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Financial Reporting Practices of NGOs in Bangladesh with Special Reference to BRAC and ASA

Sayed, Md. Abu

University of Rajshahi

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**FINANCIAL REPORTING PRACTICES OF
NGOs IN BANGLADESH WITH SPECIAL
REFERENCE TO BRAC AND ASA**



*THESIS SUBMITTED FOR THE DEGREE OF
MASTER OF PHILOSOPHY
IN
ACCOUNTING AND INFORMATION SYSTEMS*

**BY
MD. ABU SAYED**

**UNDER THE SUPERVISION OF
PROFESSOR DR. MADAN MOHAN DEY**

*DEPARTMENT OF ACCOUNTING AND INFORMATION
SYSTEMS
UNIVERSITY OF RAJSHAHI
RAJSHAHI, BANGLADESH*

June 2014

DEDICATION

TO

MY PARENTS

Declaration

I hereby state that the thesis entitled “Financial Reporting Practices of NGOs in Bangladesh with Special Reference to BRAC and ASA” submitted for the award of the degree of **Master of Philosophy** in Accounting and Information Systems is my original work and that it has not previously formed the basis for the award of any degree, diploma, fellowship or any other similar title.

Rajshahi
June 2014

Md. Abu Sayed
M.Phil. Fellow
Session: 2007-2008
Roll No. 07509
Reg. No. 0052
Department of Accounting
and Information Systems
University of Rajshahi
Rajshahi, Bangladesh



CERTIFICATE

This is to certify that the thesis entitled “**Financial Reporting Practices of NGOs in Bangladesh with Special Reference to BRAC and ASA**” is a bona fide record of research work conducted by Md. Abu Sayed during the period 2005-2009 in the Department of Accounting and Information Systems, University of Rajshahi in partial fulfillment of the requirement for the award of the degree of **Master of Philosophy in Accounting and Information Systems** and that the thesis has not previously formed the basis for the award of any degree, diploma, fellowship or other title and that the thesis represents an original and independent work done by the candidate under my supervision.

(Professor Dr. Madan Mohan Dey)
Supervisor
Department of Accounting and Information Systems
University of Rajshahi
Rajshahi, Bangladesh

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Md. Abu Sayed
June 2014

FINANCIAL REPORTING PRACTICES OF NGOs IN BANGLADESH WITH SPECIAL REFERENCE TO BRAC AND ASA



*An Abstract of the Thesis Submitted to
University of Rajshahi, Rajshahi*

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June 2014

ABSTRACT

Non-government organizations (NGOs), as a big actor in the development sector of Government of Bangladesh have been facilitating their development programs through utilizing different donors' fund and from their own. But a question frequently arises in Bangladesh regarding the management and utilization of huge amount of money by the NGOs and whether they follow Companies Act. 1994 and FAS No. 93, 116 &117. In this study, we intend to explore the present condition of financial reporting practices of NGOs in Bangladesh.

The objectives of our study are to examine the financial reporting practices of NGOs. In particular, the objectives of our study are as follows : (i) to examine the characteristics of the financial reporting practices of NGOs like BRAC & ASA; (ii) to measure the extent of disclosure items of BRAC and ASA; (iii) to identify the association among disclosure score and variables affecting the disclosure score; (iv) to judge the opinion of the expert groups regarding the qualitative characteristics of accounting information and the compliance of standards by selected NGOs; (v) to suggest for improvement in disclosure by the sample NGOs.

Both primary and secondary data have been used for the study. Separate methods and techniques have been followed for collecting both types of data. We have prepared two sets of questionnaire: One for the experts in accounting and other for the NGO executives. The questionnaire is close ended. First set of questionnaire consists of 17 questions which were meant for the experts in accounting and the second set of questionnaire consists of 64 questions which were meant for the NGO executives. The researcher has used quantitative techniques to analyze the collected and classified data. Quantitative analysis has been done through simple Tables. This technique has involved simple calculation of mean, standard deviation, co-efficient of variation, ratio analysis, regression, t-test and Chi-square test.

It is evident from our study that the selected NGOs follow GAAP and IASs/BASs such as IASs BASs No. 1, 7, 8, 10, 16, 18, 19, 23, 24, and 37 but the total scores of disclosure are not sufficient. However, the extent of disclosure by the NGOs is moderate, though they follow chart of accounts, use internal check system and comply with the relevant Acts. They also take measure for safeguarding their assets and they use a wide range of depreciation rates.

The study finds significant differences in disclosure score regarding accounting policy items, balance sheet items (assets), balance sheet items (liabilities), the income statement items (debit), the income statement items (credit), and the total disclosure score of the selected NGOs. But it has failed to show any significant difference in disclosure score regarding the information as to projection and budgetary disclosure, the information relating to various useful statements and the information useful for measurement and valuation method of the selected NGOs.

The univariate regression analysis reveals that the size of NGOs proxied by the total assets, total revenue, and equity capital significantly affects the disclosure score of the selected NGOs while the liquidity as proxied by current ratio, net working capital ratio and leverage as proxied by debt-equity ratio, total debt to total assets ratio do not affect the extent of disclosure score.

If we turn towards the result of opinion survey on the respondents we observe that the results of chi-square test on opinion survey documents no significant difference among the respondents regarding the compliance with legal framework, the application of IASs & IFRSs, the extent of understandability, the compliance of decision usefulness, the extent of relevance, the extent of comparability and the extent of consistency by the selected NGOs. But there is significant difference among the respondents regarding the extent of reliability by the selected NGOs.

The NGOs play a significant role for the economic development of Bangladesh. This economic development depends to a great extent on the disclosure of accounting information because accurate and relevant accounting information about NGOs help their management as well as the Government to keep them on the right direction. Here, reliable and relevant information about NGOs have a role to play. The study provides testimony to the fact that there is significant difference in disclosure scores and regarding balance sheet and income statement items except for projection and budgetary items and for information relating to valuation methods.

The study evidenced significant associations between disclosure score and size as proxied by total assets, revenue and equity capital but no association was found between disclosure score and liquidity as well as leverage. Finally, respondents were unanimous regarding compliance with legal framework, application of IASs & IFRSs and the extent of understandability with the exception of reliability. If the suggestions are implemented then the transparency of the NGOs as well as the disclosure will be improved.

Every study has some limitations. Although we have taken due care in selecting the sample, choosing the period, collecting, editing and analyzing the data, selecting the respondents our study has some limitations. The limitations of our study are as follows:

We have selected two NGOs to evaluate the financial reporting practices of them. But the inclusion of more NGOs would increase the representativeness of our sample.

The Regulatory Acts of the NGOs do not require any disclosure by them. Accordingly, we had to construct disclosure index using Companies Act 1994, since The Society Registration Act and other Regulations do not require any disclosure.

Another limitation of our study is that our data are not adjusted for price level changes because the relevant NGOs prepare their financial statements using historical cost figures.

The Acts are silent regarding the number of financial statements and their contents. So, provision should be made in the said Acts regarding the type of financial statement, number of financial statement, frequency of the issuance of financial statement. The accounting system of the selected NGOs should be computerized. An Act that contains sufficient provision regarding disclosure of its different dimension should be enacted and strict compliance with the Act must be ensured. Disclosure provision regarding receipts and payment of money, accounting policy followed valuation method of assets, purpose of spending the donation, frequency of report preparation, audit lag allowed and rules regarding changes in accounting policy should be clearly mentioned in concerned Act that will deal with NGO affairs. Strict adherence to financial rules regarding NGOs dealing with monetary affairs with the public should be ensured.

Sufficient measures should be taken by the Government of Bangladesh so that any NGO cannot receive any money from the foreign donors through illegal means such as hundi since there is a possibility of spending this money in the illegal sector.

In fine it can be concluded that the present study has been conducted using two selected NGOs. Further in-depth study on disclosure can be conducted taking more NGOs as sample and covering more dimensions and more time.

Prof. Dr. Madan Mohan Dey
Supervisor
Department of Accounting and
Information Systems
University of Rajshahi, Rajshahi-6205

Md. Abu Sayed
M.Phil. Fellow
Session: 2007 – 2008
Registration No. 0052
Roll No. 07509
Department of Accounting and
Information Systems
University of Rajshahi, Rajshahi-6205

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List of Abbreviations

ACA	Associate Chartered Accountant
ACMA	Associate Cost and Management Accountant
BRAC	Bangladesh Rural Advancement Committee
BASs	Bangladesh Accounting Standards
BFRSs	Bangladesh Financial Reporting Standards
CA	Chartered Accountant
CMA	Cost and Management Accountant
CC	Commercial Code
CFOs	Chief Financial Officers
CSRD	Corporate Social Responsibility Disclosure
CSR	Corporate Social Responsibility
DSE	Dhaka Stock Exchange
DMR	Debt Management Reserve
FAS	Financial Accounting Standards
FASB	Financial Accounting Standards Board
FCA	Fellow of Chartered Accountant
FCMA	Fellow of Cost and Management Accountant
FSS	Financial Self-sufficiency
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
IFR	Internet Financial Reporting
IASC	International Accounting Standard Committee
IASs	International Accounting Standards
IFRSs	International Financial Reporting Standards
ISAs	International Standards of Auditing
IOSCO	International Organization of Securities Commissions

KLSE	Kuala Lumpur Stock Exchange
MFI	Micro Finance Institutions
MNCs	Multinational Corporation's
NGOs	Non Government Organizations
NZSE	New Zealand Stock Exchange
OSS	Operational Self-sufficiently
PA	Professor of Accounting
PRC	People's Republic of China
PLCs	Public Limited Companies
SEC	Securities and Exchange Commission
SEHK	Stock Exchange of Hong Kong
SEL	Securities and Exchange Law
SFAS	Statement of Financial Accounting Standards
WTDScore	Weighted Score
UNWTScore	Un-weighted Score

CHAPTER ONE

INTRODUCTION

CHAPTER TWO

METHODOLOG OF THE STUDY

CHAPTER THREE

THEORETICAL AND CONCEPTUAL FRAMEWORK

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

CHAPTER FIVE

**FINDINGS, CONCLUSION
AND SUGGESTIONS**

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CHAPTER ONE

INTRODUCTION

CHAPTER ONE

Introduction

1.1 Introduction: Bangladesh is one of the least developed countries in the South East Asian region and got independence on 26th March 1971 from Pakistan. The surface area of Bangladesh is 147,570 sq. km. and her population is 144.2 (Estimated) million with a growth rate of 1.26 percent. (Bangladesh Economic Review, 2008-2009, p. xvii) The economy of Bangladesh is generally characterized by high rate of population growth, poverty, illiteracy, low industrial base, under and unemployment problem, low per capita income. Her annual per capita GDP is US \$ 621 and her growth rate at constant price is 5.88%. (Bangladesh Economic Review, 2008-2009, p. xvii) The contribution of agricultural sector to GDP is 20.60%, whereas the industries and service sectors contribute 29.73% and 49.67% respectively. (Bangladesh Economic Review, 2008-2009, p.29) It is to note here that Bangladesh has achieved considerable growth in recent years in different Government and non-government sectors.

Bangladesh is now under the compact network of NGOs of different sizes, natures and modes of operation and orientation. Program intervention of NGOs produces output for bringing positive and desirable changes for achieving the objective of rural development. Moreover, non-governmental organizations (NGOs) are inseparable part of Government for their developmental role especially in rural areas. Government of Bangladesh has also recognized them as development partner. Taking this opportunity, a huge number of NGOs have been working in rural and urban areas in Bangladesh with national and international donors' assistance. For instance, a national NGO named BRAC is working with

its full time total staff strength of 46,974, where temporary and volunteer staffs are more than 88,091. The volume of financial transaction is Taka 70,987,799,272 for facilitating their programs during the year 2010. (BRAC Annual Report 2010) Likewise, all of the working NGOs in Bangladesh have been obtaining their finances from different sources. Thus, the financial practices of the NGO sector is now getting very importance globally as well as nationally for their successful operations and contribution to the economic development.

Non-business organizations possess three characteristics: (1) a significant portion of their resources comes from persons who expect neither repayment nor economic benefits proportionate to the resources provided; (2) the operating purposes do not have a profit motive and, (3) there are no defined transferable ownership interests. Non-business organizations include hospitals, universities and colleges, health and welfare agencies, churches, foundations, i. e., private nonprofit and philanthropic organizations. This, of course, excludes investor-owned hospitals and colleges, clubs with transferable equity interests, mutual insurance companies and cooperatives that provide dividends and economic benefits directly to their owners, members, or participants. The users of financial reports of non-business organizations include members, taxpayers, contributors, grantors, lenders, suppliers, creditors, managers, financial annalists, brokers, underwriters.

Disclosure means communication of pertinent information to the user group through annual reports. Disclosure is a process to communicate all details regarding the organizational activities, which are to be disclosed either statutorily or otherwise and to convey a true and fair view of the operating results and financial position to the users. Three types of disclosure generally proposed are adequate, fair and full disclosure. The

most commonly used of these expressions is adequate disclosure. However, this implies a minimum amount of disclosure congruous with the negative objective of making the statements not misleading. Fair and full are concepts that are more positive. Fair disclosure implies ethical objective of providing equal treatment for all potential reader. “Full disclosure is aimed at improving the clarity, quality, and quantity of economic data disclosed by the accounting entity.”(Porwal 2003) To some, full disclosure means the presentation of superfluous information and is, therefore, inappropriate.

Non-government organizations (NGOs), as a big actor in the development sector of Government of Bangladesh have been facilitating their development programs through utilizing different donors’ fund and from their own. But a question frequently arises in Bangladesh regarding the management and utilization of huge amount of money by the NGOs and whether they follow Companies Act. 1994 and FAS No. 93, 116 &117.

In this study, we intend to explore the present condition of financial reporting practices of NGOs in Bangladesh. The study will also provide us an overview of the problems and challenges of financial reporting practices of NGO sector along with its required remedies.

1.2 Definition of Key Terms

1.2.1 Non-government Organizations (NGOs)

Non-governmental organizations (NGOs) are a universal phenomenon, which have been defined by the different scholars in different ways, but everyone considers NGOs as formal organizations. According to Pardon, “NGOs are parts of the Government and which have not been established as a result of an agreement between Governments. (Pardon 1987)

Nil thinks that these organizations are not parts of the Government and do not exist to make profit. Business exists to make profit and Government exists to provide an essential structure of law and order and promote general welfare but NGOs typically exist to provide some services or advance some causes in the different sectors of life. NGOs are private organizations serving a public purpose." (Nil 1989)

Asian NGO coalition for Agrarian Reform and the National NGO council of Sri-Lanka chalk out the following criteria of NGOs. (ANCRRD & NNCS 1989)

- i. Non-governmental in the sense that it was not set up or has not been controlled by the Government, and is not a part or an appendage of state apparatus.
- ii. Non-profit in the sense that its activities are not governed by profit considerations ("capitalistic motives"). Excess funds are not distributed among the members or used for private purposes. Whatever income gained is used to further the objectives of the organization concerned.
- iii. Non political in the sense that it is non affiliated to a political party. In other-words, it is a non-party social or political formation.
- iv. Secondary organizations, rather than a primary group or a single community organization.
- v. Developmental which refers to non-governmental development organizations-(NGOs) engaged in economic, social or cultural activities which contribute to enhance the quality of life... such activities may be on economic development (agricultural, industrial, or infrastructure), social development (education, health and sanitation, nutrition and housing) cultural and environmental or some combination of such activities.

1.2.2 Profile of BRAC

BRAC was established in 1972 and since then known as the Bangladesh Rehabilitation Assistance Committee (BRAC) brings relief and rehabilitation operations in Sulla, Sylhet in Bangladesh, following the end of the liberation war. BRAC is renamed Bangladesh Rural Advance Committee. BRAC's vision is just, enlightened healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex, religion and ethnicity.

BRAC is now one of the biggest NGOs in Bangladesh. BRAC has been working in 64 districts, 509 Thanas, 69421 villages, 1716 Urban Slums. It covers an estimated population of 110 million. BRAC implements, Core programs, such as Economic development program, Health program, Education program, Social Development, Human rights and Legal services. Support programs such as Administration & Risk Management, Advocacy & Human Rights Unit, Finance & Accounts Division, Human Resources Division, Procurement, Estates & Management Services, Public Affairs & Communications Department, Publication Department, Research & Evaluation Division, and Training Division. BRAC programs support enterprises such as, Aarong Handicraft Production Centers, Aarong Shops, Broiler Processing Plant, Bull Station, Chilling Plants, Dairy and Food Project, Feed Mills, Fish Hatcheries, Marine Fish Breeding Centre, Horticulture Nurseries, Poultry Farm and Hatcheries, Prawn Hatcheries, Printing Press and Pack, Seed Processing Centres, Seed Production Centres. (BRAC Annual Report 2006)

BRAC mission: BRAC works with people whose lives are dominated by extreme poverty, disease and other handicaps. With multifaceted development interventions, BRAC strives to bring about positive changes in the quality of life of the poor.

BRAC firmly believes and is actively involved in promoting human rights, dignity and gender equity through poor people's social, economic, political and human capacity building. Although the emphasis of BRAC's work is at the individual level, sustaining the work of the organization depends on an environment that permits the poor to break out of the cycle of poverty and hopelessness. To this end, BRAC endeavors to bring about change at the level of national and global policy on poverty reduction and social progress. BRAC is committed to making its programs socially, financially and environmentally sustainable, using new methods and improved technologies. As a part of its support to the program participants and its financial sustainability, BRAC is also involved in various income generating enterprises.

Poverty reduction programmes undertaken so far have bypassed many of the poorest. In this context, one of BRAC's focuses is the ultra poor.

Given that development is a complex process requiring a strong dedication to learning, sharing of knowledge and being responsive to the needs of the poor, BRAC places a strong emphasis on their organizational development, simultaneously engaging itself in the process of capacity building on a national scale to accelerate societal emancipation.

The fulfillment of BRAC's mission requires the contribution of competent professional committed to the goals and values of BRAC. BRAC, therefore, fosters the development of the human potential of the members of the organization and those they serve.

In order to achieve its goal, wherever necessary, BRAC welcomes partnerships with the community, like-minded organization, Governmental institutions, the private sector and development partners both at home and abroad.

Internal Audit Department: It independently examines and evaluates BRAC's activities to assist management by providing advice on operations and performances and assessing the effectiveness of internal control. It aims to improve operational efficiency and effectiveness of the management process. The department examines and evaluates whether the risk management, internal control and governance processes in place are adequate and functioning properly and advises management on improvements. The department undertakes routine internal audits and investigations, as well as annual physical verifications of inventory and other assignments required by management to maintain transparency and accountability. Findings are brought to the Audit Review Committee for further action. In 2009, 60 Cost Centers (budget lines) underwent review and audits were conducted on 11,869 Cost Centers. The International audit firm, Ernst & Young, was engaged to provide risk management services for BRAC's microfinance activities and it transferred findings to the department.

BRAC's Finance and Accounts Department performs a crucial role within the organization to improve program efficiency and promote transparency and accountability. The department collects and stores financial data from all transactions carried out at different cost centers in the organization and processes it for use in decision-making. The department prepares their financial statements in accordance with international reporting standards, for which BRAC has received numerous national and international awards in transparency and financial disclosure in 2009, the department brought all branch offices under software coverage so that all payments and receipts could be automated. This year they also received the "Best Presented Accounts and Corporate Governance Disclosures Awards 2008" from the South Asian Federation

of Accountants, as well as the top position in the NGO sector in the national awards for Best Published Accounts and Reports 2008 from the Institute of Chartered Accountants of Bangladesh (BRAC Annual Report 2009)

BRAC has established an office of the ombudsperson with a comprehensive mandate to investigate any incident of misadministration and misuse of power within BRAC. This includes grievances such as corruption, abuse of power or discretion, negligence, oppression, nepotism, rudeness, arbitrariness, unfairness and discrimination. The ombudsperson reports to the Governing Body.

1.2.3 Profile of ASA

ASA begins with its emergence in March 1978 at a remote village in Manikgonj District. As a new type of organization fighting rural poverty. From the very beginning the motto of the organization is to develop the standard of living of poor people of the country.

ASA is another biggest NGO in Bangladesh. ASA has been working in 64 districts, 511 Thanas 3,194 Branch offices. ASA's total number of staff are 22,458 (field level 22,223, Central level 316). ASA implements a number of programs to serve the people and these include Small Loan, Small Business Loan, Small Entrepreneur Lending (SEL), Hardcore Poor Loan, Flood & Rehabilitation Program and Education Loan to member's children, ASA -NGO Partnership Build-up Program and Channeling Foreign Fund to local NGO/MFIs, Internal Training Program, Internship Program, Training Program for the Partner Organizations, Microfinance Training on ASA Model for Foreigners etc. Besides, ASA offers complementary loans under business development services to defaulters and bad-debt members. It also provides short-term loan to the members to

meet their urgent need. In addition, Mandatory Savings, Voluntary Savings, Long Term Savings and Insurance Program are also offered to its members to ensure a comfortable future for them. (ASA Annual Report, 2010)

ASA Mission: Reducing poverty as well as introducing positive change in the living standard of the poor through providing microfinance service and making it poor friendly and successful globally.

During the year 2010, total income of ASA was Tk.9986 million. This income includes, Tk.8894 million from service charges, Tk.558 million from bank interest, Tk.70 million from membership fees and Tk.264 million from other sources such as, selling publications, passbooks, used newspapers, providing consultancy services, etc. On the other hand, total expenditure in 2010 was Tk.8468 million, including Tk.4024 million as personnel expenses, Tk.489 million office expenses, Tk.697 million in financial costs, Tk.343 million loan loss provision and Tk.2915 million imputed costs. The net margin at the year-end of 2010 was Tk.1318 million. This fund will be used in program expansion further to assist the poor to get a better living standard. (ASA Annual Report, 2010)

ASA started microfinance in 1992 as the sole program and became self-reliant in 2001 by following ASA cost-effective and sustainable microfinance Model. Since then, ASA does not accept grant or donation from others. ASA's total fund for providing microfinance services was approximate Tk.49790 million at the end of 2010. This includes of ASA's own funds (including reserve fund), Tk.26126 million, member's savings Tk.10553 million, members' security fund Tk.4037 million, CORDAID loan Tk.49 million, loan insurance Tk.1411million, Debt Management Reserve (DMR) Tk.1209 million, Tk.2611 million from commercial

Bank, Tk.647 million from ADB and Tk.3147 million from other sources, such as, staff security, provident fund, etc. (ASA Annual Report, 2010) The institution also uses its idle money as the Revolving Loan Fund (RLF). In 2010, the Operational Self-sufficiency (OSS) and the financial Self-sufficiency (FSS) in ASA were 176.20% and 115.56% respectively. (ASA Annual Report, 2010)

ASA's management has been successful always in maintaining a high rate of repayment. This has been possible due to innovative policies of ASA model. Since 1995, ASA's rate of recovery in each year was above 99%. At the end of 2010, the rate of recovery was 99.80%.

Monitoring system is very cost-effective and there is a close relation between the field and the central office. It ensures a regular constructive feedback from the field that helps the management to improve ASA's operational efficiency. Keeping the cost of per taka lent at the minimum has also been possible for following this process. In 2010', cost per taka lent in ASA was Tk.0.066.

ASA has been working wholeheartedly for improving the lifestyle of the needy people by offering cost effective microfinance. However, around 40% of the families in our country are still living below the poverty line. ASA firmly believes that it is possible to bring them out of the poverty within a certain period. Considering the above, ASA has taken some effective strategies to gear up the pace of poverty eradication activities. Side by side, some steps also have been taken from strengthening the organization to meet the challenges of microfinance sectors in the upcoming days.

1.3 Statement of the Problem

Financial reporting is a process of communicating economic information to the audience-of-interest. This audience-of-interest take their relevant decision based on information provided by the annual reports of business enterprise. If the basis (Annual reports) on which the decisions are made are incorrect, irrelevant, inadequate and not understandable by the users then correct decisions cannot be made. So, the quality of disclosed information is very much important from the standpoint of decision making.

Adequacy of disclosure is also an important aspect of financial reporting. In the present age of free economy free and available information are essential for NGOs. Therefore, the question of disclosure is an important concern for the management as well as for the decision makers. Thus, the organizations should provide qualityfull, understandable information to help users in making correct decisions.

As one of the least developed countries, Bangladesh is now under the compact network of NGOs. Besides Government, NGOs are also working in the field of education, health, advocacy and awareness on social development issues, gender equity, human rights, women empowerment, micro-credit and income generation, fisheries, poultry and agriculture, youth development, rural infrastructure, disabled rehabilitation and peace crisis etc. All the functions and programs of NGOs are being supported by locally and internally through extending different types of technical and financial assistance. Considering the NGOs a development partner, Government of Bangladesh has set up a separate directorate named NGO Affairs Bureau under the office of Prime Minister to control, regulate and coordinate the NGO activities of the country and to ensure the accountability of the utilization of their finances. By this time,

Government of Bangladesh has developed criteria under The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978, The Foreign Donations (Voluntary Activities) Regulation Rules, 1978, and The Foreign Contributions (Regulation) Ordinance, 1982 for NGOs that are being looked after by the NGO Affairs Bureau. Moreover, NGOs have to publish different program and financial reports to meet the requirement of donors, regulatory bodies and to make them transparent to the society and their clients. But it is alleged that presently NGOs are not following standards, rules and regulations in implementing programs and maintaining their program finance in Bangladesh. Many of the NGOs have been made black listed and stopped functioning by different donors as well as Government for their deceptive activities. (The Daily Janakantha, March 11, 2008)

The NGOs have started working in Bangladesh with a broad objective of the economic development as well as the welfare of the people but some of the NGOs are working against the interest of the people of the country. They are taking money from the public and are absconding. Thus, a true and fair view of the activities of the NGOs must be ensured for the welfare of the people as well as for the tax purpose.

In these circumstances, standard financial reporting practices can play a vital role in ensuring transparency of NGOs because, financial reporting assists in measuring the true financial position and performance of the organization. We know annual report is the only means of communication between management and users of annual reports. However, expectations of the above two parties (management and users) create misunderstanding between them. Proper financial reporting can mitigate the expectations of both the parties.

In Bangladesh, reliability of financial statements has decreased miserably. A study by Karim (Karim 1996) shows that the reliability of information provided through the annual reports of organization and companies in Bangladesh is not encouraging at all. It indicates that current practices of financial reporting in Bangladesh are quite faulty.

Usually, it is said that Acts, Rules, Laws, Regulations etc. and their compliance by concerned organizations can ensure proper reporting system and help in governing the organizations. In Bangladesh, the activities of NGOs are regulated by The Societies Registration Act, 1860, and The Societies Registration (Amendment) Ordinance, 1978, The Foreign Donations, (Voluntary Activities) Regulation Ordinance, 1978, The Foreign Donations (Voluntary Activities) Regulation Rules, 1978, The Foreign Contributions (Regulation) Ordinance, 1982 and in some cases International Accounting Standards. They also follow Generally Accepted Accounting Principles.

