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Compliance with Accounting Standards in Financial Reporting of Commercial Banks in Bangladesh

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University of Rajshahi

COMPLIANCE WITH ACCOUNTING STANDARDS IN FINANCIAL REPORTING OF COMMERCIAL BANKS IN BANGLADESH

PhD DISSERTATION

BY

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PhD Fellow
Session: 2010-11
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OCTOBER 2013

DEDICATION

TO
MY PARENTS

DECLARATION

I do hereby declare that the dissertation entitled, "***Compliance with Accounting Standards in Financial Reporting of Commercial Banks in Bangladesh***" submitted to the Institute of Bangladesh Studies, University of Rajshahi in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Accounting and Information Systems is exclusively my own and original work. No part of it, in any form, has been submitted to any other University or Institute for any degree, diploma, or for other similar purposes. All the information derived from the published and unpublished works of other authors have been acknowledged, and references have been cited duly.

Rajshahi
October 2013

Mohammad Jahangir Alam
PhD Fellow
2010-11 Session
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CERTIFICATE

I have the pleasure to certify that the dissertation entitled "***Compliance with Accounting Standards in Financial Reporting of Commercial Banks in Bangladesh***" is an original work of Mohammad Jahangir Alam. The research has been conducted under my academic guidance and supervision. The researcher himself prepared the dissertation, and this is not a conjoint work. He has made distinct contribution to the field of Accounting through this fundamental work. To the best of my knowledge, this dissertation or any part of it has not been submitted to any other university for any degree.

I have gone through the draft and final version of the dissertation and found it satisfactory for submission to the Institute of Bangladesh Studies, University of Rajshahi in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Accounting and Information Systems.

Rajshahi
October 2013

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(Mohammad Jahangir Alam)

ABSTRACT

Financial reporting is the most effective and widely used medium through which management communicates to corporate stakeholders the operating results as well as the latest financial position of the enterprise. Users, both external and internal, depend largely on the financial information contained in the annual financial statements duly signed by external auditors in making informed judgment about an entity. At the same time, it is a tool in the hands of management to mislead the users of financial reporting. Accounting standards are the comprehensive guidelines in preparation and disclosure of financial information and serve as the benchmark for high quality financial reporting. The prime objective of this dissertation is to examine the level and extent of compliance with Bangladesh Financial Reporting Standards (BFRS/BAS) by commercial banks in Bangladesh in preparation and disclosure of financial information. The study investigates all the regulatory and professional requirements relating to the financial reporting of commercial banks and found that a complex set of banking regulation exists in Bangladesh. Some provisions of BFRS/BAS related to disclosure are in contradiction with other regulatory requirements particularly with Bangladesh Bank Circulars. It reveals that Accounting Standards are mandatory for listed companies only. The researcher prepared a disclosure checklist containing 371 items covering all the adopted BAS/BFRS in Bangladesh. Sixty annual reports of ten banks for the period of six years from 2006 to 2011 were examined under un-weighted disclosure index method to measure the compliance level. The findings reveal that the overall mean compliance score is 73.73%, implies satisfactory compliance level over the years under study. It is found that compliance score of State-owned Commercial Bank is lowest among three types of commercial banks under study. Islamic banks on the other hand, have the highest compliance score. Bank-wise analysis shows that prime Bank Limited ranked at the top and Janata Bank Limited ranked at the bottom of the banks in terms of compliance status.

The study also investigates the relationship between a number of corporate attributes and extent of compliance with the requirements of accounting standards. Seven hypotheses were tested and results reveal that there exists no significant relationship between compliance score and other independent variables (except for ROA). More

specifically, compliance status does not depend on the age of the bank, total assets, total capital, return on equity, earnings per share and net profit after tax (except for ROA).

The dissertation also shows the results of questionnaire survey designed for the bank executives of three categories commercial banks under study. Five hypotheses were tested to find out the differences in opinions of the respondents. Total 91 variables categorized into five groups are tested to obtain desired results. Findings reveal that there exists no significant differences in opinions of the respondents regarding compliance with most of the variables of regulatory requirements, application of GAAP and qualitative characteristics of accounting information. It implies that the respondents are in agreement that commercial banks comply most of the requirements of regulatory requirements. The test results also show significant differences in opinion for most of the variables of accounting standards and application of BFRS 7.

To measure the differences in opinion of the internal and external auditors, the researcher tested five hypotheses. Total 82 variables categorized into five groups are tested to obtain desired results. Findings reveal significant differences in opinion of internal and external auditors for most of the variables of accounting and auditing standards.

The study finds that Lack of overall accountability and transparency, recommendatory nature of BFRS/BAS, contradiction among legal requirements, deep-rooted culture and strong mindset of the management for minimum disclosure, Lack of implementation guidelines for BFRS/BAS application, weak monitoring and supervision by regulatory bodies particularly Bangladesh Bank, lack of professional commitment of professional accountants, complex and less understandable provisions of BFRS, Intensions to give favorable audit treatments to the client and Low audit fee are some of the dominant hindrances of compliance among others.

Based on the findings, some policy implications have been suggested in this dissertation which would be of immense use to practitioners and regulatory bodies as guidelines towards improving the compliance level. Disclosure checklist of BAS/BFRS prepared for this study will be useful in further compliance studies in banking sector. Users of financial reports also can take it as a guideline to understand the disclosure status of commercial banks in Bangladesh.

List of Acronyms

AAA	American Accounting Association
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ABL	Agrani Bank Limited
ABBL	AB Bank Limited
AGM	Annual General Meeting
AICPA	American Institute of Certified Public Accountants
ANOVA	Analysis of Variance
BAS	Bangladesh Accounting Standards
BAPS	Bangladesh Auditing Practice Statements
BSA	Bangladesh Standards on Auditing
BSRE	Bangladesh Standards on Review Engagements
BSAE	Bangladesh Standards on Assurance Engagements
BB	Bangladesh Bank
BFIU	Bangladesh Financial Intelligence Unit
BRPD	Banking Regulation & Policy Department
CAPA	Confederation of Asian and Pacific Accountants
CSE	Chittagong Stock Exchange
BFRS	Bangladesh Financial Reporting Standards
DFIM	Department of Financial Institutions and Markets
DOS	Department of Off-Site Supervision
DSE	Dhaka Stock Exchange
EPS	Earnings Per Share
FASB	Financial Accounting Standard Board
FCBs	Foreign Commercial Banks
FEID	Foreign Exchange Investment Department
FEPD	Foreign Exchange Policy Department
GAAP	Generally Accepted Accounting Principles
GN	Guidance Notes
IAS	International Accounting Standards
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standard Board
IASC	International Accounting Standard Committee

IBBL	Islami Bank Bangladesh Limited
ICAB	Institute of Chartered Accountants of Bangladesh
ICMAB	Institute of Cost & Management Accountants of Bangladesh
IFAC	International Federation of Accountants
IFSB	Islamic Financial Services Board
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
ISA	International Standards on Auditing
JBL	Janata Bank Limited
MBL	Mercantile Bank Limited
MCR	Minimum Capital Requirement
NBL	National Bank Limited
NPAT	Net Profit After Tax
NPL	Non-Performing Loan
PBL	Prime Bank Limited
PCBs	Private Commercial Banks
PLCs	Public Limited Companies
RBCA	Risk Based Capital Adequacy
RBIA	Risk Based Internal Audit
ROA	Return on Asset
ROE	Return on Equity
RWA	Risk Weighted Asset
RJSC	Registrar of Joint Stock Companies.
SAFA	South Asian Federation of Accountants
SBs	Specialized Banks
SCBs	State Owned Commercial Banks
SEBL	Southeast Bank Limited
SEC	Securities and Exchange Commission
SEAC	Statement of Financial Accounting Concepts
SIC	Standing Interpretations Committee
SLR	Statutory Liquidity Ratio
TN	Technical Notes

CONTENTS

List of Tables

List of Figures

List of Flow Charts

List of Appendices

Chapter 1
Introduction

1.1 Prelude

Accounting Standards are general rules to aid accountants in fulfilling their professional responsibilities in preparation and presentation of financial statements. These standards serve as the benchmark for high quality financial reporting worldwide and outline basic principles and essential procedures for preparers of financial statements and other professional accountants, giving them the tools to cope with the increased and changing demands for reports on financial information, and provide guidance in specialized areas. The prime objective of accounting standards is to harmonize the accounting practices both at national and international level.

With the emergence of globalization, corporate giants of the world are expanding their business in each and every corner of the world. But different accounting systems in different countries of the world and prevalence of local accounting standards hinder the uniform financial reporting throughout the world. As a result, professional accountants around the world thought of a uniform accounting standards that will harmonize the accounting practices worldwide and in turn, will bring the financial reporting practices under one umbrella. The rapid growth of globalization forced the accounting profession towards the adoption of International Financial Reporting Standards (IFRS) to ensure or guarantee harmony in accounting and reporting practices.[1]Harmonization of accounting standards and compliance of the same enables the business enterprises to follow a uniform set of accounting rules and regulations in preparation and presentation of financial statements which will ensure uniformity of disclosure of financial information. A

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[1] H. Daske and G. Gebhardt, " International Financial Reporting Standards and Experts' Perception of Disclosure Quality," *ABACUS* 42, Nos. 3- 4 (2006): 461-498.

single set of standards removes the expense of producing two or more sets of accounts for different markets and makes cross-border comparisons of financial data valid and usable that would permit companies to compete more effectively for funds in the world's capital market.[2]

The International Accounting Standards Committee (IASC), an international standard-setting body based in London started its journey to standards setting in 1973 in consultation and agreement with the professional bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, UK, and USA. The objective of establishment of IASC is to develop accounting standards that would be acceptable around the world. During its existence, the IASC issued 41 standards, known as International Accounting standards (IAS).[3]

In the year 2001, IASC replaced by the International Accounting Standards Boards (IASB) as the body in control for setting of international accounting and financial reporting standards. IASB started pronouncement of accounting standards in the name of International Financial Reporting Standards (IFRSs). The IASB issued 9 IFRS by December 31, 2009.[4] IFRS are now adopted in more than 100 countries of the world and by the year 2011, the number is expected to reach 150. Adoption and application of accounting standards worldwide actually got momentum from the beginning of new millennium when IASB pronounced IFRS and most of the European Countries made it mandatory for application in the financial reporting of 2005 and onwards.

The overall industrial development and growth of trade and commerce of Bangladesh is largely dependent on international trade. As, most of the countries of the European Union and other parts of the world have already started application of IFRS in their financial reporting, there is no alternative way out for Bangladeshi companies to avoid its adoption and compliance. Realizing the fact, the Institute of

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[2] S. Shrikant, "Accounting Standards-Will the World be Talking Same Language?" *Journal of the Institute of Chartered Accountant of India* 53, no. 8 (February 2005): 1048. http://220.227.161.86 /10459feb05952-953.pdf., [accessed on 12 July 2011].

[3] Nandakumar Ankarath et al., *Understanding IFRS Fundamentals* (New Jersey: John Wiley & Sons, Inc., 2010), 3.

[4] Ibid., 6.

Chartered Accountants of Bangladesh (ICAB), the National Standard-setting body and regulator of the accountancy profession of Bangladesh, established under the Bangladesh Chartered Accountants Order of 1973, started adopting the International Accounting Standards from its beginning. ICAB adopts IAS and IFRS in the name of BAS and BFRS respectively. This standard setting body adopted all IAS still in force (IAS-1 to 41) except IAS-29 which is impracticable for Bangladesh context and 8 IFRS out of 9 issued by IASB to December 31, 2009.[5]

The legal framework for Bangladeshi accounting and reporting requirements is primarily governed by the Companies Act, 1994. The Companies Act mandates that all companies registered under the Act must prepare annual audited financial statements in prescribed form. The enforcement of the provisions of the Companies Act is conducted by the office of the Registrar of Joint Stock Companies (RJSC). Listed companies are regulated by the Securities and Exchange Commission (SEC) and comply with SEC accounting and disclosure requirements. In February 2000, the SEC issued a rule on the format of audit reports specifying that auditors will verify that the financial statement have been prepared in accordance with IAS and audit has been carried out in accordance with ISA.

The Bangladesh Bank empowered by the Banking Companies Act of 1991 regulates the banking sector and sets accounting and auditing requirements in addition to the Companies Act. The Banking Companies Act prescribes the format of balance sheet and income statement, including disclosure requirements that each bank must follow for regulatory reporting to the Banking Inspection Department of the Bangladesh Bank.

The same accounting and financial reporting rules are required to be followed by banks in preparing financial reporting for external users. But, the Banking sector of Bangladesh, still strives to cope with internationally accepted accounting standards for financial reporting and disclosure. Although standards are

[5] The Institute of Chartered Accountants of Bangladesh, *Annual Report and Financial Statements 2009-10* (Dhaka: The Institute of Chartered Accountant of Bangladesh, 2010), 31-32.

adopted by ICAB, compliance is still not up to the mark. So, it is needed to evaluate the level and extent of compliance with accounting standards in financial reporting of commercial banks in Bangladesh.

1.2 Statement of the Problem

Commercial banks are the most dominant financial institutions in the domain of commerce and industry. Now-a-days, the function of bank is not limited within the same geographical limit of any country. Due to globalization and free market economy, this industry becomes the most powerful financial intermediary in the field of trade and commerce and is facing severe competition in any country. Contribution of service sector to GDP as of June 30, 2010 is 49.9% and in fiscal year 2010, the growth rate of financial intermediation (banks) is estimated to have a moderate growth rate of 9.8% (based on fiscal year 1996).[6] Banking sector provides facilities to rebuild the agriculture, industry as well as service sector by allowing loans, credit and advances. It creates an opportunity of lucrative jobs for its better employment structure. Government also in most cases depends on banking sector to meet its emergency requirements. Net governmental borrowing from banking system is 543.92 billion taka as on June 30, 2010.[7] Moreover, it contributes to overcome the volatility of capital market of Bangladesh. So, the stakeholders of this industry are growing day by day. The stakeholders expects quality financial statement that portrays the (in)efficiency of commercial banks. Quality financial reports provide information that is reliable, comparable, relevant and, of course, transparent to the potential users resulting in an enhanced investor confidence. Uniformity of financial reporting is emergent because effective competition among the capital markets of the world may be impaired in its absence and the difficulties in financial analysis might lead to intractable costs of capital as well as might hamper

[6] Bangladesh Bank Annual Report 2009-10, Appendix-2, Table-V, 215.
[7] ibid, Table-XIV, 226.

cross boarder financing decisions.[8] Quality and uniform financial reporting is possible if it is prepared following the accounting standards e.g IAS/IFRS and BAS/BFRS set by the different national and international accounting bodies. Good financial reporting based on widely accepted accounting principles, policies and practices facilities, an effective communication which encourages flow of investment funds and thereby accelerates economic growth. Such a demand creates a strong case for convergence with the IAS and IFRS. Both the internal and external users of financial statement provided by the commercial banks rely on the audited financial statement duly signed by the external auditors. Application and compliance of IFRS and BFRS would reflect greater accountability of corporate management and transparency of published financial information as well as enhance the credibility of the statutory audit function of Bangladesh. Hence, it will grow confidence in the shareholders and stakeholders of the banks. This will in turn, make the business environment in Bangladesh more transparent and thus enable the country to attract foreign and local investment which ultimately contributes to business growth and economic development of the country.

Disclosure requirements relating to financial statements of banks and similar institutions in Bangladesh are contained in BFRS -7; Financial Instruments: Disclosure. This BFRS supersedes BAS-30: Disclosure in the Financial Statements of Banks and Similar Financial Institutions.[9] Financial reporting of commercial banks is also related with almost all the IAS/IFRS adopted by ICAB as BAS/BFRS e.g BAS 1, 7, 8, 10, 12, 16,17, 18, 21, 23, 24, 26, 27, 28, 32, 33, 34, 36, 37, 38, 39, 40 and BFRS 3 & 8. Compliance of the above accounting standards along with others regulatory requirements such as The Companies Act 1994, The Securities and Exchange Rules 1987, the Banking Companies Act 1991, Bangladesh Bank Regulations etc. would disclose maximum information for the users for taking economic decision. Thus, the

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[8] Md. Salim Uddin, "Interim Financial Reporting: An overview," *The Bangladesh Accountant* (October- December 2005): 153-166.

[9] The Institute of Chartered Accountants of Bangladesh, *Bangladesh Financial Reporting Standards (BFRS) including Bangladesh Accounting Standards (BAS)*, vol. 1, (Dhaka: The Institute of Chartered Accountants of Bangladesh, 2008), 242.

financial statements will be transparent, reliable, relevant and comparable. Hence, the statement will be convergent with international reporting resulting world wide acceptance. Section 39 (1) of the Banking Companies Act 1991 states that the profit and loss account and financial report of a banking company shall be audited under Bangladesh Chartered Accountant Order, 1973 or any other law approved by Bangladesh Bank. Section 39(3)(e) of the Act required the auditors to check whether or not the financial statements has been prepared according to the standards prescribed by Bangladesh Bank in consultation with the professional accountants of Bangladesh. Section 192 of The Company Act 1994 provides the basic requirements for accounting and reporting applicable to banking companies of Bangladesh. Standards are of little value until and unless they are followed and observed properly. The real challenges therefore lie in application and compliance of the standards. The main challenges faced for speedy implementation of Standards are lack of general awareness about standards and guidelines, lack of proper understanding and technical know-how, lack of overall accountability and transparency, the deep-rooted culture and strong mindset of the management for minimum disclosure mainly with a view to paying least tax or no tax, recommendatory nature of BAS, Lack of implementation guidelines for BAS/IAS application.[10] Therefore, the prime concern of the proposed study is to explore the extent to which accounting standards are complied with in the Banking sector of Bangladesh.

In the light of problem statement, some relevant questions have come forward which are as follows:

- Which International Accounting Standards (IAS/IFRS) are adopted by ICAB as (BAS/BFRS) till today?

[10] Md. Ali Arshad Chowdhury, Mostafa Ali and Reza Humayun Morshed Hayet, "Applications of Different IAS/IFRS in Preparing Financial Statements - A Study of Bangladeshi Private Commercial Banks," *The Bangladesh Accountant* (January-March 2010): 1-9, http://www.icab.org.bd/journal/62.pdf, [accessed on 04 June 2010].

- What are the regulatory requirements for preparing and presentation of financial reporting in Bangladesh?
- What are the disclosure requirements for commercial banks in Bangladesh?
- What are the expectations of stakeholders from financial reporting?
- What are the nature and extent of compliance with accounting standards by commercial banks in Bangladesh?
- What are the real challenges in compliance with accounting standards in financial reporting of commercial banks in Bangladesh?
- Are the Professional accounting bodies and auditors performing their duties and responsibilities in monitoring and supervision of the application of accounting standards?
- Are there any differences among different types of commercial banks with regard to compliance with accounting standards?

