ICAM THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

Magazine October to December 2019

INTERCULTURAL COMMUNICATION

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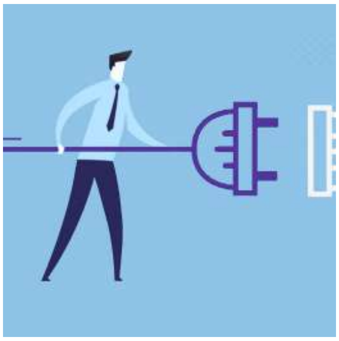

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EDITORIAL

Not long ago, the year 2020 seemed that distant. Memories are fresh of the time the idea of Vision 2020 was hatched and it looked as if the year was a billion years head of us. Time has tricked and behold in 2020 we are. A successor plan is being developed to spearhead the developmental transformation of the country through the National Planning Commission. Africa in general and Malawi in particulars is assessing its competencies to ensure that it registers significant developmental successes by the year 2063, the year it is expected that Africa will have clocked 100 years since its struggle from the yoke of colonialism.

The wave of Pan Africanism is sweeping across the face of Africa. Africa now has one continental market. Being a continent with different people of different ethnic extraction and cultures, there is need to embrace intercultural communication. That is the key thing to the development of Africa. We can work with each other better when we begin to appreciate their cultural values and heritage. By capitalising on our cultural differences, we can make great strides. This first edition ICAM magazine of the year 2020 therefore looks at intercultural communication in its entire length and breath.

Being a professional magazine and mouthpiece for the accountancy profession in Malawi, the magazine shares creatively-wooden and content demystified technical articles. In that front, you will fall in love with Blair Chitimbe's Linking business strategies to trade receivables IFRS 9 impairment model. Going a step further lawyer cum accountant Elton Jangale puts in the appropriate context the accountants' role in merger control compliance. For the dear readers that crave for technically-rich content, in those two they will find a delicious buffet.

The excitement does not end there. There is an increasing recognition on various roles that women play in socio-economic development. Number of conferences addresses not only just the challenges women face but also their success stories is ever growing. The world has come to the realisation that women are an important element in the development puzzle. Some sectors have negative perceptions of what women can achieve. These perceptions are born from mere cultural beliefs. It is imperative that in this age and century such a glass ceiling be broken. It is the breaking of the glass ceiling that Estelle Nuka champions in this magazine. Walk along with women to appreciate their value and potential. The article has all the highway, streets, avenues and alleys to breaking the glass ceiling.

There is also another plus to your reading of the magazine. The great content with its great depth of knowledge shared in it contribute towards non verifiable CPD hours. This should be a great force motivating you to read. Enjoy reading and attain the CPD hours.

Editorial team:
Patrick Achitabwino
Zion Tamula
Francis Gondwe

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INTERCULTURAL COMMUNICATION

The article will concentrate on the importance of intercultural communication in today's internationalized business environment, leaning towards and commenting on strategies that can be employed to improve Intercultural communication skills.

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BREAKING THE GLASS CEILING

At the ICAM Corporate Gurus conference in Lilongwe, I was asked to be one of the panelist and share on the topic "Breaking the Glass Ceiling". My first reaction was, how does one break a glass ceiling, does it exist in the first place. If it exists, who creates it and why? And why do we want to break it?

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TRANSFORMING INFORMAL WORK TO IMPROVE LIVELIHOODS IN MALAWI

The International Labour Organization (ILO) defines informal work as all remunerative work in both self-employment and wage employment that is not registered, regulated or protected by existing legal or regulatory frameworks, as well as non-remunerative work undertaken in an income-producing enterprise. Informal workers do not have secure employment contracts, workers' benefits, social protection or workers' representation. Similarly, the

2020 CPD Calendar

EVENT	DATES AND LOCATION	PROPOSED FACILITATOR(S)	COMMENTS *(All fees exclude accommodation unless otherwise stated)*
1. Training Workshop for Accountants working in the Statutory Corporations: ‘Enhancing Efficiency, Effectiveness and Financial Sustainability in Public enterprises’	30th – 31st January 2020, Linde Motel, Mponela	Team	**Conference fees**:K300,000 (Exclusive of accommodation) **CPD Hours:** 16
2. Deferred Tax: ‘Unlocking the unavoidable mystery for accountants and tax administrators.’	10th to 11th February 2020 Sunbird Mount Soche Hotel.	Misheck Msiska (MM Tax Advisory)	Target Group: High level and complex discussion for (a) senior accountants (b) business leaders (c) college lecturers (d) MRA officials (e) tax consultants (f) auditors (g) business valuation and due diligence experts **Conference fees**: K125,000 **CPD Hours:** 16
3. Deferred Tax: ‘Unlocking the unavoidable mystery for accountants and tax administrators.’	13th to 14th February 2020 Sunbird Capital Hotel.	Misheck Msiska (MM Tax Advisory)	Target Group: High level and complex discussion for (a) senior accountants (b) business leaders (c) college lecturers (d) MRA officials (e) tax consultants (f) auditors (g) business valuation and due diligence experts **Conference fees:** K125,000 **CPD Hours:** 16
4. Executive Retreat	21st February 2020, BICC, Lilongwe	Prof. PLO Lumumba	**CPD Hours:** 8
5. IFRS Update seminar for 2020	17th – 18th February 2020, Sunbird Mount Soche, Blantyre	Chartered Accountants Academy	**Conference fees:** MK220,000 **CPD Hours:** 16
6. IFRS Update seminar for 2020	20th – 21st February 2020, Sunbird Capital Lilongwe	Chartered Accountants Academy	**Conference fees:** K220,000 **CPD Hours:** 16
7. Financial Modelling	9th to 13th March 2020, Sunbird Mount Soche, Blantyre	Alex Nortje	**Conference fees:** K490,000 **CPD Hours:** 40
8. Professional Women’s conference	27th to 29th March 2020, Nkopola Lodge	TBA	**Conference fees plus accommodation:** MK560,000 **Conference fees only**: K390,000 **CPD Hours:** 20
9. Auditors Forum	3rd April 2020 Mount Soche Hotel	EY	**Conference fees:** MK30 000 per member **CPD Hours:** 2
10. Risk management and Fraud prevention workshop	23rd to 24th April, Sunbird Capital Hotel, Lilongwe	Intelligent Africa	**Conference fees:** MK350,000 **CPD Hours:** 16
11. New Members Conference	17th April 2020 Sunbird Mzuzu Hotel	Ethics Committee, Financial Intelligence Authority (FIA), ICAM and MAB management	Free and strictly by invitation **CPD Hours:** 8
12. Dinner and Dance	17th April 2020 Sunbird Mzuzu Hotel	TBA	**Contribution:** K40,000 **CPD Hours:** 2
13. Mastering Tax Returns Preparation, Planning and Key Compliance Matters	29th - 30th April – 2020, Sunbird Mount Soche, Blantyre	Misheck Msiska (MM Tax Advisory) and Moffat Ngalande (PWC)	**Conference fees**: K125,000 **CPD Hours:** 16
14. Strategic Budgeting, Planning and Financial Statement Analysis	20th to 22nd May 2020, Sunbird Mount Soche, Blantyre	Intelligent Africa	**Conference fees**: K350,000 **CPD Hours:** 24
15. Dinner Dance	8th May, Blantyre	TBA	Contributions: MK40,000 CPD Hours: 2

16.	New Members Conference	29th May 2020, Sunbird Mount Soche Hotel, Blantyre	Ethics Committee, Financial Intelligence Authority (FIA), ICAM and MAB management	Free and strictly by invitation **CPD Hours:** 8
17.	New Members Conference	5th June 2020, Sunbird Capital Hotel, Lilongwe	Ethics Committee, Financial Intelligence Authority (FIA), ICAM and MAB management	Free and strictly by invitation **CPD Hours:** 8
18.	Financial modeling conference	29th June to 3rd July 2020, Sunbird Capital, Lilongwe	Alex Nortje	**Conference fees:** MK490,000 **CPD Hours:** 40
19.	2020/2021 Tax update seminar	17th July, Blantyre	Co-facilitated by Moffat Ngalande Andrew Chioko, Nkondola Uka, and Emmanuel Kaluluma.	**Conference fees**: MK80,000 **CPD Hours:** 8
20.	2020/2021 Tax update seminar	31 July, Lilongwe	Co-facilitated by Moffat Ngalande Andrew Chioko, Nkondola Uka, and Emmanuel Kaluluma	**Conference fees:** MK80,000 **CPD Hours:** 8
21.	Risk management and Fraud prevention workshop	23rd to 24th July, Sunbird Mount Soche Hotel, Blantyre.	Intelligent Africa	**Conference fees**: MK350,000 **CPD Hours:** 16
22.	Mastering Financial Management	12th to 14th August 2019, Sunbird Mount Hotel, Blantyre	Intelligent Africa	**Conference fees:** MK350,000 **CPD Hours:** 16
23.	Deferred Tax: 'Unlocking the unavoidable mystery for accountants and tax administrators.'	27th to 28th August 2019, Sunbird Capital Hotel, Lilongwe	Misheck Msiska (MM Tax Advisory)	Target Group: High level and complex discussion for (a) senior accountants (b) business leaders (c) college lecturers (d) MRA officials (e) tax consultants (f) auditors (g) business valuation and due diligence experts **Conference fees:** MK125,000 **CPD Hours:** 16
24.	Lakeshore Conference	17th – 19th September, Sun N Sand Mangochi	Brochure to be provided	**Conference fees:** MK325,000 **CPD Hours:** 20
25.	Finance for Non Finance Managers	28th September to 2nd October 2020, MIM	Co-facilitated with MIM	**Conference fees:** MK250,000 **CPD Hours:** 40
26.	Dinner Dance	9th October 2020, Sunbird Capital Lilongwe	TBA	**Contributions:** MK40,000 **CPD Hours:** 2
27.	Tax and Financial Reporting Workshop for SMEs and NGOs	8th – 9th October 2020, Crossroads Hotel, Lilongwe	Louis Mlangiza and Handsome Mbwana	**Conference fees:** MK125,000 **CPD Hours:** 16
28.	Leadership and Strategic Management	30th – 31st October 2020, Makokola Retreat, Mangochi	TBA	**Conference fees:** K550,000 **CPD Hours:** 16
29.	2020 IFRS Refresher Course	13th November 2020, Sunbird Mount Soche	Kondwani Msimuko (Deloitte) and Moffat Ngalande (PWC)	**Conference fees:** MK125,000 **CPD Hours:** 8
30.	Mastering Tax Returns Preparation, Planning and Key Compliance Matters	19th - 20th November 2020, Sunbird Capital Hotel, Lilongwe	Misheck Msiska (MM Tax Advisory) and Moffat Ngalande (PWC)	**Conference fees:** MK125,000 **CPD Hours:** 16
31.	2020 IFRS Refresher Course	27th November 2020, Sunbird Capital Hotel, Lilongwe	Kondwani Msimuko (Deloitte) and Moffat Ngalande (PWC)	**Conference fees:** MK125,000 **CPD Hours:** 8
32.	Tax and Financial Reporting Workshop for SMEs and NGOs	3rd – 4th December 2020, Crossroads Hotel, Blantyre	Louis Mlangiza and Handsome Mbwana	**Conference fees:** MK125,000 **CPD Hours:** 16
33.	Public Sector Accountants and Auditors Workshop	9th – 11th December 2020, Linde Motel, Mponela	TBA	**Conference fees:** MK125,000 **CPD Hours:** 24
34.	Auditors Forum	11th December 2020 Sunbird Capital Hotel	Grant Thornton	**Contributions** MK30 000 **CPD Hours:** 2

Bwighane Joel Mwenelupembe

INTRODUCTION

This edition comes to you soon after the 2019 Lakeshore Conference and Annual General Meeting (AGM). To a greater extent, the Lakeshore Conference was successful and so too was the AGM. For the first time in the history of ICAM, members voted into Council members of their choice through a mobile application and USSD. The electronic voting reduced the time that is spent on voting from one hour twenty minutes to under twenty minutes.

