THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

Magazine Vol 24. APRIIL - JUNE 2020

EMBRACING TECHNOLOGY

Business unusual with COVID-19 in our midst

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Contents

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Editorial

The Institute of Chartered Accountants of India has a better explanation of the accountancy profession that sounds globally applicable. Enhance, enrich, upgrade, upskill. The understanding is that the professional world of accountancy is continuously evolving, intensifying and taking increasingly higher pedestal in the domain of business and finance. The accounting profession has been sine qua non of economic development, an overt force that has been part of the many government and private sector initiatives for creating systems, improving governance and manifesting sustainability.

This edition, in this challenging COVID-19 environment, carry articles that have been well crafted to enhance, enrich, upgrade and upskill accountants. As the corona virus keeps ransacking businesses, Chris Chirwa takes a look at how technology has been embraced and the seemingly possibility that technology take over has been accepted by the business community. Digital transformation has at last penetrated through the walls of the corporate world and it is here to stay.

Still on the COVID 19 issue, the ICAM President so too ICAM CEO have explained in length and breadth the measures that the Institute did put in place in containing the virus. Also clarified are initiatives undertaken to raise funds that will be utilised in the fight against the pandemic.

Taking the technical route, the magazine features an article from Alex Mkandawire that demystifies derivatives and financial risk management. He goes deep into the labyrinths of expectations theory, liquidity preference theory, the stochastic model and finally analysis of the behaviour of yield curve.

In this technical content journey we travel along with Prof. Elbano de Nuccio as he directs as on the road from non-financial disclosure to intergrated reporting. What an interesting shift. Stathis Gould also comes in leading the debate on whether a Chief Finance Officer should be an accountant by profession.

Finally, of what benefit is it to be a member of the Institute? This has been a mind boggling question to many potential members of ICAM. People can have a sign of relief now as the edition has also featured a membership value proposition, that though not exhaustive of all benefits, still highlights the key ones.

Enjoy reading the rest of the magazine.

Patrick Achitabwino

ICAM Magazine

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This publication is designed and produced by ICAM.

VISION

A reputable and renowned professional body of chartered accountants.

MISSION

To maintain at all times the highest professional standards in accountancy, through education and training for the benefit of business, government and the nation at large.

VALUES

Independence
We strive to be objective and professional in everything we do

Transparency and accountability
We are open and responsible

Adaptive
We positively respond to change

Integrity
We do the right things even if no one is looking.

Diversity
We embrace diversity.

Leadership
We lead by example.

REBOUNDING FROM COVID-19

Leadership experts have long said that we are living in the VUCA world. They call it the VUCA world because it is Volatile, Uncertain, Complex and Ambiguous. Just as we were waving goodbye to the year 2019 with 2020 flashing in the horizon, we came up with brilliant corporate and personal plans for the New Year. Within just the very first quarter, the unexpected has happened. A threat that no one else could have envisaged and reflected in the strategic plan has dropped a bombshell. COVID-19 is the new phenomena that is crashing the chains that tightly held together the world economic progress.

A new trend has been showcased in the world – a challenge to one in another corner of the world is by default a challenge to everybody. One would have envisaged that the pandemic would have been dealt with right in Wuhan but the growth of international trade has demonstrated that the world is too connected now than ever before. Corporate entities are facing uncertainty. Big economies are coming up with stimulus packages. The list of the unemployed is elongating day by day. We cannot predict the future we thought we were good enough at forecasting.

Life will still have to roll on. Great leaders emerge during the darkest moments. COVID-19 is therefore challenging humans to rise above the status quo and bring in leadership models that will harmonise the world order – socially and economically. The Institute of Chartered Accountants in Malawi had to take drastic measures in containing the spread of the virus. Firstly, the Institute suspended the June 2020 examinations.

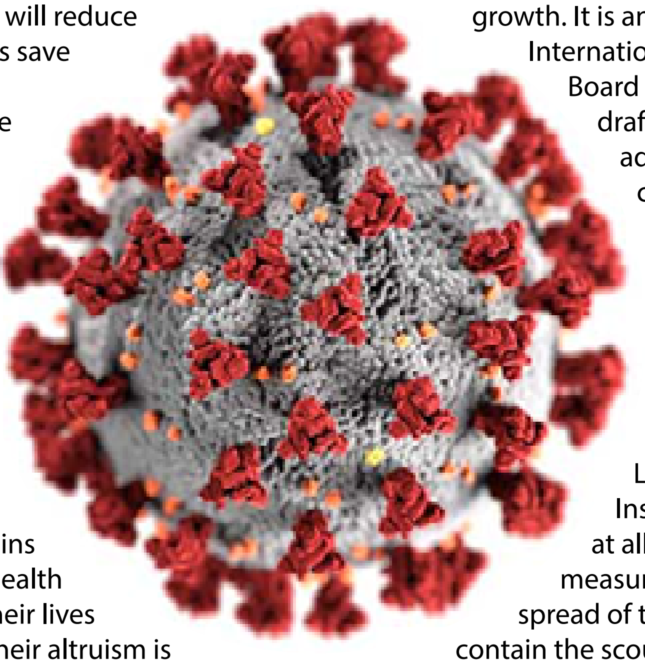
Secondly, all CPD events were suspended. A step further, the Institute issued a guidance to members on the implications of IAS 10, IFRS 9 and other standards on the financial statements for the years ended on and after 31 December 2019. The Institute will continue to monitor events and provide the necessary updates to its members and students to ensure that its activities and responsibilities are carried out without significant negative impact to all its stakeholders.

The Institute, proactively, went as far as joining the Public Private Dialogue Forum which is co-chaired by Mr. Vizenge Kumwenda who also happens to be a member of ICAM in good standing. The Institute further takes cognizance of the fact that mitigating the impact of the pandemic would require resources and to that effect members have been requested to contribute to the Fund which was set up by the Malawi Confederation of Chambers of Commerce and Industry (MCCCI).