1.3 Objectives of the Study

The general objective of the study is to explore the practical application and degree of compliance with accounting standards by the commercial banks of Bangladesh in financial reporting. The specific objectives of the study are to:

1) Identify the accounting standards and regulatory requirements applicable for commercial banks in Bangladesh for preparation and disclosure of financial information.
2) Find out the nature and extent of compliance with relevant accounting standards in preparation and in disclosure of financial statements.
3) Measure the relationships between corporate attributes and extent of disclosure.
4) Compare the compliance scenario of accounting standards among the different types of commercial banks in Bangladesh.
5) Examine the differences in opinions of different categories of respondents regarding compliance status.
6) Examine the auditing practices in commercial banks and auditors' views regarding the compliance with accounting standards.

1.4 Definition of Key Terms

Accounting Standards

Accounting Standards are the norms of policies and practices in codes or guidelines to direct the items, which make up financial statements, should be dealt with in accounts and presented in financial report. Standards are designed and prescribed to improve the quality of financial reporting. They bring about uniformity in financial reporting and ensure consistency and comparability in the data published by enterprises. These are aimed at furnishing useful information to different users of the financial statements, such as shareholders, creditors, lenders, management, investors, suppliers, competitors, researchers, regulatory bodies and society at large. Accounting Standards are the policy documents (authoritative statements of best accounting practices) issued by recognized expert accountancy bodies relating to various aspects of measurement, treatments and disclosures of accounting transactions and events, as related to the codification of Generally Accepted Accounting Principles (GAAP).[11]

Financial reporting

Financial reporting has both narrow and broader meaning. In narrow sense, financial reporting is interchangeably used with financial statements which normally include a balance sheet, an income statement, a cash flow statement and a statement of changes in equity. In broader sense, financial reporting includes not only financial statement but also other information that is useful to the users in making economic decision such as report on the vision, mission and objectives of the company, chairman and Board of Director's report, report on the compliance of regulatory requirements, audit report, report on corporate social responsibility, explanatory notes to the financial statements, economic impact report, price sensitive information etc. Financial reporting is directed towards the common information needs of a wide variety of users, such as

[11] Bhagaban Das, Nikhil Chandra Shil, and Alok kumar Pramanik, "Convergence of Accounting Standards: Internationalization of Accounting," *International Journal of Business and Management* 4, no.1 (January 2009): 78-84, http://www.ccesnet.org/journal/index.php/ijbm/article/view/569/547, [accessed on 10 September 2011].

shareholders, employees, creditors, investors, lenders, government and its agencies and the public at large.

Commercial Bank

The banks which perform all kinds of banking activities and generally finance trade and commerce are called commercial banking. A commercial bank is a profit-seeking business firm, dealing in money and credit. It is a financial institution dealing in money in the sense that it accepts deposits of money from the public to keep them in its custody for safety. So also, it deals in credit, i.e., it creates credit by making advances out of the funds received as deposits to needy people. It thus, functions as a mobiliser of saving in the economy.[12] It bridges the gap between the savers and borrowers. The modern commercial banks perform a variety of functions such as acceptance of deposits, advancing loans, creation of credit, clearing of cheques, financing foreign trade, remittance of funds, agency services, general utility services and offers a wide range of other services to individuals and financial institutions.

International Financial Reporting Standards (IFRS)

The term IFRS has both a narrow and a broader meaning. Narrowly, IFRS refers to the new numbered series of pronouncements that the International Accounting Standard Board (IASB) is issuing, as distinct from the International Accounting Standards (IAS) series issued by its predecessor (IASC-International Accounting Standard Committee). Broadly, IFRS refers to the entire body of IASB pronouncements, including standards and interpretations approved by IASB and IAS and SIC interpretations approved by the predecessor IASC. So, IFRS are the Standards and Interpretations adopted by the International Accounting Standards Board (IASB) which comprise (1) International Financial Reporting Standards (2) International Accounting Standards and (3) Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).[13] The number of IAS and IFRS still in force is 29 (IAS-1 to 41) and 9 (IFRS-1 to 9) respectively.[14]

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[12] N.T. Somashekar, *Banking* (New Delhi: New Age International (p) Limited, 2009), 1.

[13] Barry J. Epstein and Eva k. Jermakowicz, *Interpretation and Application of International Financial Reporting Standards* (New Jersey: John Wiley & Son, Inc., 2010), 58.

[14] Nandakumar Ankarath et al., op.cit., 3-6.

Bangladesh Financial Reporting Standards (BFRS)

BFRS are the standards and interpretations adopted by ICAB Council. They comprise: (a) Bangladesh Financial Reporting Standards; (b) Bangladesh Accounting Standards; and (c) Interpretations.[15] BFRS explains the key concepts and definitions, sets out recognition and measurement criteria, and describe presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. They may also set out such criteria and requirements for transactions and events that arise mainly in specific industries. BFRS are designed to apply to the general purpose financial statements and other financial reporting of all profit-oriented entities those engaged in commercial, industrial, financial and similar activities. Although BFRS are not designed to apply to not-for-profit activities in the private sector, the public sector or government entities with such activities may find them appropriate. ICAB adopted all IAS still in force (IAS-1 to 41) except IAS-29 which is impracticable for Bangladesh context and 8 IFRS out of 9 issued by IASB to December 31, 2009.[16]

1.5 Literature Review and Hypotheses Development

1.5.1 Literature Review

With a view to identifying the knowledge gap and to establish a theoretical basis of the proposed study a number of books, journal articles of both print and electronic form and research reports have been reviewed. The relevant studies are reviewed here focusing their objectives, methodology followed, hypothesis tested, concluding remarks, and limitations thereon.

Mc Nally et al. (1982)[17] found that size is a dominant characteristic in explaining voluntary disclosure practices. They did not find any association between level of voluntary disclosure and rate of return, growth, industry groups and type of auditor.

[15] The Institute of Chartered Accountants of Bangladesh, *Bangladesh Financial Reporting Standards (BFRS) including Bangladesh Accounting Standards (BAS)*, vol.1, (Dhaka: ICAB, 2008), 68.

[16] ICAB, http://www.icab.org.bd/bas.php, [accessed on 17 August 2011].

[17] Graeme M. McNally, Lee Hock Eng, Hasseldine and C. Roy, "Corporate Financial Reporting In New Zealand: An Analysis of User Preferences, Corporate Characteristics and Disclosure Practices for Discretionary Information," *Accounting and Business Research* (Winter 1982): 11-20.

Chow and Wong-Boren (1987)[18] in a study of 52 Mexican Stock Exchange listed firms reported that voluntary disclosure varies widely within the sample and the extent of disclosure is significantly and positively related to the firm size but not to financial leverage and asset in place.

Wallace (1988)[19] reported on the extent of financial disclosure by 47 publicly quoted companies in Nigeria covering the period from 1982 to 1986. The study dealt with the entire contents of annual report and found that Nigerian reporting practices are poor in terms of compliance with disclosure requirements and relatively low importance is attached to the needs of the users.

Benjamin et al. (1990)[20] examined the quality of disclosure in the annual reports of 76 listed companies in Hong Kong for the Years 1984, 1985 and 1986. They examined significant areas of non-compliance of financial statements with the Companies Ordinance and Securities Ordinance of Hong Kong and departures from Statements of Standards Accounting Practices (SSAPs) issued by the Hong Kong Society of Accountants (HKSA). Their analysis of the annual reports revealed major departures from the disclosure requirements of the Companies Ordinance, Security Ordinance and HKSA's requirements. They found non-compliance relates to the size of the company. However, they did not find any significant association between departure from disclosure requirements and size of the auditing firms. The main reasons behind non-compliance with disclosure requirements were found to be the difficulties in interpreting disclosures and auditing guidelines; insufficient awareness of general accounting concepts; lack of proficiency of staff; management intention to disclose less information and lack of resources to abreast of changes in the disclosure requirements.

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[18] Chee W. Chow and Wong-Boren Adrian, "Voluntary financial disclosure by Mexican Corporations," *The Accounting Review* (1987): 533-541.

[19] R. S. Olusegun Wallace, "Corporate Financial Reporting in Nigeria," *Accounting and Business Research* 18, no. 72 (Autumn 1988):352-362.

[20] T. Y. K. Benjamin, P. R. Au-Yeng, M. C. Kwok and .L. C. Lau, "Non-compliance with Disclosure requirements in Financial Statements: The Case of Hong Kong Companies," The International Journal of Accounting 25, no. 2 (1990): 99-112.

Akter and Hoque (1993)[21] conducted a study on "Disclosure Practice in Bangladesh: A study of Banking Sector" based on secondary data. The Objective of the study was to examine various legal provisions affecting disclosure along with the role of accounting profession in this respect. They examined the annual reports of Sonali Bank, The City Bank and American Express Bank and ANZ Grindlays Bank for the period of 1987-91. Annual reports of three banks functioning in developed countries like Citicorp of the U.S.A, National Westminster Bank of U.K and Chase Manhutan Bank of the U.S.A also have been examined to show comparison in disclosure practices. The study reveals that financial reporting in banking sector of Bangladesh suffers from biasness and misleading information. Disclosure is also inadequate to meet the information needs of the stakeholders. In some cases they found the reporting dressed up and cosmetised. Out-dated legal framework and poor performance of accounting profession significantly contributed to this undesirable situation. Comparing foreign banks they recommended that special attention should be given to inadequate loan valuation, inadequate disclosure of specific provision, general provision, charge against profit etc. which are very important for measuring the efficiency and profitability of banking sector.

Belal (1993)[22] conducted a study to show the adequacy or inadequacy of disclosure in corporate reports. Attempt has been made to have an overview of the disclosure practices prevailing in Bangladesh as compared to other countries of the world. In this study he showed that disclosure practices in Bangladesh are mostly guided by the companies Act, 1994, Securities and Exchange Rules, 1987 and the Accounting Standards adopted by the Institute of Chartered Accountant of Bangladesh (ICAB). Disclosure practices are also affected by a number of statutes e.g Bangladesh Industrial Enterprises Nationalization Order, 1972; Banking companies Act, 1991; Insurance Act, 1938; Income Tax Ordinance, 1984 etc. The study reveals that disclosure practices in Bangladesh are very poor and inadequate in many respects. He

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[21] M. Akter and M. Hoque, "Disclosure Practice in Bangladesh: A Case Study of The Banking Sector," *Dhaka University Journal of Business studies* 14, no. 2 (1993): 29-42.

[22] Ataur Rahman Belal, "Disclosure in Corporate Reports- A Review with Special Reference to Bangladesh," *The Cost and Management* 11, no.6 (Nov.-Dec. 1993): 28-38.

showed the items of major disclosure which are generally required in Bangladesh regarding accounting policies, income statements, balance sheet, directors' report and other disclosures needed to the users of financial reports. He observed that inadequate, outdated and vague legal provisions; dearth of professionally qualified accountant; non-compliance of accounting standards for want of necessary legal backing and ignorance of the management of the companies as to the requirements of law are the main reasons for such deficiencies. He suggested amendment of companies Act-1913, strict compliance with the adopted accounting standards, positive role of professional accountants and management for adequate disclosure to bring positive momentum in disclosure practice in Bangladesh.

Ahmed and Nicholls (1994)[23] measured the association between the extent of disclosure and corporate characteristics (size, total debt, multinational company effect, qualification of accountants, and size of the audit firm. They developed an unweighted disclosure index to score the compliance level. The study reveals that company size, assets and sales are positively associated. They also found that company which is a subsidiary of a multinational company, audited by large audit firms and whose accounts are prepared by qualified accountants provides higher disclosures.

Wallace et al. (1994)[24] tested hypotheses to examine the association between the comprehensive disclosure in annual reports and various company characteristics of Spanish Firms. The study reveals that size and stock exchange listing are positively associated with disclosure while liquidity position is found to have negative association with disclosure. Other corporate attribute such as industry type, gearing, earning, profitability and type of auditor are found not significantly associated with comprehensive disclosure index.

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[23] K. Ahmed and D. Nicholls, "The impact of non-financial company characteristics on mandatory disclosure compliance in developing countries: the case of Bangladesh", *International Journal of Accounting* 29, No.1 (1994): 60-70.

[24] R. S. Olesegun Wallace, K. Naser and A. Mora, "The Relationship between the Comprehensiveness of Mandatory Disclosure in the Corporate Annual Reports and Firm Characteristics in Spain," *Accounting and Business Research* 25, no. 97 (1994): 41-53.

Hossain et al. (1995)[25] in a study of 15 companies listed on New Zealand Stock Exchange examined empirically the relationship between five firm-specific characteristics and the level of voluntary disclosure. The result obtained from cross-sectional regression shows that firm size, foreign listing status and leverage are significantly associated with the extent of disclosure. In contrast, asset in place and type of auditor are not significant explanatory variables.

Belal and Mutakin (1996)[26] had a study to evaluate the accounting policies disclosed in the financial statements by the Public Limited Companies (PLCs) with special reference to the requirement of IAS-1. The study reveals some interesting findings about the way of presentation of accounting policies and accounting standards. They found that the sampled companies disclosed accounting policies in their notes to accounts section of the financial reports. Some companies did not mention anything about the depreciation method followed by them. Some did not provide policies regarding repairs and maintenance, improvements and provision for reserve accounting. Some did not provide policies regarding the events after balance sheet date. Some companies did not mention anything about contingencies. Some of the sampled companies mentioned about the changes of accounting policies. The researchers recommended that enactment of Companies Act 1994 and requirements of schedule ix of the Act is required to overcome these shortcomings.

Chowdhury et al. (1996)[27] in a study highlighted the importance of enforcement of accounting standards in Bangladesh. They pointed out that though accounting standards are developed and promulgated for improving the quality of financial statements, only adoption of accounting standards would not promote quality financial statements. They suggested three alternative arrangements for

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[25] M. A. Hossain, M. H. B. Perata and A. R. Rahman, "Voluntary Disclosure in the Annual Reports of NewZealand Companies, *Journal of International Financial Management and Accounting* 6, No.1 (1995):69-87.

[26] Ataur Rahman Belal and Mohammad Badrun Muttakin, "Disclosure of Accounting Policies in the Financial Statements of the Public Limited Companies in Bangladesh," *The Cost and Management* 24, no.5 (September-October 1996): 14-17.

[27] Anwarul Islam Chowdhury, Alamgir Kabir Chowdhury and Md. Abdus Salam, "Enforcement of Accounting standards: Proposed arrangements for Bangladesh," *The Cost and Management* 24, no.6 (November-December 1996): 14-18.

achieving the goal. Firstly, self-regulatory arrangement; secondly, government regulatory approach and thirdly, arrangement involving accounting profession and government. But, due to several shortcomings of first and second alternatives in Bangladesh, the researcher emphasized the enforcement of third alternatives in Bangladesh. But the researchers did not mention any ways which the companies can comply with the accepted standards in Bangladesh.

Karim (1996)[28] found that the extent of disclosure is positively associated with corporate size, profitability, active trading in stock exchange and size of audit firm. The study also revealed that leverage, language of annual report and reporting date has no significant impact on disclosure.

Hossain and Islam (1998)[29] conducted a study on nine insurance companies working in Bangladesh for the period of 1994-1998 to evaluate the accounting policies disclosed in the financial statements. Findings of the study reveal that reporting practices of the selected insurance companies comply, to a great extent, with the professional requirements in respect of disclosure of accounting policies. The observation gives testimony that the sampled companies strive to comply with the IAS 1 as adopted by ICAB in Bangladesh.

Karim et el. (1998)[30] have studied the existing regulatory framework applicable for preparing and disclosing financial statements in Bangladesh. For this purpose, they only reviewed the regulatory framework, rules and regulations governing the corporate financial reporting promulgated by government and other professional bodies of the country. They found some deficiencies in complying with Company Act 1994 and Securities and Exchange rules while preparing financial statements. The study reveals that non-listed companies and Public Limited

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[28] A. K. M. Waresul Karim, "The Association between Corporate Disclosure and the Extent of Disclosure in Bangladesh," *Dhaka University Journal of Business Studies* 17, no. 2 (1996):89-124.

[29] Syed Zabid Hossain and Kazi Saidul Islam, "Disclosure of Accounting Policies in the Financial Statements of the Insurance Companies in Bangladesh," *Journal of the Institute of Bangladesh Studies* 21(1998): 157-164.

[30] A..K.M. Waresul Karim, Md. Ainul Islam and Anup Chowdhury, "Financial reporting in Bangladesh: The regulatory framework," *Journal of Business Administration, Dhaka University* 24, no.1 & 2 (1998): 57-68.

Companies are not following those regulations in preparing financial report and disclosing of the financial facts to the stakeholders. The study is done based on secondary data and views of experts and professional accountant is not taken into consideration and did not cover any analytical work and hence opens the fields to further study considering the extended rules and regulations regarding financial reporting and promulgation of IAS and IFRS and adoption of such standards by ICAB.

Imam (1999)[31] had an endeavor to evaluate the external financial reporting practices of the companies in the light of regulatory framework of Bangladesh. He analyzed the annual reports of 34 companies listed in the Dhaka Stock Exchange Ltd. and found that the sampled companies did not comply with many requirements of schedule xi of the Companies Act-1994, Security and Exchange Rules-1987 and also many disclosure rules as per IAS adopted by ICAB in Bangladesh. The IASs is seldom used in right spirit providing relevant and reliable information to the users through published accounts or other means. He also found that most of the directors' reports are insufficient to provide the investors with useful information for decision making.

Tower et al. (1999)[32] examined the extent of compliance with IASs in six countries in Asia-Pacific region. By providing evidence as to the level of compliance with IAS in financial statements, the study also indicates the extent of harmonization in the accounting. The paper examines various determinants of compliance with IAS and finds that country or location remains the clear driving force.

Hossain (2001)[33] had a study on the extent of disclosure level of 25 banks in Bangladesh. A total of 61 items of information, both voluntary and mandatory, were included in the disclosure index and the approach of scoring was dichotomous. The results showed that the size and profitability of banks are statistically significant in

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[31] Shaheed Imam, "Regulations and its Compliance in Bangladesh," *The Cost and Management* 27, no.5 (September- October, 1999): 58-72.

[32] G. Tower, P. Hankock and R. H. Taplin, "A regional Study of Listed Companies' Compliance with International Accounting Standards," *Accounting Forum* 23, no. 3 (1999):293-306.

[33] M. Hossain, "The Disclosure of Information in the Annual Reports of Financial Companies in Developing Countries: the Case of Bangladesh." M. Phil. thesis, The University of Manchester, UK. 2001.

determining the level of disclosure. The study also revealed that influence of audit firm is not significant in disclosure of information.

