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Corporate Financial Reporting Practices in manufacturing companies of Bangladesh in the light of International Accounting Standards (IAS): Study on Advanced Chemical Industries ltd.

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Abstract

International Accounting Standards (IAS) is adopted in Bangladesh by the named Bangladesh Accounting Standards (BAS). Most of the BAS are being vastly using in manufacturing sectors of Bangladesh. This study attempts to find out the application of IAS and how much was it complied according to the standards. By analyzing the annual reports of the sample manufacturing company, it was found that the company was complied and acknowledged in the financial statements. It also disclosed detailed information in the notes. To prepare this analytical report only secondary data were used. Among the sources, data mainly collected from the published annual report and web site of selected company, review text book and internet.

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Introduction

In Bangladesh financial reporting disclosure practices are mostly guided by the Companies Act, 1994, Securities and Exchange Rules, 1987 and the Accounting Standards adopted by the Institute of Chartered Accountants of Bangladesh. Disclosure practices are also affected by a number of other statutes e.g. Bangladesh Industrial Enterprises Nationalization Order 1972, Banking Companies Act 1991, Insurance Act 1938, Income Tax Ordinance 1984 etc. It may be strongly considered that the most important medium of external financial disclosure is the corporate annual report. The excellence of financial reporting in a country depends on the legal requirements governing disclosure together with professional recommendations which may have a varying degree of success depending on the guidance of the professional bodies concerned. In addition, national and international accounting standards and stock exchange requirements may have an impact on the disclosure of information in corporate annual reports.

Objectives of the study

The main objective of the study was to examine corporate financial reporting practices of manufacturing company in Bangladesh i.e. Advanced Chemical Industries (ACI) Ltd. along with to draw a complete picture of the situation of financial reporting practices. Moreover, portray the role of IAS for quality accounting information.

Methodology of the study

The study has been conducted mainly on the basis of literature survey and secondary information. Various journals and research papers, diagnostic study reports and newspaper articles have been surveyed in making this study. Few qualified accountants (Chartered Accountants and Cost and Management Accountants) have been personally consulted with in order to have their thoughts on the problems and solutions in this regards.

Definition of corporate financial reporting

Corporate financial reporting is the system of making corporate financial reports. These corporate financial reports are income statement, balance sheet, cash flow statement, statement of retained earnings and financial policies explanation. Corporate financial reporting may be shown at the end of accounting period i.e. at the end of month or at the end of each quarter or at the end of year.

Definition of International Accounting Standards (IAS)

An older set of standards stating how particular types of transactions and other events should be reflected in financial statements. In the past, international accounting standards (IAS) were issued by the Board of the International Accounting Standards Committee (IASC). Standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee (IASC). They were first written in 1973, and stopped when the International Accounting Standards Board (IASB) took over their creation in 2001. See also Generally Accepted Accounting Principles (GAAP).

Financial reporting framework in Bangladesh

The Company Act 1994 provides basic requirements for financial reporting by all companies in Bangladesh. It is silent about either Bangladesh Financial Reporting Standards (BFRS) or International Financial Reporting Standards (IFRS).

1. **Listed companies.** The Bangladesh Securities and Exchange Commission regulates financial reporting by listed companies. SER 1987 requires compliance with IFRS and IAS as adopted in Bangladesh these are known as Bangladesh Financial Reporting Standards and include Bangladesh Accounting Standards respectively.
2. **Banks.** The Bank Company Act 1991 mandates reporting formats and disclosures based on BAS 30, which is similar to IAS 30. The Act is silent about other BAS or BFRS, and compliance with BAS or BFRS by banks is mixed.
3. **Insurance companies.** The Insurance Act 1938 does not mandate compliance with BAS or BFRS. In practice, insurance companies often do not follow BAS or BFRS.
4. **Other companies.** Neither the law nor the by-laws of the Institute of Chartered Accountants of Bangladesh mandates compliance with BAS or BFRS by unlisted companies. Actual compliance varies widely and the ICAB has published the Bangladesh Financial Reporting Standard for Small and Medium-sized Entities i.e. BFRS for SMEs.

