# Chapter 3

## Regulatory Framework Governing Corporate Financial Disclosure in Bangladesh and India

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Chapter 3

Regulatory Framework Governing Corporate Financial Disclosure in Bangladesh and India

3.1 Historical Review

Corporate financial disclosure in Bangladesh and India operates within regulatory and institutional framework, either mandatory or recommendatory or both. This framework (comprising laws, guidelines and interpretations; and institutions overseeing them) regulates forms and contents of the corporate reports (S. Alam, 1991).

In Bangladesh and India, financial reporting and disclosure is largely a function of law. Generally companies prepare their reports in conformity with the legal provisions of the country. The legal provision vary from country to country and consequently the extent of financial disclosure also varies largely from one country to another. The two major components of the regulatory framework governing financial reporting and disclosure are Companies Act, 1994 and Securities and Exchange Rules 1987 in Bangladesh and Companies Act, 1956 and the Securities Contracts (Regulations) Act, 1956 in India. The British ruled both the countries. As a result, the Companies Acts of the two countries inherited to the British Acts up to 1947 and have uniform provisions for various areas including corporate financial reporting. The first Limited Liabilities Act, 1857 required 'preparation of balance sheet and a statement of income and expenditure' on optional basis, which was turned into compulsory basis by the Indian Companies Act, 1866. All the Companies Acts were re-cast and over-hulled by the Indian Companies Act, 1882 which contained compulsory provisions regarding the balance sheet and its audit but still remained optional provisions concerning profit and loss account, and contents of directors' and auditors' reports. The Indian Companies Act, 1913 brought further changes to corporate financial reporting and disclosure wherein an advanced form of balance sheet was formed, brief contents of balance sheet were given, and contents of auditors' reports were prescribed in it. However, presentation of profit and loss account and balance sheet at annual general meeting was not made compulsory by that Act which was so made by the Indian Companies (Amendment) Act, 1936. This Amendment Act was verbatim copies of the new provisions of the English Companies Act, 1929 which shifted statutory emphasis from the balance sheet to the revenue account; and made obligatory presentation of the balance sheet, profit and loss account, and directors' and auditors' reports at the annual general meeting. This act was eventually adopted in India and in Pakistan in 1949 after the two countries became independent in 1947. The accounting provisions of the 1913 Act were 'seriously out of date' (Parry and Khan, 1984; p. 42)
and hence were limited to very minimum disclosure by companies. In the year 1956, the first corporate legislation of independent India, the Companies Act, 1956 was passed in the Parliament. Later, this Act was amended several times, the major ones having taken place in 1961, 1977, 1988 and 1989. The Act has been again amended in 2000, which was enforced in January 2001. In Bangladesh, the Companies Act, 1913 was replaced by the Companies Act, 1994 in 1994.

3.2 Comparative Regulatory Framework Governing Corporate Financial Disclosure for Listed Companies

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| 4.      | Time limit for presentation of reports at the AGM | Nine months (twelve months for companies having business outside Bangladesh). However, the Registrar of Joint Stock Companies may extend the time limit further by three months for specific reason(s). | Six months or earlier; or in cases where an extension of time has been granted by the Registrar, by not more than nine months. |
3.3.1 Bangladesh: Companies Act, 1994, A Mainstream Regulation to Accounts and Audit

The Companies Act, 1994 is the cornerstone in the regulatory framework for companies in Bangladesh. It has been discussed earlier that the historical perspective of this Act is rested in the Indian Companies Act, 1913 as amended up to 1947. The main provisions of the Companies Act, 1994 in respect of the financial disclosure and reporting has been laid down under section 181 to 190. The respective provisions are summarized below:

Sec. 181(1) of the Act requires every company to keep compulsorily at its registered office proper books of accounts relating to: (a) all sums of money received and expended and the matters in respect of which the receipt and expenditure takes place, (b) all sales and purchases of goods, (c) all assets and liabilities, and (d) all manufacturing, processing, extraction costs and overheads. Although Section 181 of the Act states the obligation to keep proper books of account but does not give any idea about what short of books of accounts to be kept. Sec. 183(1) and 183(2) provides the requirements of the directors of the company to present before the shareholders in annual general meeting the balance sheet and the profit and loss account (income and expenditure account for the companies not trading for profit) at least once in every calendar year within a period of nine months or within twelve months for companies carrying on business or having interest outside Bangladesh after closing the accounts. However, the Registrar may for any special reason extend time by a period not exceeding three months. Sec. 183(3) provides that the balance sheet and the profit and loss account or income and expenditure account shall be caused to be audited by the auditor of the company and the auditor's report to be attached thereto. Provisions regarding the qualification and appointment of auditors are laid down in Sec. 210 and 212 and powers and duties of auditors are prescribed in Sec. 213. Sec. 183(4) states that the financial year of a company may be more or less than a calendar year but shall not exceed fifteen months, which may further be extended to eighteen months with special permission of the Register. Sec. 183(5) provides a penalty for the directors an amount up to Tk. 5,000 for any default in complying with the provisions of this section. Section 183(6) requires companies to keep a copy of the audited balance sheet and profit and loss account or income and expenditure account together with a copy of the directors' report for inspection of the members for a period of at least fourteen days before the annual general meeting.

Section 184(4) states that a directors' report shall be attached to every balance sheet with respect to: (a) the state of company's affairs, (b) proposed transfer to a reserve fund, (c) recommended dividend, and (d) any material changes and commitments affecting the financial position of the company between the date of the balance sheet and the date of the report. Section 184(2) provides that the directors' report shall deal with any changes occurred during the year in: (a) the nature of the company's
business, (b) the company's subsidiaries or the nature of their business, and (c) the classes of business in which the company has an interest. Section 184(3) bounds the board to give fullest information and explanations in its report on every reservation, qualification or adverse remark contained in the auditor's report. Section 184(4) prescribes the competent person who shall sign the Board's reports.

Section 185(1) prescribes the format and the content of the balance sheet. It requires that the balance sheet must contain the summary of the property and assets and of capital and liabilities of the company giving a true and fair view of the affairs at the end of the financial year. The detailed provisions regarding the balance sheet are furnished in part I of schedule XI of this Act, which contains two forms of balance sheet - Form 'A' and Form 'B' in the name of horizontal and vertical form respectively. 'Form A' contains assets on the right hand side and liabilities on the left hand side of the balance sheet and specifies instructions in accordance with which assets and liabilities should be made out. Figures for the current year as well as previous year are to be shown in the balance sheet for both the forms. In addition, this section states that in preparing the balance sheet due regard shall be made as far as possible, to the general instructions for preparation of balance sheet under the heading 'Notes' at the end of the part I. Section 185(2) prescribes the content but not the format of the profit and loss account. It requires that the profit and loss account shall give a true and fair view of the profit and/or loss of the company for the financial year and shall comply with the requirements of Part II of the Schedule XI so far as applicable thereto. Part II of the schedule XI states that the profit and loss account (a) shall be made out clearly to disclose the result of the working of the company during the period covered by the account, and (b) shall disclose every material feature, including credits or receipts and debits or expenses in respect of non-recurring transactions or transactions of an exceptional nature. The profit and loss account sets out the various items relating to the income and expenditure of the company arranged under most convenient heads. Part II of the Schedule XI provides the list of the incomes and expenditures relating to the period covered by the account. The provision of this section, however, shall not apply to banks, insurance companies, electricity companies or to any other company for which forms of balance sheets and/or profit and loss account have been specified in respective laws governing such companies. Section 186 requires holding companies to include particulars of their subsidiary companies. Section 190 requires companies to forward three copies of their audited accounts to the Registrar of Joint Stock Companies.

3.3.2 Bangladesh: The Securities and Exchange Rules 1987

On June 28, 1969 the Securities and Exchange Ordinance, 1969 was passed and enforced in the then Pakistan. At the same time the Securities and Exchange Authority was established. The accounting rules were included in the legislation applicable to those companies who were trading on the stock exchanges in the then Pakistan. After
the independence of Bangladesh in 1971, this ordinance and accounting rules were accepted as existing laws in Bangladesh but no Securities and Exchange Authority was established. It is a matter of great regret that in the absence of any Securities and Exchange Authority, the aforesaid ordinance and the rules were not implemented nor enforced in Bangladesh. In 1987, the Government of Bangladesh took some important steps to enforce the aforesaid ordinance and rules. As a result, the Investment Wing of the Finance Division of the Ministry of Finance passed and enforced the Securities and Exchange Rules (SER), in 1987. The SER became effective in September, 1987 following the establishment of the Securities and Exchange Authority to regulate the disclosure and accounting practices of listed companies in Bangladesh (M.A.Hossain, 1998).

The accounting provisions of the Rules apply to companies whose securities are listed on a stock exchange. All listed companies except banks are required to submit annual reports along with a balance sheet, profit and loss account and a cash flows statement, and notes to the accounts prepared in accordance with the format prescribed by the Rules and the International Accounting Standards as adopted by the ICAB [Sections 12(1) and 12(2)]. Section 12(3) requires the audit of the aforesaid statements by a chartered accountant and specifies the format in which the auditor shall report. In the event of the auditors' report the auditor will affirm that the financial statements have been drawn up in accordance with the requirements of the schedule to the SEC, the Companies Act and the IAS as adopted by the ICAB. Section 12(4) states that the listed companies shall send a copy of the annual report together with the balance sheet and the profit and loss account to the shareholders at least fourteen days before the AGM, and shall simultaneously furnish a copy of such report to the stock exchange in which its securities are listed and to the Government. Section 13 requires that half-yearly financial statements must be submitted, audited or otherwise, to the SEC and to be transmitted to the shareholder within one month of close of the first-half year. The Rules set out detailed requirements for the balance sheet, the profit and loss account and cash flows statement in separate schedules. As regards the balance sheet, they require the classification of assets and define the categories under which they are to be classified. For each asset category, other than capital work in progress, the Rules require the disclosure of original cost, additions, deductions, and aggregate amount written off or provided or retained, by way of depreciation or amortization or diminution in value. This exemplifies how detailed are the guidelines provided by the Rules. Similar guidelines are provided for each category of assets, liabilities, and capital. Detailed guidelines for the preparation of the profit and loss account and cash flows statement are also provided. The Rules, however, do not explicitly require the disclosure of significant accounting policies. For example, with regard to stock-in-trade, the companies must distinguish, where applicable, between (a) stock of raw materials and components, (b) work in progress, (c) stock of finished products, and (d) other stock, but there is no mention of the disclosure of the method to be used in their valuation (Karim, 1998).
Karim (1998) also made an attempt to review the SER 1987 with particular reference to the improvements made by the SER and the shortcomings of the SER which can be summarized as follows: (i) the requirement of sending the annual report to the shareholders before the AGM that was previously not required; (ii) the requirement of auditor to report in a prescribed format; (iii) the requirement of submitting semi-annual reports; (iv) setting minimum qualifications for members of stock exchange(s); (v) providing detailed guidelines under which the balance sheet and profit and loss account must be prepared and the prescribing formats for both the statements; (vi) requiring the disclosure of contingent liabilities, claims against the company not acknowledged as debt, uncalled liability on partly paid shares, and arrears of fixed cumulative dividends on preference shares, (vii) requiring the disclosure of corresponding figures for the previous period for all items in the balance sheet and profit and loss account; (viii) requiring to disclose separately by a company which has more than one unit of operation or line of business, the working results of each such unit; (ix) requiring financial statements to include other information such as: (a) the capacity of the industrial unit, actual production and reasons for shortfall, if any; (b) the aggregate amounts of capital commitments outstanding, and (c) the general nature of unveiled credit facilities.

The SEC has also added cash flows statement, and notes to the accounts to the financial statements according to the prescribed guidelines. They have also prescribed that the financial statements of a listed company shall be prepared in accordance with the IAS as adopted by ICAB, which is a new improvement as the mandatory disclosure in the financial statements.

An investigation into the areas concerning corporate financial reporting and disclosure in SER reveals some shortcomings. Karim (1998) identified the following shortcomings: (i) no disclosure of significant accounting policies is required; (ii) no mention is made about the profit and loss appropriation account (iii) directors’ report is not mentioned while a directors’ report must still be prepared in accordance with the Companies Act; (iv) no improvement suggested for banks and insurance companies listed on the stock exchange(s); (v) no mechanism or body exists to guarantee the enforcement of the requirements of the rules. In conclusion, it may be suggested that, the Securities and Exchange Rules, 1987 do not significantly broaden the umbrella of mandatory disclosure, rather they prescribe in-depth guidelines for the three basic financial statements, the balance sheet, the profit and loss account and the cash flows statement.
3.3.3 Bangladesh: Accounting Standards

The accounting profession in Bangladesh has evolved in the British tradition of self regulation and professional ethics, and its root can be traced to 1850 when the first Companies Act was enacted in India (Nicholls and Ahmed, 1995). There are two accountancy bodies in Bangladesh – the Institute of Chartered Accounts of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB). The two bodies are members of the International Accounting Standards Committee (IASC). But according to the Companies Act, the members of ICAB are entitled to attest to the validity of accounts and to report to the shareholders whether a company’s financial statements comply with statutory provisions. As a member of IASC, ICAB through its Technical and Research Committee started adoption of International Accounting Standards (IAS) as Accounting Standards (AS) in Bangladesh which is renamed as Bangladesh Accounting Standards (BAS). In Bangladesh there is no separate body like Accounting Standard Board (ASB) in India. However, the accounting standards issued by the ICAB are recommendatory in nature as the ICAB has no power of its own to enforce agreement or require compliance with accounting standards and as a result, there is a little influence of the accounting standards on financial reporting practices in Bangladesh. The companies Act 1994 is quite silent as regards enforcement of IAS in Bangladesh. In such a situation, accounting standards without having any legal backing, are likely to have a very little influence on the financial reporting system in Bangladesh. However, the Securities and Exchange Commission has amended Section 12 of the Securities and Exchange Rules, 1987 and substituted sub-rule (2) by notification No. SEC / Section-7/ SER-03/ 132 dated October 22, 1997 (published in the Gazette on December 22, 1997) requiring all listed companies to abide by International Accounting Standards as adopted by ICAB and passed on the ultimate responsibility to the ICAB regarding the implementation of IAS. Hence, accounting standards are mandatory only for the companies listed in the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). As a result, the accounting standards are likely to have greater influence on the financial statements of the listed companies in Bangladesh. ICAB has adopted 16 of the 41 IAS as BAS and several IASs are in process of adoption. In this section a brief discussion about the summary and disclosure requirements according to the relevant BAS is made that follows:
The Institute of Chartered Accountants of Bangladesh (ICAB)

Adoption Status of IAS as of 31 December 2002

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Source: The Institute of Chartered Accountants of Bangladesh.
Some salient aspects and the disclosure requirements of each of the standards are stated below:

BAS 1: Presentation of Financial Statements supersedes:

- BAS 1, Disclosure of Accounting Policies;
- BAS 5, Information to be Disclosed in Financial Statements; and
- BAS 13, Presentation of Current Assets and Current Liabilities.

