Practices of Accounting Standards in the Financial Reporting of the Public Limited Companies in Bangladesh

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<u>Prepared By:</u>

Name : MD.NAZIR-UZ-ZAMAN
ID : 2007-1-10-074
Program : Bachelor of Business Administration
Semester : FALL 2010

<u>Prepared For:</u>

OMAR FARUQ
ASSISTANT PROFESSOR
Department of Business Administration
East West University

Department of Business Administration

East West University

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Practices of Accounting Standards in the Financial Reporting of the Public Limited Companies in Bangladesh

Letter of Submission

December 21, 2010

Omar Faruq

Assistant Professor

Department of Business Administration

East West University.

Dear Sir,

Here is the report on "**Practices of Accounting Standards in the Financial Reporting of the Public Limited Companies in Bangladesh**" which I have prepared as the requirement of the completion on of the BBA degree and the course BUS 498, Project Work. While making the report I studied International accounting Standard in respect of Bangladesh Accounting Standard that follows the listed companies in Bangladesh to prepare financial statement, I have come to know a lot of things about the practical implementation of international Accounting standard.

The whole experience of this report writing enabled us to bridge the gap between classroom learning in my academic study in the university and real life situations to a great extent. I thank you and the University for providing me such an opportunity.

Sincerely,

Nazir-Uz-Zaman

ID: 2007-1-10-074

Department of Business Administration

East West University

Acknowledgement

I am thankful to my honorable supervisor Md. Omar Faruq for assigning me a report on "**Practices of Accounting Standards in the Financial Reporting of the Public Limited Companies in Bangladesh**" as a requirement for the completion of BBA Degree and course BUS 498, Project Work. I would also like to thank our faculty member Mr. Nikhil Chandra Shil and Dr. Monirul Alam Hossain for providing me information and guidance about the paper. I would also thank all other faculty of East West University for helping me to acquire the necessary knowledge for making this paper. My sincere thanks to all the people who helped me to collect required information to make this paper. Finally, I am grateful to almighty Allah to make me able to finish this Paper. It was very enjoyable to work and effective learning as practical implementation of international accounting Standards on project which is highly practice oriented.

Executive Summery

The Bangladesh Securities and Exchange Commission and the Institute of Chartered Accountants of Bangladesh have demonstrated a keen interest in implementing International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) to upgrade the quality of corporate financial reporting. Various steps have already been taken, however, further results will require the design and implementation of a comprehensive action plan on accountancy reform.

This report provides an assessment of accounting and auditing practices within the broader context of the Bangladesh institutional framework and capacity needed to ensure the quality of corporate financial reporting. The accounting and auditing practices in Bangladesh suffer from institutional weaknesses in regulation, compliance, and enforcement of standards and rules. The preparation of financial statements and conduct of audits, in many cases, are not consistent with internationally acceptable standards and practices.

Better-qualified graduates generally do not join the accounting profession because it is not viewed as a stepping-stone to a rewarding and prestigious career. The out-of-date legal requirements, widespread noncompliance with accounting and auditing standards, ineffective enforcement mechanism, poor quality accounting education and training, and inadequate adherence to professional ethics have contributed to the weakness of the financial reporting regime

Here I have found that at few years before review of the accounting and auditing environment in Bangladesh noted that national practices were not in line with internationally acceptable standards and suffered from "institutional weaknesses in regulation, compliance, and enforcement of standards and rules." I along with expertise therefore recommended improving the accounting and auditing framework by adopting International Financial Reporting Standards (IFRSs) without any modifications and setting up an independent oversight body for enforcing international standards. As part of its efforts towards convergence, per Deloitte IAS Plus website, as of 2007 the Institute of Chartered Accountants of Bangladesh (ICAB) adopted 41 IFRSs as Bangladesh Accounting Standards. The national standards are mandatory for all listed companies and recommended for other entities. In a 2009 ICAB Action Plan, the Institute reiterates its commitment to convergence and makes clear that it will be adopting international standards on an ongoing basis. The ICAB Action Plan also adds that it is in the process of reviewing its educational requirements and strategies with regard to IFRS dissemination and training. So here I have seen that some listed companies Eastern housing, Delta Brac Housing Finance Corporation limited, National Housing and Investment Limited, financial reporting is followed all the accounting Standards of BAS in contrast with IAS in presenting their financial statements.

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1.0 Introduction

1.1 ORIGIN OF THE REPORT

The report has been prepared as a requirement for the completion of BBA Degree and course BUS 498, Project Work, Omar Faruq, course instructor, assigned to do an analytical report on "**Practices of Accounting Standards in the Financial Reporting of the Public Limited Companies in Bangladesh**". For this purpose I, Md. Nazir-Uz-Zaman, ID – 2007-1-10-074 choose to prepare this report on practical implementation of Financial Reporting Standards. The date of submission of the report is December 21, 2010.

1.2 BACKGROUND

Business in the country continues to look upon accounting as nothing more than book-keeping of routine expenditures and sales returns. But modern accounting involves regular and meticulous preparation of financial statements to thoroughly reflect the operations of business organizations including their assets and liabilities, net profit, net cash flow, equity and liquidity statement

International accounting standards are practiced in many business establishments of Bangladesh. But many business organizations do not have accounting systems of international standards. The challenge, therefore, is to achieve uniform accounting standards in all or nearly all business organizations in the country.

The International Accounting Standards was founded in April 1, 2001. It is a set of standards stating how particular types of transactions and other events should reflect in financial statements. The International Accounting Standards includes the presentations of financial statements, accounting policies, changes in accounting statements and errors, events after the balance sheet date, construction contracts, income taxes, segment reporting, property plant and equipment, leases, revenue, employee benefits, inventories, accounting for government grants and disclosure for government assistance, and other relevant financial reports.

July 05, 2006, the People's Republic of Bangladesh adopted the "Presentation of Financial Statements" from the IAS and officially included it to the Bangladesh Accounting Standards. (BAS) On the same date, inventories were also adopted. From then on, Bangladesh started adopting more and more regulations from the IAS and officially included it on BAS.

This study is interested in knowing the effectiveness of the application of IAS to Bangladesh, this reports contain practical implementation of IFRS and IAS in respect of BAS in case of preparing Financial statement and financial reporting in the sector of Real-estate n real estate finance industry listed company, The companies are Eastern Housing LTD, National Housing Finance And Investment Limited, Delta Brac Housing Finance Corporation Limited.

1.3 Objectives

The primary purpose of this research is to identify the practices of accounting standard in Bangladesh, whether these standards are followed properly and what are the problems in adaption of these standards. This study also focuses on how these standards improving the quality of Financial Reporting in Bangladesh and how the users are benefitted.

The primary objective

- of the report is to fulfill the requirement of the course.

The secondary objectives of this report are:

- ✓ Corporate Financial Reporting practice with Accounting standards
- ✓ IFRS And IAS Rules implementation in case of financial reporting
- ✓ Literature review of BAS- Bangladesh Accounting Standard
- ✓ Comparative analysis BAS and IFRS
- ✓ Findings and recommendations

1.4 METHODOLOGY

Secondary Research

Secondary research (also known as desk research) involves the summary, collation and/or synthesis of existing research rather than primary research, where data is collected from, for example, research subjects or experiments.

In order to examine the present status of the global developments with reference to practice of financial reporting I conducted a secondary research by going through relevant articles, working papers, white papers and pronouncements by different professional and regulatory bodies. The information, then, was used to evaluate the Bangladesh scenario with respect to the research.

Case Study

A **case study** is a research methodology common in social science. It is based on an in-depth investigation of a single individual, group, or event to explore causation in order to find underlying principles.

Rather than using samples and following a rigid protocol (strict set of rules) to examine limited number of variables, case study methods involve an in-depth, longitudinal (over a long period of time) examination of a single instance or event: a **case**. They provide a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher may gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research.

To have the first-hand knowledge about the accounting standard practice in Bangladesh I have gone through different Financial and Annual report of various public limited companies and tried my best to find out the practices, the similarities and the differences in these reports and practice variations.

1.5 Scopes

This report is mainly an overview of the International financial reporting Standards rules and how company follows International accounting Standards (IAS) how Bangladeshi public limited companies are following International accounting Standards With contrast of Bangladesh Accounting Standard and others institutional frame work rules and regulation in respect of full disclosure of their financial statement presentation .This report also suggest how to harmonize accounting standard of IAS and BAS for preparing financial reporting of public limited companies.

1.6 Limitations

The major limitations encountered are:

- Time constraints on the part of the managers and other concerned officials and parties in providing us with information.
- Lack of experience on our part has also acted as constraints in the way of meticulous exploration on the topic.
- Indescribable load shedding problem.
- Lack of available current Data
- Most adequate, exact and updated facts and figures have not been available due to the secrecy of the organizations visited.
- Frequent power outages.

2.0 A Brief Idea about Standards

The IASC, which was the predecessor body to the IASB, was founded in June 1973. It was set up as a result of an agreement by accountancy bodies in ten national jurisdictions which constituted the original board, being Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the UK, Ireland and the US. The IASC subsequently expanded to include representatives from over 100 countries and by 2000 the membership included 143 bodies in 104 countries, representing over two million accountants. The IASC developed and issued International Accounting Standards (IAS). In 2001, IASC Foundation is formed. On 1 April 2001, the new IASB assumes its standard-setting responsibilities from the IASC, which was superseded by the IASB. Existing IASs and SICs adopted by IASB. The IASB had a new structure of associated bodies and significantly increased financial resources. The IASB issues IFRS, but has adopted all the IASC's IAS. The International Accounting Standards was founded in April 1, 2001. It is a set of standards stating how particular types of transactions and other events should reflect in financial statements.

In the past years, the IAS was implemented by the International Accounting Standards Committee. However, since 2001, it has been administered by the International Accounting Standards Board. The International Accounting Standards includes the presentations of financial statements, accounting policies, changes in accounting statements and errors, events after the balance sheet date, construction contracts, income taxes, segment reporting, property plant and equipment, leases, revenue, employee benefits, inventories, accounting for government grants and disclosure for government assistance, and other relevant financial reports.

July 05, 2006, the People's Republic of Bangladesh adopted the "Presentation of Financial Statements" from the IAS and officially included it to the Bangladesh Accounting Standards. (BAS) On the same date, inventories were also adopted. From then on, Bangladesh started adopting more and more regulations from the IAS and officially included it on BAS.

2.1 Presentation of Financial statements

Why do we need Accounting Standards?

There are different views on how to account for and report business transactions. These may be due to cultural or commercial reasons or because of legislative or taxation laws.

A prime aim of Standards is to bring consistency of reporting within and between countries. Investors and others using financial statements (e.g. for investing or benchmarking purposes) can then make decisions based on consistently prepared data. However, consistency is not the only reason that Standards are needed. There can be poor or downright bad accounting. Poor accounting may mean lack of exactness giving a wide range of values or inadequate disclosure. Bad accounting could mean fraud.

What should a set of Financial Statements contain? There will be differing views as to what are essential to statements and their layout. This Standard lists the essential elements of a set of financial statements. Also businesses must have clearly stated accounting policies (rules) if financial statements are to be read or interpreted clearly. Figures are meaningless if not prepared on a defined base. Accounting concepts such as 'going concern' and 'accruals' are considered fundamental or 'bedrock'. These and other concepts are defined and explained. If there were no rules then creative measures need to use.

Ideas – concepts

Financial statements could contain endless statements, data and explanations. What is required is a practical minimum number of statements and narrative that permit a fair understanding of the financial results, cash flows and state of a business for a defined period. A complete set of financial statements is considered to comprise:

- **A balance sheet**
- **An income statement** (Profit & Loss account)
- **A cash flow statement**
- **Accounting policies and explanatory notes**
- **A statement of changes in equity** – All changes in equity or at least the changes that arise from capital transactions other than those with owners, e.g. revaluation gains. Examples of

balance sheets and income statements a statement of changes in equity should show all items that affect total shareholders' equity. That is profit or loss for the period, other gains or losses, adjustments due to changes in accounting policies, capital transactions with the owners, e.g. dividend payments or capital introduced. For many companies this is a very straightforward statement – opening amount, add profit for year less dividends gives closing amounts.