World Bank (2003)[34] conducted a study to prepare a report on the observance of accounting and auditing standards and codes by Bangladeshi companies. This report was prepared by a team from the World Bank, based on findings from a diagnostic review carried out in Bangladesh. The review was conducted through a participatory process involving various stakeholders and led by the country authorities. This report provides an assessment of accounting and auditing practices within the broader context of the Bangladesh institutional framework and capacity needed to ensure the quality of corporate financial reporting. The report produced some interesting findings. The team observed that the accounting and auditing practices in Bangladesh suffers from institutional weakness in regulation, compliance, and enforcement of standards and rules. The preparations of financial statements and conduct of audits, in many cases, are not consistent with internationally acceptable standards and practices. They find that out-of-date legal requirements, widespread noncompliance with accounting and auditing standards, ineffective enforcement mechanism, poor quality accounting education and training, and inadequate adherence to professional ethics have contributed to the weakness of the financial reporting regime. The policy recommendation provided in this report focus on improving statutory framework, strengthening enforcement mechanisms, upgrading professional education and training, and enhancing capacity of regulatory and professional bodies. A major recommendation is that an independent oversight body-Financial Reporting Council- should be established that will be responsible for adoption, monitoring and enforcement of IAS and ISA with respect to financial reporting.

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[34] World Bank, *Report on the Observation of Standards and Codes (ROSC), Bangladesh-Accounting and Auditing* (World Bank, May 16, 2003), 1-15. http://www.worldbank.org/ifa /rosc_aa_bgd.pdf., [accessed on 15 June 2011].

Ahmed, Bala and Chowdhury (2004)[35] had an endeavor to show the level of compliance with IAS 1 by listed PLCs in Bangladesh. The findings of the empirical survey reveal that all the PLCs have provided balance sheet, income statement, cash flow statement and accompanying notes, but only a half of PLCs have provided statement of changes in equity. A good number of PLCs have provided value added statement (40 percent), Chairman's Report (53 percent), Directors' Report (73 percent). In some cases, full compliance was not found, but the audit reports were 'unqualified' stating the due conformance with applicable IAS. The violation of the provision of IAS 1 in some cases exists due to lack of enforcement and in some cases due to having no company-category-specific formats of financial statements, in which case professional accounting bodies can contribute by framing those company-category-specific formats.

Akhteruddin (2005)[36] finds that the disclosure levels of Bangladeshi listed companies are generally poor which ultimately raises the question on accounting transparency in Bangladesh.

Karim and Ahmed (2005)[37] attempt to examine empirically the level of disclosure of financial information upon adoption of International Accounting Standards (IASs) in Bangladesh and the association between a number of corporate attributes and levels of disclosure in corporate annual reports in Bangladesh. An unweighted disclosure index comprising 411 items was prepared and applied to 188 corporate annual reports for years ending between January and December 2003. The association between the extent of disclosure and various corporate characteristics was examined using multiple linear regression models. It was found that corporate size, profitability, stock exchange security category (Z-category or not), size and

[35] Mamtaz Uddin Ahmed, Swapan Kumar Bala and Anup Chowdhury, "Financial Reporting in Compliance with International Accounting Standards: A Study in Bangladesh with reference to IAS 1," *Dhaka University Journal of Business Studies* 25, no. 2, December 2004, 17.

[36] M. Akhteruddin, "Corporate Mandatory Disclosure Practices in Bangladesh," *International Journal of Accounting* 40,(2005): 399-422.

[37] A K M Waresul Karim and Jamal Uddin Ahmed, "Determinants of IAS disclosure compliance in emerging economies: Evidence from exchange-listed companies in Bangladesh," School of Accounting and Commercial Law, Victoria University of Wellington, working paper series 21. http://www.victoria. ac.nz/sacl/ cagtr/publications. (Accessed on January 05. 2012).

international link of company's auditor, and multinational subsidiary are all significantly associated with the extent of disclosure. The results were consistent with some previous studies while they contradict with the findings of some other studies.

Razzaque (2005)[38] conducted a study with a view to evaluating the financial reporting practices of the manufacturing companies in Bangladesh and finding its relation with corporate governance. Findings of the study reveal that most of the companies under study are far behind from full compliance with legal provisions. He observed that all IAS were not accepted and proclaimed as mandatory provisions for financial reporting of the companies. But interestingly, there is no provision of exemplary punishment for non-compliance of the rules and regulations which leads to distortion or exaggeration of financial information. The researcher also observed that amount of assets, international link of company's auditor and price-earning ratio have significant influence on the disclosure level both of total and mandatory level. The study also reveals that the financial reporting system of Bangladesh is neither good nor suitable at all to achieve their objectives as it does not maintain optimum adequacy, reliability, comparability, understandability and neutrality to furnish the information. He also observed the total absence of good governance in corporate sector of Bangladesh. Analysis shows that the disclosure position of financial facts of the companies operating in Bangladesh is actually distorted which hinders the flourishing trends of corporate sector.

Abdelsalam and Weetman (2007)[39] measure the accounting disclosure in Egypt linking it with the inception of the required implementation of IAS in Egypt. Further, they investigated the correlation between some variables and the level of disclosure. They found that IAS disclosure level was associated with audit firm type, business type, leverage, liquidity and legal form.

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[38] S.I.M.A Razzaque, "Financial Reporting and Corporate Governance in Bangladesh: A study on some Manufacturing Companies Listed in Dhaka Stock Exchange Ltd.," Ph.D. diss., Institute of Bangladesh Studies, University of Rajshahi, 2005.

[39] O. H. Abdelsalam and P. Weetman, " Measuring Accounting Disclosure in a period of Complex Changes: The Case of Egypt," Advances in Accounting Education 20 (2007):75-104.

Al-Shammari et al. (2008)[40] investigated the extent of compliance with International Accounting Standards by the companies in Gulf Co-operation Council member states over the period 1996-2002. Despite strong economic and cultural ties among countries the study observed significant variation between countries in compliance with IAS.

Hossain (2008)[41] empirically investigated the extent of mandatory and voluntary disclosure by banking companies in India. The researcher has taken 38 banks listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) for one year (2002-03) as sample. The study reveals that in disclosing mandatory items, the average score is 88, whilst the average score for voluntary disclosure is 25. The findings also reveal that size, profitability, board composition, and market discipline variables are significant and other variables such as age, complexity of business and assets-in-place are insignificant in explaining the level of disclosure. Results also indicate that Indian banks are very compliant with the rules regarding mandatory disclosure. In contrast, they are far behind in disclosing voluntary items.

Muthupandian (2008)[42] highlighted the disclosure checklist both quantitative and qualitative for financial reporting under IFRS 7. The author discussed the scope, objectives and overview of IFRS 7 and also enumerated disclosure requirements in relation to all risks arising from financial instruments. The study reveals the adoption status and preparedness of Indian companies in relation to convergence with this standard.

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[40] B. Al-Shammari, P. Brown and A. Tarca, "An Investigation of Compliance with International Accounting Standards by Listed Companies in the Gulf Co-operation Council Member States," *The International Journal of Accounting* 43, no. 4 (2008): 425-447.

[41] Mohammad Hossain, "The Extent of Disclosure in Annual Reports of Banking Companies: The Case of India," *European Journal of Scientific Research* 23, no. 4 (2008): 659-680. http://www.eurojournals.com/ejsr-23-4-15.pdf. (Accessed on November 15, 2011).

[42] K.S. Muthupandian, "Disclosure Requirements introduced by 'IFRS 7', Financial Instruments: Disclosures," *The Chartered Accountant* 56, No. 11 (May 2008): 1818-1839.

Bhattacharjee and Islam (2009)[43] studied on problems of adoption and application of IFRS in the context of Bangladesh based on secondary data and literature survey. They highlighted the IFRS adoption history around the world including Bangladesh. They described the underlying benefits of adopting IFRS for quality financial reporting. They identified that weak regulatory framework, ambiguous role of SEC and ICAB, absence of financial monitoring board, poor quality accounting education etc. are some of the reasons for non-implementation of the standards. The researchers observed that merely adopting accounting and auditing standards is not sufficient for ensuring high-quality corporate financial reporting. They recommended the establishment of financial monitoring board, inclusion of interested parties in adoption process, encouraging the firms for adopting IFRS, government's active role to set strict guidelines to follow by the companies and upgrading accounting education to achieve maximum benefit from the adoption and application of accounting standards.

Hodgson et al. (2009)[44] empirically examined the impact of auditors' choice on IFRS compliance using a sample of non-US firms that claimed to comply with the disclosure requirements of IFRS. The result reveals that the compliance is positively related to the auditor choice after controlling for firm size, profitability, leverage, degree of international diversification, and whether a firm has a US listing or was audited according to International Standards of Auditing (ISAs). Their study reinforces the need for developing institutional mechanisms (e.g., enforcement, auditing, or corporate governance structures) to encourage compliance with IFRS.

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[43] Suman Bhattacharjee and Muhammad Zahirul Islam, "Problems of Adoption and Application of International Financial Reporting Standards (IFRS) in Bangladesh," *International Journal of Business and Management* 4, no. 12 (December 2009): 165-175, http://www.ccesnet.org/journal.php/ijbm/article/view /3586, [accessed on 15 September 2011].

[44] C. Hodgson et al., "Compliance with International Financial Reporting Standards and Auditor Choice: New Evidence on the importance of Statutory Audit," *The International Journal of Accounting* 44, no. 1 (2009):33-55.

Mutawaa and Hewaidy (2010)[45] empirically investigate the extent of compliance of Kuwaiti listed companies with IAS/IFRS disclosure requirements, and provides evidence of the factors associated with the level of compliance. The researchers investigated the association between seven corporate characteristics (company size, profitability, leverage, liquidity, type of industry, type of auditor, and company age) and compliance level. For this purpose a disclosure index is developed including 101 disclosure items representing 12 IASs. The annual reports of a sample of 48 non-financial companies for the financial year ending 31 of December 2006 carefully scrutinized against the disclosure index. The findings of the study indicate that the overall compliance level for the sampled companies averages 69% of the disclosures required by the standards tested. Regression results indicate that only company size and type of industry have positive association with IAS-required disclosures and their coefficients are significantly different from zero. Other explanatory variables are found statistically insignificant.

Chowdhury et al. (2010)[46] conducted a study on application of different IAS/IFRS in preparing financial statements of private commercial banks in Bangladesh based on secondary data. They evaluated the annual reports of 2007 of 12 Private Commercial Banks (PCBs) for examining the application of IAS/IFRS in disclosing or preparing financial statements. They tried to examine whether the selected PCBs are following the minimum disclosure requirements of IAS-30 (Para 9, 10, 19, 24, 25, 26, 30 and 40), IAS-1 (Para 96, 99, 108 and110), IAS-7 (Para 1, 10 and 13), IAS-16 (Para 73), IAS- 33 (Para 66, 69 and 70) and IAS-10 (Para 21). The researchers found that the banking companies of Bangladesh have tried to establish and follow the IASs and IFRSs adopted by ICAB.

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[45] Abdullah Al Mutawaa and Aly M Hewaidy, "Disclosure Level and Compliance With IFRSs: An Empirical Investigation Of Kuwaiti Companies," *International Business & Economics Research Journal* 9, no. 5 (May 2010): 33-49. http://journals.cluteonline.com/index.php /IBER/article/view/566/553. (Accessed on March 05, 2012).

[46] Md. Ali Arshad Chowdhury, Mostafa Ali and Reza Humayun Morshed Hayet, "Applications of Different IAS/IFRS in Preparing Financial Statements - A Study of Bangladeshi Private Commercial Banks," *The Bangladesh Accountant* (January-March 2010): 1-9.

They also found that all the banking companies of Bangladesh observed various important issues of IASs and IFRSs and some are ignored. They commented that application of IAS in banking companies of Bangladesh is partly true. However, the researchers examined only the annual reports of 12 PCBS of 2007 and commented on the whole banking sectors which may not be adequate to generalize.

Bhattacharjee and Hossain (2010)[47] had an effort to review the theoretical and empirical literature on the consequences of changing accounting standards and to portray the determinants of financial reporting outcomes following IFRS adoption. The study has been conducted mainly on the basis of literature survey and secondary information. The study reveals that financial reporting outcomes depends on a variety factors that influence those outcomes and accounting quality does not depend only on accounting standards but also on the firm's overall institutional setting including the legal and political system of the country in which the firm resides. They identified that other factors like incentives, enforcement mechanism, ownership structure, capital structure, market and legal forces and cost-benefit trade off deserves equal importance as adoption of IFRS. The researchers also highlighted the issues that are hindering contribution of IFRS adoption as a determinant of financial reporting outcomes in Bangladesh. They suggested some measure for accounting quality improvements such as joint effort of enforcement authorities, account preparers, the adopter (ICAB) and the users to seat together to create an environment so that the standards can be applied freely.

Tsalavoutas, Evans and Smith (2010)[48] highlighted the differences and implications of differences between two approaches to measuring compliance with International Financial Reporting Standards (IFRS) mandatory disclosure requirements: the commonly used "dichotomous" approach; and the alternative, but rarely used, partial compliance unweighted approach. The study was conducted on

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[47] Suman Bhattacharjee and Md. Shakawat Hossain, "Determinants of Financial Outcomes following IFRS Adoption-Implications for Bangladesh." *The Bangladesh Accountant* (January-March 2010): 10-19.

[48] Ioannis Tsalavoutas, Lisa Evans and Mike Smith, "Comparison of two methods for measuring compliance with IFRS mandatory disclosure requirements," *Journal of Applied Accounting Research* 11, no. 3 (2010): 213 – 228. http://www.emeraldinsight.com /journals.htm?articleid=1896175. (Accessed on January 05. 2012).

10 Greek listed companies during the first year of mandatory IFRS adoption. The study reveals that the two methods produce significantly different overall and relative (i.e. ranking order) compliance scores and concludes that partial compliance un-weighted method provides more appropriate score in measuring the compliance.

Hossain (2011)[49] evaluated the disclosure requirements of listed banking companies in Bangladesh. The author conducted case studies on AB Bank limited and Prime Bank Limited and concluded that the banking companies are complying most of the regulations. He also observed that the banks, in some cases, are proactive to comply with the regulations.

Pandit, hossain and Khatun (2011)[50] conducted a study covering twenty-five conventional and Islamic banks of Bangladesh and found that the average regulatory disclosure compliance was 67.34%.

Sarkar (2011)[51] observed that there has been a marked improvement in the quality and quantity of information provided in the financial statements by the Indian companies over the years. The study reveals that there exists a wide diversity in the types of presentation of voluntary disclosure among the companies in reporting practice. The researcher suggested that a common framework needs to be constructed in order to enhance the comparability of the information contained in the annual report.

Kumar (2011)[52] discussed the roadmap for convergence of IFRS for Indian banking companies. The researcher meticulously mentioned the benefits of convergence to IFRS for the economy, investors, industry and accounting professionals. His study reveals the challenges and readiness of banking sector in adoption of the accounting standards. The researcher suggested some measures of convergence process to IFRS by banks.

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[49] M. M. Hossain, "Disclosure Requirements in Annual Reports by Listed Banking Companies: cases from Bangladesh," *The Bangladesh Accountant* (July-September 2011): 22-43.

[50] A. C. Pandit, M. M. Hossain and M. Khatun, "Disclosure Requirements of Banks: Bangladesh Purspective," *Banking Research Series 2011*, A Compilation of Roundtable & Workshop Keynote Papers, BIBM (2011): 71-116.

[51] Pintu Sarkar, "Disclosure in Corporate annual Reports- A Case Study of some Selected Companies in India," *The Chartered Accountant* 60, No. 4 (October 2011): 572-578.

[52] Ramesh kumer, "IFRS: Are Indian Banks Ready," *The Chartered Accountant* 59, No. 2 (August 2010): 273-279.

Hossain (2011)[53] mentioned important features of regulatory requirements under BFRS-7 and expressed deep concern about the probable consequences of non-compliance of BFRS-7 upon investors. He analyzed recently published financial statements of banks listed in DSE and CSE and reveals that they were not prepared complying with this particular Accounting Standard. He suggested the auditors to be more careful to safeguard the interest of investors.

Parthasarathy (2011)[54] studied the global trends of reporting and found that financial reporting in India, Australia, Pakistan, Malaysia, Ireland, Cyprus, Singapore and some other parts of the world slightly differs in respect of preparation of the financial statements, application of accounting standards, accounting policies, maintenance of accounting records, employment of appropriately qualified accounting personnel, maintenance of appropriate accounting systems, financial analyzes, management discussions, compliance with corporate governance principles and practices, report on corporate social responsibility, shareholders information etc. The study reveals that a majority of the disclosures are governed by the regulatory requirements of the respective countries and the trends of providing new and innovative information/analysis to the stakeholders. The researcher suggested the implementation of global best practices in financial reporting along with local regulatory framework.

Hossain (2012)[55] conducted a study to identify the regulatory requirements in preparing the financial statements (FSs) of banks in Bangladesh operating under Islamic Shariah and tries to show the compliance status of these banks with legislations. The study covers financial statements of all banks based on Islamic Shariah for the year 2010. The study reveals that the average compliance level is 88.11% considering all required aspects of financial statements.

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[53] Md. Shahadat Hossain, "Inadequate compliance of BFRS may create hindrance to protect the interest of investors in banks," *The Bangladesh Accountant* (April-June 2011): 36-37.

[54] Sriraman Parthasarathy, "Global Trends in Reporting to the Stakeholders," *The Chartered Accountant* 60, No. 4 (October 2011): 579-585.

[55] M. M. Hossain, "Financial Statements of Banks under Islamic Shariah: Status of Regulatory Compliance," Thoughts on Economics 22, no. 1 (2012): 53-67.

1.5.2 Critique of Prior Studies and Formation of Hypotheses

From the extensive review of related literature it is found that most of the researchers tried to show that company size, age, profitability, complexity of business, board composition, asset base, international linkage, type of auditor, influence of regulatory bodies have relation with compliance and disclosure of accounting information. Based on the prior studies and considering the current business environment of commercial banking in Bangladesh, the testable hypotheses are presented below:

Size of the Bank

Several Prior studies (Wallace, 1987; Cooke, 1989; Wallace and Naser, 1995; Owusu-Anush, 1998; Ali et al., 2004; Owusu-Ansah and Yeoh, 2005; Al-Shammari et al., 2008) have identified company size as positively associated with level of disclosures. Larger companies are expected to provide more information as per accounting standards in their company annual reports than smaller companies for a variety of reasons. Firstly, the cost of disseminating and accumulating detailed information may be relatively low for the larger firms than the smaller corporation and large companies have resources and expertise to produce more information in their annual reports and hence little extra cost may be incurred to increase disclosure (Lang and Lundholom, 1993; Benjamin et al., 1990). On the other hand, Ahmad and Nicholls (1994), Street and Gray (2002), and Glaum and Street (2003) found no association between company size and level of disclosures. There were several measures of size used in different studies. These are equity capital, total assets, market value of equity shares, sales turnover, total revenue, number of employees etc. In this study, Total Assets and Total Capital are chosen to measure company size. It is therefore hypothesized that:

H_{01}: Size of the bank as measured by total assets is significantly associated with the extent of compliance with Accounting Standards.

H_{02}: Size of the bank as measured by total capital is significantly associated with the extent of compliance with Accounting Standards.