Throughout the world mitigating measures have been put in place. Hygienic practices are being enforced. Other nations had to go to the painful extreme of lockdowns. The work culture had to adapt. More organisations have people working on shifts utilising the power of information and communication technologies to keep in touch with fellow members of staff, clients, customers, suppliers and all other stakeholders. Meetings are no longer in brick and wall board rooms. Transactions are better encouraged to shift to the electronic model.
Nevertheless, as the world is forced to embrace electronic models of doing things, caution and care should be exercised as this

brings in cyber security issues and may provide opportunities to computer hackers as well as proliferate computer viruses. Computers and electronic equipment's require strong firewalls.

One thing comes out clear, this pandemic has brought in a new working model that entities must capitalise on. Probably some positions in organisations that are output based and thrive through cognitive aspects better be accorded more to work wherever they are with the support of technology. That will reduce traffic on the roads as well as save on other costs like fuel. It is however appropriate to note that such a working model would require self-discipline as people have to treat their homes the way they treat offices. They have to respect the working hours and deliver according to agreed schedules of timelines.



At this point, the Institute joins the world in commending health personnel that are risking their lives to save the lives of others. Their altruism is beyond measure. These are people that see death face to face but they keep on moving forward to save other souls. They stand in the direct firing line of the corona virus yet they charge forward driven by the noble will to save others. The compassion and dedication that they are showcasing is worth borrowing a leaf from. Serving humanity should always supersede personal interests.

As the disease is ravaging economies, businesses and people, squeezing their survival, it is imperative that we start comprehending best models of resurrecting from the decline in business and economic growth. We will have to rebuild the economy again. We will have to implement measures that will fish people from the jaws of poverty so that they are productive in national development. To this end the Institute commends the Malawi Governments together with the central bank as they introduce and implement various emergency tax and other economic relief measures meant to support and cushion the economy including health and safety guidelines against the effects and spread of Covid-19. It's no doubt that to ensure a rebound of the economy further measures will still need to be introduced and the Institute will continue to engage the Government and other stakeholders to support this process.

Professionals have to develop methodologies and policies that will stimulate economic growth. It is anticipated that the International Accounting Standards Board will come up with exposure drafts of standards meant to address the economic challenges arising from COVID-19. The entire profession will be required to factor in its input so that standards published are a reflection of matters on the ground.

Lastly, it is the hope of the Institute that its members will, at all times, adhere to all set measures for the prevention of the spread of the virus. If we oblige, we will contain the scourge and our lives will return back to normal within a very short time.

Enjoy reading the rest of the magazine and may God bless you all and bless our motherland, Malawi.

Be safe, stay home.

Bwighane Joel Mwenelupembe

FACING THE REALITY

A great welcome to the first edition of the year 2020. At the dawn of the new year we had great expectations as a nation and as a profession. However, along the way, COVID 19 disrupted almost everything. A pandemic that traced its origin from thousands of kilometres away in Wuhan, China has spread to every continent except Antarctica. Cases are rising daily in Africa the Americas, and Europe.

COVID-19 has disastrous repercussions. UNDP has weighed in that the COVID-19 pandemic is the defining global health crisis of our time and the greatest challenge the world has faced since World War Two. Since its emergence in Asia late last year, the virus has spread

According to WHO, Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus. Medical experts have expressed that most people infected with the COVID-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment. Older people, and those with underlying medical problems like cardiovascular diseases, diabetes, chronic respiratory diseases, and cancer are more likely to develop serious illness.

The WHO stresses that the best way to prevent and slow down transmission is to be well informed about the COVID-19 virus, the disease it causes and how it spreads. WHO has therefore been advocating that humans protect themselves and others by washing our hands or using an alcohol based rub frequently and not touching faces.

The COVID-19 virus spreads primarily through droplets of saliva or discharge from the nose when an infected person coughs or sneezes. Respiratory etiquette is essential in curbing the spread of the virus. For instance coughing into a flexed elbow saves the spread of the disease. The danger facing the world is that there is still no any vaccine for the treatment of this virus.

The solace the world has is that clinical trials are ongoing. Nevertheless, hope rests in prevention.

Countries have been taking aggressive approaches in a desperate attempt to stop the spreading of the virus. Measures being effected include testing and treating patients, carrying out contact tracing, limiting travel, quarantining citizens, and cancelling large gatherings such as sporting events, concerts, and schools.

The Institute has not remained mute but joined the Government and the people of Malawi in effecting measures meant to contain the disease. Firstly, the Institute has complied with Government orders and WHO guidelines. Going a step further, the Institute suspended the June 2020 exams. This followed a Presidential ban on public gathering of more than 100 people and closure of all schools as directed by the State President.

On the technical front, the Institute issued a guidance to members on general reporting considerations. The guidance examined the impact of the disease on IAS 2 (Inventories), IFRS 9 (Financial Instruments), IAS 12 (Income Taxes), IFRS 15 (Revenue from contracts with customers), IAS 16 (Property plant and equipment), (IAS 23 Borrowing costs), IAS 37 (Provisions, contingent liabilities and contingent assets) and IAS 1(Presentation of financial statements).

On going concern, the guidance stated that entities should consider the potential implications of Covid-19 and the measures taken to control it when assessing the entity's ability to continue as a going concern. An entity is no longer a going concern if management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

The entities should consider the impact of measures taken by governments and local banks in its assessment of going concern. The entities should also remember that events after the reporting date that indicate an entity is no longer a going concern are always adjusting events as are events after the reporting date which lead to significant doubt as to whether the company can continue to operate. If, as a result of the virus outbreak, it is assessed that the company can no longer be considered to be a "going concern", this will have a monetary impact on the 2019 financial statements since assets and liabilities.

In case of significant uncertainty regarding continued operations, but not such a degree of uncertainty that it is considered necessary to file accounts at realisation values, this must be mentioned in the statement of directors' and management responsibilities and in the notes as is always the case when there is uncertainty regarding continued operations. Material uncertainties that might cast significant doubt upon an entity's ability to continue as a going concern should be disclosed in accordance with IAS 1.

Furthermore, the guidance stated that due to the contagion effect of Covid-19, both healthwise, economically, socially and financially, the Covid-19 pandemic has far reaching ramifications. As a result, IFRS reporters must have a thorough understanding of the implications of Covid-19 on various aspects of their businesses in addition to wider economic considerations.