BAS 1 defines overall considerations for financial statements:

- Fair presentation;
- Accounting policies;
- Going concern;
- Accrual basis of accounting;
- Consistency of presentation;
- Materiality and aggregation;
- Offsetting;
- Comparative information.

Four basic financial statements: BAS 1 prescribes the minimum structure and content, including certain information required on the face of the financial statements:

- Balance sheet (current/concurrent distinction is not required)
- Income statement (operating/nonoperating separation is required)
- Cash flow statement (IAS 7: Cash Flow Statements sets out the details)
- Statement showing changes in equity.

Other matters addressed:

- Notes to financial statements
- Requires certain information on the face of financial statements
- Income statement must show: revenue; results of operating activities; finance costs; income from associates and joint ventures; taxes; profit or loss from ordinary activities; extraordinary items; minority interest; net profit or loss.
- Offsetting (netting)
- Summary of accounting policies
- Illustrative Financial Statements
- Disclosure of compliance with IAS
- Limited "true and fair override" if compliance is misleading
- Requires compliance with Interpretations
- Definitions of current and concurrent

BAS 2: Inventories

ICAB adopted latest version of IAS 2 as BAS 2. It reveals that:

- Inventories should be measured at the lower of cost and net realisable value. Net realisable value is selling price less cost to complete the inventory and sell it.
- Cost includes all costs to bring the inventories to their present condition and location.
- If specific cost is not determinable, the benchmark treatment is to use either the first in, first out (FIFO) or weighted average cost formulas. An allowed alternative is the last in, first out (LIFO) cost formula. When LIFO is used, there should be disclosure of the lower of (i) net realisable value and (ii) FIFO, weighted average or current cost.
- The cost of inventory is recognised as an expense in the period in which the related revenue is recognised.
- If inventory is written down to net realisable value, the write-down is charged to expense. Any reversal of such a write-down in a later period is credited to income by reducing that period’s cost of goods sold.
- Required disclosures include:
  - accounting policy,
  - carrying amount of inventories by category,
  - carrying amount of inventory carried at net realisable value,
  - amount of any reversal of a write-down,
  - carrying amount of inventory pledged as security for liabilities,
  - cost of inventory charged to expense for the period, and
  - LIFO disclosures mentioned above.

BAS 7: Cash Flow Statements

ICAB has not adopted the IAS 7 (revised 1992) on cash flows statement, which was issued by IASC superseding the original IAS 7 on statement of changes in financial position. ICAB adopted original IAS 7 on changes in financial position effective from 1984. However, the Securities and Exchange Rules as amended in Oct. 1997 has made provision as to the requirement of cash flows statement, mostly similar to and in line with the requirements of IAS 7 (revised 1992) exceeding for the fact that while the said IAS 7 encouraged the use of direct method for presenting cash flows of a company from operating activities and allowed the indirect method as an alternative option for the said purpose, the amended SER has made direct method mandatory without leaving any alternative options. As the preparation of cash flows statement is mandatory for the listed companies, the same is discussed in line with IAS 7. The standard lays down that:

- The cash flow statement is a required basic financial statement.
- It explains changes in cash and cash equivalents during a period.
- Cash equivalents are short-term, highly liquid investments subject to insignificant risk of changes in value.
- Cash flow statement should classify changes in cash and cash equivalents into operating, investing, and financial activities.
- Operating: May be presented using either the direct or indirect methods. Direct method shows receipts from customers and payments to suppliers, employees,
• Investing: Disclose separately cash receipts and payments arising from acquisition or sale of property, plant, and equipment; acquisition or sale of equity or debt instruments of other enterprises (including acquisition or sale of subsidiaries); and advances and loans made to, or repayments from, third parties.

• Financing: Disclose separately cash receipts and payments arising from an issue of share or other equity securities; payments made to redeem such securities; proceeds arising from issuing debentures, loans, notes; and repayments of such securities.

• Cash flows from taxes should be disclosed separately within operating activities, unless they can be specifically identified with one of the other two headings.

• Investing and financing activities that do not give rise to cash flows (a nonmonetary transaction such as acquisition of property by issuing debt) should be excluded from the cash flow statement but disclosed separately.

BAS 8: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies

ICAB adopted latest version of IAS 8 as BAS 8 and made effective from January 1, 1995. The standard lays down that:

• Separate disclosure of extraordinary items of profit or loss is required on the face of the income statement, after the total of profit or loss from ordinary activities. Such extraordinary items are rare and beyond management control. Examples are expropriation of assets and effects of natural disasters.

• Items of income or expense arising from ordinary activities that are abnormal because of their size, nature or incidence are separately disclosed, usually in the notes.

• A change in accounting estimate should be reflected prospectively. The nature and effect of the change should be disclosed, even if the effect will only be significant in a future period. If the effect cannot be quantified, that fact should be disclosed.

• A correction of a fundamental error should be treated as a prior period adjustment (benchmark) or recognised in current profit or loss (allowed alternative). The nature and effect of the change in the current and prior periods should be disclosed.

• A change in accounting policy should be treated retrospectively by restating all prior periods presented and adjusting opening retained earnings (benchmark). If the adjustments relating to prior periods cannot be reasonably determined, the change may be accounted for prospectively. An allowed alternative for the
adjustment arising from a retrospective change in accounting policy is to include it in the determination of the net profit or loss for the current period.

- Disclosure is required of the reasons for and effect and accounting treatment of the change.
- A change in accounting policy should be made only if required by statute or by an accounting standard-setting body, or if the change results in a more appropriate presentation of financial statements.

**BAS 9: Accounting for Research and Development Costs**

Though IAS 9 has been superseded by IAS 38, ICAB has adopted original version of IAS 9 and was made effective from July 1991. The standard provides for charging of R&D costs as an expense of the period in which they are incurred. It also provides that development cost of a project may be deferred to future periods if all the following criteria are satisfied:

a) product process is clearly defined and the costs attributable to the product of process can be separately identified;
b) technical feasibility of the product or process has been demonstrated;
c) management of the enterprise has indicated its intention to produce and market, or use, the product or process;
d) there is a clear indication of a future market for the product or process, or if it is to be used internally rather than sold, its usefulness to the enterprise can be demonstrated; and
e) adequate resources exist, or are reasonably expected to be available to complete the project and market the product or process (para 17)

The deferral of development costs of a project under the criteria in paragraph 17 should be limited to the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, can reasonably be expected to be recovered from related future revenues (para 18).

If an accounting policy of deferral of development costs is adopted, it should be applied to all development projects that meet the criteria in paragraph 17 (para 19).

If development cost of a project is deferred, they should be allocated on a systematic basis to future accounting periods by a reference either to the sale or use of the product or process or to the time period over which the product or process is expected to be sold or used (para 20).

The deferred development costs of a project should be reviewed at the end of each accounting period. When the criteria of paragraph 17, which previously justified the deferral of the costs no longer apply, the unamortized balance should be charged as an expense immediately. When the criteria for deferral continue to be met but the amount of deferred development costs (and other relevant costs as set out in paragraph 18)
that can reasonably be expected to be recovered from related future revenues is exceeded by the unamortized balance of such costs, the excess should be charged as an expense immediately (para 21).

Development costs once written off should not be reinstated even though the uncertainties which had led to their being written off no longer exist (para 22).

BAS 10: Events After the Balance Sheet Date

ICAB adopted original version of IAS 10 effective from January 1, 1995. The standard reveals that:

- an enterprise should adjust its financial statements for events after the balance sheet date that provide further evidence of conditions that existed at the balance sheet;
- an enterprise should not adjust its financial statements for events after the balance sheet date that are indicative of conditions that arose after the balance sheet date;
- if dividends to holders of equity instruments are proposed or declared after the balance sheet date, an enterprise should not recognise those dividends as a liability;
- an enterprise may give the disclosure of proposed dividends either on the face of the balance sheet as an appropriation within equity or in the notes to the financial statements;
- an enterprise should not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the enterprise or to cease trading, or that it has no realistic alternative but to do so;
- there should no longer be a requirement to adjust the financial statements where an event after the balance sheet date indicates that the going concern assumption is not appropriate for part of an enterprise;
- an enterprise should disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the enterprise vs. owners or others have the power to amend the financial statements after issuance, the enterprise should disclose that fact; and
- an enterprise should update disclosures that relate to conditions that existed at the balance sheet date in the light of any new information that it receives after the balance sheet date about those conditions.
BAS 11: Construction Contracts

BAS 11, Construction Contracts, became effective for annual financial statements covering periods beginning on or after 1 January 1999. The standard reveals that:

- If the total revenue, past and future costs, and the stage of completion of a contract can be measured or estimated reliably, revenues and costs should be recognised by stage of completion (the "percentage-of-completion method").
- Expected losses should be recognised immediately.
- If the outcome cannot be measured reliably, costs should be expensed, and revenues should be recognised to the extent that costs are recoverable ("cost recovery method").
- Disclosure requirements include (for each major contract or class of contracts):
  - Amount of contract revenue recognised.
  - Method for determining that revenue.
  - Method for determining stage of completion.
  - For contracts in progress, disclose aggregate costs incurred, recognised profits or losses, advances received, and retentions.
  - Gross amount due from customers under the contract(s).
  - Gross amount owned to customers under the contract(s).

BAS 12: Income Taxes

ICAB adopted original version of IAS 12 and became effective for annual financial statements covering periods beginning on or after 1 January 1999. It lays down that:

- Accrue deferred tax liability for nearly all taxable temporary differences.
- Accrue deferred tax asset for nearly all deductible temporary differences if it is probable a tax benefit will be realised.
- Accrue unused tax losses and tax credits if it is probable that they will be realised.
- Use tax rates expected at settlement.
- Current and deferred tax assets and liabilities are measured using the tax rate applicable to undistributed profits.
- Non-deductible goodwill: no deferred tax.
- Unremitted earnings of subsidiaries, associates, and joint ventures: Do not accrue tax.
- Capital gains: Accrue tax at expected rate.
- Do not "gross up" government grants or other assets or liabilities whose initial recognition differs from initial tax base.
ICAB adopted original version of IAS16, which lays down that:

- Property, plant and equipment should be recognised when (a) it is probable that future benefits will flow from it, and (b) its cost can be measured reliably.
- Initial measurement should be at cost.
- Subsequently, the benchmark treatment is to use depreciated (amortised) cost but the allowed alternative is to use an up-to-date fair value.
- Depreciation:
  - Long-lived assets other than land are depreciated on a systematic basis over their useful lives.
  - Depreciation base is cost less estimated residual value.
  - The depreciation method should reflect the pattern in which the asset's economic benefits are consumed by the enterprise.
  - If assets are revalued, depreciation is based on the revalued amount.
  - The useful life should be reviewed periodically and any change should be reflected in the current period and prospectively.
  - Significant costs to be incurred at the end of an asset's useful life should either be reflected by reducing the estimated residual value or by charging the amount as an expense over the life of the asset.
- Revaluations (allowed alternative):
  - Revaluations should be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.
  - If an item of PP&E has been revalued, the entire class to which the asset belongs must be revalued (for example, all buildings, all land, all equipment).
  - Revaluations should be credited to equity (revaluation surplus) unless reversing a previous charge to income.
  - Decreases in valuation should be charged to income unless reversing a previous credit to equity (revaluation surplus).
  - If the revalued asset is sold or otherwise disposed of, any remaining revaluation surplus either remains as a separate component of equity or is transferred directly to retained earnings (not through the income statement).
- If an asset's recoverable amount falls below its carrying amount, the decline should be recognised and charged to income (unless it reverses a previous credit to equity).
- Gains or losses on retirement or disposal of an asset should be calculated by reference to the carrying amount.
Required disclosures include:
- Reconciliation of movements.
- Capital commitments.
- Items pledged as security.
- If assets are revalued, disclose historical cost amount.
- Change in revaluation surplus.

BAS 18: Revenue

ICAB adopted latest version of IAS 18 as BAS 18. BAS 18 lays down that:

- Revenue should be measured at fair value of consideration received or receivable. Usually this is the inflow of cash. Discounting is needed if the inflow of cash is significantly deferred without interest. If dissimilar goods or services are exchanged (as in barter transactions), revenue is the fair value of the goods or services received or, if this is not reliably measurable, the fair value of the goods or services given up.
- Revenue should be recognized when:
  - significant risks and rewards of ownership are transferred to the buyer;
  - managerial involvement and control have passed;
  - the amount of revenue can be measured reliably;
  - it is probable that economic benefits will flow to the enterprise; and
  - the costs of the transaction (including future costs) can be measured reliably.
- For services, similar conditions apply by stage of completion if the outcome can be estimated reliably.
- Interest revenue is recognized on a time-proportion basis using the effective interest rate.
- Dividend revenue is recognized when the shareholder’s right to receive the dividend is legally established.
- If revenue has been recognized but collectibility of a portion of the amount is doubtful, bad debt expense should be recognized when the revenue is recognized.
- Revenues and related expenses must be matched. If future related expenses cannot be measured reliably, revenue recognition should be deferred.
- Required disclosures include:
  - Revenue recognition accounting policies.
  - Amount of each significant category of revenue recognized.
  - Amount of revenue from exchanges of goods or services.
BAS 20: Accounting for Government Grants and Disclosure of Government Assistance

ICAB has adopted latest version of IAS 20 as BAS 20. This standard implies that the grants should not be credited directly to equity. They should be recognized as income in a way matched with the related costs. Grants related to assets should be deducted from the cost or treated as deferred income.

BAS 21: The Effects of Changes in Foreign Exchange Rates

ICAB adopted original version of IAS 21 and became effective for annual financial statements covering periods beginning on or after 1 January 1999. The standard states that:

Foreign currency transactions should be translated on the date of the transaction. Thus, income statement items are translated at the average exchange rate.

Investments in foreign entities that are integral to the operations of the parent

- Subsequently, monetary balances should be translated at the closing rate, and nonmonetary balances at the rate that relates to the valuation basis. This means the rate on acquisition date for nonmonetary assets carried at historical cost and the rate at valuation date for revalued nonmonetary assets.
- Differences on monetary items should be taken to income, unless the items amount to a net investment in a foreign entity, in which case they are reported in equity until the asset or liability is disposed of.
- The financial statements of foreign operations that are integral to the operations of the parent should be treated as above.

Investments in other foreign entities

- Financial statements of other entities should be translated using closing rates for balance sheets and transaction rates (or, in practice, average rates) for income and expenses. Differences should be taken directly to equity.

Disclosures

- translation differences included in net income
- analysis of translation differences in equity
- changes in rates after balance sheet date
- foreign exchange risk management policies

BAS 23: Borrowing Costs

ICAB adopted original version of IAS 23 and became effective for annual financial statements covering periods beginning on or after 1 January 1999. It lays down that:

- The benchmark treatment is to treat borrowing costs as expenses.
The allowed alternative is to capitalise those directly attributable to construction.