Bangladesh Financial Reporting Standards (BFRS)

The Financial Reporting Standards prescribed by the Institute of Chartered Accountants of Bangladesh (ICAB) are known as Bangladesh Financial Reporting Standards (BFRS) including Bangladesh Accounting Standards (BAS). BFRS and are closely modeled on International Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. BFRS developed by the ICAB were originally based on older International Accounting Standards (IASs) generally those developed by the IASC rather than the improved IASs and new IFRSs developed by the IASB. In more recent times, the ICAB has adopted the updated IASB standards as BFRS and all BFRSs have been updated based on IFRSs 2012. The Technical and Research committee, a standing committee of the ICAB, is responsible for reviewing on a regular basis, the latest national and international pronouncements and standards on accounting, auditing and allied matters, and recommend the same for adoption to the council, after carrying out a technical review for adoptability and acceptability in the Bangladeshi context. The council is responsible for approving and adopting the Standards, interpretations and related documents. As at January 2013, a version of all IFRS and IAS issued by the IASB had been adopted as BFRS by the ICAB, with the following exceptions:

1. IAS 29 Financial Reporting in hyperinflationary economies - adopted but will not enter into force until 2015
2. IFRS 9 Financial instruments.

Adopted BAS or BFRS are legally enforceable for listed companies under the SEC Rules. They are not mandatory or enforceable through the ICAB by-laws. The auditor's report and basis of presentation note refer to conformity with international accounting standards applicable in Bangladesh.

Accounting principles and practices compiled or uncompelled in the light of IAS

1. Presentation of Financial Statements

IAS: Presentation of Financial Statements sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

ACI: The consolidated financial statements had been prepared in accordance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. The Board, through appropriate enquiries and analyses, ensures that the resources are sufficient to support the operation and that sufficient business opportunities exist to qualify the organization as a going concern. Accordingly, Financial Statements are prepared on a going concern basis. It maintained accrual basis of accounting. And the current/non-current distinction is found.

Compiled or Uncompelled: Compiled with IAS.

2. Inventory valuation

IAS: Inventories contains the requirements on how to account for most types of inventory. The standard requires inventories to be measured at the lower of cost and net realizable value (NRV) and outlines acceptable methods of determining cost, including specific identification (in some cases), first-in first-out (FIFO) and weighted average cost.

ACI: Inventories were determined at the lower of cost and net realizable value. The cost of inventories was based on the weighted average principle and included expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost included an appropriate share of production overheads based on normal operation capacity.

Compiled or Uncompelled: Compiled with IAS.

3. Statement of cash flows

IAS: Statement of cash flows requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the 'direct' or 'indirect' method), investing activities or financing activities, with the latter two categories generally presented on a gross basis.

ACI: Cash flows from operating activities have been presented under direct method. Investing activities or financing activities generally presented on a gross basis.

Compiled or Uncompelled: Compiled with IAS.

4. Accounting policies, changes in accounting estimates and errors:

IAS: Accounting policies, changes in accounting estimates and errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

ACI: The accounting policies set out had been applied consistently to all periods presented in the financial statements. The preparation of the financial statements in conformity with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) requires management to make judgments, estimates and assumptions that affect the application of

accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates were recognized in the period in which the estimates were revised and in any future periods affected thereby.

Compiled or Uncompelled: Compiled with IAS.

5. Events after the reporting period

IAS: Events after the reporting period contains requirements for when events after the end of the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period.

ACI: The Board of Directors in their meeting held on 30 April 2013 had recommended cash dividend @ 80% per share of Taka 10 each that aggregating to Taka 190,547,216 and stock dividend @ 20% (i.e. 1(one) bonus share for every 5 (five) ordinary share) of Taka 10 each that aggregating to Taka 47,636,804 for the year ended 31 December 2012 subject to approval of the shareholders in the Annual General Meeting scheduled to be held on 11 June 2013. The financial statements for the year ended 31 December 2012 don't include the effects of the above cash dividend and stock dividend which will be accounted for in the period when shareholders right to receive payment will be established. There are no events identified after the statement of financial position date which might be material.

Compiled or Uncompelled: Compiled with IAS.

6. Income taxes

IAS: Income taxes implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities and carried forward tax losses and credits are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

ACI: Income tax expense comprises current and deferred tax. Income tax expense was recognized in the income statement except to the extent that it related to items recognized directly in equity, in which case it was recognized in equity. Current tax expense had been recognized on the basis of the Finance Act 2012 and Income Tax Ordinance 1984. Deferred tax was calculated using the carrying amount and tax base of assets and liabilities.