Age of the Bank

Very few studies have been conducted taking age as variable in compliance with disclosure of accounting information. Owusu-Ansah (1998) proved that company age has statistically significant positive effect on mandatory disclosure and reporting practices of 20 companies in Hong Kong. In New Zealand, Owusu-Ansah and Yeoh (2005) found company age as the critical factor in explaining the extent of mandatory disclosure practices. Al shammari et al. (2007) examined the association in the Gulf Cooperation Council (GCC) countries and reached the same conclusion. It is believed that old companies might have improved its financial reporting practices over time, and therefore, they are expected to provide more disclosure than new companies. Company age is normally measured in term of number of years passed since starting of business operation, listing year or since foundation. In the present study the researcher used the number of years passed as independent variable to test the following hypothesis.

H_{03}: Age of the bank as measured by number of years passed has no significant effect on disclosure and compliance of accounting information.

Profitability

Profitability is an important element to measure the performance of a company. A number of researchers used profitability as an explanatory variable in measuring compliance level. Barako et al. (2006) argue that poorly performing firms may disclose less information to conceal the poor performance, presumably from the shareholders. Whereas, it is more likely that the management of a profitable enterprise will voluntarily disclose more to the market to enhance the value of the firm. Karim (1996) highlighted that companies are likely to feel more comfortable when disclosing favorable rather than unfavorable information as one of the objectives of information disclosure is to increase share prices. Owusu-Ansah (1998), and Owusu-Ansah and Yeoh (2005) indicate a significant positive association, while, Wallace et al. (1994), Street and Gray (2002), Glaum and Street (2003), and Ali et al. (2004) provide no evidence of an association between company profitability and level of disclosures. On the other hand, Wallace and Naser (1995) reported a negative association between the two variables. The present study further explores the relationship between profitability and level of compliance with disclosure required by BAS/BFRS. A good number of Profitability and profit-related measures were used in previous studies such as net profit to sales, earning growth, dividend growth, return on total assets, return on equity, and return on total revenues etc. In the present study, four measures are used for the profitability variables: return on total assets (ROA), return on equity (ROE), Earnings per Share (EPS) and Net Profit After Tax (NPAT). The following hypotheses test the association between company profitability and extent of compliance required by Accounting Standards.

H_{04}: Profitability as measured by ROA is significantly associated with the extent of compliance with Accounting Standards required disclosures.

H_{05}: Profitability as measured by ROE is significantly associated with the extent of compliance with Accounting Standards required disclosures.

H_{06}: Profitability as measured by EPS is significantly associated with the extent of compliance with Accounting Standards required disclosures.

H_{07}: Profitability as measured by NPAT is significantly associated with the extent of compliance with Accounting Standards required disclosures.

Hypotheses to Measure the Opinions of the Respondents

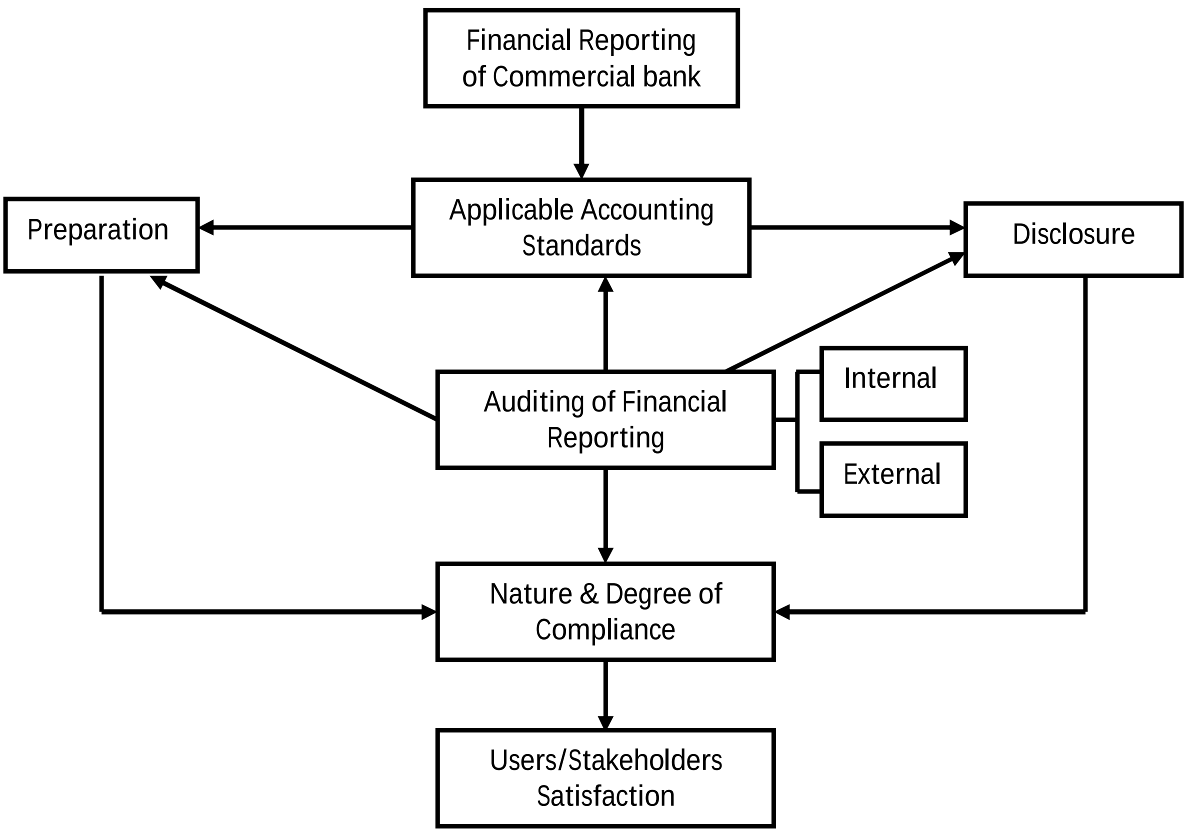
5 hypotheses are developed in chapter 6 to measure the opinions of bank executives of three categories of commercial banks. Furthermore, 5 hypothesis are drawn to measure the opinions of internal and external auditors.

1.6 Justification of the Study

The review of relevant literature reveals that although a number of studies have been carried out in home and abroad on the multidimensional aspects of financial reporting, disclosure policy, regulatory framework, harmonization of international accounting standards, corporate governance, application of local and international accounting standards in financial reporting practices of different multinational and local companies of different countries of the world, the systematic and elaborate study on compliance with accounting standards in Banking sector of Bangladesh is still lacking. In addition, International Financial Reporting Standards-7 (IFRS-7) as adopted by ICAB in the name of Bangladesh Financial Reporting Standards (BFRS-7) came into effect on or after the beginning of the first annual reporting period beginning on or after 1 January 2010 along with other standards. Study on the application and compliance with this standard in financial reporting of commercial bank is scant. So, it can be said that there is dearth of broad based research in this field and there exists a research gap. Hence, it creates enough scope to see the compliance with accounting standards in banking sector of Bangladesh.

1.7 Conceptual Framework

The study is designed based on some logical assumptions. Financial statements of commercial banks are prepared and presented following some relevant accounting standards and regulatory framework. Auditors, both internal and external, also verify whether the financial statements are prepared on the basis of applicable standards or not. Users' satisfaction depends on quality financial reporting which in turn depends on the nature and degree of compliance with accounting standards. The whole framework is envisaged in the following diagram:



Source: Developed by the researcher

1.8 Scope and Limitation of the Study

The study has evaluated the extent of compliance with Accounting Standards in financial reporting of commercial banks in Bangladesh. Other regulatory requirements of The Companies Act, The Banking Companies Act, Bangladesh Bank Orders Circulars, SEC regulations, DSE and CSE regulations, ICAB and ICMAB rules regarding financial reporting have also been evaluated. Bangladesh Standards on Auditing (BSA) have been evaluated to explore the duties and responsibility of auditors while examining compliance with accounting standards. The study covers a period of 6 years from 2006 to 2011 as adoption and application of standards got momentum in 2006 and application of adopted IFRS started functioning in the annual reports of banks in 2010.

Every research has some limitations. The study has focused the compliance with Accounting Standards only in the Banking sector of Bangladesh and other sectors are excluded. All the scheduled banks are not considered for the study but the representation of each type of banking is taken as sample. Foreign commercial banks operating in Bangladesh are also excluded from the study as these banks have only branches in Bangladesh and reporting is basically dependent on their head office stationed abroad. Due to time, budget and human resources constraints, the study has covered a limited number of bank executives, internal and external auditors.

1.9 Conclusion

A sound, unbiased and transparent financial accounting and reporting is of paramount importance in our highly participative and complex capital markets, our economic well-being, and our way of life. Banking sector is the most structural sector in Bangladesh and movements in this sector have almost one-to-one relationship with the growth of the economy. So, the demand and expectation of stakeholders of this sector is relatively higher than other sectors. ICAB along with other regulatory bodies are trying their best to enforce the accounting standards in financial reporting in commercial banks of Bangladesh that will ensure the international harmonization and acceptance. This study aims at examining the compliance level of accounting standards in financial reporting of commercial banks in Bangladesh.

Chapter 2
Research Design

2.1 Introduction

Compliance studies on accounting disclosure attracted attention of Professional Accountants even in 1960s. These studies have used mainly two approaches to measure the compliance level. The first approach uses a questionnaire that is filled by the users of accounting information. The users are required to rank some items based on their level of importance in decision making. The second approach uses a disclosure level index for voluntary, mandatory or overall disclosure and links this level to firm characteristics. Most of the studies examined the disclosure level and firm characteristics in developed countries (UK, USA, Canada, Switzerland, Japan and Hong Kong), while research regarding developing countries was much more less (Jordan, Zimbabwe and Bangladesh)[56]. This study considered both the approaches to arrive at the findings. A disclosure checklist of accounting standards has been prepared considering overall disclosure items and used descriptive statistics to analyze the relationships between business attributes and compliance score. Questionnaire survey has also been used in this study to show the relationships between and among the variables. Hypotheses have been drawn to test the relationships and differences in the opinions of respondents and impact of corporate characteristics on disclosure level. The detailed methodology is presented in this chapter.

2.2 Nature of the Study

The research is empirical in nature. It is empirical in the sense that it explored the compliance or non-compliance of applicable accounting standards on financial reporting and assessed the impact of the same on respondents' satisfaction of commercial banks in Bangladesh.

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[56] K. Alsaeed, "The Association between Firm Specific Characteristics and Disclosure: The Case of Saudi Arabia," *Managerial Auditing Journal* 21 (2006): 496-496.

2.3 Types and Sources of Data

Both quantitative and qualitative data have been used for the proposed study. Data have been collected from both the primary and secondary sources.

2.4 Sample Size and Sampling Method

Total number of scheduled banks in Bangladesh as on March 31, 2011 is 47. These include 4 State Owned Commercial Banks (SCBs), 4 State Owned Specialized Banks (SBs), 30 Private Commercial Banks (PCBs) of which 7 are Islamic Banks (IBs) and 9 are Foreign Commercial Banks (FCBs).[57] The study includes 2 State Owned banks, 6 Private Commercial Banks and 2 Islamic Banks so that the representation from different types of commercial banks can be ensured and more generalization can be drawn on commercial banks in Bangladesh. The list of sampled banks is as follows:

Table 2.1: List of Commercial Banks under Study

Type of Bank	Name of Bank	Commencement of Business/incorporation
State Owned Commercial Banks (SCBs)	1. Janata Bank Limited	1972 as NCB and incorporated on 15th November 2007 as Janata Bank Limited
	2. Agrani Bank Limited	1972 as NCB and incorporated on May 17, 2007 as a Public Limited Company
Private Commercial Banks (PCBs)	1. AB Bank Limited	April 12, 1982
	2. National Bank Limited	March 23, 1983.
	3. Prime Bank Limited	17 April, 1995
	4. Southeast Limited	March 12, 1995
	5. Mercantile Bank Limited	June 2, 1999.
	6. Jamuna Bank Limited	June 3, 2001
PCBs —Islamic Banks	1. Islami Bank Bangladesh Limited	March 13, 1983
	2. EXIM Bank Limited	June 02, 1999

The banks have been selected based on Stratified sampling. Nature of banking activities, age of bank, size of bank in terms of number of branches and asset composition, listing status etc. has been taken into consideration in sample selection. Although the operating activities of Islamic Banks are different, the regulatory framework of financial reporting is very much common. That is why Islamic banks have been included in this study. A total number of 150 respondents have been taken for this study. The selected banks have been further subdivided into

[57] Bangladesh Bank, *Scheduled Banks' Statistics* (Dhaka: Bangladesh Bank, January-March 2011), ii.

three categories to facilitate the relationships and comparison among banks. 20 bank executives from SCBs, 50 bank executives form PCBs and 20 executives from Islamic banks have been selected purposively. These respondents include the head office executives (Executives of Financial Administration Division (FAD)/Finance Division, Internal Control and Compliance Division, who are directly related to financial reporting. The researcher also collected data from 50 professional accountants (30 external auditors and 20 internal auditors) who are engaged in bank audit. The auditors have been selected from Chartered Accountants' Member List published by ICAB. Sample executives and auditors have been selected based on cooperation from them. Detailed plan is shown in the following table.

Table 2.2: Sample Size and Categories of Respondents

Category of Respondents	Bank-wise Respondents	Total Respondents	Types of Sampling	Questionnaire Set
State Owned Bank Executives	10	20	Purposive	1
Private Commercial Bank Executives	10	60	Purposive	
Islamic Bank Executives	10	20	Purposive	1
Professional Accountants/External Auditors	-	30	Purposive	1
Internal Auditors		20		
Total		**150**		**3**

2.5 Procedures of Data Collection

The success of any analysis ultimately depends on the availability of appropriate data.[58] Different data collection methods have been used to gather quantitative and qualitative data.

2.5.1 Primary Data Collection Procedure

2.5.1.1 Document Analysis

Primary data relating to regulatory and professional requirements of financial reporting of commercial banks have been gathered by extensive review of The Companies Act, 1994, The Banking Companies Act, 1991, The Securities and Exchange Ordinance, 1969, Securities and Exchange Rules, 1987, IAS and IFRS issued

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[58] D. N. Gujarati, *Basic Econometrics* (2nd ed., New York: McGraw Hill Inc., 2003), 34.

by IASC and IASB respectively, BAS and BFRS adopted by ICAB, Listing regulations of DSE and CSE, Bangladesh Bank Orders and Circulars, The VAT Act, 1991, The Income Tax Ordinance, 1984, and other relevant laws related to preparation and disclosure of financial reporting. Sixty annual reports of ten commercial banks for six years have been collected from the head offices of the sample banks to assess their nature and extent of disclosure level. Some Relevant data have been supplied by the bank executives from their official sources on the basis of the requirements.

2.5.1.2 Questionnaire Survey

Primary data related to the respondents' opinion regarding various aspects of regulatory and professional requirements have been collected through questionnaire survey method. Three sets of questionnaires – one for conventional bank executives, one for Islamic banking executives and one for professional accountants (both internal and external) have been prepared to collect necessary data. The Questionnaire contains both close ended multiple choice and open ended questions.

2.5.1.3 Personal Interview

Personal interviews with the professional accountant/ auditor and executives related to financial reporting of commercial banks have been conducted to gather opinions and explanation about some special issues of compliance in financial reporting.

2.5.2 Secondary Data Collection Procedure

The researcher has reviewed a number of relevant and reliable scholarly literatures. Data sources include recognized scholarly books, journals, study reports, authentic websites, publications of relevant organizations, audit reports, detailed of financial statements and other official sources.

2.6 Construction of Disclosure Checklist for Compliance Measurement

A disclosure checklist containing 371 items has been prepared containing overall disclosure requirements of BFRS related to financial reporting of commercial banks. For measuring the compliance with Accounting Standards by commercial banks 'Un-weighted Disclosure Index or Dichotomous Approach'[59] has been used in this study. The disclosure index for each bank has been calculated as the ratio of the total items disclosed to the maximum possible score applicable for that bank. The following formula has been used:

$$Cj = \frac{T = \sum_{i=1}^{n} di}{M = \sum_{i=1}^{m} di}$$

Where, C_j is the total compliance score or disclosure index for each bank and $0 \leq Cj \leq 1$. *T* is the total number of items disclosed (di) by Bank *j* where *M* is the maximum number of applicable disclosure items for Bank *j* that could have been disclosed. If the total score approaches to 1, the level of disclosure and compliance is higher (the bank provides more information) and the compliance is more satisfactory, and vice-versa.

2.7 Variables Used and their Description

Dependent Variables:

Compliance Scores of each of the banks under study.

Independent Variables:

a. Total Assets = Average Total Assets (average of current year and previous year's total asset).

b. Total Capital = Total equity shareholders' capital.

c. Age of the Bank = Number of years since commencement of business.

d. Net profit after tax = Net profit after deducting all the provisions and taxes.

e. Earnings per Share (EPS) = Net Profit after tax divided by average number of ordinary shares outstanding.

f. Return on Assets (ROA) = Net Profit after tax divided by average total assets.

g. Return on Equity = Net Profit after tax divided by average shareholders' equity capital.

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[59] Similar approach has been used by Spero (1979), Wallace et al. (1994), Ahmed and Nicholls (1994), Cooke (1996), Patton and Zelenka (1997), Craig and Diga (1998), Muhammad et al. (2004), Yeoh (2005) and Tsalavoutas et al.(2008). In this approach if a required item is disclosed, it is scored as 1 and if not, it is scored as 0. However it is not strictly 'dichotomous' as some items IFRS may not be applicable to each types of banks and therefore scored as 'not applicable' (NA).

2.8 Multiple Regression Model

Multiple linear regression was used to explain possible compliance pattern derived from each of the bank as the independent variable. Un-weighted disclosure (UDI) index was used as the dependent variable.

$$UDI = \alpha + \beta\ age + \beta\ TA + \beta\ TC + \beta\ ROA + \beta\ ROE + \beta\ EPS + \beta\ NPAT + \varepsilon$$

Where,

UDI = Total score received each sample bank under un-weighted disclosure index.

Age = age of the bank

TA = Total Assets

TC = Total Capital

ROA = Return on Assets

ROE = Return on Equity

EPS = Earnings per Share

NPAT = Net Profit After Tax

α = the constant

ε = the error term

2.9 Variables Used in Analysis of Respondents' Perception

Different variables have been used to measure the compliance level of accounting standards related disclosure. These variables have been grouped under different heads in the questionnaire. Some variables are common in three sets of questionnaire where as some are common in two sets. The List of variables used in this study to test the respondents' opinion is presented in the following table.

