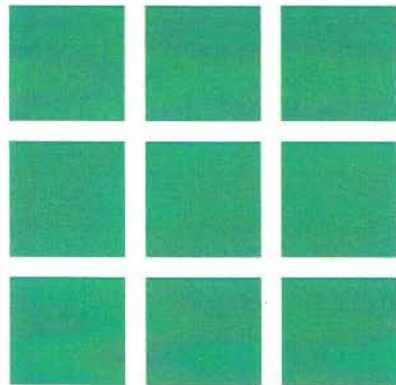


00103

BBA

REPORT ON HOW ACCOUNTING TOOLS HELPS ORGANIGATION TO ACHIVE THEIR GOAL

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SQUARE





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- format mistakes
- References?

Course Code # MGT498
Course Title # Project paper

Prepared for

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Department of Business Administration
East West University

Prepared by

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ID: 2002-3-10-096

Submission date: 17th December 2006

EAST WEST UNIVERSITY

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Acknowledgement:

In preparing the report on, "**SQUARE TEXTILE,ACI ADVANCED CHEMICAL INDUSTRIES & BEXIMCO TEXTILES LTD**" for the course MGT 498 (Project Paper), I have received wholehearted cooperation and assistance from our honorable MGT498 teacher Shariful Islam, classmates . I want to express our gratitude for their kind cooperation.

I would like to thank the employees and the Deputy Manager of **SQUARE TEXTILE, ACI ADVANCED CHEMICAL INDUSTRIES &BEXIMCO TEXTILES LTD.** for their kind help and many informative discussions.

Without their help it could not be possible for me to prepare this term paper.

17th December,2006

Shariful Islam
Assistant Professor
MGT 498 (Project Work)
Department of Business Administration
East West University

**Subject: Submission of Report on how Accounting System
helps organization to achieve their goal.**

Dear Sir,

I hereby students of BBA are eager to transmit my final report on **SQUARE TEXTILE ACI ADVANCED CHEMICAL INDUSTRIES & BEXIMCO TEXTILES LTD** as a partial requirement for the course of MGT 498(Project work). I would like to inform you that we took great pleasure in preparing this report. I have to work hard and concentrated on **“SQURE, ACI & BEXIMCO TEXTILES LTD ”**.

While preparing this report I had a lot of fun and had gained a lot of knowledge. I learned about Textile, which used in many purposes.

During last few days you considered a lot of valuable time with me to make this report properly. Your teaching and crafty guidance made it possible for me to prepare an effective report successfully on **“SQUARE TEXTILE, ACI ADVANCED CHEMICAL INDUSTRIES & BEXIMCO TEXTILES LTD ”** and I apologize for any possible mistake.

I would like to thank you for everything.

You're sincerely,

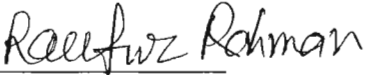

Raufur ~~Rahman~~



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Executive Summary:

Textile products, Chemical & are in Bangladesh is characterized as a highly challenges and highly controlled sector. The market is getting more and more competitive day by day. This report helped me to implement our theoretical knowledge in to practice work environment.

SQUARE TEXTILE& BEXIMCO TEXTILES LTD markets Textile products, **ACI ADVANCED CHEMICAL** supply chemical in Bangladesh and this is the sole distributor of Bangladesh.

The **SQUARE TEXTILE** starts their operation in Bangladesh on 27th December 1997. **ACI ADVANCED CHEMICAL INDUSTRIES** starts their operation in Bangladesh 1989.

The textile sector, which started facing new challenges with the beginning of the past years. **SQUARE TEXTILE & BEXIMCO TEXTILES LTD** exports its products Europe and America market. As a result at the end of the Year **SQUARE & BEXIMCO TEXTILES LTD** earn lot of foreign money. On the other hand **ACI ADVANCED CHEMICAL** also export their products in the foreign We can easily understand this when we see the balance sheet, income statement and cash flow statement of those companies. On basis of Balance Sheet, Income Statement & Cash flow statement we can easily compare those companies.



SQUARE TEXTILES LIMITED

Scope of the report:

This report is arranged to help together practical knowledge and experience how accounting helps organization to chive the goal on basis of working environment with accounting. To regard this report is completing the knowledge and experience accumulated for the accounting. The objectives of this report are:

- ☞ To fulfill the partial requirements of the report is the major objective of this study.
- ☞ Market aspect **SQUARE TEXTILE, ACI CHEMICAL&BEXIMCO TEXTILES LTD.**
- ☞ To analyze the company's profile; Balance sheet, income statement, promotional activity, To illustrate the company's position in Bangladesh.

Purpose:

As a part of course MGT 498, I have the opportunity to prepare a report on **SQUARE TEXTILE, ACI LIMITED**". The reason for choosing how accounting tools helps organization to chive their goal as I would like to expose Textile sector, Medicine Chemical . and by this I hope that I will be able to describe about the products sales, accounting information , how manager take decision on the basis of accounting report .

Limitations:

Although we have tried to collect detailed information about the **Square Textiles, ACI Ltd And Beximco Textiles Ltd.** but I didn't get enough information from their office . But still we believe that there is some lacking in my information. First of all the staffs were reluctant to talk about Textile, Chemical and there was less co-operation and friendliness from their part. I have to wait for a long time to gather information.

VISION:

Company conception of business germinates from our vision which sees it as a means to the well being of investors, stakeholders employees and members of the society at large by creating new wealth in the form of goods and services that go to satisfy the wants of all of them without disturbing or damaging the socio-ecological-economic balance of the Mother Earth and the process of human civilization leading to peaceful co-existence of all the living being.

Mission:

Our mission is realization of vision through maximum production of goods and services strictly on ethical and moral standards at minimum costs to the society ensuring optimum benefits to the shareholders and other stakeholders.

Objective:

- To strive hard to optimize profit through conduction of transparent business operations within the legal & social framework with malice to none and justice for all irrespective of gender disparity, caste, creed or religion or region.
- To create more jobs with minimum investments.
- To be competitive in the internal as well as external markets.
- To maximize export earning with minimum imported in-puts.
- To reduce the income gap between top & bottom categories of employees.

BOARD OF DIRECTORS:

- + **Mr. Samson H. Chowdhury**
- + **Mr. Tapan Chowdhury**
- + **Mrs. Anita Chowdhury**
- + **Dr. Kazi Harunar Rashid**
- + **Mr. Samuel S. Chowdhury**
- + **Mr. Anjan Chowdhury**
- + **Mrs. Ratna Patra**
- + **Mr. Kazi Iqbal Harun**
- + **Mr. Charles C.R. Patra**
- + **Mr. Sekander Ali**

AUDIT COMMITTEE:

- **Mr. M. Sekender Ali**
- **Mr. Samuel S. Chowdhury**
- **Mr. Anjan Chowdhury**

General Information Of SQUARE:

- **Year Of Establishment: 1994**
- **Year Of Operation: 1997**
- **Stock Exchange Listing: 2002**
- **Awarded Oeko-Tex Standard 100: 2000**
- **Awarded ISO-9002 Certificate: 2000**
- **Business Lines: Manufacturing & marketing of yarn**
- **Authorized Capital: Tk 1,000million**
- **Paid-up Capital: Tk 304.79 million**

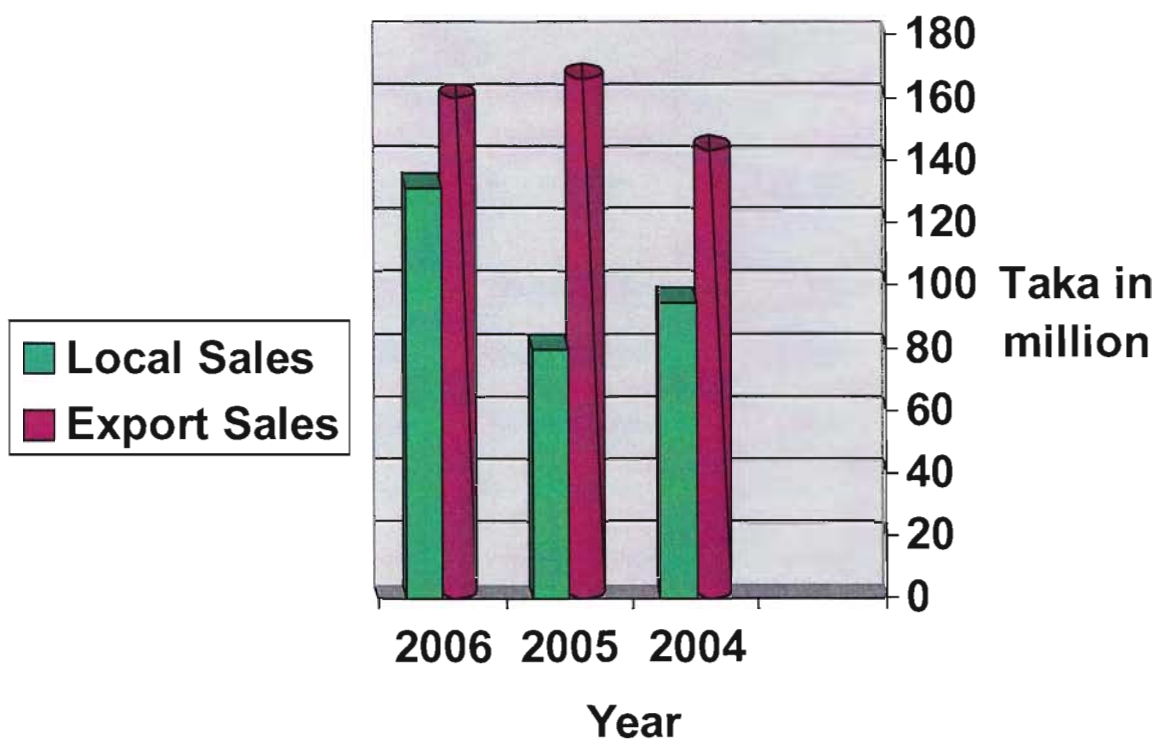
Unit Selling Prices Attained:

The selling Prices (Taka/KG) over the years varied substantially as shown Below:

	2006	2005	2004
Local Sales	131.56	79.55	94.75
Export Sales	160.16	166.35	143.82
Total Sales (Average)	<u>159.68</u>	<u>166.15</u>	<u>143.49</u>

The above indicate that while local selling price increased by 65.36% during 2006 over 2005, export-selling price fell by 3.72% over the period. The increase is primarily ascribable to the international situation and export demand; The Average price decline was 3.89% during 2006 over 2005. This depicts a disproportionate fall in international prices of raw materials and the finished goods during 2006.

Unit Selling Price



From the chart we can easily understand the situation. From the report we see that each year the company export more rather than sell products in the local market. When auditors or accountant officer calculate that they get more money from foreign market for that the managers take decision that they will export more.

Capital Expenditures:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land/civil contraction	84.42	4.91	7.41
Plant & Machinery	61.95	32.27	7.28
Other Fixed Assets	16.16	14.20	3.40
Total	<u>162.53</u>	<u>51.38</u>	<u>17.82</u>

In order to continuously upgrade the productive facilities, the company made additional capital expenditures of TK. 162.53 million. The above investments have helped increase the production efficiency. The entire amount has been invested out of its resources.