If capitalised and funds are specifically borrowed, the borrowing costs should be calculated after any investment income on temporary investment of the borrowings. If funds are borrowed generally, then a capitalisation rate should be used based on the weighted average of borrowing costs for general borrowings outstanding during the period. Borrowing costs capitalised should not exceed those actually incurred.

- Capitalisation begins when expenditures and borrowing costs are being incurred and construction of the asset is in progress.
- Capitalisation suspends if construction is suspended for an extended period, and ends when substantially all activities are complete.

BAS 27: Consolidated Financial Statements and Accounting for Investments in Subsidiaries

ICAB has adopted latest version of IAS 27 as BAS 27, which became operative for financial statements covering periods beginning on or after January 01, 1999. There is no requirement for preparation of Consolidated Financial Statements under the Companies Act, 1994. Thus, this standard would first time require corporate entities to prepare Consolidated Financial Statements.

The standard requires preparation of Consolidated Financial Statements by a parent company other than a parent that is a wholly owned subsidiary, or is virtually wholly owned and in the case of virtually wholly owned, the parent obtains the approval of the owners of the minority interest, for a group of enterprises under its control in addition to its separate financial statement. Such Consolidated Financial Statements should consolidate all subsidiaries, domestic as well as foreign other than a subsidiary when:

a) control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in near future; or

b) it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.

The Standard provides for normal procedure of consolidation on a line-by-line basis by adding together like items of assets, liabilities, income, and expenses. The Standard also requires that the financial statement used in consolidation should be drawn up to the same reporting date. If it is not practicable to draw up the financial statement of one or more subsidiaries to such date, adjustments should be made for the effect of significant transactions or other events that occur between those dates.

The following disclosure requirements should be made:
BAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions

ICAB adopted latest version of IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions. The standard lays down that:

- This standard prescribes special disclosures for banks and similar financial institutions.
- A bank's income statement should group income and expense by nature and should report the principal types of income and expense.
- Income and expense items may not be offset except (a) those relating to hedges and (b) assets and liabilities for which the legal right of offset exists.
- Specific minimum line items for income and expenses are prescribed.
- A bank's balance sheet should group assets and liabilities by nature.
- Assets and liabilities may not be offset unless a legal right of offset exists and the offsetting is expected at realisation.
- Specific minimum line items for assets and liabilities are prescribed.
- Disclosures are required of various kinds of contingencies and commitments, including off-balance-sheet items.
- Disclosures are required of information relating to losses on loans and advances.
- Other required disclosures include:
Regulatory Framework

- Maturities of various kinds of liabilities.
- Concentrations of assets, liabilities, and off-balance-sheet items.
- Net foreign currency exposures.
- Market values of investments.
- Amounts set aside as appropriations of retained earnings for general banking risks.
- Secured liabilities and pledges of assets as security.

BAS 33: Earnings per Share

ICAB adopted the latest version of IAS 33, Earnings per Share, and became effective for annual financial statements covering periods beginning on or after 1 January 1999. The standard states that:

- IAS 33 applies only to publicly-listed companies.
- Disclose basic (undiluted) and diluted net income per ordinary share on the face of the income statement with equal prominence.
- For each class of common having different dividend rights.
- Diluted EPS reflects potential reduction of EPS from options, warrants, rights, convertible debt, convertible preferred, and other contingent issuances of ordinary shares.
- Numerator for basic EPS is profit after minority interest and preference dividends.
- Denominator for basic EPS is weighted average outstanding ordinary shares.
- "If converted method" to compute dilution from convertibles.
- "Treasury stock method" to compute dilution of options and warrants.
- Pro forma EPS to reflect issuances, exercises, and conversions after balance sheet date. Use net income to assess whether dilutive.
- Will be effective for financial reporting periods beginning on or after 1 January 1998.

BAS 34: Interim Financial Reporting

ICAB adopted the latest version of IAS 34, Interim Financial Reporting, and became effective for financial statements covering periods beginning on or after 1 January 1999. The standard lays down that:

BAS 34, Interim Financial Reporting:

- contains both presentation and a measurement guidance,
- defines the minimum content of an interim financial report, and
- sets out the accounting recognition and measurement principles to be followed in any interim financial statements.

BAS 34 does not specify which enterprises must publish interim financial reports, how frequently, or how soon after the end of an interim period. Those are deemed
matters that are best left to be decided by law or regulation. IAS 34 applies if an enterprise is required or elects to publish an interim financial report in accordance with International Accounting Standards. In IAS 34, IASC expresses encouragement that public enterprises ought to provide, at least, half-yearly reports within 60 days after mid-year.

BAS 34 defines the minimum content of an interim financial report as a condensed balance sheet, condensed income statement, condensed cash flow statement, condensed statement showing changes in equity, and selected explanatory notes. An enterprise might choose to go beyond that and present full financial statements or something in between full and condensed. If condensed financial statements are provided, they must contain, at a minimum, the same headings and subtotals as were in the enterprise's latest annual financial statements, plus only selected notes.

Interim financial statements, complete or condensed, must cover the following periods:

- a balance sheet at the end of the current interim period, and comparative as of the end of the most recent full financial year;
- income statements for the current interim period and cumulatively for the current financial year to date, with comparative statements for the comparable interim periods of the immediately preceding financial year;
- a statement of changes in equity cumulatively for the current financial year to date and comparative for the same year-to-date period of the prior year; and
- a cash flow statement cumulatively for the current financial year to date and comparative for the same year-to-date period of the prior financial year.

The notes in an interim financial report are viewed primarily as an update since the last annual report. Examples of those kinds of notes would include disclosures about changes in accounting policies, seasonality or cyclical change, changes in estimates, changes in outstanding debt or equity, dividends, segment revenue and result, events occurring after balance sheet date, purchases or disposals of subsidiaries and long-term investments, restructurings, discontinuing operations, and changes in contingent liabilities or contingent assets.

Because research has shown that an investor is much better able to use interim information to make forecasts if recurring and nonrecurring cash flow and earnings data are segregated, BAS 34 requires special disclosures about unusual events and transactions.

Enterprises are required to apply the same accounting policies in their interim financial reports as in their latest annual financial statements. The frequency of an enterprise's reporting - annual, half-yearly, or quarterly - does not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes are made on a year-to-date basis.
An appendix to IAS 34 contains guidance for applying the basic recognition and measurement principles at interim dates to such items as employer payroll taxes, periodic maintenance costs, provisions, year-end bonuses, contingent lease payments, intangible assets, pensions, compensated absences, income taxes, depreciation, inventories, foreign currency translation, and impairments.

3.4.1 India: Companies Act, 1956, A Mainstream Regulation to Accounts and Audit


Section 209 of the Indian Companies Act, 1956 lays down provisions regarding the books of accounts to be kept by a company. Section 209 requires that every company shall keep at its registered office proper books of account with respect to (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place; (b) all sales and purchases of goods by the company; (c) the assets and liabilities of the company; and (d) in the case of a company pertaining to any class of companies engaged in production, processing, manufacturing or mining activities, such particulars relating to utilization of material or labour or to other items of cost as may be prescribed, if such class of companies is required by the Central Government to include such particulars in the books of account. Section 210 lays down that the board of directors of the company shall lay before the company at every annual general meeting a balance sheet as at the end of the period, a profit and loss account for that period and a report by the company’s Board of Directors. Section 211(1) requires that a balance sheet be prepared as per the form drawn in the part I of Schedule VI and shall give a true and fair view of affairs of the company and in the preparation of the balance sheet due regard shall be paid to the general instruction for the preparation of the balance sheet. The Companies (amendment) Act, 1999 has prescribed requirement by amending Section 211 that every profit and loss account and balance sheet shall comply with accounting standards. It is further provided by the amendment that if there is any deviation from the prescribed standards, the annual accounts shall state (1) the fact that there has been a deviation; (2) the reason for such deviation, and (3) the financial implication of the deviation. It is further provided by the amendment that for the purpose of this section ‘accounting standards’ means such standards of accounting recommended by the ICAI.
Section 211(2) provides that every profit and loss account of a company must give a true and fair view of the profit and loss of the company for the financial year. Although the Act does not provide any form of the profit and loss account, Part II of Schedule VI lays down guidelines for the preparation of the profit and loss account. The company can prepare it either in a traditional account form or in a statement form showing all items on the vertical scale. This Act requires the disclosure of comparative figures of the previous year both in respect of balance sheet and profit and loss account. According to the paragraph 3 of Part II of Schedule VI, the profit and loss account or the income and expenditure account of a company must set out the various items relating to the income and expenditure of the company arranged under the most convenient head. Part II of Schedule VI lays down certain items of information that must be disclosed in the profit and loss account. The main items to be disclosed are discussed in the following section under the head 'comparative disclosure requirements'.

Section 212 sets out the provisions regarding the balance sheet of holding companies to include certain particulars as to subsidiaries while Section 213 lays down certain provisions regarding the authentication of balance sheet and profit and loss account of a company. Section 216 requires that the profit and loss account shall be annexed to the balance sheet and the auditors' report shall be attached thereto. Section 217 lays down that a directors' report shall be attached to every balance sheet and prescribes the contents of directors' report. As per Companies Act 1956 the preparation of consolidated financial statements for the parent company and its subsidiaries is not mandatory.

3.4.2 India: the Securities and Exchange Board of India Act, 1992.

In India, there are no Securities and Exchange Rules like Bangladesh. The Securities and Exchange Board of India (SEBI) was established in 1988 entrusted with the work to protect investors, to promote and develop capital market and to regulate securities market in India. It was abrogated statutory status in 1992 through the enactment of the Securities and Exchange Board of India Act, 1992. Within a short period, the SEBI has done some commendable breakthroughs in the field of age-old stock market operations. Through increased requirements by way of Listing Agreement, it has also played its role in improving financial disclosure by corporate enterprise. The requirement of Cash flows Statement and Corporate Governance Report as part of Listing Agreement is examples on the point (B. Banerjee). Any company that intends to raise capital from the public must require prior approval of the SEBI. The SEBI has issued guidelines for disclosure and investor protection which includes that specific disclosures need to be made by the companies regarding the project details, means of financing working capital, history of the company, promoters and their background, technological process, marketing of product, implementation schedules, government approvals, outstanding litigation and the adequacy of redressal mechanism set up for.
responding to grievances of the investors. The SEBI Act, 1992 does not require any more disclosure requirements in the corporate annual reports than the provisions laid down in the Companies Act, 1956 (M.A. Hossain).

3.4.2 India: Accounting Standards

The Institute of Chartered Accountants of India (ICAI) was established in 1949. Since birth, the ICAI has become one of the largest accountancy profession in the world (Bose, 1988). It was in 1976, because of membership of IASC, the ICAI decided to seriously undertake the task of setting accounting standards in India (B. Banerjee). Accordingly, the ICAI constituted Accounting Standards Board (ASB) in April 1977. ASB finalized the procedure to be followed in the formulation of accounting standards and published, in January, 1979, the ‘Preface to the Statements of Accounting Standards’ which outlines the scope and functions of ASB, the scope of accounting standards and the procedure to be followed in formulating the standards. Earlier, there was no legal back up in the Companies Act to ensure compliance with them. However, through an amendment of the Companies Act, 1956 it is provided that:

a) Every profit and loss account and balance sheet of the company shall comply with the accounting standards.

b) In case of non-compliance with the accounting standards, disclosure should be made regarding the deviations from the accounting standards, the reasons for such deviations and the financial effect arising due to such deviations (Sec. 211, 3A & 3B).

c) Auditor of a company while performing attest function, must report whether, in his opinion, the profit and loss account and balance sheet complied with mandatory accounting standards [Sec. 227(3)(1)(d)].

The ICAI issued its first standard in November, 1979. Since then a number of accounting standards have been issued by the ICAI from time to time. Over the years, except AS 24: Discontinuing Operations, all standards issued by ICAI have been made mandatory. Some salient aspects and the disclosure requirements of each of the standards are stated below:

AS 1: Disclosure of Accounting Policies

It deals with the disclosure of significant accounting policies followed in the preparation and presentation of financial statements. The purpose of this standard is to promote better understanding of financial statements by establishing the disclosure of significant accounting policies in the financial statements and the manner of doing so.
The standard stipulates that (a) the significant accounting policies should normally be disclosed in one place; (b) any change in accounting policies, which has a material effect in later periods, should be disclosed, and (c) the non-adherence of fundamental accounting assumption in preparation of financial statements should be disclosed.

AS 2: Valuation of Inventories
This standard deals with the principles for valuing inventories for financial statements and ensures adequate disclosure in financial statements. The standard states that the valuation of inventories should be at cost or net realizable value, whichever is lower. The cost of inventories should comprise (a) all cost of purchase (purchase price, duties and taxes, freight inward and other directly attributable expenses less discounts, rebates, drawbacks, etc.), (b) costs of conversion (direct labour and overhead) and (c) other costs incurred in bringing the inventories to their present location and condition (interest and borrowing costs are excluded). The standard requires that the allocation of fixed production overheads for the purpose of their inclusion in the costs of conversion should be based on normal capacity of the production facilities. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Required disclosure includes:

• the accounting policies adopted in measuring inventory values including the cost formula used, and

• total carrying amount of inventories and its classification appropriate to the enterprise.

Thus, measurement and reporting of inventories for the purpose of financial statements are the focus of a AS 2.

AS 3: Cash Flows Statement
The initial standard on Fund Flow Statement was revised in March, 1997. It is predominantly based on IAS 7 on Cash Flows Statement. As 3 has been made mandatory in respect of:

a) listed companies or companies whose shares and debentures are in the process of enlisting on a recognized stock exchange in India;

b) all other commercial industrial and business enterprises whose turnover for the accounting period exceeds Rs. 50 crore.

AS 3 requires that a cash flow statement should be divided into three heads, viz., (a) cash flows from operating activities, (b) cash flows from investing activities and (c)
cash flows from financing activities. In India, a cash flow statement does not form part of financial statements to be prepared in compliance with the Companies Act, 1956. But as per SEBI Guidelines (dated 26.6.1995), a listed company is required to prepare, among others, a cash flow statement and get it audited.

As 4: Contingencies and Events Occurring after the Balance Sheet Date

It deals with the treatment in financial statements of contingencies and events occurring after the balance sheet date. The standard requires disclosure only in respect of those contingencies and events, which affect the financial position to a material extent. Also, it stipulates if a contingent loss is not provided for, its nature and an estimate of its financial effect, or a statement that such an estimate cannot be made, should be disclosed. There is a view that simple disclosure of events occurring after the balance sheet date is not expected to be useful, as it would not facilitate future projections. It is considered necessary to disclose anticipated effect of such events on revenue, expense, assets and liabilities of the reporting entity.