As most of you are aware, we completed the construction of phase 1 of the Mandala Project. Staff moved into the new building on 14 December 2019. We are now raising capital for phases 2 and 3. In total, we are looking for MK750m to complete the Mandala Project.

We closed the year 2019 on a high note. We registered a number of milestones. Allow me present some of them.

MILESTONES ACHIEVED IN 2020

The Secretariat staff has moved into a new building at Top Mandala. This is a big milestone. However, the Institute must now raise MK750m to complete phases 2 and 3 of the project. The total cost of phase 1 was MK1.1b including consultancy fees.

The best student performing awards ceremony was introduced and was held at Capital Hotel on 10 August 2019. Going forward, this will become an annual event.

The Department of Human Resources Management and Development conducted a functional review of the Secretariat. The Consultants made a few recommendations one of which was to review the mandate of ICAM so that its functions are distinct from those of the Malawi Accountants Board.

The EU Delegation to Malawi partnered with the Institute in the students debate project. The main aim of the project was to improve the soft skills of accountancy students. PACT College emerged the winner of the debates.

Having noted that the pass rates in ICAM exams were not very good especially at Level 2, ICAM and the Institute of Chartered Accountants in England and Wales (ICAEW) embarked on a joint project aimed at improving the pass rate. The first phase of the project ran from February to July 2019. The second phase will be implemented from December 2019 to June 2021.

A partnership model is a new way of doing business. ICAM joined the Chartered Accountants Worldwide as an affiliate member in May 2019. As an Associate Member, ICAM joined a group of globally-recognised Chartered Accountancy bodies that are committed to enhancing the value of the Chartered Accountant brand and the profession. Being admitted to Chartered Accountants Worldwide recognises the importance of the qualification in Malawi and demonstrates ICAM's commitment to the highest professional and ethical standards.

During the year, we engaged a number of stakeholders on various matters. The stakeholders included students, members, National Parliament, Ministry of Finance, Economic Planning and Development and the Chief Secretary. Allow me to single out the meeting with the Chief Secretary which took place in the month of December. The meeting discussed proposals which arose from the Public Sector Committee. I must say that the meeting was highly successful and the Chief Secretary was very responsive to the proposals as submitted by the Public Sector Committee. Look out for details in the next publication.

CHALLENGES

The Institute faces a number of challenges and these have been well documented. Chief amongst these are declining number of students who sit for ICAM exams and the inability to produce a first chartered accountant under the local qualification which was launched in 2014. While the number of members continue to grow year on year, it has to be said that given the number of accountants who work in Malawi estimated to be over 10,000, it does not make sense that the Institute has less than 2,300 members on its register. To be blunt, this means that the majority of accountants are practising illegally. This statement is supported by a study which the Secretariat carried out recently in the districts. The study found out that 9 in every 10 accountants surveyed were not registered. This is a cause for concern.

PLANS FOR 2020

The plans for 2020 are guided by the Strategic Plan which covers the period 2017 to 2021. A mid-term review of the strategy will be carried out in 2020.

Increasing the number of students at the CA level will be a top priority in 2020. This means that the Secretariat will engage the universities more and more to ensure that graduates choose the Chartered Accountant Malawi program as their qualification of choice. As usual, the Institute will continue to administer examinations for the Certificate In Financial Accounting and Accounting Technician Diploma.

The 2019 Annual General Meeting resolved to review the Memorandum and Articles of Association. This piece of work will be undertaken in 2020.

The Council established a Task Force to review the Companies Act. This assignment will be undertaken in 2020.

The year 2020 looks promising, however, we can only realise our dreams if the number of students and members grow. This notwithstanding, the Council will also consider diversifying into other programs and services. In other words, the Council will pursue a related diversification strategy. This is possible and will be done.

Lastly may I wish all members and the Secretariat a happy and prosperous 2020. My thoughts turn to you for making our progress possible. I look forward to enhanced support in 2020.

FROM THE CEO

ECONOMIC ENVIRONMENT IN 2019

Dr. Francis Chinjoka Gondwe

The Malawi Government embarked on new policy areas in 2019 and these were building strong economic and institutional foundations, unlocking the potential of the private sector, building human capital and investing in resilience.

"Malawi has a strong suite of policies that provide the framework for a successful economy. The challenge is implementing them," said Greg Toulmin, Country Manager for World Bank, Malawi. "Despite its immense problems, Malawi can join the group of countries that have transformed their economies through strong political commitment, the right investments, focus and policy coordination."

The World Bank's Malawi Economic Monitoring Report released in the last quarter of 2019 noted that although Malawi was hit by Cyclone Idai in March 2019, real Gross Domestic Product (GDP) growth was projected to reach 4.5% in 2019 buoyed by resilient agriculture. Inflation remained in single digits largely aided by a steady decline in non-food inflation.

According to a Monetary Policy Committee report issued by the Reserve Bank of Malawi in November 2019, the Policy Rate was maintained at 13.5 percent and the Lombard Rate at 0.4 percent above the Policy Rate. The Committee also maintained the Liquidity Reserve Requirement (LRR) on local currency deposits at 5 percent, and the LRR on foreign currency deposits at 3.75 percent.

Inflation remained in single digit, and was recorded at 9.3 percent in the third quarter of 2019; the exchange rate remained remarkably firm, and was trading at around K740 per US dollar in November 2019; lending rates continued to decline, with the base lending rate (now called the reference rate) recorded at a historically low level of 12 percent in October 2019; and private sector credit continued to expand, having grown by an average of 19.1 percent in the third quarter of 2019 up from 15.1 percent in the preceding quarter and 9.9 percent in the corresponding quarter of 2018. (Source – Reserve Bank of Malawi Monetary Policy Report, November 2019).

STRATEGIC PLAN MILESTONES

A number of milestones were achieved in 2019. Below, we report on some of the milestones achieved as a result of implementing the strategic plan.

STRATEGIC PILLAR	MILESTONE
1. Financial sustainability (Strategic objective – To grow and diversify the revenue base of the Secretariat)	The financial sustainability of the Institute was affected by the reduced number of students. Revenue grew marginally by 2% between December 2018 and October 2019. Construction of Phase 1 of the Mandala Project was completed in December 2019. This will result in savings of MK5m per month in rentals and service charges. A diversification plan was prepared and amongst others, the Institute is now administering top up papers for candidates who possess qualifications from other professional bodies. The candidates who wish to become members of ICAM are required to sit for these top up papers mainly in Malawi Company Law and Malawi Taxation.
2. Satisfy and delight stakeholders (Strategic objectives – To deliver quality and affordable services to the members, students and other stakeholders To enhance the uptake of technical standards To strengthen ethics and CPD regulations To enhance advocacy on matters of public interest)	Electronic voting was introduced at the 2019 Annual General Meeting. Conversion certificates were issued to practising members and the exercise is on-going. All members will have been issued with conversion certificated by 30 June 2020. Tailor made in-house trainings were delivered at Reserve Bank of Malawi, Insurance Association of Malawi and ESCOM. CPD trainings were held every month on topical issues. An Auditors Forum was introduced during the year. Although, the Forum was designed specifically for auditors, non - auditors were allowed to attend the meetings. Administered examinations twice in a year ie June and December. Two manuals were reviewed – P8 (Financial Management Accounting Skills and Competency) and B3 (Audit and Assurance). Meetings with tutors, examiners, students, assessors and parents were held (25 June 2019 in Lilongwe and 3 July 2019 in Blantyre) to establish the factors which lead to low pass rates in ICAM exams) and the roles that stakeholders can play in addressing the problem. The Institute engaged Office of the President and Cabinet on the appointments of the Auditor General and Accountant General.
3. Optimise internal business processes (strategic objective – To provide superior services to the internal and external customers)	Embarked on a project aimed at streamlining internal business processes. The project is called integrated system. The project will automate the functions of the Education and Training and Technical and Membership departments The objective of the Consultancy is to design, develop and implement a system that automates the functions of the two ICAM departments and train users on how to use the system. The automation will enable ICAM staff, students and members to fully transact online. The functions to be automated are the following: a. Student Admission and Administration b. Examinations Administration c. Membership Admission and Administration d. Seminar and Events Administration

STRATEGIC PILLAR	MILESTONE
4 **Organisation and learning** (Strategic objective – To strengthen the capacity of the Institute and build technical capability in serving members and students and other stakeholders)	Members of staff attended short trainings in identified areas. Others were sponsored to further their education. A partnership deal was near completion as we went to bed – a partnership between South African Institute of Chartered Accountants (SAICA) and ICAM would result into trainings, reciprocal exchange visits and exchange of documents aimed at building capacities of the two Institutes.

PROJECTS

The Secretariat has three main projects which will be undertaken based on the availability of funds.

The first one is completion of phases 2 and 3 of the Mandala Project. The total cost of these projects is MK750 000, 000. Phase 2 which costs MK250 000,000 might start late 2020 depending on the availability of funds. Both will be three-storey buildings and will be let out.

The second project is called the Conveyor Belt System of Marking (CBS). The CBS marking involves organising markers at a central place, into groups in which each marker is assigned a question (s) to mark. The project will cost MK93m. This project will be implemented in a phased manner depending on the availability of funds.

The third project is called Central Item Development. The project requires examiners, assessors, moderators and Secretariat staff responsible for examinations development to convene at a central point to develop the exams. The term item means question. The estimated cost for this project is MK161m for 6 sittings. The Institute will take a phased approach to implement this concept. This is why in the 2020 budget, MK40m was allocated for the project.

LOOKING AHEAD

The exchange rate was relatively stable in 2019. The stability had been attained as a result of the reduced pressure on Kwacha due to a decline in demand for forex and forex inflows from the proceeds of tobacco sales. A stable exchange rate makes the cost of imports predictable in the short term. However, the depreciation of the Kwacha in the medium to long term could lead to higher import costs and relatively cheap domestic exports on the international market.
Inflation is expected to average 9.30% in 2019-20. It is however expected to edge back up in 2021-23 as global oil prices rise and domestic demand strengthens, supported by strong credit growth. However, adverse weather, pest related disruptions to crop pose major upside risk and may cause the inflation rate to edge up. Lower inflation rates may lead to reduced interest rates which could increase private sector investments and disposable income for expenditure. Alternatively, high inflation rates raise the cost of investment thereby hampering private sector growth.