Table 2.3: List of Variables for Respondents' Opinion

Variable Number	Description of the Variables
	Variables related to regulatory and professional requirements
V1	The Companies Act, 1994
V2	The Banking Companies Act, 1991
V3	Bangladesh Bank Orders and Circulars
V4	The Securities and Exchange Ordinance, 1969
V5	Securities and Exchange Rules, 1987
V6	SEC notifications for Corporate Governance
V7	Bangladesh Financial Reporting Standards (BFRS)/BAS
V8	The Listing Regulations of DSE & CSE
V9	The Income Tax Ordinance, 1984
V10	The VAT Act, 1991
V11	Application of Basel- I & II
V12	Application of GAAP
V13	Application of Ethical code of conduct
V14	The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
V15	Islamic Financial Services Board (IFSB)
	Variables relating to the applications of qualities of Accounting Information
V16	Reliability
V17	Relevance
V18	Understandability
V19	Faithful presentation
V20	Neutrality
V21	Timeliness
V22	Comparability
V23	Consistency
V24	Accuracy of financial information
V25	Decision usefulness to stakeholders
V26	True and fair view of accounts
V27	Adequacy of information
V28	Transparency & accountability
V29	Corporate Governance

Variable Number	Description of the Variables
	Variables relating to the application of GAAP
V30	Periodicity
V 31	Historical cost
V32	Accrual Basis
V33	Revenue recognition
V34	Matching
V35	Full disclosure
V36	Cost benefits
V37	Materiality
V38	Objectivity
V39	Conservatism
	Variables representing the compliance with BAS/ BFRS
V40	Presentation of Financial Statements
V41	Statement of Cash Flows
V42	Accounting Policies, Changes in Accounting Estimates and Errors
V43	Events after the Balance Sheet Date
V44	Income Taxes
V45	Property, Plant & Equipment
V46	Leases
V47	Revenue
V48	Employee Benefits
V49	The Effects of Changes in Foreign Exchange Rates
V50	Borrowing Costs
V51	Related Party Disclosure
V52	Consolidated and Separate Financial Statements
V53	Disclosure in the FSs of Banks and similar Financial Institutions
V54	Financial Instruments: Presentation
V55	Earnings Per Share
V56	Interim financial Reporting
V57	Impairment of Assets
V58	Provisions, Contingent Liabilities and Contingent Assets
V59	Intangible Assets
V60	Financial Instruments: Recognition and Measurement

Variable Number	Description of the Variables
V61	Investment Property
V62	Financial Instruments: Disclosures
V63	Operating Segments
V64	Variable relating to method followed in cash flow statements
	Variables relating to maturity grouping of items
V65	Balance with other banks and financial institutions
V66	Investments/loans and advances
V67	Borrowings
V68	Bill purchased and discounted
V69	Deposits
V70	Fixed asset (premises, furniture, fixtures etc.)
V71	Other assets
	Variables relating to classifications of loans and advances
V72	Sector-wise (Agriculture, forestry, fishery etc.)
V73	Industry-wise (Pharmaceuticals, cement etc.)
V74	Category-wise (Service, trading etc.)
V75	Geographical location-wise
	Variables relating to compliance with the requirements of specific items of BFRS 7
V76	Presentation of income and expenses as group by nature
V77	Group assets and liabilities as their nature and present as their liquidity
V78	Categorization of financial assets and financial liabilities
V79	Fair value and other Details of the collateral held
V80	Allowance for credit losses
V81	Details of the default and breaches
V82	Key terms and conditions for large loans
V83	Details of the related party transactions
V84	Accounting policies and measurement bases for financial assets and liabilities
V85	Fair value of each class of financial assets and financial liabilities
V86	Disclosure of hedging activities
V87	Methods and valuation techniques used in fair value determination
V88	Qualitative disclosures under BASEL-II
V89	Quantitative disclosures under BASEL-II
V90	Nature and amount of contingent liabilities and commitments
V91	Disclosure of significant trust activities

Variable Number	Description of the Variables
	Variables relating to the maintenance of provisions
V92	Investments/Loans And Advances
V93	Off-Balance Sheet Exposures
V94	Taxation
V95	Audit Fees
V96	General Banking Risk
	Variables relating to Interim Financial Statements (IRF)
V97	Disclosure of Interim Financial Statements
V98	Balance Sheet/Statement of Financial Position
V99	Income Statement/ statement of comprehensive income
V100	Statement of changes in equity
V101	Statement of Changes in Equity
V102	Notes to the Financial Statements
	Variables relating to subsidiary companies
V103	Existence of subsidiary companies
V104	Disclosure of separate FS for subsidiary companies.
	Variables relating to business/operating segments
V105	Existence of segments
V106	Disclosure of segment reporting
Variables to measure the perceptions of auditors (Excluding common variables three types of questionnaires)	
	Bangladesh Standards on Auditing (BSA)/BAPS
	Variables relating to auditing standards and guidelines
V107	Audit Documentation
V108	The auditor's Responsibilities Relating to Fraud in an Audit of FSs.
V109	Consideration of Laws and Regulation in an Audit of FSs
V110	Identifying & Assessing the Risks of Material Misstatement through understanding the entity and its environment
V111	Materiality in Planning and Performing an Audit
V112	Auditor's Response to Assessed Risks
V113	Audit Considerations Relating to Entities using Service Organization
V114	Evaluation of Misstatement identified during the Audit
V115	Audit Evidence
V116	Analytical Procedures

Variable Number	Description of the Variables
V117	Audit Sampling
V118	Auditing Accounting Estimates, Including Fair Value Estimates, and Related Disclosures
V119	Related Parties
V120	Using the Work of Internal Auditors
V121	Forming an Opinion and Reporting on FSs
V122	Comparative Information – Corresponding Figures and Comparative FSs
V123	The Relationship between Banking Supervisors and Banks' External Auditors
V124	Audit of Financial Statements of Banks
V125	Reporting by Auditors on Compliance with IFRS

2.10 Statistical Techniques Used in Data Analysis

2.10.1 Analysis of Quantitative Data

Both descriptive and inferential statistics have been used in this study to analyze primary and secondary data. The details of the techniques used are as follows:

2.10.1.1 Analysis of Quantitative Data Related to Disclosure Checklist and Financial Reports

Data obtained from financial reports of sample commercial banks and disclosure checklist have been analyzed and presented using various descriptive statistics. Maximum, minimum, percentage, mean, standard deviation etc. have been used to show the compliance status of accounting standards. Correlation and multiple regression analyzes have been conducted to show the extent of relationship among dependent and independent variables. Hypothesis test has been conducted to draw inference on the population.

2.10.1.2 Quantitative Data Related to the Perception of Bank Executives and Auditors

The quantitative data related to the respondents' perceptions have been analyzed by using various statistical measures like frequency distribution, central tendency, scoring and ranking, one-way ANOVA and post Hoc test. The details are presented below.

(a) Measures of Central Tendency and Measurement Scale

The respondents' perceptions regarding the compliance of various regulatory and professional requirements of financial reporting have been analyzed by central tendency measures. The mean score, median and mode have been calculated from the scores assigned by the respondents on each variable. The standard deviation has been used to show the variations among the opinions of respondents.

In order to measure the mean score and other central tendency measures, the respondents' opinions are collected on a five-point Likert's scale. The scores of each category of respondents have been calculated by averaging of the opinions of all the respondents.

Depending on the combined mean score measurement scale was developed to measure the level of compliance. Mean score below 3.00 has been identified as low compliance. Similarly, mean score above 3.00 implies satisfactory compliance. With a view to differentiating the level of compliance, it has been further subdivided into the following groups:

Table 2.4: **Measurement Scale of Compliance Level**

Mean Score (ms)	Compliance level
Below 3.00	Low compliance
$3.00 < ms \leq 3.5$	Fair compliance
$3.5 < ms \leq 4.5$	Satisfactory compliance
Above 4.5	Higher level compliance
$ms = 5$	Fully complied

Again, mean compliance score which has been presented in percentage form is subdivided into the following measurement scale:

Table 2.5: **Measurement Scale of Compliance Level (in percentage form)**

Mean Score (%)	Compliance level
Below 60%	Low compliance
60% to 69%	Fair compliance
70% to 79%	Satisfactory compliance
80% and above	Higher level compliance
100%	Fully complied

(b) Frequency Distribution and Percentage

Some questions are dichotomous in nature and the respondents are asked to response on yes/no question. In that case compliance level has been shown by calculating frequency and percentage for each opinion.

(c) One-way ANOVA and Post Hoc Test

Some hypotheses were drawn in chapter six and chapter seven to test the opinions of respondents regarding the compliance of accounting standards. One-way ANOVA tests have been used to test these hypotheses.

The statistical packages like SPSS and MS Excel have been used for analyzing the data.

2.10.2 Analysis of Qualitative Data

Qualitative data and comments which were collected through open ended questionnaire have been considered to enhance legitimacy and validity of the findings.

The qualitative data gathered from open-ended responses and personal interview with the bankers and professional accountants/auditors have been processed manually. The qualitative responses were grouped under some selected issues relevant to the research objectives. The importance on a specific opinion and suggestions has been given depending on the frequency of responses.

2.11 Presentation of Results and Interpretations of Findings

The findings from the quantitative analysis have been presented by tables, charts, graphs and diagrams in an attempt to make those more meaningful and easily communicable to the readers. The qualitative data have been presented through tables and descriptive form.

The findings of the analysis are interpreted in descriptive way. Both qualitative and quantitative findings have been interpreted simultaneously to enhance the legitimacy and validity of the findings. The findings of the previous studies have been compared to relate the current study.

2.12 Validity and Reliability of Data

Various techniques have been used in this study to ensure that the findings drawn are unbiased based on the data considered. The questionnaires were appropriately pre-tested and refined according to the pre-testing results. The researcher himself collected all the data to reduce bias in data collection. Editing, coding and decoding have been done applying appropriate techniques to arrive at findings. To ensure that the findings drawn are accurate, the researcher has consulted the supervisor and experts before drawing conclusion.

2.13 Conclusion

The research design is the building block of a research and provides guidance in pursuing the study in appropriate and acceptable methods. Due to different dimensions of the study, different research methods have been applied in different chapters of this thesis. Most of the disclosure studies have been conducted based on disclosure index. The present study has been conducted taking into consideration of both disclosure index and questionnaire survey. Though most of the findings have been drawn based on quantitative analysis, the quantitative responses were also adjusted with the findings in drawing suitable conclusion.

Chapter 3
Financial Reporting of Commercial Banks: Conceptual and Regulatory Framework

3.1 Introduction

Reporting to the stakeholders of an entity such as shareholders, investors, regulators, employees, creditors, suppliers and society at large is an important activity on the part of the management of the entity. The right and timely information to all the stakeholders enhance the quality of reporting and enable effective decision making. Financial reporting is the most effective and the most widely used medium by which management communicates to corporate stakeholders the operating results as well as the latest financial position of the enterprise. Most users, both external and internal, depend heavily on the financial information contained in the annual financial statements when making their decisions concerning the enterprise. The regulators worldwide have stipulated various disclosure requirements in the annual reports to the stakeholders for ensuring proper disclosure of qualitative and unbiased information. A majority of the disclosures are governed by the regulatory requirements of the respective countries and the trend of providing newer/innovative information/analysis to the stakeholders by the professional managements of the corporate is also on the rise.[60] Financial reporting of commercial banks in Bangladesh is also influenced largely by various regulatory and professional requirements. This chapter evaluates the important aspects of financial reporting and reviews the regulatory as well as professional requirements visa-a-vie relevant provisions of accounting standards (both IFRS and BRFS) in preparation of financial statement and in adequate disclosure of financial information. To fulfill this objective (which is pertinent to objective 1 of the study) the researcher has gone through all the relevant regulations and requirements of different regulatory and professional bodies, both at national and international level. This effort is summarized in this chapter.

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[60] Sriram Parthasarathy, "Global Trends in Reporting to Stakeholder," *The Chartered Accountant* (October 2011): 579.

3.2 Overview of Financial Reporting

3.2.1 Meaning of Financial Reporting

Broadly speaking, financial reporting is the sum of works by which it is possible to depict operational performance for a given period of time and financial position of a particular point of time of the business concern. It provides information about the enterprise's revenue, costs, earnings, resources, ligations, employees, production, investment plan etc. and communicate these information to the users to take decision about the concern.[61]

Financial reporting, basically is concerned with the accounting treatment (comprising recognition and measurement of the effect of financial transactions) and the presentation or disclosure of information regarding items contained in the financial statements.[62] It provides information to help present and potential investors, creditors and other users in assessing the amount, timing and uncertainty of prospective cash receipts from dividends or interest and proceeds from sale, redemption or maturity of securities or loans.[63] It is concerned with the measurement and communication of useful information.[64]

Accounting activities are initiated by recording process of business transactions and culminated by the financial reporting. Thus, financial reporting is the culmination of accounting process, being the distillation of innumerable transactions and decision of the past into the presentation of historical facts.

Thus, financial reporting depicts the end results of all the business activities done by an entity, usually for an accounting period and supplies valuable information to both the internal and external users in making informed judgment about the entity.

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[61] Mamtaz Uddin Ahmed and Md. Humayun Kabir, " External Financial Reporting as envised in Companies Act 1994: A Critical Evaluation," *Dhaka University Journal of Business Studies* 16, No. 1 (June 1995): 186.

[62] Anwaruddin Chowdhury, "Harmonization of Financial Reporting and Audit Practices in Bangladesh Purspective," *Seminar on Global Challenge for Business*, Jointly organized by Shell Bangladesh ,FBCCI and ACNABIN &Co., Dhaka, Bangladesh (April1, 2000): 9.

[63] FASB, "Objectives of Financial Statements by Business Enterprises," *Statement of financial Accounting concepts*, no. 1 (Stamford: FASB, 1978), para-37.

[64] John Samuels, Colin Rickwood and Andrew Pipu, *Advanced Financial Accounting*, 2nd edition (London: McGraw- Hill Book Company Limited, 1989), 1.

3.2.2 Conceptual Framework of Financial Reporting:

3.2.2.1 Conceptual Framework Defined:

Conceptual framework of any field of knowledge "is a pattern of ideas brought together to form a consistent whole or a frame of reference which is related to the operational content of the field.[65] A `conceptual framework' is defined by Davies et al. as follows:

> In general terms, a conceptual framework is a statement of generally accepted theoretical principles which form the frame of reference for a particular field of enquiry. In terms of financial reporting, these theoretical principles provide the basis for both the development of new reporting practices and the evaluation of existing ones.[66]

The conceptual framework of corporate financial reporting determines the form and contents of financial reporting. It includes its objectives, users and their needs, its qualitative characteristics, limitations and fundamentals.

A conceptual framework is like a constitution.[67] The FASB described a conceptual framework as `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'.[68] Hines considered that the meaning and significance of conceptual framework projects is not so much functional and technical, but rather social and cultural'.[69] The importance of such a framework is such that `one cannot make a rational choice of accounting procedures without some framework of principle.'[70] It is "a theory of accounting to which practical problems could be referred for solution in a relatively objective manner."[71]

IASB has a more clear view in this regard and states that—

> The Framework for the Preparation and Presentation of Financial Statements sets out the concepts that underlie the preparation and presentation of financial statements. It includes the objectives, assumptions, characteristics, definitions, and criteria that govern financial reporting. Therefore, the Framework is often referred to as the conceptual framework.

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[65] Willam J. Vatter, *The Fund Theory of Accounting and its Implications for Financial Reports* (Chicago: University of Chicago Press, 1947), 1.

[66] M. Davies, R. Paterson, and A. Wilson, *UK GAAP* (London: Butterworths Tolley, 1999), 53.

[67] Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield, *Intermediate Accounting* (New Jersey: John Wiley & Sons, Inc., 2004), 28.

[68] Financial Accounting Standards Board (FASB), *Tentative Conclusions on Objectives for Financial Statements of Business Enterprises* (Stamford, CT: FASB, 1976a), 2.

[69] R.D. Hines, "The FASB's conceptual framework, Financial Accounting and the Maintenance of the Social World", *Accounting, Organizations and Society* 16, No. 4 (1991), 313.

[70] Macve, R. (1981) *A Conceptual Framework for Financial Accounting and Reporting: The Possibilities for an Agreed Structure* (London: ICAEW, 1981), 9.

[71] Kenneth S. Most, *Accounting Theory* (Columbus: Grid Publishing Inc., 1982), 16.

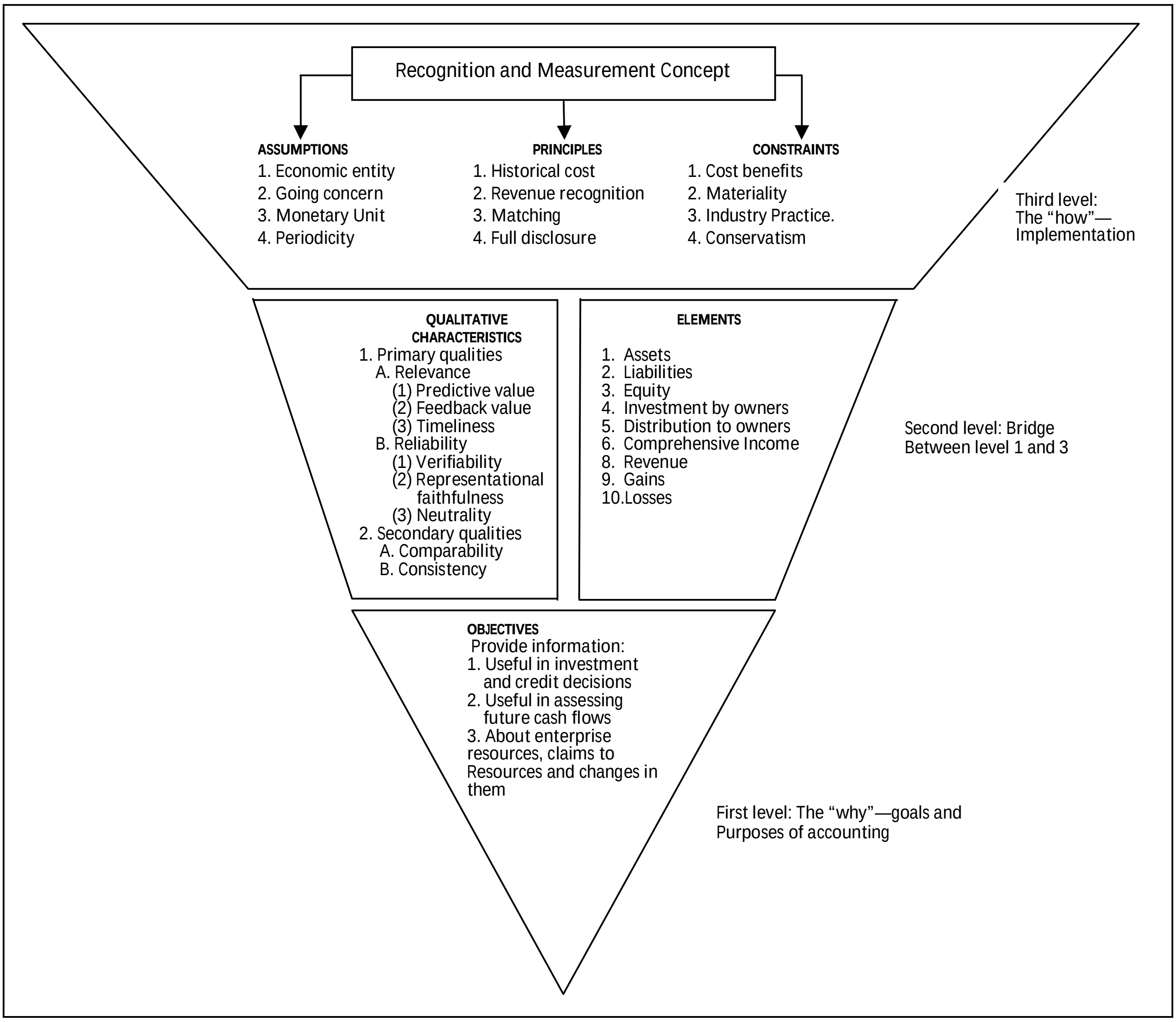
Thus, Conceptual Framework can be termed as the underpinnings of all accounting principles for financial reporting and it acts as a constitution for the standard setting process.