Various adjustments may be required to fully comply with IFRS. Auditors will equally need to understand and challenge management assumptions regarding the assessment of going concern in view of Covid-19 impact on the business of auditees as is the need for more diligent audit procedures and assessing their conclusion on the adequacy of management disclosures for purposes of a properly informed audit reporting process.

The Institute went on to communicate to members and students and advised as follows:

- On arrival at the Secretariat offices – members should wash their hands with soap and observe social distancing.
- Communication with the Secretariat – members were requested to communicate with Secretariat by using online communication models.
- CPD events – these were suspended subsequent to issuing the notice.
- Examinations – the June 2020 examinations were postponed until further notice. This includes conversion exams.

Management was proactive by establishing a Task Force whose main objective was to monitor the coronavirus situation and advise management on the steps to take in order to avoid the spread of the disease at the office and outside the office. Management also put in place measures at the office aimed at avoiding contracting and spreading the disease.

The suspension of examinations and CPD events has meant that capacity of the Secretariat to generate income has been affected to a greater extent. Management is currently making detailed assessment. In addition management is reviewing its cost structure to ensure that core functions are not disrupted in any way.

Enjoy reading the rest of the magazine

FCG

Francis Chinjoka Gondwe

BENEFITS OF ICAM MEMBERSHIP

WIDENING THE HORIZON – POSSIBILITIES UNLIMITED

WHY ICAM MEMBERSHIP

ICAM understands you need professional membership affiliation that sets you apart from the ordinary. The ICAM membership is unique, prestigious and illuminates a sense of pride as its sparks integrity, confidentiality, ethical compliance, professionalism and professional behaviour and commitment towards serving the public interest.

HOW YOU DERIVE VALUE

1. CA designation sets you apart

The moment you are registered, you have the CA designation appended to your name. It is a brand that is internationally recognised as ICAM is a member of the International Federation of Accountants (IFAC), Chartered Accountants Worldwide (CAW) and Pan African Federation of Accountants (PAFA). Actually, you also add the prestigious designation CAW to your name.

2. Enhanced visibility and career prospects

Enhanced your visibility and standing in the accountancy world. You join the elite group of the highly sought after and respected professional chartered and diplomate accountants. That open doors to further career growth and market attractability as more and more employers have become magnets of CAs that are also affiliated to the Chartered Accountants Worldwide.

3. Regulation and adherence to ethical behaviour and highest standard of discipline

Add to that the dosage that you become part of the cream of accountants that are strongly regulated to ensure that they are professionally upright, they are ethically pure and are morally sparkling. That breathes into the market confidence in the ICAM members and are therefore looked upon with trust and unparalleled competence.

4. Beneficiary of reciprocal agreements

For those that have the dream to take their accountancy mantle into foreign land, they are beneficiaries of the reciprocity for mutual agreements to which ICAM is a party. Consider this – CA Malawi qualification is recognised beyond the borders.

5. Technical assistance

Struggling with the understanding of technical aspects of standards and application of some taxes becomes easy with ICAm membership. Through a phone call, an e-mail or whatsapp to the technical and membership department, a member is accorded tailor-made answers to enquiries made.

6. Quick bank loans, reduced rates for hotel and special premium insurance rates

Amazing further it is that ICAM membership puts one in the league that accesses accountants' tailor-made loan facility with FDH Bank which is approved within 48 hours. Access also extends to special premium rates for insurance services at BRITAM and special rates for accommodation at any Sunbird Tourism hotel in the country.

7.Remaining relevant through CPD

Worth considering is enhancing one's professional competencies through value adding CPDs. ICAM members access some free CPDs as well as pay discounted rates for paid CPDs. Other knowledge sharing models include the ICAM magazine and the ICAM bulletin

WHAT NEXT

Are you registered? It is never too late. Call 01 811 301 or e-mail icam@icam.mw for a registration form. Remember to indicate your qualifications for proper guidance on membership category

Derivatives and Financial Risk Management Hub

Alex K Mkandawire; MBA Finance

In the past years there was some major, important talk, publications regarding how the cost of borrowing was expensive and choking the business environment and this sparked fierce debate on interest rates, leading to suggestions of interest capping and floors, justified by high interest rates which denied citizens and local businesses access to the much needed start up capital for small businesses and working capital for sustenance of established businesses.

Also noted was the wide basis between borrowing and lending rates, whilst lending rates were very high hence prohibitive in nature, in that repaying of interest and principle would push entities into financial distress leading to default, financial institutions return /reward on customers deposits were very low, for returns to be significant on deposits an investor needs to have a huge free cash flow and there preferred time to redemption/maturity plays an important role in the negotiated short term money deposits rates.

Major borrowing by Government also contributes to the liquidity squeeze, as high interest prices usually accompany such borrowings; it becomes difficult and expensive for the private sector to access finances, reducing investments in this critical sector which drives growth, hence leading to crowding out effect. If you review the audited financial statements of listed and not listed financial institutions, as they report their performance and earnings for the December 2019 close of period, you'll note the bulk of interest income reported is earned through different financial instruments issued by Government. However, since the relaxation of central bank policy rate (CBPR) and the liquidity reserve requirement (LRR), private sector credit has picked up and Government borrowing is on a decline. This is a positive step and expectations of further drops in overall interest rates are still high.

In the heat of the debates, the policy rate was seen to have a significant role to play, as this is considered as the signal to the capital markets and constitutes the minimum or base lending rate for financial institutions determined by the monitory policy committee of the regulator. In the process, the central bank resorted to reducing the rate, this reference rate, coupled with the credit quality standing of the prospective investor/borrower, would ultimately determine the cost of borrowing. Since the easing-off of the policy rate, a reset/repricing of interest rates was inevitable and effected by financial institutions' giving rise to price and re-investments risk. A drop in the cost of borrowing and some smaller increase in the investments return has been noticed and felt by relevant participants in money markets, term instruments and bond markets.

All this has been triggered through discussions on the appropriateness of the prevailing yield curve and has compelled me to write this article on the behavior of the term structure of interest rates, thus the relationship between interest rates and time. Three traditional theories seek to expound and demystify the behavior of interest rates; the expectations theory, market segmentation or preferred habitat and the liquidity preference theory. And modern theories of behavior of interest rates which depend on stochastic models to explain the term structure.