The Minister of Finance, Economic Planning and Development, on 9 September 2019 presented the 2019/2020 financial budget to parliament. He outlined major assumptions anchoring the budget including an estimated economic growth of 5% in 2019, an average inflation rate of 8% during the fiscal year, a stable exchange rate of about K750/US dollar, a policy rate of 13.50%, an upward review of user fees and charges, coupon value of K15, 000 for FISP and 900,000 beneficiaries and wages and salaries increase of between 10% to 15% depending on grade, with an average of 12%.

The Chairman of Chartered Accountants Worldwide and CEO of ICAEW, Michael Izza presenting a certificate of membership to Francis Gondwe in Dubai.

Various institutions have revised their projections for the Malawian economy and based on these revised projections the economy will grow by an estimated average of 4.50% in 2019, 4.86% in 2020 and 5.08% in 2021.

In 2020, the projected real GDP growth of 5.10% will be driven by the following sectors: Agriculture; Manufacturing; Mining and Quarrying; Electricity, Gas and Water; Information and Communication; and Financial and Insurance Services.

Apart from the positive developments, Government arrears continue to negatively affect the performance of many sectors particularly Construction and Wholesale and Retail Trade (Source: Ministry of Finance). The manufacturing industry will be held back by limited power supply. The services sector will be negatively affected by lower government demand over the medium term as the authorities attempt to rebalance the fiscal account (Source: RBM, EIU, AfDB, IMF, World Bank).

The continued political impasse arising from the May 21, 2019 elections may have a negative effect on the economic growth of the country. The demonstrations might have affected business activities, tourism industry, investors' and donor confidence.

The growth of the economy will boost donor and investor confidence hence increasing private sector activity and improving the stock market performance. Increased private sector activity will boost economic growth (Source – NICO Assets Managers).

It should be mentioned that some of ICAM members are out of employment due to various reasons including retrenchments because of poor performance of the economy in recent years. Businesses have also found it tough to survive. Some of them went under while as others barely survived. Therefore, meaningful economic growth will spur development and hence create jobs. Businesses will thrive once again.

LINKING BUSINESS STRATEGIES TO TRADE RECEIVABLES IFRS 9 IMPAIRMENT MODEL

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Impairment of trade receivables

A trade receivable is a financial instrument that normally arises from a revenue contract with a customer and the right to receive the consideration is unconditional and only the passage of time is required before the consideration is received. In other words, sale of goods or provision of services on credit brings about trade receivables.

The introduction of trade receivables impairment model based on expected credit allowance losses resulting in the recognition of a loss before it is incurred is now the buzz word in accounting circles. This IFRS 9 model has added a new scientific dimension to the accounting and auditing professions.

An entity uses a simplified approach where there has not been any significant financing component under IFRS 15, this entails timing of payments agreed to, by parties to the contract either explicitly or implicitly. The existence of a significant financing component provides the entity or customer with a significant benefit of financing the transfer of goods or services to the customer. According to IFRS 15, a significant financing component does not exist where the following conditions are present:

- There is an advance payment by the customer for the goods or services and has the discretion to determine the date of transfer of those goods or services.
- A sizeable amount of the consideration that the customer promises is variable and is

dependent upon and varies according to occurrence or non-occurrence of a future event that is not entirely within the control of the two parties to the contract.

- Differences between promised consideration and the cash selling price of the goods or services arises for reasons other than financing and the difference is approximately the value of such reason, for instance, the completion of post construction remedial work (during defects liability period) on a building that provides protection to the client.
- As a practical convenience, the financing period is one year or less, or where the financing component is not material to the contract.

Where the entity adopts a simplified approach, a provision matrix is applied in chronological order as follows:

1 Determination of the suitable groupings

- There is no clear guidance but receivables can be grouped based on their trade credit risk characteristics. Likewise, receivables from a particular area, within a product range and identical customers may share similar characteristics.

2 Establish the period over which the particular historical loss rates are appropriate

- This involves use of judgment to determine the period over which historical data can be obtained that may have an impact on the future period that trade receivables will be collected for each category. The reasonable period can span from two to five years because it is highly dependent on several factors thus subjectivity comes into play.

3 Determine the historical loss rates

- The categories should be further sub-divided into past-due classes, for example 0 days past due, 1-30 days past due, 31-60 days past due, 61-90 days past 91-365 days past due and over 365 days past due. The historical loss rates should then be determined for each class and category based on the historical data that has been observed over the chosen

period.

4 Consider forward looking macro-economic factors and conclude on appropriate loss rates

- The historical loss rates that have been determined are not conclusive and should be adjusted using the current economic conditions at the reporting date such as the spike in inflation rate and other factors without necessarily adopting the use of econometric models. The adjusted rates now become the expected credit loss rate.

5 Calculate the expected credit losses

- The trade receivable balances should be multiplied by the expected credit loss rate to get the actual expected credit loss.

The linkages with business strategies

This impairment model has helped finance professionals to have critical analysis of trade receivables, nonetheless, in terms of business performance it does very little to improve performance. In this write up therefore linkages with business strategies have been identified to help sustain operations of the entity for a foreseeable future thus countering any reservations about going concern. Strategic thinking and astute decision making is imperative for business survival in a competitive environment.

The famous Pareto principle named after a late nineteenth-century economist/sociologist Vilfredo Pareto fondly known as the 80/20 rule that deals with the vital few and trivial many is helpful to contemporary managers. This principle states that for many events, roughly 80% of the effects come from 20% of the causes. By sub dividing trade receivables' balances into various categories, managers can have an insight into the type of customers, product types and areas or regions that have substantial balances that need specific attention. The analysis can help to bring to light potential causes of default on the part of customers and come up with a proper debt collection strategy. An ideal debt collect strategy optimizes revenue and keeps costs to a minimum and if combined with proper relationship management it can help to nurture customer relationships and enhances brand advocacy among customers.

In cases where 80% of the trade receivable balances are made up of 20% of the customers, it may have a bearing on the entity's capability to operate as a going concern. One of the factors that affect going concern doubts is reliance on a single or few product lines or customers.

The availability and subsequent use of historical data for a given period is a good performance indicator of a particular business segment. This could be pivotal to a performance management system where the entity adopts a carrot and stick approach to bring forth desired behaviour. Bicchieri & Xiao (2009), state that the way in which punishment is executed affects its effectiveness in upholding norm compliance. Faillo & Zarri, (2010) further contend that when chastisement is perceived as legitimate it is much more powerful. Likewise, an effective performance management system is useful in an environment that has useful information to support various assertions.

Additionally, the ageing of trade receivables for each category helps to identify existence of problems in the entity's accounts receivables management system especially when customers are not willing to pay because of unresolved disputes. It is imperative for management to improve the quality of information in order to eliminate errors that cause customers' dissatisfaction. This could be inform of staff training where incompetence is the root cause or acquisition of an efficient and effective management information system where flaws have been spotted in the existing application package.

Trade receivables are a vital component of the working capital cycle formula that is central to the profitability and sustainability of business operations. According to Garcia-Teruel & Martinez-Solano (2007), managers can create value and increase corporate profitability by reducing the number of trade/accounts receivable days or shortening the cash conversion cycle. Inefficient cash collection results in unplanned overdrafts that are applied for to meet short term financial needs which are costly to the entity. To this end, management should ensure that a robust and effective accounts receivable management policy is implemented to improve the entity's liquidity position.

The use of forward looking macro-economic factors or variables is another area of interest to finance professionals. This is based on the premise that businesses fail due to factors that are external to their operations. According to Kruger, Chantal & Saunders, (2015) the effects of the macro-economic factors such as inflation rates, interest rate, economic growth, transportation costs, access to finance and government regulation have an influence in business performance. It is of essence to prioritize trade receivables so that credit terms with customers are advantageous to the entity in order to improve the organization's cash flow position because with passage of time finances tied in accounts receivables lose value.

As rational investors managers may use historical loss rates as a benchmark for investing excess funds on the money market among other available basis such treasury bills rates and the banks base lending rates in order to mitigate against time value losses.

In respect of the foregoing therefore it is essential to take a paradigm shift in trade receivables management without necessarily falling into the temptation of paralysis by analysis.

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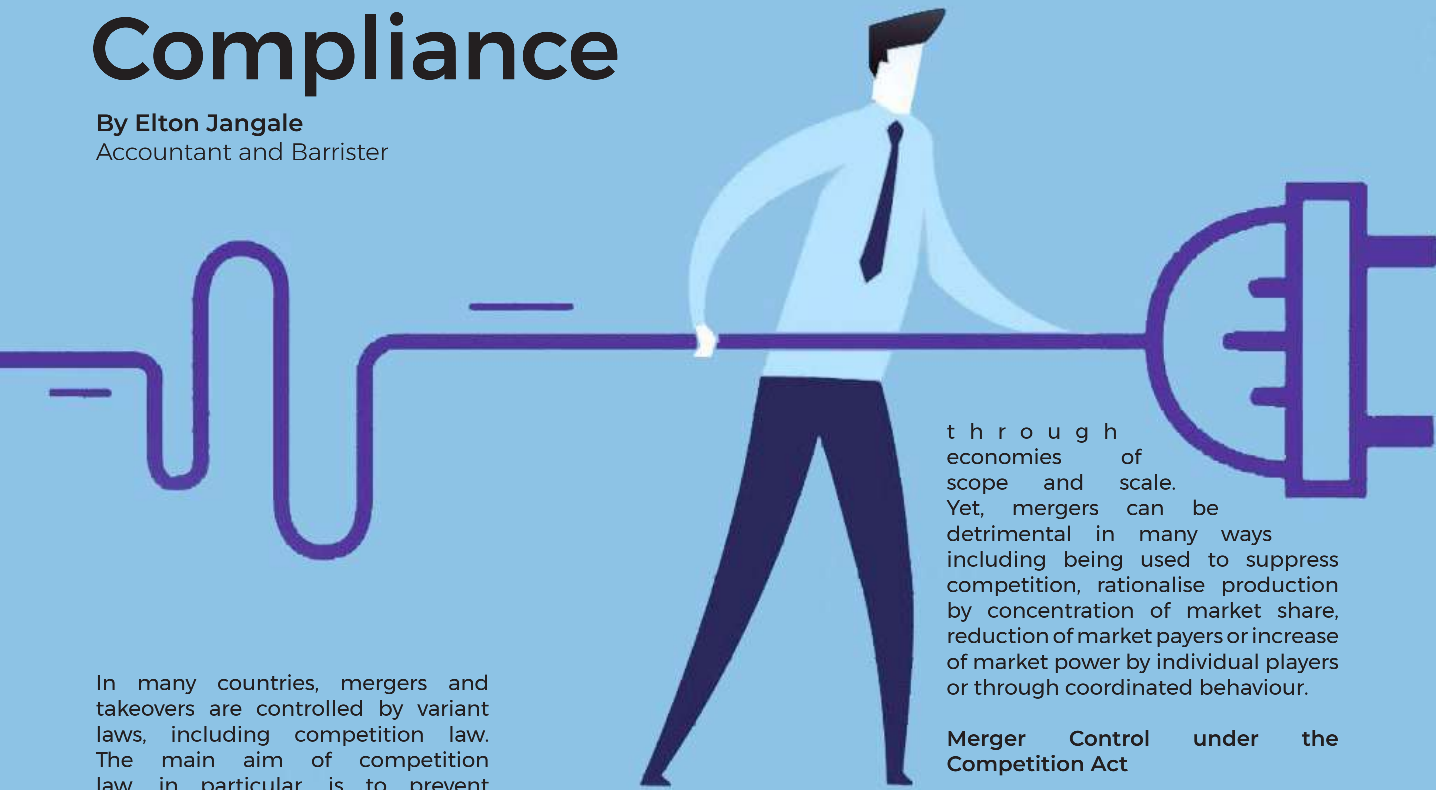
Accountants' Role in Merger Control Compliance