AS 5: Net Profit or Loss for the period, prior period Items and Changes in Accounting policies

This standard deals with the treatment in the financial statements of prior period and extraordinary items and changes in accounting policies. It defines ordinary activities, extraordinary items, prior period items, accounting estimates and accounting policies and deals with the treatment of prior period and extraordinary items and changes in accounting policies and estimates. According to AS 5:

1. A change in the accounting policy should be made only if:

   (a) The adoption of a different accounting policy is required (i) by a statute, or (ii) for compliance with an accounting standard;

   (b) it is considered that the change would result in a more appropriate preparation or presentation of the financial statements of the enterprise.

2. Any change in an accounting policy, which has a material effect, should be disclosed in the period in which such a change is made. The impact of such change, if material, should also be disclosed. Where the effect of such change cannot be ascertained, wholly or partly, the fact should be disclosed.

3. If a change has no material effect in the current period but is reasonably expected to have a material effect in later period, the fact of such change should be appropriately disclosed in the period in which such change is adopted.

The standard requires that the nature and amount of each extraordinary item should be
separately disclosed in the profit and loss account. Moreover, when items of income and expenses within profit and loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items shall be disclosed separately.

It may be reiterated that in determining profit or loss for a period, the income and expenses should pertain to that period only. In cases where the provision for expenses made during the previous year is less than the actual expenditure during the year, the excess of expenditure over the provision should be disclosed, if material, separately in the profit and loss account. Such disclosure should be made only in respect of material accounts. In the event of non-disclosure, it is the duty of the auditor to suitably qualify his audit report.

AS 6: Depreciation Account

AS 6 deals with accounting for depreciation and the disclosure requirements in connection therewith. It requires that:

- Depreciable amount of a depreciable asset should be allocated on a systematic basis to each accounting period during the useful life of the asset;
- The depreciable method should be applied consistently from period to period. Of the various methods used for computing depreciable amount, the most commonly used and accepted methods are: (i) Straight Line Method, and (ii) reducing balance Method. A change from one method of providing depreciation to another should be made only if the adoption of the new method is required by statute or for compliance with an accounting standard if it is considered that the change would result in a more appropriate preparation or presentation of the financial statements of the enterprise.
- When a change in the method of depreciation is made, depreciation should be recalculated as per the new method from the date of acquisition of the asset and the deficiency or surplus arising from retrospective re-computation of depreciation should be adjusted in the profit and loss account. Such a change should be treated as a change in accounting policy and should be disclosed.
- When a change in the useful life of the asset is made, the unamortized depreciable amount of the asset should be charged to revenue over the remaining useful life by applying the new method.
- Any adoption or extension, which become an integral part of the existing asset should be depreciated over the remaining useful life.
- Where the historical cost of a depreciable asset has undergone a change due to increase or decrease in long term liability on account of exchange fluctuation, price adjustments, changes in duties or similar factor, the depreciation on revised unamortized depreciable amount should be provided prospectively over the residual life of the asset.
• Where the depreciable assets are revalued, the provision for depreciation should be based on the revalued amount and on the estimate of the remaining useful lives of such assets.
• In case the assets are used for double or triple shifts, depreciation may be charged accordingly.

The standard contains some important requirements for disclosures in the financial statements: They are:
• the historical cost or other amount substituted for historical cost of each class of depreciable assets;
• total depreciation for the period for each class of asset;
• the related accumulated depreciation;
• depreciation methods used;
• depreciation rates or the useful lives of the assets, if they are different from the principle rates specified in the statute governing the enterprise, and
• net surplus or deficiency, if material, of an asset disposed of, discarded, demolished or destroyed.

AS 7: Accounting for Construction Contracts

The standard recognizes two methods of accounting for construction contracts, namely, the percentage of completion method and the completed contract method and explains the essential ingredients of these two methods. The standard requires a number of disclosures in the financial statements, viz. –

1. the amount of construction work in progress;
2. progress payment received and advances and retentions on account of contracts included in construction work in progress;
3. the amount receivable in respect of income accrued under cost plus contracts not included in construction work in progress; and
4. changes in an accounting policy used for construction contracts giving the effect of the change and its amount.

AS-8 : Accounting for Research and Development

This Standard deals with the treatment of costs of research and development in financial statements and their disclosure. The Standard identifies items of costs which comprise research and development and suggests the following treatments:

• Research and development costs are to be charged to expenses in the period in which they are incurred. This is because in most cases there is little, if any, direct relationship between the amount of current research and development costs and future benefits in as much as the amount of such benefits, and the period over which they will be received, are usually too uncertain.
If the product or process is technically feasible and the enterprise has adequate resources to market it, the costs of research and development should be deferred to future periods. Deferred research and development costs are to be amortized on a systematic basis. Moreover, the deferred research and development costs of a project should be reviewed at the end of each accounting period and if deferral is no longer justified, the unamortized balance should be charged as expenses immediately.

The Standard requires the disclosures of the following in the financial statements:

- research and development costs, including the amortization of deferred costs, charged as an expense of each period;
- the unamortized balance, if any, of deferred research and development costs; and
- accounting policy adopted for research and development costs.

AS-9: Revenue Recognition

Revenue recognition is mainly concerned with the timing of recognition of revenue in the profit and loss account of an enterprise. AS 9 defines revenues as the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the:

- sale of goods;
- rendering of services; and
- use by others of enterprise resources yielding interest, royalties and dividends.

AS 9 lays down the timing of recognition of revenue as follows:

1. Sale of goods:

   When the seller has transferred the property in the goods (along with risks and rewards of ownership) to the buyer for a consideration. When transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership, revenue is recognized at the time of transfer of significant risks and rewards of ownership to the buyer.

2. Rendering of services:

   Revenue from service transactions is usually recognized as the service is performed, either by the proportionate completion method or by the completed service contract method.

3. Resources yielding Interest, Royalties and Dividends:

   - Interest: On a time proportion basis taking into account the amount outstanding and the rate appropriate.

   Royalties: On an accrual basis in accordance with the terms of agreement.

   Dividends: When the owner’s right to receive payment is established.
The Standard further requires that revenue should only be recognized when no significant uncertainty as to measurability or collectability exists. When an uncertainty relating to collectability arises subsequent to recognition of revenue, the standard provides for making of a separate provision rather than adjusting the amount of revenue originally recorded.

Regarding disclosure in financial statements, AS 9 states that, in addition to the disclosures required under AS-1, an enterprise is required to disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

AS-10 : Accounting for Fixed Assets

AS 10 deal with identification of fixed assets, costs of fixed assets, their accounting and disclosures.

According to the Standard, a fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business. The gross book value of a fixed asset should be either historical cost or a revaluation computed as per the Standard. Cost comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition or its intended use (trade discounts, rebates etc. are deducted for the purchase price).

Subsequent expenditure of capital nature should be added to its book value. Profit or loss on sale or retirement of an item of asset should be shown separately in the Profit and Loss Account.

AS 10 requires that the following information should be disclosed in the financial statements:

(1) gross and net book values of fixed assets at the beginning and end of an accounting period showing additions, disposals, acquisitions and other movements;
(2) expenditure incurred on account of fixed assets in the course of construction or acquisition; and
(3) revalued amount substituted for historical costs of fixed assets, the method adopted to compute the revalued amounts, the nature of indices used, the year of any appraisal made, and whether an external valuer was involved, in case where fixed assets are stated at revalued amounts.

AS-11 : Accounting for Effects of Changes in Foreign Exchange Rates

Foreign currency transactions should be expressed in the enterprise's reporting currency and the financial statements of foreign branches should be translated into
the enterprise’s reporting currency in order to include them in the financial statements of the enterprise.

The principal issues in accounting for foreign currency transactions and foreign branches are to decide which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates. AS-11 deals with the above issues and conforms to the requirements of IAS 21 (revised).

AS-11 requires the disclosure of the amount of exchange differences:

i) included in the net profit or loss for the period;
ii) adjusted in the carrying amount of fixed assets during the accounting period; and
iii) in respect of forward exchange contracts to be recognized in the profit or loss for one year or more subsequent accounting periods.

AS-12 : Accounting for Govt. Grants and Disclosure of Govt. Assistance

The receipt of government grants by an enterprise is significant for preparation of the financial statements for two reasons. Firstly, if a government grant has been received, an appropriate method of accounting for the same is necessary. Secondly, it is desirable to give an indication of the extent to which the enterprise has benefited from such grant during the reporting period. This facilitates both inter-period and inter-firm comparison.

AS-12 suggests two approaches for treatment of government grants (a) Capital Approach, and (b) Income Approach.

Under the capital approach a grant is treated as part of shareholders’ funds and under the latter, it is treated as income in the Profit and Loss Account (either as a current income or as a deferred income).

AS-12 requires the following disclosures in the financial statements:

i) accounting policy for government grants, including methods of presentation;
ii) the nature and extent of government grants recognized, including grants for non-operating assets given at a concessional rate or free of cost.

AS-13 : Accounting for Investments

This Standard requires classification of investments into two categories viz., long-term and current on the basis of intention to hold such investments. Cost of an investment comprises purchase price and acquisition charges such as brokerage, fees and duties. Long term investments are valued at cost and decline in market value is not recognized unless such decline is other than temporary. However, AS-13 does not specify what is temporary and what is permanent decline.
According to AS-13, the disclosures that are required to be made in the financial statements are as follows:

a) the accounting policies for the determination of amount of investment shown;
b) the amount included in Profit and Loss Account for:
   (i) interest, dividends (showing separately dividends from subsidiary companies), and rentals on investments, showing separately such income from long-term and current investments. Gross income should be stated, the amount of income tax deducted at source being included under Advance Taxes Paid;
   (ii) profits and losses on disposal of current investments and changes in carrying amount of such investments;
   (iii) profits and losses on disposal of long term investments and changes in the carrying amount of such investments.
c) significant restrictions on the right of ownership, realisability of investments or the remittance of income and proceeds of disposal;
d) the aggregate amount of quoted and unquoted investments, giving the aggregate market value of quoted investments;
e) other disclosures as specifically required by the relevant statute governing the enterprise.

AS-14 : Accounting for Amalgamation

It deals with accounting for merger and disclosures in connection therewith. The Standard recognizes two methods of accounting for amalgamations viz.: (a) pooling of interests method, and (b) purchase method.

The pooling of interests method is applied in case of an amalgamation in the nature of merger. Purchase method is used in accounting for amalgamation in the nature of purchase.

AS-14 requires general disclosures (for both types), and specific disclosures for each of the two methods. These are mentioned below:

General disclosures-

a) names and general nature of business of the amalgamating companies;
b) effective date of amalgamation for accounting purposes;
c) the method of accounting used to reflect the amalgamation; and
d) particulars of the scheme sanctioned under a statute.

Additional disclosures under pooling of interests method-

a) description and number of shares issued, together with the percentage of each company’s equity shares exchanged to effect the amalgamation;
b) the amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof.

Additional disclosures under the purchase method:

a) consideration for the amalgamation and a description of the consideration paid or contingently payable; and

b) the amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof including the period of amortization of any goodwill arising on amalgamation.

AS-15 : Accounting for Retirement Benefits in the Financial Statements of Employers

Retirement benefit schemes are normally significant elements of an employer's remuneration package for employees.

Retirement benefits usually consist of (a) provident fund; (b) Superannuation/pension; (c) gratuity; (d) leave encashment benefit on retirement; (e) post-retirement health and welfare schemes, and (f) others. In case of retirement gratuity and other benefit schemes, the Standard provides for ascertainment and accounting of liability on the basis of estimation or actuarial valuation when employer has chosen to make payment out of own fund. AS 15 also provides for ascertainment of liability for leave encashment benefit payable on retirement or cessation of employment. Regarding contribution to provident fund or other defined contribution scheme, it prescribes that such contributions should be treated as expenses during the period in which they accrue. When retirement benefit scheme for retired employees is amended, due to inflation or for other reasons, to provide additional benefits to retired employees, any additional costs are charged to profit and loss account of the year. The requirements of this Standard generally conform to the accounting treatments specified in IAS 26.

The Standard contains the following provisions for disclosures:

- In view of the diversity of practices used for accounting of retirement benefits costs, adequate disclosure of method followed in determination of such costs is essential for an understanding of the significance of such costs to an employer.
- Retirement benefit costs are sometimes disclosed separately for statutory compliance. In other cases, they are considered to be an element of employee remuneration and their separate disclosure is not usually made.
- When retirement benefit costs are measured on the basis of actuarial valuation, the date of such valuation and method of determination of periodical charges should briefly be described (if such charges are not based on actuarial valuation).
AS-16: Borrowing Costs

It deals with accounting for borrowing costs. Borrowing costs are interest and other costs incurred by the enterprise in connection with the borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized. The amount eligible for the purpose is determined on fulfillment of certain conditions mentioned in the Standard. Other borrowing costs are recognized as an expense in the period in which they are incurred.

According to AS-16, the financial statements should disclose the:

a) accounting policy adopted for borrowing costs, and
b) amount of borrowing costs capitalized during the period.

AS-17: Segment Reporting

The objective of Segment Reporting is to establish principles for reporting financial information in annual financial statements by segment. It is mandatory for:

(i) enterprises whose equity or debt securities are listed on a recognized stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a stock exchange in India as evidenced by the board of directors' resolution in this regard; and
(ii) all other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.

The Standard distinguishes between business (or industrial) segment and geographical segment and identifies the factors that are to be taken into consideration in their determination.

According to the Standard, a segment with 10% or more of total revenues, profits (or loss) or identifiable assets becomes a reportable segment. The Standard (Para. 29) also stipulates that if total external revenue attributable to reportable segments constitutes less than 75% of the total revenue of the enterprise, additional segment should be identified as reportable segments, even if they do not meet the 10% thresholds, to make the revenue of the reportable segments at least equivalent to 75% of total revenue of the enterprise.

A reportable segment must disclose its revenue, expense, profit or loss, assets, liabilities and accounting policies. For disclosure of segment information, the Standard also distinguishes between primary segment and secondary segment and suggests primary and secondary reporting formats respectively for them.

Once a segmental disclosure is made in the previous accounting period based on 10% thresholds, disclosure of information for the same segment should be made in the current year also even though the segment fails to meet 10% thresholds. Similarly,
for a current year disclosure of information of a segment based on 10% thresholds, corresponding previous year’s figure should be published, unless it is impracticable to do so, even though the segment in question did not meet the 10% thresholds in the previous year. This will facilitate comparative analysis of segmental data over time.

AS-18: Related Party Disclosure

AS-18 deals with reporting of related party relationships and transactions between a reporting enterprise and related parties. The requirements of the Standard apply to the financial statement of each reporting enterprise as also to consolidated financial statements presented by holding company.

It requires disclosure of name of the related party and nature of related party relationships where control exists in such relationship irrespective of whether or not there have been transactions between related parties.

