified students.

Online Revision Classes for CAP-II, CAP-III student and CA Membership Examinees

The Institute has commenced Online Revision Classes from February 26, 2025, to support CAP-II and CAP-III students preparing for the June 2025 examination and examinees appearing for the CA membership examination in March 2025. These classes were aimed to provide structured guidance and revision support to help students strengthen their preparation. The online sessions are expected to continue till April 17, 2025.

CA Membership Examination March 2025

The Institute conducted CA Membership Examination of March 2025 on 16th and 17th March 2025 inside Kathmandu Valley, Biratnagar, Pokhara, Birgunj, Butwal, Chitwan, and Nepalgunj. Altogether 247 examinees appeared in the examination out of total 323 applicants.

AT Examination March 2025

The Institute conducted Accounting Technician (AT) Examination of March 2025 from 16th to 19th March 2025 in Kathmandu. Only, 1 examinee applied and appeared in the examination.

Orientation program to CA Students on Women's Safety

The Pokhara branch of the Institute organized an orientation program to CA students on women's safety on 8th March 2025 on the occasion of International Women's Day which was facilitated by Deputy Superintendent of Police (DSP), Basanta Kumar Sharma. Altogether, 33 students participated in the program.

Career Counselling Program

A series of career counselling programs was organized by branch offices of ICAN as below:

S.No.	Date	Venue
1	1st and 9th January 2025	Nepalgunj, Pokhara
2	10th to 13th February 2025	Butwal
3	31st January 2025	Biratnagar

The objectives of Career Counselling Program was to disseminate the information to the students about Chartered Accountancy education, syllabus, fees, scholarship scheme, and to address students' queries and other relevant information for pursuing CA course in Nepal.

Engaging Members and Collaboration with Stakeholders

Conference on AML/CFT and Transfer Pricing

The Institute organized a half-day conference on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and Transfer Pricing on 30th January 2025 in Kathmandu. CA. Nil Bahadur Saru Magar delivered a welcome speech at the conference. The conference had two technical sessions in total. The first technical session on "AML/CFT Obligation for Accounting Professionals" was chaired by Mr. Suman Dahal, Director General, Department of Money Laundering Investigations. CA. Aman Uprety, Council Member, ICAN was the moderator of the session whereby, CA. Kiran Kumar Khatri, Director, ICAN presented paper on AML/CFT obligation for Accounting Professionals. Likewise, CA. Prabin Kumar Jha, President, ICAN; Dr. Hari Nepal, Director, Nepal Rastra Bank, Expert on AML/CFT and Mr. Basudev Bhattarai, Head, Financial Intelligence Unit were panelist in the session. Similarly, the second technical session on "Transfer Pricing" was facilitated by CA. Shailendra Uprety.

Link to Access presentation of the technical session:

Technical Session 1: AML/CFT Obligation for Accounting Professionals

https://en.ican.org.np/_browsable/file/downloads/AMl_CFT_Obligations_for_the_Accounting_Sector_Kiran_Khatri.pdf

Technical Session 2: Challenges and Way Forward for Implementation of Transfer Pricing Guidelines 2024

https://en.ican.org.np/_browsable/file/downloads/Challenges_and_way_forward_Shailendra_Uprety.pdf

Glimpse of the technical session of the Conference

Altogether, 149 members and stakeholders participated in the conference. CA. Surendra Bhusan Shrestha, Executive Director, concluded the conference with a vote of thanks to the facilitators and participants of the conference.

Pre-Budget Interaction program on Upcoming Budget - Fiscal Year 2082/83 and Finance Bill 2082

The Institute, with the aim of supporting the Government by offering constructive suggestion on fiscal policies has conducted a series of pre-budget interaction programs at head and branch offices of the Institute in consideration of the upcoming Budget and Finance Bill. The program was organized in coordination with the Fiscal Taxation and Research Committee (FTRC) and Branch Coordination

Committee (BCC) of the Institute. The program focused on obtaining recommendations and suggestions of Institute's Members on budgetary and taxation matter for upcoming Budget 2082/83 and Finance Bill 2082. The details of the program have been outlined below:

In Kathmandu on 26th March 2025

The program started with the opening remarks of CA. Prabin Kumar Jha, President, ICAN whereby, CA. (Dr.) Sunil Devkota, Council Member and Chairman of FTRC also delivered remarks highlighting the objectives of the program. Thereafter, the program entered into an open forum discussion inviting suggestions and recommendations on taxation matters. Altogether, 36 members participated in the program. The program concluded with the closing remarks of CA. Surendra Bhusan Shrestha, Executive Director, ICAN.

Glimpse of Pre-Budget Interaction Program at ICAN Head Office

Besides, the interaction program was also organized in the branch offices of ICAN, on below date:

S. No.	Date	Venue	Number of Participants
1	24th March 2025	Butwal	42
2	24th March 2025	Birgunj	31
3	26th March 2025	Biratnagar	40
4	27th March 2025	Pokhara	31
5	28th March 2025	Nepalgunj	20

Interaction program on Code of Ethics Implementation

The Institute conducted an interaction program on Code of Ethics Implementation with practicing members on 27th March 2025 at ICAN premises. The interaction program focused on addressing ethical challenges encountered by practicing members of the Institute in adhering to the Code of Ethics. The session commenced with welcome remarks by CA. Surendra Bhusan Shrestha, Executive Director of ICAN, followed by CA. Hem Kumar Kafle, Council Member, who outlined the program's objectives. The event featured a presentation of draft Frequently Asked Questions (FAQs) on Code of Ethics, prepared by Ethics Committee and delivered by CA. Madhu Pokharel, Ethics Committee member. The program concluded with a summary of the interaction's outcomes and a closing remark by CA. Prabin Kumar Jha, ICAN President. A total of 20 participants attended the event.

Group photo of participants along with ICAN President, Council Member and Officials

Interaction Program with Quality Assurance Reviewed Audit Firms

The Institute conducted an interaction program on Audit Quality with Audit Firms on 4th March 2025 at ICAN premises. The objective of the program was to provide an overview of the Quality Assurance Review system, facilitate open discussion to share challenges for maintaining audit quality by the firms and soliciting feedback from the firms on improving review process. Altogether, 47 Practitioners, 4 Council Members, 2 Quality Assurance Board Members and 9 staffs participated in the program.

Group photo of participants in the Interaction Program along with ICAN Council Member, QAB Member and ICAN Officials

Interaction Program on International Women's Day

The Institute organized an interaction program on "To All Women and Girls: Right, Equality and

Empowerment" on the occasion of International Women's Day on 8th March 2025. CA. Vandana Khetan, Vice Chairperson, SAFA Women Leadership Committee and Member of ICAN Women Leadership Committee presented a paper on "Accelerate Action" followed by a Panel Discussion on "To All Women and Girls: Right, Equality and Empowerment". The Panel Discussion was moderated by CA. Priyanka Rauniyar and the Panelists included CA. Aman Uprety, Council Member, Ms. Mina Poudel, Chief Women Development Officer, Ministry of Women, Children and Senior Citizens, Ms. Shova Gyawali, President, Federation of Women Entrepreneurs' Associations of Nepal, Ms. Bina Rana, Director, Butwal Power Company Limited and RA. Maya Bade Shrestha. CA. Prabin Kumar Jha, President ICAN and RA. Meera Shrestha, Chairperson, ICAN Women Leadership Committee were also present in the program. Total 60 participants (members and students) participated in the program.