Deferred tax arises due to temporary difference deductible or taxable for the events or transactions recognized in the comprehensive income statement. A temporary difference was the difference between the tax base of an asset or liability and its carrying amount / reported amount in the statement of financial position. Deferred tax asset or liability is the amount of income tax recoverable or payable in future periods recognized in the current period. The deferred tax asset, income or liability, expense didn't create a legal recoverability, liability to and from the income tax authority. Deferred tax also rose due to revaluation of property, plant and equipment. The resulting impact of deferred tax assets or liabilities on revaluation surplus was included in the statement of comprehensive income.

Compiled or Uncompelled: Compiled with IAS.

7. Segment reporting

IAS: Segment reporting requires reporting of financial information by business or geographical area. It requires disclosures for 'primary' and 'secondary' segment reporting formats, with the primary format based on whether the entity's risks and returns are affected predominantly by the products and services it produces or by the fact that it operates in different geographical areas.

ACI: An operating segment was a component of the company that engages in business activities from which it might earn revenues and incurred expenses, including revenues and expenses that related to transactions with any of the company's other components. However, a segment was a distinguishable component of the company that was engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which was subject to risks and rewards that were different from those of other segments. The company's primary format for segment was based on business segments. All operating segments' operating results were reviewed regularly by the company's managing director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information was available. Segment results that were reported to the managing director included items directly attributable to a segment as well as those that could be allocated on a reasonable basis. The business described below as part of segment analysis of units analyzed for the criteria of reportable segments as specified in Bangladesh Financial Reporting Standard.

Operating segments

Pharmaceuticals: Involves in manufacturing and marketing of health care products in home and abroad.

Consumer brands: Involves in marketing and distributing of consumer products.

Animal health: Involves in manufacturing and distributing of veterinary and fisheries products.

Crop care and public health: Involves in manufacturing and marketing of crop protection items.

ACI motors: Involves in the business of buying and selling of agricultural equipment.

ACI pure flour: Involves in milling, processing, packaging and marketing of wheat flour products.

Retail chain: Involves in facilitating the improvement in goods marketing efficiency and to provide a modern self-service shopping option to customers.

Premiaflex plastics: Involves in manufacturing, processing and marketing of plastic products at home.

Compiled or Uncompelled: Compiled with IAS.

8. Property, Plant and Equipment

IAS: Property, Plant and Equipment outline the accounting treatment for most types of property, plant and equipment. Property, Plant and Equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, or depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

ACI: Items of property, plant and equipment were measured at cost or revaluation less accumulated depreciation. The items of property, plant and equipment were revalued by the

firm of professional values on the basis of fair market value. When revalued assets were disposed off, the amounts included in the revaluation surplus were transferred to retained earnings. Capital work-in-progress represented the cost incurred for acquisition and/or construction of items of property, plant and equipment that were not ready for use and these were stated at cost. Cost included expenditure that was directly attributable to the acquisition of asset. The cost of self constructed asset includes the cost of material, direct labor and any other costs directly attributable to bringing the assets to the working condition for their intended use.
Subsequent to initial recognition cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it was probable that the future economic benefits embodied within the part will flow to the company and its cost could be measured reliably. All other repair and maintenance expenses were charged to income statement as it was incurred. Individual financial statements of Apex Leather craft Limited, a solely owned subsidiary of ACI Limited, included investment property rented to the Group. For consolidation purpose, considering single entity concept this asset was shown under property, plant and equipment in the consolidated financial statements.

Compiled or Uncompelled: Compiled with IAS.

9. Leases

IAS: Leases prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognized by the lessor).

ACI: Finance lease: Leases in terms of which the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.
Depreciation: Depreciation was charged according to the policy applicable for the owned assets of the Company.
Operating lease: Payments made under operating leases were recognized in income statement on a straight line basis over the term of the lease.

Compiled or Uncompelled: Compiled with IAS.

10. Revenue

IAS: Revenue outlines the accounting requirements for when to recognize revenue from the sale of goods, rendering of services, and for interest, royalties and dividends. Revenue is measured at the fair value of the consideration received or receivable and recognized when prescribed conditions are met, which depend on the nature of the revenue.

ACI: Sale of goods: Revenues were recognized upon invoicing the customers for goods sold and delivered. Sales were accounted for net of value added tax, trade discount and allowances (if any). In case of cash delivery, revenue was recognized when delivery was made and cash was received by the company.
Revenue arising from services: Revenues from services rendered was recognized in income statement in proportion to the stage of completion of the transaction at the reporting date.