Accounting policies

Accounting policies define the process whereby transactions and other events are reflected in financial statements. Figures are meaningless if not prepared on a defined base. Accounting concepts such as 'going concern' and 'accruals' are considered fundamental or 'bedrock' and other concepts and desirable qualities and their application, are considered in this Standard or the IASB Framework. Policies are the particular ways in which concepts are applied to separate items in the financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or an expense is to be recognized; the basis on which it is to be measured; and where in the balance sheet or income statement it is to be presented.

Why do we need to understand Accounting Standards?

Owners, directors, managers and professional advisers, such as lawyers, have a responsibility to understand how business activities are presented in the financial statements – what is going on in the business. The accounting ideas behind them and the effect on financial statements of each of the Standards are explained.

2.2 Technical Summary of Accounting Standards

IFRSs:

1. **IFRS 1** First-time Adoption of International Financial Reporting Standards
2. **IFRS 2** Share-based Payment
3. **IFRS 3** Business Combinations
4. **IFRS 4** Insurance Contracts
5. **IFRS 5** Non-current Assets Held for Sale and Discontinued Operations
6. **IFRS 6** Exploration for and evaluation of Mineral Resources
7. **IFRS 7** Financial Instruments: Disclosures
8. **IFRS 8** Operating Segments
9. **IFRS 9** Financial Instruments (issued on 12 November 2009; effective from 1 January 2013 with early adoption permitted; a complete replacement for IAS 39)

IASs:

1. **IAS 1** Presentation of Financial Statements
2. **IAS 2** Inventories
3. **IAS 7** Statement of Cash Flows
4. **IAS 8** Accounting Policies, Changes in Accounting Estimates and Errors
5. **IAS 10** Events After the Balance Sheet Date
6. **IAS 11** Construction Contracts
7. **IAS 12** Income Taxes
8. **IAS 16** Property, Plant and Equipment
9. **IAS 17** Leases
10. **IAS 18** Revenue
11. **IAS 19** Employee Benefits
12. **IAS 20** Accounting for Government Grants and Disclosure of Government Assistance
13. **IAS 21** The Effects of Changes in Foreign Exchange Rates
14. **IAS 23** Borrowing Costs
15. **IAS 24** Related Party Disclosures
16. **IAS 26** Accounting and Reporting by Retirement Benefit Plans

17. **IAS 27** Consolidated and Separate Financial Statements
18. **IAS 28** Investments in Associates
19. **IAS 29** Financial Reporting in Hyperinflationary Economies
20. **IAS 31** Interests in Joint Ventures
21. **IAS 32** Financial Instruments: Presentation
22. **IAS 33** Earnings per Share
23. **IAS 34** Interim Financial Reporting
24. **IAS 36** Impairment of Assets
25. **IAS 37** Provisions, Contingent Liabilities and Contingent Assets
26. **IAS 38** Intangible Assets
27. **IAS 39** Financial Instruments: Recognition and Measurement
28. **IAS 40** Investment Property
29. **IAS 41** Agriculture

2.3 The Objective of the Standard as Set Out in the Standard

The commentary on each Standard includes the objective written for each Standard by the Standard setters. It is obvious with both the International and UK Standards that there were different authors. The style varies considerably. Some are clear and to the point, others ramble on, and for some Standards no objective exists. They are included because they can help to explain what the issues are and why the Standard is needed. The 'Why needed' introduction aims to succinctly set out the objectives.

Advantages of Changing to IFRS Reporting Requirements:

The principal advantages of changing to IFRS reporting requirements are listed below.

- For private companies that are looking for venture capital, private equity or to make the transition to a public market, moving to IFRS reporting will be an advantage to potential investors in terms of making it easier to compare financial performance
- Improved transparency against international companies
- Assists overseas trade development with international partners

3.0 The Contrast between IFRSs and BASs

According to the ICAB website, as of July 2010, Bangladesh adopted 41 IFRSs as BASs and Bangladesh Financial Reporting Standards (BFRSs). However, these national standards are modified to reflect local legal requirements and are based on an older version of IFRSs. The South Asian Federation of Accountants (SAFA) conducted a comparative analysis of national standards with IFRSs for five South Asian countries, including Bangladesh. In this analysis the SAFA concluded that "[in Bangladesh] while formulating the Accounting Standards, the Technical and Research Committee of the Council of the Institute tries to integrate the International Accounting Standards (IAS) with the local laws, conditions and practices. During the process of revision of existing Accounting Standards, all-out efforts are being made to narrow down (and, if possible, eliminate) differences with the corresponding IAS". The 2007 self-assessment prepared by the Institute of Chartered Accountants of Bangladesh (ICAB) confirmed that Bangladesh adopted international standards with adaptations to ensure compatibility with the national legal environment and relevance with regard to applicability in the national context. According to the SAFA report, BASs are mandatory for listed companies and are recommended for all other entities.

Furthermore, in a 2009 ICAB Action Plan prepared as part of the International Federation of Accountants' Member Body Compliance Program, the ICAB reiterated its commitment to international harmonization of accounting standards. Per the Plan, the ICAB continues to maintain the convergence process by “adopting /updating IFRS/IAS as BFRS/BAS” (p. 19). In November 2008, the ICAB started a sectoral-based review of the local financial reporting environment in order to identify existing and potential hindrances to the adoption and implementation of IFRSs. The review is likely to be finalized in June 2009 and the ICAB plans to analyze and implement the recommendations by 2010. In July 2009, the ICAB also plans to review regulatory and other requirements for the implementation of IFRSs for SMEs.

According to the description of the legal framework provided on the Deloitte IAS Plus website, the Companies Act of 1994 provides basic requirements for financial reporting by all companies in Bangladesh. However, the Act is silent about either BASs or IFRSs. Furthermore, the World Bank report noted that that some accounting requirements specified in the Act were incompatible with international standards and "the formats for presentation of financial statements and requirements on disclosures prescribed in the Act need updating or removing”. The enforcement of the provisions of the Companies

Act is conducted by the Office of the Registrar of Joint Stock Companies (RJSC). However, the World Bank noted that the "RJSC has no technical capacity to identify accounting and auditing violations; in most cases it does not even enforce timely filing of annual audited financial statements"

The Securities and Exchange Commission of Bangladesh regulates financial reporting by listed companies and requires compliance with IASs/IFRSs as adopted in Bangladesh i.e. BASs. However, the World Bank assessment pointed out that even though the SEC was working towards improving the quality of financial reporting, it lacked trained staff to monitor compliance with the specified requirements. The Bangladesh Bank regulates the banking sector and, empowered by the Companies Act and the Bank Companies Act of 1991, sets accounting and auditing requirements. According to the IAS Plus website, "the Bank Company Act of 1991 mandates reporting formats and disclosure based on BAS 30, which is similar to IAS 30." However, IAS 30 was replaced by IFRS 7 in 2005 and the latter was adopted in Bangladesh in July 2008. The World Bank also pointed out that "the banking regulator has no mechanism to monitor and enforce accounting and financial reporting requirements" (p. 7). The Bangladesh Bank also regulates nonbanking financial institutions. Governed by the Insurance Act of 1938, the Chief Controller of Insurance regulates the insurance sector. However, the World Bank noted that both the Banking Act and the Insurance Act do not mandate the use of BASs or IFRSs. Moreover, the World Bank pointed that "accounting and disclosure requirements under the Insurance Act lead to significant deviations from IAS requirements".

Established by Bangladesh Chartered Accountants Order of 1973, the ICAB is the national accounting and auditing standard-setter and regulator of the accounting profession. Although the ICAB does not have a legal mandate for setting accounting standards, it has a standard-setting committee which, according to the World Bank, "selects particular IAS as the basis for drafting BAS”. The World Bank recommended strengthening the capacity of the ICAB and improving professional education and training arrangements. The ICAB and the Institute of Cost and Management Accountants of Bangladesh are listed as members on the International Federation of Accountants website. The ICAB is also a member of the SAFA and the Confederation of Asian and Pacific Accountants. Per the 2009 ICAB Action Plan, the Institute is in the process of reviewing its educational requirements and strategies with regard to IFRS dissemination and training. Furthermore, the 2009 ICAB Action Plan notes that the Institute adopted the IFAC Code of Ethics as an ICAB Standard of Professional Practice in January 2009.

3.1 The Principles

IFRS 1: First-time Adoption of International Financial Reporting Standards (revised 2009)

According to the ICAB website, IFRS 1 was adopted as BFRS in April 2008. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IFRS 2: Share-based Payment (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IFRS 2 (effective 2005) was adopted as Bangladesh standard in July 2006 and has been effective from January 2007. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IFRS 3: Business Combinations (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IFRS 3 (effective 2004) was adopted as Bangladesh standard in December 2005 and has been effective from January 2007. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IFRS 4: Insurance Contracts (effective 2006)

According to the ICAB website, IFRS 4 was adopted as BFRS in October 2008. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IFRS 5 (effective 2005) was adopted as Bangladesh standard in December 2005 and has been effective from January 2007. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IFRS 6: Exploration for and Evaluation of Mineral Resources (effective 2006)

According to the 2007 IAS Plus Update and the SAFA comparison, IFRS 6 (effective 2006) was adopted as Bangladesh standard in July 2006 and has been effective from January 2007. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IFRS 7: Financial Instruments: Disclosures (effective 2007)

According to the ICAB website, IFRS 7 was adopted as BFRS in July 2008. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IFRS 8: Operating Segments (effective 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 14 (effective 1998) was adopted as BAS in July 2003 and has been effective from January 2004. The ICAB website notes that IFRS 8 was adopted as BFRS in April 2008. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 1: **Presentation of Financial Statements (revised** 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 1 (effective 2005) was adopted as BAS in July 2006 and has been effective from July 2006. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 2: **Inventories (effective** 2005)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 2 (effective 2005) was adopted as BAS in July 2006 and has been effective from July 2006. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 7: Cash Flow Statements (effective 1994)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 7 (effective 1994) was adopted as BAS in January 1986 and became effective from January 1994. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (effective 2005)

According to the IAS Plus website Update of August 2007, the latest version of IAS 8 was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 10: Events after the Reporting Period (effective 2005)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 10 (effective 2005) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 11: Construction Contracts (effective 1995)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 11(effective 1995) was adopted as BAS in January 1990 and became effective from January 1999. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 12: Income Taxes (effective 2001)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 12 (effective 2001) was adopted as BAS in January 1990 and became effective from January 1998. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 16: Property, Plant and Equipment (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 16 (effective 2006) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 17: Leases (effective 2005)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 17 (effective 2005) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 18: Revenue (effective 1995)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 18 (effective 1995) was adopted as BAS in January 1993 and became effective from January 1995. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 19: Employee Benefits (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 19 (effective 2006) was adopted as BAS in July 2003 and became effective from January 2004. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 20: Accounting for Government Grants and Disclosure of Government Assistance (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 20 (effective 1984) was adopted as BAS in November 1998 and became effective from January 1999. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 21: The Effects of Changes in Foreign Exchange Rates (effective 2005)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 21(effective 2006) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 23: Borrowing Costs (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 23 (effective 1995) was adopted as BAS in July 2006 and has been effective ever since However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 24: Related Party Disclosures (effective 2005)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 24 (effective 2006) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 26: Accounting and Reporting by Retirement Benefit Plans (effective 1998)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 26 (effective 1998) was adopted as BAS in July 2003 and became effective from January 2004. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 27: Consolidated and Separate Financial Statements (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 27 (effective 2005) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 28: Investments in Associates (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 28 (effective 2005) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

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IAS 29: Financial Reporting in Hyperinflationary Economies (revised 2009)

According to the IAS Plus website update of August 2007, IAS 29 has not been adopted.