Group photo of participants along with ICAN President

Online Training on Guidelines on Verification of Working Capital Statement

The Institute organized an online training on Guidelines on Verification of Working Capital Statement for its members on 24th March 2025. The objective of the training was to ensure effectiveness in the verification of working capital Statement and achieve compliance with the provision of the guideline and directives issued by Nepal Rastra Bank. The training session was facilitated by CA. Bishesh Babu Acharya.

Online certification course on Forensic Accounting and Fraud Detection (FAFD)

The Institute has been organizing online certification course on Forensic Accounting and Fraud Detection (FAFD) for its members from 27th March to 7th April 2025 in technical collaboration with the Institute of Chartered Accountants of India (ICAI). Altogether, 41 members are attending an online certification course on FAFD.

Second Batch of Certification Course on Public Financial Management (Certification course on PFM)

The Institute conducted the second batch of Certification Course on Public Financial Management (PFM) to enhance the knowledge and skills of CA members so as to enable them to effectively serve the public sector with a thorough understanding of Nepal's PFM system. The 10-day course, held from February 7 to 16, 2025 was attended by 42 members. It provided a comprehensive understanding of the PFM cycle, covering both theoretical and practical aspects within a national context. At the end of the course, participants received certificates of participation from CA. Prabin Kumar Jha, President ICAN. The program concluded with the closing remarks by CA. Thakur Prasad Adhikari, Council member and Chair of Public Finance and NPSAS Committee.

The course was structured into seven key modules: Public Financial Management and PFM Reform in Nepal, Planning, Budgeting, and Execution, Government Accounting System of Nepal, Revenue Administration of Nepal, Introduction to Public Procurement, and Internal Controls and Auditing and Accountability and Oversight. These modules equipped participants with essential knowledge of public sector financial management processes, preparing them to contribute effectively to financial management in public entities.

Group photo of the participants with President and staffs of the Institute in the second batch of the Certification Course on Public Financial Management

Member Capacity Development Program on Audit Opinion and Misstatements

The Institute organized an one-day training program on "Consideration of Misstatement in

Forming an Audit Opinion" on 22nd February 2025 in Nepalgunj. The objective of the program was to help auditors improve the quality and consistency of audit reports by complying with-laws and auditing standards.

The session was facilitated by CA. Sanjeev Dhakal and attended by 31 members. It focused on helping participants understand misstatements in financial reports and their impact on audit opinions, ensuring better compliance and reporting practices.

Training on NAS for MEs Conducted by ICAN Biratnagar Branch

The institute's Biratnagar Branch organized a two-day training program on NAS for MEs from February 7-8, 2025 (Magh 25-26, 2081), at Hotel Swagatam, Biratnagar. The program aimed to enhance members' understanding and application of NAS for MEs in their professional practice.

The training was facilitated by CA. Suraj Timsina and CA. Prajwal Adhikari Sharma. The training provided valuable insights into the implementation of NAS for MEs, helping members improve their knowledge and compliance with accounting standards. The program was attended by 32 members.

Training Programme on Review and analysis of Financial Statement

The Biratnagar Branch of the Institute organized a training program on "Review and analysis of Financial Statement" on 4th March 2025. The objective of the program was to enhance the competency of the members in the review and analysis of financial statements during the audit as per the latest standards and prevailing rules and regulations. The training was facilitated by CA. Yubraj Uprety. Altogether, 30 members participated in the program.

Members' Capacity Development Program

The Butwal Branch of the Institute organized one day Members' Capacity Development program on Consideration of Misstatement Scenarios in Forming an Audit Opinion on 8th March 2025. The objective of the training program was to enhance the quality of audit reports by bringing uniformity and consistency in the reports issued by the members in line with prevailing laws and auditing standards. The training was expected to acquaint the members with various scenarios of potential misstatements and the principle and practical basis of forming an audit opinion in such scenario. Altogether, 60 members participated in the program.

Continuing Professional Education (CPE) Training

The Institute with the objective of enhancing the capacity of Members of the Institute in various contemporary issues has organized three days Continuing Professional Education (CPE) training on various contemporary events in various location of the country as below:

S.No.	Date	Venue	Number of Participants
1	17th to 19th January 2025	Pokhara	72
2	17th to 19th January 2025	Kathmandu	74
3	14th to 16th February 2025	Birgunj	44
4	21st to 23rd February 2025	Kathmandu	89
5	20th to 22nd March 2025	Nepalgunj	40
6	28th to 30th March 2025	Dhangadhi	32

Information System Audit (ISA) Assessment Test (AT)

The Institute conducted Information System Audit (ISA) Assessment Test (AT) Examination on 25th January 2025 in ICAN premises, in technical support from the Institute of Chartered Accountants of India (ICAI). Altogether, 32 members appeared in the exam.

Courtesy Meeting with Vice Chancellor of Tribhuvan University

A delegation from the Institute led by CA. Prabin Kumar Jha, President, CA. Nil Bahadur Saru Magar, Vice President, CA. Surendra Bhusan Shestha, Executive Director and Mr. Binod Prasad Neupane, Director had a cordial Meeting with Vice Chancellor of Tribhuvan University Prof. Dr. Keshar Jung Baral on 22nd January 2025 to discuss on the Chartered Accountancy Education and equivalency from the University.

Expanding Role as Government's Partner for Economic Prosperity and Elevating Global Standing

Cordial Meeting with Hon'ble Auditor General

A Delegation from the Institute led by CA. Prabin Kumar Jha, President, CA. Nil Bahadur Saru Magar, Vice President, CA. Surendra Bhusan Shrestha, Executive Director and Mr. Binod Prasad Neupane, Director, had a cordial meeting with Hon'ble Auditor General Mr. Toyam Raya on 22nd January 2025. Mr. Shreekumar Rai, Council Member of ICAN and Assistant Auditor General, was also present in the meeting.

Cordial Meeting with Financial Comptroller General

Delegation from the Institute led by CA. Prabin Kumar Jha, President, CA. Nil Bahadur Saru Magar, Vice President, CA. Surendra Bhusan Shrestha, Executive Director and Mr. Binod Prasad Neupane, Director, had a cordial Meeting with Financial Comptroller General Dr. Ganesh Prasad Pandey on 22nd January 2025. CA. Prabin Kumar Jha, President extended congratulations to the Financial Comptroller General on his assumption of office. The meeting covered potential areas of mutual collaboration between the Financial Comptroller General Office (FCGO) and ICAN. It was agreed to hold further meetings to explore possibilities of collaboration and signing of Memorandum of Understanding between ICAN and FCGO.