AUDITOR'S REPORT

The company has audited the accompanying Financial Statements of Square Textiles Limited comprising Balance Sheet as at 31 December 2006 and the related Income Statement, Statement of Changes in Equity, Cash Flow Statement together with related notes and schedule thereto for the year then ended. The preparations of these financial statements are the responsibility of the Company's management. Our responsibility is to express an independent opinion on those financial statements based on our audit.

In company opinion, the financial statements, prepared in accordance with BAS, give a true and fair view of the state of the company's affairs as at 31 December, 2005 and of the results of its operations and its cash flow for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

In company opinion, the company management has followed relevant provisions of laws and rules in managing the affairs of the company and proper books of accounts, records and other statutory books have been maintained so far as it appeared from our examination of those books. The Company's Balance Sheet and income statement dealt with by the report are in agreement with the books of account.

Overview of Balance sheet

A balance sheet is a snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period. A balance sheet comprises assets, liabilities, and owners' or stockholders' equity. Assets and liabilities are divided into short- and long-term obligations including cash accounts such as checking, money market, or government securities. At any given time, assets must equal liabilities plus owners' equity. An asset is anything the business owns that has monetary value. Liabilities are the claims of creditors against the assets of the business.

What is a balance sheet used for?

A balance sheet helps a small business owner quickly get a handle on the financial strength and capabilities of the business. Is the business in a position to expand? Can the business easily handle the normal financial ebbs and flows of revenues and expenses? Or should the business take immediate steps to bolster cash reserves?

Balance sheets can identify and analyze trends, particularly in the area of receivables and payables. Is the receivables cycle lengthening? Can receivables be collected more aggressively? Is some debt uncollectable? Has the business been slowing down payables to forestall an inevitable cash shortage?

Balance sheets, along with income statements, are the most basic elements in providing financial reporting to potential lenders such as banks, investors, and vendors who are considering how much credit to grant the firm.

1. Assets

Assets are subdivided into current and long-term assets to reflect the ease of liquidating each asset. Cash, for obvious reasons, is considered the most liquid of all assets. Long-term assets, such as real estate or machinery, are less likely to sell overnight or have the capability of being quickly converted into a current asset such as cash. Here we see that Square textiles have total assets are $1,193,767,259 + 1,391,410,216 = 2,585,177,475$. That means fixed assets + current assets.

2. Current assets

Current assets are any assets that can be easily converted into cash within one calendar year. Examples of current assets would be checking or money market accounts, accounts receivable, and notes receivable that are due within one year's time. The Square textiles have 1,391,410,216 amount current assets that can easily converted into cash.

- **Cash**

Money available immediately, such as in checking accounts, is the most liquid of all short-term assets. The Square textiles have about 88,482770 TK cash.

- **Accounts receivables**

This is money owed to the business for purchases made by customers, suppliers, and other vendors. The company have Accounts receivables about 88,482770.

- **Notes receivables**

Notes receivables that are due within one year are current assets. Notes that cannot be collected on within one year should be considered long-term assets.

3. Fixed assets

Fixed assets include land, buildings, machinery, and vehicles that are used in connection with the business.

- **Land**

Land is considered a fixed asset but, unlike other fixed assets, is not depreciated, because land is considered an asset that never wears out. The land value of Square Co. is 2,193,457.101 tk.

- **Buildings**

Buildings are categorized as fixed assets and are depreciated over time. The building value of Square Co. is 1,423,521,232.

- **Office equipment**

This includes office equipment such as copiers, fax machines, printers, and computers used in your business. As a big company Square have office equipment.

- **Machinery**

This figure represents machines and equipment used in your plant to produce your product. Examples of machinery might include lathes, conveyor belts, or a

printing press. Squares has Nit machinery, dying machinery, swing machinery etc.

- **Vehicles**

This would include any vehicles used in your business. To run there Business Square have vehicles.

- **Total fixed assets**

This is the total dollar value of all fixed assets in your business, less any accumulated depreciation. Total fixed assets is 1,193,767,259.

4. **Total assets**

This figure represents the total dollar value of both the short-term and long-term assets of your business.

5. **Liabilities and owners' equity**

This includes all debts and obligations owed by the business to outside creditors, vendors, or banks that are payable within one year, plus the owners' equity. Often, this side of the balance sheet is simply referred to as "Liabilities." A liability of Square is 989,212,764 and owners equity is 369,251,121.

- **Accounts payable**

This is comprised of all short-term obligations owed by your business to creditors, suppliers, and other vendors. Accounts payable can include supplies and materials acquired on credit.

- **Notes payable**

This represents money owed on a short-term collection cycle of one year or less. It may include bank notes, mortgage obligations, or vehicle payments.

- **Accrued payroll and withholding**

This includes any earned wages or withholdings that are owed to or for employees but have not yet been paid.

- **Total current liabilities**

This is the sum total of all current liabilities owed to creditors that must be paid within a one-year time frame. Square's total current liability is 989,212,764.

- **Long-term liabilities**

These are any debts or obligations owed by the business that are due more than

one year out from the current date. In Square Company there are no Long-Term Liabilities.

- **Mortgage note payable**

This is the balance of a mortgage that extends out beyond the current year. For example, you may have paid off three years of a fifteen-year mortgage note, of which the remaining eleven years, not counting the current year, are considered long-term. In Square Company there is no Mortgage note payable.

- **Owners' equity**

Sometimes this is referred to as stockholders' equity. Owners' equity is made up of the initial investment in the business as well as any retained earnings that are reinvested in the business. Owners equity is about 369,251,121.

- **Common stock**

This is stock issued as part of the initial or later-stage investment in the business. In Square Company there is 212,321,212.

- **Retained earnings**

These are earnings reinvested in the business after the deduction of any distributions to shareholders, such as dividend payments.

6. **Total liabilities and owners' equity**

This comprises all debts and monies that are owed to outside creditors, vendors, or banks and the remaining monies that are owed to shareholders, including retained earnings reinvested in the business.

Income Statements

An income statement, otherwise known as a profit and loss statement, is a summary of a company's profit or loss during any one given period of time, such as a month, three months, or one year. The income statement records all revenues for a business during this given period, as well as the operating expenses for the business.

What are income statements used for?

You use an income statement to track revenues and expenses so that you can determine the operating performance of your business over a period of time. Small business owners use these statements to find out what areas of their business are over budget or under budget. Specific items that are causing unexpected expenditures can be pinpointed, such as phone, fax, mail, or supply expenses. Income statements can also track dramatic increases in product returns or cost of goods sold as a percentage of sales. They also can be used to determine income tax liability.

It is very important to format an income statement so that it is appropriate to the business being conducted.

Income statements, along with balance sheets, are the most basic elements required by potential lenders, such as banks, investors, and vendors. They will use the financial reporting contained therein to determine credit limits.

1. Sales

The sales figure represents the amount of revenue generated by the business. The amount recorded here is the total sales, less any product returns or sales discounts. In Square Company sales are 2,390,978,521.

2. Cost of goods sold

This number represents the costs directly associated with making or acquiring your products. Costs include materials purchased from outside suppliers used in the manufacture of your product, as well as any internal expenses directly expended in the manufacturing process. In Square Company Cost of goods sold is 1,847,818,461.

- **Gross profit**

Gross profit is derived by subtracting the cost of goods sold from net sales. It does not include any operating expenses or income taxes. In Square Company Gross profit is 543,160,060.

3. **Operating expenses**

These are the daily expenses incurred in the operation of your business. In this sample, they are divided into two categories: selling, and general and administrative expenses. In Square Company Operating expenses are 57,551,911.

- **Sales salaries**

These are the salaries plus bonuses and commissions paid to your sales staff.

- **Collateral and promotions**

Collateral fees are expenses incurred in the creation or purchase of printed sales materials used by your sales staff in marketing and selling your product. Promotion fees include any product samples and giveaways used to promote or sell your product. In Square Company there are no Collateral and promotions.

- **Advertising**

These represent all costs involved in creating and placing print or multi-media advertising. In Square Company there are no Advertising.

- **Other sales costs**

These include any other costs associated with selling your product. They may include travel, client meals, sales meetings, equipment rental for presentations, copying, or miscellaneous printing costs. In Square Company there are no Other sales costs.

Office salaries

These are the salaries of full- and part-time office personnel. In Square Company there are full time salary is 4,496,000 tk and part time salary is 2,360,000 tk.

- **Rent**

These are the fees incurred to rent or lease office or industrial space. In Square Company there are no rent expenses.

- **Utilities**

These include costs for heating, air conditioning, electricity, phone equipment rental, and phone usage used in connection with your business.

- **Depreciation**

Depreciation is an annual expense that takes into account the loss in value of equipment used in your business. Examples of equipment that may be subject to depreciation includes copiers, computers, printers, and fax machines.

- **Other overhead costs**

Expense items that do not fall into other categories or cannot be clearly associated with a particular product or function are considered to be other overhead costs. These types of expenses may include insurance, office supplies, or cleaning services.

4. Total expenses

This is a tabulation of all expenses incurred in running your business, exclusive of taxes or interest expense on interest income, if any.

5. Net income before taxes

This number represents the amount of income earned by a business prior to paying income taxes. This figure is arrived at by subtracting total operating expenses from gross profit. In Square Company there are Net income before taxes is 397,812,202.

6. Taxes

This is the amount of income taxes you owe to the federal government and, if applicable, state and local government taxes.

7. Net income

This is the amount of money the business has earned after paying income taxes. In Square Company there are Net income is 255,494,330.

SQUARE TEXTILES LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2005

	Share Capital	Tax Holiday Reserve	General Reserve And Surplus	Total TK
As at December 2005	277,090,000	339,671,397	732,695,206	1,349,456,603
Net profit for 2005	-	-	255,494,330	255,494,330
Cash Dividend for 2005			(83,127,000)	(83,127,000)
Stock Dividend for 2005	27,709,000	-	(27,709,000)	-
Dividend Distribution Tax			(8,312,700)	(8,312,700)
As at December 2006	304,799,000	339,671,397	869,040,836	1,513,511,233

A "Cash Flow Statement" shows the sources and uses of cash and is typically divided into three components:

Operating Cash Flow. Operating cash flow, often referred to as working capital, is the cash flow generated from internal operations. It comes from sales of the product or service of your business, and because it is generated internally, it is under your control.

Investing Cash Flow. Investing cash flow is generated internally from non-operating activities. This includes investments in plant and equipment or other fixed assets, nonrecurring gains or losses, or other sources and uses of cash outside of normal operations.

Financing Cash Flow. Financing cash flow is the cash to and from external sources, such as lenders, investors and shareholders. A new loan, the repayment of a loan, the issuance of stock, and the payment of dividend are some of the activities that would be included in this section of the cash flow statement

Positive Cash Flow

If its cash inflow exceeds the outflow, a company has a positive cash flow. A positive cash flow is a good sign of financial health, but is by no means the only one.