Alam (1990) and Dutta (1995-96) are of the opinion that the annual reports do not disclose information adequately and timely. In view of the aforesaid short comings the present study has been planned.

1.4 Justification of the Study

Financial Reporting Practices in Bangladesh are controlled by Companies Act. 1994, IFRS/BFRS, Securities and Exchange Commission (SEC) Rules 1987. Generally, NGOs do not want to disclose adequate information in the annual reports. Among the reasons of inadequate disclosure is inefficient management lack of accountability and transparency etc. Another reason for the attitude of not disclosing adequate information is the absence of mandatory disclosure.

NGOs have emerged in Bangladesh after the liberation war of 1971 for sharing the gigantic task of economic development. They have been engaged in different fields such as poverty alleviation, house building, health, education, advocacy and awareness on social development issues, gender equity, human rights, woman empowerment etc.

The NGOs publish audited annual reports where in their financial activities are summarized. However, the auditors do not assume responsibility for all the activities.

Some of the NGOs operating in Bangladesh have been acting against the interest of people and the Government of Bangladesh has canceled their registration. For the sake of transparency of the financial activities of the NGOs, a close examination of their financial reporting practice is a crying need for the day. A host of research works have been done on different aspects of disclosure of the companies but no work has been done on the financial reporting practice of the NGOs though Razia (1994), Ashraf (1997), Rabbanee (2006), Choudhury (2001), Hannan (2001), Kamal and Shamsuddoha (2009) have highlighted the micro credit related aspects of the NGOs in Bangladesh.

The present study is conducted to examine the characteristics of disclosure practices of NGOs. This study will help the policy makers to formulate different policies regarding disclosure requirements by the NGOs. The findings of our study will help answer questions regarding the disclosure practices of different NGOs, the extent of compliance of disclosure with disclosure requirements of Companies Act. 1994. The present study will also try to identify the factors affecting disclosure level by the NGOs.

Taking clues from the aforesaid discussion and considering the intensity of the problem the present study have been planned to make a detailed

study about financial reporting practices of the sample NGOs, i.e. BRAC and ASA working in Bangladesh in both rural and urban areas. Therefore, the study has been deigned to highlight the problems and challenges of financial reporting practices of NGO sector in Bangladesh with some recommendations to ensure proper financial reporting practices in the sector.

1.5 Objectives of the Study:

Every study has some objectives. Accordingly, the objectives of our study are to examine the financial reporting practices of NGOs. In particular, the objectives of our study are as follows:

- 1) To examine the characteristics of the financial reporting practices of NGOs like BRAC & ASA.
- 2) To measure the extent of disclosure items of BRAC and ASA.
- 3) To identify the association among disclosure score and variables affecting the disclosure score.
- 4) To judge the opinion of the expert groups regarding the qualitative characteristics of accounting information and the compliance of standards by selected NGOs.
- 5) To suggest for improvement in disclosure by the sample NGOs.

1.6 Hypothesis of the Study:

The following hypothesis will be tested to attain the objectives of our study:

Ho₁ : There is no significant difference in disclosure score between our sample NGOs.

Ho₂ : The disclosure score of the NGOs is not influenced by assets size.

H₀₃ : The disclosure score of the NGOs is not affected by net income.

H₀₄ : There is no significant difference in opinion among the respondent groups regarding the quality of accounting information.

H₀₅ : There is no significant variation in disclosure score among the study period.

1.7 Review of Literature

Literature review is an important part of research by which the researcher can understand the existing knowledge gap. It helps the researcher to know the untouched field of research. For that reasons the following literatures have been reviewed here to understand the research gap and to justify the utility of the present research work.

Siddika Rekabder and Delwar (2013) have written an article entitled, “Accounting System and Financial Reporting of NGOs: Case Study of a BRAC’s Project.” The authors have tried to demonstrate financial reporting and accounting system of a BRAC’s project and provide a guideline for constituting suitable financial reporting and accounting system for NGOs. The findings of the study are: (a) the accounting system of BRAC Education Program is well organized and transparent; (b) the processes of presenting the financial statements are unique and very systematic. Limitations of the study are: (i) the authors did not consider any objectives to conduct their study; (ii) this study is not data based. It is a descriptive study; (iii) the authors have not tested any hypothesis in their study; and (iv) the authors have not mentioned the sampling technique used in their study.

Hossain & Islam (1998) have written an article entitled, “Disclosure of Accounting Policies in the Financial Statements of the Insurance Companies in Bangladesh.” The objectives of this study are: (1) to identify the accounting policies followed; (2) to compare the accounting policies disclosed with the relevant reporting requirements; and (3) to identify the shortcomings relating to disclosure of accounting policies and suggest accordingly. The findings of the study are: (a) reporting practices of the selected insurance companies comply, with a great extent, with the professional requirements in respect of disclosure of accounting policies; (b) general accounting policies of all the sampled companies included usually the measurement basis. Historical cost convention on going concern concept was used as measurement basis. None of the companies mentioned anything about the matching or revenue and expenses; (c) the major particular accounting policies included the promulgations of compliance with law and accounting standards in preparing financial statements with the exception that only one insurance company did not mention whether they followed the accounting standards or not. About all the insurance companies disclosed the method of valuation of fixed assets, depreciation methods, depreciation rates and provision for unexpired risk, while a good number of companies did not disclose the particular accounting policies in respect of valuation of investments, tax accounting, rearrangement and rounding off of figures etc. A disappointing finding was that none of the sample companies disclosed the basis for deferring revenue expenditure; and (d) the significant accounting policies were disclosed at one place within notes to the account. Eight companies used ‘significant accounting policies’ as title while another one company used ‘basis of accounting’ as title for the disclosure of accounting policies. Exception was that two of the companies disclosed a few accounting policies beyond such title but

within notes to the accounts. Limitations of the study are: (i) methodology of the study is not clear; (ii) findings of the study are not fully consistent of the objectives; (iii) the authors have not tested any hypothesis in their study; and (iv) the authors have not mentioned the sampling technique used in their study.

Hossain (2000) has written an article entitled, “Harmonization of Financial Reporting Practices: A Myth or Reality.” The author discussed the causes of differences in financial reporting practices among countries and the attempts made by the international organizations to ensure harmonization of financial reporting practices throughout the world. The findings of the study are: (a) the author identified some areas in accounting, which need harmonization as early as possible, such as; Taxation Regulation, Basis for Valuation, Foreign Currency Translation, Audit Report, legal system, Providers of Finance, Consolidation, and Accounting profession; (b) the author found some important obstacles faced by the various regional and international organization in harmonizing accounting practices, such as; differing accounting practices followed by different countries, nationalism, lack of an international enforcement agency, lack of strong professional bodies in some countries, differing regulatory sources and the alike. The limitations of this study are: (i) the author did not consider any objectives to conduct this study; (ii) it is a descriptive study; (iii) methodology of the study is not clear; and (iv) the author has not tested any hypothesis of this study.

Karim, Islam and Chowdhury (1996) have written an article entitled, “Users’ perception of published accounts in Bangladesh: An Empirical Study.” The study was an attempt to examine empirically the perceptions of a sample of users of financial information regarding their purpose of using financial reports. The researchers have emphasized the

publication of annual financial reports in due time so that the users can take right decision in right time. In this study, the researchers used non-parametric process to measure the user perception. The findings of the study are: (a) an overwhelming majority of the respondents (93.8%) believe that the existing publication delay of annual reports could be reduced. (b) only 12.1% of the respondents perceive the information contained in the annual reports they use are adequate. (c) only 16.6% of all the respondents believe that the information contained in published annual reports are reliable. (d) a large majority of the users (80.6) discriminate between annual reports of domestic and multinational companies, among them 91.8% said that annual reports issued by MNC subsidiaries are more comprehensive and 65.4% said that they are more reliable than those of domestic companies. Limitations of the study are (i) the authors did not consider any objectives to conduct their study; (ii) the authors did not measure the users' perception about the qualitative characteristics of accounting information.

Karim, Islam and Chowdhury (1998) have written another article entitled, “Financial Reporting in Bangladesh: The Regulatory Framework.” The authors examined the institutional, professional and legal framework that constitutes the body of disclosure regulations in Bangladesh. The researchers discussed the availability of provisions within Acts, Rules and Regulations given by different bodies. They also try to find out the lacking of those provisions. The findings of the study are: (a) a number of Acts, Ordinances, and regulatory institutions are engaged in regulating financial reporting in the country; (b) the main pieces of legislation suffer from certain weakness particularly in areas of qualitative disclosure; (c) about 50% of the industries in Bangladesh are still in the public sector. Public owned companies are not implementing

such provision to disclose their financial facts; (d) the different professional bodies and regulatory institutions were not found to play their due role in ensuring compliance with disclosure requirements. Limitations of the study are: (i) the authors did not consider any objectives to conduct their study; (ii) this study is only a theoretical one. It does not cover any analytical work; (iii) the authors have not tested any hypothesis in their study; and (iv) the authors have not mentioned the sampling technique used in their study.

Ahmed, Bala and Chowdhury (2004) have written an article entitled, “Financial Reporting in Compliance with International Accounting Standard: A Study in Bangladesh with Reference to IAS 1.” The authors endeavor to outline the IAS 1, which is mandatory in Bangladesh for preparation and presentation of financial statements for the purpose of financial reporting by listed public limited companies (PLCs) and also to show the empirical extent of financial reporting by those PLCs in compliance with IAS 1. Objectives of the study are to: (1) give a historical background, objective and scope of the IAS 1; (2) delineate the purpose, preparers and components of financial statements as per IAS 1; (3) highlight the overall considerations in the presentation of financial statements as per IAS 1; (4) enumerate the guidelines under IAS 1 for the structure and minimum requirements for the content of each of the components of financial statements; (5) give an overview of the regulatory framework in Bangladesh for presentation of financial statements; and (6) show the empirical extent of financial reporting by listed public limited companies in Bangladesh in compliance with IAS 1. Findings of the study are: (a) all the PLCs have provided in their annual report balance sheet, profit and loss account, cash flow statement and accompanying notes; (b) only a half of PLCs have provided statement of

changes in equity; (c) a good number of PLCs have provided a value added statement, Chairman's Report, Directors' Report, and 5-year highlights; (d) in some cases, full compliance is not found, but the audit reports are 'unqualified', stating the due conformance with the applicable IAS. Limitations of the study are: (i) this study is not data based. It is a descriptive study; (ii) the authors have not tested any hypothesis in their study; and (iii) the authors have not mentioned the sampling technique used in their study.

Ahmed & Kabir (1995) have written an article entitled, "External Financial Reporting as Envisaged in Companies Act, 1994- A Critical Evaluation." Financial reporting is the communication of information about an entity's resources, obligations, earnings, expenditures, resources etc. to the users. External financial reporting is concerned with the communication of information to those users having limited authority, ability or resources to obtain the needed information. This paper critically evaluates the external financial reporting as envisaged in Companies Act, 1994. Findings of the study are: (a) this Act adopts the concept of general purpose financial reporting. The financial reporting as envisaged in this Act is directed towards unknown users having multiple decision objectives. (b) the term neutrally has been used in the companies Act in Bangladesh for the first time. No such term was used in relation to financial reporting in the previous Act. (c) the requirement of a statement of changes in financial position is an improvement over the previous Act which lacked such provision. (d) significant improvements have been made in respect of balance sheet in this Act over that in the previous Act. (e) this Act specifies certain items to be included in the profit & loss account. This is an improvement over the previous Act which did not contain any such specification. (f) accounting information to be supplied

under this Act is historical in nature. There is no requirement of providing forecasts to the users by the company. (g) most of financial statement users are native. Most of them lack accounting education and experience. Hence a major portion of the users can not understand the financial statements and reports issued to them. As a result of this, in most cases, they ignore accounting information in making decisions regarding the entity about which they are concerned. (h) the auditors will have to maintain strict technical and ethical standards. There are widespread allegations about the low ethical standards of the auditors in Bangladesh. Limitations of the study are: (i) the authors did not consider any objectives to conduct their study; (ii) there is no methodology in their study; (iii) this study is only a theoretical one. It does not cover any analytical work; (iv) the authors have not tested any hypothesis in their study; and (v) the authors have not considered any sample.

Hossain and Nurunnabi (2012) have written an article entitled, “The voluntary disclosure of internet financial reporting (IFR) in an emerging economy: a case of digital Bangladesh.” The present study seeks to paint the current state of voluntary disclosure of international financial reporting in Bangladesh as an example of an emerging economy and to investigate empirically some company characteristics as determinants of such practice. The findings revealed that only 29.12 percent (83) companies had website out of 285 listed companies and only 33.34 percent (28) companies provided financial information. Out of seven variables, only big audit firms and non-family ownership variables were significantly associated with the level of voluntary disclosure. Another important result revealed that despite the mandatory requirements of having audit committee in Bangladesh, the companies without the audit committee were disclosing voluntary information more

and it raised the question on the lack of regulatory enforcement in Bangladesh.

Ahmed (2012) has written an article entitled, “Disclosure of Financial Reporting and Firm Structure as a determinant: A Study on the Listed Companies of DSE.” The objectives of the study are to examine effect of firms’ structure on the financial reporting quality of Bangladesh quoted manufacturing firms using assets, leverage and share dispersion and residuals of modified EBO model as proxies of firm’s structure and financial reporting quality respectively. The result reveals a positive strong relationship between firm structure and financial reporting quality of quoted manufacturing firms in Bangladesh. It is therefore, recommended among others that the regulators should enforce more on the financial statements disclosure and transparency among companies quoted on the DSE as to ensure a higher quality of financial reporting.

Sufian (2012) has written an article entitled, “Corporate Social Responsibility Disclosure in Bangladesh.” This study looks into the association between corporate characteristics and corporate social responsibility disclosure (CSR) in annual reports of listed companies in Bangladesh. Seventy annual reports of non-financial companies for the year 2010 have been taken as sample to find the empirical result of this study. The findings of the study show that the mean score of CSR is five and 75 percent companies disclose seven items voluntarily which is 20 percent of total disclose-able items. So, companies in general have not responded enough to disclose CSR items in the annual reports. The explanatory variables total assets, profitability, MNC affiliation and listing age are insignificant factors for CSR while market capitalization has statistically significant affect on CSR. It is expected that the

usefulness of this research work will be acknowledged by potential and present investors, stakeholders, policymakers, and regulatory bodies of the country.

Ahmed and Akhter (2007) have written an article entitled, “Voluntary Reporting in Bangladesh: An Analysis of Corporate Characteristics and Disclosure Practices for Discretionary Information.” The purpose of the study is to examine empirically the relationship between various corporate characteristics and the extent of voluntary disclosure reported by companies listed on Dhaka Stock Exchange. The study reveals that though most of the companies in Bangladesh disclose at least few information voluntarily which is praiseworthy, the disclosure level is not adequate. Moreover, the study shows that firm size, foreign linkage and type of auditor are statistically related to the level of information voluntarily disclosed by companies. Firm size contributed most to explaining the variability in disclosure level. In contrast leverage and profitability are not significant explanatory variables. To achieve the shareholders’ confidence, Bangladeshi companies should be more transparent and accountable in voluntary reporting.

McNally, Eng and Hasseldine (1982) have written an article on “Corporate Financial Reporting in New Zealand: An Analysis of User Preferences, Corporate Characteristics and Disclosure Practices for Discretionary Information”. The authors discussed in this article three aspects of the discretionary disclosure of financial and non-financial information such as (i) the importance of disclosing selected items of information determined by surveying attitudes of two important groups of external decision makers, financial editors and stock exchange members, (ii) the disclosure practices of manufacturing companies listed on the New Zealand Stock Exchange are examined and (iii) possible

associations between disclosure practices, selected corporate characteristics and auditors are considerable. The authors have also discussed the variety of items subject to mandatory disclosure requirements and at the same time, the external users should exert more pressure so that greater improvements occur in the disclosure practices of many companies in New Zealand. Limitations of the study are: (i) the authors have not considered any objective to conduct their study; (ii) methodology of the study is not clear; (iii) the authors have not tested any hypothesis in their study; and (iv) the authors have not mentioned that which sampling technique has been used in their study.

Alim & Haider (2008) have written an article on “Accounting and disclosure system in Japan” the objective of this study is to give an overview on the Japanese accounting and reporting system. The authors have discussed three Laws such as Commercial Code (CC), the Securities and Exchange Law (SEL), and the Corporate Income Tax Law, which help financial accounting and reporting in Japan. These three laws closely affect each other. The authors have also discussed Generally Accepted Accounting Principles (GAAP) in Japan, Japanese so called triangular legal system, and the recent change in Japanese accounting and reporting system in their research system. The limitations of the study are: (i) it is not an empirical study; (ii) objectives of the study have not been mentioned; (iii) there is no methodology in their study; (iv) the authors have not tested any hypothesis; (v) It is a descriptive study; and (vi) the authors have not considered any sample.

Chow & Wong Boren (1987) have written an article entitled, “Voluntary Financial Disclosure by Mexican Corporations by Chow and Wong Boren.” This paper gives us a view of Mexican accounting and reports on the extent of voluntary financial disclosure by a set of Mexican corporations. It also tests the effects of three firm characteristics

on disclosure. The features are firm size, financial leverage and proportion of assets in place. This paper is very important to us as it demands additional insight into factors behind voluntary disclosure choices and enhances our understanding of the accounting institutions and practices of non-Anglo-American nations. The organization of this paper is noteworthy; the first section provides an overview of the Mexican accounting environment, different laws and federal agencies. The next section describes the data collection procedures and reports descriptive statistics for the sample of Mexican firms. Actually, it contains the empirical test which addresses three topics-first the sample selection is explained, then the extent of voluntary disclosure has been shown by rating the importance of each disclosure item on a seven-point scale and the last topic is the results of cross-sectional regressions which has been shown in a Table (Table-3) using Weighted Score (WTDScore) and Un-weighted Score (UNWTScore) alternatively as the dependent variable. The last part of the paper contains the concluding remarks where we get the idea that Mexican accounting and disclosure regulations are easier and fairer than that in the U.S.A. It is found by using a sample of 52 Mexican Stock Exchange listed firms that the extent of voluntary disclosure varies greatly within this environment. Three variables suggested by agency theory-firm size, financial leverage and proportion of assets in place-are used to explain this cross-sectional variation. The extent of voluntary disclosure is found to increase with firm size. It is observed that financial leverage or assets in place has no significant effects in this regard. However, this study is a very important and exclusive one as before it no non-Anglo-American country's economical affair has been examined. It is just a beginning so much effort is needed to refine and expand this investigation. Moreover, the work has

certain limitations like, the effects of other factors and motivation on accounting/ disclosure choices could be explored.

Buzby (1974) has written an article entitled, “Selected Items of Information and their Disclosure in Annual Reports.” This paper focuses on the relative importance and extent of disclosure of selected types of financial and non-financial information in annual reports. The paper cites different works done in this field and mentions at the very beginning that the purpose of this paper is to complement and expand the mentioned literatures for example the work of Copeland and Fredericks named "Extent of Disclosure", Singvi and Desai's "An Empirical Analysis of the Quality of Corporate Financial Disclosure", Robert Cerf's *Corporate Reporting and Investment Decisions*, and many others. For achieving a good result, a list of 38 items containing financial and non-financial information that might appear in an annual report has been made. A survey of financial analysts has been done to estimate the relative importance of each of the items. Moreover, to construct a detailed set of weighted disclosure criteria for each of the items, it has used the data from the resulting survey responses besides doing an extensive literature review. These works have given the paper its authenticity and uniqueness. The set of disclosure criteria was then applied to a sample of annual reports for 88 small and medium size companies with fiscal years ending between June 30, 1970, and June 30, 1971. This was done to determine the extent of disclosure for each of the items of information, to analyze the relative relationship between the importance of an item and its extent of disclosure and to measure the overall extent of disclosure of the items in the annual report sample. The paper is very important to us it gives us alternative measures to measure the extent of disclosure, for example, to base the measure completely on a survey of financial analysts where they would be requested to rate each item of information on two

dimensions the difference of which would represent the measure of disclosure deficiency. The results of the survey have been shown in detail in a table. It also includes the questionnaire in Appendix-1 and the companies name in Appendix-2. The results indicated that many of the items were inadequately disclosed in the sample and the correlation between the relative importance of the items and the extent of their disclosure is small. But whatever the result or the limitations of the paper, the results of the study may help in the determining of priorities for the expansion of accounting disclosures and it will fill the gaps in earlier researches done in the field of accounting.

Hossain Mahmud, Tan Lin Mei and Adams Mike (1994) have written an article entitled, “Voluntary Disclosure is an Emerging Capital Market: Some Empirical Evidence from Companies Listed on the Kuala Lumpur Stock Exchange.” The purpose of the study is to examine the factors that influence the general level of information voluntarily disclosed by companies listed on the Kuala Lumpur Stock Exchange (KLSE). The level of voluntary information disclosure is tested with regard to six firm-specific characteristics, namely: firm size, ownership structure, leverage, assets-in-place, size of audit firm and foreign listing status. Findings of the study are: (i) large firm are more likely to provide financial information voluntarily than small firm; (ii) the extent of voluntary disclosure is higher for firms with a low concentration of share ownership than those with a high concentration of share ownership; (iii) the extent of voluntary disclosure is higher for firms with a greater proportion of debt in the capital structure than for those with a lower proportion of debt; (iv) the extent of voluntary disclosure is greater for firms with a relatively low proportion of assets-in-place than for firms with a relatively high proportion of assets-in-place; (v) the extent of voluntary disclosure is higher for firms that employ a large (Big-Six)

auditor than those that employ a smaller auditor; (vi) the extent of voluntary disclosure is higher for firms listed internationally than for firms listed on the domestic exchange only. The empirical evidence suggests that firm size, ownership structure and foreign listing status are significantly related to voluntarily disclosure level. In contrast, leverage, assets-in-place and size of audit firm do not appear to be important factors in explaining voluntary disclosure by firms. Therefore, the main conclusion of the study is that voluntary disclosure systematically varies depending upon firm size.

Hossain, Perera and Rahman (1995) have written an article entitled, “Voluntary Disclosure in the Annual Reports of New Zealand Companies.” The purpose of this study is to examine empirically the relationship between five firm-specific characteristics and the general level of accounting information voluntarily disclosed by companies listed on New Zealand Stock Exchange (NZSE). In this study a priori expectation is based on agency theory. The five firm-specific characteristics examined are: firm size, leverage, asset-in-place, type of auditor and foreign listing status. The results obtained from cross-sectional regression show that firm size, foreign listing status and leverage are significantly related to the extent of voluntary disclosure. In contrast assets-in-place and type of auditors are not significant explanatory variables. A study of this type would be of particular relevance to accounting policy makers because, inter alia, it helps them in (a) understanding corporate disclosure behavior, (b) explaining why firms adopt certain disclosure strategies, and (c) developing a coherent and acceptable set of mandatory disclosure requirements.

Ferguson, Lam and Lee (2002) have written an article entitled, “Voluntary Disclosure by State-owned Enterprises Listed on the Stock Exchange of Hong Kong.” This study examines the impact of

international capital market pressures on the voluntary disclosure of three types of information (strategic, financial and non-financial) in the annual reports of former wholly state-owned People's Republic of China (PRC) enterprises, listed on the Stock Exchange of Hong Kong (SEHK). Consistent with a cost-benefit framework, we find that PRC H-share firms disclose significantly more strategic and financial information than other SEHK firms. Additional analysis of disclosures in their home listing on the PRC exchanges, however, suggests an alternative explanation. The fact that these firms have been selected for "showcasing" in international capital markets may also play a role in our findings. While H-share firm disclosures in the PRC also appear sensitive to management's assessment of the associated costs, the magnitude of differences across listing locations suggests that disclosure practices on the SEHK may also reflect the effect of states of state-encouraged disclosure policies. This study contributes to the understanding of disclosure behavior among former wholly state-owned enterprises and to the emerging literature on the efficacy of the privatization process.

Ho and Wong (2001) have written an article entitled, "A Study of Corporate Disclosure Practice and Effectiveness in Hong Kong." The objectives of the study are: (a) to provide comprehensive and up-to-date evidence of current practice and perceived effectiveness of corporate disclosure of listed companies in an emerging economy of Hong Kong; (b) the study compares the perceptions of Chief Financial Officers (CFOs) and financial analyst about a variety of information flow, disclosure and capital market efficiency issues; (c) it also seeks to determine whether there is a perceived need for increased financial reporting regulations and to what extent this and other alternative means might improve market functioning. The findings indicate both subject

groups believed that a majority of firms only adopt a conservative one-way disclosure strategy and the existence of a communication gap, analysts perceived a much higher need than CFOs for increased financial reporting regulations. Neither group thought that enhancing disclosure requirements alone would suffice to close this gap. Instead, they suggested an improvement in the quality of the communication and disclosure processes through means such as choosing more appropriate communication media, formulating a more proactive disclosure strategy, enhancing investor relationship, and voluntarily reporting more information desired by users.

Street Donna L. and Bryant Stephanie M. (2000) have written an article entitled, “Disclosure Level and Compliance with IASs: A Comparison of Companies With and Without U.S. Listings and Filings.” This research investigates the extent to which the disclosure requirements of the IASC are complied with or exceeded for companies claiming to use International Accounting Standards (IASs). Additionally, the research seeks to identify significant difference between those companies with U.S. listings, U.S. filings, and those with no U.S. listings or filings with regard to (1) compliance with IASC-required disclosures, and (2) level of disclosure (including both mandatory and voluntary items). The findings reveal the overall level of disclosure is greater for companies with U.S. listings. Additionally, greater disclosure is associated with an accounting policies footnote that specifically states that the financial statements are prepared in accordance with IASs and an audit opinion that states that International standards of Auditing (ISAs) were followed when conducting the audit. Further, the findings indicate the extent of compliance with IASs is greater for companies with U.S. listings and filings. A higher level of compliance is associated with an

audit opinion that states the financial statements are in accordance with IASs and that ISAs were followed when conducting the audit.

A host of research works have been done on different aspect of financial reporting of the companies and researchers have also worked on different aspects of NGOs but none has conducted any research on financial reporting practices of NGOs working in Bangladesh. It is on the basis of this research gap, the present study has been planned.

1.8 Chapter Plan

The first chapter being introductory in nature has described the definition of NGOs, profile of the sample NGOs, statement of the problem, justification of the study, objectives of the study, hypothesis of the study and review of related literature.

The second chapter has adhered to methodological issues such as methods of data collection, sources of data collection, selection of sample, choice of the period, selection of respondent, selection of analytical tools, scoring of index, construction of the disclosure index, scope of the study reliability and validity of data and limitation of the study.

The third chapter has delineated the theoretical and conceptual frame work for this study.