Participation in 86th SAFA Board Meeting and 97th Assembly Meeting

CA. Prabin Kumar Jha, President ICAN attended the 86th SAFA Board meeting and 97th Assembly Meeting hosted by the Institute of Chartered Accountants of Pakistan in Karachi, Pakistan on 10th January 2025.CA. Nil Bahadur Saru Magar, Vice-President also attended the meeting virtually. The meeting was also attended by Mr. Jean Bouquot, President of the International Federation of Accountants (IFAC).

Glimpse of 86th SAFA Board Meeting and 97th Assembly Meeting

Participation in SAFA Conference 2025 on "South Asia's Economic Outlook: Challenges and Opportunities"

A delegation led by CA. Prabin Kumar Jha, President including Council Member, RA. Bharat Kumar Shrestha and Mr. Shyam Prasad Bhandari, attended the SAFA Conference 2025 on "South Asia's Economic Outlook: Challenges and Opportunities" hosted by the Institute of Chartered Accountants of Pakistan on 10th and 11th January 2025 in Karachi, Pakistan. In the Conference, CA. Prabin Kumar Jha represented ICAN as a panelist in a technical session on "Renewable Energy: A Deep Dive into Opportunities and Innovations."

Participation in SAFA Committee Meeting

Delegation from the Institute participated in series of various Committee meeting of South Asian Federation of Accountants (SAFA) hosted by the Institute of Chartered Accountants of Pakistan (ICAP) on 10th and 11th January 2025 in Karachi and hosted by the Institute of Chartered Accountants of India (ICAI) on 30th January 2025 in New Delhi. The details of Members participating in SAFA Committee Meetings are as follows:

SAFA Committee Meeting hosted by ICAP:

- CA. Nil Bahadur Saru Magar virtually attended the meeting of the SAFA Committee for Improvement in Transparency, Accountability & Governance (ITAG).
- CA. Aman Uprety virtually attended the meeting of the SAFA Committee on Accounting Standards
- CA. Hem Kumar Kafle virtually attended the meeting of the SAFA Committee on Professional

Ethics and Independence

- CA. Peeyush Anand virtually attended the meeting of the SAFA Committee on Auditing Standards and Quality Control
- CA. Vandana Khetan virtually attended the meeting of the SAFA Women Leadership Committee
- CA. Kiran Kumar Khatri virtually attended the meeting of SAFA Committee on Anti Money Laundering

SAFA Committee Meeting hosted by ICAI:

- CA. Sunil Devkota physically attended the meeting of the SAFA Committee to study fiscal regimes and other statutory requirements of business in SAARC countries. CA. Sunil Devkota is also the Chairman of the afore-mentioned Committee. The meeting decided to undertake a research on the strengths and weaknesses of tax regimes in SAARC countries.
- CA. Hem Kumar Kafle physically attended the meeting of the SAFA Committee on Professional Ethics and Independence. The meeting highlighted how professional accounting organizations can contribute to the fight against corruption and economic crime.
- RA. Jhalak Mani Lamsal physically attended the meeting of SAFA Small & Medium Practices Committee. The meeting decided to hold a webinar based on Accounting and Auditing thematic issues focusing on SMPs.
- CA. Anand Raj Sharma Wagle virtually attended the meeting of SAFA Committee on Sustainability Reporting and Assurance.
- CA. Hari Kumar Silwal virtually attended the meeting of the SAFA Committee on Information Technology
- Delegation from ICAN also attended the meeting of SAFA Strategic Action Plan Formulation meeting.

Meeting with World Bank Representatives

On February 17, 2025, the ICAN team, led by President CA. Prabin Kumar Jha and Vice President CA. Nil Bahadur Saru Magar, held a productive discussion with the World Bank mission, headed by Hisham Waly, Practice Manager based in Washington, D.C. The meeting was also attended by ICAN Council Members CA. Aman Uprety, CA. Ananda Raj Sharma Wagle, and CA. Thakur Prasad Adhikari, along with Executive Director CA. Surendra Bhusan Shrestha and Technical Director CA. Kiran Kumar Khatri.

Glimpse of Meeting with World Bank Representative

During the discussion, the World Bank team expressed its willingness to collaborate with ICAN on various capacity-building initiatives, particularly in Public Financial Management, policy support, and enhancing Nepal's financial governance, audit, and assurance practices. The conversation also highlighted the importance of aligning Nepal's regulatory framework with international best practices to strengthen the country's financial ecosystem.

Meeting with GIZ Nepal Team

On February 18, 2025, ICAN Vice President CA. Nil Bahadur Saru Magar led a meeting with the GIZ Nepal team, headed by Syed Mehdi Reza Rizvi, Head of Program, at the ICAN premises. The meeting focused on strengthening collaboration in capacity building and revenue sector reforms.

Group photo of the representatives of GIZ Nepal with the ICAN Vice President, Council Member, Executive Director, Administration Director, and Technical Director

The meeting was also attended by ICAN Council Members CA. Umesh Raj Pandeya and CA. Sunil Devkota, Executive Director CA. Surendra Bhusan Shrestha, Administrative Director Mr.Binod Kumar Neupane, and Technical Director CA. Kiran Kumar Khatri. The meeting provided an opportunity to explore ways to enhance professional skills and improve financial management in the public sector.

Nomination of Administration Director, Mr. Binod Prasad Neupane as Resource Person for Stress Management Training

The Administration Director, Mr. Binod Prasad Neupane was nominated as the Resource Person for a training session on Stress Management, organized in response to a request from the Police Circle Office, Satdobato. The training was successfully conducted on 18th February 2025 at ICAN, aiming to prepare participants with effective stress management techniques to enhance their well-being and professional efficiency.

Participation in National Conference on 'Arbitration for Effective Dispute Resolution'

The Joint Director, CA. Nilesh KC, participated in the National Conference on Arbitration for Effective Dispute Resolution, held on February 21-22, 2025. The event was organized by the Nepal Council of Arbitration (NEPCA) at Hotel Himalaya, Kupondole, Lalitpur.

Participation in Public Expenditure and Financial Accountability (PEFA) Training

Council Members CA. Anand Raj Sharma Wagle and CA. Thakur Prasad Adhikari participated in the first training session of a comprehensive PEFA training module jointly developed by The Asian Development Bank and the World Bank specifically in the context of Nepal. The training module focused on a detailed explanation of the PEFA Indicators and Dimensions along with guidance on how to apply them effectively at both the federal and sub-national levels in Nepal. The training was held at Hotel Pokhara Grande, Pokhara, from 2nd to 7th March, in collaboration with the Ministry of Finance (MoF). Nearly 40 government officials from the federal and seven provincial governments participated in the training.

Ensuring Operational Resilience and Sustainability

28th Anniversary Celebration

The Institute of Chartered Accountants of Nepal celebrated its 28th Anniversary on 2081 Magh 17 (corresponding to 30th January 2025), in the gracious presence of the Hon'ble Finance Minister Mr. Bishnu Prasad Paudel as the Chief Guest of the program. CA. Prabin Kumar Jha, President chaired the program whereby, Dr. Ganesh Prasad Pandey, Financial Comptroller General and Mr. Santosh Narayan Shrestha, Chairman, Securities Board of Nepal were the Special Guest in the program.