By Elton Jangale
Accountant and Barrister



In many countries, mergers and takeovers are controlled by variant laws, including competition law. The main aim of competition law, in particular, is to prevent anticompetitive mergers and takeovers before they occur. Various experts, such as accountants, lawyers and economists, take various roles in advising, structuring or effecting mergers and takeovers. It is incumbent on these experts to assume key roles to assist their enterprises in complying with applicable competition laws when effecting mergers or takeovers.

In Malawi, mergers and acquisitions are primarily controlled under the Competition and Fair-Trading Act [Cap. 48:09 of laws of Malawi] (the Competition Act). The Competition Act gives a broader meaning to the term 'merger' to include a takeover or acquisition and defines a merger as an acquisition of controlling interest in an enterprise . Subsequent mention of the term 'merger' in this article refers to merger, takeover or acquisition.

Besides being controlled under the Competition Act, mergers are, in certain sectors, such as banking and communications sectors, subject to other merger control by sector regulators under sector-specific laws. Further, mergers for listed companies and private companies with more than 10 shareholders are subject to provisions of Part XII of the Companies Act [Cap. 46:03 of laws of Malawi]. Merger control under sector-specific laws and Part XII of the Companies Act will, in turn, be subjects of discussions in future articles. This article only discusses mergers under the Competition Act by focusing on the accountants' role in merger control compliance.

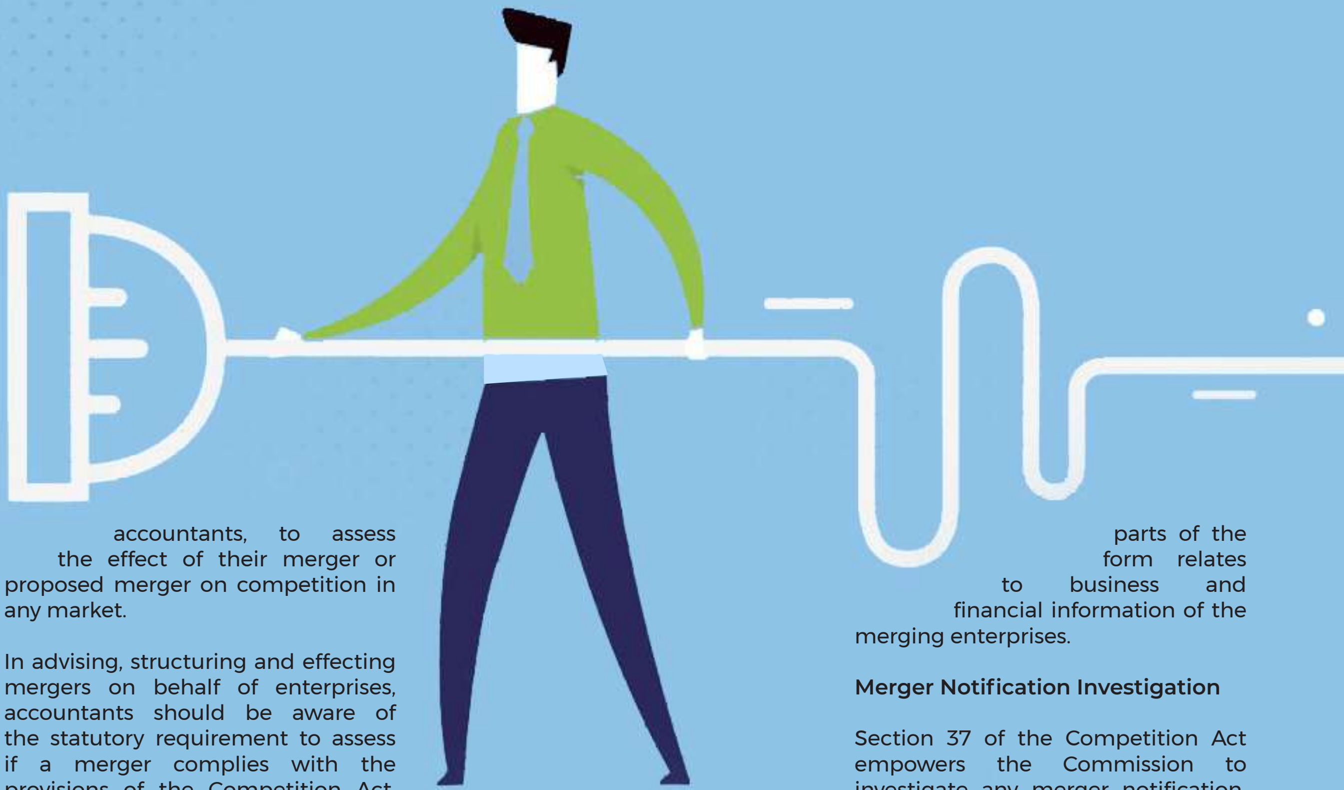
Benefits and Drawbacks of Mergers

Generally, mergers are deemed to be important in many economies though it is not easy to single out the most important contributing factor since mergers are consummated for various motives. Mergers can be advantageous in many respects including promoting efficiencies, maximisation of stakeholders' gains and reduction of prices, achieved through economies of scope and scale. Yet, mergers can be detrimental in many ways including being used to suppress competition, rationalise production by concentration of market share, reduction of market payers or increase of market power by individual players or through coordinated behaviour.

Merger Control under the Competition Act

In Malawi, section 35(1) of the Competition Act prohibits consummation of a merger that is likely to result in substantial lessening of competition in any market without authorisation by the Competition and Fair-Trading Commission (the Commission). Section 35(2) provides that any merger consummated in contravention of s.35(1) has no legal effect and confers rights or obligations on the merging enterprises that can be enforceable in Malawi.

Section 35 does not make a mandatory requirement for merging enterprises to notify the Commission about every merger. The onus is on the merging enterprises to assess if the effect of their merger would likely result in substantial lessening of competition in any market. In assessing substantial lessening of competition, market definition and composition of market share are pertinent, and the market may include goods or services supplied by persons not resident in Malawi. Enterprises use experts, such as



accountants, to assess the effect of their merger or proposed merger on competition in any market.

In advising, structuring and effecting mergers on behalf of enterprises, accountants should be aware of the statutory requirement to assess if a merger complies with the provisions of the Competition Act. The accountants' role may extend to assessing the likely effect and actual effect of a merger on market share, accounting profits, share value or share price. To assess if the effect of a merger is likely to result in substantial lessening of competition in pre-merger notification analysis, accountants may aid in determining and testing what the post-merger performance would likely be if the merger is consummated against what the post-merger performance would have been if the merger had not occurred. Likewise, in post-merger notification analysis, accountants may aid in deciding and drawing a comparison between the respective levels of market share or profits or share value of the merged enterprise in the years immediately after a merger with the respective levels of market share or profits or share value of the merging enterprises immediately before the merger. If a merger is deemed to likely result in substantial lessening of competition, the merging enterprises are obliged under section 35(1) to notify the merger to the Commission for authorisation.

Application for Authorisation of a Merger

For a merger, which is likely to result in substantial lessening of competition in a market, to have legal effect and confer enforceable rights and obligations, section 36 of the Competition Act requires that the merger be notified the Commission for authorisation. Merger notification involves the merging enterprises submitting information in a prescribed form to the Commission about the nature of the transaction and details about the merging enterprises. Each notification is accompanied by an applicable fee. Each merger is unique, and each notification is reviewed by the Commission based on its facts in the context of its relevant market. In preparing a notification, accountants can play a key role in completing the form, including calculations, as most parts of the form relates to business and financial information of the merging enterprises.

Merger Notification Investigation

Section 37 of the Competition Act empowers the Commission to investigate any merger notification. The powers include the Commission requiring any merging enterprise or party in the relevant market to disclose records of patterns of ownership, turnover or sales of its enterprise or of other leading enterprises in the market. In responding to queries from the Commission, accountants can be useful in providing details and clarification on business and financial information.

Merger Assessment Criteria

Section 38 of the Competition Act provides varied criteria for the Commission to assess if a merger is anticompetitive or not. On one part, a merger is deemed to be disadvantageous if it is likely to lessen competition in the relevant market and increase the ability of the merging enterprises to manipulate prices, output or sales of their goods or services. On the other part, a merger is deemed beneficial if it is likely to result in: substantially more efficient units with lower production or distribution costs; increase in net

exports; increase in employment; lower prices to consumers; acceleration in the rate of economic development; and/or more rapid rate of technological advancement by the merging enterprises. The Commission engages experts, including accountants, in carrying out its merger assessments.

Order on Merger Application

The Commission is obliged under section 39 of the Competition Act to come up with an order on a merger application within 45 days of receipt of a notification provided all required information is submitted and applicable notification fee paid. The Commission may reject, approve unconditionally, or approve with conditions aimed at remedying the anticompetitive effects of the merger.

Pursuant to section 8(2)(b) of the Competition Act, the Commission may, on its own volition, instigate an investigation where it has information that a merger has been consummated without being notified and the effect of the merger is likely to result in substantial lessening of competition in some market in Malawi. In the Supreme Court of Appeal sitting at Lilongwe in a civil appeal case of Competition and Fair-Trading Commission -vs- Airtel Malawi Ltd and Bharti Airtel Ltd [MSCA Civil Appeal No. 23 of 2014] (the Airtel Case), the facts show that the Commission instigated investigations which revealed that Bharti had acquired Airtel from Zain Malawi Ltd without notifying the Commission and ordered Airtel to submit a notification. Airtel refused to comply and challenged the Commission's order by way of judicial review in the High Court, which decided in favour of Airtel on 8 December 2013. The Commission appealed against the High Court's decision. On 26 November 2018, the Supreme Court decided in favour of the Commission and ordered Airtel to notify the Commission for authorisation of the merger.