The Expectations Theory

This theory advocates that the shape of the yield curve is determined by market participant's views of on the future course of short-term interest rates and demand for securities of a particular maturity. For instance there are two bonds outstanding in the market, one year and two year bond. These zero coupon bonds pay all their income at maturity, their market prices are expressed as a percentage of their face value which is 100% as depicted below;

Maturity	Bond price	Yield equivalent to
One year	92.59	A one year yield of 8%
Two years	84.17	An annual yield of 9%

Lets assume that investors want to take advantage of the current yield curve, and they have two choices, to buy the two year bond or to buy the one year bond and reinvest the proceeds in one years time at the then prevailing one-year rate. The implied one-year rate in one-year can be found by calculating what the value of the two year-bond will be in one-year, hence using the one-year rate of 8% which gives a value of (84.17 x1.08) equals 90.90. The expected return for the second period is 100/90.90-1% equals 10%

This therefore indicates that investors expect the one-year rate in one-year time to be 10%. However if investors do not believe that this is not the case, then they have two strategies that would allow them to arbitrage or benefit from the current term structure.

Actions under the expectations hypothesis of the yield curve based on investors expectations of the future course of interest rates.

View on the one-year interest rate in one years time	Action	Effect
Less than expected < 10% (1)	Buy the two-year bond yielding 9% and borrow for one year at 8% by issuing a one year bond, then refinance at the prevailing one-year rate in one year	If the refinancing rate is below 10%, the investor will make a profit on the difference between the current expected one-year rate and actual cost of borrowing
More than expected > 10% (2)	Borrow for two years at 9% by issuing a two-year bond and invest for one year at 8% in the one-year bond, then reinvest at prevailing one-year rate in one year.	If the interest rate is above 10%, the investor will make the difference between the current expected one-year rate on borrowing and the actual one-year rate on the investment

In order for the prices of bonds to be in equilibrium, the two effects in the above table should or must cancel out. Otherwise increased demand for issuing one-year or two-year bonds and investing in two-year or one-year bonds will cause their prices to change in the market. To demonstrate, if market participants believed that the one-year rate in one year was going to fall to 9.75% the would be willing to substitute or pay up to 84.37 for the two-year bond in pursuit of strategy (1) above. The additional demand forcing an increase on the current price of 84.17. This is due to the fact; investors would expect to earn 8% in Year 1 and 9.75% in year 2. So the two year bond should have a value of (100/10.975) 91.12 at the end of year one and 84.37 today (91.12/1.08). Formally, the expectations theory states that the expected return on a security of whatever maturity is the same for the same holding period. Thus investors expect to earn the same return from holding a two year security for one period as would be obtainable from holding a one-year security for one year.

Another way of seeing interest rates under such theory is to say that any long-term rate is the geometric average of the expected short-term rates that go make to make up the long-term rate. To conclude, with the examples provided, the expectations theory postulates that long-term interest rates are largely determined by short-term interest rates and the degree to which short-term interest rate are correlated across time.

The liquidity preference theory

This theory proposes that investors require a maturity risk premium as compensation for holding longer maturity investment. Emphasized by the fact, the longer the maturity of a security, the greater the price risk attached to it. A one-year bond at 10% yield will have a price of 90.91; a change in interest rates to 12% will reduce the bond price to 89.29, a reduction of 1.62 or 1.8% rounded to one decimal. For a three-year or five-year bond the corresponding values will drop. As a result risk-averse investors concerned about changes in interest rates will be seen to have preference for safe and easily realizable or convertible investments, that is, those investments with the shortest maturity - and require an increased return/yield to compensate them for investing in longer less attractive maturities that have more price risk. To conclude, if the liquidity premium exists and is a function of maturity, this means that the shape of the yield curve would be upward sloping. This also means that the implied forward rates derived from the yield curve under the liquidity premium theory will overstate the expected short-term rate when the yield curve is upward sloping and understate the expected short forward rates when the yield curve is inverted or downward sloping.

Market segmentation theory or preferred habitat

This theory proposes that market participants have a preferred maturity range or “habitat” in which they like to borrow or lend. The yield curve is therefore a series of maturity segmented markets. Under this hypothesis supply and demand factors in the market segments, which include market participant's expectations about the future course of interest rates will determine interest rates at different maturities. Hence borrowers who may expect interest rates to rise would have an incentive to borrow for long maturities and lenders would prefer shorter ones. The degree to which investors are willing to accept maturity substitution will dictate how segmented the market is. The further from their natural maturity habitat investors are taken, the less the substitution. Consequently, for example there is probably a fair amount of substitution between instruments with 3-months and 6months maturities but not between 3 –months and a 10-year one. So, decreasing acceptance of substitution as market participant's move away from their preferred habitat arises because demand is driven by the preference of maturities that match assets and liabilities. Therefore the result of this preferred maturity requirement is that the market is ‘segmented' by maturity. Under this theory then, the yield curve is not uniform and may not give as clear a signal of the markets view on interest rates as under the expectations theory, due to attitude of markets participants to different securities will depend on whether they are forced or to move outside their investment horizon.

The Stochastic Model

The stochastic process for short term interest generating process articulates how the short term interest rates for short term maturities changes through time, the model defines the change as a characteristic of two components. The deterministic process that

brings the rate back to its central tendency at a given rate per period and a random variable taken from the normal distribution with a mean of zero and standard deviation of 1. The deterministic component is required to account for the observed “mean reversion” of interest rates, the stochastic element for provides for the unpredictable changes in interest rates.
This has some implications on the pricing of options. The basic option-pricing pricing model assumes that the variance in the stochastic process is an increasing function of time, clearly this is not tenable when pricing option on interest rates if the latter reverts to the mean. In Cox-Ingersoll-Ross (CIR) model, the variance of interest rates will not increase with time. This point also applies to the observation that long-term interest rates are less volatile than short-term rates. If the stochastic process generating short-term rates reverts to the mean and if long-term rates are made up of a series of short-term rates, the long-term rates will have a lower observed volatility than short term rates.