3.2.2.2 Need for Conceptual Framework

A conceptual framework is needed to (1) build on and relate to an established body of concepts and objectives. (2) Provide a framework for solving new and emerging practical problems. (3) Increase financial statements users, understanding of and confidence in financial reporting and (4) Enhance comparability of companies' financial statements.

3.2.2.3 Structure of Conceptual Framework

Flow Chart 1: **Structure of Conceptual Framework**



Source: Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield, *Intermediate Accounting* (New Jersey: John Wiley & Sons, Inc., 2004), 46.

The conceptual framework of financial reporting can be described in three levels. First Level shows the objectives of financial statements while the third level depicts the recognition and measurement criteria in preparation and presentation of financial statements. The second Level is the building blocks of financial reporting and acts as a bridge between first & third level. A brief discussion of the whole structure is as follows.

First Level: Basic Objectives

Several Professional Accountancy Bodies delivered their opinion regarding the objectives of financial reporting. Among them the efforts made by APB, FASB, AAA, ASSC, IASB are remarkable. FASB[72] mentioned three core objectives stated in the above structure (level-3) of conceptual framework. IASB states that the objective of financial statement is to provide information about the financial position of an entity that is useful to a wide range of users in making economic decisions.

Second Level: Fundamental Concepts

Second level i.e. the conceptual building blocks form a bridge between the why of accounting (the objectives) and the how of accounting (recognition and measurement). This level discussed about the qualitative characteristics and elements of financial statements.

Qualitative Characteristics of Financial Statements

FASB has identified the qualitative characteristics of accounting information that distinguish better (more useful) information from inferior (less useful) information for decision making purpose.[73] The qualitative characteristics of financial information as identified by FASB are shown in the following flow chart:

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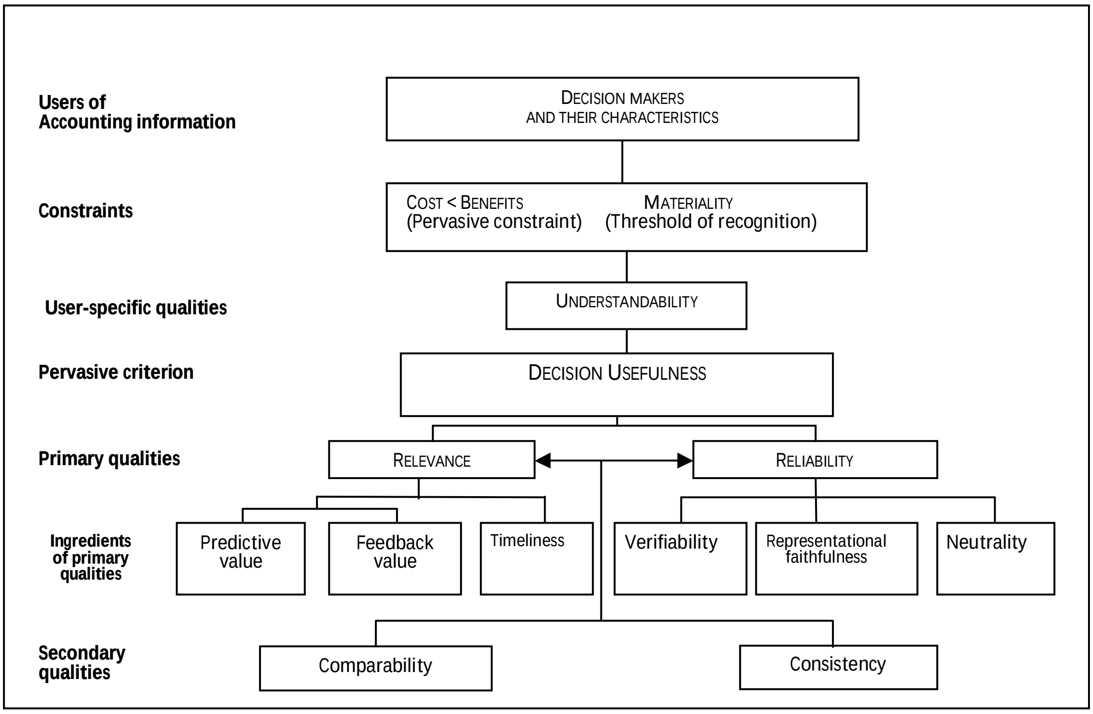
[72] FASB, "Objective of Financial Statement by Business Enterprises," *Statement of Financial Accounting Concept* No.-1 (Stamford, Conn: FASB, 1978).

[73] FASB, "Qualitative characteristics of financial information," *Statement of Financial Accounting Concept* No. 2 (Stamford, Conn: FASB, May 1980).

Flow Chart 2: Hierarchy of Accounting Qualities.



Source: Source: Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield, *Intermediate Accounting* (New Jersey: John Wiley & Sons, Inc., 2004), p.32.

Users of financial reporting are always concerned about the material items which directly or indirectly influence them in taking decision about the entity with less cost. It grows understandability among the users. Understandability refers to information being readily understandable by users who have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.[74] Understandability leads to decision usefulness of the information.

Primary Qualities

A. Relevance: To be relevant, accounting information must be capable of making a difference in a decision.[75] Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present,

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[74] Abbas Ali Mirza, Magnus Orrell and Graham J. Holt, *IFRS: Practical Implementation guide and Workbook*, 2nd edition (New Jersey: John Wiley & Sons, Inc., 2008), 9.

[75] Lanny G. Chasteen, Richard E. Flaherty and Melvin C. O'Connor, Intermediate Accounting, 5th edition (New York: McGraw-Hill Inc., 1995), 42.

or future events, or confirming or correcting their past evaluations.[76] However, In order to be relevant, information should at least have the following three characteristics. (1) Predictive value (predict the entity's future profitability and its cash flows), (2) Feedback value (Confirm or correct prior expectations), and (3) Timeliness (means that the information is provided when it is still highly useful for decision making purposes).

B. Reliability: Reliability means that a user can depend on or have confidence in the information. To be reliable, information must have the following three qualities. (1) Verifiability (Supported by vouchers), (2) Representational faithfulness (the numbers and descriptions represents what really existed or happened), and (3) Neutrality (free from bias).

Secondary Qualities

A. Comparability: Comparability refers to the ability to identify similarities in—and differences between—two sets of economic phenomena.[77] It helps users to compare past and present performance of an entity in relation to other competitors and can take future investment decisions.

B. Consistency: Consistency implies the use of the same accounting policies and procedures within an entity from period to period, or in a single period across entities. Consistency aids comparability.

Elements of Financial Statements

Assets: An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

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[76] IASB, Framework for the Preparation and Presentation of financial Statements, Para- 26.

[77] Barry J. Epstein, and Eva k. Jermakowicz. *Interpretation and Application of International Financial Reporting Standards* (New Jersey: John Wiley & Son, Inc., 2010), 14.

Liabilities: A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Equity: Equity is the residual interest in the assets of the entity after deducting all its liabilities.

Investments by owners: Increase in net assets of a particular enterprise resulting from transfer to it from other entities of something value to obtain or increase ownership interests (or equity) in it.

Distribution to owners: Decrease in the net assets of a particular enterprise resulting from transferring assets, rendering services, or incurring liabilities by the enterprise to owners.

Comprehensive income: According to SFAC No.6 of the FASB, comprehensive income is the change in equity (net assets) of an entity 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. In brief, comprehensive income comprises revenue and expenses, and gains and losses.

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

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

Gains: Gains are increases 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 during a period except those that result from revenues or investment by owners.

Losses: losses are decreases 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 during a period except those that result from expenses or distributions to owners.[78]

Third Level: Recognition and measurement concepts

Third level of the framework consists of concepts that implement the basic objectives of level one. These concepts explain which, when, and how financial elements and events should be recognized, measured and reported by the accounting system. Most of them are set forth in FASB Statement of Financial Accounting Concepts No. 5. According to SFAC No. 5, to be recognized, an item (event or transaction) must meet the definition of an "element of financial statement" as defined in SFAC No. 6 and must be measurable. These concepts serve as guidelines in developing rational responses to controversial financial reporting issues.[79]

Basic Assumptions

Four basic assumptions underlie the financial accounting structure: (1) Economic Entity, (2) Going Concern, (3) Monetary Unit, and (4) Periodicity.

Economic Entity Assumption: According to this assumption an entity is separate and distinct from its owner and any other business unit.

Going Concern Assumption: Going concern assumption implies that business will continue to operate for the foreseeable future. It is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operation, but will continue in operation for the foreseeable future.

Monetary unit Assumption: The monetary assumption means that money is the common denominator of economic activity and provides an appropriate basis for accounting measurement and analysis. To be a transaction, an event must be measured in terms of money.

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[78] FASB, "Elements of Financial Statements," *Statement of Financial Accounting Concept* No. 6 (Stamford, Conn.: FASB, December 1985), ix and x.

[79] Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield, op.cit., 36.

Periodicity Assumption: The periodicity (or time period) assumption implies that the economic activities of an enterprise can be divided into artificial time periods. These periods may vary, but most common are monthly, quarterly and yearly. This assumption is the base for periodic performance evaluation of a business entity.

Basic Principles of Accounting

Four basic principles of accounting are used to record transactions: (1) historical cost, (2) revenue recognition, (3) matching, and (4) full disclosure.

Historical Cost Principles: GAAP requires that most assets and liabilities be accounted for and reported on the basis of acquisition price. This is often referred to as the historical cost principle. Historical cost is supported by vouchers and a tool to compare accounting information. It is reliable and depreciation is usually charged on acquisition cost of assets. This principle helps in replacement of assets.

Revenue Recognition Principle: Revenue is generally recognized (1) when realized or realizable and (2) when earned. This approach has been often referred as the revenue recognition principle. FASB[80] has identified various recognition criteria for different types of revenues.

Matching Principle: According to this principle the income of certain period is matched with expense of same period. The difference between all the nominal income and nominal expense determines the profit (loss) for the period under this method.

Full Disclosure Principle: Full disclosure principle indicates the information which is to be disclosed in general purpose financial statement to facilitate the users in taking informed judgment about the entity. It recognizes that the nature and amount of information included in financial reports reflects a series of judgmental trade-offs. These trade-offs strives for (i) sufficient detail to disclose matters that make a difference to users, (ii) sufficient consideration to make the information understandable, keeping in mind the costs of preparing and using it. Full disclosure

[80] FASB, "Recognition and Measurement in Financial Statement of Business Enterprise," Statement of Financial Accounting Concept No. 5 (Stamford, Conn.: FASB, December 1984), Para 83(a) and (b).

principle does not mean that all the transactions made by an entity are to be disclosed. It asserts that information is to be so designed that each type of stakeholders can take relevant and material information from reporting.

Constraints

In providing information with the qualitative characteristics that make it useful, two overriding constraints must be considered: (1) the cost-benefit relationship and (2) materiality. Two other less dominant yet important constraints that are part of the reporting environment are industry practices and conservatism.

Cost-benefit relationship: This constraint asserts that in order to justify requiring a particular measurement or disclosure, the benefit perceived to be derived from it must exceed the cost perceived to be associated with it.

Materiality: The constraint of materiality relates to an item's impact on firm's overall financial operations. An item is material if its inclusion or omission would influence or change the judgment of a reasonable person.[81] However, materiality is a relative term. For example, tk. 5,000 may be material for a small company where as tk. 10 million may be immaterial for a corporate giant.

Industry Practice: Accounting Practice may vary depending on nature of the business. The peculiar nature of some industry and business concern sometimes requires departure from basic theory.[82] For example, some differences can be found in highly regulated industries, such as insurance, railroad, and utilities.

Conservatism: Conservatism means when in doubt choose the solution that will be least likely to overstate assets and income. Examples of conservatism in accounting are the use of lower of cost and market approach in valuating inventories and the rule that accrued net losses should be recognized on firm purchase commitments for

[81] FASB, "*Statement of Financial Accounting Concept* No. 2, Para-132. The same concept of materiality has been adopted by the auditing profession. See " Audit Risk and Materiality in Conducting Audit," Statement on Auditing Standards No. 47 (New York: AICPA, 1983), para-6.

[82] Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield, op.cit., 45.

goods for inventory. If the issue is in doubt, it is better to understate than overstate net income and net assets.

3.2.3 Uses and Users of Financial Reporting

The fundamental objective of financial accounting is to provide users of financial statements with useful information for the purpose of efficient and effective decision making. Outside of the firm, financial reporting should provide information that is useful to present and potential investors, creditors in making rational investment as well as credit decisions. Within the firm, accounting information is essential for the purpose of efficient managerial decision. But, in current competitive and globalised environment traditional reporting of business affairs are not sufficient to fulfill the requirements of shareholders, investors and other interested parties, due to the changes in the nature of transactions, business activities, shifting of focus towards industrial economy to knowledge economy, and growing importance of service sector in the economy.[83] At present stakeholders need qualitative nature of financial reporting, because it includes relevance, faithful representation, comparability and understandability of information.

The users of financial statements include present and potential investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies and the public.[84] Users of accounting information and their information needs are shown in the following table.

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[83] Pradeep Kumar Singh, "Enhancement of Value for Corporate Reporting in Current Competitive Era," *The Chartered Accountant* 60, No.2 (August 2011): 290.

[84] ICAB, "Bangladesh Financial Reporting Standards, Vol-1 (Dhaka: ICAB, 2008), 9.

Table 3.1: Users and their Information Needs

SL. No.	User group	Users	Users needs/Purpose
1.	**Within the business entity**		
1.1	Management	Managing Director, Finance Director, Production Manager, Marketing Manager, Profit Centre Head etc.	- Evaluation of past results and growth rate. - Information about profitability in relation to its assets and shareholders' fund. - Formulation new plans structures on the basis of present performance and in comparison with that of its competitors.
1.2	Employees	Present and potential employees	-Information about the stability and profitability of their employers. -Information about entity's ability to pay remuneration, retirement benefits and employment opportunities.
2.	**Outside the business entity**		
2.1	Investors (Current & potential)	Individual investors, institutional investors.	In taking decision about whether to buy, hold or sell securities. Assessing the ability of the entity to pay dividends.
2.2	Investment advisors	Security analyst, stock broker, credit rating agency, bond analysts.	-Risk and return assessment. -Future performance evaluation.
2.3	Lenders (current & potential)	Bank and financial institutions, Debenture holders etc.	-To determine whether their loans and the interest attaching to them, will be paid in due time.
2.4	Suppliers and other trade creditors	Suppliers of raw materials, Sub-contractors, utility companies	-To determine whether amounts owing to them will be paid in due time.
2.5	Customers	Current & potential customers	-To know whether the entity will be able to honour its warranty liabilities. -to know about financial ability of the entity to complete long-term projects. - to know whether the company is a reliable and economical source of supply.
2.6	Government and their agencies	Tax authorities, SEC, RJSC, Planning Commission, stock exchanges, etc.	-for allocation of resources. -formulate income tax policy. -to regulate the activities of the entity.
2.7	Competitors	Companies acting in the same industry.	-to remain competitive.
2.8	General public	Local community, political parties, public affairs group, environmental activities.	-To exercise its "right to know" about institutions affecting the economy, pollution control measures, and the nature and extent of corporate social responsibilities performed by the entity.
2.9	Media	Print and electronic media	To make report on business and economics.
2.10	Academicians	Students, researchers etc.	To conduct study on specific industry.

Source: Developed by the research

3.2.4 Corporate Annual Report and Its Contents

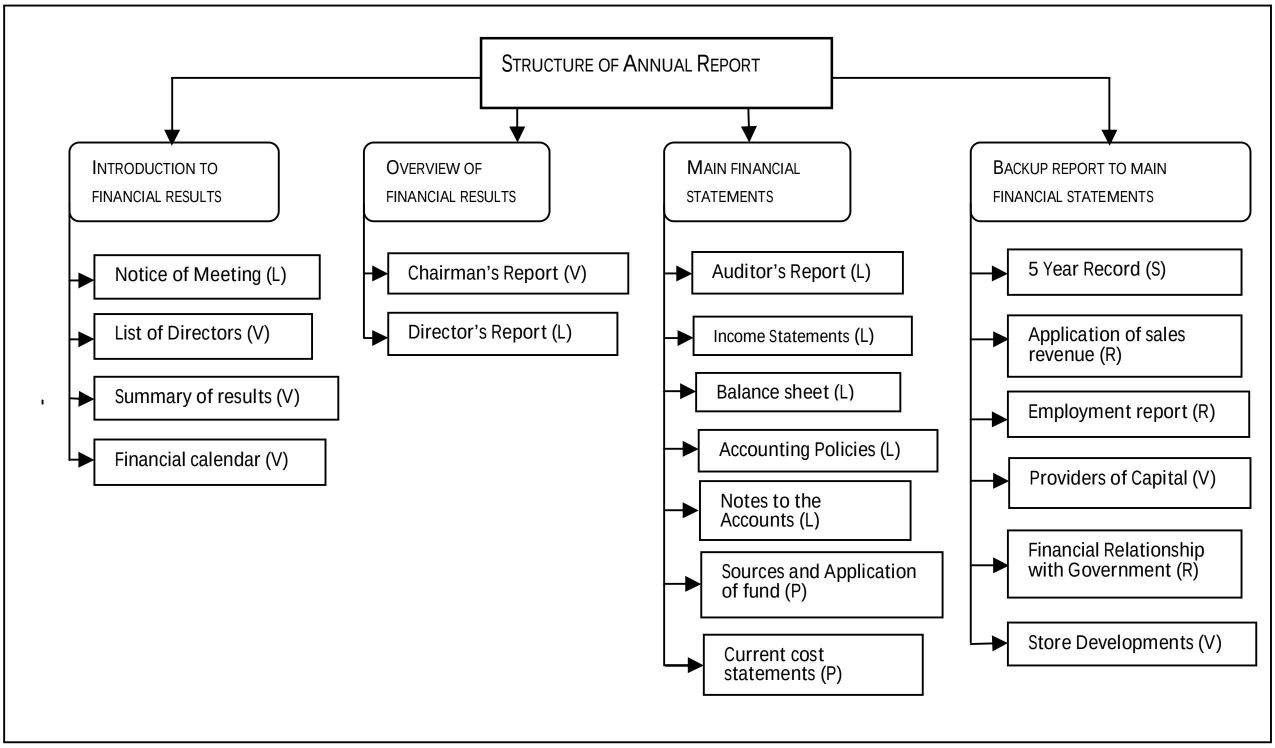
Annual report is the medium through which corporate entities convey their activities and financial performance which contains both financial and non-financial information relating to their operational as well as potential aspects. The meaning and importance of annual report can be understood from the statement made by Pintu Sarkar as follows:

> Annual report plays a central role in legitimizing the company's existence. Of all the forms or ways of corporate disclosure, corporate annual report is the most important, vital and popular source of information in the arena of the corporate world and investment market- a focal point of corporate disclosure mechanism. Annual report today is not simply a means of communication; it is now being used as a vehicle of building and enhancing corporate image.[85]

A typical annual report incorporates various statements, reports, speeches, records, highlights, graphs, charts, figures, ratios etc. Further, various entities also provide additional details such as the company's historical performance, report on current and future operations, compliance with corporate governance principles and practices, report on corporate social responsibility activities, shareholder information, etc.