IAS 31: Interests in Joint Ventures (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 31(effective 2005) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 32: Financial Instruments: Disclosure and Presentation (revised 2009)

According to the IAS Plus website update of August 2007, IAS 32 has not been adopted.

IAS 33: Earnings per Share (effective 2005)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 33 (effective 2005) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 34: Interim Financial Reporting (effective 1999)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 34 (effective 1994) was adopted as BAS in December 1998 and has been effective since January 1999. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 36: Impairment of Assets (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 36 (effective 2004) was adopted as BAS and became effective from January 2004. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets (effective 1999)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 37(effective 1999) was adopted as BAS in December 2003 and has been effective since January 2004. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 38: Intangible Assets (effective 2004)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 38 (effective 2006) was adopted as BAS and became effective from January 2005. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 39: Financial Instruments: Recognition and Measurement (revised 2009)

According to the IAS Plus website Update of August 2007, IAS 39 has not been adopted yet and is under ICAB review.

IAS 40: Investment Property (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 40 (effective 2005) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

IAS 41: Agriculture (revised 2009)

According to the 2007 IAS Plus Update and the SAFA comparison, IAS 41(effective 2003) was adopted as BAS in July 2006 and has been effective ever since. However, there is no further information as to the extent of compliance of BASs/BFRSs with the corresponding international standard.

4.0 Framework for Preparation and Presentation of Financial Statement

- Defines the objective of general purpose financial statements. The objective is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions.

- Identifies the qualitative characteristics that make information in financial statements useful. The Framework identifies four principal qualitative characteristics: understandability, relevance, reliability and comparability.

- Defines the basic elements of financial statements and the concepts for recognizing and measuring them in financial statements. Elements directly related to financial position are assets, liabilities and equity. Elements directly related to performance are income and expenses.

IAS 1(2007) Presentation of Financial Statements:

Objective

To set out the overall framework for presenting general purpose financial statements, including guidelines for their structure and the minimum content.

Summary

• Fundamental principles established for the preparation of financial statements, including going concern assumption, consistency in presentation and classification, accrual basis of accounting, and materiality.

• Assets and liabilities, and income and expenses, are not offset unless offsetting is permitted or required by another IFRS.

• Comparative prior-period information is presented for amounts shown in the financial statements and notes.

• Financial statements are generally prepared annually. If the end of the reporting period changes, and financial statements are presented for a period other than one year, additional disclosures are presented for a period other than one year, additional disclosures are required.

• A complete set of financial statements comprises:

– a statement of financial position;

– a statement of comprehensive income;

-a statement of changes in equity;

– a statement of cash flows;

– notes; and

– (only when an accounting policy has been applied retrospectively or items in the financial statements have been restated or reclassified) a statement of financial position as at the beginning of the earliest comparative period. (Therefore, in these limited circumstances, generally three statements of financial position.)

• Entities may use titles for the individual financial statements other than those used above.

• Specifies minimum line items to be presented in the statement of financial position, statement of comprehensive income and statement of changes in equity, and includes guidance for identifying additional line items. IAS 7 provides guidance on line items to be presented in the statement of cash flows.

• In the statement of financial position, current/ non-current distinction is used for assets and liabilities unless presentation in order of liquidity provides reliable and more relevant information.

• The May 2008 amendments state that financial instruments classified as held for trading in accordance with IAS 39 are not always required to be presented as current assets/liabilities.

• The statement of comprehensive income includes all items of income and expense – (i.e. all 'non-owner' changes in equity) including :

(a) Components of profit or loss and

(b) Other comprehensive income (i.e. items of income and expense that are not recognized in profit or loss as required or permitted by other IFRSs). These items may be presented either:

– in a single statement of comprehensive income (in which there is a sub-total for profit or loss); or

– in a separate income statement (displaying components of profit or loss) and a statement of comprehensive income (beginning with profit or loss and displaying components of other comprehensive income).

Current Standards and Interpretations

• Analysis of expenses recognized in profit or loss may be presented by nature or by function.

If presented by function, specific disclosures by nature are required in the notes.

• The statement of changes in equity presents:

– total comprehensive income for the period;

– the effects on each component of equity of retrospective application or retrospective restatement in accordance with IAS 8;

– transactions with owners in their capacity as owners; and

– for each component of equity, a reconciliation between the opening and closing balances, separately disclosing each change.

• Specifies minimum note disclosures which include information about:

– accounting policies followed;

– the judgments that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements; and

– capital structure and compliance with capital requirements.

• An appendix to IAS 1 includes illustrative financial statements other than the statement

– of cash flows (IAS 7).

IAS 2 Inventories:

Objective

To prescribe the accounting treatment for inventories, including cost determination and expense recognition.

• Inventories are stated at the lower of cost and net realizable value (NRV).

• Costs include purchase cost, conversion cost (materials, labor and overheads), and other costs to bring inventory to its present location and condition, but not foreign exchange differences.

• For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory.

• For interchangeable items, cost is determined on either a First in First out (FIFO) or weighted average basis. Last In First Out (LIFO) is not permitted.

• When inventories are sold, the carrying amount is recognized as an expense in the period in which the related revenue is recognized.

• Write-downs to NRV are recognized as an expense in the period of the write-down.

Reversals arising from an increase in NRV are recognized as a reduction of the inventory expense in the period in which they occur.

IAS 7 Cashflow

IAS 7 Statement of Cash Flows

Objective

To require the presentation of information about historical changes in an entity's cash and cash equivalents by means of a statement of cash flows that classifies cash flows during the period according to operating, investing and financing activities.

Summary

• The statement of cash flows analyses changes in cash and cash equivalents during a period.

• Cash equivalents include investments that are short-term (less than three months from date of acquisition), readily convertible to a known amount of cash, and subject to an insignificant risk of changes in value. Generally exclude equity investments.

• Cash flows from operating, investing and financing activities are separately reported.

• Cash flows arising from operating activities are reported using either the direct (recommended) or the indirect method.

• Cash flows arising from taxes on income are classified as operating unless they can be specifically identified with financing or investing activities.

• The exchange rate used for translation of transactions denominated in a foreign currency and the cash flows of a foreign subsidiary is the rate in effect at the date of the cash flows.

• Aggregate cash flows relating to obtaining or losing control of subsidiaries or other businesses are presented separately and classified as investing activities, with specified additional disclosures.

• Investing and financing transactions that do not require the use of cash are excluded from the statement of cash flows, but separately disclosed.

• Illustrative statements of cash flows are included in appendices to IAS 7.

IAS 16 Property, Plant and Equipment

To prescribe the principles for the initial recognition and subsequent accounting for property, plant and equipment.

Summary

Items of property, plant, and equipment are recognized as assets when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.

• Initial recognition is at cost, which includes all costs necessary to get the asset ready for its intended use. If payment is deferred, interest is recognized.

• Subsequent to acquisition, IAS 16 allows a choice of accounting model:

– cost model: the asset is carried at cost less accumulated depreciation and impairment; or

–revaluation model: the asset is carried at a revalued amount, which is fair value at revaluation date less subsequent depreciation and impairment.

• Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued.

– Revaluation increases are credited to equity.

– Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss.

• When the revalued asset is disposed of, the revaluation surplus in equity remains in equity and is not reclassified to profit or loss.

• Components of an asset with differing patterns benefits are depreciated separately.

• Depreciation is charged systematically over the asset's useful life. The depreciation methodnreflects the pattern of benefit consumption. The residual value is reviewed at least annually and is the amount the entity would receive currently if the asset were already of the age and condition expected at the end of itsn useful life. Useful life is also reviewed annually. If operation of an item of property, plant and equipment (e.g. an aircraft) requires regular major inspections, when each major inspection is performed, its cost is recognized in the carrying amount of the asset as a replacement, if the recognition criteria are satisfied.

• Impairment of property, plant and equipment is assessed under IAS 36.

• All exchanges of property, plant and equipment are measured at fair value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.

4.1 Regulatory Framework For Balance Sheet Reporting

Bangladesh Accounting Standards (BAS) 1 (ICAB, 2004), which is a localized re-explanation of International Accounting Standard 1, explains the presentation of financial statements in details. As per Para 49, balance sheet should be presented at least annually. Regarding the classification of assets and liabilities, Para 53 of BAS 1 suggests each enterprise to determine, based on the nature of the operations, whether or not to present current and non-current assets and current and non-current liabilities as separate classifications on the face of the balance sheet. Para 55 allows an enterprise to show its net assets. Para 66 provides a list of items, which should be included in the balance sheet as line items. These items are: (a) property, plant and equipment; (b) intangible assets; (c) financial assets (excluding amounts shown under (d), (f) and (g)); (d) investments accounted for using the equity method; (e) inventories; (f) trade and other receivables; (g) cash and cash equivalents; (h) trade and other payables; (i) tax liabilities and assets as required by BAS 12 Income Taxes; (j) provisions; (k) non-current interest-bearing liabilities; (l) minority interest, and (m) issued capital and reserves. Para 68 suggests no prescribed order or format in which items are to be presented. The appendix of BAS 1 depicts one illustrative format of balance sheet (Appendix A) which is labeled as Style 2 in this paper. BAS 30 (ICAB, 2004) discusses the disclosures in the financial statements of banks and similar financial institutions. As per Para 19 of BAS 30, the balance sheet should include following assets: (a) cash and balances with the Bangladesh Bank and Sonali Bank; (b) Treasury bills and other bills eligible for rediscounting with the central bank; (c) Government and other securities held for dealing purposes; (d) Placements with, and loans and advances to, other banks; (e) Other money market placements; (f) Loans and advances to customers; and (g) Investments securities; and the following liabilities: (a) Deposits from other banks; (b) Other money market deposits; (c) Amounts owed to other depositors; (d) certificates of deposits; (e) Promissory notes and other liabilities evidenced by paper; (f) Other borrowed funds.

Balance Sheet Format

Under standard accounting conventions balance sheet may be presented in two formats: the report form (vertical presentation) and the account form (horizontal presentation). We have labeled the former as Format 1 and the latter as Format 2. The balance sheet is most often presented in report form, with assets listed above liabilities and owners' equity. In the account form of balance sheet the assets section is placed on the left and the liabilities and owners' equity sections on the right. In some countries, the UK and Ireland for example, a 'multiple-step' format is used, with a list of subsets of the three main categories of assets, liabilities and shareholders' equity and identification of managerially useful subtotals

Assets	
Non-Current Assets	1
Property, Plant and Equipment	
Goodwill	
Manufacturing licences	
Investment in associates	
Other financial assets	
Current Assets:	2
Inventories	
Trade and other receivables	
Prepayments	
Cash and cash equivalents	
Total assets/Total Application of Funds	3= (1)+(2)
Equity and Liabilities	
Capital and Reserves	4
Issued capital	
Reserves	
Accumulated profits/ (losses)	
Minority interest	
Non-Current Liabilities	5
Interest bearing borrowings	
Deferred tax	
Retirement benefit obligation	
Current Liabilities	6
Trade and other payables	
Short term borrowings	
Current portion of interest bearing borrowing	
Warranty provisions	

Format of Balance sheet according to IAS

Issue Partining to balance sheet

1. at least two years comparative figure
2. Title balancesheet or statement of finzancial position
3. Eanding date of fiscal year(when business activity is comparatevily slow)
4. Refaraqnce to the notes (footnotes)
5. Subtotals of certain classification of accounts
   - current assets and current libilities
   - Valuation allowance for certain accounts. i) part of the description of the accounts its adjust(e.g. , net of allowances for doubtful accounts). ii) accumuladed depriciation), iii) may not be shownin the balacne sheetand disclosed in the notes
6. Order of presentation of the accounts used : form the most liquid to the least liquid.
7. at least two years comparative figure
8. Title balancesheet or statement of finzancial position
9. Eanding date of fiscal year(when business activity is comparatevily slow)
10. Refaraqnce to the notes (footnotes)
11. Subtotals of certain classification of accounts
    - current assets and current libilities
    - Valuation allowance for certain accounts. i) part of the description of the accounts its adjust(e.g. , net of allowances for doubtful accounts). ii) accumuladed depriciation), iii) may not be shownin the balacne sheetand disclosed in the notes
12. Order of presentation of the accounts used : form the most liquid to the least liquid

Information to be presented i the face of the balancesheet:

As a minimum , the face of the balancesheetshall includes the line terms that present the following accounts to the extent that they are not presented in accordance with paragraph 68 A:

a) Property Plant and equipment.
b) Investment property.
c) Intengible Assets
d) Financial assets
e) Investment accounted for using the equity method
f) Biological assets
g) Inveontories
h) Trade and other receables
i) Cash and cash equivalent
j) trade and other provisions
k) Provisions
l) Financial libilities.
m) libilities and assets for current tax as defined in IAS 12
n) Minorityinterest present with equity
o) Issued capital and reserves attributable to equity holders of the parent.