Analysis of the behavior of yield curve

In managing risk, we want to understand the implications of changes in the yield curve on the value of an asset or position. The spot rates derived form the yield curve provide interest rates for valuing future cash flows, the term structure hence is fundamental in deriving the markets set of discount rates for each period which are used to present value future cash flows. We can anticipate changes in the yield curve and in-turn the set of discount rates to value an asset; will arise from changes in economic and especially monetary conditions. Understanding interest rates and its sensitivity hence as a risk factor for cash flows to be paid or received in the future affecting their present value aids in the management of interest rate risk by risk managers.

Finally, let's isolate or decompose the interest rate into its components part that is the nominal rate that we've been discussing this far in the article, consists of two other elements, a real interest rate and inflation premium as indicated below;
(1+ R nominal) = (1+R real) * (1 + expected inflation), Where R nominal is the observed interest rate and R real is the real interest rate. In a World of no inflation rate, the nominal rate will equal real rate. If investors expect to earn a real rate of 4.5% and inflation is anticipated at 7.5% we expect the nominal rate to be (((1.1234) = (1.045) x (1.075)) - 1) x 100 = 12.34%. Empirical evidence seems to suggest that real interest rate is a constant and it changes slowly over time. If the real return is constant, then the additional interest cost is due to high expectations of inflation in future. The usual policy response to evidence of overheating in an economy and an increased likelihood of higher inflation in the future is to tighten monetary conditions by raising short-term interest rates. This will have a beneficial impact on expected inflation in the future. And the inflation premium in nominal rates will decline as future expectations are reduced.

This concludes the article and i hope the reader has increased their knowledge in this area and you can confirm the facts in this write up next time you enter your financial institution, ask the responsible officer to break down the monetary interest rate for you and compare with the current rates of inflation and real interest rate.

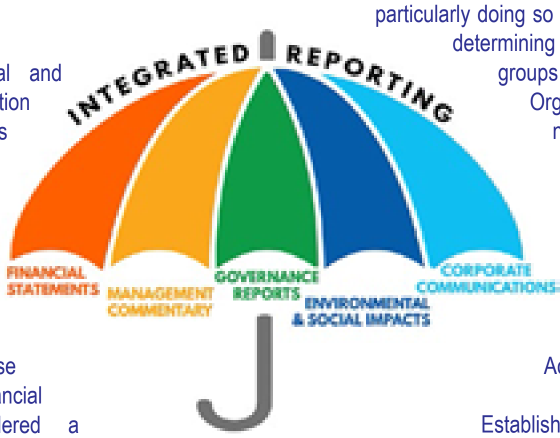
Feedback; Alex Mkandawire, “kanyemkandawire@gmail.com” Text; +265880877184.

FROM NON-FINANCIAL DISCLOSURE TO INTERGRATED REPORTING

Prof. Elbano de Nuccio, Board Member, IFAC

The present time is characterized by constant business changes, which have a major impact on the competitiveness, growth, efficiency, and survival of any enterprise. Business entities must respond to the ever-changing market situation and be able to adapt to these changes professionally.

The increase of entrepreneurial activities is a major issue on which the sustainability of future growth depends. Business entities do not only focus on financial aspects, but also must focus on development as ability to learn, innovation, and the use of information. Moreover, they must continually improve relationships with customers and suppliers. In this context, interest in and adoption of integrated reporting including a company's financial, environmental, social, and governance performance is growing rapidly. Non-financial disclosures have always played a secondary role compared to financial disclosures, which have continuously been considered the most critical reporting tool for representing a company's dynamics. Despite this, social and environmental budgets are rooted in the distant past. Initially, non-financial information was marginal and included in financial reports. However, the growing importance of social, environmental and governance issues in the last thirty years began to lead to the preparation of autonomous and independent non-financial reports. These reports have become increasingly more complex and articulate as they include a wide range of information aimed at satisfying the needs of various categories of stakeholders.



At first the separation between financial and non-financial disclosures brought information benefits due to the expansion of the topics disclosed; subsequently, instead, it eliminated the well-structured requirements of the reporting system. In some cases, the social and environmental reports were not coherent not only with respect to the reporting system but also with a business' strategy (and the related competitive and financial dynamics). The autonomy to disclose non-financial information compared to financial disclosure obligations can be considered a consequence - and in some cases a cause - of a multi-capital dimension not being included in the vision, mission and strategy of a business.

The impact on non-financial performance appears to be strictly interconnected to financial performance (the 'connectivity' of the six capitals of integrated reporting), as the achievement of the objectives of each dimension favours the achievement of positive results in the others. Consequently, financial objectives must be combined synergistically with socio-environmental objectives. In this way, profit becomes the expression of a superior ability to satisfy the expectations of all interlocutors, which, in turn, generates stakeholder approval, producing trust, cohesion and motivation, increased competitiveness and, from a circular point of view, contributes to improve financial results.

Within this context, the need to integrate different types of information has become increasingly evident. A sustainable society requires its companies to have sustainable strategies, defined as those that create value for shareholders over the long term while meeting the needs of other stakeholders and not taking excessive or uninformed risks. Integrated reporting is both the most effective way to communicate a company's performance in implementing a sustainable strategy and a form of discipline to ensure that it has a sustainable strategy in the first place that leads to long-term value creation.

Universal adoption of integrated reporting needs to happen soon. The rapid and broad adoption of high-quality integrated reporting is an imperative for our capital markets and our society.

A sustainable society cannot be created if simply a small percentage of leading companies are practicing integrated reporting, no matter how large and important they are in terms of revenues, market capitalization, and reputation.

Regulation is necessary if the full value of integrated reporting is to be realized and enabling users to compare and benchmark companies, at least within a sector. Our capital markets would not be as large and efficient as they are today without accounting standards which establish comparisons that enable investors to allocate capital in the right way. Accounting standards also enable companies to benchmark their performance and encourage continuing improvement. Thus, regulation will be necessary to specify the framework for integrated reporting and what standards should be used for reporting on non-financial information.

There are significant challenges to accomplishing both of these goals, particularly doing so on a global basis. More difficult is the problem of determining standards for non-financial information. Various groups have made substantial contributions. Organizations seeking to establish standards for non-financial information, typically NGOs or professional associations, both cooperate and compete with each other. Competition can spur innovation and produce alternatives so that the best choice becomes clear. But it can also result in repeating history as happened when accounting standards were set by each country and there were multiple versions of Generally Accepted Accounting Principles (GAAP).