Enforcement of an Order

The Commission or any beneficiary of any order by the Commission may, in terms of section 40 of the Competition Act, lodge a certified copy of that order with the Registrar of the High Court to be recorded as a civil judgment of the High Court. In the Airtel Case, the Commission lodged its order in the High Court, which was, on 23 January 2013, recorded as a civil judgment of the High Court.

Appeal against an Order

Any person, who is dissatisfied by any order of the Commission, may, pursuant to section 48 of the Competition Act, appeal in the High Court within 15 days after the date of that order. The High Court, sitting as a single judge in chambers, may confirm, modify or reverse the order, in full or in part, or direct the Commission to reconsider the order, in full or in part.

In the Airtel Case, the Supreme Court brought to an end the confusion that existed on differing ways of challenging in the High Court orders by the Commission by holding that the Commission's orders can only be challenged by way of appeal to a Judge and not by way of judicial review before a Judge. The main distinction being that an appeal to a Judge is usually brought to challenge the outcome of a case, whereas, a judicial review before a Judge analyses the way in which a public body, e.g. the Commission, reached its decision in order to decide whether that decision was lawful or not.

Failure to notify an Anticompetitive Merger

Failure to notify a merger that is likely to result in substantial lessening of competition is an offence under section 35(1). In terms of section 51 of the Competition Act, any person and/or enterprise found guilty of this offence may be liable to a fine of K500,000.00 (or an amount equivalent to the financial gain generated by the offence) and/or imprisonment for a period of up to five years. For instance, merging enterprises and their executives in the Airtel Case risked being found in contravention of section 35(1) and be liable to penalties invoked by a court.

Auditors and Merger Control Compliance

Failure to notify an anticompetitive merger to the Commission is a non-compliance issue which should raise compliance concerns for an enterprise with its governing board or auditors. Considering that the Commission can on its volition instigate an investigation on any merger, which has not been notified, as seen in the Airtel Case, and can order merging enterprises to notify the merger, including petitioning the court for penalties, it would be prudent, where applicable, for internal and/or external auditors to assess any likely or actual consummation of a merger by their enterprise and advise on the enterprise's need to comply with the merger requirements under the Competition Act.

Conclusion

Merger control by the Commission is a regulatory requirement for enterprises to comply with under the Competition Act. Accountants can play a key compliance role when advising, structuring or effecting mergers to ensure that merging enterprises assess the impact of their mergers and notify the Commission for authorisation if their merger is likely to result in substantial lessening of competition in any market in Malawi.

INTERCULTURAL COMMUNICATION

Julius Gondwe

The article will concentrate on the importance of intercultural communication in today's internationalized business environment, leaning towards and commenting on strategies that can be employed to improve Intercultural communication skills.

Katenje (2010) stated that intercultural communication allows the transfer of information between people whose cultural backgrounds lead them to interpret verbal and nonverbal signals differently. It is therefore imperative to be sensitive to cultural differences as communication with people from different cultural backgrounds, ensues. Even McDaniel (2009, p.6) asserts:

Globalisation is a seemingly unstoppable process that brings each of us into greater contact with the rest of the world and gives our daily lives an increasingly international orientation. The current world political order provides continuing examples of the need for enhanced intercultural communication skills.... There is a danger of communication breakdown where people from different cultural background have not made any effort to cut across the intercultural communication barriers, reinforcing this, Hattersley and McJannet (2008) said that communication across cultural divides poses special challenges. The rise of the internet has created a situation where anyone can talk to almost anyone else instantaneously. This situation has its advantages, but it also poses special risks of misunderstanding.'

Companies with branches around the world or those organizations that conduct businesses globally have a strategic and competitive advantage and opportunities albeit with intensified global competition. Furthermore, they also face the challenge of communication between people of disparate cultures; this is more so often with employees migrated to other countries with cultures different from their own, as well as the managers at headquarters, who must maintain control of the global business and steer it in the right direction. Bovee and Thill (2009, p.64) backs up:

"Many innovative companies have changed the way they approach diversity, from seeing it as a legal requirement to provide equal opportunities to seeing it as a strategic opportunity to connect with customers and take advantage of the broadest pool of talent".

“Many innovative companies have changed the way they approach diversity, from seeing it as a legal requirement to provide equal opportunities to seeing it as a strategic opportunity to connect with customers and take advantage of the broadest pool of talent”

They went on to say that intercultural communication is much more complicated than simply matching language between sender and its receiver. It goes beyond mere words to beliefs, values and emotions.

Bovee et.al. (2003) concurs, that learning about another culture enhances one’s ability to communicate with its members. They suggested the following tactics: Learn to listen to the whole story before judging. Learn how respect is communicated. Empathise; be patient and persistent. Recognise your own cultural biases. Send clear messages. Deal with the individual. Avoid using slang and idioms. Pay attention to local accents and pronunciation. Use plain English. Use objective, accurate language. Be brief and use short paragraphs. Use transitional elements. Look for feedback. Observe body language. Check frequently for comprehension. Speak slowly and rephrase your sentence when necessary. Clarify your true intent with repetition and examples. Use an intermediary as an interpreter. Learn the foreign language.

The suggested strategies are valid; the article however, focusses on a couple of them. Firstly, learn to listen to the whole story before judging. Listening plays a crucial role in our daily interactions and more so when communicating with people from varied cultural backgrounds. Research has found that many people including managers are poor listeners. Backing up this Guffey and Loewy (2011) wrote that although workplace executives and employees devote the bulk of their communication time to listening, research suggests that they’re not very good at it. In fact, most of us are poor listeners. Some estimates indicate that only half of the oral messages heard in a day are completely understood. Experts say that we listen at only 25 percent efficiency. In other words, we ignore, forget, distort, or misunderstand 75 percent of everything we hear. This therefore compounds intercultural communication, it calls for more effort and interest to surmount the barrier, hence the need to listen to the whole story before judging. There is a great temptation to judge based on our perceptions, biases and views regarding people from different cultural backgrounds, thereby hampering efforts to get the real issues behind the communication. This can prove costly in a business relationship. It is therefore imperative that the whole story should be carefully listened to before passing judgement.

Secondly, recognition of your own cultural biases is also crucial to intercultural communication. Cultural bias is perceived as ‘the phenomenon of interpreting and judging phenomena by standards inherent to one’s own culture’. Examples of cultural biases could include, religion, gender, age. Some religions do not permit ladies to do certain things, it therefore poses a special challenge when people from this religion work with ladies from other religions who have no issues with what they consider sacrilege. Recognition of one’s own cultural bias presents an opportunity to counter the envisaged barriers to encoding the message relayed by the other party to communication. It means being frank with oneself that there is cultural diversity in the business environment demanding an honest and objective approach to intercultural communication.

Furthermore, paying attention to local accents and pronunciation is another simple but fundamental tactic. There is great distortion potential in the event of misunderstanding of how words are pronounced locally coupled with accents. While this is a personal responsibility and requires effort, engagement of local management could be a plus. Lauring (2011, p.249) posit that:
“One concrete way to open the groups to intercultural communication could be to recruit some members of the managerial team from local personnel of other different subsidiaries. Thereby, the
cultural diversity in the management group would promote a more internationalized attitude toward communication”.
Misinterpretation of words arising from failure to decipher the real meaning has a couple of consequences, for example, strained relationship from both social and business fronts, which in turn could have an impact on business performance.

Going further, it becomes necessary therefore that the speaker should do it slowly and rephrase the sentence when necessary. For example, there is a difference in how American and British English are spoken. Those who have learnt one or the other faces another barrier especially when English is not their native language.

Again, looking for feedback and observing body language, it is important to learn the foreign culture if feedback and body language are to be interpreted correctly, Marcus & Lin, (1999) stated that if one learns another's culture, they can adapt to the stranger's frame of reference, and therefore come closer to understanding the message the way it was intended. Feedback may come non-verbally, like nodding, or silence; without the foreign culture's knowledge, this may be interpreted incorrectly. For example, consider Malawi and other countries, culturally, in Malawi, in the past, young and polite people would look down when an elderly person is speaking to them or sometimes when a boss is speaking to a subordinate; in the western culture such would be interpreted as rudeness.

Learning the foreign culture goes along with learning the language which is really a useful tool in intercultural communication. Malawi has experienced an influx of foreigners in the past years, initially, most of them struggled a lot to speak English or Chichewa, but now, a lot of them have tried hard to learn these languages and are able to communicate hence interact with the locals with little hurdles thereby enhancing their business and trade potential. Hattersley and McJannet (2008, p.192) supports:
While electronic communication may work fine for conveying information or directions, there is no substitute for "speaking the language" of the person with whom you are trying to communicate. This calls for mastery of the intercultural communication skills.

Learning the foreign language may however be difficult is some cases, due to factors beyond one's control, in that case, Angell (2007) encourages learning about the people, their customs, and interaction styles.

Social network in understanding expatriates behavior is another suggested strategy to effective intercultural communication. The advent of internet has seen a proliferation of several social networks, like facebook, twitter, watsapp, etc. These networks provide opportunities for people from diverse cultures to link up and share information. It is against this background that such social networks grants one of the suitable platforms to learn each other cultures. Commenting on the same, Lauring (2011, p. 6) wrote that recent research has described the importance of social network in understanding expatriate behavior. Such findings direct attention to the local organization of the workplace as an important variable to be included in the understanding of intercultural communication in international corporations.

Communication practices and management of social variations in the work place should also be considered as one of the ways of breaking the communication barrier raised by cultural differences; as opposed to only national cultural differences. Lauring (2011) writes A model of intercultural communication should not only include national cultural differences but also the relations between communication practices and the social organization of differences in the workplace.

Communication practices in organizations within the same cultural setting may differ; an understanding of an organisation's communication practice is therefore of paramount importance to avoid misunderstandings. It also important to know how the people within the organization socialize as this differs from place to place within the same culture. Commenting on the same Hamilton (2010) stated that some visiting employees make a mistake by assuming that the people in the foreign country will behave basically the same as people from their country or organisation. When the natives do not react as expected, the expatriates experience culture shock or confusion because they cannot understand or be understood by the people of their host country or organisation.

Intercultural communication plays a vital role in today's global operations and businesses, to ignore mastery of skill in breaking the barriers erected by communication of people from different cultures is to drag the foreign operations and businesses down the drawn. It is therefore worth the effort to learn and embrace strategies of intercultural communication.