The fourth chapter has described the different aspects of disclosure such as extent of disclosure, identification of the factors affecting disclosure, different independent variable have also been regressed with disclosure score to see the extent of influence on disclosure and to judge the opinion of the respondents regarding the qualitative characteristics of accounting information and the compliance of standards by selected NGOs.

The fifth chapter concludes the study incorporating summary of the findings and suggestions for further improvement.

CHAPTER TWO

METHODOLOG OF THE STUDY

CHAPTER TWO

Methodology of the Study

2.1 Introduction

Research methodology is a way to systematically solve the research problem. It is a process that enables the researcher to collect relevant and reliable information and to analyze that information to arrive at correct decisions for attaining the objectives of this study. Research method, underlying assumption and relevance of particular methods to solve a particular research problem need be clearly settled. Accurate methodology helps correct analysis, interpretation of data and assists in arriving at correct decisions.

2.2 Selection of Sample

We have selected two NGOs for the purpose of our study. Those units have been selected on the basis of availability of data.

2.3 Choice of the Period

The study covers a period of 5 years ranging from 2005 to 2009. The choice of the period is dictated by the availability of data.

2.4 Sources of Data

Both primary and secondary data have been used for the study. Separate methods and techniques have been followed for collecting both types of data.

2.4.1 Primary Data

Primary data have been collected by pre-designed questionnaire and through personal interview with the executives of selected NGOs and other respondents.

2.4.2 Secondary Data

Secondary data have been collected from published annual reports of BRAC and ASA, and from published and unpublished documents and daily newspapers etc. Moreover, the reading materials available in the Internet and websites have also been used.

2.5 Preparation of Questionnaire

We have prepared two sets of questionnaire: One for the experts in accounting and other for the NGO executives. The questionnaire is close ended. First set of questionnaire consists of 17 questions which were meant for the experts in accounting and the second set of questionnaire consists of 64 questions which were meant for the NGO executives. After preparing the draft questionnaire we made a pilot survey to examine the validity of the questionnaire. At last the final questionnaire was prepared to collect the opinion of the respondent groups.

2.6 Selection of Respondents

For this purpose of obtaining opinion using questionnaire regarding the quality of accounting information disseminated through annual reports, we have divided our respondents into two groups consisting of accounting experts and NGO executives. The accounting experts include Prof. of Accounting, Chartered Accountant and Cost and Management Accountant.

2.6.1 Academic qualification of the related respondents

Table No. 2.1

Table showing the academic qualification of the respondents

Academic Qualification	Respondents Groups						Total	
	CA		CMA		PA		No.	%
	No.	%	No.	%	No.	%		
Graduate	3	12	1	05	-	-	4	6.56
Post Graduate	22	88	19	95	3	18.75	44	72.13
M. Phil.	-	-	-	-	3	18.75	3	4.92
Ph.D.	-	-	-	-	10	62.50	10	16.39
	25	100	20	100	16	100	61	100

(Source: Field Survey)

From Table 2.1 we found that 6.56% of the respondents were graduate 72.13 % of the respondents were post graduates 4.92% of the respondents were M. Phil. and 16.39% of the respondents were Ph. D. Hence majority of the respondents were post graduate.

2.6.2 Professional Qualification of the related respondents

Table No. 2.2

Table showing the professional qualification of the respondents

Professional Qualification	Respondents Groups						Total	
	CA		CMA		PA		No.	%
	No.	%	No.	%	No.	%		
CA	5	20	-	-	-	-	5	11.11
CMA	-	-	1	05	-	-	1	2.22
ACA	7	28	-	-	-	-	7	15.55
ACMA	-	-	12	60	-	-	12	26.67
FCA	13	52	-	-	-	-	13	28.90
FCMA	-	-	7	35	-	-	7	15.55
Total	25	100	20	100	-	-	45	100

(Source: Field Survey)

From above Table 2.2 we see that 11.11% of the respondents were CA 2.22% of the respondents were CMA 15.55% ACA, 26.67% ACMA 28.90% FCA and 15.55% FCMA. So, majority of the respondents were FCA.

2.6.3 Age of the related respondents

Table No. 2.3

Table showing the age group of the respondents

Age Group	Respondents Groups						Total	
	CA		CMA		PA		No.	%
	No.	%	No.	%	No.	%	No.	%
below 30	-	-	1	05	-	-	1	1.64
30 to 35	12	48	10	50	-	-	22	36.06
36 to 40	5	20	2	10	3	18.75	10	16.40
41 to 45	-	-	3	15	7	43.75	10	16.40
46 to 50	2	08	2	10	5	31.25	9	14.75
51 and above	6	24	2	10	1	6.25	9	14.75
Total	25	100	20	100	16	100	61	100

(Source: Field Survey)

From Table 2.3 we found that 1.64% of the respondents were age group below 30, 36.06% of the respondents were age group 30 to 35, 16.40% of the respondents were age group 36 to 45 and 14.75% of the respondents were age group 46 to 51 above Hence, majority of the respondent age group 30 to 35.

2.6.4 Basic discipline of education of the related respondents

Table No. 2.4

Table showing the basic discipline of education of the respondents

Discipline of Education	Respondents Groups						Total	
	CA		CMA		PA		No.	%
	No.	%	No.	%	No.	%	No.	%
Commerce	22	88	19	95	16	100	57	93.44
Arts	-	-	-	-	-	-	-	-
Science	2	08	1	05	-	-	3	4.92
Engineering	-	-	-	-	-	-	-	-
Others	1	04	-	-	-	-	1	1.64
Total	25	100	20	100	16	100	61	100

(Source: Field Survey)

From Table 2.4 we see that 93.44% of the respondents were commerce group 4.92% of the respondents were from science group and 1.64% was

from other discipline. So majority of the respondent basic disciplines of education were commerce group.

2.6.5 Occupational experience period of the related respondents

Table No. 2.5

Table showing occupational experience period of the respondents

Occupational Period	Respondents Groups						Total	
	CA		CMA		PA		No.	%
	No.	%	No.	%	No.	%		
Below 5 years	3	12	9	45	-	-	12	19.68
5 to 10 years	14	56	5	25	2	12.50	21	34.42
11 to 15 years	3	12	3	15	3	18.75	9	14.75
Above 16years	5	20	3	15	11	68.75	19	31.15
Total	25	100	20	100	16	100	61	100

(Source: Field Survey)

From Table 2.5 we found that 19.68% of the respondents occupational experience period below 5 years, 34.42% of the respondents occupational experience period 5 to 10 years, 14.75% of the respondents occupational experience period 11 to 15 years and 31.15 of the respondents occupational experience period above 16 years, Hence, majority of the respondent occupational experience period were 5 to 10 years.

2.7 Analytical tools

The researcher has used quantitative techniques to analyze the collected and classified data. Quantitative analysis has been done through simple Tables. This technique has involved simple calculation of mean, standard deviation, co-efficient of variation, ratio analysis, regression, t-test and Chi-square test.

2.8 Scoring of Index

For the purpose of measuring the extent of disclosure by the selected NGOs we have used a disclosure index. There are two types of index viz.

A. Un-weighted Index.

B. Weighted Index.

Since there are merits and demerits of both the methods we have used un-weighted index. We have assigned a value of zero to one (0-1) for constructing the index. If an item is disclosed by selected NGOs it has been given a score of one. If an item is not disclosed then it has been given a score of zero. Partial score has been given for partial disclosure.

2.9 Construction of Index

We have constructed an index of disclosure consisting of 111 items. The items have been selected according to the requirements of disclosure of Companies Act 1994, SFAS No. 93, SFAS No. 116, SFAS No. 117. Thus from the analysis of the objectives of financial reporting by NGOs it is evident that the FASB “regards the provision of basic financial statements together with notes and audit certificate as the kind of information which meets them. There is no need to develop an independent conceptual framework for non-business organization. The content of the basic financial statement and notes also remains the same.” (Porwal 2003) It is worth while to mention here that the NGOs are required to publish the statement of financial position, a statement of change in net assets and a statement of cash flows. The Society Registration Act 1860 (amended in 1978), The Foreign Donations (Voluntary Activities) Regulation Ordinance 1978, The Foreign Donations (Voluntary Activities) Regulation Rules 1978, and The Foreign

Contributions (Regulation) Ordinance 1982 have no provisions regarding the disclosure of NGOs. Since the objectives of financial reporting of both the NGOs and profit making organizations are almost the same, we have constructed our disclosure index in accordance with the Companies Act. 1994.

2.10 Scope of the Study

We have taken two NGOs to examine their comparative financial reporting. There are different aspects of financial reporting, but we have chosen the various aspect of disclosure as the subject of our study. In our study we have examined the compliance level of disclosure by the sample NGOs with the requirements of Societies Registration Act. 1860 and Companies Act. 1994. We have also explored in detail the qualitative characteristics of accounting information, disseminated through annual reports, Readability of financial statement, timeliness of the annual reports. Besides, we shall probe into the cause of time lag, if any. Association between the level of disclosure score and different independent variables such as assets size, profitability has also been analyzed.

Organizational behavior, behavior of the Government, requirements of donor countries, requirements of different Acts, the very nature of standards may affect the financial reporting pattern of any enterprise.

Recently some new topics such as social responsibility disclosure, environmental disclosure have been included in the study of financial reporting. But we have confined our studies to different aspects of disclosure.

2.11 Reliability and validity of data

The result of the test should be reliable so that it can be used for decision making. It can also be used as a reference by the future researchers. So, the question of reliability and validity of the result can not be ignored by the researcher. From this perspective the researcher has used the Cronbach Alpha test and Split-half test.

2.12 Limitations of this Study

Every study has some limitations. Although we have taken due care in selecting the sample, choosing the period, collecting, editing and analyzing the data, selecting the respondents our study has some limitations. The limitations of our study are as follows:

1. We have selected two NGOs to evaluate the financial reporting practices of them. But the inclusion of more NGOs would increase the representativeness of our sample.
2. The Regulatory Acts of the NGOs do not require any disclosure by them. Accordingly, we had to construct disclosure index using Companies Act 1994, since The Society Registration Act and other Regulations do not require any disclosure.
3. Another limitation of our study is that our data are not adjusted for price level changes because the relevant NGOs prepare their financial statements using historical cost figures.

CHAPTER THREE

THEORETICAL AND CONCEPTUAL FRAMEWORK

CHAPTER THREE

Theoretical and Conceptual Framework

3.1 Introduction: Chapter three describes the conceptual framework, need for conceptual framework, financial reporting, objective of financial reporting, qualitative characteristics of accounting information, elements of financial statements, recognition and measurement concept, relevant Acts, Ordinances, Rules. This chapter has also discussed the concept of disclosure, types of disclosure, and the problems of disclosure, the information content of disclosure, way of disclosure, notes to financial statement, internet financial reporting and related theories of disclosure.

3.2 Conceptual Framework

A conceptual framework is like a constitution. As a system of providing financial information regarding business concern to the interested parties, financial reporting requires such a conceptual framework that should become a guidance to provide information properly. FASB described it is a coherent system of interrelated objectives and fundamentals that can lead to consistent standards and that prescribes the nature, function, and limits of financial accounting and financial statements (Kieso 2011-2012).

3.3 Need for Conceptual Framework

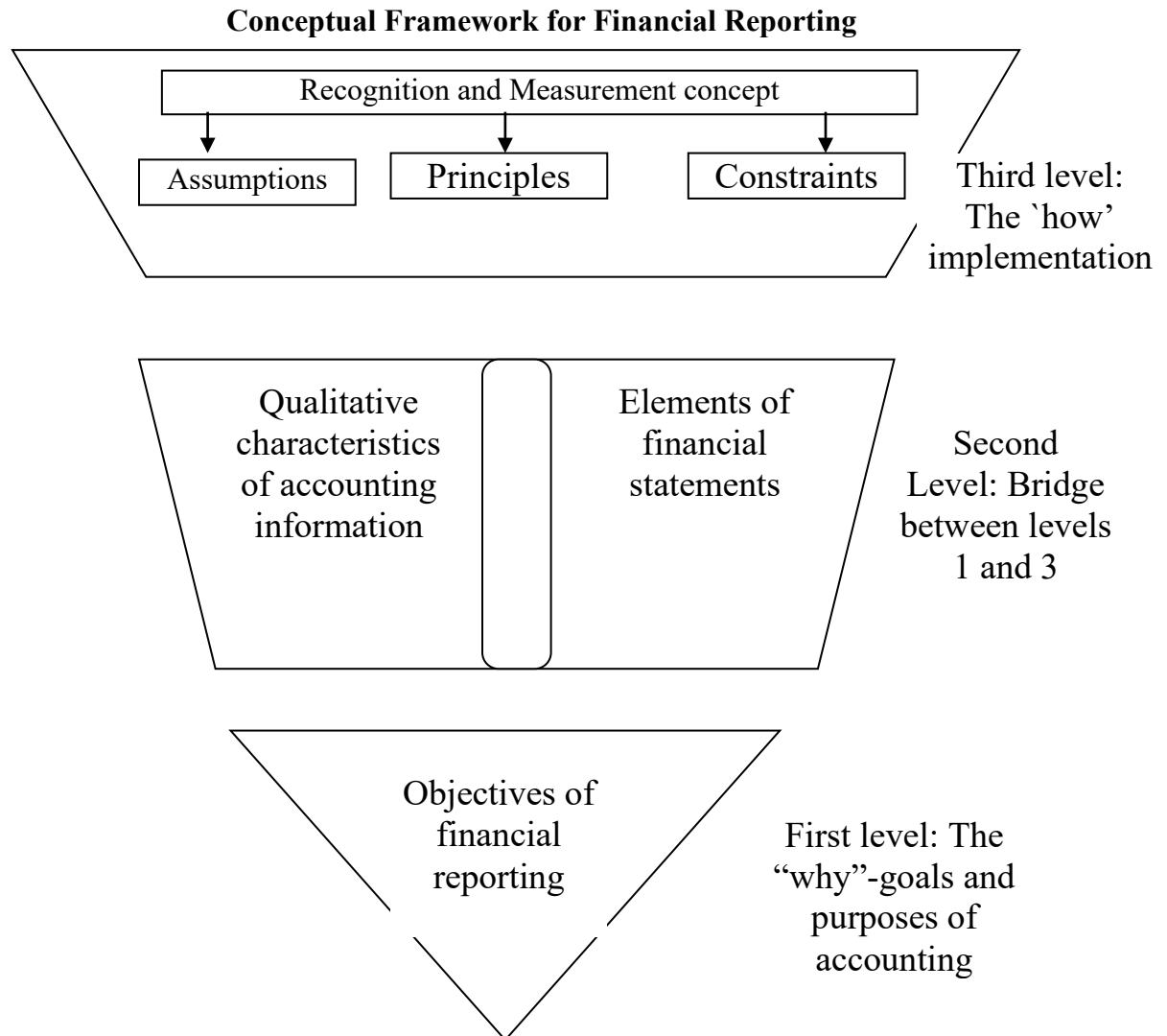
We need conceptual framework for two reasons: First, to be useful, standard setting should build on and relate to an established body of concepts and objectives. A soundly developed conceptual framework enables to generate more useful and consistent standards over time. A coherent set of standards and rules should be the result, because they would be built upon the same

foundation. The framework should increase financial statement users' understanding of and confidence in financial reporting, and it should enhance comparability among companies' financial statements. Second, new and emerging practical problems should be more quickly solved by reference to an existing framework of basic theory. (Kieso 2011-2012)

So, conceptual framework provides foundation for the development of consistent standards and increases the quality of accounting information.

3.4 Financial Reporting

Financial reporting is basically concerned with the accounting treatment and the presentation or disclosure of information regarding items contained in the financial statements. (Chowdhury 2000) It provides information to help present and potential investors, creditors and other users in assessing the amounts, timing and uncertainty of prospective cash receipts from dividends or interests and the proceeds from the sale, redemption or maturity of securities or loans. (FASB, 1978,) There are several types of financial statements to express economic information. Main of them is balance sheet, profit and loss account, cash flow statement and explanatory notes and schedules. "Financial statements are the basic and formal means through which the corporate management communicates financial information to various external users" (Ghosh 1998). Items which should be included in financial statements in summarized form are assets, liabilities, equity, comprehensive income, revenues, expenses, gains, losses, investments, by owners in the entity and distributions by the entity to owners (FASB, 1980).



Source: Donald E. Kieso Jerry J. Weygandt Terry D. Warfield 2011-2012

3.5 Objectives of Financial Reporting

The objectives of financial reporting are not immutable; they are affected by the economic, legal, political, and social environment in which financial reporting takes place. The objectives also affected by the characteristics and limitations of the kind of information that financial reporting can provide.

FASB (1978) Statements of Financial Accounting Concept No.1, Objectives of Financial Reporting by Business Enterprises are given below:

- I. Financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions. (Paragraph- 34)
- II. Financial reporting should provide information to help present and potential investors and creditors and other users in assessing the amounts, timing, and uncertainty of prospective cash receipts from dividends or interest and the proceeds from the sale, redemption, or maturity of securities or loans. (Paragraph- 37)
- III. Financial reporting should provide information about the economic resources of an enterprise, the claims to those resources (obligations of the enterprise to transfer resources to other entities and owners' equity), and the effects of transactions, events, and circumstances that change resources and claims to those resources. (Paragraph- 40)
- IV. Financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. (Paragraph- 42)
- V. The primary focus of financial reporting is information about an enterprise's performance provided by measures of earnings and its components. (Paragraph- 43)
- VI. Financial reporting should provide information about how an enterprise obtains and spends cash, about its borrowing and repayment of borrowing, about its capital transactions, including cash dividends and other distributions of enterprise resources to owners, and about

other factors that may affect an enterprise's liquidity or solvency.
(Paragraph- 49)

VII. Financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. (Paragraph- 50)

VIII. Financial reporting should provide information that is useful to managers and directors in making decisions in the interests of owners.
(Paragraph- 52)

FASB (1980) Statements of Financial Accounting Concept No.4, Objectives of Financial Reporting by Nonbusiness Organizations are given below:

(i) Financial reporting by non business organizations should provide information that is useful to present and potential resource providers and other users in making rational decisions about the allocation of resources to those organizations.

(ii) Financial reporting should provide information to help present and potential resource providers and other users in assessing the services that a non-business organization provides and its ability to continue to provide those services.

(iii) Financial reporting should provide information that is useful to present and potential resource providers and other users in assessing how managers of a non-business organization have discharged their stewardship responsibilities and about other aspects of their performance.

(iv) Financial reporting should provide information about the economic resources, obligations, and net resources of an organization, and the effects

of transactions, events, and circumstances that change resources and interests in those resources.

(v) Financial reporting should provide information about the performance of an organization during a period. Periodic measurement of the changes in the amount and nature of the net resources of a non-business organization and information about the service efforts and accomplishments of an organization together represent the information most useful in assessing its performance.

(vi) Financial reporting should provide information about how an organization obtains and spends cash or other liquid resources, about its borrowing and repayment of borrowing, and about other factors that may affect an organization's liquidity.

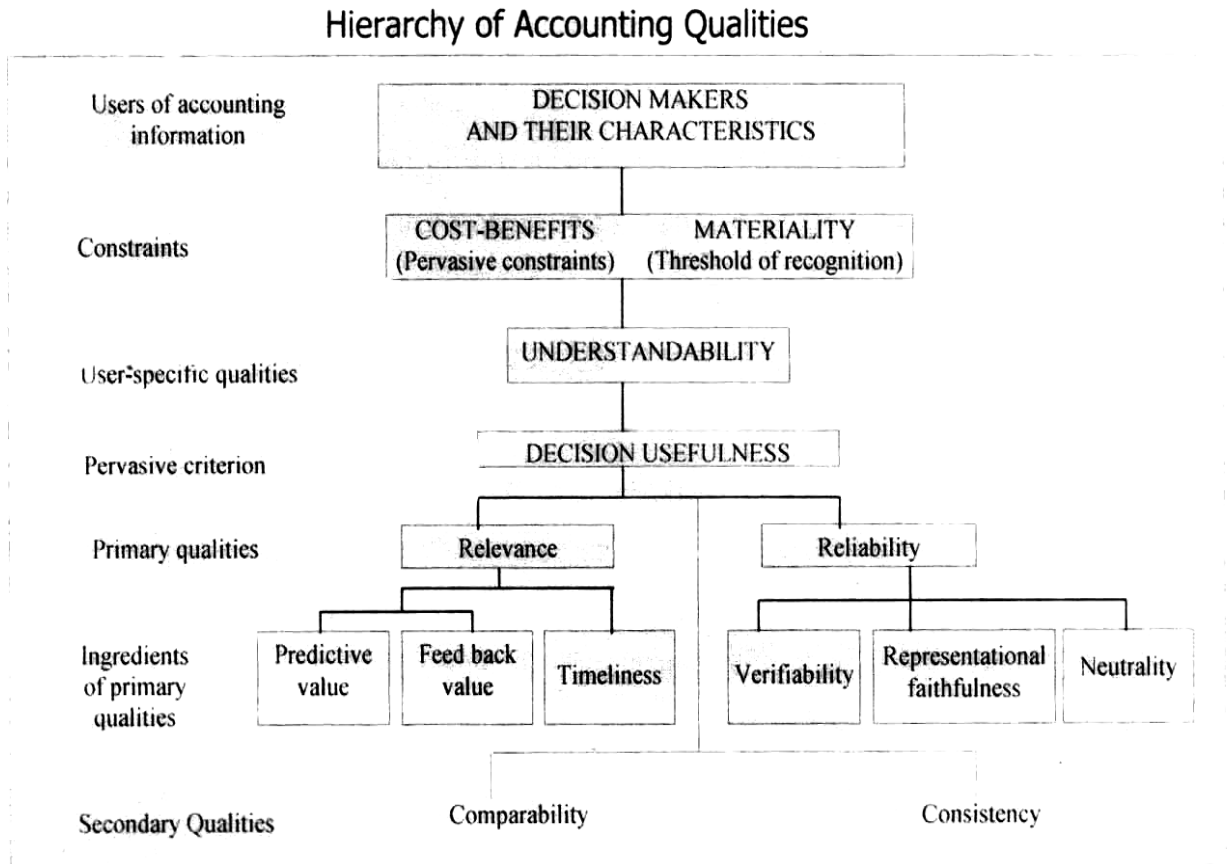
(vii) Financial reporting should include explanations and interpretations to help users understand financial information provide.

The objectives make it quite clear that the FASB "regards the provision of basic financial statements together with notes and audit certificate as the kind of information which meets them." There is no need to develop an independent conceptual framework for non-business organization .The contents of the basic financial statements and notes also remain the same.(Porwal 2003)

3.6 Qualitative characteristics of Accounting Information

Qualitative characteristics are those characteristics that accounting information should possess to be useful in decision making. The FASB has identified the qualitative characteristics of accounting information that distinguish better information from inferior information for decision making

process. The statement contains a hierarchy of accounting qualities as depict in the following diagram.



Source: Donald E. Kieso and Jerry J. Weygondt. *Intermediate Accounting*, op. cit. p. 38.

The hierarchy's major features are summarized:

3.6.1 Relevance: Relevance is a primary attribute of accounting information. It is the capacity of information to make a difference in a decision by helping users to form prediction about outcomes of past, present and future events or to confirm or correct prior expectations. To be relevant, information must be timely and it must have feedback value, predictive value, or, ideally, both. Relevance depends upon three ingredients as follows:

- i) Feedback value: Feedback value pertains to action already taken and can be used for such things as performance, measurement and evaluation.
- ii) Predictive value: Predictive value pertains to the future and should be enhanced by information about the past. Its purpose is to assist with predictions about the financial consequences of probable future actions.
- iii) Timeliness: Timeliness means having the information available to user while it is still capable of influencing their decisions. Timeliness alone does not make information relevant, but a lack of timeliness can render information irrelevant.

From the hierarchy of accounting qualities we observe that there are two primary qualities of accounting information. This quality of accounting information increases its decision usefulness.

Thus we see that information is relevant if it can reduce the uncertainty about the variables in the decision making process. We know that past activities help predict future outcome. By analyzing the past activities the investors can analyze the trends and utilize those trends in forming prediction about the future. Thus relevant information must have predicted value and feedback value.

Another component of relevance is timeliness. Information must be available to the decision maker at the time when decision is to be made. It is of no use if it is available after the decision making process. So, the providers of information must make it available to the user before it loses its capacity to influence a decision.

3.6.2 Reliability: Reliability of information means that the information is free of error and bias. In short it can be depended on. To be reliable accounting information must be verifiable; we must be able to prove that is free of error and bias. It also must be a faithful representation of what are purports to be: It must be factual. It has three ingredients- verifiability, representational faithfulness and neutrality.

- i) **Verifiability:** Verifiability contributes to usefulness by providing a significant degree of assurance that the information pertains to the events and transactions it purports to represent. In other word, the information can be substantiated and the measurement method is without error.
- ii) **Representational faithfulness:** Representational faithfulness means that, to the extent possible, the measurement or description presented can be viewed as being representative of the underlying events and transactions.
- iii) **Neutrality:** Neutrality is the absence in reported information of bias intended to attain a predetermine result or to induce a particular mode of behavior, and it is of critical importance to the integrity of financial reporting. Neutral information is that which reports events and transactions as faithfully as possible without attempting to influence the user to behave in some particular fashion.

From the foregoing discussion on reliability we observe that the reliability of a measure is closely related to its faithful representation. A measure is reliable if it can be dependent upon or if it has been a correct qualitative description of the actual situation. Thus we see that component of representational faithfulness is related with the correct measure of the

elements of financial statements. True, it is very difficult to ascertain the reliable value of an asset. Examples are value of accounts receivable, residual value of asset, allocation of depreciation etc. So, accounting information is the result of some approximate and exact measures since may approximation and estimations are involved in the accounting process.

3.6.3 Comparability: Accounting information must have the attribute of comparability. If it is not comparable it will lose its usefulness. Information of one business firm must be comparable with that of others and accounting information of one period of a business firm should be comparable with other periods of the same enterprise.

3.6.4 Consistency: Consistency is the application of GAAP from one period to another period in the same way. According to APB opinion 20 accounting principles ones adopted can not be changed. However a change to a preferred principle is permitted. (Welsch et. al 1986)

3.6.5 Understandability: It is a specific quality. Accounting information must be comprehensible by the users. Accounting information should be “comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence.” (FASB Concept No. 1, Paragraph 34)

The board argues further: Financial information is a tool and, like most tools, cannot be a much direct help to those who are unable or unwilling to use it or who misuse it. Its use can be learned, however, and financial reporting should provide information that can be used by all nonprofessionals as well as professional who are willing to learn to use it properly, (Ibid. Paragraph 36)

Thus we observe that the user must have a reasonable understanding and they must be diligent in understanding the financial statements. The Trueblood committee opted for naive users. The committee thinks that accountants have a responsibility to the since they can not afford to hire someone to interpret the information, and therefore whatever accountants can do to increase their understanding of the financial reports should be undertaken. This would entail stating more descriptively the terms employed and simplifying the form of the financial reports. (Report of Study Group on Objectives of Financial Statement, 1973, p. 55)

Thus we observe that if the needs of naive users are to be made then accounting procedures have to be simplified. But, in the context of more complicated accounting procedures this seems to be impossible.