4.2 Requirement as To Profit And Loss Account

1. The profit and loss account shall be so made out as to disclose clearly the result of the working of the company during the period covered by the account and shall show, arranged under the most convenient heads, the gross income and the gross expenditure of the company during the period, disclosing every material feature and in particular the following:-

(A) (1) the turnover, that is, the aggregate amount for which sales are affected by the company, and the gross income derived from rendering giving or supplying services or benefits, and showing as deduction there from -

(a) commission paid to sole selling agents;

(b) commission paid to other selling agents; and

(c) brokerage and discount of sales, other than the usual trade discount;

(2) income fr5om investments, showing separately income from each subsidiary company, from each controlled firms, from each associated undertaking and from other investments;

(3) income by way of interest on loans and advances and other interest;

(4) income from sale of bonus vouchers;

(5) profit on sale of investments;

(6) profit on sale of items of fixed assets;

(7) profit in respect of transactions, of an exceptional or non-recurring nature, not usually undertaken by the company or not envisaged in the normal course of business; and

(8) other income, showing separately every material item and the nature of each such items;

(B) (1) the value of stock-in-trade, including raw materials and components, work in progress and finished products, as the commencement and the value\ at the end of the period;

(2) purchase of raw materials and components and finished products;

(C) expenditure on –

(1) stores and spare parts consumed;

(2) fuel and power;

(3) salaries and wages (including bonus, contributions to provident and other funds recognized under the Income Tax Ordinance, 1984 and expenses on staff welfare, distinguishing between manufacturing salaries and wages, if any, and other salaries and wages in respect of persons who are directors (including managing director) of the company;

(4) rent municipal rates and local taxes (excluding taxes on income and capital gains);

(5) insurance;

(6) repairs and maintenance (being repairs to and maintenance of the company's fixed assets); and

(7) patents, copyrights, trademarks, design, royalties and technical assistance;

(D) the aggregate amount of auditors remuneration, whether fees, expenses or otherwise, for services rendered as auditors or in any other capacity showing separately the remuneration for services rendered as auditors and the remuneration for services rendered in any other capacity and stating the nature of such other services;

(E) other expenses, showing separately every items of an exceptional or non-recurring nature and every material items;

(F) the amount provided for depreciation, renewals or diminution in value of fixed assets. The value of the assets by various groups, the additions or depletion's thereto, the rate at which depreciation is charged, the rate(s) at which depreciation, accelerated or for extra shifts, is charged shall be shown in the form of an annexure. Where such provision is not made by means of a charge for depreciations, the method adopted for making such provisions shall be stated. If no provision for depreciation or for extra shift depreciation is made during the period, the fact that no provision has been made and the reasons for not making it shall be stated, and the amount which should have been provided and the quantum of arrears of depreciation, if any, shall be disclosed;

(G) (1) the amount of interests on borrowings, showings separately the amount of interest on the company's debentures, on other long term loans and on short term loans, and showing by way of a note the amount of interests on borrowing from the directors (including managing director}, the managing agents and the managers;

(2) loss on sale of investments;

(3) loss on sale of items of fixed assets;

(4) debts written off as irrecoverable;

(5) provision for diminution in value of investments;

(6) provision for diminution in value of investment.

(7) provision for losses of subsidiary company, provision for losses of subsidiary companies, controlled firms and associated undertakings; where loss is actually incurred the extent of loss in the case of each subsidiary company, controlled firms and associated undertaking shall be disclosed.

(8) remuneration of managing agents;

(9) provision for taxation on income, capital gains and other tax or taxes, showing separately the provision for liability in respect of the profit of the period and the provision for liability deferred due to the difference between the rates of depreciation allowed for purposes of taxation on income and those adopted by the company for the charge to profit and loss account and distinguishing, where applicable, between the provision for Bangladesh taxation and the provision for taxation elsewhere. Where the provision for taxation in respect of the profits of the period is reduced by the writing back of a part or the whole of the provision for deferred liability made in previous periods the amount written back shall be shown as deduction from the gross charge for taxation; and

(10) other provision for meeting specific liabilities, contingencies or commitments;

(H) (1) the amount set aside or proposed to be set aside as reserve showing separately the respect6ive amounts in respect of the each item of reserve; and

(2) the amount of the dividend proposed.

2. The profit and the loss arising from 'hedge' and 'forward' contracts, trading in 'futures' and 'badla' (contango and backwardation), and other transactions of a similar nature carried forward or completed by 'meeting the difference' and not resulting in actual purchase or sale of

stock-in-trade, shall not be deducted from or added to the cost of item (B) (2) in paragraph 1 of this Part, and shall be shown separately in the profit and loss account.

3. There shall be stated by way of a note the respective amounts included in items (G) (4) and (5) of paragraph 1 of the Part for (a) debts due by the directors (including managing director) managing agents, managers and other officers of the company and any of them severally or jointly with any other person (b) debts due by associated undertakings.

4. The following shall be stated by way of a note –

   (i) the aggregate amounts paid during the period to or in respect of, or provided during the period for payment to or in respect of, the directors (including managing director), managing agents and officers by the company and its subsidiary companies, controlled firms and other associated undertaking as fees, remuneration, allowances, commission, perquisites or benefits or in any other form or manner and for any services rendered, and shall give full particulars of such aggregate amounts, separately for the directors (including managing director), managing agents and officers, under appropriate heads such as:

      (a) fees;

      (b) managerial remuneration;

      (c) remuneration or commission based on net profit or turnover;

      (d) reimbursable expenses;

      (e) pensions, gratuity: company's contribution to provident, superannuation and other staff funds (showing by way of a note payments actually made out of such funds, during the period being amounts in excess of members' own subscriptions and interest thereon); compensation for loss of office and in connection with retirement from office;

      (f) buying commission, showing separately the amount provided for or paid to an associated undertaking of the managing agent or to an associated person of or partner in, or a director or officer of the managing agent or of the company;

      (g) selling agency commission, showing separately the amount provided for or paid to an associated undertaking of the managing agent or to an associated person of or partner in, or a director or officer of the managing agent or of the company;

(h) other allowances and commission, including commission for guarantee, specifying the nature of the allowances and commission and the respective amounts;

(i) other perquisites and benefits in cash or in kind stating their nature and where practicable, their approximate money values;

(j) the amount of commission to the managing agents, to an associated person of the managing agent or to an associated person of a partner or a director or officer of the managing agent or of the company as selling or buying agents of other concerns in respect of contracts entered into by such concerns with the company;

(k) the aggregate amounts of the company's purchases from and sales of goods, material and services to the managing agents, to an associated undertaking of the managing agent or to an associated person of a partner or a director or officer of managing agent or of the company;

(l) the calculation of the commissions payable by way of a percentage of net profit to the directors (including managing director), the managing agents or managers and showing the computation of net profits with relevant particulars; and

(m) the amounts if material, by which any items shown therein are affected by any change in the basis of accounting;

(ii) in the case of a sale of an item of fixed assets otherwise than through a regular auction showing particulars of the original cost, accumulated depreciation charged thereon, the written down value, the sale prices, the mode of disposal (e.g. by tender or negotiation) and the particulars of the purchasers indicating whether such purchaser was a director or officer, managing agent or a shareholder owning 20 percent of the voting share of the company.

5. A company need not show the amount set aside as provisions other than these relating to depreciation, renewal or diminution in value of assets if, on application made by it, has been allowed by the Authority to do so on being satisfied that the disclosure of such information would be prejudicial to the interests of the company, but shall so frame or mark the heading covering the amount of such provision as to indicate that it has been so allowed by the Authority.

6. The profit and loss account shall be so drawn up as to disclose separately the manufacturing, trading and operation results. In the case of a manufacturing concern the cost of goods manufactured shall also be shown. Where an undertaking has more than one unit of operation or line of business the working results of each such unit or line of business should be separately give.

7. (A) Except for the profit and loss account for the year ending after the date of commencement of these Rules every profit and loss account shall give the corresponding amounts for the immediately preceding accounting year for all items shown in the profit and loss account.

   (B) The requirement in sub-paragraph (A) shall, in the case of companies preparing quarterly or half yearly accounts relating to the profit and loss account for the period which ended on the corresponding date of the immediately preceding year.

8. The information required to be given in respect of any of the items in the profit and loss account shall, if it cannot be included in the profit and loss account itself, be furnished in a separate schedule or schedules to be attached to and to form part of, the profit and loss account.

9. In the case of a company not carrying on business for profit, the provisions of this Part shall have effect as if for references therein to profit and loss account references to income and expenditure account had been substituted.

4.3 Requirements As To Cash Flows Statement

The cash flows statement shall be so made out as to disclose clearly the cash flows of the company from its operating, investing and financial activities, disclosing every material feature and in particular, the following:

(1) the major classes of gross cash receipts and gross cash receipts and gross cash payments from operating activities, using the direct method;

(2) interest paid on short term borrowing; and

(3) taxes on income paid and deducted at sources.

(B) (1) cash payments for acquisition of fixed assets, long-term payment and referred costs, investments, loans and advances;

(2) cash receipts from sales of fixed assets, intangibles and other long term assets;

(3) cash receipts from repayments of long-term loans and advance;

(4) acquisitions and disposals of subsidiaries and other business unit

(5) interest and dividend received

(C) (1) cash proceeds from issuing shares at par, premium &discount

(2) cash proceeds from issuing debentures, loans & other short or long term borrowings

(3) cash repayments of amounts borrowed

(4) interest paid on long-term borrowings; &

(5) dividend paid

2. Investing & financing transactions that do not require the use of cash or cash equivalents should be excluded from the cash flows statements. Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing & financing activities

The amount of significant cash & cash equivalents held by the company that are not available for its use should be disclosed

The components of cash & cash equivalents at the balance sheet date together with a reconciliation of opening and closing balances thereof should be presented

From “A” annexed to the Schedule shall be omitted.

In From “B” annexed to the Schedule, the existing Form of the Auditor Report shall be substituted.