Negative Cash Flow

If its cash outflow exceeds the inflow, a company has a negative cash flow. Reasons for negative cash flow include too much or obsolete inventory and poor collections on accounts receivable (what your customers owe you). If the company can't borrow additional cash at this point, it may be in serious trouble

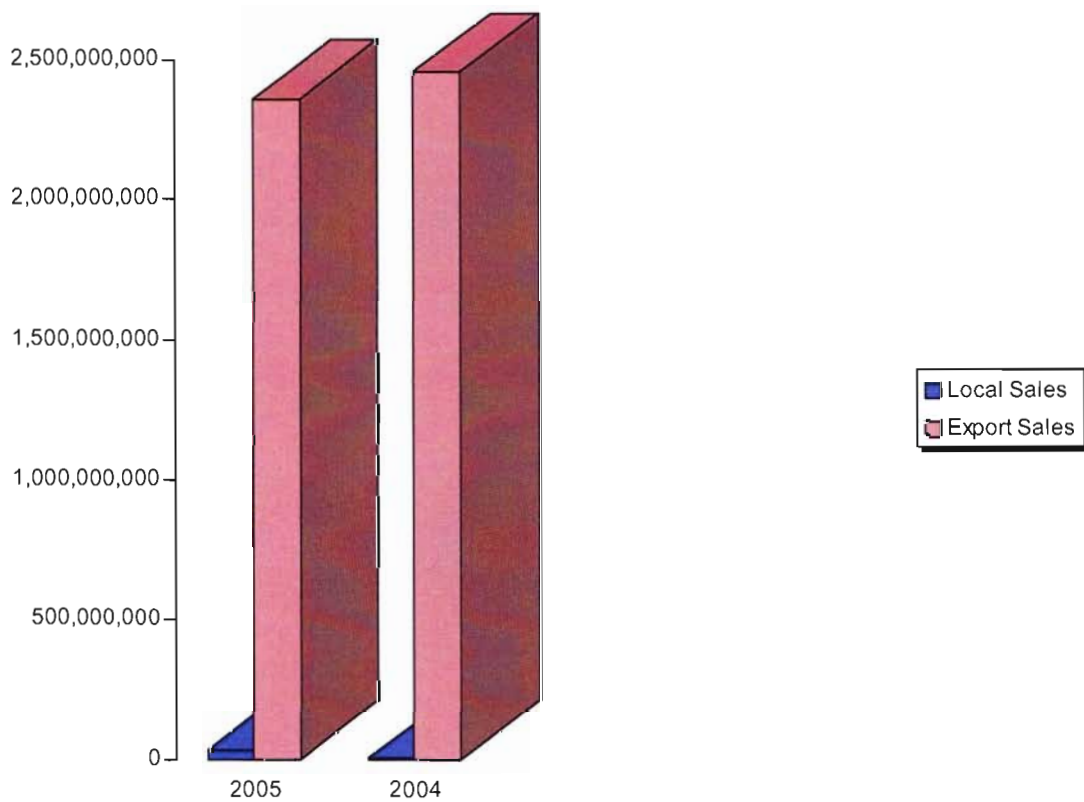
SQUARE TEXTILES LIMITED

CASH FLOW STATEMENT

For the year ended December 31, 2005

Cash Flow From Operating activities:	TK	TK
RECEIPTS:		
Cash From Sales revenue	2,4 69,232,179	
Cash From Other Income	61,069	
Total Cash Receipts		2,469,293,248
Payments:		
Purchase for Raw& Packing Materials	(1,516,651,604)	
Manufacturing and Operating Exp.	(447,485,958)	
Bank Interest	(65,722,998)	
Payments of Dividend Dist.Tax	(8,312,700)	
Workers Profit Participation Fund	(8,033,599)	
Total Payments		(2,046,206,859)
Net Cash Flow From Operating Activities		423,086,389
Cash Flow From Investing Activities:		
Purchase of Fixed Assets	(138,066,404)	
Investment in Square Yarns Ltd.	(10,000,000)	
Net Cash Flow From Investing Activities		(148,066,404)
Cash Flow From Financing Activities:		
Short term Loan Payment	(150,246,677)	
Payment of Dividend	(83,127,000)	
Net Cash Flow From Financing Activities		(233,373,677)
Net Cash Position		41,646,308
Opening Cash &Cash Equivalent		46,836,462
Closing Cash & Cash Equivalent		88,4 82,770

Local Sales	<u>2004</u> 32,632,279	<u>2005</u> 2,665,005
Export Sales	2,358,346,242	2,456,535,679



The above figures show that the export sales revenue fell by the 4.23% in 2006 over the previous year against 17.36% increase in 2005 over the earlier year, this is due to fall in export prices in the international market.

Data of some ratio for 2006:

Current Ratio	1.41
Earning Per Share	8.38
Acid Test Ratio	1.05
Price Earning Ratio	9.75
Inventory Turn Over Ratio	2.95

From the above information current ratio of company measures that short-term debt paying ability is good. It means that the company can pay its liability.

From the quick ratio the company have no immediate short-term liquidity.

Price- earnings ratio measures that the ratio of the market price per share to earning per share. In one word we can say that the managers can take an important decision on the basis of the above information.

Current Ratio

$$\frac{\text{Current Assets}^*}{\text{Current Liabilities}^*} = \text{Current Ratio}$$

Popular since the turn of the century, this test of solvency balances your current assets against your current liabilities. The current ratio will disclose balance sheet changes that net working capital will not.

*Current Assets = net of contingent liabilities on notes receivable

*Current Liabilities = all debt due within one year of statement data

Note: The current ratio reveals your business's ability to meet its current obligations. It should be supplemented with the other ratios listed below, however. The Square Company current ratio is 1.41 that means company have a good position.

Quick Ratio

$$\frac{\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable (net)}}{\text{Current Liabilities}} = \text{Quick Ratio}$$

Also known as the "acid test," this ratio specifies whether your current assets that could be quickly converted into cash are sufficient to cover current liabilities. Until recently, a Current Ratio of 2:1 was considered standard. A firm that had additional sufficient quick assets available to creditors was believed to be in sound financial condition.

Note: The Quick Ratio assumes that all assets are of equal liquidity. Receivables are one step closer to liquidity than inventory. However, sales are not complete until the money is in hand. The Square Company quick ratio is 1.05 that means company has a good position.

Inventory Turnover

- Determine whether ratios were calculated before or after adjustments were made to the balance sheet or income statement, such as non-recurring items and inventory or pro forma adjustments. In many cases, these adjustments can significantly affect the ratios.
- Carefully examine any departures from industry norms.

Overview

Any successful business owner is constantly evaluating the performance of his or her company, comparing it with the company's historical figures, with its industry competitors, and even with successful businesses from other industries. To complete a thorough examination of your company's effectiveness, however, you need to look at more than just easily attainable numbers like sales, profits, and total assets. You must be able to read between the lines of your financial statements and make the seemingly inconsequential numbers accessible and comprehensible.

This massive data overload could seem staggering. Luckily, there are many well-tested ratios out there that make the task a bit less daunting. Comparative ratio analysis helps you identify and quantify your company's strengths and weaknesses, evaluate its financial position, and understand the risks you may be taking.

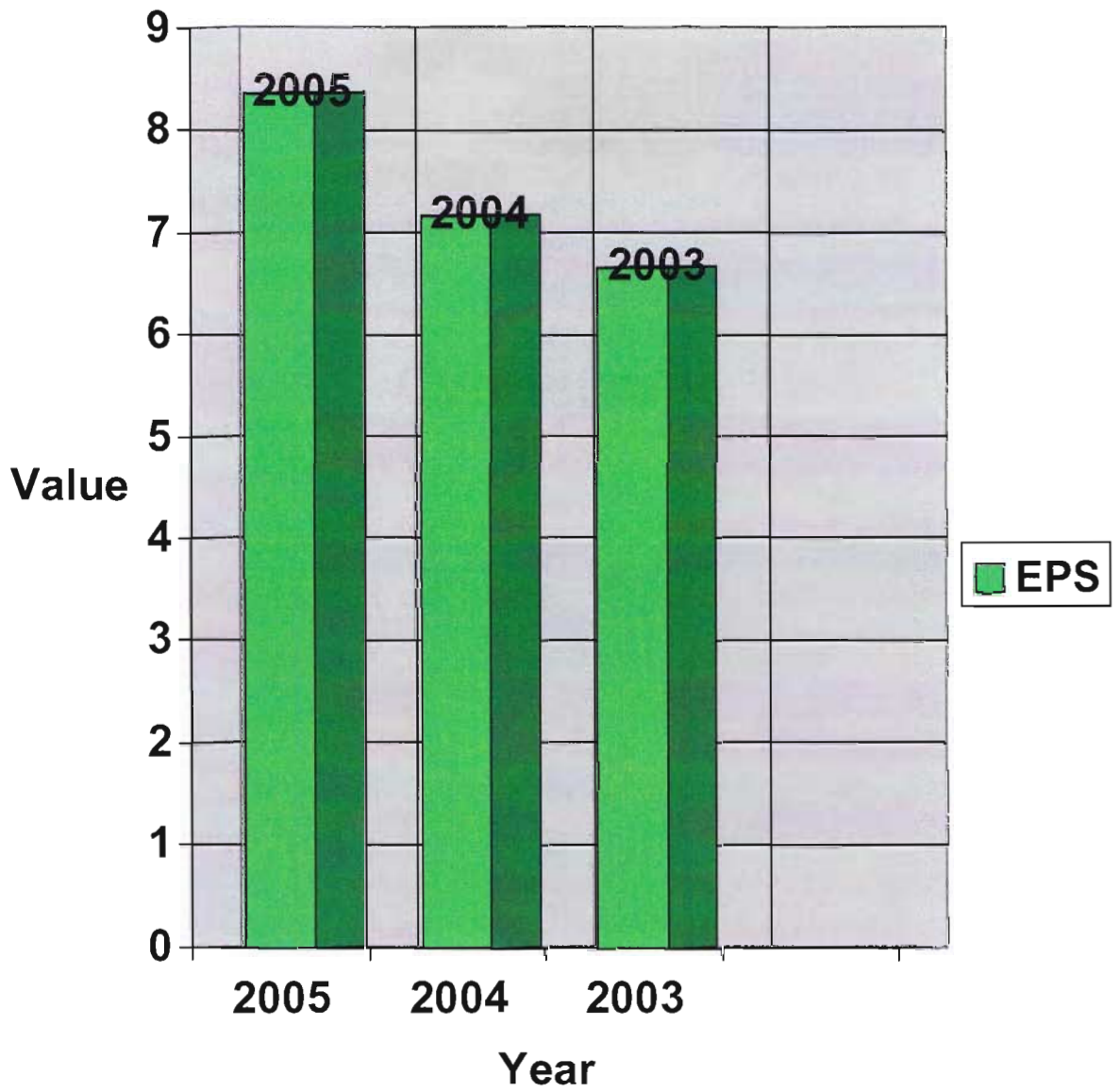
As with any other form of analysis, comparative ratio techniques aren't definitive and their results shouldn't be viewed as gospel. Many off-the-balance-sheet factors can play a role in the success or failure of a company. But, when used in concert with various other business evaluation processes, comparative ratios are invaluable.