Glimpse of 28th ICAN Anniversary Celebration; Left: CA. Sujan Kumar Kafle, Immediate Past President; Mr. Santosh Narayan Shrestha, Chairman, Securities Board of Nepal; CA. Nil Bahadur Saru Magar, Vice-President, ICAN; Hon'ble Finance Minister, Mr. Bishnu Prasad Paudel; CA. Prabin Kumar Jha, President, ICAN; Dr. Ganesh Prasad Pandey, Financial Comptroller General and CA. Surendra Bhusan Shrestha, Executive Director

CA. Prabin Kumar Jha, President ICAN delivered a speech highlighting the major activities undertaken by the Institute during FY 2023/24 and vision of tenth Council and activities planned for FY 2024/25. Addressing, as a Chief Guest of the Program, Hon'ble Finance Minister Mr. Bishnu Prasad Paudel, congratulated ICAN on its 28th Anniversary Celebration and stressed on the significance of accounting professionals for ensuring credible financial reporting by the corporate sector. During the celebration, Hon'ble Finance Minister Mr. Bishnu Prasad Paudel unveiled the ICAN Annual Report for FY 2023/24 and Strategic Plan 2024/25 to FY 2028/29.

Link to access Annual Report of ICAN for FY 2023/24:

https://en.ican.org.np/_browsable/file/resouces/Annual_Report_2080_81_V8.pdf

Link to access 4th Strategic Plan of ICAN for FY 2024/25 to FY 2028/29:

https://en.ican.org.np/_browsable/file/policies/Strategic_Plan_V9.pdf

Glimpse of unveiling ceremony of ICAN Annual Report FY 2023/24

Besides the unveiling ceremony of the Annual Report and Strategic Plan of the Institute, an award distribution session was also held. The Institute recognized and awarded one employee with Dirgha Sewa Padak who have been serving for more than 20 years in the Institute, one employee with an Outstanding Employee Award and five employees with Best Employee of the Year Award. Similarly, prizes were given to the winners of games organized by ICAN Employee Union during the celebration of ICAN 28th Anniversary.

Moreover, while delivering remarks at the program, Dr. Ganesh Prasad Pandey, Financial Comptroller General also highlighted on the role of ICAN and accounting professionals in strengthening public financial management in Nepal and financial transparency, taxation and governance. The program concluded with the closing remarks and vote of thanks from CA. Nil Bahadur Saru Magar, Vice-President, ICAN. The program was held in Kathmandu, Nepal and was attended by more than 200 members and stakeholders.

Glimpse of group photo of Staffs with President, ICAN

Recipients of the Dirgha Sewa Padak

S.No.	Name of Staff	Position	Award Received
1	Mr. Sanoj Bhattarai	Officer	Dirgha Sewa Padak

Recipients of the Outstanding Employee Award and Best Employee Award for FY 2080/81

S.No.	Name of Staff	Position	Award Received
1	Ms. Kalpana Kumari Sah	Assistant	Outstanding Staff Award
2	CA. Gaurab Khatiwada	Assistant Director	Best Staff Award
3	Mr. Surendra Paudel	Senior Officer	Best Staff Award
4	Ms. Anita Bhandari	Officer	Best Staff Award
5	Ms. Binu Thapa	Assistant	Best Staff Award
6	Ms. Laxmi Ghimire	Office Helper	Best Staff Award

Recipients of Sport Awards

S.No.	Name of Staff	Position	Award Received
1	Mr. Kiran Bhattarai	Senior Assistant	Champion - Chess Competition (Male)
2	Mr. Mahesh Chitrakar	Deputy Director	1st Runner Up - Chess Competition (Male)
3	Ms. Samita Dangol	Senior Officer	Winner - Table Tennis (Female)
4	Ms. Sabina Maharjan	Assistant	1st Runner Up - Table Tennis (Female)
5	Mr. Anup Maharjan	Assistant	Winner - Table Tennis (Male)
6	Mr. Shiva Hari Nepal	Assistant	1st Runner Up - Table Tennis (Male)

Moreover, the Institute also organized a Inter-regulatory bodies Futsal match between and among the employee of ICAN, Electricity Regulatory Authority, Press Council Nepal and Civil Aviation Authority of Nepal. CA. Prabin Kumar Jha, President, ICAN distributed the winner Civil Aviation Authority of Nepal a trophy on the final day of the occasion.

Similarly, the branch offices of the Institute also organized multiple programs to mark the celebration of the 28^{th} Anniversary of ICAN as below:

S.No.	Branch Office	Program Organized
1	Biratnagar	Interaction program with authorities of Educational Institution
2	Dhangadhi	Interaction program
3	Pokhara	Blood donation program
4	Butwal	ICAN Day celebration program along with public speaking session by students
5	Nepalgunj	Interaction Program on Challenges and Way Forward of Accounting Profession
6	Birgunj	Interaction Program on Working Capital Guidelines issued by Nepal Rastra Bank

Employee Training on Cyber Security and Related Contemporary Issues

The Institute organized a seven-day Training on "Virtualization and Networking Essentials" for employees working in the Information Technology Division of the Institute. The training was commenced on 21^{st} January 2025.

Staff Picnic 2081

The Institute organized a staff picnic on February 15, 2025, to provide employees with a refreshing break and encourage team bonding.

Staff Residential Training

The Institute organized a residential training to staff on topic “Revitalizing Leadership through Mindful Engagements” on 21^{st} and 22^{nd} March 2025 in Hotel Country Villa, Nagarkot. The training was facilitated by Rajendra Manandhar and altogether 67 staff from head and branch office participated in the training program.

Staff Promotion

The Institute has promoted four staffs based on performance based evaluation. The details of staff being promoted are as below:

S.No.	Name of Staff	Position
1	Ms. Pragya Aryal	Deputy Director
2	Ms. Sita Adhikari	Assistant Director
3	Mr. Bhakta Bahadur Karki	Senior Officer
4	Mr. Anup Maharjan	Senior Assistant

Participation in World Forum of Accountants (WOFA)

A delegation from ICAN, led by President CA Prabin Kumar Jha, participated in the World Forum of Accountants (WOFA), organized by the Institute of Chartered Accountants of India (ICAI) in New Delhi from January 31 to February 2, 2025. The delegation comprised of Council Members CA. Hem Kumar Kafle, CA. Thakur Prasad Adhikari, CA. Sunil Devkota, and RA. Jhalak Mani Lamsal, along with members of the management team, Executive Director CA. Surendra Bhusan Shrestha, Assistant Director Ms. Pragya Aryal, and Assistant Director CA. Prapanna Gautam.

During the forum, CA. Prabin Kumar Jha addressed the Plenary Session on "Building Global Accountants: Enhancing Collaboration and Knowledge Sharing." In his speech, he emphasized the importance of continuous learning for global accounting professionals to meet stakeholder expectations in an ever-evolving financial landscape.