Interpretation

For the purpose of this Schedule unless the context otherwise requires-

the expression ‘associated undertakings’ means any two or more undertakings interconnected with each other in the following manner, namely:-

if a person who is the owner or a partner, officer or director of an undertaking or who directly or indirectly holds or controls shares carrying not less than twenty percent of the voting power in such undertaking or directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in that undertaking ; or

if the undertakings are under common management or common control or one is the subsidiary of another, and the shares of an issuer shall be deemed to be owned, held or controlled by a person or by the spouse, a brother or sister or any lineal ascendant or descendant of that person and the person who is the owner or a partner, officer or director of, or directly or indirectly holds or controls shares carrying not less than twenty percent of the voting power in, an undertaking shall be deemed to be an “associated person” of the person who is the owner or a partner, officer or director of , or directly or indirectly holds or controls shares carrying not less than twenty percent of the voting power in another undertaking which is an associated undertaking of that undertaking:

the expression ‘debts’ shall include loans & advances & other receivable where it where relates to amounts written off & provision for doubtful & bad debts:

the expression” liability ” shall include all liabilities in respect of expenditure contracted for & all disputed or contingent liabilities;

the expression” manufacturing salaries & wages” shall mean those direct & administrative salaries & wages which under normal accounting principles are so classified:

the expression “provision” shall, subject to paragraph 2 of this Part, mean any amount written off or retained by way of providing for depreciation renewals or diminution in value of assets, or retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy;

the expression “reserve” shall not, subject as aforesaid, include any amount written off or retained by way of providing for any known liability;

the expression ‘Rules’ means the Securities & Exchange Rules, 1987.

Where, in the case of a company:-

any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, not being an amount written of in relation to fixed assets before the commencement of these Rules; or

any amount retained by way of providing for any known liability, is in excess of the amount which, in the amount which, in the opinion of the directors of the company, is reasonably necessary for the purpose, the excess shall be treated for the purposes of this Schedule as a reserve and not as a provision.

3. A firm shall be deemed to be controlled by a company if the latter controls the firm’s management or is entitled to more than fifty percent of its profits or is liable to bear more than fifty percent of its losses.

CASE STUDY

EASTERN HOUSING LTD

Eastern Housing Limited (EHL) is a public limited company in Bangladesh working in real estate development. The registered office of the company is situated in Bangladesh. Eastern Housing Limited is one of the 29 members of the REHAB Association, the central body for private sector developers in Bangladesh. Eastern Housing Limited (EHL) was established with the objectives of development of land for housing in the urban areas of Dhaka. It is involved in construction, engineering, manufacturing and trading activities. It has been responsible for redefining the environment in Dhaka, the capital of Bangladesh, along with other major developers.

Objectives

The objectives of the company are as follows:

- To carry on business of Builders, Engineers, Architects and Constructors.
- To provide lands with buildings, apartments, houses, flats or other accommodation.
- To sell, mortgage, give on lease land, house sites, and buildings

Market share

Based on the information provided on company website, up to 2008, Eastern Housing Ltd. has sold over 620 acres (2.5 km2) of land to its customers in 24 different projects approximating some 13,000 plots. It has also successfully completed over 3,500 units of apartment and has built some modern Shopping Plazas and Commercial Complexes numbering approximating 1500 units. Overall EHL has got more than 40% market share in residential plot and apartment development business in Bangladesh.

Financial Performance

As of January 1, 2008 the total Market capitalization of the company is BDT 878 million. Of this 48% is held by sponsor company Islam Group of Industries, 33% by general public, 18% by different financial institutions and 1% by foreign investors. In 1994 the company listed with Dhaka Stock Exchange where it is listed as a Category A (highest ranking) company. Between 2001-2007 the company has generated dividend yield of 8%-13% for its investors. The company held its last Annual general meeting on December 18, 2006 when it announced BDT 72 million net profits after tax, which translates to BDT 11.54 of earnings per share. A consistently profitable venture, Eastern Housing paid 10% dividend to stockholders in 2003, and a 15% in 2007.

Basic Information:

Authorized Capital in BDT* (mn)	1000.0
Paid-up Capital in BDT* (mn)	621.0
52 Week's Range	479 - 840
Face Value	100.0
Market Lot	20
Total no. of Securities	6205680
Business Segment	Services & Real Estate

Other Information of the Company:

Listing Year	1994
Market Category	A
Electronic Share	Y
Share Percentage:	Sponsor/Director 48.34 Govt.0 Institute 3.76 Foreign 0.4 Public 47.5
Address:	Islam Chamber, 125/A, Motijheel, C/A, Dhaka - 1000
Contact Phone:	9566303 - 5
Email/Web Address:	share@easternhousing.com

EASTERN HOUSING LIMITED

BALANCE SHEET

AS AT JULY 31, 2009

	Notes	31.07.2009 Taka	31.07.2008 Taka
ASSETS			
Tangible Asset (at cost less accumulative depreciation)	3	60,582,300	63,610,400
Non- Current asset		**60,582,300**	**63,610,400**
Prepaid Expenses	4	19,614,100	26,500,000
Stock of Land, Apartment & Materials	5	11,374,586,700	10,833,611,100
Trade debtors (Secured and considered good)	6	16,177,700	25,356,300
Advance, Deposits and Prepayments	7	1,132,235,200	2,110,745,600
Deposit into BB Under duress during emergency	8	350,000,000	350,000,000
Fixed Deposit	9	773,322,900	601,000,000
Cash and Bank balances	10	136,151,000	317,628,100
Current Assets		**13,802,087,600**	**14,264,841,100**
TOTAL ASSETS		**13,862,669,900**	**14,328,451,500**
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued and paid up Share Capital	11	620,568,000	620,568,000
Reserves and Surplus	12	241,755,300	221,402,700
Proposed Dividend		93,085,200	93,085,200
		955,408,500	**935,055,900**
Non- Current Liabilities			
Long term loan - Secured	13	27,253,900	58,003,800
Sponsors' loan	14	202,500,000	202,500,000
		229,753,900	**260,503,800**
Current Liabilities			
Current maturity - long term loan-secured	15	46,008,000	128,884,300
Bank overdraft	16	148,021,200	155,218,500
Advance Received on Allotment	17	11,578,177,600	12,062,270,900
Creditors	18	892,982,800	767,038,100
Provision for Taxation	19	12,317,900	19,480,000
		12,677,507,500	**13,132,891,800**
TOTAL EQUITY AND LIABILITIES		**13,862,669,900**	**14,328,451,500**
Net Asset Value per Share (NAV)		**153.96**	**150.68**
Number of share used to compute NAV		**6,205,680**	**6,205,680**

The annexed notes form an integral part of these financial statements.

Dhaka, October 29, 2009

EASTERN HOUSING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JULY 31, 2009

	Notes	31.07.2009 Taka	31.07.2008 Taka
TURNOVER	21	**875,072,000**	**1,069,070,200**
Land unit		505,307,000	990,700,200
Apartment Unit		369,765,000	78,370,000
COST OF SALES	22	**625,961,600**	**707,104,100**
Land unit		334,015,600	645,322,900
Apartment Unit		291,946,000	61,781,200
GROSS PROFIT		**249,110,400**	**361,966,100**
Land		171,291,400	345,377,300
Apartment		77,819,000	16,588,800
NON-OPERATING INCOME	23	**100,179,600**	**10,874,000**
Dividend Income on CDBL		250,000	85,000
Sales of Waste Materials		3,190,200	10,644,200
Interest income on FDR & STD account		96,739,400	144,800
		349,290,000	**372,840,100**
EXPENSES :		**182,047,600**	**210,760,000**
Administrative & Selling Expenses	24	147,254,200	151,935,600
Financial Charges	26	34,793,400	58,824,400
NET PROFIT BEFORE TAX		**167,242,400**	**162,080,100**
Less: Tax	27	(53,804,600)	(55,005,600)
NET PROFIT AFTER TAX		**113,437,800**	**107,074,500**
Earning per Share (par value Tk. 100/-)		18.28	17.25
Number of share used to compute EPS		**6,205,680**	**6,205,680**

The annexed notes form an integral part of these financial statements.

Dhaka, October 29, 2009

Summary of significance with accounting policy:

- The financial statement have been prepared in accordance with Bangladesh Accounting standard (BAS) and Bangladesh Financial Reporting Standard(BFRS) As per requirement of Companies Act 1994, In contrast With IFRS And IAS
- Theire financial statements of the company is prepared on the basis of Going Concern Basis based on acurral basis under the historical cost convention
- Financial Statements are prepared and presented on the complaince on Bangladesh Accounting Standards BAS-1 " Presentation Of Financial Statements'
- Property plant And Equipments are stated at cost less accumulated depricialtion In Accordance with IAS -16 "Property plant ant Equipment"
- provision and Contingent libility and contengent libilities and Contengent Assets are recognised under BAS 37
- Stock of under developed land is valuded following the principle of BAS 2
- Cash and cash equivalent in hand and banks is recognised by accounting principles
- Cash Flow Statement is prepared under Direct method With BAS & an Also IAS 7 for the requirement of SEC
- Revenue is recognised under BAS 18 Standard
- Borrowing Cost is valuaded under BAS 23
- As per BAS -10 Events after reporting Period Are those events favorable and unfavorable that occurs between the end of the reporting period has ben shown in notes
- Gain or loss under foreign currency transaction are taten to the profit and loss account complying with BAS-21

Auditors Report to the shareholder of EHL:

Rahman mostafa Alam & Co audited Eastern housing limited accompanying balance sheet of 31 july 2009 and the related profit and loss account, Balance sheet , cashflow statement, Statement of change of equity and a summury of significant accounties policies and other explanatory notes for the year ended. This financial statements are the responsibility of the company,s management.

They conducted their audit in accordance with Bangladesh Standadr oo Auditing. Those standard supports to obtain reasonable assurance about wheather the financial statements are freematerial misstatement.

Their opinion on the financial statment prepered in accordance with Bangladesh Accounting Standard (BASs), give a true and fair view of the state of the companys affairs as 31 december 2008 and of the results of its oparations and its cash flow for the year eanded and the company with financial institute Act 1993, The company Act 1994, The Securities And The Exchange rules 1987, The rules of regulations issued by Bangladesh Bank form time to time and other applicable laws and regulations.

Their Auditor report suggest that

- All the information and explanations which is is best to Auditor knowledge and belief were necessary for the purpose of there audit and made due verification there off.
- EHL followed prpper books of account as required by the Law have been kept.
- EHL Balance sheeet and Profit and loss Account together with the annexed notes 1 to 29 dealt with by the report are in agreement with the books of account and returns.
- The financial position of EHL at 31 july 2009 and the profit for the yera eanded havebeen properly reflected in the financial statement and the financial stahtement have been prepared in accordance with general accepted princilple.

National Housing Finance And Investment Limited

The Company

National Housing Finance And Investments Limited, a Non-Banking Financial Institution (NBFI), was incorporated on August 18, 1998 as a public limited company under the Companies Act, 1994 and obtained license from the Bangladesh Bank on 19th December, 1998. Date of commencement of business of the company is August 18, 1998.

Nature of the business

National Housing Finance And Investments Limited was incorporated with a view to provide services in the following arena:

- Finance for the purpose of acquisition of land.
- Finance for Purchase or construction of buildings for industrial, commercial, residential purposes.
- Finance for renovation or improvement of existing industrial, commercial and residential units.
- Provide Term finance and lease finance to companies, institutions and other corporate bodies.
- Take part in the formation, management, supervision or control of business or operation of any industrial, commercial or financial undertaking.
- Accept deposit on various attractive schemes and grant loans against its deposit schemes.

Mission of the Company

National Housing Finance And Investments Limited has been relentlessly providing quality services and atmosphere to its customers; thereby, enriching the society and human resources. The Company's missions are:

- To be Equal Housing Lender to all, irrespective of cast, creed and sex.
- To offer quickest service to the satisfaction of clients with the latest technology.
- To create innovative products to cater to the market needs at competitive price.
- To form a high quality team of satisfied and motivated employees.
- To ensure a steady return with a view to maximize shareholders' wealth.

Business Function

The Company serves all types of modern, progressive and dynamic households and businesses as well as offers the services of a modern Non Banking Financial Institution (NBFI) to the customers of all strata of the society. During the short span of its operation, the Company has been highly recognized and praised by the business community, from small entrepreneurs to large traders and industrial conglomerates, and emerged as the fastest growing provider of financing solution in respect of business and profitability. It has already opened three branches in different commercially important places in Dhaka and Chittagong to make its services available to the prospective clients.