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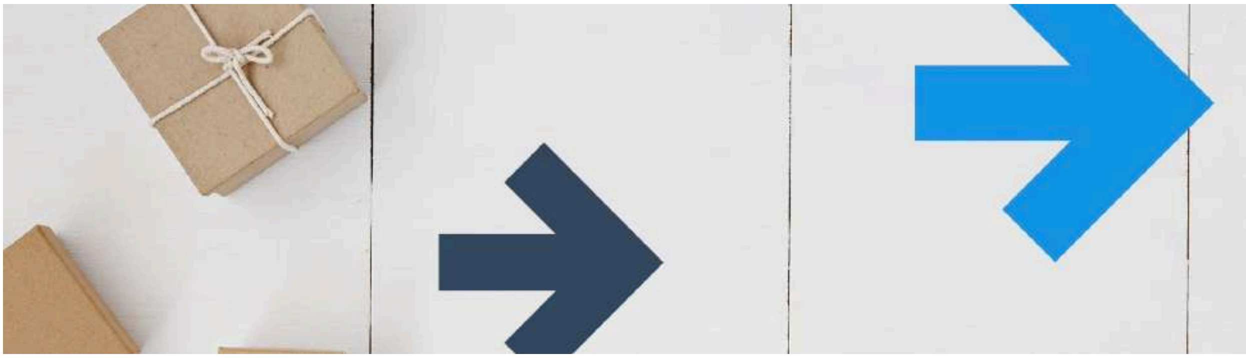
6 Essential Deliverables for the Finance Function of the Future

Kevin Dancey, CM, FCPA, FCA



Businesses face increasing complexity, more demanding customers and a wider range of risks – all of which make long-term value creation a challenge. The remit of chief financial officers (CFOs) now extends into all areas of business including strategy, enterprise risk management, performance management, and communicating the story of the organization to the outside world. At the same time, accounting and finance roles are changing due to automation and digitalization.

As a result, the finance function can no longer survive as a support function. So what's a CFO to do?

CFOs and finance functions are well-positioned to drive organizational success by helping navigate, measure and communicate what matters to long-term success and brand reputation. Accountants must work to manage, measure, anticipate, and communicate value and risk holistically throughout the organization.

Given this context, the opportunity for CFOs and their finance teams to enhance their contribution to the business is significant. But to retain its relevance – and to maximize its contribution to the overall business – the finance function must position itself at the heart of decision making.
It can do this by focusing on 6 essential deliverables:

1) Actionable insights
Boards and management need insight into how value is going to be created and protected over time. Actionable information helps them to make trade-offs and difficult decisions for the short- and long-term.

2) Performance analysis
To steer the organization toward long-term profitability, organizations require a comprehensive picture of performance and what is driving value creation. A focus on performance helps to ensure alignment between strategy, planning and delivery.

3) Enterprise risk management
Businesses face more emerging opportunities and risks than ever, many of which will impact their long-term viability. As climate risks continue to grow, for example, supply chains and business models are being disrupted across the globe. Accountants must drive enterprise risk management within their organization to manage uncertainty, opportunities, and risks in the face of significant challenges in the external environment.

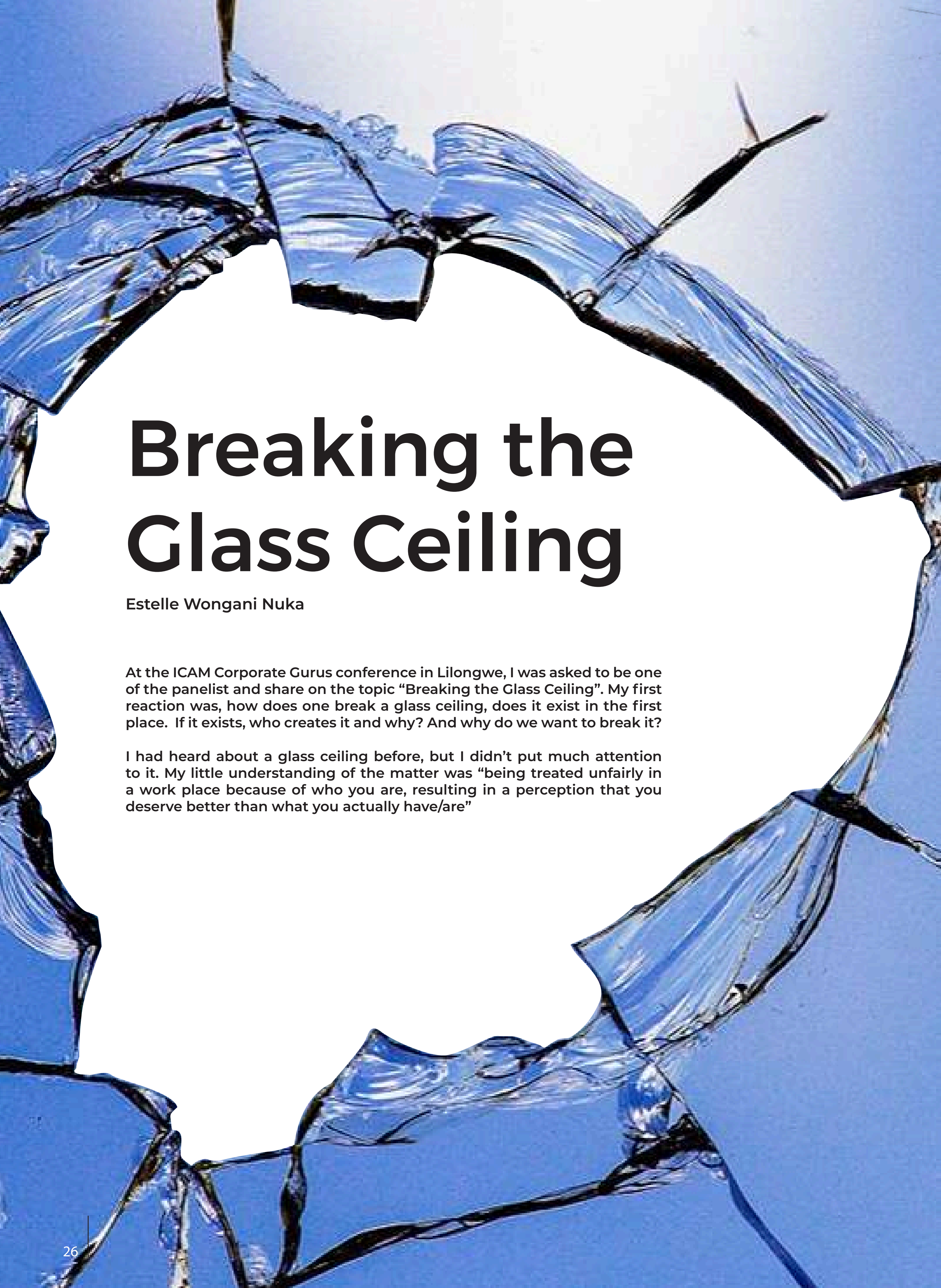
4) Effective communication and storytelling
Without a compelling story on how they create value over time, organizations will operate in obscurity or lose the trust of their key stakeholders. Speaking the language of financial reporting does not elevate the finance and accounting professional to be an effective communicator nor business partner. Instead, the CFO and finance function need to use their insights and business understanding to weave accurate and compelling narratives that make the organization's purpose, strategy, business model and performance tangible for external audiences.

5) Trust and confidence
With trust in business eroded by poor governance, short-term decision-making, and data breaches, maintaining trust and confidence in an organization is critical to protecting its reputation. Specifically, the CFO and finance function need to reinforce confidence in the organization's governance, data, processes, systems and reporting.

6) Integrity and professionalism
Professional accountants across the globe are held to a global Code of Ethics. Our professionalism and commitment to the public interest are hallmarks of the accountancy profession. Within businesses, the CFO and finance function should be powerful agents of an ethical culture.
The future of the finance function is one of great change and opportunity. As such, developing a finance function vision is key. It will help to identify the enablers of change and associated development plans to ensure that the finance function is fit-for-purpose to partner with the business and be at the heart of decision making.

To this end, we have developed an evaluation tool to help boards and management identify strengths and areas of improvement for their finance team, as well as a vision for the finance function of the future and redefined roles for the next decade.

Kevin Dancey, CM, FCPA, FCA became IFAC's Chief Executive Officer in January 2019.Mr. Dancey has a long history of leadership in the accountancy profession as well as in public service



Breaking the Glass Ceiling

Estelle Wongani Nuka

At the ICAM Corporate Gurus conference in Lilongwe, I was asked to be one of the panelist and share on the topic "Breaking the Glass Ceiling". My first reaction was, how does one break a glass ceiling, does it exist in the first place. If it exists, who creates it and why? And why do we want to break it?

I had heard about a glass ceiling before, but I didn't put much attention to it. My little understanding of the matter was "being treated unfairly in a work place because of who you are, resulting in a perception that you deserve better than what you actually have/are"

In order to be sure that I understood what I was going to speak on, I decided to check with Google. I got the following definitions:

1. "An unknown barrier to advancement in a profession especially affecting women and members of the minority"
2. "An invisible barrier that keeps a given demographic from rising beyond a certain level in the hierarchy."

Last year, I decided to enhance my coaching skills and one area that I studied was Organisation Development Coaching. This gave me an opportunity to interact with so many specialists in the field of Corporate Development from all over the world. So when the topic came up, I decided to do further research by contacting these colleagues of mine. It turned out that one of my colleagues, (Dr Munwari Padmanabhan) had actually studied the topic for her PhD. While I am yet to read her thesis on the topic, it just proved to me that the glass ceiling indeed exists and that it is a global issue. Since it is portrayed in a negative way, something needs to be done about it hence the topic that I was given.

When the time came for me to speak, I asked the participants if they had heard the term, all of them raised their hands. Then I asked how many had seen it. One participant raised his hand. I am sure he meant that he had observed it in practice. What I was looking for though, was whether one had actually seen this glass ceiling as an object. I therefore expected no one to raise their hands because it is invisible. Was I surprised that someone raised his hand, no. It once again, proved that the issue indeed exists.

Had it been that I was given this topic six (6) years ago or before, my approach would have been totally different because at that time I felt that I was a victim of this glass ceiling. However, based on the Success Principles that I share in my workshops, my perception has totally changed and I am here to share my current view on the matter as I shared during the corporate gurus' workshop. My views do not mean in any way that the glass ceiling does not exist, but rather what needs to be done to break it.

Below are some of the points to be considered.

1. Do not play victim but do something to get what you want. In other words, "take 100% responsibility for your life and results" – Jack Canfield. What does this mean?

i. Stop blaming. Some people will blame anything and anyone when things don't work according to their plan. While there may be some people and issues that have contributed to the state of affairs, it simply does not work to blame. What works is the action that you take to deal with the issue.

ii. Stop complaining. Just like blaming, complaining does not help. To make it worse, in most cases, people complain to the wrong person and not the one who can help in the situation. Complaining without the right action is also not helpful.

iii. Stop giving excuses. While there may be a hundred of excuses why something was or was not done, it does not change the state of affairs. So instead of concentrating on the excuses, one needs to be forward looking and say, what needs to be done to change the status quo?

While it is not easy to stop blaming, complaining and giving excuses, what I am saying is that these three do not produce the wanted results no matter how much time you spend doing them. What produces results is what we do i.e. our action. To take the right action that produces the wanted results, one has to be in control of his/her thoughts, images and the action. It's the actions that we take that will determine whether we break the ceiling or not. So at any point in time, one needs to ask themselves whether what they are doing is working towards the desired goal. If not do something different.