3.7 Elements of Financial Statements

Elements of financial statements are the building blocks with which financial statements are constructed the classes of items that financial statements comprise. The item in financial statements represent in words and numbers certain entity resources, claims to those resources, and the effects of transactions and other events circumstances that result in changes in those resources and claims. Statement of Financial Accounting Concept No. 6 defines 10 interrelated elements that are directly related to measuring performance and status of an entity. (Other possible elements of financial statements are not addressed) (FASB 1985)

Assets: Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

Liabilities: Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

Equity or net assets: Equity or net assets are the residual interest in the assets of an entity that remains after deducting its liabilities. In a business enterprise, the equity is the ownership interest. In a non-profit organization, which has no ownership interest in the same sense as a business enterprises, net assets is divided into three classes based on the presence or absence of donor imposed restrictions permanently restricted, temporarily restricted, and unrestricted net assets.

Investments by owners: Investments by owners are increases in equity of a particular business enterprise resulting from transfers to it from other entities of something valuable to obtain or increase ownership interests (or equity) in it. Assets are most commonly received as investment by owners, but that which is receive may also include services satisfaction or conversion of liabilities of the enterprise.

Distribution to owners: Distributions to owners are decreases in equity of a particular business enterprise resulting from transferring assets, rendering services, or incurring liabilities by the enterprise to owners. Distributions to owners decrease ownership interest (or equity) in an enterprise.

Comprehensive income: Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Revenues: Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

Expenses: Expenses are outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

Gains: Gains are increase in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from revenues or investments by owners.

Losses: Losses are decrease in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from expenses or distributions to owners.

(FASB 1985)

3.8 Recognition and Measurement Concepts

Recognition and Measurement Concepts is the last level of the conceptual framework of financial reporting. These concepts explain which, when, and how financial elements and events should be recognized, measured, and reported by the accounting system (Kieso 2011-2012). Recognition is the process of recording and reporting an item as an assets, liability, revenue, gain, expense, loss and changes in owners' equity. A recognized item is expressed in both words and numbers (Welsch et al 1986). Recognition and

Measurement Concepts serve as guidelines in developing national response to controversial financial reporting issues (Kieso 2011-2012). These concepts are as follows:

(A) Assumptions.

(B) Principles.

(C) Constraints.

(A) Assumptions: Four basic assumptions underlie the financial accounting structure: (i) Separate entity assumption, (ii) Going concern assumption, (iii) Monetary unit assumption, and (iv) Periodicity assumption. These four assumptions describe as follows:

(i) Separate Entity Assumption: According to this assumption every business unit is separate from its owners' and from other entities. A company and its owners are separate for the purpose of accounting.

Under this assumption all records are kept from the view point of a particular entity. An asset that belongs to a particular business will be recorded the books of the business firm and not in the personal account of the owner though the business firm belongs to the owner.

(ii) Going Concern Assumption: This assumption assumes that the business will continue and will not be liquidated in the foreseeable future. But it does not mean that the business is permanent. Rather it implies that the business will continue for a period that is sufficient to complete a planned transactions or contracts. Because of this assumption the assets and liabilities are divided into current and non-current basis. In the absence of this assumption, all assets and liabilities would be classified as current assets.

(iii) Monetary Unit Assumption: The monetary unit assumption or unit-of-measure assumption states that the result of economic activities of a business enterprise will be measured in terms of money in the books of accounts. This monetary unit is thought to be an effective means of communicating financial results.

But the use of monetary unit for measurement purposes creates problems. Money is used as a meter stick, but this monetary unit is not fixed like meter. The real value of money changes overtime. Therefore, during inflation or deflation the use of money for measuring the economic activities creates many problems.

(iv) Periodicity Assumption: The periodicity assumption or time period assumption requires that short term financial statements should be prepared for the users by the business firms. The going concern assumption assumes that the business will continue for an indefinite period. But it is not possible for the shareholders to wait for dividend until the liquidation of the business. So, financial statements are prepared on a short term basis, generally a calendar year. However, the reporting varies from company to company. Some companies may prepare interim reports for control purposes. This periodicity assumptions has given birth to accrual and deferral accounting

(B) Accounting Principles: Accounting principles are broad rules used by the accountants for preparation of financial statements. The accounting principles guide the preparation of financial statements. The accounting principles are: (i) Cost Principle, (ii) Revenue Recognition Principle, (iii) Matching Principle and (iv) Full Disclosure Principle. These four accounting principles describe as follows:

(i) Cost Principle: Cost principle specifies that cash equivalent cost is the main basis for recognition of the initial transaction in the books of accounts. Initially we record transactions at cost but subsequently it is adjusted for depreciation, amortization etc. According to this principle five different attributes of assets and liabilities used in accounting, these are historical cost, current cost, current market value, net realizable value and present values of future cash flows. These attributes generally refer to valuations assigned to assets and liabilities subsequent to their initial recognition. (Welsch et. al 1986)

This principle supports the view that cost is the main basis in a completed arm; length business transactions because at the time of the independent transaction the market value of the resources sacrificed in the financial transactions gives accurate evidence of the acquired item.

(ii) Revenue Recognition Principle: Revenue may be define as the “inflows or other enhancements of assets of an entity or settlements of its liabilities during a period from delivering or producing goods, rendering service, or other activities that constitute the entity’s ongoing major or central operations.” (FASB Con. 6 para 78)

Revenue represent actual or expected cash inflows that have occurred or will eventuate as a result, of the entity’s on going major or central operations. The assets increased by revenues. (FASB Con. 6 para 79)

Revenue is recognized on the basis of market value of the resources received or the product or service give up which is more readily determinable. While recognizable revenue, the discounts and allowances should be adjusted. Revenue is recognized when the following criteria are made:

- (a) The transactions needs the definition of revenue;

- (b) The amount revenue can be measured definitely;
- (c) The accounting information regarding asset inflow must be relevant and should be known reliably;
- (d) Substantial completion of the earning process;
- (e) Collection from the buyer reasonably assured.

(ii) Matching Principle: At first revenue is recognized in accordance with revenue principle then expenses incurred in earning the revenue is recognized according to the matching principle. If revenue is differed to future period then the related expenses should also be differ for the future period. Expenses are matched according to:

- (a) Cause-end-effect relationship;
- (b) Time basis;
- (c) Arbitrary basis.

Expenses which provide future benefits are recorded as asset and those which provide current benefit are recorded as expenses. Expenses which provide no benefit are recorded as loss.

(iv) Full Disclosure Principle: The Full disclosure principle requires that the financial statements of a business clearly report all of the relevant information about the economic affairs of the enterprise. This principle rests upon the primary characteristic of relevance. Full disclosure requires (a) reporting of all information that can make a difference in a decision and (b) that the accounting information reported must be understandable. Full disclosure also requires that the major accounting policies and any special accounting policies used by the company be explained in the notes to the financial statements

Accounting information may be reported in the (a) financial statements themselves, (b) disclosure notes to those statements, or (c) supplementary schedules and other presentations. (Welsch et. al 1986)

Thus we observe that the disclosure of relevant and reliable information is essential for the different users in making dynamic decisions. In this case substance over form should be emphasized.

(C) Constraints: There are some implementation constraints which are: (i) Cost-benefit, (ii) Materiality, (iii) Industry practice and (iv) Conservatism. These four constraints describe as follows:

(i) Cost-benefit: The cost of acquiring the information must not exceed the benefit to be derived by user from specific information.

Unless the benefits to be derived from a commodity or service exceed the costs associated with it, it will not be sought after. When a decision to acquire a commodity is being considered, the prospective buyer will compare the cost of acquisition and maintenance with the benefits of owning the commodity. Once the purchase has been made, the owner must decide-continually, from day to day- whether the opportunity cost of ownership, the sacrifice of the sale price that cannot be realized so long as ownership continues, is less than the benefits of continued ownership. Thus, both before and after acquisition, costs and benefits must be compared, though the comparison takes a somewhat different from according to whether the acquisition has or has not been consummated. (FASB Con. 2 para 134)

One thing that deserves mention here is that it is very difficult to quantify the benefit and its associated cost.

(ii) Materiality: “The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.” (FASB Con. 2 page 33)

The FASB thinks that materiality is a constraint on both relevance and reliability. Actually materiality is related to relevance. If an item not material, it will not be relevant.

From a positive view point materiality is related to be significant of an item for its being recorded in the books of accounts. It is tantamount to the fact that the court will not consider tribal matters.

The materiality threshold does not mean that immaterial items and amounts do not have to be accounted for nor reported, rather it means that strict adherence to the related accounting standard is not required. To illustrate, in conformity with GAAP, discount and premium on bonds payable should be amortized using the interest method. However, straight-line amortization can be used providing the results are not materially different. Similarly a low cost asset, such as \$9.95 pencil sharpener, can be recorded as expense in full when purchased because the amount is not material. (Welsch et. al 1986)

(iii) Industry practice: The accounting practice of industries vary and there are modifying exceptions that permit special accounting treatment for specific item. This kind of exceptional treatment is the uniqueness, usefulness and substant over form.

(iv) Conservatism: The conservatism constraint holds that where two alternatives equally satisfy conceptual and implementation principles for a

transaction, the alternative having the least favorable effect on net income and/or total assets should be used. In recognizing assets where two alternative valuations are accepted, the lower valuation should be selected. In recognizing revenues, expenses, gains and losses where there is reasonable doubt as to the appropriateness of alternative amounts, the one having the least favorable effect on net income should be chosen. (Welsch et. al 1986)

Though conservatism is a time-tasted guideline for selecting alternative choices, it has some limitations:

- (a) Conservatism leads to inconsistency;
 - (b) Conservatism favors capriciousness;
 - (c) Conservatism leads to concealment of facts and gives opportunity to insiders;
 - (d) Conservatism contradicts accounting principles. For example LCM method contradicts cost principles and expressing of RND cost contradicts matching principles;
 - (e) Conservatism causes a systematic bias in the financial reports rather than a realistic assuagement;
 - (f) Conservatism is so deeply instant in accounting that it has become an attitude of accountants rather than a method to deal with uncertainty.
- (Kam 1986)

3.9 Relevant Acts, Ordinances, Rules

The Societies Registration Act, 1860

Act no.xx1 of 1860

1. Any seven or more persons associated for any literary, scientific or charitable purpose, or for any such purpose as is described in section 20 of this Act, may, by subscribing their names to a memorandum of association and filing the same with the Resister of Join-stock Companies from themselves into a society under this Act.

2. The memorandum of association shall contain the following things (that is to say) _

the name of the society:

the objects of the society:

the names, addresses, and occupations of the governors, council, directors, committee or other governing body to whom, by the rules of the society, the management of its affairs is entrusted.

A copy of the rules and regulations of the society, certified to be a correct copy by not less than three of the members of the governing body shall be filed with the memorandum of association.

3. Upon the filing of the memorandum and certified copy of the rules and regulations of the society under section 2, the register shall certify under his hand that the society is registered under this Act.

4. Once in every year, on or before the fourteenth day succeeding the day on which, according to the rules of the society, the annual general meeting of the society is held, or, if the rules do not provide for an annual general meeting, in the month of January, a list shall be filed with the Register of Joint-stock Companies of the names, addresses and occupations of the

governors, council, directors, committee or other governing body then entrusted with the management of the affairs of the society.

5. The property, moveable and immoveable, belonging to a society registered under this Act, if not vested in trustees, shall be deemed to be vested, for the time being, in the governing body of such society, and in all proceedings, civil and criminal, may be described as the property of the governing body of such society by their proper title.

6. Every society registered under this Act may sue or be sued in the name of the president, chairman, or principal secretary, or trustees, as shall be determined by the rules and regulations of the society, and, in default of such determination, in the name of such person as shall be appointed by the governing body for the occasion:

Provided that it shall be competent for any person having a claim or demand against the society, to sue the president or chairman, or principal secretary or the trustees thereof, if on application to the governing body some other officer or person be not nominated to be the defendant.

7. No suit or proceeding in any Civil Court shall abate or discontinue by reason of the person by or against whom such suit or proceedings shall have been brought or continued, dying or ceasing to fill the character in the name whereof he shall have sued or been sued, but the same suit or proceeding shall be continued in the name of or against the successor of such person.

8. If a judgment shall be recovered against the person or officer named on behalf of the society, such judgment shall not be put in force against the property, moveable or immoveable, or against the body of such person or officer, but against the property of the society.

The application for execution shall set forth the judgment, the fact of the party against whom it shall have been recovered having used or having been used, as the case maybe, on behalf of the society only, and shall require to have the judgment enforced against the property of the society.

9. Whenever by and by-law duly made in accordance with the rules and regulations of the society, or, if the rules do not provide for the making of by-laws, by and by-law made at a general meeting of the members of the society convened for the purpose (for the making of which the concurrent votes of three- fifths of the members present at such meeting shall be necessary), any pecuniary penalty is imposed for the breach of any rule or bye-law of the society, such penalty, when accrued, may be recovered in any Court having jurisdiction where the defendant shall reside, or the society shall be situate, as the governing body thereof shall deem expedient.

10. Any member who may be in arrear of a subscription which, according to the rules of the society he is bound to pay, or who shall possess himself of or detain any property of the society in a manner or for a time contrary to such rules, or shall injure or destroy any property of the society, may be used for such arrear or for the damage accruing from such detention, injury or destruction of property in the manner hereinbefore provided.

But if the defendant shall be successful in any suit or other proceeding brought against him at the instance of the society, and shall be adjudged to recover his costs, he may elect to proceed to recover the same from the officer in whose name the suit shall be brought, or from the society, and in the latter case shall have process against the property of the said society in the manner above described.

11. Any member of the society who shall steal, purloin or embezzle any money or other property, or willfully and maliciously destroy or injure any property of such society, or shall forge any deed, bond, security for money, receipt, or other instrument, whereby the funds of the society may be exposed to loss, shall be subject to the same prosecution, and, if convicted, shall be liable to be punished in like manner as any person not a member would be subject and liable to in respect of the like offence.

12. Whenever it shall appear to the governing body of any society register under this Act, which have been established for any particular purpose or purposes, that it is advisable to alter, extend or a bridge such purpose to or for other purposes within the meaning of this Act, or to amalgamate such society either wholly or partially with any other society, such governing body may submit the proposition to the members of the society in a written or printed report and may convene a special meeting for the consideration thereof according to the regulations of the society;

but no such proposition shall be carried into effect unless such report shall have been delivered or sent by post to every member of the society ten days previous to the special meeting convened by the governing body for the consideration thereof, nor unless such proposition shall have been agreed to by the votes of three-fifths of the members delivered in person or by proxy, and confirmed by the votes of three-fifths of the members present at second special meeting convened by the governing body at an interval of one month after the former meeting.

13. Any number not less than three-fifths of the members of any society may determine that it shall be dissolved forthwith, or at the time then agreed upon, and all necessary steps shall be taken for the disposal and settlement

of the property of the society, its claims and liabilities, according to the rules of the said society applicable thereto, if any, and, if not, then as the governing body shall find expedient, provided that , in the event of any dispute arising among the said governing body or the members of the society, the adjustment of its affairs shall be referred to the principal Court of original civil jurisdiction of the district in which the chief building of the society is situate; and the Court shall make such order in the matter as it shall deem requisite:

Provided that no society shall be dissolved unless three-fifths of the members shall have expressed a wish for such dissolution by their votes delivered in person, or by proxy, at a general meeting convened for the purpose:

14.If upon the dissolution of any society registered under this Act there shall remain after the satisfaction of all its debts and liabilities any property whatsoever, the same shall not be paid to or distributed among the members of the said society or any of them , but shall be given to some other society, to be determined by the votes of not less than three- fifths of the members present personally or by proxy at the time of the dissolution, or in, default thereof, by such Court as aforesaid: Provided, however, that this clause shall not apply to any society which shall have been founded or established by the contributions of shareholders in the nature of a join-stock Company.

15.For the purpose of this Act a member of a society shall be a person who, having been admitted therein according to the rules and regulations thereof, shall have paid a subscription or shall have signed the roll or list of members thereof, and shall not have resigned in accordance with such rules and regulations; but in all proceedings under this Act no person shall be entitled

to vote or to be counted as a member whose subscription at the time shall have been in arrear for a period exceeding three months.

16. The governing body of the society shall be the governors, council, directors, committee, trustees or other body to whom by the rules and regulations of the society the management of its affairs is entrusted.

17. Any company or society established for a literary, scientific or charitable purpose, and registered under Act XL111 of 1850, or any such society established and constituted previously to the passing of this Act but not registered under the said Act XL111 of 1850, may at any time hereafter be registered as a society under this Act; subject to the proviso that no such company or society shall be registered under this Act unless an assent to its being so registered has been given by three-fifths of the members present personally, or by proxy, some general meeting convened for that purpose by the governing body.

In the case of a company or society registered under Act XL111 of 1850, the directors shall be deemed to be such governing body.

In the case of a society not so registered if no such body shall have been constituted on the establishment of the society, it shall be competent for the members thereof, upon due notice, to create for itself a governing body to act for the society thenceforth.

18. In order to any such society as is mentioned in the last preceding section obtaining registry under this Act, it shall be sufficient that the governing body file with the Register of Joint-stock Companies a memorandum showing the name of the society, the objects of the society, and the names, addresses and occupations of the governing body, together with a copy of

the rules and regulations of the society certified as provided in section 2, and a copy of the report of the proceedings of general meeting at which the registration was resolved on.

19. Any person may inspect all document filed with the register under this Act, or require a copy or extent of a copy of any document to be certified by the register, on payment of the fee specified in the schedule to this Act in this behalf or such smaller fee as the Government may direct.

20. The following societies may be registered under this Act:-

Charitable societies, societies established for the promotion of science, literature, the fine arts, for instruction, the diffusion of useful knowledge, the diffusion of political education, the foundation or maintenance of libraries or reading rooms for general use among the members or open to the public, or public museums and galleries of painting and other works of art, collections of natural history mechanical philosophical inventions, instruments, or designs.

The Societies Registration (Amendment) Ordinance, 1978.

Ordinance No XXXIII of 1978.

1. Short title. – This Ordinance may be called the Societies Registration (Amendment) Ordinance, 1978,

2. Substitution of section 3, Act XXI of 1860. – In the Societies Registration Act, 1860 (XXI of 1860), hereinafter referred to as the said Act, for section 3 the following shall be substituted, namely:-

3 “Registration of societies, - Upon the filing of the memorandum and certified copy of the rules and regulations of the society under section 2; the

Register shall certify under his hand that the society is registered under this Act,

3A. Fees to be paid to the register. - There shall be paid to the register for registration of a society and for matters mentioned in the Schedule of this Act, fees specified in that Schedule or such smaller fess as the Government may direct.”

3. Amendment of section 12, Act XXI of 1860. - In the said Act, in section 12, after the existing clause the following new clause shall be added, namely:-

“Any such alteration, extension or abridgement or, as the case may be, amalgamation or any change in the name, address or list of Directors, members of the executive committee, governing body or any other body of the society shall be intimated to the register for record within twenty-one days from the date of such alteration, extension, amalgamation or change, as the case may be.”

4. Substitution of section 19, Act XXI of 1860. - In the said Act, for section 19, the following shall be substituted, namely:

“19. Any person may inspect all documents filed with the register under this Act, or require a copy or extract of a copy of any document to be certified by the register, on payment of the fee specified in the Schedule to this Act in this behalf or such smaller fee as the Government may direct,”

5. Addition of a Schedule, Act XXI of 1860. - In the said Act, after section 20, the following Schedule shall be added, namely:

**THE FOREIGN DONATIONS (VOLUNTARY ACTIVITIES)
REGULATION ORDINANCE, 1978.**

Ordinance No. XLVI of 1978.

AN

ORDINANCE

- 1. Short title.** –This Ordinance may be called the Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978.
- 2. Definition.**– In this Ordinance, unless there is anything repugnant in the subject or context.-
 - (a) “foreign donation” means a donation, contribution or grant of any kind made for any voluntary activity in Bangladesh by any foreign Government or organization or a citizen of a foreign State and includes, except in the case of a donation made for such charity as the Government may specify any donation made for any voluntary activity in Bangladesh by a Bangladeshi citizen living or working abroad;
 - (b) “organization” means [a church or] a body of persons called by whatever name, whether incorporated or not, established by persons for the purpose of undertaking or carrying on any voluntary activity in Bangladesh;
 - (c) “prescribed” means prescribed by rules made under this Ordinance; and
 - (d) “voluntary activity” means a activity undertaken or carried on [partially or entirely with external assistance] by any person or organization of his or its own free will to render agricultural, relief,

missionary, educational, cultural, vocational, social welfare and developmental services and shall include any such activity as the Government may, from time to time, specify to be a voluntary activity;

3. Regulation of voluntary activity. – (1) Notwithstanding anything contained in any other law for the time being in force, no person or organization shall, save as provided in this ordinance, undertake or carry on any voluntary activity without prior approval of the government, nor shall any person or organization receive or operate, except with prior permission of the government, any foreign donation for the purpose of undertaking or carrying on any voluntary activity.

(2) A person or organization receiving or operating any foreign donation for the purpose of undertaking or carrying on any voluntary activity shall register himself or itself with such authority and in such manner as the Government may specify.

(3) Except in such cases as the Government may, by order in writing, exempt, all person and organization undertaking or carrying on voluntary activities with foreign donation, in whole or in part, shall submit to such authority and by such date as the Government may, by notification in the official Gazette, specify a declaration showing there in the foreign donation received by them, the source from which it has been received and the manner in which it has been utilized; Provided that, in a case where the Government considers it necessary, it may, by order, require such declaration to be submitted at any time to be specified in the order.

(4) A person or organization carrying on any voluntary activity immediately before the commencement of this Ordinance may continue so to carry on a voluntary activity for a period not exceeding six (6) months from such commencement unless the Government has, upon an application made in this behalf in such form and containing such particulars as the Government may direct, granted him or it a permission to continue so to undertake or carry on thereafter.

(5) Nothing in this section shall apply to an organization established by or under any law or the authority of the Government.

4. Power of inspection. – (1) The Government may, at any time, for reason to be recorded in writing, cause an inspection to be made, by one or more of its officers, of the books of accounts and other documents of any person or organization required to submit declaration under sub section (3) of section 3, and, where necessary, direct all such books of accounts and other documents to be seized.

(2) Every such person or organization shall produce books of accounts and other documents and furnish such statements and information's to such officer or officers as such officer or officers may require in connection with the inspection under sub-section(1).

(3) Failure to produce any books of accounts or other documents or to furnish any statement or information required under sub-section (2) shall be deemed to be contravention of the provision of this Ordinance.

5. Audits and accounts. (1) Every person or organization referred to in sub-section (1) of section 3 shall maintain his or its accounts in such manner and form as the Government may specify.

(2) The accounts of every such person or organization shall be audited by such persons or person as the Government may direct and two copies of the accounts so audited shall be furnished to the Government within two months after the financial year to which the accounts relate.

6. Penalty for false declaration etc. – [(1) If the Government is satisfied that any person or organization referred to in sub- section (1) of section 3 has failed to submit a declaration under sub- section (3) of that section or willfully submitted or caused to be submitted a declaration which he or it knows or has reason to believe to be false or has otherwise contravened any provision of this Ordinance, [it may, by order, cancel the registration of such person or organization or] stop any voluntary activity undertaken or carried on by such person or organization: Provided that no order under this section shall be made without giving such person or organization a reasonable opportunity of being heard.

[(2) Notwithstanding anything contained in sub-section (1), whoever receives or operates any foreign donation in contravention of the provisions of this Ordinance or any rules made there under shall be liable to pay a penalty of double the amount or value of the donation received or, as the case may be, operated, or to imprisonment for a term which may extend to three years or both].

[6A. Cognizance of offence. No court shall take cognizance of an offence under this Ordinance or any rules made there under except on a complaint made by the Government].

7. **Power to make rules.** The Government may by notification in the official Gazette, make rules to carry out the purpose of this Ordinance.

The Foreign Donations (Voluntary Activities) Regulation Rules, 1978.

- 1. Short title.** - The rules may be called the Foreign Donation (Voluntary Activities) Regulation Rules, 1978.
- 2. Definitions.** - In this rules, unless there is anything repugnant in the subject or context,-
 - [(a) “NGO Affairs Bureau” means the Non-Government Organization Affairs Bureau established by the Government;]
 - [(aa) ”Director General” means the Director General in the charge of the NGO Affairs Bureau, Government of the People’s Republic of Bangladesh; or such other officer as the Government may, by notification in the official gazette, authorize to exercise the powers and perform the functions of Director General under this rules;]
 - (b)”Form” means a Form annexed to these rules;
 - (c)”Ordinance” means the Foreign Donation (Voluntary Activities) Regulation Ordinance, 1978(XLVI of 1978); and
 - (d)” Section” means a section of the Ordinance.
- 3. Application for registration.**-(1) Any person or organization receiving or operating any foreign donation for the purpose of undertaking or carrying on any voluntary activity shall apply to the director general for a registration in form FD-1.
 - (2) The Director General may, on receipt of an application under sub-rule (1), call for any other information from the applicant which he may

consider necessary and the applicant shall furnish the information called for within the period specified in that behalf.

(3) The Director General may, after making such enquires as he may consider necessary to ascertain the correctness of the information as contained in the application and the information supplied under [sub-rule (2), if any, register the person or organization to be a person or organization for the purpose of undertaking or carrying on any voluntary activity [and such registration shall, unless earlier cancelled, remain valid for five years]:

Provided that no person or organization shall be registered without the prior approval of the Ministry of Home Affairs.

[(4) A person or an organization registered under sub-rule (3) may, at least six months prior to the date of expiry of his or its registrations, apply in such form as the Director General may specify in this behalf, for renewal of his or its registrations.]

[(5) The Director General may, on receipt of an application under sub-rule (4), call for any application from the applicant which he may consider necessary and the applicant shall furnish the called for within the period specified by the Director General in that behalf.]

[(6) The Director General may, after considering the information supplied under sub-rule (5), if any, renews the registration for a period of five years.]

[(7) No person or organization shall undertake or carry on any voluntary activity after the date of expiry of his or its registration for undertaking or carrying on such activity]:

Provided that a person or an organization may, in exceptional circumstances, be allowed by the Director General to undertake or carry on such activity for a period not exceeding six months from the date of such expiry if his or its application for renewal of registration is pending with the Director General.

[(8) An application under sub-rule (1) for registration or under sub-rule (4) for renewal of registration shall be accompanied by a treasury challan showing receipt of such fee as the Government may, from time to time, determine in this behalf.]