This discussion contains descriptions and examples of the eight major types of ratios used in financial analysis: Current Ratio, Earning Per Share, Acid Test Ratio, Price Earning Ratio, Inventory Turn Over Ratio

OVER VIEW OF EPS

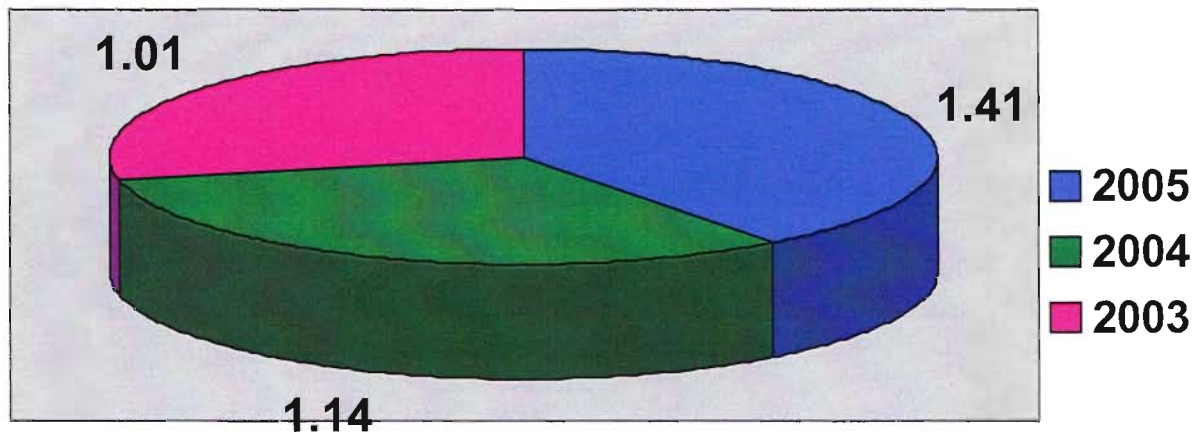
	2005	2004	2003
EPS	8.38	7.17	6.67

EPS



	2005	2004	2003
Current Ratio	1.41	1.14	1.01

Current ratio



From the graph and table we see that during 2003 the current ratio was 1.01 and 2004 was 1.14 on the other hand during 2005 it is 1.41, that means the company increasing its ability to paying short-term debt.

Managerial Decision taking on basis of Accounting:

The financial statements are prepared in accordance with the going concern principle and historical cost convention and in conformity with the provisions of the companies Act 1994, the Securities and Exchanges Rules 1987 and other relevant rules and regulations. The significant accounting policies adopted are as follows:

Fixed Assets:

Fixed assets that means property, Plant, Equipment are stated at their historical cost less accumulated depreciation. No depreciation has been charged on the Freehold Land and on the Capital work in progress. Depreciation is charged on all other assets on straight-line method. Depreciation for full years has been charged on additions irrespective of date of purchases when the related assets are put into use. No depreciation has been charged on the assets disposed off during the year. Depreciation is computed on the straight-line method basis over the estimated useful lives.

Stocks:

Stocks comprise of Raw Materials, Raw Materials in transit, packing materials, work in progress, finished goods, comber noil, spare & spare parts in transit. Stocks are valued at the lower of cost and net realizable value. Cost comprises invoice value plus applicable handling charges. Net realizable value is based on estimated cost to completion and selling expenses.

Foreign Currency Transaction:

Transactions in Foreign Currencies are translated into BDT at the rate of exchange ruling on date of transaction. Monetary assets and liabilities expressed in foreign currencies are translated into BDT at rate of exchange ruling at the balance sheet date. Gains or losses resulting from foreign currency transactions are taken to the income statement.

Cash & Cash equivalent:

Cash and cash equivalents comprise cash an hand, bank currents accounts, other bank deposits free of encumbrance and having maturity dates of three months or less from respective dates of deposit.

Taxation:

Previous for tax is made at effective rate on net income as per income statement. Net income and taxable income may differ due to temporary and permanent differences. A provision is made for accumulated taxable temporary differences for the years foreign and tax difference due to permanent difference may be adjusted in the year.

Financial Year:

Financial year means Gregorian calendar year, January 01, 2005 to December 31, 2005.

Not here / necessary



Logo of ACI Limited

Not necessary here



Head Office Of ACI

ABOUT POLICY OF ACI COMPANY LIMITED:

ACI's vision is to play a leading role in improving the quality of life and well being of the people of Bangladesh through responsible application of knowledge and skills. To attain the vision ACI will devote its resources to provide products and services of high and consistent quality, which ensure value for money to its customers.

ACI's aim is to achieve business excellence through quality by understanding, accepting, meeting & exceeding customer expectations. ACI's follows International Standards on Quality Management System to ensure consistent quality of products and services to achieve customer satisfaction.

The pool of human resources of the company will be development of the Quality Of the Management System.

Auditors Report:

In company opinion, based on our audit and on the report of other auditors, the financial statements prepared in accordance with Bangladesh Accounting Standards, give A true and fair view of the state of affairs of the company and its subsidiaries as of 31 December 2006 and of the result of their operations and cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

The company also reports that:

- They obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- In company opinion, proper books of account as required by law have been kept by the Companies so far as it appeared from our examination of those books;
- The balance sheet & profit & loss accounts dealt with by the report are in agreement with the books of accounts and returns;
- The expenditure incurred was for the purposes of the companies' business.

Board of Directors:

- ✿ **Mr. M Anis Ud Dowla**
- ✿ **Mrs. Najma Dowla**
- ✿ **Mr. Sayed Manjur Elahi**
- ✿ **Mr. Rafiqul Islam Khan**
- ✿ **Mr. Md. Ziaul Haque Khondokar**
- ✿ **Ms. Shusmita Anis Saqlam**
- ✿ **Dr. Arif Dowla**
- ✿ **Mr. Waliur Rahman**
- ✿ **Mr. Wajed Salam**
- ✿ **Ms. Sheema Abed Rahman**

Value of ACI Company:

- **Quality**
- **Customer Focus**
- **Fairness**
- **Transparency**
- **Continuous Improvement**

Mission:

ACI's mission is to enrich the quality of life of people through responsible application of knowledge, skill & technology. ACI's is committed to the pursuit of excellence through world-class products, innovative processes and empowered employees, to provide the highest level of satisfaction to its customer.

Vision:

- ◆ Endeavor to attain a position of leadership in each category of its business.
- ◆ Attain a high level of productivity in all its operations through effective and efficient use of resources, adoption of appropriate technology and alignment with our core competencies.
- ◆ Develop an environment for learning and personal growth of its employees.
- ◆ Provide products and services of high and consistent quality, ensuring value for money to its customer.

Balance Sheet

A balance sheet is a snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period. A balance sheet comprises assets, liabilities, and owners' or stockholders' equity. Assets and liabilities are divided into short- and long-term obligations including cash accounts such as checking, money market, or government securities. At any given time, assets must equal liabilities plus owners' equity. An asset is anything the business owns that has monetary value. Liabilities are the claims of creditors against the assets of the business.

What is a balance sheet used for?

A balance sheet helps a small business owner quickly get a handle on the financial strength and capabilities of the business. Is the business in a position to expand? Can the business easily handle the normal financial ebbs and flows of revenues and expenses? Or should the business take immediate steps to bolster cash reserves?

Balance sheets can identify and analyze trends, particularly in the area of receivables and payables. Is the receivables cycle lengthening? Can receivables be collected more aggressively? Is some debt uncollectable? Has the business been slowing down payables to forestall an inevitable cash shortage?

Balance sheets, along with income statements, are the most basic elements in providing financial reporting to potential lenders such as banks, investors, and vendors who are considering how much credit to grant the firm.

1. Assets

Assets are subdivided into current and long-term assets to reflect the ease of liquidating each asset. Cash, for obvious reasons, is considered the most liquid of all assets. Long-term assets, such as real estate or machinery, are less likely to sell overnight or have the capability of being quickly converted into a current asset such as cash. The ACI Company assets are 6,349,299,000tk.

2. Current assets

Current assets are any assets that can be easily converted into cash within one calendar year. Examples of current assets would be checking or money market

accounts, accounts receivable, and notes receivable that are due within one year's time. The ACI Company current assets are 253,384,9510.

- **Cash**

Money available immediately, such as in checking accounts, is the most liquid of all short-term assets. The ACI Company Cash is 62,243,718.

- **Accounts receivables**

This is money owed to the business for purchases made by customers, suppliers, and other vendors.

- **Notes receivables**

Notes receivables that are due within one year are current assets. Notes that cannot be collected on within one year should be considered long-term assets. There are no Notes receivables.

3. Fixed assets

Fixed assets include land, buildings, machinery, and vehicles that are used in connection with the business. The ACI Company fixed assets are 361,212,214.

- **Land**

Land is considered a fixed asset but, unlike other fixed assets, is not depreciated, because land is considered an asset that never wears out. The ACI Company lands are 66,016,153.

- **Buildings**

Buildings are categorized as fixed assets and are depreciated over time. The ACI Company buildings are 228,885,388 tk.

- **Office equipment**

This includes office equipment such as copiers, fax machines, printers, and computers used in your business. The ACI Company Office equipment amount is 42,216,179tk.

- **Machinery**

This figure represents machines and equipment used in your plant to produce your product. Examples of machinery might include lathes, conveyor belts, or a printing press. The ACI Company have chemical process machine, dry machine, etc.

- **Vehicles**

This would include any vehicles used in your business. The ACI Company have many trucks and official vehicles.

- **Total fixed assets**

This is the total dollar value of all fixed assets in your business, less any accumulated depreciation.

4. Total assets

This figure represents the total dollar value of both the short-term and long-term assets of your business.

5. Liabilities and owners' equity

This includes all debts and obligations owed by the business to outside creditors, vendors, or banks that are payable within one year, plus the owners' equity. Often, this side of the balance sheet is simply referred to as "Liabilities."

- **Accounts payable**

This is comprised of all short-term obligations owed by your business to creditors, suppliers, and other vendors. Accounts payable can include supplies and materials acquired on credit.

- **Notes payable**

This represents money owed on a short-term collection cycle of one year or less. It may include bank notes, mortgage obligations, or vehicle payments.

- **Accrued payroll and withholding**

This includes any earned wages or withholdings that are owed to or for employees but have not yet been paid.

- **Total current liabilities**

This is the sum total of all current liabilities owed to creditors that must be paid within a one-year time frame.

- **Long-term liabilities**

These are any debts or obligations owed by the business that are due more than one year out from the current date.

- **Mortgage note payable**

This is the balance of a mortgage that extends out beyond the current year. For example, you may have paid off three years of a fifteen-year mortgage note, of

which the remaining eleven years, not counting the current year, are considered long-term.

- **Owners' equity**

Sometimes this is referred to as stockholders' equity. Owners' equity is made up of the initial investment in the business as well as any retained earnings that are reinvested in the business.

- **Common stock**

This is stock issued as part of the initial or later-stage investment in the business.

- **Retained earnings**

These are earnings reinvested in the business after the deduction of any distributions to shareholders, such as dividend payments.

6. Total liabilities and owners' equity

This comprises all debts and monies that are owed to outside creditors, vendors, or banks and the remaining monies that are owed to shareholders, including retained earnings reinvested in the business.

Advanced Chemical Industries Limited

Balance Sheet

As at 31 December 2006

TK

TK

Net Assets:

Property, plant & Equipment
(-) Accumulated Depreciation

1,345,618,135
(328,034,677)

Fixed Assets

1,017,583,458

Inventories
Trade debtors
Other debtors
Advances, deposits & prepayments
Inter company debts
Cash & Bank balances

856,045,996
272,985,636
93,682,769
185,811,234
9,128,766
62,234,718

Current Assets

1,479,889,119

Bank overdraft
Trade creditors
Other creditors
Current portion of lease obligation
Bank term loans
Taxation

182,163,917
71,811,173
230,756,284
12,877,894
633,547,091
95,347,809

Current liabilities:

(1,226,504,168)

Net current assets

253,384,951

Income Statements

An income statement, otherwise known as a profit and loss statement, is a summary of a company's profit or loss during any one given period of time, such as a month, three months, or one year. The income statement records all revenues for a business during this given period, as well as the operating expenses for the business.