2. Set a goal and work towards achieving it, regardless of all the roadblocks, obstacles, etc. on the way.

3. Work hard, nothing in life is easy. Does it require you to go for further training? Does it require you to find a coach/mentor? Do you need to move out of your current position and look elsewhere for you to be recognised? Does it require you to have a serious discussion with your supervisor?

4. Do not consider yourself a victim. Some people who feel victimised tend to play victim and expect others to give them things out of sympathy. When they don't get it, then they play the blame game. Yet there are lots of people who have been in a similar position and have been successful. This brings me to my next point which is learning from those who have done it.

5. Learn from those who have managed to go beyond the ceiling and are successful. What is it that they did to reach those positions? Is there anything you can do to achieve the same?

6. Stop comparing yourself with others. Instead compare yourself with your previous self. List all your successes no matter how small they look to you. Once you realize that you have achieved a lot from point A to point B, it will give you confidence that you can move from point B to point C and so on and so forth.

7. Work with what is within your control and give it your best. Produce results that are beyond the ordinary results so that even if one wanted to ignore you, they cannot help but notice. If they can't notice the obvious, then they themselves will become irrelevant. People notice, it may take time but eventually they will see what you are producing.

8. Patience pays. Most people are so much in a hurry that they move when they are about to be noticed. Sometimes we leave when we are about to be rewarded. So perseverance is also a virtue in as afar as breaking the glass ceiling is concerned

Two parties are involved in a glass ceiling. If you are charged with the responsibility of managing others make sure that you are not one of those who are busy creating these glass ceilings. Who knows, before you know it, you will be the victim yourself. So play safe by rewarding based on merit and nothing else. And as my mum used to say, "When you uplift those below you, they will automatically push you up." The opposite is equally true. Choose wisely.

In conclusion, set a goal of what you want to become, find out what is required for you to achieve that goal, break it down into small steps, and take those steps to achieve it. It may involve taking some risks but go for it anyway if that's your passion. Before you know it, you will have broken the ceiling, achieved your goal and happily celebrating your success.

We would love to hear from you. Send your feedback and experiences on this topic to: ewnuka@ewnconsultants.com or ewnuka@gmail.com

Transforming informal work to improve livelihoods in Malawi

By Grace Kumchulesi, PhD

Highlights

* **89%** of Malawi's employed population are in the informal economy.
* Informal employment is source of employment for **98%** of young workers aged 15 – 19 and **92%** of young workers aged 20 – 24. Pervasive informality is also significant in rural areas and among women.
* Unavailability of jobs in the formal sector, poverty, and lack of education are some of the factors pushing workers into informal work.
* Return to labour among informal workers is lower because of low productivity, high financial costs, and poor access to product markets.

What is informal work?

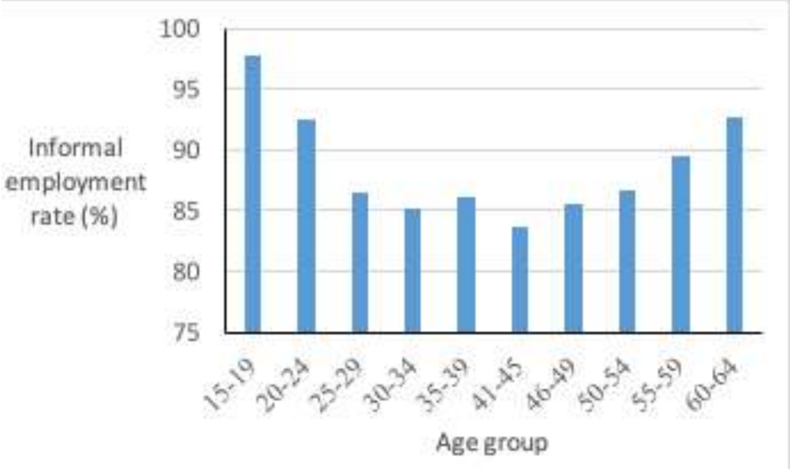
The International Labour Organization (ILO) defines informal work as all remunerative work in both self-employment and wage employment that is not registered, regulated or protected by existing legal or regulatory frameworks, as well as non-remunerative work undertaken in an income-producing enterprise. Informal workers do not have secure employment contracts, workers' benefits, social protection or workers' representation. Similarly, the National Statistical Office (NSO) in Malawi recognizes employment where the relationship between the employee and employer is not subject to national labour legislation or income taxation or any social protection or employment benefits as informal. In Malawi, workers in informal work can include vendors, call boys, mlimi (smallholder farmer) and house maids.

Situation of informal work in Malawi

In 2013, the Malawi Labour Force Survey (LFS) collected detailed labour market information by interviewing individuals aged 15-64 from 11,000 households. The survey established that majority of employed persons in Malawi are mainly engaged in informal employment. Overall, 88.7% of those in employment are informally employed. Among these 83.8% are males, while 93.6% were females, suggesting that women are more likely to be employed in informal employment than males. There are also large disparities in involvement in informal employment between rural and urban areas. In rural areas, the percentage of employed persons in informal employment is 91% compared to 69% in urban areas, pointing to high likelihood of engaging in informal employment for workers living in rural areas. The informal employment rate in the Southern region (88.3%) is lower than for Central and Northern regions (92.6% and 92.2%, respectively). The distribution of informal employment in agriculture, non-agriculture, and in private households for both men and women shows that majority of workers in agriculture (95 percent) are informally employed compared to non-agriculture (75.4%). There is a relatively lower incidence of informal employment among employees in private households, at 58%. Informal employment is also a significant concern among young workers, as almost all of them are hired informally.

Figure 1 depicts informal employment rates for population age between 15 and 64 years, which shows that 97.8% of young workers aged between 15 and 19 work informally, as are 92.4% of workers aged 20 and 24.

Figure 1: Informal employment by age, 15 and 64 years



When measured over time, a declining trend in the percentage share of informal employment in total employment indicates progress towards formality of employment, which is a necessary step towards decent work. Unfortunately, 2013 LFS is the only survey in Malawi which collected comprehensive labour market information. The first LFS was conducted in 1983, but the results of the survey were not published. As a result, the country has lacked informal employment data that capture trends.

Quality of earnings in informal work
Earnings and wages are compensations for work done, although not all work get compensated in form of earnings or wages. Good example is people who contribute to family work, and their labour may be compensated in kind. The informal sector is characterized by poor earnings. In most cases, the pay is irregular, yet accompanied by long hours of work, and without employment benefits or social protection. A Malawi nationwide GEMINI Micro and Small Enterprise baseline survey that was carried out in 2000 by NSO indicated that individuals in the informal sector earn an average of about MK14 per hour, ranging between MK5 and MK20 per hour. These calculations were based on the profits per employee, and including those who were unpaid. Comparing these amount to the trends in minimum wage, it is clear that official minimum wages do not seem to apply to informal employment. This is unfortunate since a large majority of workers operate in informal engagements. The current minimum wage which was effected in July, 2017 is at about MK120 per hour (MK25,000 per month). It is important to frequently collect information on earnings in informal employment, to establish the status of livelihoods of informal workers and their households.

The lower earnings for individuals who participate in informal employment are likely to result from a combination of factors such as productivity aspects. In general, informal businesses are characterized by low human capital, low financial capital, poor access to markets, including financial markets due to not only their low profitability and high risks, but also inadequate collateral and high interest rates. All these aspects make the business inefficient, less productive, and less competitive.

Drivers of informal work
There are numerous views as to why workers operate in the informal economy. One view is that workers are "forced" to work in the informal sector because the formal sector does not have enough jobs, so people venture into jobs that are available in the informal sector so that they can make a living. The informal sector provides alternative economic opportunities and livelihoods. Indeed, informal employment tends to grow when labour demand in the formal sector is low. Workers do not also participate in the formal sector due to lack of education. A study that was done by ILO in 2013 and focused on young people found that majority of youth in Malawi do not have adequate education and skills that are required in the labor market. Consequently, many of them end up being unemployed in formal employment, and even those that are employed are mostly undereducated. The study found that 82% of those in employment were undereducated for the jobs that they are doing. This has implications on the quality of services they provide, in the overall, impact on the productivity of businesses they work for. The poor who, because of factors such as poor education, must also take informal jobs more likely than non-poor individuals. There are also gender-based constraints whereby perceptions of society on gender roles expect women to be home makers. Women's limited contribution to decision making in the household and unequal investments in educating girls and boys also contribute to their increased likelihood of working informally.

Why care about informal work?
Development economics stipulates that economic growth should be accompanied by a decline in the informal sector. However, in Malawi the informal sector remains a persistent phenomenon in spite of positive economic growth experienced in recent decades. Pervasive informality is particularly significant in rural areas, among young people and among women. With high levels of unemployment (at 20% as reported in the 2013 LFS) and the "slow rate" of transformation in the agriculture sector, which currently provides majority of informal work, it seems unlikely that the trajectory towards formalized employment in Malawi will be realized in the near future. Majority of the working poor are employed in the informal sector, working in their own enterprises or employed as casual wage labour in poorly rewarding jobs. The challenge for policy makers is to find ways to encourage the movement of workers from the relatively unproductive informal employment to more productive formal employment, and concurrently provide opportunities for more dynamic informal businesses to grow, and for those working in these businesses to achieve decent and well-paying jobs, even while remaining informal. However, in this effort, policy makers are often constrained by the lack of evidence-based effective mechanisms to reduce informality and strengthen decent work in the sector.
Additionally, Malawi continues to experience national budget deficits and begs for avenues that can expand the fiscal space to increase tax revenue. If majority of those in informal engagements transition to formal employment in the taxable bracket, it can be expected to adversely affect tax revenue. Indeed, a lot of informal activity that should be in the tax base currently falls outside it. It would be informative to estimate the lost tax revenue due to informality.

Policy responses to informal work in Malawi?

With such a majority of the Malawi workforce active in informal activity, policy makers should be vigilant about the impact of policy decisions upon the workers in informal employment.

The 2012 National Employment and Labour Policy provided a framework to promote productive and decent employment in the economy. The Policy also aimed at promoting a development pathway that is inclusive, pro-poor and job rich through job creation avenues. To achieve this, the policy focuses on ten priority areas, one of which is improving the informal sector. The Malawi Growth and Development Strategy (MGDS III) reflects the priority of improving the informal sector under its education and skills development theme. It aims to increase gainful and decent employment for all by transforming the informal sector. The eighth goal of the 2010 global goals (Sustainable Development Goal 8) to which Malawi is a signatory also aims to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all by encouraging the formalization and growth of informal workers and enterprises.

From the policy landscape, Government of Malawi is clear on how it can impact informal workers. However, coordination in the implementation space is important for making any impactful achievements. For instance, trade unions should engage fully in both formulation and implementation of policies and programmes, as they fully understand the needs of informal workers, including the challenges they face. The Malawi Union of the Informal Sector was established to organize, promote, protect, and negotiate issues dealing with the rights of informal economy workers. The union is open to all informal workers. Proper coordination of implementing institutions and coherence of policies will enhance the transformation of the informal sector in Malawi. Similarly, the national budget should align to and support the implementation of the sector policies, as well the MGDS III and SDGs for the achievement of improving the informal sector.