Glimpse of program of World Forum of Accountants (WOFA), organized by the Institute of Chartered Accountants of India (ICAI) in New Delhi

ICAN NOTICE AND UPDATES

Publication of the Annual Report of the Quality Assurance Board for FY 2023/24

The Institute has published the Annual Report of the Quality Assurance Board for Fiscal Year 2023/24 (2080/81). The same can be viewed from the link below:

https://en.ican.org.np/_browsable/file/qab/QAB_Annual_Report_2023-24.pdf

Publication of December 2024 Quarterly Journal of ICAN

The Institute has published December 2024 Journal (Vol 27 No 2 issue) and the same can be accessed from the link below:

https://en.ican.org.np/_browsable/file/journals/december2024.pdf

Members willing to submit their article for publication in ICAN Journal can provide articles by sending mail at: editorialboard@ican.org.np . The Guidelines to the Author can be accessed from the given link:https://en.ican.org.np/_browsable/file/general/Guidelines_to_the_Authors.pdf

Notice about Launching of Pre-Exam Preparation Test

The Institute has issued notice about launching of Pre-Exam Preparation Test for students of CAP II and CAP III level from 1st April 2025. The notice of the same can be viewed from the link below:

https://en.ican.org.np/_uploads/_downloads/_files/3/a9d4e6d01e9aebb4bfaa3efd51ad518f.pdf

NATIONAL UPDATES

Issuance of Unified Directives, 2081 for A, B and C Class Licensed Bank and Financial Institutions

Nepal Rastra Bank has issued Unified Directives, 2081 for A, B and C Class Licensed Bank and Financial Institutions. The Directives along with the notice can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/01/Unified-Directives-2081-ABC-Final-Upload-3.pdf

Amendment In Unified Directives, 2081 Issued To A, B and C Class Banks And Financial Institutions

The Nepal Rastra Bank has issued circular regarding amendments in Unified Directives, 2081 issued to A, B and C Class Bank and Financial Institutions. The circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/02/ABC-circular-8_merged.pdf

https://www.nrb.org.np/contents/uploads/2025/03/Circular-9-Final-publish-ABC.pdf

https://www.nrb.org.np/contents/uploads/2025/03/Circular-10-CSR-for-ABC-Final.pdf

Issuance of Unified Directives, 2081 for D Class Licensed Micro-Finance Financial Institutions

Nepal Rastra Bank has issued Unified Directives, 2081 for D Class Licensed Micro-Finance Financial Institutions. The Directives along with the notice can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/01/MFI-Unified-Directive.pdf

Amendment In Unified Directives, 2081 Issued to D Class Micro Finance Financial Institutions

The Nepal Rastra Bank has issued circular regarding amendments in Unified Directives, 2081 issued to D Class Mirco Finance Financial Institutions. The circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/03/Final-Publish_.pdf

Issuance of Unified Directives, 2081 for Licensed Infrastructure Development Banks

Nepal Rastra Bank has issued Unified Directives, 2081 for Licensed Infrastructure Development Banks. The Directives along with the notice can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/01/NIFRA-Unified-Directive.pdf

Issuance of Guideline on Targeted Financial Sanctions for Financial Institutions

Nepal Rastra Bank has issued Guidelines on Targeted Financial Sanctions for Financial Institutions for Licensed A, B and C Class Banks and Financial Institutions, D Class Micro-Finance Financial Institutions, Infrastructure Development Banks, Employee Provident Fund, Citizen Investment Trust, Social Security Fund and Company providing Hire Purchase Loan. The Guidelines along with the notice can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/01/TFS-Guideline-for-UPLOAD.pdf

Issuance of Operational Manual, 2081

Nepal Rastra Bank has issued Operational Manual, 2081 for D Class Licensed Micro-Finance Financial Institutions. The Manual can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/01/MFI-Manual-final_upload.pdf

Issuance of Monetary Policy 2081-82 Midterm Review By Nepal Rastra Bank

The Nepal Rastra Bank has issued midterm review of the monetary policy 2081-82. The midterm review can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/01/Unified-Directives-2081-ABC-Final-Upload-3.pdf

Issuance of Circular on Anti-Money Laundering (AML) And Combating The Financing of Terrorism (CFT) to Hire Purchase Company by Nepal Rastra Bank

The Nepal Rastra Bank has issued a circular outlining regulatory provisions for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) applicable to companies authorized to provide hire purchase credit. The circular can be viewed from the link below

https://www.nrb.org.np/contents/uploads/2025/02/Hirepurchase-AML_CFT-publish.pdf

Issuance of Circular on Anti-Money Laundering (AML) And Combating the Financing of Terrorism (CFT) to Employee Provident Fund, Citizen Investment Trust and Social Security Fund

The Nepal Rastra Bank has issued a circular outlining regulatory provisions for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) applicable to Employee Provident Fund, Citizen Investment Trust and Social Security Fund.

The circular can be viewed from the link below

https://www.nrb.org.np/contents/uploads/2025/02/EPF-CIT-SSF-AML_CFT-publish-2.pdf

Amendment In Unified Forex Circular 2080

The Nepal Rastra Bank has issued circular regarding amendments in Unified forex circular 2080 regarding Danish Kroner. The circular can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/02/5-2081-82_DKK-Banknotes.pdf

Open Consultation on Basel III Framework on Liquidity Standards

The Nepal Rastra Bank has issued open consultation on Basel III Framework on Liquidity Standards. The consultation is open till 13th April 2025 and can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/03/Basel-III-Framework-on-Liquidity-Standards-Final-upload.pdf

Issuance of Exposure Draft "Directives and Standards for Saving and Credit Cooperatives"

Nepal Rastra Bank has issued exposure draft of "Directives and Standards for Saving and Credit Cooperatives." The Exposure Draft along with the notice can be viewed from the link below:

https://www.nrb.org.np/contents/uploads/2025/01/Notice-no-10_SACCOS-Nirdeshan-tatha-Mapdanda_2081_Final-Upload.pdf

Issuance of Insurer Fixed Assets Procurement and Sales Directives, 2081

Nepal Insurance Authority has issued Insurer Fixed Assets Procurement and Sales Directives, 2081. The Directives can be viewed from the link below:

https://nia.gov.np/Admin/images/Law/Directive/678e052cbff1a_1737360684.pdf

Issuance of Securities Issuance and Trading of Small and Medium Entities Regulation, 2081

Securities Board of Nepal has issued, "Securities Issuance and Trading of Small and Medium Entities Regulation, 2081." The Regulation can be viewed from the link below:

https://sebon.gov.np/uploads/2025/01/16/kSwnp1PTFJCWmEWwQ2HuryT09v1GwhOeChu634QP.pdf

Issuance of Securities Issuance and Allotment (Eight Amendment) Directives, 2081

Securities Board of Nepal has issued, "Securities Issuance and Allotment (Eight Amendment) Directives, 2081." The Directives can be viewed from the link below:

https://sebon.gov.np/uploads/2024/11/22/HxoSch9jVeBRB6OJwb8dz5s2oLve7jJLhxBJUpgy.pdf

Issuance of Guidelines on Targeted Financial Sanctions for Securities Markets Participants