The Standard requires disclosure of the following in the financial statement of reporting enterprise for transactions between related parties, during the existence of related party relationship:

1) The name of the transacting related party;
2) A description of the relationship between the parties;
3) A description of the nature of the transaction;
4) Volume of the transactions either as an amount or as an appropriate proportion;
5) Any other elements of the related party transactions necessary for an understanding of the financial statements;
6) The amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
7) Amounts written off or written back in the period in respect of debts due from related parties.

The Standard provides exemption to state-controlled enterprises as regards disclosure of related party relationships with other state-controlled enterprises. Further, no disclosure is required in consolidated financial statements in respect of intra-group transactions.

AS-19: Leases

AS-19 deals with accounting of transactions relating to leases other than:

i) lease agreement to explore for, or use of, natural resources;
ii) licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights; and
iii) lease agreements to use lands.
The Standard classifies leases into finance lease and operating lease on the basis of the extent to which risks and rewards incident to ownership of a leased assets lie with lessor or lessee.

The Standard requires detailed disclosure in respect of a finance lease in the books of lessor and lessee. Major disclosure requirements are as under:

The lessee should, in addition to the requirements of AS-10 : Accounting for Fixed Assets, AS-6 : Depreciation Accounting, and the governing statute, make the following disclosures for finance leases:

(a) assets acquired under finance lease as segregated from the assets owned;
(b) for each class of assets, the net carrying amount at the balance sheet date;
(c) a reconciliation between the total of minimum lease payments at the balance sheet date and their present value. In addition, an enterprise should disclose the total of minimum lease payments at the balance sheet date, and their present value, for each of the following periods:
   (i) not later than one year;
   (ii) later than one year and not later than five years;
   (iii) later than five years;
(d) contingent rents recognized as income in the statement of profit and loss for the period;
(e) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; and
(f) a general description of the lessee’s significant leasing arrangements including, but not limited to, the following:
   (i) the basis on which contingent rent payments are determined;
   (ii) the existence and terms of renewal or purchase options and escalation clauses; and
   (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

The lessor should make the following disclosures for finance leases:

(a) a reconciliation between the total gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date. In addition, an enterprise should disclose the total gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date, for each of the following periods:
   (i) not later than one year;
   (ii) later than one year and not later than five years;
   (iii) later than five years;
(b) unearned finance income;
(c) the unguaranteed; residual values accruing to the benefit of the lessor;
(d) the accumulated provision for uncollectible minimum lease payments receivable;
(e) contingent rents recognized in the statement of profit and loss for the period;
(f) a general description of the significant leasing arrangements of the lessor; and
(g) accounting policy adopted in respect of initial direct costs.

The Standard also contains requirements regarding accounting and disclosure of sale and leaseback transactions.

AS-20 : Earnings Per Share (EPS)

EPS is critical to financial analysis and is most widely used statistic by the shareholders (present and potential) in evaluating the performance of an enterprise for taking investment decisions. AS-20 is predominantly based on IAS 33. AS-20 has been made mandatory w.e.f. 1.4.2001 for enterprises whose equity shares or potential equity shares are listed on a recognized stock exchange in India. AS-20 requires that Basic EPS and Diluted EPS should be disclosed prominently on the face of Profit and loss account. Such disclosure is required to be made even when the amounts disclosed are negative (a loss per share).

The Standard states the principles and the manner in which both basic and diluted EPS are to be computed. Although not free from certain limitations (Ghosh & Chakraborty 2001) the Standard focuses on many intricate issues involved in the computation of Basic EPS and Diluted EPS.

AS-21 : Consolidated Financial Statement

In India, there is no requirement to prepare Consolidated financial statement (CFS) under the companies Act, 1956. Thus, this standard would first time require corporate entities to prepare CFS w.e.f. 01.04.2001.

The standard requires preparation of CFS by a parent company for a group of enterprises under its control in addition to its separate financial statement. Such CFS should consolidate all subsidiaries, domestic as well as foreign other than a subsidiary when:

a) control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in near future; or

b) it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.

The Standard provides for normal procedure of consolidation on a line-by-line basis by adding together like items of assets, liabilities, income, and expenses. The Standard also requires that the financial statement used in consolidation should be drawn up to the same reporting date. If it is not practicable to draw up the financial
statement of one or more subsidiaries to such date, adjustments should be made for
the effect of significant transactions or other events that occur between those dates.

The Standard contains following requirements as to disclosure:

i) The reasons for not consolidating a subsidiary.

ii) When uniform accounting policies are not followed for like transactions for
practical difficulties, the fact of such departure and proportion of the items to
which the different accounting policies have been applied.

iii) List of all subsidiaries including the name, country of incorporation or residence,
proportion of ownership and, if different, proportion of voting power held.

iv) The nature of relationship between the parent and a subsidiary, if the parent does
not own, directly or indirectly through subsidiaries, more than one-half of the
voting power of the subsidiary.

v) The effect of the acquisition and disposal of subsidiaries on the financial position
on the reporting date, the results for the reporting period and on the corresponding
amounts for the preceding period.

vi) The names of the subsidiary (ies) of which reporting date(s) is(a) different
that of the parent and the difference in reporting dates.

AS-22 : Accounting for Taxes on Income

It aims at removing the special problems that arise from divergence between
accounting income and taxable income.

The Standard requires recognition of deferred tax assets and liabilities for all timing
differences subject to consideration of prudence in respect of deferred tax assets.
However, the discounting of deferred tax assets in terms of present value is not
permitted. The Standard also contains transitional provisions to recognize
accumulated deferred tax balances in the financial statement as deferred tax
assets/liabilities with corresponding credit charge to revenue reserves.

Regarding disclosure, the Standard provides that deferred tax assets and liabilities
should be disclosed under a separate heading in the balance sheet of the enterprise,
separately from current assets and liabilities. Further, the break-up of deferred tax
assets and deferred tax liabilities into major components of the respective balances is
required to be disclosed in the notes to accounts.

AS-23 : Accounting for Investment in Associates in Consolidated
financial Statement

An associate is an enterprise in which the investor has significant influence and which
is neither a subsidiary nor joint venture of the investor. The Standard requires that
there should be a differentiation between accounting of investment in associates from
that in any other entity. The Standard advocates that equity method should be applied.
for accounting of such investment in associates while preparing consolidated financial statement (CFS).

Under the equity method, the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition and the carrying amount is increased or decreased to recognize investor's share of the profits or losses of the investee after the date of acquisition.

The departure from accounting under equity method in CFS is allowed when:

(a) the investment is acquired and held exclusively with a view to its subsequent disposal in near future; or

(b) the associate operates under severe long-term restrictions which significantly impair its ability to transfer funds to the investor.

Investment in such associates should be accounted for in accordance with AS-13, Accounting for Investment.

When the investor ceases to have significant influences in associates it should discontinue the use of equity method. Investment in associates accounted for using equity method should be classified as long-term investment and disclosed separately in CFS.

Other major disclosure requirements are as under:

i) An appropriate listing and description of associates including the proportion of ownership interest.

ii) The investor's share of the profit or losses on investment in associates.

iii) A brief description of differences between accounting policies of associates and the investor when such different policies are adopted for practical difficulties.

iv) Amount of goodwill/capital reserve arising on the acquisition of an associate that has been included in investment.

v) The reason for not applying equity method in accounting for investments in an associate under certain special circumstances as permitted by the Standard.

AS-24 : Discontinuing Operations

Though the standard is recommendatory in nature at present, the objective of this Standard is to establish principles for reporting information about discontinuing operations.

The disclosure requirement arises on occurrence of the initial disclosure event with respect to a discontinuing operation. The initial disclosure event is the occurrence of one of the following, whichever occurs earlier:

(a) the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation; or
(b) the enterprise's board of directors or similar governing body has both (i) approved a detailed formal plan for the discontinuance, and (ii) made an announcement of the plan.

An enterprise should include the following information relating to a discontinuing operation in its financial statements beginning with the financial statements for the period in which the initial disclosure occurs.

(a) a description of the discontinuing operation(s);
(b) the business or geographical segment(s) in which it is reported in accordance with AS-17: Segment Reporting;
(c) the date and nature of the initial disclosure event;
(d) the date or period in which the discontinuance is expected to be completed if known or determinable;
(e) the carrying amounts, as of the balance sheet date, of the total assets to be disposed of and the total liabilities to be settled;
(f) the amounts of revenue and expenses in respect of ordinary activities attributable to the discontinuing operation during the current financial reporting period;
(g) the amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income-tax expense related thereto; and
(h) the amounts of net cash flows attributable to the operating, investing and financing activities of the discontinuing operation during the current financial reporting period.

If an initial disclosure event occurs between the balance sheet date and the date on which the financial statements for that period are approved by the board of directors in the case of a company or by the corresponding approving authority in the case of any other enterprise, disclosures, as required by AS-4, Contingencies and Events Occurring After the Balance Sheet Date, are made.

When an enterprise disposes of assets or settles liabilities attributable to a discontinuing operation or enters into binding agreements for the sale of such assets or the settlement of such liabilities, it should include, in its financial statements, the following information when the events occurs:

(a) for any gain or loss that is recognized on the disposal of assets or settlement of liabilities attributable to the discontinuing operation (i) the amount of the pre-tax gain or loss and (ii) income tax expense relating to the gain or loss, and
(b) the net selling price or range of prices (which is after deducting the expected disposal costs) of those net assets for which the enterprise has entered into one or more binding sale agreements, the expected timing of receipt of those cash flows and the carrying amount of those net assets on the balance sheet date.
If an enterprise abandons or withdraws from a plan that was previously reported as a discontinuing operation, that fact and its effect should be disclosed.

The required disclosures may be presented either in the notes to the financial statements or on the face of the financial statements except that the disclosure of the amount of the pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to the discontinuing operation should be shown on the face of the statement of profit and loss. However, a discontinuing operation should not be treated as an extraordinary item.

AS-25 : Interim Financial Reporting

AS-25 prescribes the minimum content of an interim financial report and also the principles for recognition and measurement in the financial statements for an interim period; it does not, however, mandate which enterprises should be required to present interim financial reports, how frequently, or how soon after the end of an interim period. If an enterprise is required or elects to prepare and present an interim financial report, it should comply with this Standard, which comes into effect in respect of accounting periods commencing on or after 1.4. 2002.

An enterprise should include the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report:

(a) a statement that the same accounting policies are followed in the interim financial statements as those followed in the most recent annual financial statements or, if those policies have been changed, a description of the nature and effect of the change;
(b) explanatory comments about the seasonality of interim operations;
(c) the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence (vide AS-5);
(d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;
(e) issuance, buy backs, repayments and restructuring of debt, equity and potential equity shares;
(f) dividends, aggregate or per share (in absolute or percentage terms), separately for equity shares and other shares;
(g) segment revenue, segment capital employed (segment assets minus segment liabilities) and segment result for business segments or geographical segments, whichever is the enterprise’s primary basis of segment reporting (disclosure of segment information is required in an enterprise’s interim financial report only if
the enterprise is required, in term of AS-17, Segment Reporting, to disclose segment information in its annual financial statements);
(h) the effect of changes in the composition of the enterprise during the interim period, such as amalgamations, acquisition or disposal or subsidiaries and long-term investments, restructurings, and discontinuing operations; and
(i) material changes in contingent liabilities since the last annual balance sheet date.
The above information should normally be reported on a financial year-to-date basis. However, the enterprise should also disclose any events or transactions that are material to an understanding of the current interim period.
If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not prepared and presented for that final interim period, the nature and amount of that change in estimate should be disclosed in a note in the annual financial statements for that financial year.
Unusual or extraordinary items, changes in accounting policies or estimates, and prior period items are recognized and disclosed based on materiality in relation to interim period data. The overriding objective is to ensure that an interim financial report includes all information that is relevant to understanding an enterprise's financial position and performance during the interim period. For recognition and measurement, an enterprise should follow the same accounting policies as are applied in its annual financial statements.

AS-26: Intangible Assets
AS-26 prescribes accounting treatment for intangible assets that are not dealt with specifically in another Accounting Standard. The Standard requires an enterprise to recognize an intangible asset subject to fulfillment of certain conditions and specifies how to measure the carrying amount of intangible assets and disclose them. The Standard will come into effect in respect of expenditure incurred on intangible items during accounting periods commencing on or after 4, 2003.
The Standard contains the following requirements for disclosure.

A. General:
The financial statements should disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets;
a) the useful lives or the amortization rates used;
b) the amortization methods used;
c) the gross carrying amount and the accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period.
d) a reconciliation of the carrying amount at the beginning and end of the period showing:
   i) additions, indicating separately those from internal development and through amalgamation.
   ii) retirements and disposals;
   iii) impairment losses recognized in the statement of profit and loss during the period (if any);
   iv) impairment losses reversed in the statement of profit and loss during the period (if any);
   v) amortization recognized during the period and;
   vi) other changes in the carrying amount during the period.

B. The financial statements should also disclose:

(a) if an intangible asset is amortized over more than ten years, the reasons why it is presumed that the useful life of an intangible asset will exceed ten years from the date when the asset is available for use. In giving these reasons, the enterprise should describe the factor(s) that played a significant role in determining the useful life of the asset.

(b) a description the carrying amount and remaining amortization period of any individual intangible asset that is material to the financial statements of the enterprise as a whole;

(c) the existence and carrying of intangible assets whose title is restricted and the carrying amount of intangible assets pledged as security for liabilities; and

(d) the amount of commitments for the acquisition of intangible assets.

AS-27 : Financial Reporting of Interests in Joint Venture

The Standard is mandatory with effect from the accounting periods commencing on or after 01.04.2002.

The Standard deals with jointly controlled operations, jointly controlled assets, separate financial statements of a ventures, consolidated financial statements of a venturer, transactions between a venturer and joint venture, reporting interests in joint ventures in the financial statements of an investor, operations of joint ventures and disclosures.

As-27 requires a venture to disclose the following information in its separate financial statements as well as in consolidated financial statements:

- the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:
(a) any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities which have been incurred jointly with other venturers;
(b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and
(c) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.

- The aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments:
  (a) any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and
  (b) its share of the capital commitments of the joint ventures themselves.

- A list of all joint ventures and description of interests in significant joint ventures; the proportion of ownership interest, name and country of incorporation or residence in respect of a jointly controlled entities;

- The aggregate amounts of each of the assets, liabilities, income and expenses related to its interests in the jointly controlled entities.