Establishing and enforcing reporting standards is a difficult and contentious terrain, especially doing so at a global level. IFAC's Point of View on Enhancing Corporate Reporting, sets out IFAC's perspective which maintains that the reporting ecosystem, consisting of multiple and competing reporting workstreams, does not best serve the interests of capital markets, companies or their stakeholders. IFAC believes that integrated reporting, bringing together the relevant information about a company, provides a holistic picture of performance and provides insights on an organization's ability to create sustainable value over time.

While IFAC encourages regulators and standard-setters to use the International Integrated Reporting Framework as a foundation for incorporating and organizing information about value creation and impacts covering both financial and non-financial information, the demand for standardization of non-financial information gathers pace. To this end, Accountancy Europe recently issued Interconnected Standard Setting for Corporate Reporting. This introduces four options for a global solution to interconnected standard setting in the corporate reporting system. The question is now whether there can be a concerted effort among a wide range of stakeholders to drive global standards.

Pictures credt: IFAC website

SHOULD THE CFO BE AN ACCOUNTANT?

Stathis Gould
Director,
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IFAC

The Chief Financial Officer (CFO) is an important role – and one that continues to expand and +transform. As growing uncertainty and risk permeate every organization, and businesses begin to think about value beyond a shareholders' perspective, the CFO role is an increasingly central one.

These changes beg an important question: should the CFO be a professional accountant?

Where Are we Now?

I attempted to answer this question in 2014. At that time, the data showed that having an accountant in a CFO role was far from universal. This trend has only deepened over time.

A recent survey of the 1,000 largest U.S. public companies found that the proportion of CFOs who are certified public accountants fell to about 36% in 2019. This is the lowest figure in six years, down from 46% in 2014.

The analysis suggests that, in the U.S. at least, the pendulum has swung again from the significant pressure to have technically competent, accounting-literate CFOs following high-profile corporate failures and the Sarbanes-Oxley Act of 2002, to a preference for CFOs focused on capital markets, equity and debt financing, and externally communicating to the market. Consequently, senior accounting and controller positions are typically occupied by accountants.

In the UK, on the other hand, an accountancy qualification is typically required to become the CFO of FTSE 100 companies. An accountancy background is also a good route to the top with a fifth of FTSE 100 CEOs being accountants.

There are time-tested benefits to choosing a CFO who is a professional accountant and a member of a professional accountancy organization. In addition to their continuing professional development obligations, professional accountants must adhere to the Code of Ethics for Professional Accountants, which is anchored by the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. If a professional accountant breaches the Code of Ethics, they face consequences such as financial penalties or losing their membership to the profession.

The CFO of a public interest entity is, in many countries, responsible for a company's financial management and signs off on its financial statements. This inherently represents a public interest responsibility and a professional accountant in this role provides confidence to the market and stakeholders.

The question of whether a CFO should be an accountant – while important – misses a larger point about the future of the accountancy profession and what motivates people to join it.
The reality is that most professional accountants do not necessarily strive to be CFOs when they "grow up". Career paths are no longer linear and hierarchical.

Changing Career Paths

With the expectations on CFOs and their finance teams changing, many new roles and opportunities are on offer. Accountancy is now seen as a pathway to a career in business – and securing the CFO position is not often the end-goal. Many accountants apply their business and finance skills in commercial or operational roles. Others assume strategy and planning-based roles. And many hold senior positions beyond finance and accounting.

Career pathways for accountants are increasingly non-linear. The ACCA report, Future ready: accountancy careers in the 2020s, shows how career paths in the profession will become more diverse as technology blurs the work divide between humans and machines.

The research shows that career pathways are, and will be, less anchored on the traditional hierarchical and pyramid-shaped organizations. This means that lattice career trajectories will prevail as organizational structures become more fluid and traditional hierarchies are reimagined. In flatter organizations, upward progression is not as important as it once was. Indeed, new approaches to securing needed talent and a distributed workforce will mean more contingent or contract work.

Accounting and finance professionals are already working within organizations to improve decision-making and business performance in a range of settings– a trend we expect to continue in the future.

Accountants now work in a variety of areas, including financial planning and analysis (FP&A), information systems, technology and data, commercial or business analysis, planning, appraisal, cost, risk, project and sustainability management. Accounting professionals also contribute uniquely through

specialist roles, such as in treasury, reporting or investor relations.

The Rise of the Chief Value Officer

In addition to evolving accounting roles, today's CFOs are experiencing another kind of transformation. CFOs and their teams must increasingly focus on accounting for value creation beyond a balance sheet or shareholder perspective.

IFAC believes that the CFO role will evolve into a "Chief Value Officer" (CVO) role, which will focus on accounting for the business and value creation. The CVO must ensure that all relevant aspects of value creation and destruction are accounted for and communicated to boards, management, and external stakeholders.

This transition will lead to a greater diversity of professionals occupying the CFO seat. And the more experiences and competencies these professionals bring to the table, the better they will be able to deal with a broad set of stakeholders, and to address a wide array of opportunities and risks facing the organization.

Revisiting the Question "Should a CFO be an Accountant?"

The initial question I raised yields no specific answer, but instead reveals two important points:

1. The evolution of the CFO and finance function is inevitable and represents a great opportunity for professionals – whether they are accountants or not; and

2. The skills that professional accountants possess transcend disciplines and functions – which is important as skills become more diffuse and must support value creation and protection.

The attraction of accountancy is that it provides a range of challenging and unique opportunities in business and the public sector. With a focus on solving business problems and preparing for future challenges, it is not only the CFO role that provides accountants with a platform to make a difference.