4. Application for approval and permission to receive and operate

foreign donation. (1) No person or organization registered under sub-rule (3) of rule 3 shall receive or operate any foreign donation without prior approval or permission of the Government for such receipt or undertaking.

(2) All application for approval or permission under sub-rule (1) shall be submitted to the [NGO Affairs Bureau] in Form FD-2.

[(3) OMITTED]

[(4) Every person or organization registered under sub-rule (3) of rule 3 shall receive the funds-

(a) In foreign exchange, or

(b) in local currency, if such funds are originated abroad in foreign exchange and received in local currency in Bangladesh, through only account opened in any schedule bank, which shall submit statements of such funds to the Bangladesh Bank and the NGO Affairs Bureau.]

(5) The Bangladesh Bank shall submit statements of the funds so received for each person or organization separately to the External Resource Division [and the NGO Affairs Bureau] in June and December every year.

5. Submission of declaration. - (1) All declarations under sub-section (3) of section 3 shall be submitted to the Government in the [President's Secretariat, Public Division, NGO Affairs Bureau and the External Resource division.]

(2) All declaration under sub-rule (1), if it relates to receipt of foreign donations, [and its utilization, shall be submitted in Form FD-3.]

(3) All declarations in respect of a person or organization carrying on voluntary activity immediately before the commencement of the ordinance shall be submitted within thirty days from such commencement and every six months thereafter, and in respect of other such persons or organizations in every six months.

[5A. Submission of schemes, etc, _

[(1) Every person or organization shall submit to the [NGO Affairs Bureau] his or its project on voluntary activities along with plan of its operation showing the estimated cost, expected receipts, source of receipts, purpose and objects and duration thereof on or before the 31 March preceding the financial year in which such project is to commence.]

(2) Each person [who is not a Bangladesh national,] engaged in voluntary activity shall submit his particulars with reference to nationality, period of stay in Bangladesh, remuneration, the agency under whose supervision

he is undertaking or carrying on voluntary activity, etc., to [NGO Affairs Bureau and the Ministry of Home Affairs.]

(3) Each organization shall [annually] submit to the [NGO Affairs Bureau and Ministry of Home Affairs] a statement showing all relevant particulars relating to age, qualification, nationality, period of service with the organization, remuneration, etc., of person engaged in different schemes undertaken or carried on by it [according to details of project personnel as shown in the project proforma.]

(4) Each organization shall obtain prior clearance of the [NGO Affairs Bureau and Ministry of Home Affairs] for employment of [any staff, who is not a Bangladesh National,] for its voluntary activity.

[(5) Every project on voluntary activities submitted under sub-rule (1) shall be accompanied by a treasury challan showing receipt of such service charge as the Government may, from time to time, determine in this behalf.]

5B. Submission of report on activities.-Every person or organization shall submit [yearly] report on his or its activities to the [NGO Affairs Bureau with copies to the Administrative Ministry, the Ministry of Home Affairs and the External Resource Division.]

[5BB. Deposit of fees and service charges.- The fees payable under sub-rule (8) of rule 3 and the service charge payable under sub-rule (5) of rule 5A shall be deposited in the Government treasury under c&v 065 Ki e`ZxZ vevvea c&vZ0&-Gi Aaxb 0GbuRI t` i tiuRtUkb, tiuRt÷kb bevqb, c&v Abtgv`b eve` wd/ mwwf PVR`Av` vq0 kxI R tMSY LvZ]

6. Maintenance of books of accounts. - (1) every person or organization undertaking or carrying on voluntary activities shall maintain books of accounts-

(a) Where the foreign donation relates to articles only, in form FD-5.

(b) Where the foreign donation relates to currency in the cash book and ledger book on double entry basis.

(2) Accounts under sub-rule (1) shall be maintained on a half-yearly basis, one for the period commencing on the 1st day of July and ending on the 31st day of December, and the other for the period for the commencing on the 1st day of January and ending on the 30th day on June.

(3) All books of accounts maintained under this rule shall be audited by a chartered accountant as defined in the Bangladesh Chartered Accountants Order, 1973, (P.O. 2 OF 1973), and two copies of accounts so audited shall be furnished [along with a certificate from the auditors in Form FD-4, to the NGO Affairs Bureau with a copy to External Resource Division and the Administrative Ministry concerning to the activity of the project.]

[7. Bank accounts.- Only one bank account shall be maintained by every person or organization authorized under this rules for receiving foreign donation: Provided that separate bank accounts for separate projects may be maintained for internal transaction after the donations have been received through the only bank account opened under sub-rule (4) of rule 4.]

8. Seizure of books of accounts.- (1) Every seizure of books of accounts and other documents under section 4 shall be made in accordance with the provision of the Code of Criminal Procedure, 1898 (Act V OF 1898), as they

apply to any search or seizure made under the authority of a warrant issued under section 98 of the Code.

(2) The officer or officers responsible for seizure of books of accounts and other documents under sub-rule (1) shall return them if no action is taken as required by the Ordinance.

9. Manner of service of order or direction,- An order under section 6 or any other order or direction made or issued under the Ordinance shall be served on the person or organization concerned in the following manner, that is to say-

(a) by delivering or rendering to that person or as the case may be, organization, or to his or its duly authorized agent; or

(b) by sending it to him by registered post with acknowledgement due to the address of his last known place of residence or the place where he carries on, or is known to have last carried on business, or the place where he personally works for gain, or is known to have last worked for gain, and in case the person is an organization to the last known address of the office of such organization; or

(c) if it cannot be served in any of the manner aforesaid, by affixing it on the outer door or some other conspicuous part of the premises in which that person resides, or carries on or is known to have last carried on, business, or is known to have last worked, and in case the person is an organization on the outer door or same other conspicuous part of the premises in which the office of that organization is located , or is known, to have been last located , and the written report whereof should be witnessed by at least two persons.

**THE FOREIGN CONTRIBUTIONS (REGULATION) ORDINANCE,
1982**

Ordinance No. XXXI of 1982

AN

ORDINANCE

- 1. Short title.** – The ordinance may be called the Foreign Contributions (Regulation) Ordinance, 1982.
- 2. Ordinance to override all other laws,** – The provision of this Ordinance shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force or in any contract or agreement.
- 3. Definition.** – In this Ordinance, unless there is anything repugnant in the subject or context, “ foreign contribution” means any donation, grant or assistance, whether in cash or in kind, including a ticket for journey abroad, made by any Government, organization or citizen of foreign state.
- 4. Receipt of foreign contribution without permission prohibited.** – (1) No citizen of, or organization in, Bangladesh shall receive any foreign contribution without the prior permission of the Government.
(2) No Government, organization or citizen of a foreign state shall make any donation, grant or assistance, whether in cash or in kind, including a ticket for journey abroad, to any citizen of, or organization in, Bangladesh without the prior permission of the Government.
(3) nothing in this section shall apply to an organization establish by or under any law or the authority of the Government.

5. Penalty, etc. – (1) Whoever receives or makes any foreign contribution in contravention of the provision of section 4 shall be punishable with imprisonment for a term which may be extended to six months, or which fine not exceeding to times the amount or value of the contribution, or which both.

(2) No court shall take cognizance of an offence under thus Ordinance except on a complaint made by the Government or any officer authorized by it in this behalf.

3.10 Disclosure

Disclosure means communication of pertinent information to the user group through annual reports. Disclosure is a process of communicating all details regarding the organization activities, which are to be disclosed either statutorily or otherwise and to convey a true and Fairview of the operating results and financial position to the users. “Disclosure means effective communication of meaningful information. It has been used almost interchangeably with the word Reporting. The word ‘Reporting’ is technically used when the person writing the same is providing his observations with regard to the matters on which he is asked to comment” (Agarwal, 1995).

Disclosure in financial reporting is the presentation of information necessary for the optimum operation of efficient capital markets. This implies that sufficient information should be presented to permit the prediction of future dividend trends and its variability and the co-variability of future returns with the market. Timely disclosure of relevant information tends to prevent surprises that may completely alter the outlook for the future of the firm. It

also tends to give investors greater confidence in the financial information available to them.

3.11 Types of disclosure

Three types of disclosure generally proposed are adequate disclosure, full disclosure and fair disclosure.

3.11.1 Adequate Disclosure

The most commonly used concept is adequate disclosure which implies that all material information needed by the users should be included in financial statements and reports. The concept of adequate disclosure plays a central role in both accounting theory and practice.

“Adequate disclosure means a minimum amount of disclosure so that the financial statements are not misleading” (Porwal, 2003). Financial statements and their accompanying footnotes or other explanatory materials should contain all of the pertinent data believed essential to the reader’s understanding. Disclosure is often based on value judgments rather than on objective facts. The usefulness of financial statements is enhanced by the use of headings and subheadings and by merging items in significant categories. For example, detailed information as to the amount of each in various special accounts and funds is not needed by the reader of financial statements.

3.11.2 Full Disclosure

Full disclosure means the presentation of all relevant information, “Full disclosure means that published financial statements and related notes should include all economic information related to the accounting entity that is significant enough to affect the decisions of an informed and prudent user of financial statements. Full disclosure is aimed at improving the clarity, quality, and quantity of economic data disclosed by the accounting entity. (Porwall, 2003)

The convention of full disclosure suggests that every financial statement should fully disclose all pertinent information that has a bearing on the figures in the statements and that will make possible a reasonable interpretation of their meaning. The convention also implies that the accounting records and statements conform to the generally accepted accounting principles. It would be more appropriate if a summary of the accounting principle followed in the preparation of financial statements is appended.

Full Disclosure in Financial Reporting

Full Disclosure Principle	Notes to Financial Statements	Disclosure Issues	Auditor's and Management's Reports	Current Reporting Issues
* increase in reporting requirements *Differential disclosure	* Accounting Policies * Common notes	* Special transaction or events * Post balance sheet events * Diversified companies * Interim reports	* Auditor's reports * Managements' reports	* Reporting on forecasts and projections * Internet financial reporting Fraudulent Financial Report * Criteria for accounting and reporting choices.

Source: Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield *intermediate Accounting*, Eleventh Edition (2004-2005), Wiley John Wilay & Sons, inc., P- 1272).

3.11.3 Fair disclosure: Fair disclosure is more positive concepts. It implies ethical objective of providing equal treatment for all potential reader. It also implies that the accounting and other information is unbiased and impartial.

3.12 The Problems of Disclosure

The Problems of Disclosure can be resolved in the light of the objectives of financial reporting. The objectives of disclosure vary from country to country. Basically questions relating to the user group, quantity of information, type of information, way of disclosure and time of disclosure should be solved.

3.13 The Information Content of Disclosure

Generally there are different users of accounting information and the objectives of using the information are different. So a question arises whether information should be user specific or general. Another question relates to the quantity of disclosure. Users need sufficient information to make sound decision. If sufficient, pertinent, reliable information is not disclosed then correct decisions can not be made. Accounting information may be disclosed in main body of the financial statement, notes to financial statement and Chairman's statement. Disclosure of accounting information should be made timely. If information is not disseminated timely then it loses its relevance. So, management should decide correctly regarding those aspects of disclosure. The environment in which the business operates must be taken into consideration, while making disclosure. The following information will be useful to all categories of users in all countries:

1. The traditional financial statement, namely balance sheet, income statement, the statement of retained earnings, statement of cash flows, chairman's speech, director's report, auditor's report, are usually included in the published annual reports of all the listed companies (Porwal 2003). All those financial statements provide information about different aspects of the company such as earnings position, financial position, estimated source of cash and distribution of cash etc. These are required by external users.

2. Besides those, the legal requirements of many countries may be:

- (i) Disclosure of accounting policies, including those on valuation of assets (current and non-current).
- (ii) Accounting change in accounting policies on methods of valuation, methods of charging depreciation, determination of earnings, etc.

- (iii) Events occurring after the balance sheet date.
- (iv) If certain assets are pledged as security to specific creditors, contingency liabilities and unrealized gains.
- (v) Disclosure of Segment-wise accounting information (product-wise, and geographic division-wise).
- (vi) Interim (quarterly) reports of the company's performance and financial position.
- (vii) Supplementary information on accounting adjustments for change in prices.
- (viii) Accounting for foreign transactions.
- (ix) Future prospect of the company. (Porwal 2003)

The above statement item of disclosure describes the different dimension of disclosure. But it will not be out of the way mention here that these items are not inclusive. There are so many aspects which need be disclosed for the audience of interest. These requirements have been determine by legal provision of the countries, Securities and Exchange Commission Rules and International Financial Reporting Standards.

3.14 Way of disclosure

The person responsible for disclosing the information must decide the way to disclose. In this context the authority concern should decide about the type of user, quality of user, content of disclosure and quantity of disclosure. Different kinds of investor invest in a company and their needs vary. Their level of understanding also varies because all the investors are not equally educated in accounting jargon. So, the provider of information must take in consideration all these things and should convey such type of information which is understandable by average prudent investors. The pattern of

presentation varies from country to country. Generally the following statements are prepared by the business firms.

1. Chairman's statement
2. Balance sheet
3. Income Statement
4. Statement of Change in Financial Position
5. Statement of Cash Flows

When income statement and balance sheets are prepared different explanations, interpretation and accounting policy matters need be furnished along with the financial statement. These are called notes to financial statement

The general methods of disclosure have been delineated in the following ways:

3.14.1 Chairman's statement: The chairman's statement is an indication of the companies past performance as well as it reflects the top management's direction of future strategic activities. It covers the various dimensions of the future activities of the business firm and the vision of the company.

3.14.2 Balance sheet: Balance sheet exhibits the financial position of a business firm as of a particular point of time. It shows assets, liabilities and owners equity. The amounts shown in balance sheet are credited by the chartered accountant. Though it is a fact that those amounts involve some best judgment estimation and approximation yet those figures are widely used by the users.

3.14.3 "Income Statement: Income statement portrays the result of financial performance of a business firm. This performance is measured

following the generally accepted accounting principles. The format of presentation is divided into two classes which are single step income statement and multi step income statement. The amount of income or its trend helps decision makers in taking decision.

3.14.4 Statement of Change in Financial Position: From this statement the users come to know about the future estimated cash receipt and disbursement. It shows the sources and destination of funds.

3.14.5 Statement of Cash Flows: The statement of cash flows starts with a beginning cash balance and ends are with a closing cash balance. It shows the sources of cash and usages of cash. From this statement users become aware of the possible sources of cash and usage of cash.

3.15 Notes to financial statements

Notes to financial statements can be presented in (i) Parentheses and (ii) Footnotes. Generally all significant information is presented in the main body of the financial statements. But all information and their necessary explanation can not be given in the main body in order to keep the financial statement clear and burden free. So, some explanations which are necessary for clear understanding of the information given in the main body of the financial statement should be furnished in the notes to the financial statement. When the captions are long then thus are shown in parenthesis.

Usually non-quantitative information and explanations which are of less important are furnished in the footnotes. Footnotes may contain text covering two or three pages. These footnotes state the accounting policy, change in accounting policy and procedure, change in accounting methods used, change in estimates, methods of inventory valuation, and any

restriction on dividends, market value of the assets carried at historical cost, contingent assets and liabilities and writes off common stock holders.

Footnotes should not be true long because investors have not so much time the contents of the footnote vary from country to country and from company to company. The contents depend on professional judgment.

3.16 Internet Financial Reporting

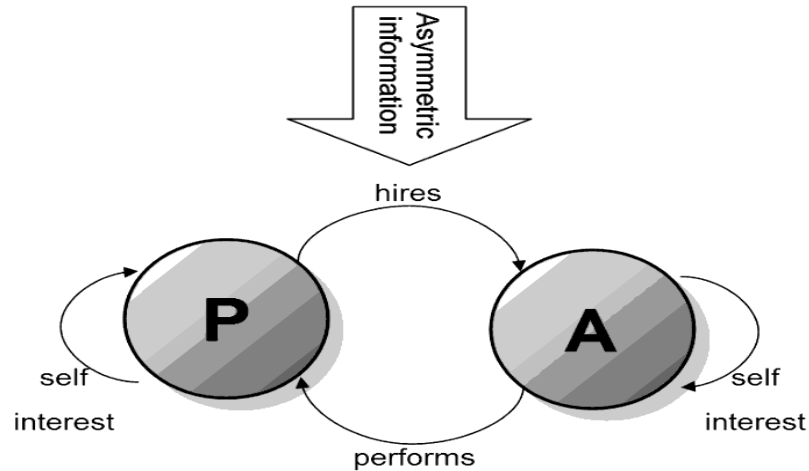
Many companies are now using internet and personal websites to disclose the information. It is now a very popular method of reporting. It reduces printing and publications costs and quickly supplies to the information to the users. Consequently one of the most useful quantitative characteristics of accounting information, i.e. relevance is achieved. The frequency of supplying different report may also be increased.

3.17 Agency Theory

A theory explaining the relationship between principals, such as a shareholder, and agents, such as a company's executives. In this relationship the principal delegates or hires an agent to perform work. The theory attempts to deal with two specific problems: first, that the goals of the principal and agent are not in conflict (agency problem), and second, that the principal and agent reconcile different tolerances for risk (Investorwords.com)

An agency is the relationship between two parties when one acts as a principal and the other acts as a agent who represents his principal in transactions with the third parties. Thus we observe that a principal hires an agent to perform on his behalf in the best interest of the principal and the principal transfers the decision-making power to the agent. The conflict or

problem emerges when each of the party acts against interest of the other. This phenomenon can be explained with the help of the following diagram.



Source: <http://www.investopedia.com/terms/a/agencytheory.asp>

It is apparent from the diagram that there is the problem of difference of interest and asymmetric information. The agent has more information in case of corporation and because of asymmetry of information the principal cannot determine that the agent is acting on his behalf and problem arises when activities are beneficial to the principal but costly to the agent.

This problem can be reduced to a great extent when the principal can obtain more information from the agent. This phenomenon calls for the supply or dissemination of adequate information to the audience-of-interest.

3.18 Stakeholder Theory

Stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. It was originally detailed by R. Edward Freeman in the books of *strategic management: A Stakeholder Approach*, and identifies and models the groups which are stakeholders of a corporation, and both describe and recommends

methods by which management can give due regard to the interests for those groups. (Wikipedia, the free encyclopedia)

In the traditional view of the firm, the shareholder view, the shareholders or stockholders are the owners of the company, and the firm has a binding fiduciary duty to put their needs first, to increase value for them. Stakeholder theory argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations and trade unions. Even competitors are sometimes counted as stakeholders- their status being derived from their capacity to affect the firm and its stakeholders. (Wikipedia, the free encyclopedia)

Thomas Donaldson (ethicist) and Preston argue that the theory has multiple distinct aspects that are mutually supportive: descriptive, instrumental, and normative. The descriptive approach is used in research to describe and explain the characteristics and behaviors of firms, including how companies are managed, how the board of directors considers corporate constituencies, the way that managers think about managing, and the nature of the firm itself. The instrumental approach use empirical data to identify the connections that exist between the management of stakeholder groups and the achievement of corporate goals. The normative approach, identified as the core of the theory by Donaldson and Preston, examines the function of the corporation and identifies the “moral or philosophical guidelines for the operation and management of the corporation. (Wikipedia, the free encyclopedia)

Stakeholder theory is defined by Rossouw et al. in *Ethics for Accountants and Auditors* and by Mintz et al. in *Ethical Obligations and Decision Making in Accounting*. (Wikipedia, the free encyclopedia)

Lastly from an evaluation of the different approaches advanced by Thomas Donaldson and augmented by Preston we can comment that the instrumental approach calls for empirical data for examination of the connection that exists among company and its stakeholders. This calls for disclosure of relevant information to the interested users.

3.19 Legitimacy Theory

Legitimacy theory is derived from political economic theory. This theory can be applied to explain why a business firm makes particular voluntary disclosure. Legitimacy is the status or condition which prevails when an entity's value system matches with that of the society.

Legitimacy theory posits that businesses are bound by the social contract in which the firms agree to perform various socially desired actions in return for approval of its objectives and other rewards, and this ultimately guarantees its continued existence. (<http://www.adbi.org/working->)

This legitimacy theory can be used as an explanation for voluntary corporate environmental disclosures in the annual report. Legitimacy theory posits that for a corporation to continue to exist it must act in congruence with society's values and norms (Dowling & Pfeffer, 1975). An aspect of legitimacy theory, investigated in this research, is that in order to continue to exist a corporation will act to remain legitimate in the eyes of whom it considers is able to affect its legitimacy. One way corporations act to remain legitimate to these important 'conferring publics', is to voluntarily disclose social and environmental information in the corporate annual report. (<http://www.adbi.org/working->)

3.20 Capital Market Theory

Portfolio theory is developed from capital market theory which builds a model for world risky assets. The concept of risky and risk free assets is very much important for capital market theory. In case of risk free asset the expected return on it and its standard deviation and co-variance of a risk free asset with risky asset is zero.

In finance there is an investment theory that states that financial markets are "informationally efficient". Consistently one cannot consistently earn return in excess of average market return on risk adjusted basis, given the information available at the time the investment is made.

There are three major versions of the hypothesis: "weak", "semi-strong", and "strong". The weak form of the efficient-market hypothesis (EMH) claims that prices on traded assets (e.g., stocks, bonds, or property) already reflect all past publicly available information. The semi-strong form of the EMH claims both that prices reflect all publicly available information and that prices instantly change to reflect new public information. The strong form of the EMH additionally claims that prices instantly reflect even hidden or "insider" information. (<http://www.investorwords.com>)

In efficient market hypothesis some investors may overreact and some may under react when they gate new information. In case of semi-strong-form of efficiency, share prices adjust to publicly available new information (<http://www.investorwords.com>)

Thus it is apparent that information regarding the company affairs in very much essential for the decision makers for taking correct, relevant decisions. This information can be released only through proper amount of disclosure.

We have so far discussed different theories relating to disclosure. But all the theories are not exactly related to the present study since, for example, the agency theory deals with the relationship of principal and agent and also regarding their interest. But the present study is concerned with the financial reporting practice of the NGOs and there is no such principal and agent relationship. There are donors and the NGOs and their interests are not detrimental to each other. The donor donates the money and the NGOs give an account of the money to different authorities including the donors.

The capital market theory is also not applicable to our study because NGOs are not enlisted in any stock exchange and those kinds of information are not required from the NGOs as are required by the company stakeholders.

As far as stakeholder theory is concerned it may be argued that different stakeholders have interests in the activities of the NGOs and they want to obtain information from the NGOs.

According to the legitimacy theory the NGOs have to legitimize their existence in the society. So, adequate information should be provided to the audience-of-interest to legitimize their operation and transparency of their works. So, it can be argued that those two theories are related to our study of the financial reporting practices of the NGOs.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

CHAPTER FOUR

Data Analysis and Interpretation

4.0 Introduction: Chapter four describes the disclosure practices followed by selected NGOs. An attempt has been made to examine the extent of disclosure, factors affecting the volume of disclosure. An un-weighted disclosure index has been constructed. The method of construction of index has been discussed in the methodology section of chapter two. We have conducted in regression analysis to examine the influence of the independent variables on the disclosure scores. Finally we conducted an opinion survey on the respondents using a five point likert scale. Our respondents consist of three groups: such as Chartered Accountant, Cost & Management Accountant and professor of accounting. The total number of respondent is 61. This chapter divided into four sections. Such as section 4.1, section 4.2, section 4.3 and section 4.4.

Section – 4.1

Characteristics of Financial Reporting Practice

4.1.1 Introduction: In order to achieve our first objective of examining the characteristics of the financial reporting practice of selected NGOs we have examined the annual reports, accounts manual of the selected NGOs. We have examined the nature of accounting system, chart of accounts, nature of internal check system, types of statement and reports. These have been examined to see whether the accounting system can support and generate necessary information that will be sufficient for users.

4.1.2 Accounting System of the Sample NGOs

From an analysis of questionnaire we observe that BRAC followed computerized accounting system and ASA followed partially manual accounting system and partially computerized accounting system.

From an analysis of BRAC accounts manual part one we observe that the following books, forms and registers are computerized such as: cash book, general ledger, salary register, pay slip, advance ledger, staff loan ledger, voucher forms (debit voucher, credit voucher, journal voucher transfer voucher), debit/credit notes, money receipt, income tax deduction at source register, VAT deduction at source register, security money deposit register and fixed asset register. This is maintained using independent software. (BRAC accounts manual 2007)

BRAC finance & accounts department uses customized software ‘cash and bank account management system’ to deal with all cash and bank transactions and keep record of cash and bank accounts accurately and reliably. This system has adequate functionalities to meet the department’s

requirement. This system is also flexible enough to accommodate any future requirement.

It integrates the entire activities finance & accounts department, that is, the system integrates general ledger with cash book and generates required reports. It is speedy, error free and has dynamic searching facilities and allows inputting of maximum transactions with minimum number of screens, multi-users to work at time. It provides information on all bank accounts all over Bangladesh at a glance. This system has multi-level access permission and generates a wide range of reports. The system is also equipped with daily data back up, Elaborate and diversified reporting facility, o/d facilities statement, reconciliation with bank statement, robust security, and produces detailed statement on salary payment.

Manual accounting system of ASA maintains the following books of accounts such as: journal, ledger, trial balance, bank reconciliation statement, special journal, subsidiary ledger, work sheet, consolidated balance sheet, consolidated statement of income and expenditure, consolidated statement of cash follows, consolidated statement of receipts and payments, consolidated statement of changes in fund.

Computerized accounting system of ASA maintains the following books of accounts such as: journal, ledger, trial balance, bank reconciliation statement, special journal, subsidiary ledger, work sheet, consolidated balance sheet, consolidated statement of income and expenditure, consolidated statement of cash follows. Consolidated statement of receipts and payments, consolidated statement of changes in fund

4.1.3 Chart of Accounts

BRAC and ASA are the biggest NGOs in Bangladesh. In the biggest NGOs, the chart of accounts is a vital link in the communication system between management and employees in that, on the one hand, it constitutes a controllable channel for issuing management instructions relative to accounting and, on the other hand, it constitutes a link in a dependable system of reporting result. Chart of accounts follows the organization chart in order to be consistent with growing emphasis upon accountability, responsibility and control. From a close examination of the accounts manual of the selected NGOs we observe that they maintain appropriate chart of account that is suitable for required financial reporting.

4.1.4 Other accounting practices

4.1.4.1 Preparation of statements

From a close examination of the accounts manual of the selected NGOs we observe that the NGOs under study prepare balance sheet, statement of income and expenditure, statement of change in net assets and statement of cash flows. The finance and accounts department of the selected NGOs also prepares and generates various reports and statements for donors which are quarterly financial report and half-yearly financial report, reports for external evaluators. They also prepare project wise report for the NGO bureau and also they have to prepare income tax report for the income tax authorities and various reports for Bangladesh Bank.