Revenue arising from commission: When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue was recognized in the net amount of commission earned by the Group.
Dividend income: Dividend income was recognized when right to receive payment of such dividend was established.

Compiled or Uncompelled: Compiled with IAS.

11. Employee benefits:
IAS: Employee benefits outlines the accounting requirements for employee benefits, including short-term benefits (e.g. wages and salaries, annual leave), post-employment benefits such as retirement benefits, other long-term benefits (e.g. long service leave) and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognized in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

ACI: Contribution plan (provident fund): The Company operates a recognized provident fund scheme where employees contribute 10% of their basic salary with equal contribution by the company. The provident fund is considered as defined contribution plan being managed by a Board of Trustees.
Benefit plan (gratuity): The Company operates an unfunded gratuity scheme, provision in respect of which had made annually covering all permanent employees. The Employees' Gratuity fund is being considered as defined benefit plan. Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and year of services. The rate used to discount post-employment benefit obligations was determined by reference to the rate stated in the actuarial report. Actuarial valuation of gratuity scheme had been made to assess the adequacy of the liabilities provided for the schemes.
Workers' profit participation fund: The Company had created funds for workers as 'Workers' Profit Participation Fund' and 5% of the profit before charging such expense had been transferred to this fund.

Compiled or Uncompelled: Compiled with IAS

12. The effects of changes in foreign exchange rates
IAS: The effects of changes in foreign exchange rates outlines how to account for foreign currency transactions and operations in financial statements, and also how to translate financial statements into a presentation currency. An entity is required to determine a functional currency (for each of its operations if necessary) based on the primary economic environment in which it operates and generally records foreign currency transactions using the spot conversion rate to that functional currency on the date of the transaction.

ACI: Foreign currency transactions are accounted for at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated at rates ruling at the statement of financial position date. All exchange differences are charged / credited to the statement of comprehensive income.

Compiled or Uncompelled: Compiled with IAS.

13. Borrowing costs

IAS: Borrowing costs requires that borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' (one that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of the asset. Other borrowing costs are recognized as an expense.

ACI: Borrowing cost relating to acquisition of fixed assets was capitalized as per Bangladesh Accounting Standard (BAS) - 23, borrowing costs at the weighted average cost of borrowings. However, capitalization of borrowing costs was ceased when acquisition of relevant asset was completed.

Compiled or Uncompelled: Compiled with IAS.

14. Consolidated and separate financial statements

IAS: Consolidated and separate financial statements outlines when an entity must consolidate another entity, how to account for a change in ownership interest, how to prepare separate financial statements, and related disclosures. Consolidation is based on the concept of 'control' and changes in ownership interests while control is maintained are accounted for as transactions between owners as owners in equity.

ACI: Subsidiaries: Subsidiaries were entities controlled by ACI Limited. Control existed when ACI Limited had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable were taken into account. The financial statements of subsidiaries had been included in the consolidated financial statements from the date that control commences until the date that it ceased. The accounting policies of subsidiaries had been changed when necessary to align them with the policies adopted by ACI Limited.

Transactions eliminated on consolidation: Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions were eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates were eliminated against the investment to the extent of ACI Limited's interest in the investee. Unrealized losses, if any, were eliminated in the same way as unrealized gains but only to the extent that there was no evidence of impairment.

Compiled or Uncompelled: Compiled with IAS.

15. Investments in Associates

IAS: Investments in Associates outlines the accounting for investments in associates. An associate is an entity over which an investor has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control), and investments in associates are, with limited exceptions, required to be accounted for using the equity method.

ACI: Associates are those entities in which ACI Limited had significant influence, but not control, over the financial and operating policies. Joint ventures were those entities over whose activities ACI Limited had joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

Associates and joint ventures were accounted for using the equity method (equity accounted investees). The consolidated financial statements include the ACI Limited's share of the income and expenses of equity accounted invested, after adjustments to align the accounting policies with those of the ACI Limited, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Compiled or Uncompelled: Compiled with IAS.

16. Interests in joint ventures

IAS: Interests in joint ventures sets out the accounting for an entity's interests in various forms of joint ventures, jointly controlled operations, jointly controlled assets, and jointly controlled entities. The standard permits jointly controlled entities to be accounted for using either the equity method or by proportionate consolidation.