The Stairway: OUR DREAM

by Tione Chirwa

Ladies and Gentlemen, Malawi as a country has been dreaming and keep on dreaming of better Malawi than what we see every day. I believe way back before colonials this country in its deep life dreams, unfortunately many of its dreams turned into nightmares. We know the past is there for us to learn from, today is for us to live and manage the future. The question has always been what have we learnt from the past, how are we living today, and what are we carrying for us to achieve in the future. But how can we carry this dream to the future if we don't know the dream. Other questions are; who will carry this dream and fulfill it? , how will he carry it across, how will he fulfill it? Malawians what this country needs is a person who has seen the nightmares (may be experienced and felt it) at the same times knows the dream properly. The person should not just be a dreamer but the one who will turn the nightmare into a perfect action. He should explain perfectly how he will turn the nightmare into the perfect dream and reality. I believe it's time to get rid of all people who always turns our dreams into nightmares, or those who are nightmare themselves. I also believe we don't need people who think of themselves highly than others. What we actually need is someone (or people) who understand that their dreams are not important and should not be important. But what is important is helping others fulfils theirs (unless this is their dream).

But how can we carry this dream to the future if we don't know the dream.

What is the dream for this person (president) to lead to achieve? For a long time Malawians have been dreaming of vibrant, stable and prosperous economy. An economy that everyone have a full participation, from a Teacher to a Medical Doctor, a consumer to a businessman. From a poor person to a rich person, young and the old. I believe young people dreams of an economy where their business ideas could be supported both by private and public institutions, and not based on empty grandiloquence. I believe young people dreams of country where after leaving college,

University or any other learning institute they will find work (self or employed by other institutions). I also believe it's a delight to have taxes at real work in the economy; to have high standards roads network-on both ends quality and quantity (imagine a multi-lane carriageways (may be treble or more) from Dowa turn off (M1) to Kamphata turn off) –we need to be thinking 10 or 20 years ahead.

It's a nightmare to send a sick person outside of this country for medical attention (for those who can manage).Its a terrible nightmare for poor mothers in rural areas to take sick children to district or central hospitals for quality medical care. More horrific being told to buy medicines in private pharmacies because there are no prescribed medicines in public hospitals. I also believe its ghastliest nightmare to a doctor to prescribe a drug that the hospital don't have unless if he doesn't care.

I have been having a series of questions from series of thoughts; when will teachers find their jobs so exciting looking the way they struggle to find materials in order to execute their job properly, yes money is not enough considering that the richest man in the world keep on working hard to get more but when will they get very good pecks. When will policemen transferred from tin houses into very good flats at area 30. Ladies and gentlemen if these servicemen are still having nightmares in these houses then the perfect dream is far from being realized (sometimes I don't feel sorry on their pecks due other issues –to be tackled in another article). When will a farmer turn his sweat from sour to sweet? Yes, in liberalized economy market forces controls the markets, but where are the policies to lubricate the market forces in order to move perfectly. Where is the political will to ensure good prices for all produce? When will ours leaders (all parties) sincerely accept that there is nightmare and truly adopt the Malawian dream. When will they gazette this dream and say now on wards we will be moving according to this dream and not party's dreams.

When will professionals start to be professionals , if an Accountant ,an Economist, a Financial Analysts , a Lawyer, a Pharmacists an Engineer, a Medical doctor being on the center of corruptions and fraudulent misrepresentations. If people guided, skinned, dressed and immersed in ethics and code of conducts are such professional crooks and what will greedy politicians do. Deep in the curriculum vitae of many of our politicians are professionals but many times they undress the honour of professionalism and dress the honour of greed. This in the process kill the great dream of our land.

ICAM GOES DIGITAL

Change is the only thing that remains constant, so it is said. The COVID-19 pandemic has revolutionised the way businesses are carried out. More organisations are capitalizing on digital platforms in service delivery. As social distancing is being advanced as one of the best models in curbing the spread of the virus, electronic interfacing has become the surest means to beating the physical social distancing.

ICAM has also embraced digital platforms. Its technical committees meet through Zoom internet service. The Mandala Building Project task force has been leading in this regard, meeting through zoom to assess progress. The Ethics and Investigations committee has also immersed itself in this digital world and meets through zoom.

Eventually, several considerable advantages have arisen in this regard. Firstly, committee members are in the comfort of their houses or homes but are able to take part in a meeting. This takes away time for travel and also saves costs. Since most meetings are held in the evening, traffic has always been a problem. With zoom meetings, adherence to time is complied with but also deliberations center on key matters as the meeting can only run for 40 minutes. This ensures efficiency and prioritization of matters.

Members have also embraced this digital platforms model of doing business. Payments are made through bank transfers with proofs of payment communicated to ICAM through e-mails and whatsapp to the greatest convenience of members.

Going forward, it would appear that post COVID 19, the model of doing business will lean towards the digital world. As people will have cherished the convenience of technology so too their patterns of service delivery will be aligned to the digital world. The COVID 19 pandemic has opened the world to the working models that were least embraced despite being convenient, fast and efficient. The era of technological absorption is now here

Know Your Member

In this issue, we introduce **Pamela Mubbunu** a member of ICAM. She is currently serving as Dean of Faculty of Commerce at Malawi Assemblies of God University (MAGU). She attended her higher studies at Malawi College of Accountancy (MCA), BPP College and Leeds Trinity University.

Her first job was Data Clerk. She is now an academic.

She has a message for the youth aspiring to become chartered accountants: 'Ensure that you have someone to mentor you.

Always aim at developing your skills which will be relevant for your future job.'

To be featured on this page, members should submit the following information to *icam@icam.mw*:

Name:..

College: ....

First Job: ....

Current Job:...

Advice to the youth:....................................

BUSINESS TECHNOLOGY WILL NEVER BE THE SAME…

Covid-19 digital transformation

Chris Chirwa, Freelance writer

> In most organizations digital transformation was perceived to be years away, until Covid-19 hit, and the business strategies became obsolete and were due for immediate reviews.

I should start by saying that my thoughts and prayers go to the families who have been affected in one way or the other by the Covid-19 pandemic. A lot of people have been infected and got sick. A lot of people have lost their lives. Further to this a lot more people have been affected by their friends and relatives who have been sick.

In many ways, each of us has been affected adversely in one way or the other, in ways I cannot start to fathom or put 'pen to paper'.

3 months after Covid hit so hard, when the count of confirmed infected were 2.6 million and the number of deaths had reached over 185,000, I received a WhatsApp message from a colleague who is a director in one of the banks. The picture depicted something like "who led the digital transformation for your company?", the question had multiple choice answers a) CEO, b) CIO and c) Covid-19. Sad as this may sound, there are things we never thought we were capable of adapting prior to Covid. To make it worse, there were initiatives which a lot of organizations have been compromising in exchange of short-term gains and in the name of cost cutting. However, in the midst of Covid-19, we have all come to realize on how slow we all were to adapt to modern ways of working and doing business. We have all been exposed somehow on how the term digital transformation is a household name and yet our digital strategies do not show our readiness.