4.1.4.2 Internal check system

In order to exercise control over cash the selected NGOs use voucher system, cheque as mode of payment conducts surprise check of physical cash, acknowledge all receipts and payments, reconcile bank balance with

cash and usages internal control system. For approval of high level payment the approval of high authority is required.

4.1.4.3 Compliance with GAAP

From the opinion survey it has been found that both the selected NGOs comply with GAAP.

4.1.4.4 Compliance with standards

From the opinion survey we see that both the selected NGOs comply IASs/BASs and IFRSs/BFRSs, BRAC follow IASs/BASs NO. 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 20, 21, 23, 24, 26, 27, 28, 32, 36, 37, 38, 39, 40 and IFRSs/BFRSs no. 1.

ASA follows IASs/BASs no. 1, 7, 8, 10, 16, 18, 19, 23, 24, 37 and IFRSs/BFRSs no. 7.

4.1.4.5 Compliance with Acts/ Rules/ Ordinance

From the opinion survey we found that both the selected NGOs comply with various Acts, Rules and Ordinance. BRAC complies The Societies Registration Act. 1860, The Foreign Donation (Voluntary Activities) Regulation Ordinance 1978, The Company Act. 1994 and Micro Credit Regulator Authority Rules 2010. ASA complies The Societies Registration Act. 1860, The Company Act. 1994, Securities Exchange Rules 1987 and Micro Credit Regulatory Authority Rules 2010

4.1.4.6 Using of code

From the opinion survey we see that both the selected NGOs use code number for accounts.

4.1.4.7 Safeguarding of assets

From an analysis of opinion of the respondents it appears that both the selected NGOs take measure for the safeguarding of assets.

4.1.4.8 Methods of depreciation

From the opinion survey it is evident that both the selected NGOs charged depreciation by using straight-line method. BRAC’s annual depreciation rate is 2.5% to 33.33%. No, depreciation is charged on freehold land and construction work-in-process. ASA’s annual depreciation rate is 2.5% to 25%. Full year’s depreciation is charged on addition irrespective of the date of acquisition.

4.1.4.9 Provision for bad debts

From the opinion survey we see that both the selected NGOs apply different rates of bad debt losses. BRAC and ASA apply bad debt losses in the following Table:

For BRAC:

Loan classification	Days in arrears	Rate of provision on outstanding
Standard	current (no arrears)	2%
Watch list	1-30	5%
Substandard	31-180	25%
Doubtful	181-350	75%
Loss	350-above	100%

For ASA:

Loan classification	Days in arrears	Rate of provision on outstanding
Standard	current (no arrears)	1%
Watch list	1-30	5%
Substandard	31-180	25%
Doubtful	181-350	75%
Loss	350-above	100%

Section – 4.2

Evaluation of the Extent of Disclosure

4.2.1 Introduction: In order to achieve our second objective we have calculated disclosure scores using un-weighted index. The total score have been sub-divided into nine groups and finally the total score have been presented in Table no.4.10.

4.2.2 Year-wise disclosure scores on NGO profile items of the selected NGOs

Table No. 4.1

Table showing the disclosure scores on NGO profile items of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	85.71	85.71
2006	85.71	85.71
2007	85.71	85.71
2008	85.71	85.71
2009	100.00	100.00
Average	88.59	88.59
SD	6.39	6.39
CV	7.22	7.22
Maximum	100.00	100.00
Minimum	85.71	85.71

(Source: Annual Reports of BRAC and ASA)

From Table 4.1 we observe that the average disclosure scores of BRAC is 88.59 and ASA is 88.59 respectively during the period of study. The

standard deviations of disclosure scores of the selected units are 6.39 and 6.39 respectively. The coefficient of variation of disclosure scores of the selected items during the study period are 7.22 and 7.22. The maximum value of disclosure scores of BRAC is 100.00 and minimum value of disclosure scores is 85.71 and the maximum value of disclosure scores of ASA is 100.00 and minimum value of disclosure scores is 85.71. Thus we can comment that the extents of disclosure score on NGO profile items are excellent. So, we can see that the average disclosure scores, standard deviations, coefficient of variation, maximum value and minimum value of disclosure scores of BRAC and ASA are same.

4.2.3 Year-wise disclosure scores regarding the accounting policy items of the selected NGOs

Table No. 4.2

Table showing the disclosure scores regarding the accounting policy items of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	84.00	56.00
2006	76.00	64.00
2007	80.00	64.00
2008	80.00	60.00
2009	76.00	60.00
Average	79.20	60.80
SD	3.35	3.35
CV	4.23	5.50
Maximum	84.00	64.00
Minimum	76.00	56.00

(Source: Annual Reports of BRAC and ASA)

Table No. 4.2 shows the disclosure scores of the accounting policy items of the selected NGOs. The average disclosure scores of BRAC is 79.20 and that of ASA is 60.80 respectively during the period under study. The standard deviations of disclosure scores of the selected units are 3.35 and 3.35 respectively. The coefficient of variation of disclosure scores of the selected items during the study period are 4.23 and 5.50. The maximum value of disclosure scores of BRAC is 84.00 and minimum value of disclosure scores is 80.00 and that of ASA is 64.00 and minimum value is

56.00. So, we can comment that the average disclosure score of BRAC is higher than that of ASA which means that BRAC discloses more items regarding accounting policy items during the period under study.

In order to examine whether there is significant difference in disclosure score of the selected NGOs regarding accounting policy items we developed a null hypothesis which is:

H_{01} : There is no significant difference in disclosure score of the selected NGOs regarding the accounting policy items.

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is -6.782 which is significant at 0.002 levels. So our null hypothesis is rejected. This means that there is significant difference in disclosure score regarding accounting policy items of the selected NGOs.

4.2.4 Year-wise disclosure scores regarding the balance sheet items (assets) of the selected NGOs

Table No. 4.3
Table showing the disclosure scores regarding the balance sheet items (assets) of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	47.77	58.50
2006	44.44	47.38
2007	47.77	52.94
2008	47.77	58.50
2009	53.33	58.50
Average	48.22	55.16
SD	3.20	4.97
CV	6.64	9.01
Maximum	53.33	58.50
Minimum	44.44	47.38

(Source: Annual Reports of BRAC and ASA)

From Table 4.3 we observe that the average disclosure scores of BRAC is 48.22 and ASA is 55.16 respectively during the period under study. The standard deviation of disclosure scores of the selected units are 3.20 for BRAC and 4.97 for ASA respectively. The coefficient of variation of disclosure scores of the selected items during the study period are 6.64 and 9.01. The maximum value of disclosure scores for BRAC is 53.33 and minimum value of disclosure scores is 44.44 and the maximum value of disclosure scores for ASA is 58.50 and minimum value of disclosure scores is 47.38. So, we can comment that the average disclosure scores, standard

deviations, coefficient of variation of ASA are higher than those of BRAC which means that ASA discloses more items than BRAC.

In order to see whether there is significant difference in disclosure score of the selected NGOs regarding balance sheet items (assets) we developed a null hypothesis which is:

H_0 : There is no significant difference in disclosure score of the selected NGOs regarding the balance sheet items (assets).

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is -4.351 which is significant at 0.012 levels. So, our null hypothesis is rejected. This means that there is significant difference in disclosure score regarding balance sheet items (assets) of the selected NGOs.

4.2.5 Year-wise disclosure scores regarding the balance sheet items (liabilities) of the selected NGOs

Table No. 4.4

Table showing the disclosure scores regarding the balance sheet items (liabilities) of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	45.71	37.14
2006	52.85	38.57
2007	52.85	37.14
2008	52.85	35.71
2009	54.28	40.00
Average	51.71	37.71
SD	3.41	1.63
CV	6.59	4.32
Maximum	54.28	40.00
Minimum	45.71	35.71

(Source: Annual Reports of BRAC and ASA)

Table No. 4.4 shows the disclosure scores of the balance sheet items (Liabilities) of the selected units. The average disclosure scores of BRAC on those items are 51.71 and for ASA are 37.71 respectively during the study period. The standard deviations of disclosure scores of BRAC are 3.41 and ASA 1.63 respectively. The coefficient of variation of disclosure scores of the selected items during the study period are 6.59 and 4.32. The maximum value of disclosure scores for BRAC is 54.28 and minimum value of disclosure scores is 45.71 and the maximum value of disclosure scores for

ASA is 40.00 and minimum value of disclosure scores is 35.71. So, we can comment that the average disclosure score, standard deviation and coefficient of variation of BRAC are higher than those of ASA which means that BRAC discloses more items regarding balance sheet items (Liabilities) during the study period.

In order to find out whether there is significant difference in disclosure score of the selected NGOs regarding balance sheet items (liabilities) we developed a null hypothesis which is:

HO₃: There is no significant difference in disclosure score of the selected NGOs regarding the balance sheet items (liabilities).

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is 8.061 which is significant at 0.001 levels. So, our null hypothesis is rejected. This means that there is significant difference in disclosure score regarding balance sheet items (liabilities) of the selected NGOs.

4.2.6 Year-wise disclosure scores on income statement items (debit) of the selected NGOs

Table No. 4.5

Table showing the disclosure scores on income statement items (debit) of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	43.33	49.44
2006	55.55	60.55
2007	55.55	65.00
2008	57.77	76.11
2009	58.88	76.11
Average	54.22	65.44
SD	6.25	11.27
CV	11.54	17.22
Maximum	58.88	76.11
Minimum	43.33	49.44

(Source: Annual Reports of BRAC and ASA)

From Table 4.5 we observe that the average disclosure scores of BRAC is 54.22 and ASA is 65.44 respectively during the period of study. The standard deviations of disclosure scores of BRAC are 6.25 and ASA 11.27. The coefficient of variation of disclosure scores of BRAC and ASA are 11.54 and 17.22 respectively during the study period. The maximum value of disclosure scores of BRAC is 58.88 and minimum value of disclosure scores is 43.33 and the maximum value of disclosure scores of ASA is 76.11 and minimum value of disclosure scores is 49.44. So, we can see that the average disclosure scores, standard deviations, coefficient of variation of

ASA are higher than those of BRAC. This indicates that ASA discloses more items than BRAC during study period.

In order to examine whether there is significant difference in disclosure score of the selected NGOs regarding the income statement items (debit) we developed a null hypothesis which is:

HO₄: There is no significant difference in disclosure score of the selected NGOs regarding the income statement items (debit).

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is -4.036 which is significant at 0.016 levels. So, our null hypothesis is rejected. This means that there is significant difference in disclosure score regarding the income statement items (debit) of the selected NGOs.

4.2.7 Year-wise disclosure scores on income statement items (credit) of the selected NGOs

Table No. 4.6

Table showing the disclosure scores on income statement items (credit) of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	18.57	51.42
2006	18.57	50.00
2007	35.71	50.00
2008	42.85	51.42
2009	42.85	48.57
Average	31.71	50.28
SD	12.34	1.19
CV	38.93	2.37
Maximum	42.85	51.42
Minimum	18.57	48.57

(Source: Annual Reports of BRAC and ASA)

Table No. 4.6 shows the disclosure scores of the income statement items (credit) of the selected units. The average disclosure scores on those items for BRAC are 31.71 and for ASA are 50.28 respectively during the study period. The standard deviations of disclosure scores of BRAC are 12.34 and for ASA 1.19 respectively. The coefficients of variations of disclosure scores of the selected items during the study period are 38.93 and 2.37. The maximum value of disclosure scores of BRAC is 42.85 and minimum value of disclosure scores is 18.57 and the maximum value of disclosure scores of

ASA is 51.42 and minimum value of disclosure scores is 48.57. So, we can comment that the average disclosure score of ASA is higher than those of BRAC which means that ASA discloses more items regarding Income Statement Items (Credit) during the study period. In order to see that whether there is significant difference in disclosure score of the selected NGOs regarding the income statement items (credit) we developed a null hypothesis which is:

H_0 : There is no significant difference in disclosure score of the selected NGOs regarding the income statement items (credit).

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is -3.251 which is significant at 0.031 levels. So, our null hypothesis is rejected. This means that there is significant difference in disclosure score regarding the income statement items (credit) of the selected NGOs.

4.2.8 Year-wise disclosure scores on information as to projection and budgetary disclosure of the selected NGOs

Table No. 4.7

Table showing the disclosure scores on information as to projection and budgetary disclosure of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	66.66	55.55
2006	66.66	55.55
2007	55.55	66.66
2008	66.66	77.77
2009	77.77	66.66
Average	66.66	64.44
SD	7.86	9.30
CV	11.79	14.43
Maximum	77.77	77.77
Minimum	55.55	55.55

(Source: Annual Reports of BRAC and ASA)

From Table 4.7 we observe that the average disclosure scores of BRAC are 66.66 and for ASA it is 64.44 during the period of study. The standard deviations of disclosure scores of BRAC are 7.86 and for ASA it is 9.30. The coefficients of variations of disclosure scores of BRAC and ASA are 11.79 and 14.43 during the study period. The maximum value of disclosure scores of BRAC is 77.77 and minimum value of disclosure scores is 55.55 and the maximum value of disclosure scores of ASA is 77.77 and minimum value of disclosure scores is 55.55. So, we can see that the average

disclosure scores of BRAC is higher than those of ASA but standard deviations of disclosure scores and coefficient of variation of ASA is higher than those of BRAC.

In order to find out whether there is significant difference in disclosure score of the selected NGOs regarding the information as to projection and budgetary disclosure we developed a null hypothesis this is:

H_0 : There is no significant difference in disclosure score of the selected NGOs regarding the information as to projection and budgetary disclosure.

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is 0.408 which is insignificant at 0.704 levels. So, our null hypothesis is accepted. This means that there is no significant difference in disclosure score regarding the information as to projection and budgetary disclosure of the selected NGOs.

4.2.9 Year-wise disclosure scores on information relating to various useful statements of the selected NGOs

Table No. 4.8

Table showing the disclosure scores on information relating to various useful statements of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	75.00	62.50
2006	75.00	75.00
2007	62.50	62.50
2008	75.00	62.50
2009	87.50	87.50
Average	75	70
SD	8.84	11.18
CV	11.79	15.97
Maximum	87.50	87.50
Minimum	62.50	62.50

(Source: Annual Reports of BRAC and ASA)

From Table 4.8 we observe that the average disclosure scores of BRAC on the above stated items are 75.00 and for ASA it is 70.00 respectively during the period of study. The standard deviations of disclosure scores of BRAC are 8.84 and ASA 11.18 respectively. The coefficients of variations of disclosure scores of BRAC and ASA are 11.79 and 15.97 during the study period. The maximum value of disclosure scores of BRAC is 87.50 and minimum value of disclosure scores is 62.50 and the maximum value of disclosure scores of ASA is 87.50 and minimum value of disclosure scores is 62.50. So, we can observe that the average disclosure scores of BRAC is

higher than those of ASA which means that BRAC discloses more items regarding Information Relating to Various Useful Statements during the study period.

In order to examine whether there is significant difference in disclosure score of the selected NGOs regarding the information relating to various useful statements we developed a null hypothesis which is:

HO₇: There is no significant difference in disclosure score of the selected NGOs regarding the information relating to various useful statements.

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is 1.633 which is insignificant at 0.178 levels. So, our null hypothesis is accepted. This means that there is no significant difference in disclosure score regarding the information relating to various useful statements of the selected NGOs.

4.2.10 Year-wise disclosure scores on information useful for measurement and valuation method of the selected NGOs

Table No. 4.9

Table showing the disclosure scores on information useful for measurement and valuation method of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	63.64	81.82
2006	72.73	72.73
2007	81.82	72.73
2008	81.82	63.64
2009	72.73	72.73
Average	74.55	72.73
SD	7.61	6.43
CV	10.20	8.84
Maximum	81.82	81.82
Minimum	63.64	63.64

(Source: Annual Reports of BRAC and ASA)

Table No. 4.9 shows the disclosure scores on information useful for measurement and valuation method of the selected units. The average disclosure scores of BRAC are 74.55 and ASA is 72.73 during the study period. The standard deviations of disclosure scores of BRAC are 7.61 and ASA 6.43 respectively. The coefficients of variation of disclosure scores of the selected items during the study period are 10.20 and 8.84 for the selected NGOs. The maximum value of disclosure scores of BRAC is 81.82 and minimum value of disclosure scores is 63.64 and the maximum value of

disclosure scores of ASA is 81.82 and minimum value is 63.64. So, we can comment that the average disclosure score, standard deviation and coefficient of variation of BRAC is higher than those of ASA which means that BRAC discloses more items regarding Information Useful for Measurement and Valuation Method during the study period.

In order to see that whether there is significant difference in disclosure score of the selected NGOs regarding the information useful for measurement and valuation method we developed a null hypothesis which is:

HO₈: There is no significant difference in disclosure score of the selected NGOs regarding the information useful for measurement and valuation method of the selected NGOs.

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is 0.302 which is insignificant at 0.778 levels. So, our null hypothesis is accepted. This means that there is no significant difference in disclosure score regarding the information useful for measurement and valuation method of the selected NGOs.

4.2.11 Year-wise total disclosure scores of the selected NGOs:

Table No. 4.10

Table showing the total disclosure scores of the selected NGOs (%)

Financial Years	BRAC	ASA
2005	56.76	54.22
2006	56.76	55.12
2007	58.38	56.29
2008	60.81	57.19
2009	62.79	60.88
Average	59.10	56.74
SD	2.65	2.57
CV	4.48	4.54
Maximum	62.79	60.88
Minimum	56.76	54.22

(Source: Annual Reports of BRAC and ASA)

From Table 4.10 we observe that the total average disclosure score of BRAC is 59.10 and for ASA it is 56.74 respectively during the period of study. The standard deviations of total disclosure scores of BRAC are 2.65 and ASA 2.578 respectively. The coefficients of variations of total disclosure scores of BRAC and ASA are 4.48 and 4.64 during the study period. The maximum value of total disclosure scores of BRAC is 62.79 and minimum value of total disclosure scores is 56.76 and the maximum value of total disclosure scores of ASA is 60.88 and minimum value of total disclosure scores is 54.22. So, we observe that the total average disclosure scores and standard deviations of total disclosure scores of BRAC are higher than those of ASA.

But, the coefficient of variation of total disclosure scores of ASA is higher than those of BRAC.

In order to find out whether there is significant difference in disclosure score of the selected NGOs we developed a null hypothesis which is:

H_0 : There is no significant difference in total disclosure score of the selected NGOs.

Accordingly, we conducted a paired sample 't' test and the result shows that the value of t is 6.793 which are significant at 0.002 levels. So, our null hypothesis is rejected. This means that there is significant difference in total disclosure score of the selected NGOs.

4.2.12 Bar diagram present the year-wise total disclosure of the selected NGOs

4.1 Bar diagram showing the year-wise total disclosure score of the selected NGOs.

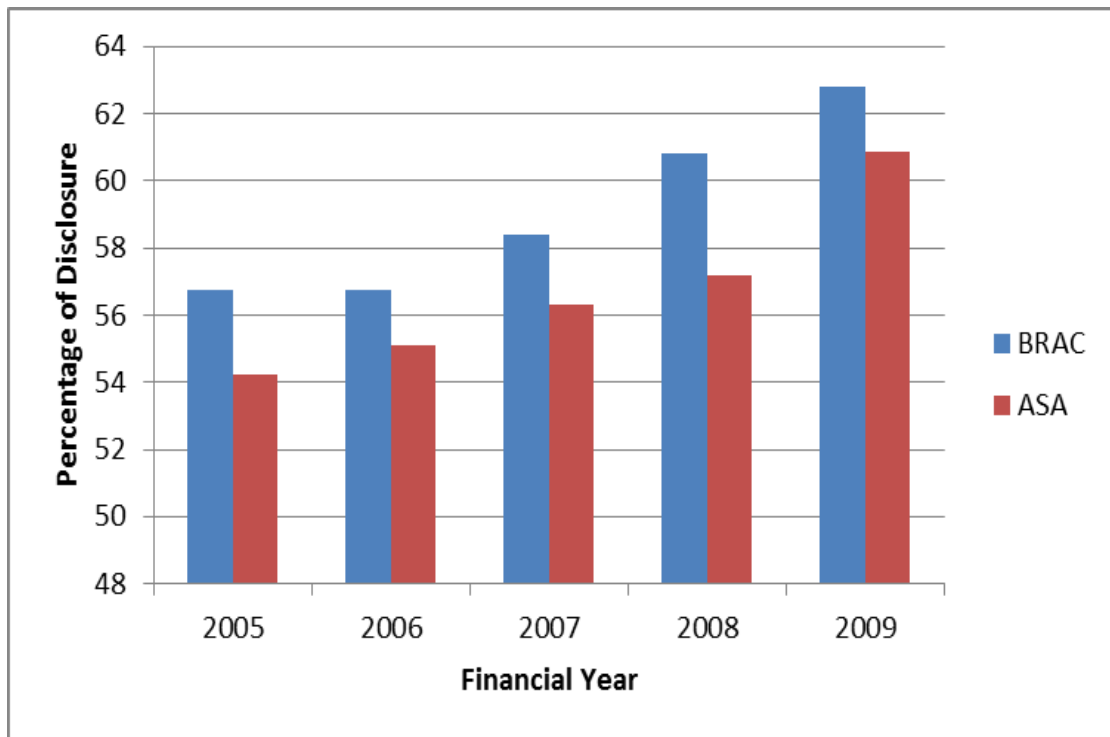


Diagram No. 4.1

From the above diagram we observe that the total disclosure score shown by BRAC is greater than that of ASA through the sample period. We also observe an increasing trend in disclosure score shown by both the NGOs.

Section -4.3

Examination of Association of Dependent & Independent Variables

4.3.1 Introduction: In order to achieve our third objective the researcher has constructed a disclosure index using dichotomous scale. Using that index the disclosure score of the selected NGOs have been calculated. These score have been used to conduct regression analysis to examine the extent of influence of independent variable on the dependent variables. The independent variables are size of the selected units represented by total assets, total revenues, and equity capital, leverage as proxied by debt equity ratio and total debt to total asset ratio and liquidity as proxied by current ratio, working capital ratio. We have conducted a regression analysis using ordinary least square method. We have used SPSS 7.5 for analyzing the data and our regression model is: $Y(t) = \alpha + \beta_1 x_1 + \epsilon$

4.3.2 Logic behind considering independent variables

Size of the company: The empirical work of Shingvi & Desai (1971), Buzby (1974), Firth (1979) and Chow and Wong-Boren (1987) support the fact that size of the company can explain the level of disclosure. The logical supports behind this are as follows:

- (i) Big-size firms have more resources with the help of which they can generate, process and disseminate more information to the audience-of-interest than the small-size firms.
- (ii) For fear of losing competitive advantage smaller firms do not want to disclose more information. Large firms have more capability to meet the challenge arriving from competitive forces.
- (iii) Large firms want to reduce the political pressure by disclosing more information. Government organizations and citizens keep

constant watch on big size firms who want to avoid criticism and control by the stakeholders.

- (iv) In most of the cases large firms have to meet their capital needs from the capital market. So, they have to disclose more to satisfy their creditors & potential stockholders.
- (v) Investors regard more disclosure as ‘good news’. So, large firms tend to disclose more information.

Leverage: Jensen & Meckling (1974) and Myers (1977) use agency theory to argue that potential transfer of wealth from bondholders to shareholders can take place in highly leveraged firms. To protect their economic interests, agency theory predicts that restrictive covenants may be written into debt contracts. In addition, management may voluntarily disclose information in financial reports for monitoring purposes. Thus, agency theory predicts that the level of voluntary disclosure increases as the leverage of the firm grows. Again, the empirical evidence on this hypothesis is contradictory. For instance, Bradbury (1992) found a positive association between leverage and the extent of voluntary segment disclosures among New Zealand firms, while Chow and Wong-Boren (1987) found no significant statistical relation between the two in Mexican companies. (Hossain, Tan and Adams 1994)

Fama and Miller (1972), Jensen and Meckling (1976), Smith and Warner (1979) among others, have observed that agency costs are higher for firms with proportionally more debt in their capital structure, suggesting a positive relationship between the extent of voluntary financial disclosure and leverage. (Chow and Wong-Boren 1987)

So, it is clear that leverage influences the volume of disclosure in business firm though there are negative findings.

Liquidity: The researcher has also conducted regression analysis using liquidity ratios as independent variables. The argument is that of a firm is liquid and has the ability to pay current obligations as and when they become due, then there will a tendency for the firms to disclose more information to users rather than to hide information.

Wallace, et al., (1994), have argued for a link between liquidity and the level of disclosure in the corporate annual report. Regulatory bodies as well as investors and lenders are particularly concerned with the going-concern status of companies. Companies that are able to meet their short-term obligations without recourse to liquidation of their assets, desire to make this fact known through disclosure in their annual reports (Belkaoui and Kahl, 1978)

Wallace, Naser and Mora (1994), Owusu-Ansah (1998) and Sejjaka (2003) have also used liquidity ratios as independent variables and regressed with disclosure score. Only Wallace, Naser and Mora found negative association of liquidity ratios with the level of disclosure. Other researchers found no significant relationship with liquidity ratios and level of disclosure score.

4.3.3 Disclosure scores vs. total assets

Table No. 4.11

Table showing the disclosure scores vs. total assets

Name of NGOs	R Square	F ratios	SL
BRAC	0.784	10.884	0.046
ASA	0.916	32.690	0.011

(Source: Annual Reports of BRAC and ASA)

In order to examine the influence of total assets on the disclosure score of selected NGOs we developed a null hypothesis which is:

H_{010} : The size of the NGOs as represented by total assets does not affect the volume of disclosure score of selected NGOs.

Accordingly, we conducted a regression analysis and the result is shown in Table 4.11. We observe from the Table that in case of both the NGOs, R^2 is significant at 0.046 and 0.011 level respectively which means that our null hypothesis is rejected. So, the size of the NGOs as represented by total assets affects the disclosure score of the selected NGOs.

4.3.4 Disclosure scores vs. total revenues

Table No. 4.12

Table showing the disclosure scores vs. total revenues

Name of NGOs	R Square	F ratios	SL
BRAC	0.957	65.987	0.004
ASA	0.882	22.346	0.018

(Source: Annual Reports of BRAC and ASA)

In order to find out the influence of total revenues on the disclosure score of selected NGOs we developed a null hypothesis which is:

H_{011} : The size of the NGOs as represented by total revenues does not affect the volume of disclosure score of selected NGOs.

Accordingly, we conducted a regression analysis and the result is shown in Table 4.12. We observe from the Table that in case of both the NGOs, R^2 is significant at 0.004 and 0.018 level respectively which means that our null hypothesis is rejected. So, the size of the NGOs as represented by total revenues affects the disclosure score of the selected NGOs.