Proposed considerations to help in the transition from informal to formal employment

Data collection and evidence generation

As noted above, availability of up to date data to help in conducting research that can inform evidence-based recommendations for creating decent jobs, necessary for transitioning informal employment to formal employment is a challenge. Detailed labour market data should be collected frequently, preferably on yearly basis to also help in generating patterns that will assist in tracking progress of the transition.

A gendered pathway

Considering that half of the Malawi population comprise of women, and majority of these operate in informal employment, Malawi has to design and implement policies and programmes that are gender sensitive. Women are among the vulnerable to decent work deficits in the informal economy. They are vulnerable to violence, including sexual harassment, and other forms of exploitation and abuse. They need to be protected and be provided with support even as they operate in the informal economy. Support should also include interventions that can enhance their productivity and formality of informal work by women. These include supporting girl education to keep girls in school; supporting women in the work place;

Multi-pronged youth focused pathway

Malawi has a youthful population, and 70% of the population is under the age of 35. This means that Malawi should be very conscious of this fundamental aspect as it designs policies and programmes. At present, the Government of Malawi is implementing a number of programmes aimed at improving the employment possibilities of young people. These programmes cover aspects such as community technical colleges and jobs for youth. Perhaps what should work more effectively in tackling the different driving forces of informality are multi-pronged employment interventions that address both the diverse needs of young people. Evidence from Latin America and the Caribbean indicates that the greatest reduction in informality rates is observed when the interventions are comprehensive. A youth employment programme implemented in the Dominican Republic since 2001, offers young people aged 16–29 a combination of classroom-based and on-the-job training, covering vocational and core work skills. Evaluations of the programme demonstrate the significant positive and lasting effects of skills investments on formality on the youth. There should also be improved access to information, as more youth are still unaware of the opportunities that are available and they can benefit from. Eligibility requirements, which for most programmes is a Malawi School Certificate of Education also exclude majority of youth from participating in these programmes.

Summary

Informal employment remains widespread in Malawi. In 2013, inequality was more pronounced in the rural areas (91%) compared to urban areas (69%), among women (94%) compared to men (84%). Among young workers, informal unemployment was even larger, and almost universal among 15 to 19 years olds.

Participation in informal employment is determined by factors such as unavailability of jobs in the formal sector, poverty, lack of education, and societal perception about role of women in the work place. To significantly reduce informality in the labour market, policies and programmes must consider the specific characteristics of the groups whose informality is to be overcome. These include lifting the barriers that constrain participation in formal employment, including equipping youth (including girls) with quality and relevant education and skills to productively participate in the labour market; providing amenities for basic public services (such as education) in the rural areas, as well as providing facilities for learners with special needs in schools. Information is key in accessing the opportunities, and government and other stakeholders should make sure that information is accessible to all.

VALUE ADDED TAX ON COOKING OIL- AN ASSESSMENT

Wame M. Pearson

The Value Added Tax [VAT] treatment in Malawi caused a lot of debate in Malawi in the year 2017. Whereas prior to the year 2017, Cooking oil in Malawi was " a taxable supply", the manufacturers pushed Government to change the treatment of cooking oil from taxable supply to exempt supply. Eventually, the Parliament passed the Value Added Tax (Amendment) Act, wherein " animal or vegetable fats and oils and their cleavage products ; prepared edible fats; animal or vegetable waxes" were treated as " Exempt Supplies" under VAT regime, the heated debate was put rest. Who benefited from this; poor Malawians or manufacturers? We shall discuss that later in this article. The Value Added Tax (Amendment) Act, 2017 provided as follows:

" Animal or Vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes under Customs Tariff Subheading 1501.00 to 1522.00"
The Government barely after 1 [one] Financial year 2018 – 2019, has brought the issue of " Cooking Oil" again to the fore and presented to Parliament The Value Added Tax(Amendment) Bill, 2019, which was passed by Parliament but at the time of writing this Article, it was not yet Gazetted. Under the 2019 Amendment Act, the above provision has been amended and now it reads as follows:
"Cooking oil under the Customs Tariff Subheading 1507.10.00 to 1507.90.00, 1508.10.00 to 1508.90.90, 1511.10.10 to 1511.90.90 and 1512.11.00 to 1512.29.00"
The effect of the above two provisions of 2017 and 2019 cannot be easily understood by a lay person who has no technical knowledge in VAT. It is imperative therefore that we discuss the principles of VAT in nutshell and proceed to the effect of the 2019 Amendment Act.

VAT or Value added tax as the name suggests, is a form of indirect tax on the value on added at different stages of production and distribution of goods and services. The Value Added is simply measured as the difference between the value of output as a result of a supply, and the cost of inputs as a result of purchases. The tax is charged on every taxable domestic supply of goods and services and on the import of goods and services, other than exempt imports.

While VAT is generally intended to tax the final consumption of goods and services, it is collected by the tax administration (MRA) from the suppliers of these goods and services rather than directly from the consumers. The Consumers bear the burden of this tax, in principle, as part of the market price of the goods or services they purchase.

Ultimately, the tax is predominantly a tax on the personal consumption of individuals and companies, and is measured by the consideration or price paid for the goods and services. The VAT design provides a mechanism for relieving businesses of the burden of the VAT they pay when they acquire goods or services. The VAT flows through the business chain so that the final consumer and, and not

the business, ultimately bears the burden of the tax. This is achieved through invoice-credit method where VAT registered person charges VAT at the rate specified for taxable supplies and issues to the customer an invoice showing the amount of tax charged.
The customer is then able, if also VAT registered to credit that input tax against the output tax charged on sales, only the balance is remitted to the tax authorities or claimed as an offset or refund by the taxpayer.

VAT rates generally can be either Standard Rated, Zero Rated or Exempt Supply. The " Cooking Oil" since the financial year 217, has been an Exempt Supply. Exempting a supply, completely excludes it from VATburden. A taxable person (like the oil manufacturing company) cannot claim credit for input tax on purchases, imports or exports related to exempt supply.
There are number of economic, social and political considerations that support the exemption of certain supply. The Minister in the Budget Statement 2019/2020 under item number 148 stated that the rationale for making " Cooking Oil" Exempt Supply as follows:
"Madam Speaker, Government has introduced VAT on some Oils of Chapter 15 under the Customs and Excise Tariff excluding oils which are considered as basic and nutritional commodities. In addition, Government has removed VAT on laundry soap in bars to make it affordable as this is also considered as a basic commodity."

Thus a supply that is categorized as VAT exempt is not a taxable supply, and therefore such suppliers are out of scope for VAT purposes. It is assumed that since VAT is paid by the final consumer by removing VAT on Cooking Oil, the Consumers [poor Malawians] shall be relieved from the VAT burden and the price of the Cooking Oil shall drastically go down. Such assumption is oversimplified and the reverse is true on its application, hence missing a point on effects of exempt supplies under VAT regime

Unfortunately, by exempting "cooking oil", it is assumed by Government and many tax payers that the exemption of supply results in the reduction of VAT burden on the supply. While this may appear to be true when the exempt supply is made by a taxable person [because a non taxable person does not charge VAT], results in an increase in the burden of the VAT on the supply. This is because the person making the exempt supply will probably have had to pay VAT on raw materials and other services like transportation, electricity, water, rentals, spares on plant and machinery and since the input VAT-incurred cannot be recovered, the VAT with burden on the cooking oil manufacturing companies or dealers is increased and the companies will have to pass all of the input VAT on to the supply as part of their selling price to the consumer [poor Malawians] of cooking oil, thereby increasing the final price of the product. Consumers should expect the price for cooking oil to go up anytime soon. Who benefits then, when the prices are increased? Has the Minister missed a point?

If indeed the considerations for exempting cooking oil was to relief the Malawians from the burden of VAT and enjoy lower prices for cooking oil, the best option was to make cooking oil zero rated and not exempting it.

Zero rating refers to the imposition of a zero [0%] rate tax on specified supplies of goods and services through credit is still given for any VAT paid on inputs. This scheme is also described in other jurisdiction as "exemption with credit". The effect of zero-rating domestic supplies achieves the objective of bringing these transactions within the operation of the VAT credit for input tax, which an exemption supply does not enjoy.

The effect of the exemption of cooking oil from VAT is that the prices of cooking oil will increase because VAT incurred by the manufacturing companies is now added to the selling price of cooking oil as production expense, since the cooking oil is exempt supply, a fortiori [for strong reasons], Malawians should warn themselves before cerebrating for exemption on one part, and cooking oil manufacturing companies may rejoice for higher selling prices and more profits on the other hand.

The taxable persons, consumers and Customs Clearing must understand the effect of the 2019 Amendment to mean that the following oil products [upon Gazetting of the Acts] shall be exempt supplies both under domestic VAT and VAT on import :

a) Soya- bean oil and its fractions, whether or not refined, but not chemically modified.

b) Ground –nut oil and its fractions, whether or not refined, but not chemically modified

c) Palm oil and its fractions, whether or not refined, but not chemically modified

d) Sunflower-see, safflower or cotton seed oil and fractions thereof whether or not refined, but not chemically modified

The further effect of the 2019 Amendment is that the following oil products are now taxable supplies [Standard rated supplies] for both domestic VAT and VAT on import ;

a) Pig fat (including Lard) and poultry fat

b) Fats of bovine animals, sheep or goats

c) Lard stearin, lard oil, oleostearin, oleo-oil and tallow oil, not emulsified or mixed or otherwise prepared

d) Fats and oils and their fractions, of fish or marine mammals

e) Wool grease and fatty substances derived therefrom

f) Olive oil and its fractions

g) Coconut(copra), palm kernel or babassu oil and fractions thereof

h) Rape, colza or mustard oil and fractions thereof

i) Linseed oil, Maize(corn) oil, Castor oil, Sesame oil , Jojoba oil, vegetable tallows, myrtle-wax, Japan wax and Tung oil

j) Hydrogenated fats and oils, Inter-esterified or elaidinised fats and oils, re-esterified fats and oils.

k) Margarine

As can be seen from the above, all the oil products which are now taxable supplies and have been removed from the exempt supply, whenever they shall be supplied by a taxable person, they shall be free of VAT to a taxable person since the VAT incurred on either purchases or manufacturing, shall be recovered through input tax credit system. Ultimately both taxable and exempt supplies are taxable supplies from the perspective of the final consumers because a poor Malawian shall either pay directly the VAT on taxable supplies or indirect pay higher price on exempt supply.

The Government, should therefore reconsider the VAT treatment on "cooking oil" if at all the logic of exempting the "cooking oil" were to make it cheaper for poor Malawians. The above applies to number of necessities falling under Exempt Supplies, under the VAT regime.

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2019 in pictures

Corporate gurus conference

Professional women's conference

ICAM/EU students debates

CSR towards flood victims

Best studets' awards

New members conference in Mzuzu