Basic Information:

Authorized Capital in BDT* (mn)	2000.0
Paid-up Capital in BDT* (mn)	520.0 52
Week's Range	600 - 1448
Face Value	100.0
Market Lot	50
Total no. of Securities	5200000
Business Segment	Financial Institutions

Other Information of the Company:

Listing Year	2008
Market Category	A
Electronic Share	Y
Share Percentage:	Sponsor/Director 90.38
	Govt.0 Institute 0
	Foreign 0
	Public 9.62
Auditor	Hoda Vasi Chowdhury & Co
Address of the Company:	National Plaza (7th & 8th Floor),
	109 Bir Uttam C.R Datta Road, Dhaka-1205
Contact Phone:	9670612-4, 9669800
Email/Web Address:	www.nationalhousingbd.com

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Balance Sheet

As at December 31, 2008

	Notes	December 31, 2008 Taka	December 31, 2007 Taka
PROPERTY AND ASSETS			
Current Assets:			
Cash and Bank Balances	03.00	2,198,265,226	1,233,110,375
Accounts Receivables and Advances	04.00	307,357,894	144,083,775
Investment in Shares	05.00	8,007,000	37,805,685
Mortgage Loans		354,210,036	94,999,392
Net Investment in Lease Finance		366,775,094	333,898,442
Term Finance		237,268,839	74,839,556
		3,471,884,089	**1,918,737,225**
Non-current Assets:			
Investment in Shares	05.00	16,014,000	24,021,000
Mortgage Loans	06.00	1,484,020,657	1,750,361,400
Net Investment in Lease Finance	07.10	615,179,351	633,568,881
Advance Against Lease (note-7.20)		22,457,957	69,860,600
Term Finance	08.00	174,269,888	70,197,781
		2,311,941,853	**2,548,009,662**
Property, Plant and Equipment	09.00	28,652,046	31,675,013
		5,812,477,988	**4,498,421,900**
EQUITY AND LIABILITIES			
Current Liabilities and Provisions:			
Bank Borrowings and Deposits	10.00	3,885,830,555	2,917,381,412
Accounts Payable	11.00	201,150,370	118,657,518
Provision for Current Taxation	12.00	129,224,871	112,642,169
Provision for Deferred Tax (Note-2.9b)		767,263	865,908
Interest Suspense Account	13.00	45,380,849	33,575,055
		4,262,353,908	**3,183,122,062**
Non-Current Liabilities and Provisions:			
Bank Borrowings and Deposits	14.00	732,457,771	614,842,446
Provision for Doubtful Losses	15.00	118,015,270	80,167,104
		850,473,041	**695,009,550**
Shareholders' Fund			
Share Capital	16.00	520,000,000	400,000,000
Proposed Dividend		-	70,000,000
Retained Earnings		74,406,711	62,668,110
Statutory Reserve	17.00	105,244,328	87,622,178
		699,651,039	**620,290,288**
		5,812,477,988	**4,498,421,900**

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Profit and Loss Account
For the year ended December 31, 2008

	Notes	December 31, 2008 Taka	December 31, 2007 Taka
OPERATING REVENUE	18.00		
Income from Mortgage Loan		304,030,792	303,332,833
Income from Lease Finance		149,897,292	132,104,016
Income from Term Finance		52,446,237	24,804,632
Income from Fixed Deposit		198,211,241	79,634,538
Income from Loan Against Fixed Deposit		2,604,894	1,944,509
Income from Short Term Deposit		33,007,837	526,978
Fees Income		5,015,946	4,775,750
		745,214,239	**547,123,256**
OPERATING EXPENSES			
Financial Expenses	19.00	511,595,509	368,797,834
Management Expenses	20.00	26,279,266	20,436,401
Depreciation on Fixed Assets (Note-09)		3,569,525	3,977,172
Public Issue Expenses		12,683,249	-
Other Operational Expenses	21.00	8,031,279	7,224,671
Provision for Doubtful Losses (Note-15)		37,848,166	10,845,813
		600,006,994	**411,281,891**
Operating Profit		**145,207,245**	**135,841,365**
NON-OPERATING INCOME:			
Gain/(Loss) on Sale of Shares	22.00	(15,102,929)	12,459,876
Dividend Income	23.00	3,244,300	4,169,000
Provision for Diminution on Value of Share		-	(1,324,160)
Other Non-operating Income	24.00	4,167,608	2,709,508
		(7,691,021)	**18,014,224**
Net profit before tax		**137,516,224**	**153,855,589**
Provision for tax (Note-12)		(49,405,473)	(79,504,957)
Net profit after tax		**88,110,751**	**74,350,633**
EPS (Tk. 100 at per)		18.50	15.82
Weighted Average Number of ordinary shares		4,761,644	4,700,000

The annexed notes 1 to 37 form an integral part of these finantial statements.

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Cash Flow Statement

For the year ended December 31, 2008

	December 31, 2008 Taka	December 31, 2007 Taka
A.CASH FLOWS FROM OPERATING ACTIVITIES		
Interest & Other Receipts from Clients	586,054,893	597,106,384
Interest Paid	(430,111,841)	(341,099,408)
Suppliers & Employees	(45,984,610)	(21,768,607)
Income Tax Paid	(32,921,416)	(20,592,311)
Net Cash Flow from Operating Activities	**77,037,026**	**213,646,058**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage Loans Disbursed	7,130,099	12,342,346
Advance Against Lease	47,402,644	(39,860,600)
Term Finance	(266,501,391)	(35,539,637)
Investment in Shares	37,805,685	(19,510,185)
Purchase of Fixed Assets	(546,558)	(23,978,980)
Disbursement against Lease Finance	(14,487,122)	(266,971,901)
Net Cash Outflow from Investing Activities	**(189,196,643)**	**(373,518,957)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long Term Loans and Deposits	117,615,325	79,494,114
Receipt from Issue of Ordinary Shares	50,000,000	-
Cash Dividend for the year 2007	(58,750,000)	-
Bank Borrowings and Deposits	968,449,143	684,718,645
Net Cash Flow from Financing Activities	**1,077,314,468**	**764,212,759**
D. Net Increase in Cash and Bank Balances (A+B+C)	**965,154,851**	**604,339,860**
E. Cash and Bank Balances at beginning of the year	1,233,110,375	628,770,515
F. Cash and Bank Balance at closing of the year	**2,198,265,226**	**1,233,110,375**

The annexed notes 1 to 37 form an integral part of these finantial statements.

Summary of significance with accounting plicy:

- The accounting policies and explanatory notes and disclosures to the financial statements are presented by the managements are in the manner as prescribed by the Bangladesh Accounting Standard (BAS-1)"presentation of financial statement"
- The financial statement of the company have ben prepared on accural basis of accounting.Under historical cost convention in accordance with International Accounting Standard (IAS) as appoted in Bangladesh, The company Act 1994,and other applicable laws and regulation in Bagladesh
- Books form morgatge lonas are maintained basis of accura method of accounting Mortgage loans are presented at ammortized cost using the effective interest rate method
- Under BAS 17 NHFIL they calculate their lease finance.
- The comparativ e financial statement has been re stated in accordance with BAS 01 Term Finance oparation consists of long term finance, books of accounts are mentained on accural method of accounting
- Fixed deposit is not encashed on due date is considerd automatically renewed at the eqelavalent current rate of interest. Interest on fixed deposit is recognised as income as and when occured.
- Fixed Assets are capitalized at cost plus expenses incurred on installation ,registation etc
- Cashflow statement is prepared and presented under direct methoh according to IAS 7
- The compant calculate earning per share (EPS) in accordance with IAS 33 which has been shown on the face of profit and loss account, And they also shown the computation of EPS.in notes.
- All te detail amount of every item of financial statements calculation and methods of calculation are shown in Foot notes in detail, so As a A catagory ranking company they followed efficient accounting procudure of rules and regulation of Bangladesh Accounting Standard in respect of IFRS and IAS.

Auditors Report to the shareholder

Hoda Vasi Chowdhury & Co audited NHFIL accompanying balance sheetof 31 december 2008 and the related profit and loss account, Balance sheet , cashflow statement, Statement of change of equity and a summury of significant accounties policies and other explanatory notes for the year ended. This financial statements are the responsibility of the company,s management.

They conducted their audit in accordance with Bangladesh Standadr oo Auditing. Those standard supports to obtain reasonable assurance about wheather the financial statements are freematerial misstatement.

Their opinion on the financial statment prepered in accordance with Bangladesh Accounting Standard (BASs), give a true and fair view of the state of the companys affairs as 31 december 2008 and of the results of its oparations and its cash flow for the year eanded and the company with financial institute Act 1993, The company Act 1994, The Securities And The Exchange rules 1987, The rules of regulations issued by Bangladesh Bank form time to time and other applicable laws and regulations.

Their Auditor report suggest that

- All the information and explanations which is is best to Auditor knowledge and belief were necessary for the purpose of there audit and made due verification there off.
- NHFIL followed prpper books of account as required by the Law have been kept.
- NHFEL Balance sheeet and Profit and loss Account together with the annexed notes 1 to 35 dealt with by the report are in agreement with the books of account and returns.
- The financial position of NHFIL at 31 december 2008 and the profit for the yera eanded havebeen properly reflected in the financial statement and the financial stahtement have been prepared in accordance with general accepted princilple.
- Financial statements have drawn up inconfarmity with the rules and regulation issued by Bangladesh Bank to the extend applicable to the company.
- Adequate provision have been made for lease and advences consedared as to be doubtful.

Delta Brac Housing Finance Corporation Ltd. (DBH) is the pioneer, largest and specialist in Housing Finance institution in the private sector of the country. After commencing operation in the early 1997, the company has, registered commendable growth in creating home ownership among more than 7,500 families in Dhaka and other major cities of the country. At the same time, the company has been playing an active role in promoting the real estate sector to the large cross sections of prospective clients who had but yet unfulfilled dream of owning a sweet home.

Among all Banks and Financial Institutions of Bangladesh only DBH has been rated the highest 'AAA' credit rating. The level of credit rating provides a very important indication of the financial safety, security and strength of the concerned Bank or Financial Institution and is particularly relevant to its depositors and other investors such as shareholders and lenders.

Formation of DBH

DBH is an international joint venture organization promoted by five institutions: three local shareholder organizations and two international partners.

Currently, DBH floated its 5,00,000 ordinary shares of Tk. 100.00 each with a premium of Tk. 110.00 to the General public through IPO.