4.3.5 Disclosure scores vs. equity capital

Table No. 4.13

Table showing the disclosure scores vs. equity capital

Name of NGOs	R Square	F ratios	SL
BRAC	0.916	32.831	0.011
ASA	0.898	26.445	0.014

(Source: Annual Reports of BRAC and ASA)

In order to see whether size as represented by the equity capital affects the disclosure score of selected NGOs we developed a null hypothesis which is:
 H_{012} : The size of the NGOs as represented by equity capital does not affect the volume of disclosure score of selected NGOs.

Accordingly, we conducted a regression analysis and the result is shown in Table 4.13. We observe from the Table that in case of both the NGOs, R^2 is significant at 0.011 and 0.014 level respectively which means that our null hypothesis is rejected. So, the size of the NGOs as represented by equity capital affects the disclosure score of the selected NGOs.

4.3.6 Disclosure scores vs. current ratio

Table No. 4.14

Table showing the disclosure scores vs. current ratio

Name of NGOs	R Square	F ratios	SL
BRAC	0.053	0.166	0.711
ASA	0.013	0.040	0.855

(Source: Annual Reports of BRAC and ASA)

In order to find out whether the liquidity as represented by current ratio affects disclosure score of the selected NGOs we developed a null hypothesis which is:

H_{013} : Liquidity as represented by current ratio does not affect the volume of disclosure score of the selected NGOs.

Accordingly, we conducted a regression analysis and the result is shown in Table 4.14. It is apparent from the Table that the significance level of R^2 is 0.711 and 0.855 respectively. So, we can conclude that the value of R^2 is insignificant and our null hypothesis is accepted. So current ratio does not affect the value of disclosure score of our selected NGOs.

4.3.7 Disclosure scores vs. debt equity ratio

Table No. 4.15

Table showing the disclosure scores vs. debt equity ratio

Name of NGOs	R Square	F ratios	SL
BRAC	0.115	0.391	0.576
ASA	0.127	0.435	0.557

(Source: Annual Reports of BRAC and ASA)

In order to examine the influence of debt equity ratio on disclosure score of the selected NGOs we developed a null hypothesis which is:

H_{014} : Debt equity ratio does not affect the volume of disclosure score of the selected NGOs.

Accordingly, we conducted a regression analysis and the result is shown in Table 4.15. It is apparent from the Table that the significance level of R^2 is 0.576 and 0.557 respectively. So, we can conclude that the value of R^2 is insignificant and our null hypothesis is accepted. So, debt equity ratio does not affect the value of disclosure score.

4.3.8 Disclosure scores vs. total debt to total assets ratio

Table No. 4.16

Table showing the disclosure scores vs. total debt to total assets ratio

Name of NGOs	R Square	F ratios	SL
BRAC	0.148	0.520	0.523
ASA	0.103	0.343	0.599

(Source: Annual Reports of BRAC and ASA)

In order to see whether total debt to total assets ratio affects disclosure score of the selected NGOs we developed a null hypothesis which is:

H_{015} : The total debt to total assets ratio does not affect the volume of disclosure score of the selected NGOs.

Accordingly, we conducted a regression analysis and the result is shown in Table 4.16. It is apparent from the Table that the significance level of R^2 is 0.523 and 0.599 respectively. So, we can conclude that the value of R^2 is insignificant and our null hypothesis is accepted. So, total debt to total assets ratio does not affect the value of disclosure score.

4.3.9 Disclosure scores vs. net working capital ratio

Table No. 4.17

Table showing the disclosure scores vs. net working capital ratio

Name of NGOs	R Square	F ratios	SL
BRAC	0.121	0.412	0.567
ASA	0.647	5.494	0.101

(Source: Annual Reports of BRAC and ASA)

In order to find out the effect of net working capital ratio on disclosure score of the selected NGOs we developed a null hypothesis which is:

Ho₁₆: Net working capital ratio does not affect the volume of disclosure score of the selected NGOs.

Accordingly, we conducted a regression analysis and the result is shown in Table 4.17. It is apparent from the Table that the significance level of R² is 0.567 and 0.101 respectively. So, we can conclude that the value of R² is insignificant and our null hypothesis is accepted. So, net working capital ratio does not affect the value of disclosure score.

4.3.10 Multiple regressions: In order to find out the extent of influence of all independent variables on the dependent variable (disclosure score), we have conducted a multiple regression analysis using SPSS. Accordingly our regression model is: $Y(t) = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \dots + \epsilon$

Table No. 4.18
Disclosure Scores Vs all independent variables

Name of	R Square	F ratios	SL
NGOs			
BRAC	1.00	-	-
ASA	1.00	-	-

(Source: Annual Reports of BRAC and ASA)

H_{017} : All the independent variables do not affect disclosure score.

From Table 4.19 we observe that in both the cases R^2 is 1 and its F ratio is – which indicates that the value of R^2 is highly significant.

Section-4.4

Analysis of Opinion Survey

4.4.1 Introduction: In order to have our fourth objective of judging the opinion of the selected NGOs we have conducted an opinion survey using a questionnaire consisting of 17 questions. Our respondents were professional Chartered Accountants, Cost & Management Accountants, and Professors of Accounting their opinions have been tabulated in this section.

4.4.2 The opinion on extent of compliance with legal framework is stated in Table no.4.19

Table No. 4.19

Table showing the opinion on extent of compliance with legal framework

Respondents	Greatly		Moderately		Slightly		Neutral		Not comply		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
CA	12	48	13	52	-	-	-	-	-	-	25	100
CMA	10	50	09	45	01	05					20	100
PA	05	31.25	09	56.25	01	6.25	01	6.25			16	100
Total	27	44.26	31	50.82	02	3.28	01	1.64	-	-	61	100

(Source: Field Survey)

Table 4.19 shows the opinion of the respondents regarding the extent of compliance with legal framework by the selected NGOs. It is evident from the above Table that 44.26% of the respondents think that the selected NGOs greatly comply with the legal framework and 50.82% of the respondents think that the selected NGOs moderately comply with the legal framework. Only 3.28% of the respondents opined that the selected NGOs comply with legal framework slightly and 1.64% was neutral. No respondent answered negatively.

In order to see whether there is significant difference of opinion among the respondents regarding the compliance with legal framework by the NGOs we conducted a chi-square test. Accordingly we developed a hypothesis which is:

H_{018} : There is no significant difference among the respondents regarding the compliance with legal framework by the selected NGOs.

By conducting the chi-square test we see that the value of $\chi^2=5.316$ which is significant at 0.504 level. So, our null hypothesis is accepted and we can conclude that there is no significant difference among the respondent regarding the compliance with legal framework by the selected NGOs.

4.4.3 The opinion on extent of the application of IASs & IFRSs is stated in Table no.4.20

Table No. 4.20

Table showing the opinion on extent of the application of IASs & IFRSs

Respondents	Greatly		Moderately		Slightly		Neutral		Not applicable		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
CA	05	20	15	60	05	20	-	-	-	-	25	100
CMA	08	40	10	50	02	10	-	-	-	-	20	100
PA	01	6.25	10	62.50	03	18.75	02	12.50	-	-	16	100
Total	14	22.95	35	57.37	10	16.40	02	3.28	-	-	61	100

(Source: Field Survey)

Table 4.20 shows the opinion of the respondents regarding the extent of the application of IASs & IFRSs by the selected NGOs. It is evident from the above Table that 22.95% of the respondents think that the selected NGOs greatly applicable of IASs & IFRSs and 57.37% of the respondents think that the selected NGOs moderately applicable of IASs & IFRSs and 16.40% of the respondents opined that the selected NGOs applicable of IASs & IFRSs slightly. Only 3.28% of the respondents opined that the selected NGOs applicable of IASs & IFRSs was neutral. No respondent answered negatively. In order to find out whether there is significant difference of opinion among the respondents regarding the application of IASs & IFRSs by the NGOs we conducted a chi-square test. Accordingly we developed a hypothesis which is:

Ho₁₉: There is no significant difference among the respondents regarding the application of IASs & IFRSs by the selected NGOs.

By conducting the chi-square test we see that the value of $\chi^2 = 11.241$ which is significant at 0.081 level. So, our null hypothesis is accepted and we can conclude that there is no significant difference among the respondent regarding the application of IASs & IFRSs by the selected NGOs.

4.4.4 The opinion on extent of understandability is stated in Table no. 4.21

Table No. 4.21
Table showing the opinion on extent of understandability

Respondents	Greatly		Moderately		Slightly		Neutral		Not under.		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
CA	13	52	12	48	-	-	-	-	-	-	25	100
CMA	10	50	10	50	-	-	-	-	-	-	20	100
PA	10	62.50	04	25	02	12.50	-	-	-	-	16	100
Total	33	54.10	26	42.63	02	3.27	-	-	-	-	61	100

(Source: Field Survey)

Table 4.21 shows the opinion of the respondents regarding the extent of understandability by the selected NGOs. It is evident from the above Table that 54.10% of the respondents think that the selected NGOs greatly understandable and 42.63% of the respondents think that the selected NGOs moderately understandable. Only 3.27% of the respondents opined that the selected NGOs understandable slightly. No respondent answered neutral and negatively.

In order to examine whether there is significant difference of opinion among the respondents regarding the extent of understandability by the NGOs we conducted a chi-square test. Accordingly we developed a hypothesis which is:

Ho₂₀: There is no significant difference among the respondents regarding the extent of understandability by the selected NGOs.

By conducting the chi-square test we see that the value of $\chi^2 = 7.507$ which is significant at 0.111 level. So, our null hypothesis is accepted and we can conclude that there is no significant difference among the respondent regarding the extent of understandability by the selected NGOs.

4.4.5 The opinion on extent of decision usefulness is stated in Table no. 4.22

Table No. 4.22

Table showing the opinion on extent of decision usefulness

Respondents	Greatly		Moderately		Slightly		Neutral		Not decision.		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
CA	10	40	15	60	-	-	-	-	-	-	25	100
CMA	11	55	07	35	02	10	-	-	-	-	20	100
PA	04	25	08	50	03	18.75	01	6.25	-	-	16	100
Total	25	41	30	49.17	05	8.20	01	1.63	-	-	61	100

(Source: Field Survey)

Table 4.23 shows the opinion of the respondents regarding the extent of decision usefulness by the selected NGOs. It is evident from the above Table that 41 % of the respondents think that the selected NGOs greatly comply with decision usefulness and 49.17% of the respondents think that the selected NGOs moderately comply with decision usefulness and 8.20% of the respondents opined that the selected NGOs comply with decision usefulness slightly. Only 1.63% of the respondents opined that the selected NGOs decision usefulness was neutral. No respondent answered negatively.

In order to see whether there is significant difference of opinion among the respondents regarding the compliance of decision usefulness by the NGOs we conducted a chi-square test. Accordingly we developed a hypothesis which is:

H_{021} : There is no significant difference among the respondents regarding the compliance of decision usefulness by the selected NGOs.

By conducting the chi-square test we see that the value of $\chi^2 = 10.492$ which is significant at 0.105 level. So, our null hypothesis is accepted and we can conclude that there is no significant difference among the respondent regarding the compliance of decision usefulness by the selected NGOs.

4.4.6 The opinion on extent of relevance is stated in Table no.4.23

Table No. 4.23
Table showing the opinion on extent of relevance

Respondents	Greatly		Moderately		Slightly		Neutral		Irrelevant		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
CA	13	52	12	48	-		-	-	-	-	25	100
CMA	06	30	12	60	02	10	-	-	-	-	20	100
PA	06	37.50	09	56.25	01	6.25	-	-	-	-	16	100
Total	25	41	33	54.09	03	4.91	-	-	-	-	61	100

(Source: Field Survey)

Table 4.23 shows the opinion of the respondents regarding the extent of relevance by the selected NGOs. It is evident from the above Table that 41% of the respondents think that the selected NGOs greatly relevant and 54.09% of the respondents think that the selected NGOs moderately relevant. Only 4.91% of the respondents opined that the selected NGOs slightly relevant. No respondent answered neutral and negatively.

In order to find out whether there is significant difference of opinion among the respondents regarding the extent of relevance by the NGOs we conducted a chi-square test. Accordingly we developed a hypothesis which is:

HO₂₂: There is no significant difference among the respondents regarding the extent of relevance by the selected NGOs.

By conducting the chi-square test we see that the value of $\chi^2 = 4.028$ which is significant at 0.402 level. So, our null hypothesis is accepted and we can conclude that there is no significant difference among the respondent regarding the extent of relevance by the selected NGOs.

4.4.7 The opinion on extent of reliability is stated in Table no.4.24

Table No. 4.24
Table showing the opinion on extent of reliability

Respondents	Greatly		Moderately		Slightly		Neutral		Not reliable		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
CA	10	40	15	60	-	-	-	-	-	-	25	100
CMA	11	55	07	35	02	10	-	-	-	-	20	100
PA	04	25	08	50	03	18.75	01	6.25	-	-	16	100
Total	25	41	30	49.17	05	8.20	01	1.63	-	-	61	100

(Source: Field Survey)

Table 4.24 shows the opinion of the respondents regarding the extent of reliability by the selected NGOs. It is evident from the above Table that 41% of the respondents think that the selected NGOs greatly reliable and 49.17% of the respondents think that the selected NGOs moderately reliable and 8.20% of the respondents opined that the selected NGOs slightly reliable. Only 1.63% of the respondents opined that the selected NGOs were neutral. No respondent answered negatively.

In order to examine whether there is significant difference of opinion among the respondents regarding the extent of reliability by the NGOs we conducted a chi-square test. Accordingly we developed a hypothesis which is:

H_{023} : There is no significant difference among the respondents regarding the extent of reliability by the selected NGOs.

By conducting the chi-square test we see that the value of $\chi^2 = 12.667$ which is significant at 0.049 level. So, our null hypothesis is rejected and we can conclude that there is significant difference among the respondent regarding the extent of reliability by the selected NGOs.

4.4.8 The opinion on extent of comparability is stated in Table no.4.25

Table No. 4.25
Table showing the opinion on extent of comparability

Respondents	Greatly		Moderately		Slightly		Neutral		Not comparab.		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
CA	11	44	13	52	01	04	-	-	-	-	25	100
CMA	09	45	07	35	04	20	-	-	-	-	20	100
PA	06	37.50	08	50	01	6.25	01	6.25	-	-	16	100
Total	26	42.63	28	45.90	06	9.84	01	1.63	-	-	61	100

(Source: Field Survey)

Table 4.25 shows the opinion of the respondents regarding the extent of comparability by the selected NGOs. It is evident from the above Table that 42.63% of the respondents think that the selected NGOs greatly comparable and 45.90% of the respondents think that the selected NGOs moderately comparable and 9.84% of the respondents opined that the selected NGOs slightly comparable. Only 1.63% of the respondents opined that the selected NGOs were neutral. No respondent answered negatively.

In order to see whether there is significant difference of opinion among the respondents regarding the extent of comparability by the NGOs we conducted a chi-square test. Accordingly we developed a hypothesis which is:

H_{024} : There is no significant difference among the respondents regarding the extent of comparability by the selected NGOs.

By conducting the chi-square test we see that the value of $\chi^2=6.903$ which is significant at 0.330 level. So, our null hypothesis is accepted and we can conclude that there is no significant difference among the respondent regarding the extent of comparability by the selected NGOs.

4.4.9 The opinion on extent of consistency is stated in Table no.4.26

Table No. 4.26

Table showing the opinion on extent of consistency

Respondents	Greatly		Moderately		Slightly		Neutral		Not consistent		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
CA	11	44	14	56	-	-	-	-	-	-	25	100
CMA	12	60	05	25	02	10	01	05	-	-	20	100
PA	05	31.25	09	56.25	02	12.50	-	-	-	-	16	100
Total	28	45.90	28	45.90	04	6.57	01	1.63	-	-	61	100

(Source: Field Survey)

Table 4.26 shows the opinion of the respondents regarding the extent of consistency by the selected NGOs. It is evident from the above Table that 45.90% of the respondents think that the selected NGOs greatly consistent and 45.90% of the respondents think that the selected NGOs moderately consistent and 6.57% of the respondents opined that the selected NGOs slightly consistent. Only 1.63% of the respondents opined that the selected NGOs were neutral. No respondent answered negatively.

In order to find out whether there is significant difference of opinion among the respondents regarding the extent of consistency by the NGOs we conducted a chi-square test. Accordingly we developed a hypothesis which is:

H_{025} : There is no significant difference among the respondents regarding the extent of consistency by the selected NGOs.

By conducting the chi-square test we see that the value of $\chi^2=9.379$ which is significant at 0.153 level. So, our null hypothesis is accepted and we can conclude that there is no significant difference among the respondent regarding the extent of consistency by the selected NGOs.

Test of reliability: In order to test the reliability of the result of the opinion survey we have conducted Cronbach Alpha test using SPSS 7.5. The result shows that the value of Alpha is 0.9806. So, we can comment that our result on the opinion survey is greatly reliable. We have also conducted Split-half test and the result shows that Alpha for part 1 is 0.9395 and Alpha for part 2 is 0.9795. So, the Split-half test also confirms the result of Cronbach Alpha test. So, it can be concluded that the result of opinion survey is reliable.

4.5 Conclusion: Disclosure of accounting information is very much essential for taking decisions by the interested parties. An endeavor has been taken in this study to measure the extent of disclosure. Un-weighted index has been used for measurement purpose. The study shows that there are significant differences in disclosure score of the selected NGOs regarding the accounting policy items, balance sheet items (assets), balance sheet items (liabilities), income statement items (debit), income statement items (credit), and the total disclosure score of the selected NGOs. Disclosure score regarding the information as to projection and budgetary disclosure, the information relating to various useful statements and the information useful for measurement and valuation method of the selected NGOs do not show any significant difference.

The regression result shows that the total assets, total revenue, and equity capital significantly affects the disclosure score of the selected NGOs. Other independent variables have not shown any significant association with the disclosure scores of the selected NGOs. Multiple regressions have also been conducted and R^2 is highly significant. Which means that all the independent variable taking together an explain the variability in disclosure score of the selected NGOs.

An examination of the opinion survey shows that there is significant difference of opinion among the respondents regarding the extent of reliability of accounting information of the selected NGOs. In other aspects the respondents do not differ.

In order to check the reliability and validity of data Cronbach Alpha test and Split-half test has been conducted. The result shows that the findings of the opinion survey are highly reliable.

CHAPTER FIVE

FINDINGS, CONCLUSION AND SUGGESTIONS

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Findings, Conclusion and Suggestions

5.1 Introduction

Accounting information can be considered as an important element of the decision making process. So far as NGOs of Bangladesh are concerned as international flow of funds from donors countries are available, those countries as well as Government of Bangladesh and the citizens of Bangladesh desire that accountability relating to those funds, transparency of accounts and full-fledged disclosure of information be made through the published financial statements. We believe that a study on the characteristics of financial reporting practice of those NGOs is likely to reflect as to what extent those NGOs have disseminated accounting information so that one can measure their contribution to the socio-economic development of the country. That information is not only to be looked in from accounting point of view but also from multi-disciplinary behavioral point of view. However, measure increase in the quantity of accounting information may not be proved to be effective. The relative importance of the information to the decisions makers is actually important. From this perspective the present study on the financial reporting practice of the NGOs have been made. Before suggesting any measure for the improvement of the financial reporting practice of the NGOs the financial reporting practice of the selected NGOs has been examined.

5.2 Summary of Findings

5.2.1 Findings pertaining to the first objective

Accounting System of the Sample NGOs

From an analysis of questionnaire it is apparent that BRAC follows computerized accounting system and ASA follows partially manual accounting system and partially computerized accounting system.

Chart of Accounts

From a close examination of the accounts manual of the selected NGOs it is evident that they maintain appropriate chart of accounts that is suitable for required financial reporting.

Preparation of statements

From a close scrutiny of the accounts manual of the selected NGOs it is apparent that the NGOs under study prepare balance sheet, statement of income and expenditure, statement of change in net assets and statement of cash flows. The finance and accounts department of the selected NGOs also prepares and generates various reports and statements for donors which are quarterly financial report and half-yearly financial report, reports for external evaluators. They also prepare project-wise report for the NGO Affairs Bureau and also they have to prepare income tax report for the income tax authorities and various reports for Bangladesh Bank.

Internal check system

In order to exercise control over cash the selected NGOs use voucher system, cheque as mode of payment, conducts surprise check of physical cash, acknowledge all receipts and payments, reconcile bank balance with cash and use internal control system. For approval of huge amount of payment the approval of high authority is required.

Compliance with GAAP: From the opinion survey it has been found that both the selected NGOs comply with GAAP.

Compliance with standards

From the opinion survey we see that both the selected NGOs comply with IASs/BASs and IFRSs/BFRSs. BRAC follows IASs/BASs NO. 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 20, 21, 23, 24, 26, 27, 28, 32, 36, 37, 38, 39, 40 and IFRSs/BFRSs no. 1.

ASA follows IASs/BASs no. 1, 7, 8, 10, 16, 18, 19, 23, 24, 37 and IFRSs/BFRSs no. 7.

Compliance with Acts/ Rules/ Ordinance:

From the opinion survey it is found that both the selected NGOs comply with various Acts, Rules and Ordinance. BRAC complies with The Societies Registration Act. 1860, The Foreign Donation (Voluntary Activities) Regulation Ordinance 1978, The Companies Act. 1994 and Micro Credit Regulator Authority Rules 2010. ASA complies with The Societies Registration Act. 1860 The Companies Act. 1994 and Micro Credit Regulatory Authority Rules 2010

Using of code: From the opinion survey it is apparent that both the selected NGOs use code number for accounts.

Safeguarding of assets: From an analysis of opinion of the respondents it appears that both the selected NGOs take measure for the safeguarding of assets.

Methods of depreciation

From the survey of annual reports it is evident that both the selected NGOs charged depreciation by using straight-line method. BRAC's annual

depreciation rate as seen in the annual report is 2.5% to 33.33%. ASA's annual depreciation rate is 2.5% to 25%.

Provision for bad debts

From the opinion survey it is apparent that both the selected NGOs apply different rates of bad debt losses. BRAC applies rate of provision on outstanding at the rate of 2% to 100% and ASA applies rate of provision on outstanding at the rate of 1% to 100%. Different rate of provision on outstanding loan depend on days in arrears.

5.2.2 Findings pertaining to the second objective

The study finds significant differences in disclosure score regarding accounting policy items, balance sheet items (assets), balance sheet items (liabilities), the income statement items (debit), the income statement items (credit), and the total disclosure score of the selected NGOs. But it has failed to show any significant difference in disclosure score regarding the information as to projection and budgetary disclosure, the information relating to various useful statements and the information useful for measurement and valuation method of the selected NGOs.

5.2.3 Findings pertaining to the third objective

The univariate regression analysis reveals that the size of NGOs proxied by the total assets, total revenue, and equity capital significantly affects the disclosure score of the selected NGOs while the liquidity as proxied by current ratio, net working capital ratio and leverage as proxied by debt-equity ratio, total debt to total assets ratio do not affect the extent of disclosure score.

5.2.4 Findings pertaining to the fourth objective

If we turn towards the result of opinion survey on the respondents we observe that the results of chi-square test on opinion survey documents no significant difference among the respondents regarding the compliance with legal framework, the application of IASs & IFRSs, the extent of understandability, the compliance of decision usefulness, the extent of relevance, the extent of comparability and the extent of consistency by the selected NGOs. But there is significant difference among the respondents regarding the extent of reliability by the selected NGOs.

5.3 Conclusion

The NGOs play a significant role for the economic development of Bangladesh. This economic development depends to a great extent on the disclosure of accounting information because accurate and relevant accounting information about NGOs help their management as well as the Government to keep them on the right direction. Here, reliable and relevant information about NGOs have a role to play. It is evident from our study that the selected NGOs follow GAAP and IASs/BASs such as IASs BASs No. 1, 7, 8, 10, 16, 18, 19, 23, 24, and 37 but the total element of disclosure of are not sufficient. However, the extent of disclosure by the NGOs is moderate, though they follow chart of accounts, use internal check system and comply with the relevant Acts. They also take measure for safeguarding of their assets and they use a wide range of depreciation rates. The study provides testimony to the fact that there is significant difference in disclosure scores and regarding balance sheet and income statement items except for projection and budgetary items and for information relating to valuation methods.

The study evidenced significant associations between disclosure score and size as proxied by total assets, revenue and equity capital but no association was found between disclosure score and liquidity as well as leverage. Finally, respondents were unanimous regarding compliance with legal framework, application of IASs & IFRSs and the extent of understandability with the exception of reliability. If the suggestions are implemented then the transparency of the NGOs as well as the disclosure will be improved.

5.4 Suggestions

1. NGOs are registered under The Society Registration Act 1860 which has been amendment in 1978. The Foreign Donation (Voluntary Activities) Regulation Ordinance 1978 provides directives regarding audit of accounts and submission of audited report to the Government within two months after the close of the financial year. It also provides for penalty for false declaration. NGOs are also controlled by the Foreign Contribution (Regulation) Ordinance 1982. This Ordinance does not permit any individual or organization to receive any money before prior permission by the Government. It also provides for penalty in contravention of the duration of section four but no such aforesaid Acts or Ordinances and Rules have not mentioned any provision regarding disclosure of information by the NGOs. Consequently, NGOs do not have to include detailed information into the financial statements. This provides an opportunity for the NGO executives not to disclose adequately. So, sufficient provisions for disclosure should be inserted into the Acts to ensure transparency of accounts.

2. The Acts are also silent regarding the number of financial statements and their contents. So, provision should be made in the said Acts regarding the type of financial statement, number of financial statement, frequency of the issuance of financial statement.
3. The accounting system of the selected NGOs should be computerized.
4. An Act that contains sufficient provision regarding disclosure of its different dimension should be enacted and strict compliance with the Act must be ensured.
5. Disclosure provision regarding receipts and payment of money, accounting policy followed, valuation method of assets, purpose of spending the donation, frequency of report preparation, audit lag allowed and rules regarding changes in accounting policy should be clearly mentioned in concerned Act that will deal with NGO affairs.
6. Strict adherence to financial rules regarding NGOs dealing with monetary affairs with the public should be ensured.
7. Sufficient measures should be taken by the Government of Bangladesh so that any NGO cannot receive any money from the foreign donors through illegal means such as hundi since there is a possibility of spending this money in the illegal sector.

In fine it can be concluded that the present study has been conducted using two selected NGOs. Further in-depth study on disclosure can be conducted taking more NGOs as sample and covering more dimensions and more time.

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APPENDICES

Appendix # 1

Questionnaire for the Chief Financial Executive

1. Name of the organization?
 - (a)
2. Year of establishment?
 - (a)
3. What types of accounting system do you maintain?
 - (a) Manual accounting system.
 - (b) Computerized accounting system.
 - (c) Both types of accounting system.
4. If your accounting system is manual, which books do you maintain?
 - (a) Journal.
 - (b) Ledger.
 - (c) Trial balance.
 - (d) Cash book.
 - (e) Bank reconciliation statement.
 - (f) Special journal.
 - (g) Subsidiary ledger.
 - (h) Adjusted trial balance.
 - (i) Work sheet.
5. If your accounting system is computerized, which software do you use?
 - (a) ACCPAC.
 - (b) Tally.
 - (c) Peachtree.
 - (d) Account time.
 - (e) QuickBooks.
 - (f) Book keeper.
 - (g) Decease 2010.
 - (h) MYOB Business Essential.