The Securities Board of Nepal has issued a guideline on Targeted Financial Sanctions for Securities Markets Participants. The guideline can be viewed from given link

https://sebon.gov.np/uploads/2025/02/20/AuBUtuyu6efHJpGjxK7KETzXqBMcvCVs2HKPIGNX.pdf

Issuance of Securities Businessperson Merger/ Acquisition Directives, 2081

The Securities Board of Nepal has issued Securities Businessperson Merger / Acquisition Directives, 2081. The Directives can be viewed from the link below:

https://sebon.gov.np/uploads/2025/03/28/IBSYcvTbZADRHNW9ZKHcdQJ62cjFy0L3oCDlWAQk.pdf

Notice Regarding the Detail and Document to be Submitted for availing Discount Provisioned by Ordinance to Amend Some Nepal Acts to Improve Economic, Business Environment and Investment Climate 2081

The Office of the Company Registrar has issued a notice regarding the detail and document to be submitted for availing discount provisioned by Ordinance to amend Some Nepal Acts to improve Economic, Business Environment and Investment Climate 2081. The notice can be viewed from the link below:

https://ocr.gov.np/post/4_67ac62d2be12d

Notice Regarding Details and Document to be Submitted for Availing Discount on De-registration of Company Provisioned by Ordinance to Amend Some Nepal Acts to Improve Economic, Business Environment and Investment Climate 2081

The Office of the Company Registrar has issued a notice regarding the detail and document to be submitted for availing discount on de-registration of company as per Section 136Ka of the Companies Act 2063 provisioned by Ordinance to amend Some Nepal Acts to improve Economic, Business Environment and Investment Climate 2081. The notice can be viewed from the link below:

https://ocr.gov.np/content/19/notice-related-to-special-registration-scales-processing/

Issuance of Procedural Guideline for Refund of the Education Service Fee, 2078

The Inland Revenue Department has issued a procedural guideline for refund of the education service fee, 2078. The guideline can be viewed from the given link

https://ird.gov.np/public/pdf/931203743.pdf

Notice Regarding Suggestions on Legal, Policy, and Procedural Enhancements in The Tax System

The Inland Revenue Department has issued a notice soliciting suggestion on Legal, Policy, and Procedural Enhancements in the Tax System within Chaitra 05th 2081. The notice can be viewed from the given link

https://ird.gov.np/public/pdf/235459926.pdf

Issuance of Fifth Amendment to Income Tax Directives, 2066

The Inland Revenue Department has issued Income Tax Directives, 2066 (Fifth Amendment, 2081). The Directives can be viewed from the link below:

https://ird.gov.np/public/pdf/865204803.pdf

INTERNATIONAL UPDATES

Recent in IFAC Knowledge Gateway

The latest research and publications updated in IFAC Knowledge Gateway during the period of January to March 2025 are outlined below for reference:

International Education Standard 6, Initial Professional Development – Formal Assessment of Professional Competence (Revised)

Sustainability-Related Revisions to IES 2, 3, 4 Fact Sheet

International Education Standards 2, 3, and 4 (Revised)

Modernizing International Education Standard 6 Fact Sheet

Recent Article published in IFAC

Global Accounting Alliance Launches New Guide: "Why nature matters to accountants

A Tale of Talent Retention at a Small Practice

IFAC Enhances International Education Standards to Equip Professional Accountants for Sustainability Reporting

The International Federation of Accountants (IFAC), which unites and connects professional accountancy organizations worldwide, has finalized *revisions to the International Education Standards* to embed sustainability throughout aspiring professional accountants' training. These updates reinforce the accountancy profession's role in supporting high-quality sustainability reporting and assurance while upholding integrity and professional quality. Further details can be viewed from the link below:

https://www.ifac.org/news-events/2025-03/ifac-enhances-international-education-standards-equip-professional-accountants-sustainability

IFAC Welcomes New Advisory Group Members from 15 Jurisdictions

The International Federation of Accountants (IFAC) has announced the appointment of new members to its advisory groups, representing 15 jurisdictions across the globe. These experts, drawn from a variety of regions and organizations, will play a pivotal role in shaping the future of the accountancy profession. The newly appointed members bring extensive experience to key advisory groups, including the International Panel on Accountancy Education, the Professional Accountancy Organization Development Advisory Group, and the Small and Medium Practices Advisory Group. Their contributions are expected to foster innovation, enhance collaboration, and promote global engagement as the profession navigates evolving challenges and opportunities. Further details can be viewed from the link below:

https://www.ifac.org/news-events/2025-02/ifac-welcomes-new-advisory-group-members-15-jurisdictions

Exposure Draft and comment letters: Proposed Amendments to the IFRS Foundation Due Process Handbook

On 19 December 2024 the Trustees of the IFRS Foundation, through the Due Process Oversight Committee (DPOC), published the Exposure Draft *Proposed Amendments to the* IFRS Foundation Due Process Handbook (*Handbook*) to reflect the creation of the International Sustainability Standards Board (ISSB) in 2021. The amendments proposed in the Exposure Draft would ensure that the ISSB and the International Accounting Standards Board (IASB) follow the same rigorous, inclusive and transparent standard-setting process. The deadline for submitting comment letters is 28 March 2025.

Link to Access the Exposure draft: https://www.ifrs.org/content/dam/ifrs/project/2024-due-process-handbook-review/exposure-draft/ed-2024-due-process-handbook.pdf

Further details can be viewed from the link below:

https://www.ifrs.org/projects/work-plan/2024-due-process-handbook-review/ed-cl-due-process-handbook-review/

Enabling a Profession in Global Transformation: Insights from IFAC's PAIB Advisory Group

Professional Accountants in Business (PAIBs) play a crucial role in advancing sustainable business practices, promoting transparency, and enhancing the economic and social prosperity of communities across the globe. In its final meeting of 2024, IFAC's PAIB Advisory Group explored the transformative role of PAIBs in tackling global challenges and seizing new opportunities to strengthen the role of accountants in driving business success and resilience. Discussions focused on navigating systemic risks, fostering innovation, and advancing sustainability to position PAIBs as key enablers of transformational change. Further details can be viewed from the link below:

https://www.ifac.org/news-events/2025-01/enabling-profession-global-transformation-insights-ifac-s-paib-advisory-group

IAASB Releases Comprehensive Implementation Guide for the ISA for LCE

The International Auditing and Assurance Standards Board (IAASB) has released a new *first-time implementation guide for the ISA for LCE* — the standalone global auditing standard designed specifically for audits of financial statements of smaller and less complex entities (LCE). The guide provides an overview of the standard's concepts, structure, and format. It offers step-by-step insights into each part of the standard with examples and comparisons to ISAs, equipping practitioners with the tools to effectively implement the ISA for LCE. Further details can be viewed from the link below:

https://www.iaasb.org/news-events/2025-03/iaasb-releases-comprehensive-implementation-guide-isa-lce

IAASB and IESBA Unveil New Standards and Guidance to Strengthen Sustainability Reporting and Assurance

The International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) has launched an integrated effort to support effective implementation of their *landmark standards aimed at advancing trust and transparency in sustainability reporting and assurance*. Further details can be viewed from the link below:

https://www.iaasb.org/news-events/2025-01/iaasb-iesba-unveil-new-standards-and-guidance-strengthen-sustainability-reporting-and-assurance