Basic Information:

Authorized Capital in BDT* (mn)	500.0
Paid-up Capital in BDT* (mn)	404.0 52
Week's Range	1160.75 - 2098
Face Value	100.0
Market Lot	50
Total no. of Securities	4036500
Business Segment	Financial Institutions

Other Information of the Company:

Listing Year	2008
Market Category	A
Electronic Share	Y
Share Percentage:	Sponsor/Director 81.48
	Govt.0
	Institute 0
	Foreign 0
	Public 18.52
Address:	Landmark Building (9th Floor),
	12-14 Gulshan North C/A,
	Gulshan-2, Dhaka-1212
Email/Web Address:	www.deltabrac.com

Delta Brac Housing Finance Corporation Limited

Profit & Loss Account

For the year ended 30 June 2008

	Notes	2007-2008 Taka	2006-2007 Taka
Operating revenue			
Interest income	26	1,508,981,054	1,158,387,040
Fees and other charges on loans		78,871,739	53,421,560
Other income		70,000	30,000
		1,587,922,793	**1,211,838,600**
Operating expenses			
Interest expenses	27	1,063,714,333	805,094,994
General & administrative expenses	28	138,646,632	110,571,671
Professional fees	29	553,298	1,185,978
Depreciation on fixed assets (including leased asset Tk. 379,997)	3	8,100,835	7,790,022
Amortization of computer software expenses	4	53,836	59,560
		1,211,068,934	924,702,225
Profit before provisions		**376,853,859**	**287,136,375**
Provisions for loans:	19		
General		(24,323,115)	(17,658,151)
Specific		(34,525,811)	(9,323,167)
		(58,848,926)	**(26,981,318)**
Operating profit		**318,004,933**	**260,155,057**
Non-operating income / (expenses)			
Loss on disposal of fixed assets		(160,706)	-
Non operating income	30	25,542,135	-
Donation paid to Chief Advisor's Relief Fund		(1,000,000)	-
		24,381,429	**-**
Profit before tax		**342,386,362**	**260,155,057**
Less: Income tax expense			
Current tax	20	182,051,677	130,708,723
Deferred tax income	9	(16,149,008)	(4,848,677)
		165,902,669	125,860,046
Profit after tax available for appropriation	33	**176,483,693**	**134,295,011**
Earning per share		**72**	**56**

Dhaka, 08 September 2008

Delta Brac Housing Finance Corporation Limited

Balance Sheet

as at 30 June 2008

	Notes	2007-2008 Taka	2006-2007 Taka
PROPERTIES & ASSETS			
Property, plant & equipment - at cost less accumulated depreciation	3	39,396,603	42,084,417
Intangible assets - at cost less accumulated amortization	4	161,509	215,345
Loans - secured	5	9,014,077,142	6,690,776,651
Deferred tax asset	9	30,292,729	14,143,721
Current Assets			
Accounts receivable	6	77,299,672	53,234,118
Advances, deposits & prepaid expenses	7	23,470,662	13,665,252
Current maturity of loans	5	776,749,641	673,822,673
Advances against deposits		196,987,037	115,374,408
Cash & cash equivalents	8	853,736,350	2,215,609,578
		1,928,243,362	3,071,706,029
		11,012,171,345	**9,818,926,163**
CAPITAL & LIABILITIES			
Shareholders' Funds			
Share capital	10	270,040,000	220,040,000
Share premium account	11	154,960,000	99,960,000
		425,000,000	320,000,000
Reserves & surplus			
Statutory reserve	12	158,106,668	122,809,929
Contingency reserve	13	140,000,000	100,000,000
General reserve	14	18,000,000	18,000,000
		316,106,668	240,809,929
Retained earnings:	33		
Proposed cash dividend		-	66,000,000
Balance of retained earnings		101,914,234	10,727,280
		101,914,234	76,727,280
		418,020,902	317,537,209
Shareholders' equity		843,020,902	637,537,209
Subordinated loan - unsecured	15	22,442,100	29,922,800
Long term loans - net of current maturity	16	1,557,776,444	1,289,866,697
Non-convertible zero coupon bonds	17	300,000,000	-
		1,857,776,444	1,289,866,697
Deposits	18	7,393,717,209	6,446,573,177
Provision for loans	19	170,788,351	111,939,425
Current Liabilities			
Provision for income tax	20	118,374,607	59,346,306
Other liabilities & provisions	21	90,886,248	65,474,349
Current maturity of long term loans	22	396,265,444	290,879,854
Accounts payable	23	27,840,123	17,228,469
Bank overdrafts	24	91,059,917	200,157,877
Short term loans	25	-	670,000,000
		724,426,339	1,303,086,855
		11,012,171,345	**9,818,926,163**

The accompanying notes form an integral part of the financial statements.

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Cash Flow Statement

For the year ended December 31, 2008

	December 31, 2008 Taka	December 31, 2007 Taka
A.CASH FLOWS FROM OPERATING ACTIVITIES		
Interest & Other Receipts from Clients	586,054,893	597,106,384
Interest Paid	(430,111,841)	(341,099,408)
Suppliers & Employees	(45,984,610)	(21,768,607)
Income Tax Paid	(32,921,416)	(20,592,311)
Net Cash Flow from Operating Activities	**77,037,026**	**213,646,058**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage Loans Disbursed	7,130,099	12,342,346
Advance Against Lease	47,402,644	(39,860,600)
Term Finance	(266,501,391)	(35,539,637)
Investment in Shares	37,805,685	(19,510,185)
Purchase of Fixed Assets	(546,558)	(23,978,980)
Disbursement against Lease Finance	(14,487,122)	(266,971,901)
Net Cash Outflow from Investing Activities	**(189,196,643)**	**(373,518,957)**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long Term Loans and Deposits	117,615,325	79,494,114
Receipt from Issue of Ordinary Shares	50,000,000	-
Cash Dividend for the year 2007	(58,750,000)	-
Bank Borrowings and Deposits	968,449,143	684,718,645
Net Cash Flow from Financing Activities	**1,077,314,468**	**764,212,759**
D. Net Increase in Cash and Bank Balances (A+B+C)	**965,154,851**	**604,339,860**
E. Cash and Bank Balances at beginning of the year	1,233,110,375	628,770,515
F. Cash and Bank Balance at closing of the year	**2,198,265,226**	**1,233,110,375**

The annexed notes 1 to 37 form an integral part of these finantial statements.

Summary of significance with accounting policy:

- The financial statement have been prepared in accordance with Bangladesh Accounting standard (BAS) and Bangladesh Financial Reporting Standard(BFRS) As per requirement of Companies Act 1994, In contrast With IFRS And IAS
- Theire financial statements of the company is prepared on the basis of Going Concern Basis based on acurral basis under the historical cost convention
- Financial Statements are prepared and presented on the complaince on Bangladesh Accounting Standards BAS-1 " Presentation Of Financial Statements'
- Property plant And Equipments are stated at cost less accumulated depricialtion In Accordance with IAS -16 "Property plant ant Equipment"
- Earning per share Has been calculated in accordance with Bangladesh Accounting Standard BAS-33. and shown in the face of profit and loss account.
- provision and Contingent libility and contengent libilities and Contengent Assets are recognised under BAS 37
- Stock of under developed land is valuded following the principle of BAS 2
- Cash and cash equivalent in hand and banks is recognised by accounting principles
- Cash Flow Statement is prepared under Direct method With BAS & an Also IAS 7 for the requirement of SEC
- Revenue is recognised under BAS 18 Standard
- Borrowing Cost is valuaded under BAS 23
- As per BAS -10 Events after reporting Period Are those events favorable and unfavorable that occurs between the end of the reporting period has ben shown in notes
- Gain or loss under foreign currency transaction are taten to the profit and loss account complying with BAS-21.

Auditors Report to the shareholder

Hoda Vasi Chowdhury & Co audited DBH accompanying balance sheetof 31 december 2008 and the related profit and loss account, Balance sheet , cashflow statement, Statement of change of equity and a summury of significant accounties policies and other explanatory notes for the year ended. This financial statements are the responsibility of the company,s management.

They conducted their audit in accordance with Bangladesh Standadr oo Auditing. Those standard supports to obtain reasonable assurance about wheather the financial statements are freematerial misstatement.

Their opinion on the financial statment prepered in accordance with Bangladesh Accounting Standard (BASs), give a true and fair view of the state of the companys affairs as 31 december 2008 and of the results of its oparations and its cash flow for the year eanded and the company with financial institute Act 1993, The company Act 1994, The Securities And The Exchange rules 1987, The

rules of regulations issued by Bangladesh Bank form time to time and other applicable laws and regulations.

Their Auditor report suggest that

- All the information and explanations which is is best to Auditor knowledge and belief were necessary for the purpose of there audit and made due verification there off.
- DBH followed prpper books of account as required by the Law have been kept.
- DBH Balance sheeet and Profit and loss Account together with the annexed notes 1 to 35 dealt with by the report are in agreement with the books of account and returns.
- The financial position of DBH at 31 december 2008 and the profit for the yera eanded havebeen properly reflected in the financial statement and the financial stahtement have been prepared in accordance with general accepted princilple.
- Financial statements have drawn up inconfarmity with the rules and regulation issued by Bangladesh Bank to the extend applicable to the company.
- Adequate provision have been made for housing loan considered as to be doubtful

6.0 Problems in Adopting IFRSs in Bangladesh

In Bangladesh, the IASs adoption process was initiated in August 1999 following a World Bank grant to the Bangladeshi Government for the development of Accounting and Auditing Standards in Bangladesh. The grant was targeted at enhancing the institutional capacity of the ICAB for the adoption of IASs in the country. The Governmentn then delegated the process to the Securities and Exchange Commission (SEC) as the main institution responsible for overseeing the process.

Although it appears like the adoption of IASs was kicked off by SEC, actually effort was initiated by the international agencies and the whole process eventually transformed into a political exertion. The SEC empowered the ICAB to adopt those standards specified by the SEC and the Government of Bangladesh. At present, a committee named "Research and Technical Committee (TRC)" under the ICAB is working to give acceptance to the IASs for adoption in Bangladesh. The committee comprises of thirteen members and all of them are Chartered Accountants. That means, despite the existence of two professional bodies in the country the ICAB is recognized "as the sole authority in Bangladesh for adoption of International Accounting Standards and International Standards on Auditing" (ICAB Circular 1/15/ICAB – 99, September 1999). The ICAB's stand on this regard can be clearly obtained in the statement: The ICAB was one of the first Institutes in the South Asia region to start adopting IASs. Over the years, the ICAB has followed a regular approach to adoption of new Standards, after a process of stringent technical review and considering their applicability to Bangladesh. It may be noted that in many countries (the USA, the UK, India, Sri Lanka etc.) of the world, different concerned groups like professional accountants, bank representatives, academicians, employed accountants, representatives from chamber of commerce and industry, representatives from different regulatory bodies etc. are involved in the development and/or acceptance process of accounting standards. Even if we discard the fact that inclusion of different interest-groups into the committee could bring significant improvement to standards adoption/development process and believe that ICAB as a sole authority is performing well, the problem does not end here. As the general perception is: After standards are reviewed and adopted, the ICAB labels them "Bangladesh Accounting Standards (BASs)" notwithstanding that most of these standards are carbon copies with the same numbers as the original IASs. (Mir et al, General remarks of the highly interested but non-inclusive groups (e.g., cost and management accountants, academics, and business leaders) also support the statement. A common view among them was that wholesale importation of the highly sophisticated rules like IASs is not suitable for the less sophisticated economic and regulatory structure of Bangladesh (. Most of chartered accountants we consulted with also expressed their doubt on suitability of wholesale adoption of IFRS in Bangladesh but showed their favor for ICAB as a sole authority for such adoption. Another problem lies on ambiguity of role and responsibility of the SEC and the ICAB. Once the adoption process is nover the SEC then has the responsibility, as delegated by the Government of Bangladesh, to monitor compliance with these standards by listed companies. According to the Sec 12 (2) of the Securities and Exchange Rules 1987, 'the financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards/IFRSs as adopted by the Institute of Chartered Accountants of Bangladesh'. That is, all the responsibilities of IAS adoption process lie with the ICAB. The SEC does not participate in the process though it is the top regulatory body in Bangladesh for enforcement of IASs/IFRSs in the listed companies. Here it may be noted that the US SEC has the authority to set accounting standards for companies, but always has delegated the responsibility to the accounting profession, a strong and independent standards setting body like FASB. Most importantly, the US SEC delegated only the responsibility, not the authority, to set standards and if it does not agree with a particular standard issued by the private sector, it can force a change in the standard It is clear that, in Bangladesh, SEC lacks expertise to formulate standards which led them to delegate the responsibility to the ICAB.