Lee[86] divided the elements of annual report into four major sections: (1) the introduction to the financial results, (2) An overview of financial results, (3) the main financial statements and (4) the backup reports to the main financial statements. He also suggested a structure based on his opinion which is shown below:

Flow Chart 3: **Structure of Annual Reports**



[85] Pintu Sarkar, "Disclosures in Corporate Annual Reports —A Case Study of Some Selected Public Limited Companies in India," *The Chartered Accountant* 60, No. 4 (October 2011): 572.

[86] Tom Lee, *Company Financial Reporting*, 2nd Edition (Berkshire, England: Van Nostrand Reinhold [UK] co. Ltd., 1982), 13.

In the structure of annual report, Tom Lee indicated the requirements to be followed by using alphabet L, V, P, S and R. Where,

L = Legally required to be followed.

V = Voluntarily required to be followed.

P = Professionally required to be followed (by main accountancy body).

R = Recommended to be followed (by main accountancy body).

S = Required to be followed by the London Stock Exchange.

This structure has been prepared based on annual reports of some big corporations of United Kingdom. This structure can also be applied in annual reports of Bangladeshi companies as it will provide more information to the stakeholders in taking fruitful decision.

3.3 Regulatory Framework of Commercial Banks in Bangladesh

Necessity of regulatory framework for the banks and similar financial institutions has been universally felt, primarily to safeguard the interests of a large number of savers/depositors and also to ensure proper and efficient functioning of the institutions that are part and parcel of the financial system. The financial reporting and disclosure of banking companies in Bangladesh is regulated by different authorities. The complex process of banking regulations exists in Bangladesh.[87] The Companies Act, 1994, the Banking Companies Act, 1991, the Securities and Exchange ordinance, 1969, Securities and Exchange Rules, 1987 and the International Accounting Standards (IASs) or Bangladesh Accounting Standards (BAS), International Financial Reporting Standards (IFRSs) or Bangladesh Financial Reporting Standards (BFRSs), the listing Regulations of Dhaka Stock Exchange, the Listing Regulations of Chittagong Stock Exchange are the most important legislations to govern the financial reporting environment of the listed banking companies in Bangladesh. In addition, to ensure more transparency in accounting system and

[87] Farooq Sobhan and Wendy Werner, "A Comparative Analysis of Corporate Governance in South Asia: Charting a Roadmap for Bangladesh" Paper presented and published by Bangladesh Enterprise Institute, Dhaka: 2003.

disclosure of important accounting policies of banks and financial institutions in Bangladesh, Bangladesh Bank issues circulars for mandatory disclosure of information. Since 2000, all commercial banks in Bangladesh have been following IAS-30 (now IFRS-7) for preparation of their annual reports.[88]

The Registrar is the authority of the Office of the Registrar of Joint Stock Companies and Firms, Bangladesh and deals with the private companies, public companies, foreign companies, trade organizations, societies, and partnership firms. Security and Exchange Commission (SEC) was established on 8th June, 1993 under the Securities and Exchange Commission Act, 1993, as a statutory body and attached to the Ministry of Finance, having overall responsibility to administer securities legislation. Bangladesh Bank was established as a body corporate vide the Bangladesh Bank Order, 1972[89] as the central bank as well as regulator of financial system of Bangladesh. The core function of this bank is to formulate and implement monetary policy. It also monitors and supervises scheduled banks and non-banking financial institutions in order to enhance the safety, soundness and stability of the banking system to ensure banking discipline. So, the compliance of banking companies Act, 1991 is monitored by Bangladesh Bank.

The Dhaka Stock Exchange (DSE) is registered as a Public Limited Company. Although it is incorporated in 1954, the formal trading was started in 1956. The main functions of DSE are listing of companies and monitoring the activities of listed companies. DSE may impose some disclosure requirements as a part of listing requirement of monitoring the activity. The Chittagong Stock Exchange (CSE) began its journey on 10th October on 1995. CSE works towards an effective, efficient and transparent market to serve and invest in Bangladesh. Like DSE it may impose disclosure requirements.

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[88] Bangladesh bank, BRPD circular no. 3/2000, dated April 18, 2000. IAS-30 was replaced by IFRS-7 and effective on or after 1 January 2010.

[89] The Bangladesh Bank Order, 1972 (Presidential Order no. 127 of 1972).

There are two professional accountancy bodies in Bangladesh - the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB). ICAB is the National Professional Accounting body of Bangladesh established under the Bangladesh Chartered Accountants Order 1973 and regulates the Accountancy Profession and matters connected therewith in the country. The members of ICAB are entitled to attest to the validity of accounts and to report to shareholders whether a company's financial statements comply with statutory provisions.[90] In 1983, ICAB became the member of the International Accounting Standard Committee (IASC). Bangladesh Accounting Standards (BASs) are the adopted International Accounting Standards (IASs) by the ICAB. The ICAB through their Technical and Research committee have adopted 28 International Accounting Standards (IASs) and 8 IFRSs (total 36 standards)[91] as national accounting standards, taking into consideration the local laws and regulations. On the other hand, ICMAB is a leading professional body in Bangladesh and offers professional qualification in Cost and Management Accountancy, with a focus on accounting for business. In December 2010, Bangladesh Bank has issued guidelines titled "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel II)". As per guidelines, Disclosure Requirements as stated in these guidelines, have to be followed by all scheduled banks from January 01, 2010. List of major regulators for commercial banks in Bangladesh is presented in table 3.2.

[90] K. Ahmed and D. Nicholls, "The impact of non-financial company characteristics on mandatory disclosure compliance in developing countries: the case of Bangladesh", *International Journal of Accounting* 29 (1994): 67.

[91] IFRS-9, IFRS-10, IFRS-11, IFRS-12 and IFRS-13 have already been adopted by ICAB and going to publish in 2012. It has been stated in the paper presented at the 'Regional Standards Setters Conference' of South Asian Federation of Accountants (SAFA) in Dhaka on 28, November 2011. The title of the paper was 'Comparative analysis of SAFA countries' Accounting Standard Setting Process. P. 26.

Table 3.2: List of Major Regulations Regarding Disclosure of Listed Banking Companies in Bangladesh.

SL. No.	Name of Regulations
1	The Companies Act, 1994
2	The Banking Companies Act, 1991
3	The Securities and Exchange Ordinance, 1969
4	Securities and Exchange Rules, 1987
5	International Accounting Standards (IASs)
6	Bangladesh Accounting Standards (BASs)
7	International Financial Reporting Standards (IFRSs)
8	Bangladesh Financial Reporting Standards (BFRSs)
9	The Listing Regulations of Dhaka Stock Exchange Limited
10	The Listing Regulations of Chittagong Stock Exchange

Source: Compiled by the researcher after review of regulatory framework of commercial banks in Bangladesh.

3.3.1 The Provision Regarding Financial Reporting Under the Companies Act, 1994

The Companies Act, 1994 provides the basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. The main provisions of the Companies Act, 1994 regarding the financial reports have been laid down under Sections 181 to 185 and 192.

- Section 181 of the Companies Act, 1994 represents the obligation to keep the proper books of accounts but does not give any idea about what sort of books of accounts to be kept.
- Section 183 (1) provides the requirements to present audited balance sheet, and profit and loss account in the annual general meeting.
- Section 183 (2) provides the maximum time limit to present a balance sheet and a profit and loss account at the Annual General Meeting .
- Section 184 (1) of this Act provides the requirements for directors' report.
- Section 185 (1) lays down that the balance sheet must contain a summary of property and assets and of the capital and liabilities of the company giving true and fair view of the affairs as at the end of the financial year.
- Section 185 (2) states that every profit and loss account of a company shall give a true and fair view of the profit and loss of the company for the financial year and should prepare the statement in accordance with Schedule XI so far as applicable thereto.

- Part I of Schedule XI contains two form of Balance Sheet- Form A and Form B. Figure of the previous year and those for the current year are to be shown in the balance sheet in both the forms. In addition, the sections says that in the preparation of the balance sheet due regard shall be made as far as possible, to the general instructions under the heading 'Notes' at the end of the Part I. This notes if carefully review will show that they are in accordance with IAS-1, IAS-5, IAS-7, IAS-8, IAS-10 and IAS-13. Part II of the Schedule XI provides the list of the incomes and expenditures relating to the period covered by the account.

- Section 184 (1) of the Act states that in the annual general meeting of the company, a director's report shall be attached with each balance sheet and report must provide the state of affairs, the amount, if any, the board of directors proposed to carry to the reserve fund shown on the balance sheet, the amount ,if any, the board of directors' report recommend should be paid by way of as dividend, and any change in the balance sheet between the last date of balance sheet period and the date of such reports affects the financial position of the company significantly.

- Furthermore, section 185 (5) states that the directors in their report shall be obliged to make out full information and expectations regarding the comments made in auditor's report.

- Beside these, section 192 mentions that every company being a limited banking company or an insurance company has to prepare the statements in accordance with Schedule XII, or as near thereto. So, the most important requirements of this Act for the banking companies are general instructions for financial statements of Schedule XI under section 185, Board of Directors' report's information as per section 184 and 185 and Schedule XII under section 192. However, the Companies Act, 1994 does not contain any provision for mandatory observance of the IFRSs and ISAs in practice.[92] Summary of the relevant provisions of the Act is shown in table 3.3.

[92] M, Nurunnabi, "The Perceived need for and Impediments in Accounting Transparency in Developing Countries: A Field Investigation," Paper presented at the British Accounting Association (BAA) Annual Conference, University of Dundee, Scotland, UK (21-23 April 2009). http://www.baa.group.shef.ac.uk/events/conference/BAA%20conference%202009%20-%20detailed% 20schedule.pdf. (Accessed on 05 February 2012).

Table 3.3: List of Important Provisions in the Companies Act, 1994 Regarding Disclosure.

Section no.	Descriptions of the Provisions
Sec. 181	Books to be kept by Company and Penalty for not keeping them
Sec. 182	Inspection of Books of Accounts, etc. of Companies
Sec. 183	Annual Balance Sheet
Sec. 184	Board's Report
Sec. 185	Forms and Contents of Balance Sheet and Profit and Loss Accounts
Sec. 186	Balance Sheet of Holding Company to Include certain particulars as to its Subsidiary
Sec. 187	Financial Year of Holding Company and Subsidiary
Sec. 189	Authentication of Balance Sheet, Profit and Loss Accounts, Etc.
Sec. 190	Copy of Balance Sheet etc. to be filled with Registrar
Sec. 191	Rights of Members to copies of accounts and reports
Sec. 192	Statements to be published by Banking and Certain other Companies.

Source: Compiled by the researcher after extensive review of the Companies Act, 1994.

3.3.2 The Provision Regarding Financial Reporting Under the Banking Companies Act, 1991

The Banking Companies Act, 1991 was expedient to make provisions for banking companies (government of the Peoples Republic of Bangladesh, 1991). The main provisions of the Banking Companies Act, 1991, regarding disclosure, have been laid down in section 18, and 36 to 43.

- Section 18 of the Banking Companies Act, 1991 depicts that the bank should disclose the transactions with directors.

- As per section 36, every banking company shall submit reports to the Bangladesh Bank on the 31st day of December and 30th June of each year showing its assets and liabilities in prescribed form and manner.

- According to section 38, the accounts and balance sheet of a banking company will be prepared as per BRPD circular 14/2003 and also the provision of the companies Act, 1994. Section 40 mentions that the audited financial statement shall be submitted to Bangladesh Bank within the three months of the close of the period to which they relate.

- If the bank is a private company, it is required to submit the accounts and balance sheet to registrar according to section 41.
- According to section 42 of this Act, every banking company incorporated outside Bangladesh shall not later than the 1st Monday in February of the year when it runs the business, display a copy of the last balance sheet and profit and loss account made under section 38 in a conspicuous place in its principal office and every branch office in Bangladesh until submitted by a copy of the subsequent balance sheet and accounts are displayed in the same way.
- Besides, section 2 of the Banking Companies Act, 1991 states that the banking companies should comply with provisions of the Companies Act, 1994 as the banking companies are registered with the Registrar of Joint Stock Companies and Firms as a company, if otherwise expressed in The Banking Companies Act, 1991.

So, the most important section regarding preparation and presentation of financial statements is Section 38 of The Banking Companies Act, 1991 including schedules. Summary of the provisions under this Act is stated in table 3.4.

Table 3.4: List of Important Provisions in the Banking Companies Act, 1991.

Section no.	Descriptions of the Provisions
Sec. 18	Transactions related to directors should be disclosed
Sec. 36	Half-yearly returns
Sec. 37	Power for publishing information
Sec. 38	Accounts and Balance sheets
Sec. 39	Audit of financial statements
Sec. 40	Report Submission
Sec. 40	Sending Balance Sheet etc. to the Registrar
Sec. 42	Display of Audited Balance Sheet by the banking company incorporated outside Bangladesh
Sec. 43	Accounting Provisions not Retrospective

Source: Compiled by the researcher after extensive review of the aforesaid Act.

3.3.3 The Provisions Regarding Financial Reporting under The Securities and Exchange Ordinance, 1969 and The Securities and Exchange Rules, 1987.

The Securities and Exchange Ordinance, 1969 was expedient to provide for the protection of investors, regulations of capital markets and for matters ancillary thereto (The President of the People's Republic of Bangladesh, 1969).

- Section 11 of this Ordinance states that an issuer of a listed security shall furnish to the stock exchange, to the security holders and to the SEC an annual report of its affairs and such statements and other reports as may be prescribed.

- The Securities and Exchange Rules, 1987 is applicable to companies that are trading on the stock exchanges in Bangladesh. According to Rule 12, the annual report required by Section 11 of The Securities and Exchange Ordinance, 1969 to be furnished by an issuer of a listed security shall include a balance sheet, profit and loss account, cash flow statement and notes to the accounts and collectively refer the financial statements. It is also depicted in this rule that the financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule of this rules and the International Accounting Standards as Adopted by the Institute of Chartered Accountant of Bangladesh.

- As per Part I of the Schedule of the SER, 1987 the assets and liabilities shall be classified under the heading appropriate to the company's business, distinguishing as regards assets between fixed assets, long-term prepayments and deferred costs, investments, loans and advance and current assets, and as regards liabilities between share capital and reserves, long-term loans and deferred liabilities and current liabilities and provisions.

- According to part II, the profit and loss account shall be so made out as to disclose clearly the result of the working of the company during the period covered by the account and shall show, arranged under most convenient heads, the gross income and the gross expenditure of the company during the period, disclosing every material features. Part III depicts that the cash flow statements shall be so made out as to disclose clearly of the cash flows of the company from its operating, investing and financing activities, disclosing every material features.

- It is mentioned in the Rule 13 that every issuer shall, within one month of the close of the first half-year, transmit to the stock exchange in which its securities are listed, to the security holders and to the SEC half-yearly financial statements which shall be prepared in the same manner and form as the annual financial statements.
- Prescribed form may be amended for the compliance of ISAs and it is stated in the Rule 13A.

3.3.4 Provisions under SEC Notifications on Disclosure in the Annual Reports of the Listed Banking Companies:

The SEC has amended rule 12 of the Securities and Exchanges Rules (SER), 1987 through a notification,[93] requiring the listed companies to prepare financial statements of an issuer of a listed security in accordance with the requirements laid down in the schedule and the IASs as adopted by the ICAB.

On February 20, 2006, SEC has issued a notification,[94] In order to enhance corporate governance in the interest of investors and capital market. The companies listed with any stock exchange in Bangladesh should comply with these conditions or shall explain the reasons for non-compliance. Table 3.5 shows the SEC detailed notifications to be reported by banking companies.

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[93] SEC notification, no. SEC/ Section-7/ SER/03/132, dated 22 October, 1997.

[94] SEC notification, no. SEC/CMRRCD/2006-158/Admin/02-08, dated February 20, 2006.

Table 3.5: Report under Condition No. 5.00 of the SEC Notification No. SEC/ CMRRCD/2006-8/Admin/02-08.

Condition No.	Title	Compliance status		Explanation for non-compliance
		Complied	Not Complied	
1.1	Board's Size: should not be less than 5(five) and more than 20 (twenty)			
1.2 (i)	Independent Directors: At least one tenth (1/10) and minimum of one			
1.2 (ii)	Independent Directors: Appointed by the elected directors			
1.3	Chairman of the Board & Chief Executive: Different individuals with clearly define respective roles and responsibilities.			
1.4 (a)	Directors' Report to Shareholders: Fairness of financial statements.			
1.4 (b)	Proper books of accounts of the issuer company have been maintained.			
1.4 (c)	Appropriate accounting policies have been consistently applied and estimates are based on reasonable and prudence judgment.			
1.4 (d)	Compliance of International Accounting Standards.			
1.4 (e)	The internal control system is sound and has been effectively implemented and monitored.			
1.4 (f)	Ability to continue as a going concern.			
1.4 (g)	Significant deviations from last year in operating results.			
1.4 (h)	Key operating and financial data of at least preceding three years.			
1.4 (i)	Declaration of dividend			
1.4 (j)	Details of board meeting			
1.4 (k)	The pattern of shareholding should be reported.			
2.1	Appointment of CFO, head of Internal Audit and Company Secretary with clearly defined respective roles, responsibilities			
2.2	Appointment of CFO & Company Secretary in the meeting of the board of directors.			
3.00	Audit Committee as a sub-committee.			
3.1 (i)	Constitution of Audit Committee.			
3.1 (ii)	Constitution of Audit Committee with board members including the independent director.			
3.1 (iii)	Filling of casual vacancy in the audit committee.			
3.2 (i)	Chairman of the Audit Committee			
3.2 (ii)	Professional qualification and experience of the chairman of the Audit Committee.			
3.3.1 (i)	Reporting on the activities of the Audit Committee.			
3.3.1 (ii) (a)	Report on conflicts of interests.			
3.3.1 (ii) (b)	Reporting of any frauds or irregularity to the Board of Directors.			