ACI: Investment in subsidiaries had been accounted for as per Bangladesh Accounting Standard 27 (revised-2008) Consolidated and Separate Financial Statements'. The investment was eliminated in full against the equity of acquire measured at fair value at the date of acquisition. Investments available for sale - These were valued at fair value and the change in fair value of investments available for sale was presented in comprehensive income statement and in statement of financial position. This was as per Bangladesh Financial Reporting Standard 7 Financial Instruments Disclosures, Bangladesh Accounting Standard 32 Financial Instruments, Presentation and Bangladesh Accounting Standard 39 Financial Instruments, Recognition and Measurement applicable for periods beginning from 1 January 2010.

Compiled or Uncompelled: Compiled with IAS.

17. Financial Instruments

IAS: Financial instruments presentation outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset.

ACI: Non-derivative financial instruments comprised investments in shares and term deposit, trade receivables, cash and cash equivalents, trade payables, share capital, and interest-bearing borrowings.

Trade and other receivables: Trade receivables are recognized at original invoiced amount. Receivables were stated at netted off provision for bad and doubtful debt and written off. Provision was made in the financial statements considering the uncertainty of recovery at the date of the statement of financial position and bad debts are written off when the debts became finally irrecoverable based on assessment and judgment made by senior management of the Company.

Investment in shares-other than the investment in subsidiaries, associates and joint ventures: Investment in shares was non-derivative financial assets that were designated as available-for-sale. Initially they were recognized at cost and subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale were recognized in other comprehensive income and presented in fair value reserve in equity. When an investment was derecognized, the gain or loss

accumulated in equity was reclassified to profit or loss.

Investment in term deposit: The Company had the positive intent and ability to hold term deposit to maturity, and as such financial assets were classified as held to maturity. Held-to-maturity financial assets were recognized at fair value plus any directly attributable transaction cost.

Cash and cash equivalents: Cash and cash equivalents comprised cash balances and all call deposits with original maturities of three months or less. Bank overdrafts that were repayable on demand and form an integral part of the company's cash management were included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Share capital: Ordinary shares were classified as equity. Incremental cost directly attributable to the issue of ordinary shares was recognized as a deduction from equity, net of any tax effect.

Trade payables: Trade payables were recognized at fair value.

Interest-bearing borrowings: Interest-bearing borrowings were recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings were stated at amortized cost using the effective interest method less any impairment losses. ACI 20% Convertible Zero Coupon Bonds (ZCB). Zero Coupon Bonds were recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, ZCBs are stated at amortized cost using the effective interest method.

Compiled or Uncompelled: Compiled with IAS.

18. Earnings per share

IAS: Earnings per share sets out how to calculate both basic earnings per share (EPS) and diluted EPS. The calculation of basic EPS is based on the weighted average number of ordinary shares outstanding during the period, whereas diluted EPS also includes dilutive potential ordinary shares (such as options and convertible instruments) if they meet certain criteria.

ACI: The Company and the Group (which is made up of ACI Limited and its subsidiaries and associates) present its basic earnings per share (EPS) for its ordinary shares. Basic EPS was calculated by dividing the profit or loss attributable to ordinary shareholders of the Company or Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS was determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Compiled or Uncompelled: Compiled with IAS.

19. Impairment of assets:

IAS: Impairment of assets seeks to ensure that an entity's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use). With the exception of goodwill and certain intangible assets for which an annual impairment test is required, entities are required to conduct impairment tests where there is an indication of impairment of an asset, and the test may be conducted for a 'cash-generating unit' where an asset does not generate cash inflows that are largely independent of those from other assets.

ACI: The carrying amount of the entity's non-financial assets, other than inventories and deferred tax assets (considered as disclosed separately under respective accounting standards), were reviewed at each reporting date to determine whether there was any indication of

impairment. If any such indication existed, the asset's recoverable amount was re-estimated. However, no such conditions that might be suggestive of a heightened risk of impairment of assets existed at the reporting date.

Compiled or Uncompelled: Compiled with IAS.

20. Intangible assets

IAS: Intangible assets outlines the accounting requirements for intangible assets, which are non-monetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights). Intangible assets meeting the relevant recognition criteria are initially measured at cost, subsequently measured at cost or using the revaluation model, and amortized on a systematic basis over their useful lives (unless the asset has an indefinite useful life, in which case it is not amortized).