From a diagnostic review carried out in Bangladesh on accounting and auditing in January –March 2003, the World Bank's Report on the Observance of Standards and Codes (ROSC) Bangladesh states that, the accounting and auditing practices in Bangladesh suffer from institutional weaknesses in regulation, compliance, and enforcement of standards and rules. In many cases, the preparation of financial statements and conduct of audits are not consistent with IASs and international auditing practices. (Note 9) About standard setting and auditing standards this report reveals: As the professional body of accountants, ICAB regulates its members; however, it has no legal mandate for setting accounting standards. Despite that, ICAB develops and issues BAS, which are not legally binding by corporate management. The ICAB expects its members, who prepare and audit financial statements, to observe the local standards. That means though SEC in Bangladesh is directing the listed companies to follow IASs adopted by the ICAB vide Sec 12 (2) of the Securities and Exchange Rules 1987, such direction is not creating any legal binding on the corporate management, as evidenced by the ROSC. The ROSC revealed the necessity of enacting of "a new Financial Reporting Act and the repeal of the provisions on accounting, auditing, and financial reporting in Companies Act 1994, Bank Companies Act 1991, Insurance Act 1938, and other related regulations." This recommendation is appreciable because such initiative may substantially eliminate all conflicting issues among the prevailing regulations and pronouncements and undoubtedly, it will be easy to update accounting, auditing, and financial reporting requirements from time to time by simply amending the single act for financial reporting.

The ROSC advocated that the proposed Financial Reporting Act should focus on making legal arrangements to "fully adopt IAS/IFRS/ and ISA without modification and ensure mandatory observance of these standards" The ROSC also recommended establishment of a Financial Reporting Council under the proposed Financial Reporting Act in order to adopt, without modification, all IASs, and ISAs, and IFAC-issued Code of Ethics for Professional Accountants, for observance by the public interest companies with respect to financial reporting" Accounting and Auditing Standards Monitoring Board which should involve all interested parties (ICA). This proposal was rejected by ICAB which perceives itself as "the only competent legal authority in the country to adopt IAS . . . and there was no justification whatsoever for formation of the proposed Bangladesh This proposal is still under consideration by the government of Bangladesh and the ICMAB have started to actively lobby the World Bank Team for the establishment of the Board Some members of the ICMAB expressed dissatisfaction on grounds that the responsibility for adoption of IASs should have been delegated to an accounting standard setting committee, as in most countries, with representative members from both bodies and other interest groups such as academics and corporate leaders.

7.0 Findings

All three companies were taken as the cases to study for identifying the practice of accounting standard in the financial reporting was produce same result. All the companies had properly followed the adopted IFRSs which is termed as BASs in our country. Although the auditor of some company identified some irregularities in but none of those had any significance in the practice part of their reporting. Moreover all the standards were found to be properly followed at least they try their best to follow them.

About the quality improvement issue, it can be said that the quality and the standard of the financial reports improved significantly from time when the regulatory body and the experts decided to adopt the IFRSs directly as BASs. Now the standards give the users a greater extent of comparability among different companies.

The main problem in adaptation of the IFRSs or BASs is the lack of availability skilled people in accounting standards. As the deficit of skilled man power is still at large it is difficult for the companies to maintain the standard in day to day transaction recording which ultimately affects the quality of the reports. Another major constrain is the Institute of Chartered Accountants of Bangladesh (ICAB) is not up to date with the requirement of current context. As they are lagging behind in research and support activity it also creates difficulty in adopting these standards. Finally, the conflict between ICAB and Securities and Exchange Commission (SEC) in formulating the regulation of the practice also make these standards quality ineffective.

8.0 Recommendations

Ensuring high-quality corporate financial reporting environment depends on effective enforcement mechanisms. Merely adopting international accounting and auditing standards is not enough. Three important links exist in the enforcement sequence:

(a) directors and top management must ensure that financial statements are prepared in compliance with established standards;

(b) auditors must act independently and judiciously to ensure that financial statements complywith applicable accounting standards and represent a true and fair position of the enterprise’s financial condition; and

(c) regulators, both self-regulatory organizations and statutory regulators, must implement arrangements for efficient monitoring of regulatory compliance and consistently take appropriate actions against violators.

To do these we have the following recommendations.

 Establishment of Financial Monitoring Board:

The government is under the process of establishing an independent oversight body named “Financial Reporting Council” to shoulder the responsibility of setting accounting and auditing standards, monitoring compliance with accounting standards, reviewing auditors’ practice and reviewing reporting practices and enforcing sanctions for violations. The government should ensure capacity and effectiveness of this regulatory regime to provide a real sense of security to stakeholders. The board should focus on technically qualified personnel, practical training of inspectors/reviewers, administrative support, and necessary logistics arrangements. The IFRS enforcement bodies (the SEC and the Bangladesh Bank) should immediately enhance their expertise.

 Inclusion of other interested parties:

A system for adoption of standards and monitoring should be developed that can work on a consensus view of all the interested parties. Apart from that, Exposure Drafts are to be circulated for comments from various professionals and the general public at large. This often has the result of minimizing dissension and thus increasing acceptance of accounting standards developed by the committee (Hove, 1990).

 Encouraging the firms for adopting IFRS:

On the basis of proper compliance of IFRS, the regulatory authorities can provide significant benefits (like, firms reporting regularly complying IFRS and other necessary requirement will have relax listing criteria or incentives in either monetary or non-monetary forms).

 Role of government:

The government should introduce an awareness program for improving the degree of compliance with accounting requirements by specified business enterprise**s.** Authorities like the ICAB, the ICMAB, the

SEC and Bangladesh Bank should work jointly to design an awareness program on the importance of compliance with accounting and auditing requirements.

 Upgrading accounting education:

In order to ensure a minimum quality standard in teaching accounting and auditing courses in all Bangladeshi universities, an initiative is necessary for curriculum development and training-the-trainers activities. We must determine the area of trade-off between the scale advantage of IASs (designed centrally/globally by the highly sophisticated authority) and the local advantage of decentralized adaptation. Government should take a bold step. From regulatory perspective, self-regulation is the answer which will ensure de jure and de facto compliance. Awareness should contribute to that process. Only enforcement mechanism will not help the procedure if some firms are forced to do something against their will. In fact, the adopters must change their intuitive behavior of following a "tick-box" attitude (Daske et al., 2007) and also must not adopt IFRS just like a costless free good.

The policy recommendations focus on improving statutory framework, strengthening enforcement mechanisms, upgrading professional education and training, and enhancing capacity of regulatory and professional bodies. A major recommendation is that an independent oversight body—Financial Reporting Council—should be established. The Financial Reporting Council will be responsible for adoption, monitoring, and enforcement of IASs and ISAs with respect to financial reporting by the public-interest entities. In addition, arrangements will need to be made to develop a simplified financial reporting framework for small and medium size enterprises.

9.0 Conclusion

The Bangladesh Securities and Exchange Commission and the Institute of Chartered Accountants of Bangladesh have demonstrated a keen interest in implementing International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) to upgrade the quality of corporate financial reporting. Various steps have already been taken; however, further results will require the design and implementation of a comprehensive action plan on accountancy reform.

This report provides an assessment of accounting and auditing practices within the broader context of the Bangladesh institutional framework and capacity needed to ensure the quality of corporate financial reporting. The accounting and auditing practices in Bangladesh suffer from institutional weaknesses in regulation, compliance, and enforcement of standards and rules. The preparation of financial statements and conduct of audits, in many cases, are not consistent with internationally acceptable standards and practices.

Better-qualified graduates generally do not join the accounting profession because it is not viewed as a stepping-stone to a rewarding and prestigious career. The out-of-date legal requirements, widespread noncompliance with accounting and auditing standards, ineffective enforcement mechanism, poor quality accounting education and training, and inadequate adherence to professional ethics have contributed to the weakness of the financial reporting regime

Here I have found that at few years before review of the accounting and auditing environment in Bangladesh noted that national practices were not in line with internationally acceptable standards and suffered from "institutional weaknesses in regulation, compliance, and enforcement of standards and rules." I along with expertise therefore recommended improving the accounting and auditing framework by adopting International Financial Reporting Standards (IFRSs) without any modifications and setting up an independent oversight body for enforcing international standards.

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11.0 Appendix

Different proforma of balance sheet Bangladeshi listed company followed

SOURCES OF FUNDS	
Shareholders' Funds	1
Share capital	
Share premium	
General reserve	
Retained earnings	
Long Term Liabilities	
Long term loan -Secured	2
Total	3 = (1) + (2)
APPLICATION OF FUNDS	
Fixed Assets	4
Fixed assets - At cost less depreciation	
Capital work-in-progress	
Investment - Long term (at cost)	
Current Assets:	5
Stocks	
Trade debtors	
Advances, deposits, and prepayments	
Investment in marketable securities	
Short term loans	
Cash and bank balances	
Less: Current liabilities	6
Short term bank loans	
Long term loan - Current portion	
Trade creditors	
Liabilities for expense	
Liabilities for other finance	
Net current assets	7 =(5) - (6)

Appendix B: Style 1

Assets	
Current Assets:	1
Inventories	
Accounts receivable	
Advances, deposits, and prepayments	
Investment in marketable securities	
Short term loans	
Cash and bank balances	
Non-Current Assets:	2
Property, Plant and Equipment	
Investment - Long term (at cost)	
Total assets	3= (1)+(2)
Equity and Liabilities	
Current Liabilities	4
Short term bank loans	
Long term loan - Current portion	
Trade creditors	
Liabilities for expense	
Liabilities for other finance	
Non-Current Liabilities:	5
Long term loan –Secured	
Capital and Reserves:	6
Issued capital	
Retained earnings	
Total Liabilities and Shareholders' Equity	7=4+5+6

Appendix B: Style 2

Assets/Application of Funds	
Non-Current Assets/Fixed Assets:	1
Property, Plant and Equipment	
Investment - Long term (at cost)	
Current Assets:	2
Inventories	
Accounts receivable	
Advances, deposits, and prepayments	
Investment in marketable securities	
Short term loans	
Cash and bank balances	
Total assets/Total Application of Funds	3= (1)+(2)
Equity and Liabilities/Sources of Funds	
Capital and Reserves/Shareholders Fund:	4
Issued capital	
Retained earnings	
Non-Current Liabilities/Long-Term Liabilities:	5
Long term loan –Secured	
Current Liabilities	6
Short term bank loans	
Long term loan - Current portion	
Trade creditors	
Liabilities for expense	
Liabilities for other finance	
Total Liabilities and Shareholders' Equity/Total Sources of	

Appendix B: Style 3

Equity and Liabilities/Sources of Funds	
Capital and Reserves/Shareholders Fund:	1
Issued capital	
Retained earnings	
Non-Current Liabilities/Long-Term Liabilities:	2
Long term loan –Secured	
Current Liabilities	3
Short term bank loans	
Long term loan - Current portion	
Trade creditors	
Liabilities for expense	
Liabilities for other finance	
Total Liabilities and Shareholders' Equity/Total Sources of Funds	4=1+2+3
Assets/Application of Funds	
Non-Current Assets/Fixed Assets:	5
Property, Plant and Equipment	
Investment - Long term (at cost)	
Current Assets:	6
Inventories	
Accounts receivable	
Advances, deposits, and prepayments	
Investment in marketable securities	
Short term loans	
Cash and bank balances	
Total assets/Total Application of Funds	7= (5)+(6)

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APPLICATION OF FUNDS	
Fixed Assets	1
Fixed assets - At cost less depreciation	
Capital work-in-progress	
Investment - Long term (at cost)	
Current Assets:	2
Stocks	
Trade debtors	
Advances, deposits, and prepayments	
Investment in marketable securities	
Short term loans	
Cash and bank balances	
Less: Current liabilities	3
Short term bank loans	
Long term loan - Current portion	
Trade creditors	
Liabilities for expense	
Liabilities for other finance	
Net current assets/Net Working Capital	4 =(2) - (3)
Net Assets/ Capital Employed	5 = (1)+(4)
SOURCES OF FUNDS/ FINANCED BY	
Shareholders' Funds	6
Share capital	
Share premium	
General reserve	
Retained earnings	
Long Term Liabilities	
Long term loan -Secured	7
Total sources of funds	8 = (6)+(7)