IAASB Issues Post-Exposure Consultation & Invitation to Comment on Its Listed and Public Interest Entities Project

The International Auditing and Assurance Standards Board (IAASB) released a Post-Exposure Consultation document, inviting stakeholders to provide feedback before finalizing narrow scope amendments to the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs) as a result of the revisions to the definitions of Listed Entity and Public Interest Entity in the IESBA Code.

https://www.iaasb.org/news-events/2025-02/iaasb-issues-post-exposure-consultation-invitation-comment-its-listed-and-public-interest-entities

IESBA Launches Public Consultation on Auditor Independence for Audits of Collective Investment Vehicles and Pension Funds

The International Ethics Standards Board for Accountants (IESBA) issued a Consultation Paper seeking feedback on whether revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards) (the "Code")* are necessary to address the independence of auditors when they carry out audits of Collective Investment Vehicles (CIVs) and Pension Funds (collectively referred to as "Investment Schemes" or "Schemes") on 31 March 2025 . Further details can be viewed from the link below:

https://www.ethicsboard.org/news-events/2025-03/iesba-launches-public-consultation-auditor-independence-audits-collective-investment-vehicles-and

IPSASB Issues Amendments Related to Specific IFRIC Interpretations

The International Public Sector Accounting Standards Board (IPSASB®), developer of IPSAS® Standards, international accrual-based accounting standards for use by governments and other public sector entities around the world, has issued *Amendments to IPSAS Standards: Specific IFRIC Interpretations. Amendments to IPSAS Standards: Specific IFRIC Interpretations* has an effective date of January 1, 2026. Earlier application is permitted. Further details can be viewed from the link below:

https://www.ipsasb.org/news-events/2025-01/ipsasb-issues-amendments-related-specific-ifric-interpretations

Issuance of the third edition of the IFRS for SMEs Accounting Standard

The International Accounting Standard Board (IASB) issued the *third edition of the IFRS for SMEs Accounting Standard* on 27 February 2025. The third edition is accompanied by the *Basis for Conclusions and Illustrative Financial Statements*. The IASB also published a *Project Summary* and *Feedback Statement and Effects Analysis*. Further details can be viewed from the link below:

https://www.ifrs.org/news-and-events/news/2025/03/march-2025-ifrs-for-smes-accounting-standard-update/

MEMBERS AND FIRM UPDATE

Name and Membership Number of New Chartered Accountant (CA) Members

The Institute registered Chartered Accountant Members pursuant to Section 16(2) of the Nepal Chartered Accountants Act, 1997. New CA Membership issued during the quarter from January to March 2025 are presented in the table below:

S.N.	Membership No.	Members Name	S.N.	Membership No.	Members Name
1	CA-2352	Samir Giri	14	CA-2365	Sudip Karki
2	CA-2353	Sunita Dahal	15	CA-2366	Ganesh Neupane
3	CA-2354	Kaushal Byanju Shrestha	16	CA-2367	Ajay Pandey
4	CA-2355	Krishma Kharel	17	CA-2368	Krishna Prasad Sharma
5	CA-2356	Arshad Ansari	18	CA-2369	Prawej Alam
6	CA-2357	Pawan Pandey	19	CA-2370	Ganesh Poudel
7	CA-2358	Saphal Maharjan	20	CA-2371	Bipal Chaulagai
8	CA-2359	Rajesh Kumar Sah	21	CA-2372	Basanti Devkota
9	CA-2360	MD. Rahamtulla Ansari	22	CA-2373	Upama Parajuli
10	CA-2361	Puskar Raj Pant	23	CA-2374	Geeta Kuinkel
11	CA-2362	Sunil Malla	24	CA-2375	Anurup Adhikari
12	CA-2363	Krishna Kant Shah	25	CA-2376	Yam Bahadur Rantija Pun
13	CA-2364	Bikash Adhikari	26	CA-2377	Madhusudhan Chapagain

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 the quarter from January to March 2025 are presented in table below:

S.N.	Membership No.	Members Name	S.N.	Membership No.	Members Name
1	CA-1400	Prasiddha Acharya	10	CA-697	Suresh Singhi
2	CA-1431	Satish Pandeya	11	CA-1173	Bhanu Prasad Bajgai
3	CA-1449	Avash Gautam	12	CA-1278	Rajan Paudel
4	CA-1477	Saurav Duwadi	13	CA-1286	Rupak Mainali
5	CA-1478	Pratap Karmacharya	14	CA-1362	Dipesh Shrestha
6	CA-1275	Sudeep Bahadur Rajlawat	15	CA-1448	Manoj K.C.
7	CA-1442	Bishesh Chaudhary	16	CA-1453	Prabhat Bhakta Shrestha
8	CA-1462	Tirtha Prasad Yadav	17	CA-1454	Rohit Raj Maharjan
9	CA-1467	Laxman Adhikari			

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 Certificate of Practice issued during the quarter from January to March 2025 is presented on the table below:

S.N.	Membership No.	Members Name	S.N.	Membership No.	Members Name
1	CA-1185	Surendra Nepal	13	CA-2206	Ajaya Gyawali
2	CA-2309	Brij Mohan Sah	14	CA-2278	Pravesh Acharya
3	CA-2316	Diwakar Pandey	15	CA-2314	Shadananda Koirala

4	CA-2324	Bibek Pangeni	16	CA-2354	Kaushal Byanju Shrestha
5	CA-2332	Sagar Pathak	17	CA-2360	Md. Rahamtulla Ansari
6	CA-2337	Bikash Jaiswal	18	CA-1125	Prishal Pokhrel
7	CA-2338	Ajay Chaurasiya	19	CA-2292	Pawan Koirala
8	CA-2341	Manish Subedi	20	CA-2348	Sandesh Giri
9	CA-2347	Anil Thapa	21	CA-2356	Arshad Ansari
10	CA-2351	Sanjeeb Raj Pathak	22	CA-2363	Krishna Kant Shah
11	CA-1869	Saroj Dawadi	23	CA-2365	Sudip Karki
12	CA-2197	Roshan Shrestha	24	CA-2368	Krishna Prasad Sharma

Name of New Accounting Firms

The Institute issued registration of Auditing Firms pursuant to Section 28A of the Nepal Chartered Accountants Act, 1997. New firms' registration during the quarter from January to March 2025 is presented in table below:

S.N.	Firm No.	Firm Name	S.N.	Firm No.	Firm Name
1	1377	S. Pathak & Associates	16	1387	Shadananda & Associates
2	1378	Anil Thapa & Associates	17	1388	S. Dawadi & Associates
3	1379	S. R. Pathak & Associates	18	1389	Kaushal Byanju & Associates
4	1380	Surendra Nepal & Associates	19	1390	R. Ansari Associates
5	1381	Bikash Jaiswal & Associates	20	1391	P. G. A. & Associates
6	1382	Ajay Chaurasiya & Associates	21	1392	Sudip Karki Associates
7	1383	M. Subedi & Associates	22	1393	Ansari Arshad & Associates
8	1384	B. M. Sah & Associates	23	1394	Pandey D. Associates
9	6288	Narayan Subedi & Associates	24	1395	Prishal & Associates
10	6289	Kedar B. & Associates	25	1396	Krishna Shah & Associates
11	6290	Nagendra Dhungel & Associates	26	6293	Sharma D. P. & Associates
12	6291	Nandan Prasad Adhikari & Associates	27	6294	K. R. B. & Associates
13	6292	Khadga Parajuli & Associates	28	6295	P. Manandhar & Associates
14	1385	Bibek Pangeni & Associates	29	6296	Prakashchandra & Associates
15	1386	S. Roshan & Associates			

Name and Membership Number of Demised Member

The Institute removes name of members from the Membership Register in case of death of members pursuant to Section 22(1) of the Nepal Chartered Accountants Act, 1997. Details of demised members whose membership has been removed from list of members during the from January to March 2025 are presented in table below:

S.N.	Membership No.	Members Name	Class
1	RA-3111	Rajendra Prasad Luitel	RA 'C' Class
2	RA-121	Birendra Kumar Singh	RA 'B' Class

Elevate: Celebrating Member Milestones

CA. Anima Pokharel,
currently serving as Senior Technology Auditor at Lululemon Athletica Inc. , shared her personal and professional experience and journey to the SheLeadsTech Initiative Podcast series hosted by Information Systems Audit and Control Association (ISACA) Vancouver Chapter, in March 2025. Link for podcast : https://lnkd.in/gD2aCrru

CA. Sanjeeta Nepal,
was recognized by online khabar among 50 most influential women of Nepal for 2081 from the Chartered Accountants fraternity on 8th March 2025. Link for news: https://www.onlinekhabar.com/personality/chartered-accountant-leader

CA. Kamal Bahadur Khatri
(CA-1228) was promoted to Assistant Manager at Machapuchchhre Bank Ltd. w.e.f 14th January 2025.

RA. Bkawani Shankar
Chapagain (RA-4309) was appointed as the Executive Head of Ekikrit Janabhawana saving & credit co-operative society Ltd. Letang, Morang w.e.f 27th March 2025.

Note

Note

"Requesting Article to be published in ICAN Journal"

"The Nepal Chartered Accountant" is the official publication of The Institute of Chartered Accountants of Nepal and has been in publication since 1998 AD and is registered and Peer Reviewed Journal having International Standard Serial Number (ISSN Print 2961-1504) and (ISSN Online 3021-9302).

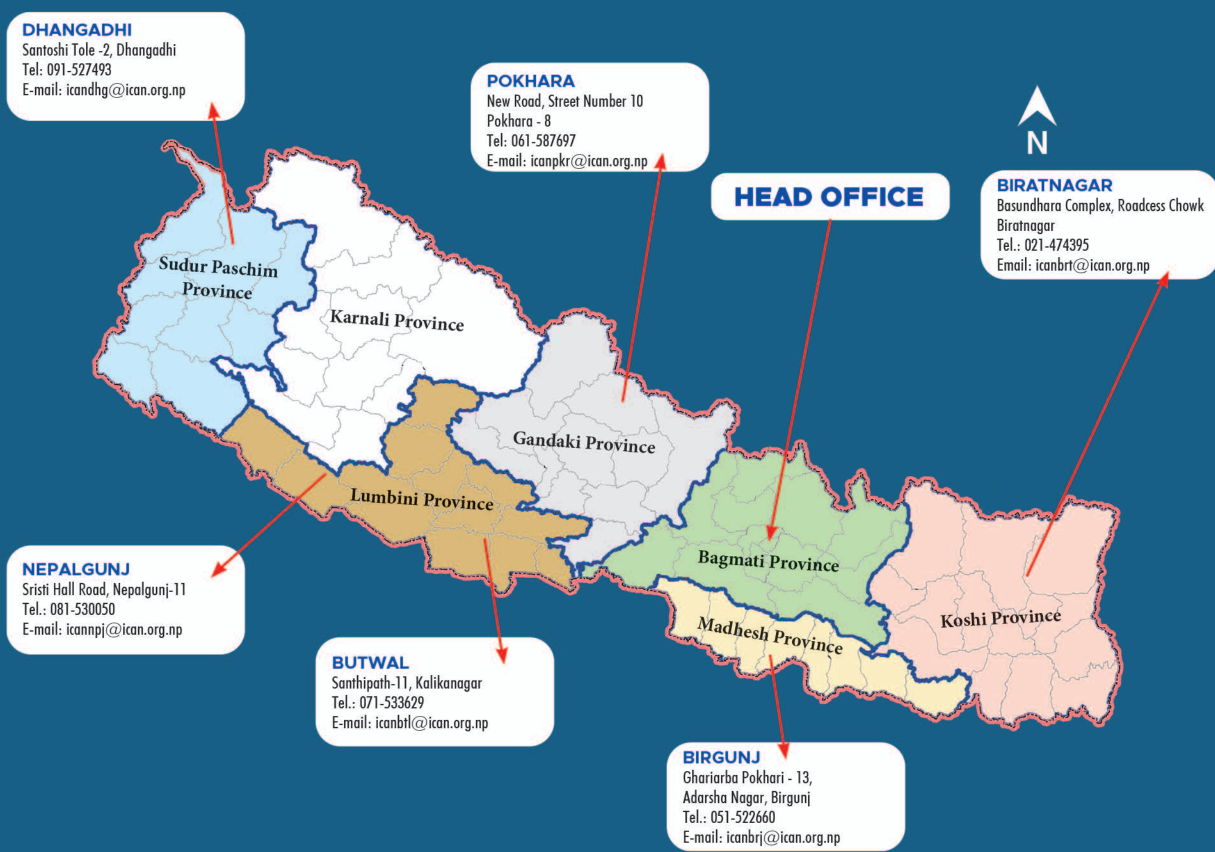
The purpose of this Journal is to disseminate accounting, auditing, financial market, innovations information for enriching the knowledge of members and stakeholders in a readable and understandable manner. So, the Institute always tries to feature the articles in the Journal covering various issues related to information and technology, economy, accounting and auditing, taxation, banking, insurance, management, public financial management, governance, public policies such as monetary and economic policies, transparency and accountability, ethical and professional matters, management issues etc., and make its members, students, readers aware of the contemporary changes or innovations in business and professional landscape in accounting sector and get them updated.

Therefore, we would like to request you to provide us with your original article, research material, insights on professional matters that have not been published or sent for publishing in any other print or electronic media, in English Language with 2,500 – 3,500 words by sending an email at editorialboard@ican.org.np for publication it in the upcoming Journal of the Institute. We also inform you that the writer of selected articles will be provided with 4 CPE credit hours besides NPR 7,000/- for their article published in the Journal. For any queries related to this, please send an email at above email ID.

The Guidelines to the Author can be accessed from the link below:

https://en.ican.org.np/_browsable/file/general/Guidelines_to_the_Authors.pdf

Offices



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

Scan the QR Code
to Access the Journal