3.5 Comparative Disclosure Requirements in Balance Sheet under the Companies Act in Bangladesh and India

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### Regulatory Framework

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2. Land  
3. Buildings  
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5. Railway Sidings  
6. Plant and Machinery  
7. Furniture and Fittings  
8. Development of property  
9. Patents, Trademarks and designs  
10. Livestock, and  
11. Vehicles, etc. |
| E.2 | Investment | 1. Investments in Govt. or Trust Securities  
2. Investments in shares, Debentures or Bonds or of those of subsidiary Companies  
3. Immovable properties  
4. Investments in Capital of partnership Firms. |
| E.3 | Current assets, Loans and Advances | (a) Current Assets:  
1. Interest accrued on investments  
2. Loose tools  
3. Inventories of store & spares parts, raw materials stock in trade, work in progress.  
4. Sundry Debtors:  
(a) Debts outstanding for a period exceeding six months.  
(b) Other debts less provision. |
|     |              | 1. Investments in Govt. or Trust Securities  
2. Investments in shares, Debentures or Bonds or of those of subsidiary Companies  
3. Immovable properties  
4. Investments in Capital of partnership Firms. |
|     |              | (a) Current Assets:  
1. Interest accrued on investments  
2. Stores and spare parts  
3. loose Tools  
4. Stock-in-trade  
5. Works in progress  
6. Sundry Debtors (a)Debts outstanding for a period exceeding six months  
(b) Others debts  
7. (i) Cash balance on hand (ii) Bank balances a. With scheduled Banks |
| E. 4 Miscellaneous Expenditure | 1. Preliminary Expenses  
2. Expenses including commission or brokerage on underwriting or subscription of shares or debentures  
3. Discount allowed on the shares or debentures  
4. Interest paid out of capital during construction  
5. Development expenditure not adjusted  
6. Other items |
|---------------------------------|-----------------------------------------------------------------------------------|
|                                  | 1. Preliminary Expenses  
2. Expenses including commission or brokerage on underwriting or subscription of shares or debentures  
3. Discount allowed on the shares or debentures  
4. Interest paid out of capital during construction  
5. Development expenditure not adjusted  
6. Other items |

| F. Sub Heading: Liabilities side: | F.1 Capital  
1. Authorized Capital  
2. Issued Capital  
3. Subscribed Capital  
4. Called up Capital  
5. Calls unpaid  
6. Forfeited shares | 1. Authorized Capital  
2. Issued Capital  
3. Subscribed Capital  
4. Called up Capital  
5. Calls unpaid  
6. Forfeited shares |
| F.2 Reserve and Surplus | 7. Paid up capital  
1. Capital Reserve  
2. Capital Redemption Reserve  
3. Share Premium Account  
4. Other Reserves less Debit Balance in profit and loss account, if any  
5. Balance in Profit and Loss account after providing for proposed allocations  
6. Proposed additions to Reserves.  
7. Sinking Fund. | F.3 Loans | 7. Paid up capital  
1. Capital Reserve  
2. Capital Redemption Reserve  
3. Share Premium Account  
4. Other Reserves less Debit Balance in profit and loss account, if any  
5. Surplus  
6. Proposed additions to Reserves.  
7. Sinking Fund. |
|---|---|---|---|
| | 1. Loans:  
(a) Secured Loans-  
1. Debentures  
2. Loans and Advances from Banks  
3. Loans and Advances from subsidiaries  
4. Other loans and Advances  
(b) Unsecured Loans –  
1. Fixed Deposits  
2. Loans and Advances from subsidiaries  
3. Short term Loans and Advances  
(i) From Banks  
(ii) From others  
4. Other Loans and Advances  
(i) From Banks  
(ii) From others | 1. Loans:  
(a) Secured Loans-  
1. Debentures  
2. Loans and Advances from Banks  
3. Loans and Advances from subsidiaries  
4. Other loans and Advances  
(b) Unsecured Loans –  
1. Fixed Deposits  
2. Loans and Advances from subsidiaries  
3. Short term Loans and Advances  
(i) From Banks  
(ii) From others  
4. Other Loans and Advances  
(i) From Banks  
(ii) From others |
<table>
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<th>F. 4</th>
<th>Current Liabilities and Provisions:</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(a) Current Liabilities-</td>
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<tr>
<td></td>
<td>1. Short term loan and advances:</td>
</tr>
<tr>
<td></td>
<td>(i) From Banks</td>
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<tr>
<td></td>
<td>(ii) From Others</td>
</tr>
<tr>
<td></td>
<td>2. Current position of Long term Liabilities</td>
</tr>
<tr>
<td></td>
<td>3. Sundry Creditors:</td>
</tr>
<tr>
<td></td>
<td>(i) For goods</td>
</tr>
<tr>
<td></td>
<td>(ii) For services</td>
</tr>
<tr>
<td></td>
<td>4. Subsidiary Companies</td>
</tr>
<tr>
<td></td>
<td>5. Advance payment</td>
</tr>
<tr>
<td></td>
<td>6. Unclaim dividend</td>
</tr>
<tr>
<td></td>
<td>7. Interest on loans:</td>
</tr>
<tr>
<td></td>
<td>(i) Accrued and due</td>
</tr>
<tr>
<td></td>
<td>(ii) Accrued but not due</td>
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<tr>
<td></td>
<td>8. Other liabilities (if any)</td>
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<tr>
<td></td>
<td>(b) Provisions-</td>
</tr>
<tr>
<td></td>
<td>1. Provision for Taxation</td>
</tr>
<tr>
<td></td>
<td>2. Proposed Dividends</td>
</tr>
<tr>
<td></td>
<td>3. For Contingencies</td>
</tr>
<tr>
<td></td>
<td>4. For insurance, pension and similar staff benefit scheme</td>
</tr>
<tr>
<td></td>
<td>5. Other provisions.</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>F. 5</th>
<th>Contingencies and Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Claims against the company not acknowledged as debts</td>
</tr>
<tr>
<td></td>
<td>2. Unclaimed liability on shares partly paid</td>
</tr>
<tr>
<td></td>
<td>3. Arrears of fixed cumulative dividends</td>
</tr>
<tr>
<td></td>
<td>4. Estimated amount on contracts remaining to be executed on capital account and not provided for</td>
</tr>
<tr>
<td></td>
<td>5. Other money for which the company is contingently liable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Liabilities and Provisions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Current Liabilities-</td>
</tr>
<tr>
<td>1. Acceptances</td>
</tr>
<tr>
<td>2. Sundry Creditors</td>
</tr>
<tr>
<td>3. Subsidiary Companies</td>
</tr>
<tr>
<td>4. Advance Payments &amp; unexpired discounts for the portions for which value is still to be given.</td>
</tr>
<tr>
<td>5. Unclaimed Dividends</td>
</tr>
<tr>
<td>6. Other Liabilities (if any)</td>
</tr>
<tr>
<td>7. Interest accrued but not due on loans.</td>
</tr>
<tr>
<td>(b) Provisions-</td>
</tr>
<tr>
<td>1. Provision for Taxation</td>
</tr>
<tr>
<td>2. Proposed Dividends</td>
</tr>
<tr>
<td>3. For Contingencies</td>
</tr>
<tr>
<td>4. For insurance, pension and similar staff benefit scheme</td>
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<tr>
<td>5. Other provisions.</td>
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</table>
3.6 Comparative Disclosure Requirements in Profit and Loss Account under the Companies Act in Bangladesh and India

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Contents</th>
<th>Bangladesh</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Title</td>
<td>Profit and Loss Account</td>
<td>Profit and Loss Account</td>
</tr>
<tr>
<td>B.</td>
<td>Form</td>
<td>Not prescribed</td>
<td>Not prescribed</td>
</tr>
<tr>
<td>C.</td>
<td>Objective</td>
<td>To clearly disclose the result of the working of the company, and to give true and fair view of the profit or loss of the company for the financial year</td>
<td>To clearly disclose the result of the working of the company, and to give true and fair view of the profit or loss of the company for the financial year</td>
</tr>
<tr>
<td>D.</td>
<td>Income</td>
<td>The income arranged under the most convenient heads and in particular the following information:- 1. Turnover 2. Income from Investments 3. Other income by way of interest 4. Profits on investments 5. Profits arising from unusual items 6. Miscellaneous income 7. Dividend from subsidiary companies</td>
<td>The income arranged under the most convenient heads and in particular the following information:- 1. Turnover 2. Income from Investments 3. Other income by way of interest 4. Profits on investments 5. Profits arising from unusual items 6. Miscellaneous income 7. Dividend from subsidiary companies</td>
</tr>
<tr>
<td>E.</td>
<td>Expenditure</td>
<td>The expenditure arranged under the most convenient heads and in particular the following information:- 1. The value of raw materials consumed 2. The opening and closing stock of goods produced 3. The value of work in progress at the</td>
<td>The expenditure arranged under the most convenient heads and in particular the following information:- 1. The value of raw materials consumed 2. The opening and closing stock of goods produced 3. The value of work in progress at the</td>
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<tr>
<td>Expense Description</td>
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<td>-------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>1. Commencement and at the end</td>
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<td></td>
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</tr>
<tr>
<td>2. The amount provided for depreciation renewals or diminution in value of fixed assets</td>
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<td></td>
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<tr>
<td>3. The amount of interest on the company’s debenture and other fixed loans</td>
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<tr>
<td>4. The amount of charge for income tax and other taxation and profits</td>
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</tr>
<tr>
<td>5. Any amount set aside to provisions made for meeting specified liabilities, contingencies and commitments</td>
<td></td>
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</tr>
<tr>
<td>6. Consumption of stores and spares parts</td>
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<tr>
<td>7. Power and fuel</td>
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</tr>
<tr>
<td>8. Rent</td>
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<td></td>
<td></td>
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<tr>
<td>9. Repairs to buildings</td>
<td></td>
<td></td>
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<tr>
<td>10. Repairs to machinery</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>11. (i) Salaries, wages and bonus</td>
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<td></td>
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<tr>
<td>12. (ii) Contribution to provident and other funds</td>
<td></td>
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<tr>
<td>13. (iii) Workmen and staff welfare expenses</td>
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<tr>
<td>14. Insurance</td>
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<td></td>
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<tr>
<td>15. Rates &amp; taxes excluding taxes on income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Miscellaneous expenses</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>17. Losses on investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Losses on unusual items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Provisions for losses of subsidiary companies</td>
<td></td>
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<tr>
<td></td>
<td>20. Managerial remuneration</td>
<td>20. Managerial remuneration</td>
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<tr>
<td></td>
<td>to the directors (including</td>
<td>to the directors (including</td>
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<tr>
<td></td>
<td>managing director) or</td>
<td>managing director) or</td>
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</tr>
<tr>
<td></td>
<td>manager, if any</td>
<td>manager, if any</td>
<td></td>
</tr>
<tr>
<td></td>
<td>21. Auditors’ remuneration,</td>
<td>21. Auditors’ remuneration,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>whether as fees, expenses</td>
<td>whether as fees, expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>or otherwise for services</td>
<td>or otherwise for services</td>
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</tr>
<tr>
<td></td>
<td>rendered.</td>
<td>rendered.</td>
<td></td>
</tr>
</tbody>
</table>

**F. Appropriation**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. The amounts reserved for</td>
<td>1. The amounts reserved for</td>
</tr>
<tr>
<td></td>
<td>repayment of share capital</td>
<td>repayment of share capital</td>
</tr>
<tr>
<td></td>
<td>and repayment of loans</td>
<td>and repayment of loans</td>
</tr>
<tr>
<td></td>
<td>2. Any amount set aside or</td>
<td>2. Any amount set aside or</td>
</tr>
<tr>
<td></td>
<td>proposed to be set aside to</td>
<td>proposed to be set aside to</td>
</tr>
<tr>
<td></td>
<td>reserves or withdrawn</td>
<td>reserves or withdrawn</td>
</tr>
<tr>
<td></td>
<td>from reserves</td>
<td>from reserves</td>
</tr>
<tr>
<td></td>
<td>3. The aggregate amount of</td>
<td>The aggregate amount of</td>
</tr>
<tr>
<td></td>
<td>dividend paid and</td>
<td>dividend paid and</td>
</tr>
<tr>
<td></td>
<td>proposed.</td>
<td>proposed.</td>
</tr>
</tbody>
</table>

**G. Further Classification of Income:**

**G.1 Turnover**

|   | The aggregate amount of | The aggregate amount of |
|---|turnover and showing as | turnover and showing as |
|   | deduction there from: | deduction there from: |
|   | 1. Commission paid to sole | 1. Commission paid to sole |
|   | selling agents | selling agents |
|   | 2. Commission paid to other | 2. Commission paid to other |
|   | selling agents | selling agents |
|   | 3. Brokerage and discount on | 3. Brokerage and discount on |
|   | sales, other than the usual | sales, other than the usual |
|   | trade discount | trade discount |

**G.2 Income from Investment**

|   | The amount of income from | The amount of income from |
|---|investments distinguishing | investments distinguishing |
|   | between; | between; |
|   | (i) trade investments | (i) trade investments |
|   | (ii) other investments | (ii) other investments |

**G.3 Income by way of interest**

<p>|   | Other income by way of | Other income by way of |
|---|interest, specifying the | interest, specifying the |
|   | nature of the income | nature of the income |</p>
<table>
<thead>
<tr>
<th>H.</th>
<th>Further Classification of Expenditure:</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.1</td>
<td>Stock in Trade</td>
</tr>
<tr>
<td></td>
<td>1. The value of raw materials consumed giving item-wise break-up and indicating the quantities thereof</td>
</tr>
<tr>
<td></td>
<td>2. The opening and closing stock of goods produced, giving break-up in respect of each class of goods and indicating the quantities thereof</td>
</tr>
<tr>
<td></td>
<td>3. In the case of trading companies, the purchase made and the opening and closing stocks, giving break-up in respect of each class of goods traded in by the company and indicating the quantities thereof</td>
</tr>
<tr>
<td></td>
<td>4. Value of work in progress in the commencement and at the end of the year</td>
</tr>
<tr>
<td>H.2</td>
<td>Depreciation</td>
</tr>
<tr>
<td></td>
<td>The amount provided for depreciation, renewals or diminution in value of fixed asset</td>
</tr>
<tr>
<td>H.3</td>
<td>Interest on borrowing</td>
</tr>
<tr>
<td></td>
<td>The amount of interest on-</td>
</tr>
<tr>
<td></td>
<td>1. debentures</td>
</tr>
<tr>
<td></td>
<td>2. other fixed loans</td>
</tr>
<tr>
<td></td>
<td>3. the amount of interest( paid or payable) to the managing director and the manager, if any</td>
</tr>
<tr>
<td>H.4</td>
<td>The amount of charge for tax</td>
</tr>
<tr>
<td></td>
<td>The amount of charge for income tax and other taxation on profit, including, where practicable with Indian income</td>
</tr>
</tbody>
</table>