What are income statements used for?

You use an income statement to track revenues and expenses so that you can determine the operating performance of your business over a period of time. Small business owners use these statements to find out what areas of their business are over budget or under budget. Specific items that are causing unexpected expenditures can be pinpointed, such as phone, fax, mail, or supply expenses. Income statements can also track dramatic increases in product returns or cost of goods sold as a percentage of sales. They also can be used to determine income tax liability.

It is very important to format an income statement so that it is appropriate to the business being conducted.

Income statements, along with balance sheets, are the most basic elements required by potential lenders, such as banks, investors, and vendors. They will use the financial reporting contained therein to determine credit limits.

1. Sales

The sales figure represents the amount of revenue generated by the business. The amount recorded here is the total sales, less any product returns or sales discounts. Sales amount = 2,557,772,237

2. Cost of goods sold

This number represents the costs directly associated with making or acquiring your products. Costs include materials purchased from outside suppliers used in the manufacture of your product, as well as any internal expenses directly expended in the manufacturing process. Cost of goods sold amount = 1,794,550,357.

Gross profit

Gross profit is derived by subtracting the cost of goods sold from net sales. It does not include any operating expenses or income taxes. Gross profit amount =726,471,162.

3. Operating expenses

These are the daily expenses incurred in the operation of your business. In this sample, they are divided into two categories: selling, and general and administrative expenses. The ACI Company operating expenses is 212,234,210.

• Sales salaries

These are the salaries plus bonuses and commissions paid to your sales staff. The ACI Company has no sales salaries.

• Collateral and promotions

Collateral fees are expenses incurred in the creation or purchase of printed sales materials used by your sales staff in marketing and selling your product. Promotion fees include any product samples and giveaways used to promote or sell your product. The ACI Company has no Collateral and promotions.

• Advertising

These represent all costs involved in creating and placing print or multi-media advertising. The ACI Company has Advertising cost is 412,212.300.

• Other sales costs

These include any other costs associated with selling your product. They may include travel, client meals, sales meetings, equipment rental for presentations, copying, or miscellaneous printing costs. The ACI Company has no other sales costs.

• Office salaries

These are the salaries of full- and part-time office personnel.

• Rent

These are the fees incurred to rent or lease office or industrial space.

- **Utilities**

These include costs for heating, air conditioning, electricity, phone equipment rental, and phone usage used in connection with your business.

- **Depreciation**

Depreciation is an annual expense that takes into account the loss in value of equipment used in your business. Examples of equipment that may be subject to depreciation includes copiers, computers, printers, and fax machines.

Depreciation cost is 328,034,677.

- **Other overhead costs**

Expense items that do not fall into other categories or cannot be clearly associated with a particular product or function are considered to be other overhead costs. These types of expenses may include insurance, office supplies, or cleaning services.

4. Total expenses

This is a tabulation of all expenses incurred in running your business, exclusive of taxes or interest expense on interest income, if any.

5. Net income before taxes

This number represents the amount of income earned by a business prior to paying income taxes. This figure is arrived at by subtracting total operating expenses from gross profit. The ACI Company has Net income before taxes is 138,849,345.

6. Taxes

This is the amount of income taxes you owe to the federal government and, if applicable, state and local government taxes.

7. Net income

This is the amount of money the business has earned after paying income taxes. Net income amount is 86,975,418.

Advanced Chemical Industries Limited

Income Statement

For the year ended 31 December 2006

	TK	TK
Sales	2,557,772,237	
Cost of goods sold	(1,817,394,259)	
		<hr/>
Gross Profit		740,377,978
Other income		42,043,347
		<hr/>
		782,421,325
Administrative, selling & distribution expenses		(540,425,340)
		<hr/>
Financial cost		241,995,985
		(93,164,270)
		<hr/>
Provision for contribution to WPPF		148,831,715
		(7,441,586)
		<hr/>
Profit before tax		141,390,129
Provision for tax:		
Current tax	38,500,000	
Deferred tax	(13,373,927)	
		<hr/>
		(51,873,927)
		<hr/>
Profit after tax		89,516,202
		<hr/>
Earning per share (EPS)		5.54
		<hr/>
		<hr/>

A "**Cash Flow Statement**" shows the sources and uses of cash and is typically divided into three components:

Operating Cash Flow. Operating cash flow, often referred to as working capital, is the cash flow generated from internal operations. It comes from sales of the product or service of your business, and because it is generated internally, it is under your control.

Investing Cash Flow. Investing cash flow is generated internally from non-operating activities. This includes investments in plant and equipment or other fixed assets, nonrecurring gains or losses, or other sources and uses of cash outside of normal operations.

Financing Cash Flow. Financing cash flow is the cash to and from external sources, such as lenders, investors and shareholders. A new loan, the repayment of a loan, the issuance of stock, and the payment of dividend are some of the activities that would be included in this section of the cash flow statement

Positive Cash Flow

If its cash inflow exceeds the outflow, a company has a positive cash flow. A positive cash flow is a good sign of financial health, but is by no means the only one.

Negative Cash Flow

If its cash outflow exceeds the inflow, a company has a negative cash flow. Reasons for negative cash flow include too much or obsolete inventory and poor collections on accounts receivable (what your customers owe you). If the company can't borrow additional cash at this point, it may be in serious trouble.

Cash flow refers to the movement of cash into and out of a business. Watching the cash inflows and outflows is one of the most pressing management tasks for any business. The outflow of cash includes those checks you write each month to pay salaries, suppliers, and creditors. The inflow includes the cash you receive from customers, lenders, and investor.

The statement of cash flows shows the sources and uses of cash from three distinct activities of your business: operations, investing, and financing:

- **Operating activities.** Operating activities include cash that is received and spent on managing your regular business operations. Operating cash flows include cash-based revenues and expenses that are directly related to the sale and distribution of your product.

Operating activities also include non-cash expenses such as depreciation and changes in operating assets and liabilities. Most notably, these accounts include changes in accounts receivable, inventories, accounts payable, taxes payable, and prepaid assets and liabilities.

- **Investing activities.** Investing activities include the investments made in your fixed assets. Most of the time, investments in cash flows are a cash outflow: you spend cash in order to invest in capital equipment.

If you sell or divest a piece of equipment or business division, however, you would receive a cash inflow. This kind of transaction is a disinvestment, or deliberate decision to eliminate certain fixed assets.

- **Financing activities.** Financing activities are those activities that deal with how you raise capital for your investing and operating activities. Financing activities include the sale of equity and debt, as well as payment of dividends and interest.

Hundreds of Internet companies began going out of business at a rapid pace in mid- to late-2000. Many of these companies had relied on capital they had raised as part of their financing activities to fund operating activities. Unable to generate enough cash flow from their operating activities, their supply of cash began to dry up. Facing a severe liquidity crunch, the troubled firms began to lay off much or all of their staff. Some companies filed for bankruptcy while others simply ceased business operations.

Advanced Chemical industries Limited

Cash Flow Statement

For the year ended 31 December 2006

A. Cash flows from operating activities:

Cash received from customers	2,742,404,999	
Cash received as other income	47,893,107	
Payment to others	<u>(22,227,853)</u>	2,768,070,253
Cash paid for:		
Inventories	(1,673,511,744)	
Operating expenses	(502,261,329)	
Payment to other creditors	(25,682,753)	
Financing cost	(93,164,270)	
Payment for advances	(28,651,559)	
Income tax	(14,277,841)	
Value added tax	(275,126,997)	
Paid to workers from WPPF	<u>(3,855,060)</u>	<u>(2,507,862,929)</u>
Net cash provided by operating activities:		<u>260,207,325</u>

B. Cash flows from investing activities:

Purchase of property, plant & equipment	(6,984,937)	
Payment for capital work in progress	(70,497,536)	
Investment in shares	(105,962,000)	
Sale proceeds of property, plant & equipment	1,031,402	
Net cash used in investing activities		<u>(182,413,071)</u>

C. Cash flows from financing activities:

Inter-company debts received	(49,562,210)	
Dividend paid	(63,993,201)	
Dividend distribution tax	(6,468,000)	
Payment of finance lease	(9,704,641)	
Term loan receive	(38,753,980)	
Long term finance	77,840,598	

D. Net cash flows from financing activities		(90,641,434)
Net cash inflow/outflow from total activities (A+B+C)		(12,847,181)
E. Opening Balance		(107,567,606)
F. Closing Balance (D+E)		(120,414,787)

Advanced Chemical Industries Limited

Statement of Changes in Equity

For the year ended 31 December 2006

	Capital reserve	Special reserve	Tax holiday reserve	Total Taka
Balance at 31 December 2005	1,788,902	1,241,456	87,912,298	90,942,656
Transfer to tax holiday	-	-	14,340,123	14,340,123
Balance at 31 December 2006	<u>1,788,902</u>	<u>1,241,456</u>	<u>102,252,421</u>	<u>105,282,779</u>

Data of some ratio for 2006:

Return on equity	10.40%
Inventory TurnOver (Times)	2.40
Fixed Assets Turnover (Times)	3.80
Earning Per Share	5.5
Price Earning Ratio (Times)	17.0
Current Ratio	1.2
Quick Ratio	.50

From the above information current ratio of company measures that short-term debt paying ability is good. It means that the company can pay its liability.

From the quick ratio the company have no immediate short-term liquidity.

Price- earnings ratio measures that the ratio of the market price per share to earning per share. In one word we can say that the managers can take an important decision on the basis of the above information.

Current Ratio

$$\frac{\text{Current Assets}^*}{\text{Current Liabilities}^*} = \text{Current Ratio}$$

Popular since the turn of the century, this test of solvency balances your current assets against your current liabilities. The current ratio will disclose balance sheet changes that net working capital will not.

*Current Assets = net of contingent liabilities on notes receivable

*Current Liabilities = all debt due within one year of statement data

Note: The current ratio reveals your business's ability to meet its current obligations. It should be supplemented with the other ratios listed below, however. The ACI company current ratio is 1.20.

Quick Ratio

$$\frac{\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable (net)}}{\text{Current Liabilities}} = \text{Quick Ratio}$$

Also known as the "acid test," this ratio specifies whether your current assets that could be quickly converted into cash are sufficient to cover current liabilities. Until recently, a Current Ratio of 2:1 was considered standard. A firm that had additional sufficient quick assets available to creditors was believed to be in sound financial condition.

Note: The Quick Ratio assumes that all assets are of equal liquidity. Receivables are one step closer to liquidity than inventory. However, sales are not complete until the money is in hand. The ACI Company Quick Ratio is .50

Inventory Turnover

$$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}} = \text{Inventory Turnover Ratio}$$

Rule of Thumb: Multiply your inventory turnover by your gross margin percentage. If the result is 100 percent or greater, your average inventory is not too high.

Purposes and Considerations of Ratios and Ratio Analysis

Ratios are highly important profit tools in financial analysis that help financial analysts implement plans that improve profitability, liquidity, financial structure, reordering, leverage, and interest coverage. Although ratios report mostly on past performances, they can be predictive too, and provide lead indications of potential problem areas.

Ratio analysis is primarily used to compare a company's financial figures over a period of time, a method sometimes called trend analysis. Through trend analysis, you can identify trends, good and bad, and adjust your business practices accordingly. You can also see how your ratios stack up against other businesses, both in and out of your industry.

There are several considerations you must be aware of when comparing ratios from one financial period to another or when comparing the financial ratios of two or more companies.