A week prior to writing this column I received a forward from one of the WhatsApp 'subscriptions' which I have from a gentleman called Imran. The topic was, "what will not be the same after Covid?". It dawned on me that technologically, the world will never be the same again.

Let me start with the most common platform which has seen an exponential growth in usage and in subscriptions. Video conference platforms have seen a surge. Due to the global travel restrictions and social distance guidelines which accompany Covid-19 pandemic, most organizations have quickly adopted video conference platforms. Thanks to easy to use solutions such as Zoom and Microsoft Teams. Most organizations are carrying out internal meetings, external meetings, and board meetings on video conference platforms. The experience which has come out of video conference meetings has also made us realize on how some of the physical meetings can be unnecessary and protracted. For this reason, I can foresee a permanent adaption of video meetings, even after the eradication of Covid-19. We will see less and less travel for meetings unless it is very necessary. The upside is that less travel releases a lot of time for productivity and the cost savings can not be overlooked as well. In short business travel will be subdued and business will have to rely on platforms like Microsoft Teams and Zoom unless if it is necessary.

Online training, whether it be a virtual class or in other forms, has been around for years. However, there has been a slow uptake or resistance to take it up. Suffice to say that there are some trainings which by their nature need physical engagement. The pressure which has been there for the corporate world to ensure that skills development does not stop during the crisis has forced participants to enroll for online courses. To the surprise of many, most participants have expressed satisfaction with the arrangement. These are the same trainings which participants used to travel long distances and at times connecting flights just to attend a 2-day training which now can be offered online. I can see the trend of online training going on, especially now that the executives have an added cost optimization and productivity motivation.

The most disruptive concept during this pandemic period is the working from home policy. Most organizations do not have any work from home policy mainly because we never anticipated a day when there will be no option but to work from home. The processes in most organizations are designed for workers who are in physical clusters. This has brought with it a lot of challenges. Maintaining the same levels of productivity has proved very difficult. The challenges range from different age groups for the workers and the fact that most homes are not set up for 'working from home'.

Working from home is associated with potential security risks. When workers and devices are operating from an enterprise physical location it is easier for the IT departments to manage them. It is difficult if the same devices and workers are spread over a wider radius, not to mention the physical access risk for the enterprise devices.

Most organizations have made new investments in mobile devices and at the same time have seen a surge in connectivity costs. Substantive system configurations had to follow to ensure the synergy of all these new disjointed devices.

Banks have for years been trying to drive queues away from their banking halls. For years banks have wanted customers to visit banking halls only for transactions which cannot be done online, considering that most banks have automated a lot of their transactions. Banks agenda has been to drive queues away from banking halls. With the Covid-19 crisis most users have been left with no choice but to adopt electronic banking. When these customers realize and experience the convenience of electronic banking they will never move back even after the end of the pandemic.

By now you must have figured out that the Telco's are at the heart of the success of digital transformation, more so the current one influenced by the pandemic.

Organizations are working in reverse to ensure that there are policies to support working from home. Organizations are also working hard to catch up on automation of processes and workflows which relied of physical and manual approvals for decisions to take effect. Electronic document management systems have never been appreciated and sought after than now.

For years, the global supply chain for most technology products has largely depended on China. Major tech companies have their factories out of China. The situation could have been better if organizations had other geographical options for supply when China closed, since it was where the pandemic originated from and hence the first to be on 'lockdown'. Going forward I can predict that, at the global economy level, there will be interventions to mitigate the risk of overdependence on the China supply chain.

In the grand scheme of things, the success of digital disruption during the pandemic will, to a larger extent, depend on the quality of the organizations' leadership and their corresponding revised strategies. Leaders will have to be progressive and concentrate on productivity and output than presence.

At the end of the day, when the time comes to go back to what was initially perceived to be normal, there will be some parts of normal which we will never go back to.

History usually repeats itself and there will always be innovations which will be disruptive. Organizations need to be innovative in order to still be relevant in these difficult times where at the global level we are faced with this pandemic. There are some technologies which have already emerged which will disrupt the market.

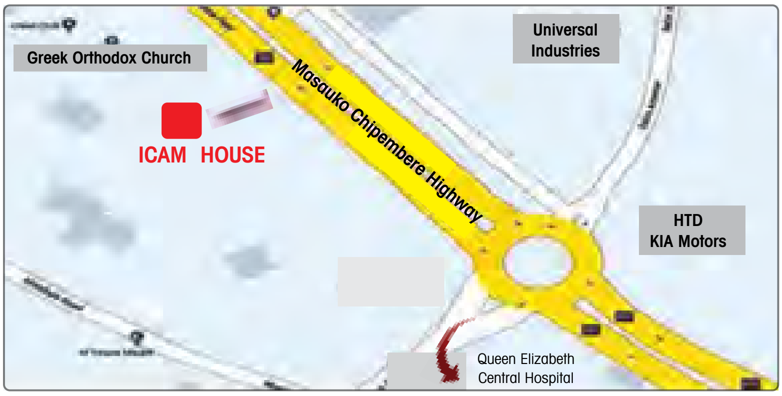
Leaders should have the sobering reminder that even the strongest of companies can fall. The smaller and innovative companies come in and outwit the larger and slower rivals. If organizations are to survive the Covid-19 impact, this is the time that its leaders should bet the business by going into areas that, traditionally, have not been their strengths.

ICAM THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

WE MOVED

The President, Council members, Management and Staff of the Institute of Chartered Accountants in Malawi (ICAM) are pleased to inform all stakeholders and the general public that they have moved from Stansfield House along Haile Selassie Road in Blantyre to ICAM House on plot number BE31 in Mandala along Masauko Chipembere Highway (Next to Greek Orthodox Church, opposite Universal Industries).

We are reachable on the following telephone numbers:
♦ **01 810 318** ♦ **01 810 423** ♦ **01 811 301**



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