- The amount provided for depreciation, renewals or diminution in value of fixed asset
- The amount of charge for income tax and other taxation on profit, including, where practicable with Indian income
- The amount of interest on-
  1. debentures
  2. other fixed loans
  3. the amount of interest( paid or payable) to the managing director and the manager, if any
| H.5 Salaries and wages | 1. Salaries, wages and bonus  
2. Contribution to provident and other funds  
3. Workmen and staff welfare expenses |
|------------------------|----------------------------------|
| H.6 Amount paid to managing agent, directors and management | The following payments provided or made during the financial year to the directors or manager, if any, by the company, the subsidiaries of the company or any other person—  
1. managerial remuneration  
2. other allowance and commission including guarantee commission (details)  
3. any other perquisites or benefits in cash or in kind  
4. retired benefits—  
  (i) pensions  
  (ii) gratuities  
  (iii) payments from provident funds, in excess of own subscriptions and interest thereon compensation for loss of office consideration in connection with recruitment from office | 1. Salaries, wages and bonus  
2. Contribution to provident and other funds  
3. Workmen and staff welfare expenses  
4. retired benefits—  
  (i) pensions  
  (ii) gratuities  
  (iii) payments from provident funds, in excess of own subscriptions and interest thereon compensation for loss of office consideration in connection with recruitment from office |
### Payments to Auditor

<table>
<thead>
<tr>
<th>H.7</th>
<th>Amount paid to auditors whether as fees, expenses or otherwise for services rendered:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. as auditor</td>
</tr>
<tr>
<td></td>
<td>2. as adviser, or in any other capacity, in respect of:</td>
</tr>
<tr>
<td></td>
<td>(i) taxation matters</td>
</tr>
<tr>
<td></td>
<td>(ii) company law matters</td>
</tr>
<tr>
<td></td>
<td>(iii) management services; and in any other manner</td>
</tr>
</tbody>
</table>

### Further classification of appropriations

<table>
<thead>
<tr>
<th>I.</th>
<th>The amount reserved for:</th>
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<tbody>
<tr>
<td></td>
<td>1. repayment of share capital</td>
</tr>
<tr>
<td></td>
<td>2. repayment of loan</td>
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</tbody>
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### Comparative Disclosure in financial Statements Other than in Balance Sheet and Profit and Loss Account under the Companies Acts in Bangladesh and India

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<thead>
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<th>Sl. No.</th>
<th>Contents</th>
<th>Bangladesh</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Statement of Changes in Financial Position</td>
<td>A statement of changes in financial position shall be included as an integral part of the financial statements, and shall be presented for each period for which the profit and loss account is prepared.</td>
<td>--</td>
</tr>
<tr>
<td>B.</td>
<td>Accounting Policies:</td>
<td>Balance sheet shall include clear and concise disclosure of all significant accounting policies which have been used.</td>
<td></td>
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<tr>
<td>-----</td>
<td>----------------------</td>
<td>-------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Disclosure of account-</td>
<td>Depreciation methods used; and depreciation rates or the useful lives of the assets, if different from the principal rates specified in the schedule</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ing policies</td>
<td></td>
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</tr>
<tr>
<td>2.</td>
<td>Depreciation method</td>
<td>Mode of valuation of investments, cost or market value, shall be stated.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and rates</td>
<td></td>
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<tr>
<td>3.</td>
<td>Valuation of investment</td>
<td>Mode of valuation of stock and works in progress shall be stated</td>
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<tr>
<td>4.</td>
<td>Valuation of invento-</td>
<td>If a fundamental accounting assumptions, namely, going concern, consistency and accrual is not followed in preparation of financial statements, that fact together with the reasons therefore, shall be disclosed.</td>
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<td>ries</td>
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<tr>
<td>5.</td>
<td>Fundamental account-</td>
<td>A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.</td>
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<td></td>
<td>ing assumptions</td>
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<tr>
<td>6.</td>
<td>Changes in account-</td>
<td></td>
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<tr>
<td></td>
<td>ing policies</td>
<td></td>
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<tr>
<td>C.</td>
<td>Schedules or Notes to the Balance Sheet:</td>
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<tr>
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<tr>
<td>C.1</td>
<td>Terms and conditions of redeemable preference share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.2</td>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.3</td>
<td>Assets acquired on hire purchase plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.4</td>
<td>Revaluation of assets or reduction of share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.5</td>
<td>Book Debts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Terms and conditions of redeemable preference share
Terms of redemption or conversion, if any, of the redeemable preference shares to be stated together with the earliest date of redemption or conversion.

### Fixed assets
Under each head, the original cost, and the additions thereto and deductions therefrom during the year, and the total depreciation written off or provided up to the end of the year to be stated.

### Assets acquired on hire purchase plans
Separate disclosure should be made for assets acquired on hire purchase plans.

### Revaluation of assets or reduction of share capital
Where sums have been written off on a reduction of capital or a revaluation of assets, the reduced figures with the date of reduction shall be shown. Similarly, where sums have been added by writing up the assets, the increased figures with the date of increase shall be shown.

### Book Debts
In regard to sundry debtors the particulars shall given separately of—
(i) debts considered good and (i)debts considered good and
in respect of which the company is fully secured;
(ii) debts considered good for which the company holds no security other than the directors personal security; and
(iii) debts considered doubtful of bad.

The following further information is also required to be given—

(i) debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director or a member to be separately stated.
(ii) debts due by companies under the same management to be disclosed with the names of the companies.
(iii) the minimum amount due by a directors or other officers of the company at any time during the year to be shown by way of a note.

| C.6 Investments | Aggregate book value of company’s quoted and unquoted investments, and also market value of quoted investments, shall be shown. | Aggregate book value of company’s quoted and unquoted investments, and also market value of quoted investments, shall be shown. |
| C.7 | Loans from related parties | (a) Loans from directors, managing agents, managers should be shown separately  
(b) When loans have been guaranteed by managing agents, managers or directors, a mention thereof shall be made with the aggregate amount of such loans under each head. | (a) Loans from directors, managing agents, managers should be shown separately  
(b) When loans have been guaranteed by managing agents, managers or directors, a mention thereof shall be made with the aggregate amount of such loans under each head. |
| --- | --- | --- | --- |
| C.8 | Interest on loans- accrued or due | Interest on loans should be stated under sub head:  
(a) Accrued and due  
(b) Accrued but not due. | Interest accrued and due on loans should be included under the appropriate sub-heads under the head ‘secured/unsecured loans’. |
| C.9 | Current account with directors, managing agents, managers, whether they are in credit or debit shall be shown separately. | Current account with directors, managing agents, managers, whether they are in credit or debit shall be shown separately. | |
| C. 10 | Particulars of Bank Balances | In regard to bank balances, particulars to be given separately of-  
(a) the balance lying with scheduled banks on current accounts, call accounts, and deposit accounts  
(b) the names of bankers other than scheduled banks and the balance lying with each such banker on current accounts, call accounts and deposit accounts, and the maximum amount outstanding at any time during the year from each such bankers; and | In regard to bank balances, particulars to be given separately of-  
(a) the balance lying with scheduled banks on current accounts, call accounts, and deposit accounts  
(b) the names of bankers other than scheduled banks and the balance lying with each such banker on current accounts, call accounts and deposit accounts, and the maximum amount outstanding at any time during the year from each such bankers; and |
| C. 11 | Movements in reserves and surplus | (c) the nature of the interest, if any, of any director or his relative or the managing agent in each of the banks other than schedule banks. | (c) the nature of the interest, if any, of any director or his relative or the managing agent in each of the banks other than schedule banks. |
| C. 12 | Terms and conditions of debentures | Additions and deductions since last balance sheet to be shown, under each of the specified heads. | Additions and deductions since last balance sheet to be shown, under each of the specified heads. |
| C. 13 | Realisability of current assets | Additions and deductions since last balance sheet to be shown, under each of the specified heads. | Additions and deductions since last balance sheet to be shown, under each of the specified heads. |
| D. | Schedules or Notes to Profit and Loss | Credits or receipts and debits or expenses in respect of non-recurring transactions or transactions of an exceptional | Credits or receipts and debits or expenses in respect of non-recurring transactions or transactions of an exceptional |
| D.1 | Account: Unusual items | nature shall be disclosed. | exceptional nature shall be disclosed. |
| D.2 | Disclosure of different results of operations | The result of the working of the company during the period covered by the account shall be clearly disclosed. | The result of the working of the company during the period covered by the account shall be clearly disclosed. |
| D.3 | Employee's expenditure | Break-up of the expenditure incurred on employees who—
(a) if employed throughout the financial year were in respect of remuneration for that year which in the aggregate was not less than Tk. 36,000; or
(b) if employed for a part of the financial year were in receipt of remuneration for any part of that year at a rate which in the aggregate was not less than Tk. 3,000 per month. This note shall indicate the number of employees falling in each of the above two categories. | Break-up of the expenditure incurred on employees who—
(a) if employed throughout the financial year were in respect of remuneration for that year which in the aggregate was not less than Rs. 1,44,000; or
(b) if employed for a part of the financial year were in receipt of remuneration for any part of that year at a rate which in the aggregate was not less than Rs. 12,000 per month. This note shall indicate the number of employees falling in each of the above two categories. |
| D.4 | Imports | Value of imports calculated on C.I.F. basis by the company during the financial year in respect of—
(i) raw materials,
(ii) components and spares parts,
(iii) capital goods, shall be stated. | Value of imports calculated on C.I.F. basis by the company during the financial year in respect of—
(i) raw materials,
(ii) components and spares parts,
(iii) capital goods, shall be stated. |
<p>| D.5 | Consumption of | Value of all imported raw materials, spare parts and | Value of all imported raw materials, spare parts and |</p>
<table>
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<tr>
<th></th>
<th>indigenous and imported raw materials, spare parts and components</th>
<th>components consumed during the financial year and the value of all indigenous raw materials, spare parts and components consumed and the percentage of each to the total consumption, shall be stated.</th>
<th>components consumed during the financial year and the value of all indigenous raw materials, spare parts and components consumed and the percentage of each to the total consumption, shall be stated.</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.6</td>
<td>Expenditure in Foreign currency</td>
<td>Expenditure in foreign currency during the financial year on account of royalty, know-how, professional consultation fees, interest and other matters, shall be stated.</td>
<td>Expenditure in foreign currency during the financial year on account of royalty, know-how, professional consultation fees, interest and other matters, shall be stated.</td>
</tr>
<tr>
<td>D.7</td>
<td>Dividend remitted in foreign currencies</td>
<td>The amount remitted during the year in foreign currencies on account of dividends, with a specific mention of the number of non-resident shareholders, the number of shares held by them on which dividends are due and the year to which dividends are related.</td>
<td>The amount remitted during the year in foreign currencies on account of dividends, with a specific mention of the number of non-resident shareholders, the number of shares held by them on which dividends are due and the year to which dividends are related.</td>
</tr>
<tr>
<td>D.8</td>
<td>Earnings in Foreign Exchange</td>
<td>Earnings in foreign exchange classified under the following heads- (i) export of goods calculated on FOB basis; (ii) royalty, know-how, professional and consultation fees; (iii) interest and dividend; and (iv) other income, indicating the nature thereof.</td>
<td>Earnings in foreign exchange classified under the following heads- (i) export of goods calculated on FOB basis; (ii) royalty, know-how, professional and consultation fees; (iii) interest and dividend; and (iv) other income, indicating the nature thereof.</td>
</tr>
<tr>
<td>D.9</td>
<td>Commission on net profits</td>
<td>Commission on net profits with relevant details of the calculation of the commission payable by way of percentage of such profits to the directors (including managing director) or manager, if any, shall be stated.</td>
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<tr>
<td>E.</td>
<td>General Notes:</td>
<td>Commission on net profits with relevant details of the calculation of the commission payable by way of percentage of such profits to the directors (including managing director) or manager, if any, shall be stated.</td>
<td></td>
</tr>
<tr>
<td>E.1</td>
<td>Capacity and Utilization thereof</td>
<td>In the case of manufacturing companies, in respect of each class of goods manufactured, (a) the licensed capacity; (b) the installed capacity; and (c) the actual production, shall be stated.</td>
<td></td>
</tr>
<tr>
<td>E.2</td>
<td>Comparative Figures</td>
<td>In the case of manufacturing companies, in respect of each class of goods manufactured, (a) the licensed capacity; (b) the installed capacity; and (c) the actual production, shall be stated.</td>
<td></td>
</tr>
<tr>
<td>E.3</td>
<td>Rounding off figures in the financial statements</td>
<td>Except in the case of first balance sheet and profit and loss account laid before the company, the corresponding amounts for the immediately preceding financial year for all items shown in the balance sheet and the profit and loss account.</td>
<td></td>
</tr>
<tr>
<td>E.4</td>
<td>Materiality in disclosures of information</td>
<td>Except in the case of first balance sheet and profit and loss account laid before the company, the corresponding amounts for the immediately preceding financial year for all items shown in the balance sheet and the profit and loss account.</td>
<td></td>
</tr>
<tr>
<td>E.</td>
<td></td>
<td>The figures in the balance sheet may be rounded off to the nearest '000' or '00' as may be convenient or may be expressed in terms of decimals of thousands.</td>
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<tr>
<td></td>
<td></td>
<td>The figures in the balance sheet may be rounded off to the nearest '000' or '00' as may be convenient or may be expressed in terms of decimals of thousands.</td>
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<tr>
<td></td>
<td>All material information should be disclosed that is necessary to make the balance sheet clear and understandable.</td>
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E.5 Relegation of details to notes, schedules or statements

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<td>The information required to be given under any of the items or sub-items in the balance sheet, if it can not be conveniently included in the balance sheet itself, shall be furnished in a separate schedules annexed to the balance sheet to form part thereof</td>
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F. Conformity of financial statements with International Accounting Standards

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<td>Every profit and loss account and balance sheet shall comply with accounting standards. If there is any deviation from the prescribed standards, the annual accounts shall state: (i) the fact that there has been a deviation; (ii) the reasons for such deviation, and (iii) the financial implication of the deviation</td>
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3.8: Comparative Disclosures in Directors’ Report under the Companies Act in Bangladesh and India

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<td>A.</td>
<td>Title</td>
<td>The Boards’ Report</td>
<td>The Directors’ report</td>
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<td>B.</td>
<td>Contents:</td>
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<tr>
<td></td>
<td>1. State of the company’s affairs</td>
<td>The state of the company’s affairs</td>
<td>The state of the company’s affairs</td>
</tr>
<tr>
<td></td>
<td>2. Proposed transfer to reserves</td>
<td>The amounts , if any, which the Board proposes to carry to any reserves in the balance sheet</td>
<td>The amounts , if any, which the directors propose to carry to any reserves in the balance sheet</td>
</tr>
<tr>
<td></td>
<td>Proposed dividend</td>
<td>Material changes and commitments</td>
<td>Changes in businesses during the financial year</td>
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<tr>
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<tr>
<td>3</td>
<td>The amounts, if any, which the Board recommends should be paid by way of dividend</td>
<td>Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the balance sheet relates and the date of the Directors' report.</td>
<td>Any changes which have occurred during the financial year in the nature of the company's business, or in the business of its subsidiaries and the classes of business in which the company has interest.</td>
</tr>
<tr>
<td></td>
<td>unexecuted contracts</td>
<td>the extent not executed shall be made in the Board’s Report.</td>
<td>the extent not executed shall be made in the Board’s Report</td>
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<tr>
<td>10.</td>
<td>Buy-back of shares</td>
<td>---</td>
<td>Where the company had gone in for a buy-back of shares but could not complete it within the prescribed time, the Board’s reports must state the reasons for such failure.</td>
</tr>
</tbody>
</table>
| 11. | Information of employees | --- | Statement showing the name of every employee of the company who—
(a) if employed throughout the financial year, remuneration not less than Rs. 1,44,000 per year; or
(b) if employed for a part of that year, remuneration not less than Rs. 12,000 per month.
Indicating also whether any of such employee is a relative of any director or manager. |
| 12. | Realisation value of current assets, loans and advances | --- | If, in the opinion of the board, any of the current assets, loans and advances do not have value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the board is of that opinion shall be stated. |
| 13. | Directors’ Responsibility Statement | --- | The Board’s report shall include a Directors’ Responsibility Statement, indicating therein, - |
(i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure;

(ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimate that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

(iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) that the directors had prepared the annual accounts on a going concern basis.
The board’s report shall be signed by the chairman if so authorized by the board and, if not so authorized, it would have to be signed in the same manner as annual accounts.