- If you are making a comparative analysis of a company's financial statements over a certain period of time, make an appropriate allowance for any changes in accounting policies that occurred during the same time span.
- When comparing your business with others in your industry, allow for any material differences in accounting policies between your company and industry norms.
- When comparing ratios from various fiscal periods or companies, inquire about the types of accounting policies used. Different accounting methods can result in a wide variety of reported figures.

- Determine whether ratios were calculated before or after adjustments were made to the balance sheet or income statement, such as non-recurring items and inventory or pro forma adjustments. In many cases, these adjustments can significantly affect the ratios.
- Carefully examine any departures from industry norms.

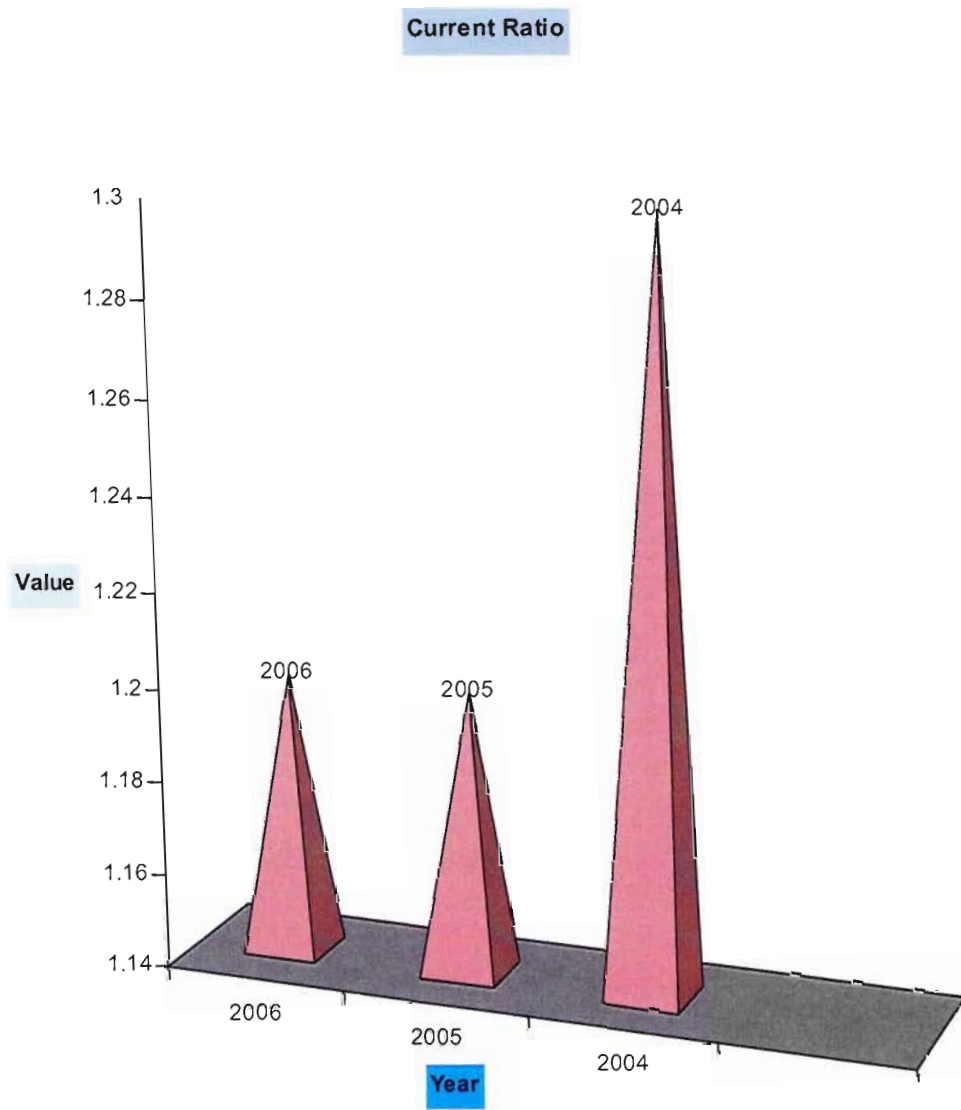
Overview

Any successful business owner is constantly evaluating the performance of his or her company, comparing it with the company's historical figures, with its industry competitors, and even with successful businesses from other industries. To complete a thorough examination of your company's effectiveness, however, you need to look at more than just easily attainable numbers like sales, profits, and total assets. You must be able to read between the lines of your financial statements and make the seemingly inconsequential numbers accessible and comprehensible.

This massive data overload could seem staggering. Luckily, there are many well-tested ratios out there that make the task a bit less daunting. Comparative ratio analysis helps you identify and quantify your company's strengths and weaknesses, evaluate its financial position, and understand the risks you may be taking.

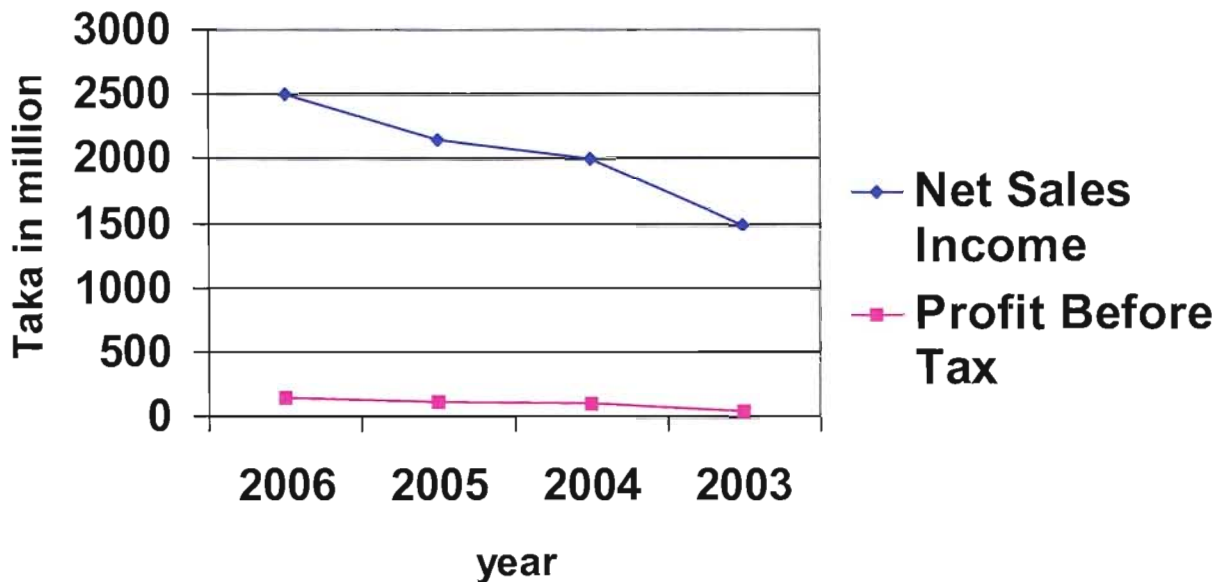
As with any other form of analysis, comparative ratio techniques aren't definitive and their results shouldn't be viewed as gospel. Many off-the-balance-sheet factors can play a role in the success or failure of a company. But, when used in concert with various other business evaluation processes, comparative ratios are invaluable.

This discussion contains descriptions and examples of the eight major types of ratios used in financial analysis: Income, Profitability, Liquidity, Working Capital, Bankruptcy, Long-Term Analysis, Coverage, and Leverage.



From the graph we can easily understand the current situation.

Net Sales & profit before tax

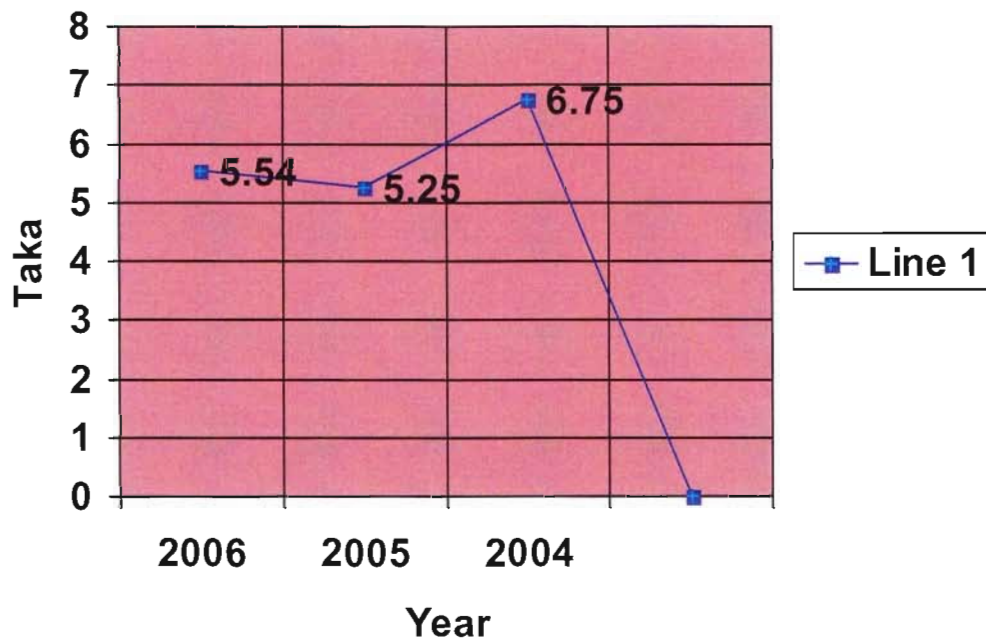


When we see the net sales income year wise we can easily understand that it increases yearly. On the other hand the profit before tax also increase yearly. At last we can say that the company try to improve its financial condition.

Table of EPS

	2006	2005	2004
EPS	5.54	5.25	6.75

Earning Per Share



Earning Per Share it measures that net income earned on each share of common stock.

We can calculate EPS from the following way:

EPS:Net income- preferred dividends

Weighted shares outstanding

Unit Selling Prices Attained:

The selling Prices (Taka/KG) over the years varied substantially as shown Below:

	2006	2005	2004
Local Sales	111.20	50.55	74.75
Export Sales	150.30	53.14	80.12
Total Sales (Average)	==	==	==

The above indicate that while local selling price increased by 65.36% during 2006 over 2005, export-selling price fell by 3.72% over the period. The increase is primarily ascribable to the international situation and export demand; The Average price decline was 3.89% during 2006 over 2005. This depicts a disproportionate fall in international prices of raw materials and the finished goods during 2006.

Accounting decision:

Basis of accounting:

The financial statements have been prepared on going concern basis under the historical cost convention, except for certain assets which are stated at revalued amount, in accordance with generally accepted accounting principles, Bangladesh Accounting Standards (BAS), Companies Act 1994 and other applicable laws. Going concern means that the business enterprise will have a long life. The going concern assumption applies in most business situation. Using Cash Flow information and Present Value in Accounting Measurements, provides a framework for using expected cash flows and present value techniques to develop fair value estimates.

Property, plant & equipment:

These are stated at cost or revaluation less accumulated depreciation subject to a write-down of recoverable amount. Capital work in progress represents the cost already incurred for acquisition of property, plant and equipments that are not complete for use at the end of 2006 and those are stated at cost. The property plant & equipment were revalued in the year 2006 by a firm of professional values on the basis basis of market value.