6. Do you follow same accounting system in area office, regional office, and Head office?
 - (a) Yes.
 - (b) No.

7. Is there any chart of accounts in your office?
 - (a) Yes.
 - (b) No.

8. Do you assign any code for the chart of account?
 - (a) Yes.
 - (b) No.

9. If answer to question no.8 is yes, then what type of coding system do you use?
 - (a) Block coding system.
 - (b) Group coding system.
 - (c) Mnemonic coding system
 - (d) Sequence coding system

10. How do you disclose your financial information?
 - (a) In main body of financial statement.
 - (b) In notes to financial statement.
 - (c) In chairman's statement.

11. Do you prepare interim financial statement?
 - (a) Yes.
 - (b) No.

12. Do you publish financial statement timely?
 - (a) Yes.
 - (b) No.

13. Do you disclose adequate information for decision making?
 - (a) Yes.
 - (b) No.

14. Is there any internal control system in your organization?
 - (a) Yes.
 - (b) No.

15. Are there any measures for safeguarding the assets of the organization?
 - (a) Yes.
 - (b) No.

16. How is access to the computer room allowed?
 - (a) By giving special code no. to the user.
 - (b) By giving ID card/Punch card.
17. Do you have separate persons for receiving checks from the mail and posting them to the computer?
 - (a) Yes.
 - (b) No.
18. Is there any preventive control system in your organization?
 - (a) Yes.
 - (b) No.
19. Do you have any system for prevention of frauds in accounts?
 - (a) Yes.
 - (b) No.
20. Do you transfer your employees from one department to another?
 - (a) Yes.
 - (b) No.
21. From which organization do you get finance?
 - (a) EKN, DFID, RNE, CIDA, NOVIB, AKF, NORAD. (For Education Program)
 - (b) NOVIB, AusAID, DFID, CIDA. (For Challenging the Frontiers of Poverty Reduction Program)
 - (c) Plan Bangladesh, UNICEF, United Way International, CIDA, and NOVIB. (Flood Relief and Rehabilitation Activities)
 - (d) NOVIB, Australia High Commission, Charities Aid Foundation-America, Conrad N. Hilton Foundation, The Johanniter, Ford Foundation, AusAID, DFID, BRAC USA, WFP.(Cyclone Relief and Rehabilitation Activities)
22. What Acts/ Rules/ Ordinance do you follow to prepare your annual report?
 - (a) The Societies Registration Act, 1860.
 - (b) The Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978.
 - (c) The Foreign Donations (Voluntary Activities) Regulation Rules, 1978.
 - (d) The Foreign Contributions (Regulation) Ordinance, 1982.
 - (e) The Company Act, 1994.
 - (f) Securities Exchange Rules 1987.
23. Do you follow any BASs & BFRSs to prepare your financial statements?
 - (a) Yes.
 - (b) No.

24. If answer to question no.23 is yes then would you please mention which the following BASs & BFRSs do you use to prepare your financial statements?

IAS	BAS	Title	<input type="checkbox"/>
IAS-1	BAS-1	Presentation of financial statement	<input type="checkbox"/>
IAS-2	BAS-2	Inventories	<input type="checkbox"/>
IAS-7	BAS-7	Cash Flow Statement	<input type="checkbox"/>
IAS-8	BAS-8	Accounting Policies, Changes in Accounting Estimates and Errors	<input type="checkbox"/>
IAS-10	BAS-10	Events After the Balance Sheet Date	<input type="checkbox"/>
IAS-11	BAS-11	Construction Contracts	<input type="checkbox"/>
IAS-12	BAS-12	Income Taxes	<input type="checkbox"/>
IAS-14	BAS-14	Segment Reporting	<input type="checkbox"/>
IAS-16	BAS-16	Property, Plant and Equipment	<input type="checkbox"/>
IAS-17	BAS-17	Lease	<input type="checkbox"/>
IAS-18	BAS-18	Revenue	<input type="checkbox"/>
IAS-19	BAS-19	Employee Benefit	<input type="checkbox"/>
IAS-20	BAS-20	Accounting for Government Grants and Disclosure of Government Assistance	<input type="checkbox"/>
IAS-21	BAS-21	The Effects of Changes in Foreign Exchange Rate	<input type="checkbox"/>
IAS-23	BAS-23	Borrowing Costs	<input type="checkbox"/>
IAS-24	BAS-24	Related Party Disclosure	<input type="checkbox"/>
-----	BAS-25	Accounting for Investments	<input type="checkbox"/>
IAS-26	BAS-26	Accounting and Reporting by Retirement Benefit Plans	<input type="checkbox"/>
IAS-27	BAS-27	Consolidated Financial Statement & Accounting for Investment in Subsidiaries	<input type="checkbox"/>
IAS-28	BAS-28	Accounting for Investment Associates	<input type="checkbox"/>
IAS-29	-----	Financial Reporting in Hyperinflationary Economics	<input type="checkbox"/>
IAS-30	BAS-30	Disclosures in the Separate Financial Statements of Banks and Similar Financial Institutions	<input type="checkbox"/>
IAS-31	BAS-31	Interests in Join Ventures	<input type="checkbox"/>
IAS-33	BAS-33	Earnings Per Shares	<input type="checkbox"/>
IAS-34	BAS-34	Interim Financial Reporting	<input type="checkbox"/>
IAS-36	BAS-36	Impairment of Assets	<input type="checkbox"/>
IAS-37	BAS-37	Provisions, Contingent Liabilities and Contingent Assets	<input type="checkbox"/>
IAS-38	BAS-38	Intangible Assets	<input type="checkbox"/>
IAS-39	BAS-39	Financial Instrument: Recognition and Measurement	<input type="checkbox"/>
IAS-40	BAS-40	Investment Property	<input type="checkbox"/>
IAS-41	BAS-41	Agriculture	<input type="checkbox"/>
IFRS-1	BFRS-1	First Time Adoption of International Financial Reporting Standard	<input type="checkbox"/>
IFRS-2	BFRS-2	Share-Based Payment	<input type="checkbox"/>
IFRS-3	BFRS-3	Business Combination	<input type="checkbox"/>
IFRS-4	BFRS-4	Insurance Contract	<input type="checkbox"/>
IFRS-5	BFRS-5	Non-Current Assets Held for Sale and Discontinued operations	<input type="checkbox"/>
IFRS-6	BFRS-6	Exploration and Evaluation of Mineral Resources	<input type="checkbox"/>
IFRS-7	BFRS-7	Financial Instruments: Disclosure	<input type="checkbox"/>
IFRS-8	BFRS-8	Operating Segments	<input type="checkbox"/>

25. What financial statements do you prepare?
- (a) Balance sheet.
 - (b) Statement of Income and Expenditure.
 - (c) Statement of Changes in Net Assets.
 - (d) Statement of Cash Flows.
26. Are those financial statements prescribed by any authoritative body?
- (a) Yes.
 - (b) No.
27. Who is your auditing firm?
- (a) Ernst & Young, Malaysia. , S. F. Ahmed & Co.
 - (b) Baker Tilly Monterio Heng, Malaysia. , ACNABIN & Co.
 - (c) J. R. Chowdhury & Co., S. K. Barua and Co.
 - (d) Masih Muhit Haque &Co., K. M. Alam, Khaleque & Co.
 - (e) Ahmed Zakir & Co., Rahman Rahman Haque.
28. For how many years have they been auditing your accounts?
- (a) Below 5 years.
 - (b) 5-10 years.
 - (c) 11-15 years.
 - (d) 16-20 years.
 - (e) 21 an above.
29. Have you ever received any qualified or adverse opinion from the auditors?
- (a) Yes.
 - (b) No.
30. If answer to question no.29 is yes, then would you please mention the reasons for qualifying?
- (a)
 - (b)
 - (c)
 - (d)
31. Do your donor organizations appoint auditors for you?
- (a) Yes.
 - (b) No.

32. To which authorities do you send your annual reports?
 - (a) NGO Affairs Bureau.
 - (b) External Resource Division.
 - (c) Bangladesh Bank.
 - (d) Administrative Ministry.
33. Is there any obligation to do so?
 - (a) Yes.
 - (b) No.
34. Do you follow GAAP in preparing your annual reports?
 - (a) Yes.
 - (b) No.
35. Do you think that you consistently follow GAAP in preparing the annual reports?
 - (a) Yes.
 - (b) No.
36. Who is the chief executive officer in your organization?
 - (a) Chairperson.
 - (b) President.
37. Would you please supply me with the rates of interest charged by BRAC in different sectors of loans and advances?
 - (a)
 - (b)
 - (c)
 - (d)
38. Do you classify your loans and advances?
 - (a) Yes.
 - (b) No.
39. Do you consistently follow the valuation method of your retail inventories?
 - (a) Yes.
 - (b) No.
40. What method do you follow in translating foreign currency?
 - (a) Current/Non-current method.
 - (b) Monetary/Non-monetary method.
 - (c) Current rate method.

41. Who measures the impairment in the value of your assets?
 - (a)
 - (b)
 - (c)
 - (d)
42. What criteria do you use for recognizing revenue?
 - (a)
 - (b)
 - (c)
 - (d)
43. Do you recognize appreciation in the value of your fixed assets?
 - (a) Yes.
 - (b) No.
44. If answer to question no.43 is yes, what contra account is created?
 - (a) Valuation surplus.
 - (b) Revaluation reserve.
45. Have you ever made any change in estimate of either the economic life or residual value of fixed assets?
 - (a) Yes.
 - (b) No.
46. What type of approach do you follow in recording the change in estimate?
 - (a) Prospective approach
 - (b) Retroactive approach.
 - (c) Current approach
47. Have you ever made any change in accounting principles such as change in method of depreciation or change in method of inventory valuation?
 - (a) Yes.
 - (b) No.
48. If answer to question no.47 is yes, what approach do you follow?
 - (a) Prospective approach.
 - (b) Retroactive approach.
 - (c) Current approach

49. How do you disclose change in estimate or change in accounting principles in your accounts?
- (a) In main body of annual reports.
 - (b) In Chairperson's statement.
 - (c) In notes to financial statement.
50. Do you have to submit your annual reports to income tax authorities?
- (a) Yes.
 - (b) No.
51. In how many activities is BRAC engaged?
- (a) Economic Development Program-Microfinance.
 - (b) Social Development, Human Rights & Legal Service Program.
 - (c) Health Program.
 - (d) Education Program.
 - (e) Program Support Enterprises, etc.
52. To what authorities do you have to report for those activities?
- (a)
 - (b)
 - (c)
 - (d)
53. Is there any non- profit making activities conducted by BRAC?
- (a) Yes.
 - (b) No.
54. What is your annualized rate of interest in case of micro credit?
- (a)
55. Do you disclose your annualized rate of interest to your customers before lending?
- (a) Yes.
 - (b) No.
56. Do you disclose annualized rate of interest in the annual reports?
- (a) Yes.
 - (b) No.
57. Have you any sort of guidelines from any donor institutions regarding disclosure?
- (a) Yes.
 - (b) No.

58. Do you classify your loans and prepare aging schedule of loans?

- (a) Yes.
- (b) No.

59. When do you write off non performing loan?

- (a)
- (b)
- (c)
- (d)

60. How do you apply different rates of bad debt losses to loans past due for different periods?

Types	Days in Arrears	% of bad debt loss
(a) Standard	Current (no arrears)	3%
(b) Watch list	1-30	5%
(c) Substandard	31-180	20%
(d) Doubtful	181-350	75%
(e) Loss	Over 350	100%

61. Do you disclose the amount of bad debt losses in your annual reports?

- (a) Yes.
- (b) No.

62. What is the frequency of your reporting?

- (a) Monthly.
- (b) Quarterly.
- (c) half-yearly.
- (d) Annually.

63. What is the total lag of your reporting?

- (a) 2 months.
- (b) 3 months.
- (c) 4 months.
- (d) 5 months.
- (e) 15 months.

64. What is the maximum time within which you have to conduct AGM?

- (a)
- (b)

Appendix # 2

Questionnaire for the Accounting Experts

Please give your opinion by putting a tick in the relevant points

Part-A: Respondent's Profile

1. Name of Respondent: _____
2. Organization/Institution: _____
3. Position held: _____
4. Academic Qualification (Please tick the highest one):
 - Graduate Post Graduate Others
5. Professional Qualifications
 - CA CMA ACA ACMA FCA FCMA
 - Others (Please specify): _____
6. Please specify which one of the following age group do you belong to?

Age group in years	Tick
Bellow 30 years	<input type="checkbox"/>
30 to 35 years	<input type="checkbox"/>
36 to 40 years	<input type="checkbox"/>
41 to 45 years	<input type="checkbox"/>
46 to 50 years	<input type="checkbox"/>
51 years and above	<input type="checkbox"/>
7. Please state your basic discipline of education:
 - Commerce Arts Science Engineering Others
8. Please specify the present occupational experience period:
 - (i) Bellow 5 years.
 - (ii) 5 to 10 years.
 - (iii) 11 to 15 years
 - (iv) Above 16 years

Part-B: Evaluation of Financial Statement

9. Please state your opinion about the extent of compliance with legal framework while preparing of the financial statement of the selected NGOs.
- (a) Greatly comply with legal framework.
 - (b) Moderately comply with legal framework.
 - (c) Neutral.
 - (d) Slightly Comply with legal framework.
 - (e) Do not comply with legal framework.
10. Please state your opinion about the extent of the application of IASs & IFRSs in preparing the financial statement of the selected NGOs.
- (a) IASs & IFRSs are greatly applicable.
 - (b) IASs & IFRSs are moderately applicable.
 - (c) Neutral.
 - (d) IASs & IFRSs are slightly applicable.
 - (e) IASs & IFRSs are not applicable at all.
11. Please state your opinion about the extent of understandability of the accounting information given in the annual reports of the selected NGOs.
- (a) Greatly understandable.
 - (b) Moderately understandable.
 - (c) Neutral.
 - (d) Slightly understandable.
 - (e) Not understandable at all.
12. Please state your opinion about the extent of decision usefulness of the accounting information given in the annual reports of the selected NGOs.
- (a) Greatly decision useful.
 - (b) Moderately decision useful.
 - (c) Neutral.
 - (d) Slightly decision useful.
 - (e) Not decision useful at all.
13. Please state your opinion about the extent of relevance of the accounting information given in the annual reports of the selected NGOs.
- (a) Greatly relevant.
 - (b) Moderately relevant.
 - (c) Neutral.
 - (d) Slightly relevant.
 - (e) Irrelevant.

14. Please state your opinion about the extent of reliability of the accounting information given in the annual reports of the selected NGOs.
- (a) Greatly reliable.
 - (b) Moderately reliable.
 - (c) Neutral.
 - (d) Slightly reliable.
 - (e) Not reliable at all.
15. Please state your opinion about the extent of comparability of the accounting information given in the annual report of the selected NGOs.
- (a) Greatly comparable.
 - (b) Moderately comparable.
 - (c) Neutral.
 - (d) Slightly comparable.
 - (e) Not comparable at all.
16. Please state your opinion about the extent of consistency of the accounting information given in the annual report of the selected NGOs.
- (a) Greatly consistent.
 - (b) Moderately consistent.
 - (c) Neutral.
 - (d) Slightly consistent.
 - (e) Inconsistent.
17. Do you have any suggestion for improving financial reporting system of the selected NGOs in Bangladesh? If yes please write some points.
- (a)
 - (b)
 - (c)

Appendix # 3

Un-Weighted Disclosure Index

A. Company Profile Items		Score	2005	2006	2007	2008	2009
1. Name of the NGOs	1						
2. Date of incorporation	1						
3. Chairman report	1						
4. Director report	1						
5. Audited annual report	1						
6. Sources of fund	1						
7. Corresponding figure of previous years	1						
Sub Total		7					
B. Accounting Policies Items							
1. Basis of preparation of financial statements	1						
2. Donor grants	1						
3. Revenue recognition principles	1						
4. Expenses	1						
5. Property, plant and equipment	1						
6. Loans to VO Members	1						
7. Provision for liabilities	1						
8. Investments in Related Undertakings	1						
9. Investment in securities and others	1						
10. Accounts Receivable	1						
11. Inventories	1						
12. Motorcycle replacement fund	1						
13. Provision for loan losses	1						
14. Loans written off	1						
15. Foreign currency translations	1						
16. Self-Insurance funds	1						
17. Employee gratuity fund	1						
18. Deferred taxation	1						
19. Borrowing costs	1						
20. Loan to partner NGOs	1						
21. Impairment of Assets	1						
22. Cash and Cash Equivalents	1						
23. Emergency fund	1						

24. Capital fund		1						
25. Segregation of liabilities		1						
Sub total			25					
C. Balance sheet items (Assets)								
Information about current assets								
1. Cash and bank balance								
(i) Cash in hand	0.25							
(ii) Cash at bank	0.25							
(iii) Cash in transit and subsequent clearance	0.25							
(iv) Current, term deposit, etc	0.25	1						
2. Information about inventories								
(i) Raw materials and components	0.10							
(ii) Work in progress	0.10							
(iii) Finished goods	0.10							
(iv) Seeds and feed	0.10							
(v) Medical supplies and consumables	0.10							
(vi) Printing and stationery	0.10							
(vii) Handicraft goods	0.10							
(viii) Dairy products	0.10							
(ix) Program materials	0.10							
(x) Information as to valuation method	0.10	1						
3. Information as to inventory recording system								
(i) Perpetual	0.50							
(ii) Periodic	0.50	1						
4. Loans and advances								
(i) Loan and advances with accrued interest	0.10							
(ii) Accrued interest on employees advance	0.10							
(iii) Loan to partner NGO	0.10							
(iv) Executives	0.10							
(v) Association of related undertaking companies	0.10							
(vi) Controlled firms	0.10							
(vii) Employees	0.10							
(viii) Suppliers	0.10							
(ix) Advance for tax	0.10							
(x) Deposits for facilities and	0.10	1						

utilities								
5. Disclosures as to deposits and prepayments								
(i) Security deposit with desa	0.33							
(ii) Short term prepayments	0.33							
(iii) Current account balances with statutory authorities	0.34	1						
6. Accrued interest, tax refunds		1						
7. Information about property, plant and equipment								
(i) Freehold land	0.10							
(ii) Buildings	0.10							
(iii) Furniture and fixtures	0.10							
(iv) Equipment	0.10							
(v) Vehicles	0.10							
(vi) Machinery	0.10							
(vii) Deep tube well and tank	0.10							
(viii) Hatchery	0.10							
(ix) Camp/poultry/livestock sheds	0.10							
(x) Motorcycles	0.10	1						
8. Construction work in progress		1						
9. Disclosure as to long term prepayments and deferred costs								
(i) Long term deposits	0.20							
(ii) Long term prepayments	0.20							
(iii) Deferred costs	0.20							
(iv) Preliminary expenses	0.20							
(v) Pre-operation expenses	0.20	1						
10. Sundry debtors		1						
11. Investment in related undertakings		1						
12. Loans to village organization members		1						
13. Motor cycle loans		1						
14. Information as to fixed deposits		1						
15. Information as to prepayment		1						
16. Rent and other receivable		1						
17. Staff housing loan to employees		1						
18. Outstanding loan		1						
Sub Total			18					
D. Balance sheet items (Liabilities)								
1. Disclosure as to long term loans								

(i) Banking companies and financial institutions	0.10						
(ii) Subsidiary companies	0.10						
(iii) Controlled firm	0.10						
(iv) Managing agent	0.10						
(v) Employees' benefits fund	0.10						
(vi) Government of Bangladesh	0.10						
(vii) PKSF, Bangladesh	0.10						
(viii) Directors including chief executive	0.10						
(ix) Related parties	0.10						
(x) Others	0.10	1					
2. Information as to long term liabilities							
(i) Members' savings	0.20						
(ii) Members' security fund	0.20						
(iii) Members' husband/Guardians' security fund	0.20						
(iv) Loan from CORDAID, Netherlands	0.20						
(v) Loan from ADB	0.20						
3. Information as to deferred income							
(i) Transferred from grants received in advance	0.50						
(ii) Amortization to statement of income and expenditure	0.50	1					
4. Information as to deferred liabilities							
(i) Deferred taxation	0.50						
(ii) Deferred liabilities for retirement and other staff benefit	0.50	1					
5. Long term deposits							
(i) From customers	0.50						
(ii) From employees' and others	0.50	1					
6. Information as to current liabilities							
(i) PKSF Bangladesh	0.10						
(ii) Members' security fund	0.10						
(iii) Members' husbands/Guardians' security fund	0.10						
(iv) Loan from CORDAID, Netherlands	0.10						
(v) Loan from ADB	0.10						
(vi) Loan from commercial bank	0.10						

(vii) Earnest money and security deposits	0.10						
(viii) Employees' benefits fund	0.10						
(ix) Employees' provident fund	0.10						
(x) Advance rental income and others	0.10	1					
7. Disclosure as to -							
(i) VO members' savings deposits	0.10						
(ii) VO members' project and current account	0.10						
(iii) Grants received in advance account	0.10						
(iv) Provision for taxation	0.10						
(v) Provision for expenses	0.10						
(vi) Accounts payable	0.10						
(vii) Liabilities for goods	0.10						
(viii) Bank overdraft	0.10						
(ix) Advances received for training, publications, supplies etc	0.10						
(x) Donor grants	0.10	1					
Sub Total			7				
E. Income statement items (debit)							
1. Information as to							
(i) Salaries, allowances and fees	0.20						
(ii) Stationary, postage, stamp etc and general administrative expenses	0.20						
(iii) Printing and advertisement expenses	0.20						
(iv) Internet, telegram, telephone and communication expenses	0.20						
(v) Fees and commission expenses	0.20	1					
2. Information as to legal expenses		1					
3. Information as to taxes on income		1					
4. Information as to-							
(i) Chairman and directors' remuneration	0.50						
(ii) Auditors fees	0.50	1					
5. Information as to statutory and general reserve		1					
6. Information as to interest expenses and similar charges		1					
7. Disclosure as to-							

(i) Depreciation of fixed assets and expenses	0.20						
(ii) Repair expenses of machinery	0.20						
(iii) Repair expenses of furniture	0.20						
(iv) Repair expenses of buildings	0.20						
(v) Depreciation on repairs and maintenance	0.20	1					
8. Information as to-							
(i) Amount expended on human resource	0.25						
(ii) Loss from sale of or dealing with non-banking assets	0.25						
(iii) Allowances for doubtful debts	0.25						
(iv) Charitable donations	0.25	1					
9. Disclosure about							
(i) House property related expenses	0.05						
(ii) Education program	0.05						
(iii) Challenging the frontiers of poverty reduction program	0.05						
(iv) Nutrition program	0.05						
(v) Health and population program	0.05						
(vi) Micro finance program	0.05						
(vii) Poultry and livestock extension program	0.05						
(viii) Fisheries extension program	0.05						
(ix) Agriculture and sericulture extension program	0.05						
(x) Livelihood development program	0.05						
(xi) Grants for BRAC Sri Lanka	0.05						
(xii) Research, monitoring and evaluation	0.05						
(xiii) Provisions for loans and advances	0.05						
(xiv) Provisions for gratuities	0.05						
(xv) Small business loan program	0.05						
(xvi) Small entrepreneur lending program	0.05						
(xvii) Hardcore poor program	0.05						
(xviii) Flood and rehabilitation program	0.05						
(xix) Provision for bad debts	0.05						
(xx) Others	0.05	1					
Sub Total			9				

F. Income statement items (credit)								
1. Disclosure as to-								
(i) Profit from ordinary activities	0.50							
(ii) Profit from operations	0.50	1						
2. Income from balances with financial institutions		1						
3. Details about-								
(i) Investment income	0.50							
(ii) Gains less losses arising from investment securities	0.50	1						
4. Information as to-								
(i) Interest and similar income	0.10							
(ii) Interest income from debentures	0.10							
(iii) Interest on bill and treasury bills	0.10							
(iv) Training income	0.10							
(v) Earning from consultancy fees	0.10							
(vi) Interest from other NGOs	0.10							
(vii) Gains on foreign currency translation	0.10							
(viii) Sales proceeds of bag, rain coat, publication	0.10							
(ix) Write up in value of investment in securities	0.10							
(x) Gain on disposal of property, plant and equipment	0.10	1						
5. Information as to-								
(i) Donor projects	0.10							
(ii) Commercial projects	0.10							
(iii) Program support enterprises	0.10							
(iv) Sale of wastage materials	0.10							
(v) Service charge on loans to VO members	0.10							
(vi) Reversal of impairment losses	0.10							
(vii) Rental income from house property	0.10							
(viii) Non financial income	0.10							
(ix) Income from non financial assets	0.10							
(x) Misappropriated money refund	0.10	1						
6. Interest received on loans and advances		1						
7. Partial reimbursements on cost of program supplies		1						

Sub Total			7					
G. Information as to projections and budgetary disclosure								
1. Disclosure as to loss on sale of investment		1						
2. Disclosure as to profit on sale of investment		1						
3. Information about pension and retirement plans		1						
4. Information about employees social welfare scheme		1						
5. Information about number of cases filed for recovery of loan		1						
6. Information about cash inflow		1						
7. Information about cash outflow		1						
8. Information relating to sale of property and other assets		1						
9. Information relating to transfer of research and development		1						
Sub Total			09					
H. Information as to various ratios								
1. Current ratio		1						
2. Acid test ratio		1						
3. Gross profit ratio		1						
4. Net profit ratio		1						
5. Operating ratio		1						
6. Rate of return on investment		1						
7. Debt-equity ratio		1						
8. Debt to total capital ratio		1						
9. Debt to total assets ratio		1						
10. Interest coverage ratio		1						
Sub total			10					
I. Information relating to various useful statements								
1. The income statement		1						
2. The balance sheet		1						
3. Cash flow statement		1						
4. Statement of change in equity		1						
5. Comparative balance sheet		1						

6. Comparative income statement		1						
7. Statement of the firm's objectives and policies		1						
8. Statement of money exchanged with Government		1						
Sub total			8					
J. Information useful to measurement and valuation method								
1. Amount of depreciation		1						
2. Fixed assets valuation method		1						
3. Basis of overall valuation		1						
4. Method used in calculating depreciation		1						
5. Depreciation policy		1						
6. Consistency of the method		1						
7. Rate of depreciation		1						
8. Gains and losses on disposal of property		1						
9. Estimated useful life and change in estimate(if any)		1						
10. Disclosure about related party transactions		1						
11. Disclosure of significant financial transactions		1						
Sub total			11					
Grant Total			111					