3.9 Comparative Disclosures in Auditors’ Report under the Companies Act in Bangladesh and in India

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<td>Auditors’ Report to the Members</td>
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<td>B.</td>
<td>Form</td>
<td>Not prescribed</td>
<td>Not prescribed</td>
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<td>C.</td>
<td>Contents:</td>
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<tr>
<td>C.1</td>
<td>Receipt of Information and explanations</td>
<td>Whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit</td>
<td>Whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit</td>
</tr>
<tr>
<td>C.2</td>
<td>Conformity of financial statements with law</td>
<td>Whether in his opinion and to the best of his information and according to the explanations given to him, the balance sheet and the profit and loss account give the information required by the Act in the manners so required.</td>
<td>Whether in his opinion and to the best of his information and according to the explanations given to him, the balance sheet and the profit and loss account give the information required by the Act in the manners so required.</td>
</tr>
<tr>
<td></td>
<td>Conformity of financial statements with Accounting Standards</td>
<td>Whether, in his opinion, the profit and loss account and balance sheet comply with the Accounting Standards referred to in sub-section (3-c) of Section 211.</td>
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<tr>
<td>C.3</td>
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<tr>
<th>C.4</th>
<th>Proper books of account / returns</th>
<th>Whether, in his opinions, proper books of account as required by law have been kept by the company so far as appears from his examination of those books, and proper returns adequate for the purposes of this audit have been received from branches not visited by him.</th>
</tr>
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<tr>
<th>C.5</th>
<th>Agreement of financial statements with books of account and returns</th>
<th>Whether the company’s balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.</th>
</tr>
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</table>

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<tr>
<th>C.6</th>
<th>Truth and fairness of financial statements</th>
<th>Whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give a true and fair view— (i) in the case of the balance sheet of the state of the company’s affairs as at the end of its financial year; and (ii) in the case of the profit and loss account, of the profit or loss of its financial year.</th>
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<tr>
<td><strong>C.7</strong></td>
<td><strong>Branch auditors’ report</strong></td>
<td>Whether the branch auditors’ report on the accounts of the branch office has been forwarded to him by the branch auditor and how he has dealt with the same in preparing the auditors’ report.</td>
</tr>
</tbody>
</table>
| **C.8** | **Statement on specified matters** | Whether the auditors’ report contains the following matters specified in the Manufacturing and Other Companies (Auditors’ Report) Order, 1988:- (A) In the case of a manufacturing, mining or processing company: (i) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account; (ii) whether any of the fixed assets have been revalued during the year, if so, the
(ii) whether the same have been properly dealt with in the books of account.

(b) whether the auditor on the basis of his examination of stocks, is satisfied that such valuation is fair and proper in accordance with the normally accepted accounting principles?

(c) whether any material discrepancies have been noticed on physical verification of stocks as compared to book records, and if so, whether the same have been properly dealt with in the books of account.

(d) whether the procedures of physical verification of stocks followed by the management responsible and adequate in relation to the size of the company and the nature of its business? If not, the inadequacies in such procedures should be reported.

(e) whether any material discrepancies have been noticed on physical verification of stocks as compared to book records, and if so, whether the same have been properly dealt with in the books of account.

(f) whether the auditor on the basis of his examination of stocks, is satisfied that such valuation is fair and proper in accordance with the normally accepted accounting principles?
the basis of valuation of stocks same as in the preceding year; if there is any deviation in the basis of valuation, the effect of such deviation, if material, should be reported:

(vii) if the company has taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from the companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956 whether the rate of interest and other terms and conditions of such loans are prima facie prejudicial to the interests of the company;

(viii) if the company has granted any loans, secured or unsecured to companies, firms or other parties listed in the registers maintained under section 301 and/or to the companies under the same management as defined under sub-section
(IB) of section 370 of the Companies Act, 1956, whether the rate of interest and other terms and conditions of such loans are prima facie prejudicial to the interest of the company;

(ix) whether the parties to whom the loans, or advances in the nature of loans, have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not whether reasonable steps have been taken by the company for recovery of the principal and the interest;

(x) is there an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and/or for the sale of goods;

(xi) whether the transactions of purchase of goods and materials and sale of goods, materials and services, made in
pursuance of contracts or arrangements entered in the register(s) maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials, or services or other prices at which transactions for similar goods or services have been made with other parties;

(xii) whether any unserviceable or damaged stores, raw materials or finished goods, are determined and whether provision for the loss, if any, has been made in the accounts;

(xiii) in case the company has accepted deposits from the public, whether the directives issued by the Reserve Bank of India and the provisions of section 58A of the Companies Act, 1956, and the rules framed there under, where applicable have been
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complied with? If not, the nature of contraventions should be stated;

(xiv) is the company maintaining reasonable records for the sale and disposal of realizable by-products and scraps, where applicable;

(xv) in the case of companies having a paid-up capital exceeding Rs. 25 lakhs as the commencement of the financial year concerned, or having an average annual turnover exceeding Rs. 2 crore for a period of three consecutive financial years immediately preceding the financial year concerned, whether the company has an internal audit system commensurate with its size and nature of its business;

(xvi) where maintenance of cost records has been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956, whether such accounts and records have been made and maintained;
(xvii) Is the company regular in depositing provident fund and Employee's State Insurance dues with the appropriate authority and if not, the extent of arrears of provident fund and Employees' State Insurance dues shall be indicated by the auditor;

(xviii) Whether any disputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty were outstanding, as at the last day of the financial year concerned, for a period of more than six months from the date they become payable; if so, the amounts of such outstanding dues should be reported;

(xix) Whether personal expenses have been charged to revenue account; if so, the details thereof should be reported;

(xx) Whether the company is a sick industrial company within the meaning of clause (0) sub-section (1) of section 3 of Sick Industrial Companies (Special Provisions) Act, 1985; if so, whether a
reference has been made to the Board for Industrial and Financial Reconstruction under section 15 of that Act.

(B) In the Case of a service company:

(i) all the matters specified in clause (A) to the extent to which they are applicable;

(ii) whether the company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the relative jobs, commensurate with its size and nature of its business;

(iii) whether the company has a reasonable system of allocating man-hours utilized to the relative jobs, commensurate with its size and nature of its business;

(iv) whether there is reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the company and the nature of its business, on issue of stores and allocation of stores and labour to jobs.
(C) In the case of a trading company:
(i) all the matters specified in clause (A) to the extent to which they are applicable;
(ii) have the damaged goods been determined and if the value of such goods is significant, has provision been made for the loss;

(D) In the case of a finance, investment, chit fund, nidhi or mutual benefit company:
(i) all the matters specified in clause (A) to the extent to which they are applicable;
(ii) whether adequate documents and records are maintained in a case where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
(iii) whether the provisions of any special statute applicable to chit fund, nidhi or mutual benefit society have been duly complied with; and
(iv) if the company is dealing or trading in shares, securities, debentures and other investments.
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whether proper records have been maintained of the transactions and contracts and whether timely entries have been made therein; also whether the shares, securities, debentures and other investments, have been held by the company in its own name except to the extent of the exemption, if any, granted under section 49 of the Companies Act, 1956.

| C.9 | Reasons for qualification in the Auditors’ Report | Whether any of the matters in the Auditors’ Report is answered in the negative, unfavourable or qualified, the auditors’ report shall state the reasons for such negative, unfavourable or qualified answer, as the case may be. | Whether any of the matters in the Auditors’ Report is answered in the negative, unfavourable or qualified, the auditors’ report shall state the reasons for such negative, unfavourable or qualified answer, as the case may be. |
| C.10 | Signature on Auditors’ Report | Only the person appointed as Auditor of the Company, or where a firm is so appointed, only a partner in the firm practicing in Bangladesh, may sign the Auditors’ Report. | Only the person appointed as Auditor of the Company, or where a firm is so appointed, only a partner in the firm practicing in India, may sign the Auditors’ Report. |
2.10 Corporate Governance Report under the SEBI Code

The SEBI Code of Corporate Governance Requires listed companies to include a separate section of ‘corporate governance’ in their annual reports. This section should include a detailed compliance report on corporate governance. The code provides the following suggested list of items to be included in the report:

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<td>Company’s Philosophy</td>
<td>---</td>
<td>A brief statement on the company’s philosophy on the code of governance</td>
</tr>
<tr>
<td>D.2</td>
<td>Board of Directors</td>
<td>---</td>
<td>1. Composition and category of directors (for example promoter, executive, non-executive, independent non-executive, nominee-director, which institution represented, as lender or as equity investor) 2. Attendance of each director at the BOD meetings and the last AGM 3. Number of other BODs or board committees he/she is a member or chairperson of Number of BOD meetings held, dates on which held.</td>
</tr>
<tr>
<td>D.3</td>
<td>Audit Committee</td>
<td>---</td>
<td>4. Brief Description of terms of reference 5. Composition, name of members and chairperson 6. Meetings and attendance during the year.</td>
</tr>
<tr>
<td>D.4</td>
<td>Remuneration Committee</td>
<td>---</td>
<td>a) Brief description of terms of reference b) Composition, name of members and chairperson c) Attendance during the year d) Remuneration policy</td>
</tr>
<tr>
<td>D.5</td>
<td>Shareholders Committee</td>
<td>---</td>
<td>e) Details of remuneration to all the directors, as per the format in the main report.</td>
</tr>
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</table>
| D.6 | General Body Meeting | --- | a) Name of non-executive director heading the committee  
b) Number of shareholders' complaints received so far  
c) Number not solved to the satisfaction of shareholders  
d) Number of pending share transfers. |
| D.7 | Disclosures | --- | a) Disclosures on materially significant related party transactions (i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large.) |
b) Details of non-compliance by the company, penalties, and strictures imposed on the company by a stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the three previous years.

| D.8 | Means of Communication | a) Half-yearly report sent to each household of shareholders  
|     |                         | b) Quarterly results  
|     |                         | c) Which newspapers it is normally published in  
|     |                         | d) Any website, where displayed  
|     |                         | e) Whether it also displays official news releases  
|     |                         | f) The presentations made to institutional investors or to analysts.  
|     |                         | g) Whether the MD&A is a part of the annual report or not.  

| D.9 | General Shareholder Information | a) AGM: Date, time and venue  
|     |                                   | b) Financial calendar  
|     |                                   | c) Date of book closure  
|     |                                   | d) Dividend payment date  
|     |                                   | e) Listing on stock exchanges  
|     |                                   | f) Stock code  
|     |                                   | g) Market price data: High and low during each month in the previous financial year  
|     |                                   | h) Performance in comparison to broad-based indices such |
3.11: The Salient Feature of the Comparative Corporate Disclosure Requirements in Bangladesh and India

The salient feature of the comparative corporate disclosure requirements as discussed above may be stated as follows:

1. The basis of disclosure requirements of the two countries has come from the British accounting and reporting system and the British Companies Act in particular. And the norms are more or less the same.

2. Both the Companies Acts in Bangladesh and India require presentation of annual accounts, directors’ report and auditors’ report as a part of the corporate report.

3. Both the Acts in Bangladesh and India require inclusion of balance sheet, profit and loss account and schedules/notes as a part of the annual accounts. Companies Act in Bangladesh, in addition, requires inclusion of a statement of changes in financial position in the annual accounts of a company. Though the Indian Accounting Standards required inclusion of a statement of changes in financial position in the annual accounts.

4. Bangladesh Act fixes the time limit for presentation of annual accounts and reports at the annual general meeting of the shareholders of the company at nine months from the balance sheet date; whereas Indian law fixes the time limit at six months.

5. Both the Acts prescribe form for balance sheet—horizontal or vertical, with
6. Companies Act in Bangladesh requires disclosure of significant accounting policies preferably in one place, and changes in accounting policies that has material effect in the subsequent years together with reasons for the change and the financial effect of the change, if material. Indian Companies Act does not require accounting policies and changes therein, but require disclosure of accounting policies on some particular cases such as in valuing inventories though the Indian Accounting Standard (AS-1) requires disclosure of accounting policies and changes in accounting policies that has material effect which is tantamount to the requirement of the Indian Act.

7. Indian Act requires disclosure of the following information in the directors’ report which Act in Bangladesh does not so require:
   - Foreign exchange earnings and outgoings
   - Conservation of energy
   - Buy-back of shares
   - Information of employees
   - Realization value of current assets, loans and advances
   - Directors’ Responsibility Statement

8. The SEC of Bangladesh added Cash Flows Statement to the financial statements of listed companies according to the prescribed guidelines; whereas, in addition to Cash Flows Statement, SEBI requires listed companies to include a separate section of Corporate Governance Report as part of listing agreement.

9. Indian Act extends the scope of statutory audit of a company from ‘verifictory audit’ to ‘propriety audit’, because the auditors are required to express their opinion on systems, procedures, policies and the auditors’ report has been specified in the Manufacturing and Other Companies (Auditor’s Report) Order, 1988.

10. Indian Companies Act has incorporated Accounting Standards that needs to be complied in preparing financial statements and as such constituted National Advisory Committee. Even the Board’s report shall include Directors’ Responsibility statement wherein they will confirm that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure but Companies Act in Bangladesh does neither have such provision nor have any national standards setting committee.

In fine, considering the aforementioned rules and regulations and the comparative presentation of disclosure requirements according to companies acts, it has been found that apart from some minor differences, the disclosure requirements of the two are more or less same and the companies in two under study are expected to disclose in the same fashion as the basis of disclosure requirements came from the British accounting and reporting system and the British Companies Acts in particular.
Reference


The International Accounting Standards Committee, *International Accounting Standards (IASs)*.

The Institute of Chartered Accountants of India, *Accounting Standards (ASs)*.