Depreciation of property, plant & equipment:

All property, plant and equipment have been depreciated on straight-line method. Depreciation on additions are charged at 50% of normal rates only in the year of addition and no depreciation is charged in the year of disposal. Depreciation is charged at the rates varying from 2.5% to 20% depending on the estimated useful lives of assets. No depreciation is charged for land and capital work in process.

Revenue recognition:

Revenue from the sale of goods is recognized when:

- Significant risk and rewards of ownership is transferred to the buyer.
- The company has no managerial involvement of ownership to the goods.
- The amount of revenue and cost of the transaction can be measured reliably.
- It is probable that the economic benefits of the transaction will flow to the company.

Revenue from dividend is recognized on receipt basis. Revenue from interest income is recognized on time proportion basis.

Taxation:

The company qualifies as a “ Public Traded Company” hence the applicable tax rate is 30%. It enjoys 10% rebate for declaring dividend more than 20% of paid up capital. Provision for taxation has been made on the basis of Finance Act 2006.

Deferred tax:

The company recognized deferred tax in accordance with the provision of BAS. Deferred tax arises due to temporary difference deductible or taxable for the events or transaction recognized in the income statement. A temporary difference is the difference between the tax base of an asset or liabilities and its carrying amount/reported amount in the financial statement. Deferred tax asset

or liability is the amount of income tax payable or receivable in future periods recognized in the current period. The deferred tax asset /income or liability/expenses does not create a legal liability/ recoverability to and from the income tax authority.

Translation of foreign currencies:

Foreign currency transactions are converted at the rates ruling on the dates advices are received. Monetary assets and liabilities are reconverted at rates ruling at the balance sheet. All exchange differences are charged/credited to profit and loss account by being absorbed in the respective head of income or expenditure.

Earning per share:

Basic earning per share:

Basic earning per share has been calculated taking a capital base of 16,170,000 share of taka 10 each as issued up to 31 December 2005.

Diluted earnings per share:

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review.

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MISSION:

Each of the company activities must benefit and add value to the common wealth of our society. We firmly believe company believe that, in the final analysis they are accountable to each of the constituents with whom they interact; namely: their employees, their valued customers, their business associates their fellow citizens and their shareholder.

BOARD OF DIRECTORS:

A S F Rahman	Chairman& Managing Director
Salman F Rahman	Vice- Chairman
Iqbal Ahmed	Director
G F Grote	Director
Dr. Nazrul Bari	Director
MD. Fayekuzzaman	Director

MANAGEMENT STRUCTURE:

The Company is operating through a well defined management structure headed by chief executive officer under whom there are executive directors for various departments and according to hierarchy, various senior and mid level management staffs. The CEO and the executive director's meets at regular intervals represented also by finance, marketing and personal heads.

BOARD COMMITTIES:

The board is responsible to the shareholders for the strategic development of the company, the management of the Company's assets in a way that maximizes performance and the control of the operation of the business.

The board directors are responsible for approving Company policy and are responsible to shareholders for the Companies financial and operational performance. The Board to the management of the company delegates responsibility for the development and implementation of Company policy and strategy, day-to-day operational issues.

AUDITORS REPORT:

The auditors are audited the accompanying Financial Statements of Beximco Textiles Ltd. Consisting of a balance sheet, a profit and loss account and the statement of changes in equity and cash flows as well as the notes to the financial statements for the year from January 1 to December 31, 2005.

The Company conducted to their audit in accordance with Bangladesh Standards on Auditing. These Standards require that the company plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The Company also report that:

- The company obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- I company opinion, proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;
- The Company Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts; and
- The expenditures incurred were for the purpose of the company's business.

Balance Sheet

A balance sheet is a snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period. A balance sheet comprises assets, liabilities, and owners' or stockholders' equity. Assets and liabilities are divided into short- and long-term obligations including cash accounts such as checking, money market, or government securities. At any given time, assets must equal liabilities plus owners' equity. An asset is anything the business owns that has monetary value. Liabilities are the claims of creditors against the assets of the business.

What is a balance sheet used for?

A balance sheet helps a small business owner quickly get a handle on the financial strength and capabilities of the business. Is the business in a position to expand? Can the business easily handle the normal financial ebbs and flows of revenues and expenses? Or should the business take immediate steps to bolster cash reserves?

Balance sheets can identify and analyze trends, particularly in the area of receivables and payables. Is the receivables cycle lengthening? Can receivables be collected more aggressively? Is some debt uncollectable? Has the business been slowing down payables to forestall an inevitable cash shortage?

Balance sheets, along with income statements, are the most basic elements in providing financial reporting to potential lenders such as banks, investors, and vendors who are considering how much credit to grant the firm.

1. Assets

Assets are subdivided into current and long-term assets to reflect the ease of liquidating each asset. Cash, for obvious reasons, is considered the most liquid of all assets. Long-term assets, such as real estate or machinery, are less likely to sell overnight or have the capability of being quickly converted into a current asset such as cash. The Beximco Textiles Ltd. assets are 6,243,919,721tk.

2. Current assets

Current assets are any assets that can be easily converted into cash within one calendar year. Examples of current assets would be checking or money market accounts, accounts receivable, and notes receivable that are due within one year's time. The Beximco Textiles Ltd current assets are 4,092,237,253.

- **Cash**

Money available immediately, such as in checking accounts, is the most liquid of all short-term assets. The Beximco Textiles Ltd Cash is 78,274,205.

- **Accounts receivables**

This is money owed to the business for purchases made by customers, suppliers, and other vendors. The Beximco Textiles Ltd have no A/R.

- **Notes receivables**

Notes receivables that are due within one year are current assets. Notes that cannot be collected on within one year should be considered long-term assets. There are no Notes receivables. The Beximco Textiles Ltd have no N/R.

3. Fixed assets

Fixed assets include land, buildings, machinery, and vehicles that are used in connection with the business. The Beximco Textiles Ltd fixed assets are 2,151,682,468.

- **Land**

Land is considered a fixed asset but, unlike other fixed assets, is not depreciated, because land is considered an asset that never wears out. The Beximco Textiles Ltd lands are 66,016,153.

- **Buildings**

Buildings are categorized as fixed assets and are depreciated over time. The Beximco Textiles Ltd buildings are 2,141,212,100 tk.

- **Office equipment**

This includes office equipment such as copiers, fax machines, printers, and computers used in your business. The Beximco Textiles Ltd Office equipment amount is 42,216,179tk.

- **Machinery**

This figure represents machines and equipment used in your plant to produce your product. Examples of machinery might include lathes, conveyor belts, or a printing press. The Beximco Textiles Ltd have dyeing machine, sewing machine, water plant machine etc.

- **Vehicles**

This would include any vehicles used in your business. The Beximco Textiles Ltd have many trucks and official vehicles.

- **Total fixed assets**

This is the total dollar value of all fixed assets in your business, less any accumulated depreciation. The Beximco Textiles Ltd have total fixed assets are 2151682468.

4. Total assets

This figure represents the total dollar value of both the short-term and long-term assets of your business. The Beximco Textiles Ltd total assets are 6,243,919,721.

5. Liabilities and owners' equity

This includes all debts and obligations owed by the business to outside creditors, vendors, or banks that are payable within one year, plus the owners' equity. Often, this side of the balance sheet is simply referred to as "Liabilities." The Beximco Textiles Ltd Liabilities and owners' equity are 6,243,919,721.

- **Accounts payable**

This is comprised of all short-term obligations owed by your business to creditors, suppliers, and other vendors. Accounts payable can include supplies and materials acquired on credit. The Beximco Textiles Ltd have A/C 213,325,212.

- **Notes payable**

This represents money owed on a short-term collection cycle of one year or less. It may include bank notes, mortgage obligations, or vehicle payments. The Beximco Textiles Ltd have N/P 212,363,212.

- **Accrued payroll and withholding**

This includes any earned wages or withholdings that are owed to or for employees but have not yet been paid.

- **Total current liabilities**

This is the sum total of all current liabilities owed to creditors that must be paid within a one-year time frame. The Beximco Textiles Ltd Total current liabilities are 2,257,644,632.

- **Long-term liabilities**

These are any debts or obligations owed by the business that are due more than one year out from the current date.

- **Mortgage note payable**

This is the balance of a mortgage that extends out beyond the current year. For example, you may have paid off three years of a fifteen-year mortgage note, of which the remaining eleven years, not counting the current year, are considered long-term.

- **Owners' equity**

Sometimes this is referred to as stockholders' equity. Owners' equity is made up of the initial investment in the business as well as any retained earnings that are reinvested in the business.

- **Common stock**

This is stock issued as part of the initial or later-stage investment in the business.

- **Retained earnings**

These are earnings reinvested in the business after the deduction of any distributions to shareholders, such as dividend payments.

6. Total liabilities and owners' equity

This comprises all debts and monies that are owed to outside creditors, vendors, or banks and the remaining monies that are owed to shareholders, including retained earnings reinvested in the business.

BEXIMCO TEXTILES LTD

Balance Sheet At 31, December 2005

ASSETS:

Proper plant& equipment	2,134,047,604
LongTerm Security	<u>17,634,864</u>
Non-current assets	2,151,682,468

Current Assets:

Inventories	1,132,068,206
Trade receivables	2,795,202,061
Advance and prepayments	86,692,781
Cash& equivalent	<u>78,274,205</u>

Total assets 6,243,919,721

Equity and Liabilities:

Issued share capital	968,000,000
Tax holiday reserve	364,001,557
Retained earnings	<u>(383,517,502)</u>
Shareholders Equity	<u>948,484,055</u>
10% Debentures	175,551,188
Long term borrowings	2,862,239,846
Short term borrowing	1,374,782,088
10% Debentures	22,520,784
Long term borrowing (C/L)	323,336,140
Trade Credit	329,592,219
Other payable	207,413,401
Total liabilities & Equity	<u><u>6,243,919,721</u></u>

Income Statements

An income statement, otherwise known as a profit and loss statement, is a summary of a company's profit or loss during any one given period of time, such as a month, three months, or one year. The income statement records all revenues for a business during this given period, as well as the operating expenses for the business.

What are income statements used for?

You use an income statement to track revenues and expenses so that you can determine the operating performance of your business over a period of time. Small business owners use these statements to find out what areas of their business are over budget or under budget. Specific items that are causing unexpected expenditures can be pinpointed, such as phone, fax, mail, or supply expenses. Income statements can also track dramatic increases in product returns or cost of goods sold as a percentage of sales. They also can be used to determine income tax liability.

It is very important to format an income statement so that it is appropriate to the business being conducted.

Income statements, along with balance sheets, are the most basic elements required by potential lenders, such as banks, investors, and vendors. They will use the financial reporting contained therein to determine credit limits.

1. Sales

The sales figure represents the amount of revenue generated by the business. The amount recorded here is the total sales, less any product returns or sales discounts, are 2,390,978,521.

2. Cost of goods sold

This number represents the costs directly associated with making or acquiring your products. Costs include materials purchased from outside suppliers used in the manufacture of your product, as well as any internal expenses directly expended in the manufacturing process. The Beximco Textiles Ltd Total Cost of goods sold 2,623,293,408.

• Gross profit

Gross profit is derived by subtracting the cost of goods sold from net sales. It does not include any operating expenses or income taxes. The Beximco Textiles Ltd Total Gross profit is 742,571,334.

Operating expenses

These are the daily expenses incurred in the operation of your business. In this sample, they are divided into two categories: selling, and general and administrative expenses. The Beximco Textiles Ltd Total operating expenses is 125,952,576.