ACI: Goodwill represented the excess of the cost of the acquisition over the Group's interest in the net value of the identifiable assets and liabilities of the acquired on the date of acquisition.
Software: Software that was acquired by the Group, which has finite useful life, was measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure was capitalized only when it increased the future economic benefits embodied in the specific assets to which it related.
Amortization: Amortization was charged in the income statement on a straight line basis over the estimated useful lives of intangible assets other than goodwill. Amortization on additions was charged at 50% of normal rates only in the year of acquisition. Amortization was charged at the rates of 10- 20% depending on the estimated useful lives of assets and no amortization was charged in the year of disposal.
The estimated useful life for the current intangible asset was as follows

a) Useful life Normal rate
b) Software 5-10 years 10-20 Percent
c) Amortization methods, useful lives and residual values are reviewed at each reporting date.

Compiled or Uncompelled: Compiled with IAS.

21. Financial Instruments

IAS: Financial instruments recognition and measurement outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.

ACI: Non-derivative financial instruments comprised investments in shares and term deposit, trade receivables, cash and cash equivalents, trade payables, share capital, and interest-bearing borrowings.
Trade and other receivables: Trade receivables were recognized at original invoiced amount. Receivables were stated at netted off provision for bad and doubtful debt and written off. Provision was made in the financial statements considering the uncertainty of recovery at the date of the statement of financial position and bad debts were written off when the debts became

finally irrecoverable based on assessment and judgment made by senior management of the Company.

Investment in shares-other than the investment in subsidiaries, associates and joint ventures: Investment in shares was non-derivative financial assets that were designated as available-for-sale. Initially they are recognized at cost and subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale were recognized in other comprehensive income and presented in fair value reserve in equity. When an investment was derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Investment in Term Deposit: The Company had the positive intent and ability to hold term deposit to maturity, and as such financial assets were classified as held to maturity. Held-to-maturity financial assets were recognized at fair value plus any directly attributable transaction cost.

Cash and cash equivalents: Cash and cash equivalents comprised cash balances and all call deposits with original maturities of three months or less. Bank overdrafts that were repayable on demand and form an integral part of the Company's cash management were included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Share capital: Ordinary shares were classified as equity. Incremental cost directly attributable to the issue of ordinary shares was recognized as a deduction from equity, net of any tax effect.

Trade payables: Trade payables were recognized at fair value.

Interest-bearing borrowings: Interest-bearing borrowings were recognized initially at fair value less attributable transaction Costs. Subsequent to initial recognition, interest-bearing borrowings were stated at amortized cost using the effective interest method less any impairment losses. ACI 20% Convertible Zero Coupon Bonds (ZCB*)* Zero Coupon Bonds were recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, ZCBs were stated at amortized cost using the effective interest method.

Compiled or Uncompelled: Compiled with IAS.

Findings

From our analysis we found it that all of applicable international accounting standards were perfectly applied by the selected manufacturing company of Bangladesh namely Advanced Chemical Industries (ACI) Limited. We also guessed financial statements of some other manufacturing company from Bangladesh that the application of IAS in their reporting practices as well as their financial statements preparation. Here we should disclose it that there were some IAS which was not related with our selected area namely manufacturing companies such as agriculture, related party disclosure, construction contract, interim financial reporting, government grants and disclosure and so on. If we want more specific application of stated IAS we provide some recommendation that is needed to maintain perfectly then it will be much fruitful for application of international accounting standards.

Recommendations

Confirming high quality corporate financial reporting environment depends on effective enforcement mechanisms. Only adopting international accounting and auditing standards may not be enough. Three important relations exist in the application sequence:

Top authority must make sure that financial statements were prepared in compliance with recognized standards and also auditors must act freely and carefully to ensure that financial statements comply with applicable accounting standards and represent a true and fair view of the enterprise's financial condition. On the other hand regulators, both self-regulatory

organizations and statutory regulators, must implement 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 management to provide a real sense of security to stakeholders. The board should focus on technically qualified personnel, practical training of inspectors or reviewers, administrative support, and necessary logistics arrangements.

Inclusion of other interested parties: A system for adoption of standards and monitoring should be established that can work on a consensus view of all the interested parties. Apart from that, exposure drafts are to be distributed 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.

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 together 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.

Conclusion

Clean corporate reporting is generally an indication of competitiveness and highest corporate governance. Better reports highlight initiative and effort on the part of the preparers. Broad changes in the corporate external reporting environment have led to proposals for fundamental changes in corporate reporting practices. From our study we found it that all applicable provision of international accounting standards or International Financial Reporting Standards (IFRS) is applied by our selected company. Only some provisions are not found in application namely agriculture, government grants, interim financial reporting and so on.

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