Sales salaries

These are the salaries plus bonuses and commissions paid to your sales staff.

• Collateral and promotions

Collateral fees are expenses incurred in the creation or purchase of printed sales materials used by your sales staff in marketing and selling your product.

Promotion fees include any product samples and giveaways used to promote or sell your product. In Square Company there are no Collateral and promotions.

• Advertising

These represent all costs involved in creating and placing print or multi-media advertising. In Square Company there are no Advertising.

• Other sales costs

These include any other costs associated with selling your product. They may include travel, client meals, sales meetings, equipment rental for presentations, copying, or miscellaneous printing costs. In Square Company there are no Other sales costs.

Office salaries

These are the salaries of full- and part-time office personnel. In Square Company there are full time salary is 4,496,000 tk and part time salary is 2,360,000 tk.

• Rent

These are the fees incurred to rent or lease office or industrial space. In Square Company there are no rent expenses.

• Utilities

These include costs for heating, air conditioning, electricity, phone equipment rental, and phone usage used in connection with your business.

- **Depreciation**

Depreciation is an annual expense that takes into account the loss in value of equipment used in your business. Examples of equipment that may be subject to depreciation includes copiers, computers, printers, and fax machines.

- **Other overhead costs**

Expense items that do not fall into other categories or cannot be clearly associated with a particular product or function are considered to be other overhead costs. These types of expenses may include insurance, office supplies, or cleaning services.

4. Total expenses

This is a tabulation of all expenses incurred in running your business, exclusive of taxes or interest expense on interest income, if any.

5. Net income before taxes

This number represents the amount of income earned by a business prior to paying income taxes. This figure is arrived at by subtracting total operating expenses from gross profit. In Square Company there are Net income before taxes is 397,812,202.

6. Taxes

This is the amount of income taxes you owe to the federal government and, if applicable, state and local government taxes.

7. Net losses

This is the amount of money the business has earned after paying income taxes. The Beximco Textiles Ltd Total net losses is 3,695,927.

BEXIMCO TEXTILES LTD
Income statement
For the year ended 31, December 2005

Revenue	3,374,864,742
Cost of revenue	(2,632,293,408)
Gross profit	<u>742,571,334</u>
Administrative expenses	(125,952,576)
Profit from operation	<u>616,618,758</u>
Financial cost	(620,314,685)
Net loss for the year transferred to the statement of changes Inequity	<u><u>(3,695,927)</u></u>
EPS	<u>0.38</u>

BEXIMCO TEXTILES LTD
Statement of Changes in Equity
For the year ended 31, December 2005

	Share capital	Tax holiday	Retained earnings	total equity
Balance at December 2004	968,000,000	364,001,557	(379,821,575)	952,179,982
Net loss for the year			(3,695,927)	(3,695,927)
Balance at December 2005	968,000,000	364,001,557	(383,517,502)	948,484,055

Cash flow statement

The statement of cash flows shows the sources and uses of cash for your business over a certain period of time. This period coincides with the reporting period of the income statement. For example, if a cash flow statement covers the 12 months ended on Dec. 31, 2005, the associated income statement covers the same period.

A cash flow statement shows you how your business performs on a cash basis. An income statement shows how your business performs on an accrual basis. In this respect, a cash flow statement generally supplements the information provided in an income statement.

In an effort to increase sales, you may decide to offer your customers trade credit. Your suppliers and vendors may offer you trade credit as well. As a result, your business will set up accounts receivable for cash owed you, and accounts payable for cash that you owe.

Because you use these accrual accounts, your income and cash flow amounts are different. A cash flow statement keeps track of the net change in cash during a reporting period. An income statement shows revenues and expenses for the same period but relies on accrual accounting. For a business that depends on cash for its ongoing success, a cash flow statement is often the more important of the two statements.

The statement of cash flows shows the sources and uses of cash from three distinct activities of your business: operations, investing, and financing:

- **Operating activities.** Operating activities include cash that is received and spent on managing your regular business operations. Operating cash flows include cash-based revenues and expenses that are directly related to the sale and distribution of your product.

Operating activities also include non-cash expenses such as depreciation and changes in operating assets and liabilities. Most notably, these

accounts include changes in accounts receivable, inventories, accounts payable, taxes payable, and prepaid assets and liabilities.

- ***Investing activities.*** Investing activities include the investments made in your fixed assets. Most of the time, investments in cash flows are a cash outflow: you spend cash in order to invest in capital equipment. If you sell or divest a piece of equipment or business division, however, you would receive a cash inflow. This kind of transaction is a disinvestments,
- ***Financing activities.*** Financing activities are those activities that deal with how you raise capital for your investing and operating activities. Financing activities include the sale of equity and debt, as well as payment of dividends and interest. Deliberate decision to eliminate certain fixed assets.

BEXIMCO TEXTILES LTD

Statement of Cash Flow Statement

For the year ended 31, December 2005

Cash flow from operating activities:

Cash receipts from customer	3,061,833,751
Cash paid to suppliers	(2,423,457,330)
Cash generated from operating	638,376,421
Interest paid	(626,405,678)

Net cash generated from operating activities

11,970,743

Cash flows from investing activities:

Purchase of property, plant & equipment	(56,184,312)
Long-term security deposit	(1,159,735)

Net cash used in investing activities

(57,344,047)

Cash flow from financing activities:

Repayment of long-term loans	(21,123,611)
Short-term loan received	110,302,533

Net cash generated from financing activities

89,178,922

Net increase in cash

43,805,618

Current Ratio

$$\frac{\text{Current Assets}^*}{\text{Current Liabilities}^*} = \text{Current Ratio}$$

Popular since the turn of the century, this test of solvency balances your current assets against your current liabilities. The current ratio will disclose balance sheet changes that net working capital will not.

*Current Assets = net of contingent liabilities on notes receivable

*Current Liabilities = all debt due within one year of statement data

Note: The current ratio reveals your business's ability to meet its current obligations. It should be supplemented with the other ratios listed below, however. The Beximco Textiles Company current ratio is 1.81 that means company has a good position.

Quick Ratio

$$\frac{\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable (net)}}{\text{Current Liabilities}} = \text{Quick Ratio}$$

Also known as the "acid test," this ratio specifies whether your current assets that could be quickly converted into cash are sufficient to cover current liabilities. Until recently, a Current Ratio of 2:1 was considered standard. A firm that had additional sufficient quick assets available to creditors was believed to be in sound financial condition.

Note: The Quick Ratio assumes that all assets are of equal liquidity. Receivables are one step closer to liquidity than inventory. However, sales are not complete until the money is in hand. The Beximco Textiles Company quick ratio is .85 that means company has no good position.

Inventory Turnover

Purposes and Considerations of Ratios and Ratio Analysis

Ratios are highly important profit tools in financial analysis that help financial analysts implement plans that improve profitability, liquidity, financial structure, reordering, leverage, and interest coverage. Although ratios report mostly on past performances, they can be predictive too, and provide lead indications of potential problem areas.

Ratio analysis is primarily used to compare a company's financial figures over a period of time, a method sometimes called trend analysis. Through trend analysis, you can identify trends, good and bad, and adjust your business practices accordingly. You can also see how your ratios stack up against other businesses, both in and out of your industry.

There are several considerations you must be aware of when comparing ratios from one financial period to another or when comparing the financial ratios of two or more companies.

- If you are making a comparative analysis of a company's financial statements over a certain period of time, make an appropriate allowance for any changes in accounting policies that occurred during the same time span.
- When comparing your business with others in your industry, allow for any material differences in accounting policies between your company and industry norms.
- When comparing ratios from various fiscal periods or companies, inquire about the types of accounting policies used. Different accounting methods can result in a wide variety of reported figures.
- Determine whether ratios were calculated before or after adjustments were made to the balance sheet or income statement, such as non-recurring items and inventory or pro forma adjustments. In many cases, these adjustments can significantly affect the ratios.
- Carefully examine any departures from industry norms.

Overview

Any successful business owner is constantly evaluating the performance of his or her company, comparing it with the company's historical figures, with its industry competitors, and even with successful businesses from other industries. To complete a thorough examination of your company's effectiveness, however, you need to look at more than just easily attainable numbers like sales, profits, and total assets. You must be able to read between the lines of your financial statements and make the seemingly inconsequential numbers accessible and comprehensible.

This massive data overload could seem staggering. Luckily, there are many well-tested ratios out there that make the task a bit less daunting. Comparative ratio analysis helps you identify and quantify your company's strengths and weaknesses, evaluate its financial position, and understand the risks you may be taking.

As with any other form of analysis, comparative ratio techniques aren't definitive and their results shouldn't be viewed as gospel. Many off-the-balance-sheet factors can play a role in the success or failure of a company. But, when used in concert with various other business evaluation processes, comparative ratios are invaluable.

This discussion contains descriptions and examples of the eight major types of ratios used in financial analysis: Current Ratio, Earning Per Share, Acid Test Ratio, Price Earning Ratio, Inventory Turn Over Ratio

Compare the three companies:

In case of **Square** we see in the Cash flow statement that operating activities they have figure 423,086,389, Financing activities the figure is -233,373,677 & investing activities figure is -148,066,404. **The Square Textiles** current ratio is 1.41 & acid test ratio is 1.05. In the income statement we see that Square have net income during 2005 is 255,494,330 and EPS is 8.38.

In case of **ACI** we see in the Cash flow statement that operating activities they have figure 260,207,325, Financing activities the figure is -906,414,344 & investing activities figure is -182,413,071. **The ACI Chemicals** current ratio is 1.20 & acid test ratio is .50. In the income statement we see that **The ACI Chemicals** has net income during 2005 is 89,516,202 and EPS is 5.54.

In case of **Beximco Textiles** we see in the Cash flow statement that operating activities they have figure -11,970,743, Financing activities the figure is 89,178,922 & investing activities figure is -53,344,047. **Beximco Textiles** current ratio is 1.81 & acid test ratio is .85. In the income statement we see that **The ACI Chemicals** has net income during 2005 is 89,516,202 and EPS is .38.

As a student of accounting I can say that Cash flow statement, income statement & Balance sheet, Ratio and EPS are the major areas of accounting.

In that report I just calculate those major areas. When I calculate those areas that are also the tools of accounting. At last I can say that Square has a good position when I compare with two companies like ACI & Beximco Textiles. Because Square's current ratio is higher than the two companies and total income is also higher.

Conclusion:

When I compare those companies I say that Square is good or profitable company among those companies. Because analysis of financial statement. Ratio and EPS that can easily help me to know about the company's condition. Accounting not only helps to know financial condition it also helps us to take decision. One example is managerial accounting that accounting helps to prepare capital budget and cost basis budget. In one word we can say that accounting helps a company by important calculations.

$$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}} = \text{Inventory Turnover Ratio}$$

Rule of Thumb: Multiply your inventory turnover by your gross margin percentage. If the result is 100 percent or greater, your average inventory is not too high. The Square Company inventory turnover ratio is 2.95

Net Profit on Net Sales

$$\frac{\text{EAT}^*}{\text{Net Sales}} = \text{Net Profit on Net Sales Ratio}$$

This ratio provides a primary appraisal of net profits related to investment. Once your basic expenses are covered, profits will rise disproportionately greater than sales above the break-even point of operations.

*EAT= earnings after taxes

Note: Sales expenses may be substituted out of profits for other costs to generate even more sales and profits.