Condition No.	Title	Compliance status		Explanation for non-compliance
		Complied	Not Complied	
3.3.1 (ii) (c)	Reporting of violation of laws, rules and regulations.			
3.3.1 (ii) (d)	Reporting of any other matter which should be disclosed to the Board of Directors immediately.			
3.3.2	Reporting of Qualified point to commission.			
3.4	Reporting of activities to shareholders and general investors.			
4.00 (i)	Non-engagement of external auditors: In appraisal and valuation.			
4.00 (ii)	Non-engagement of external auditors: Information system design and implementation.			
4.00 (iii)	Non-engagement of external auditors: Book keeping.			
4.00 (iv)	Non-engagement of external auditors: Broker-dealer services.			
4.00 (v)	Non-engagement of external auditors: Actuarial services			
4.00 (vi)	Non-engagement of external auditors: Internal audit services.			
4.00 (vii)	Non-engagement of external auditors: Any other service that that the audit committee determines.			

Source: SEC notification: No. SEC/CMRRCD/2006-158/Admin/02-08, dated February 20, 2006.

The SEC has issued one more notification[95] to increase transparency in the state of affairs of said companies and in the interest of investors and the capital market. According to this notification the issuer company shall include a clear and unambiguous statement of the reporting framework on which the accounting policies are based; a clear statement of company's accounting policies on all material accounting areas; an explanation of where the accounting standards that underpin the policies can be found; a statement that explains that the financial statements are in compliance with International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB), if this is the case; and a statement that explains in what regard the standards and the reporting framework used differs from IFRS, as issued by IASB, if this is the case, in its yearly and periodical financial statements. If any bank fully complies with these two guidelines it seems that the bank is complying with most of the requirements.

[95] SEC notification, no. SEC/CMRRCD/2008-181/53/Admin/03/28, dated June 4, 2008.

3.3.5 The Stock Exchange of Bangladesh and Financial Reporting

High standard of financial reporting is one of the important characteristics of developed capital economies and there is a strong correlation between the level of disclosure and well-developed securities markets. The success of capital market is directly dependent on the quality of accounting transparency and disclosure system.[96] In the case of developed countries, requirements of the stock exchange can significantly affect the disclosure aspect of financial reporting. In Bangladesh the listing requirements of the stock exchanges do not prescribe any additional disclosure requirements governing the financial reports as a part of listing requirements i.e., The Companies Act, 1994 and SER, 1987.

With the approval of the SEC the Dhaka Stock Exchange made the notification, no. SEC/ Member-II, dated April 08, 1996, in exercise of the powers conferred by section 34 (1) of the Securities and Exchange Ordinance, 1969 namely listing Regulation of the Dhaka Stock Exchange Limited.

According to Regulation 6, statements of audited accounts for the last 5 years or for a shorter number of years, if the company is in operation only for such shorter period, statement showing the cost of project and means of finance should be submitted to DSE at the time of application for listing or at any time on demand by DSE.

As per Regulation 19, a listed company shall hold its annual general meeting and lay before the said meetings balance sheet, profit and loss account and cash flows statement within nine months following the close of its financial year and in keeping with the provisions of the ACT.

As per Regulation 36 (8) when a dividend (Interim or final) is declared after the close of a financial year, such announcements to DSE shall be accompanied by a statement showing comparative figures of the turnover figures/Gross operating profit; Gross profit; Income from other sources; Provision for taxation; Net Profit after Taxation.

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[96] A. Levitt, “The Importance of High Quality Standards,” *The Accounting Horizon* 12, no. 2 (1998): 79.

Regulation 36 (9) states that the Company shall make available to DSE Financial Statements before the expiry of 3 months from the end of each financial year even if the figures are provisional and such financial statements shall be signed by the Chairman or Chief Executive Officer and/or the Financial Director or in his absence the Chief Accountant.

The Chittagong Stock Exchange (CSE) began its journey in October 10, 1995 as a not-for-profit public limited company. CSE has issued regulations namely Listing Regulations of Chittagong Stock Exchange Limited – CSE. Disclosure provisions in this regulation are similar to the provision of listing regulations of DSE. So, there is no additional disclosure requirement but the financial statements have to be authenticated by Chairman, CEO, Finance Director or Chief Accountant.

3.3.6 Disclosure Provisions in the Annual Reports under the Bangladesh Bank (BB) Circulars

Bangladesh Bank being the prime regulator of money market in Bangladesh issues various circulars for mandatory compliance to ensure transparency and accountability and to cope with the changing business environment. These circulars are mainly issued by Banking Regulation and Policy Department (BRPD) of Bangladesh Bank. Among these, the circulars which are specially focused on the preparation and presentation of financial statements and annual reports are enumerated below:

- To ensure good corporate governance, BB issued a circular, BRPD Circular No. 16, dated July 24, 2003 for all of the Private Banks in Bangladesh titled as "Restrictions in respect of responsibilities and accountabilities of the board of directors and the CEO of private bank". Later on this circular was replaced by BRPD Circular No. 6, dated February 04, 2010 with some changes.

- Banking Regulation and Policy Department (BRPD) of Bangladesh Bank issued another circular No.14, dated 25 June 2003 to amend the forms of the first Schedule of the Banking Companies Act, 1991. This is the replacement of the previous one BRPD Circular No. 03, dated 18 April 2000. Since 2004, the banking companies have been preparing the financial statements as per this amended forms and instructions. According to this circulars banks are to prepare - (1) a Balance Sheet, (2) a Profit and Loss Account, (3) a Cash Flow Statement, and (4) a statement of Changes in equity and a Liquidity Statement.

- There are 28 instructions on the notes to the financial statements. As per these instructions banks are to present all assets and liabilities in details for better understanding of the users of information.

- Besides these, there are 22 general instructions for preparing and presenting the financial statements. It is mentioned that the adopted principles should normally be disclosed in one place. The bank should disclose the calculation of earnings per share (EPS). Name the directors along with the contracts and transactions with directors and related parties should be disclosed properly. In addition, the name of the member of audit committee, explanation regarding tax determination, procedure regarding conversion into local currency and highlights of the bank should be presented in the annual report. Thus, this is an extensive guideline for the banks. So, the banking companies are compelled to follow the format and instructions of this circulars word by word.

3.3.7 Regulatory Requirements of Financial Reporting for Islamic Banks

Alongside the conventional interest based banking system, Bangladesh entered into an Islamic banking system in 1983. In fiscal year 2010-11, out of 47 banks in Bangladesh, 7 PCBs operated as full-fledged Islamic banks and 16 conventional banks were involved in Islamic banking.[97] All of the Islamic Banks (IBs) are listed on stock market. Average market share of Islamic Banks is more than 14%. It means that Islamic Banking has become a part of mainstream banking in Bangladesh. It is known that the nature of business of banks based on Islamic Shariah is different from the conventional banking. So, it is quite natural that the FSs of Islamic banks will be different from conventional banks. In 1983, when Islamic Bank Bangladesh Limited

[97] Bangladesh Bank, Annual Report, 2010-11, P. 48.

was established, there were no separate guidelines for Islamic Banks in preparation of FSs. In the absence of separate Act, all banks are to prepare their FSs in accordance with the Banking Companies Ordinance 1962. After enactment of the Banking Companies Act 1991, banking companies started preparing their FSs in accordance with the format prescribed under this Act. Surprisingly, no separate formats were prescribed for IBs in this Act. So, it became difficult for the banks operated under Islamic Shariah to comply with the prescribed format. Banking Regulation and Policy Department (BRPD) of Bangladesh Bank issued a circular in 2000 (BRPD Circular No. 03, dated: 18 April 2000) to amend the forms of the First Schedule of the Banking Companies Act 1991. Again, it did not prescribe any separate format for Islamic banks. Later on this circular was replaced by BRPD Circular No. 14 of 2003 (Dated 25 June 2003) with almost no change at all.

Finally, in November 2009 Bangladesh Bank issued separate guidelines on the Specimen Reports and Financial Statements for banks under Islamic Shariah. In addition to the requirements of these guidelines Islamic banks are to comply with provision of the Banking Companies Act 1991, International Financial Reporting Standard (IFRS), the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchanges Listing Regulations, Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic Shariah and other laws and rules applicable in Bangladesh. So, the Islamic banks are to abide by more rules and regulations than the conventional banks.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) was established in 1990 and registered on March 27, 1991 in the State of Bahrain. It is an Islamic international autonomous non-profit organization which sets different standards for Islamic financial institutions. By this time, AAOIFI developed twenty-six accounting standards, five auditing standards, seven governance standards, two ethics standards and forty-five Shariah standards (www.aaoifi.com). Among others, Accounting Standard No. 7 (General presentation and disclosure in the financial statements of Islamic Financial Institutions) is more important for preparation of FSs of banks under Islamic Shariah. Islami Bank Bangladesh Limited is an associate member of AAOIFI.

Another organization, Islamic Financial Services Board (IFSB), is an international standard-setting organization that promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for banking, capital markets and insurance sectors. Bangladesh Bank is a full member and IBBL an observer member of this organization. Since its inception, the IFSB has issued eleven guiding principles, five guidance notes and one technical note. Among others, IFSB-4 (Disclosures to Promote Transparency and Market Discipline for Institutions offering Islamic Financial Services) is more relevant with preparation of financial statements conducting banking under Islamic Shariah. It is mentioned here that any form of concealment, fraud or attempt at misrepresentation violates the principles of justice and fairness in Shariah as mentioned in the Qur‟an. So, transparency is an important Shariah consideration. The standard is built on the existing guidelines relating to transparency and governance issued by the Basel Committee on Banking Supervision and disclosure requirements under Pillar-3 of Basel-II. This standard shall also complement the requirements of relevant international accounting standards. It is also mentioned here that Islamic banks are to comply with their national regulatory framework if there is any difference or conflict with IFSB standards but the supervisory authorities need to find ways of harmonizing such difference or resolving the conflict.

Bangladesh Bank has issued guidelines on November 09, 2009 for Shariah based Islamic Banking in pursuance of Section 45 of Banking Companies Act 1991. These guidelines should be treated as supplementary, not substitute, to the existing banking laws, rules and regulations. The main objective of the guidelines on the Specimen Reports and Financial Statements for Banks under Islamic Shariah is to enable the banks to prepare their financial statements as per provisions of Banking Companies Act 1991, International Financial Reporting Standards, the Companies Act 1994, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic Shariah. The prescribed format is applicable to full-fledged Islamic banks and Islamic branches of traditional commercial banks. It provides the minimum disclosure requirements of the banks under Islamic Shariah.

These banks are to comply with the disclosure requirements of the Securities and Exchange Rules 1987, Stock Exchanges' Listing Regulations, IFRS, all the aspect of Islamic Shariah and AAOIFI.

So, IBs have to follow standards issued by AAOIFI and IFSB in addition to regulations applicable for conventional banks. The following two tables show the accounting standards issued by AAOIFI and IFSB respectively.

Table 3.6: List of Accounting Standards Issued by AAOIFI

No.	Title
1.	Objective of financial accounting for Islamic banks and financial institution (IFIs).
2.	Concept of financial accounting for IFIs.
3.	General presentation and disclosure in the financial statements of IFIs.
4.	Murabaha and Murabaha to the purchase orderer.
5.	Mudaraba financing.
6.	Musharaka financing.
7.	Disclosure of bases for profit allocation between owners‟ equity and investment account holders.
8.	Equity of investment account holders and their equivalent.
9.	Salam and Parallel Salam.
10.	Ijarah and Ijarah Muntahia Bittamleek.
11.	Zakah.
12.	Istisna‟a and Parallel Istisna‟a.
13.	Provisions and Reserves.
14.	General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies.
15.	Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies.
16.	Investment Funds.
17.	Provisions and Reserves in Islamic Insurance Companies.
18.	Foreign Currency Transactions and Foreign Operation.
19.	Investments.
20.	Islamic Financial Services Offered by Conventional Financial Institutions.
21.	Contributions in Islamic Insurance Companies.
22.	Deferred Payment Sale.
23.	Disclosure on Transfer of Assets.
24.	Segment Reporting.
25.	Consolidation.
26.	Investment in Associates

Source: AAOIFI website

Table 3.7: List of Accounting Standards and Notes Issued by IFSB

No.	Title
IFSB-1	Risk Management for Institutions (other than Insurance Institutions) offering only Islamic Financial Services (IIFS).
IFSB-2	Capital Adequacy Standard for Institutions (other than Insurance Institutions) offering only Islamic Financial Services (IIFS).
IFSB-3	Corporate Governance for Institutions offering only Islamic Financial Services (excluding Islamic Insurance (Takâful) Institutions and Islamic Mutual Funds.
IFSB-4	Disclosure to Promote Transparency and Market Discipline for Institutions offering Islamic Financial Services (excluding Islamic Insurance (Takâful) Institutions and Islamic Mutual Funds).
IFSB-5	Supervisory Review Process of Institutions offering Islamic Financial Services (excluding Islamic Insurance (Takâful) Institutions and Islamic Mutual Funds).
IFSB-6	Governance for Islamic Collective Investment Schemes.
IFSB-7	Capital Adequacy Requirements for Sukûk, Securitisations and Real Estate investment.
IFSB-8	Guiding Principles on Governance for Takâful (Islamic Insurance) Undertakings
IFSB-9	Conduct of Business for Institutions offering Islamic Financial Services.
IFSB-10	Sharîah Governance Systems for Institutions offering Islamic Financial Services.
IFSB-11	Solvency Requirements for Takâful (Islamic Insurance) Undertakings
GN-1	Capital Adequacy Standard: Recognition of Ratings by External Credit Assessment Institutions (ECAIs) on Sharî'ah-Compliant Financial Instruments.
GN-2	Risk Management and Capital Adequacy Standards: Commodity Murâbahah Transactions.
GN-3	Practice of Smoothing the Profits Payout to Investment Account Holders.
GN-4	IFSB Capital Adequacy Standard: The Determination of Alpha in the Capital Adequacy Ratio for Institutions (other than Insurance Institutions) offering only Islamic Financial Services.
GN-5	Recognition of Ratings by external Credit Assessment Institutions (ECAIS) on Takâful and ReTakâful Undertakings.
TN-1	Issues in Strengthening Liquidity Management of Institutions Offering Islamic Financial Services: The Development of Islamic Money Markets.

Source: AAOIFI website

3.3.8 Provisions under Accounting Standards (BAS/BFRS) in Financial Reporting

Accounting standards are the norms of accounting policies and practices issued by the accounting bodies, national and international for the guidance of the members regarding the treatment of the items which made the financial statements and their disclosure therein.[98] These accounting standards are intended to describe methods of accounting and disclosure for the application to all adopted accounting standards expected to give a true and fair view of financial position and results. The establishment and enforcement of standards is an important issue for the accounting profession and its interested users. In Bangladesh, ICAB is the sole authority to adopt International Accounting Standards (IASs) as Bangladesh Accounting Standards (BASs). So, the adopted IASs and IFRSs in Bangladesh are known as BASs and BFRSs respectively. The Securities and Exchange Commission has circulated a notification[99] requiring all listed companies to abide by Bangladesh Accounting Standards as adopted by the ICAB. Hence Accounting Standards are mandatory only for the companies listed in DSE and the CSE. AS a result, there is a great influence of the accounting standards on financial reporting practices in Bangladesh. In such a situation, accounting standards, having legal backing, are likely to have a very strong influence on the financial reporting system in Bangladesh. BAS 30 or IFRS 7, BAS 32, 39 are decisive standards regarding disclosure of the banking companies in their annual reports. Besides, financial reporting of commercial banks is related to almost all the BASs and BRFSs adopted by ICAB. The accounting standards adopted by ICAB along with their effective dates are shown in table 3.8.

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[98] A.B.M. Azizuddin, "IAS 30: Disclosure in the Financial Statements in Banks and Similar Financial Institutions – Its Adoption and implementation." *The Bangladesh Accountant* (October-December 2001): 26.

[99] SEC Notification, No. SEC/Section-7/SER/03/32 dated October 22, 1997. Published in official gazette on 29 December 1997.

Table 3.8: Current Status of BASs/BFRSs Adopted from IASs/IFRSs in Bangladesh

BAS No.	BAS Title	BAS Effective date
1	Presentation of Financial Statements	Adopted, on or after 1st January 2007
2	Inventories	Adopted, on or after 1st January 2007
7	Statement of Cash Flows	Adopted, on or after 1st January 1999
8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted, on or after 1st January 2007
10	Events after the Balance Sheet Date	Adopted, on or after 1st January 2007
11	Construction Contracts	Adopted, on or after 1st January 1999
12	Income Taxes	Adopted, on or after 1st January 1999
16	Property, Plant & Equipment	Adopted, on or after 1st January 2007
17	Leases	Adopted, on or after 1st January 2007
18	Revenue	Adopted, on or after 1st January 2007
19	Employee Benefits	Adopted, on or after 1st January 2004
20	Accounting for Government Grants and Disclosure of Government Assistance.	Adopted, on or after 1st January 1999
21	The Effects of Changes in Foreign Exchange Rates	Adopted, on or after 1st January 2007
23	Borrowing Costs	Adopted, on or after 1st January 2010
24	Related Party Disclosure	Adopted, on or after 1st January 2007
26	Accounting and Reporting by Retirement Benefits Plan	Adopted, on or after 1st January 2007
27	Consolidated and Separate Financial Statements	Adopted, on or after 1st January 2010
28	Investment in Associates	Adopted, on or after 1st January 2007
29	Financial Reporting in Hyperinflationary Economics	Not yet adopted by ICAB as impracticable for Bangladeshi context
31	Interest in Joint Ventures	Adopted, on or after 1st January 2007
32	Financial Instruments: Presentation	Adopted, on or after 1st January 2010
33	Earnings Per Share	Adopted, on or after 1st January 2007
34	Interim financial Reporting	Adopted, on or after 1st January 1999
36	Impairment of Assets	Adopted, on or after 1st January 2005
37	Provisions, Contingent Liabilities and Contingent Assets	Adopted, on or after 1st January 2007
38	Intangible Assets	Adopted, on or after 1st January 2005
39	Financial Instruments: Recognition and Measurement	Adopted, on or after 1st January 2010
40	Investment Property	Adopted, on or after 1st January 2007
41	Agriculture	Adopted, on or after 1st January 2007

IFRS	Title	Adoption Status of ICAB
IFRS 1	First Time Adoption of IFRS	Adopted as BFRS 1, effective on or after 1st January 2009
IFRS 2	Share-based Payments	Adopted as BFRS 2, effective on or after 1st January 2007
IFRS 3	Business Combinations	Adopted as BFRS 3, effective on or after 1st January 2010
IFRS 4	Insurance Contracts	Adopted as BFRS 4, effective on or after 1st January 2010
IFRS 5	Non-currents Assets Held for Sale and Discontinued Operations	Adopted as BFRS 5, effective on or after 1st January 2007
IFRS 6	Exploration for and Evaluation of Mineral Resources	Adopted as BFRS 6, effective on or after 1st January 2007
IFRS 7	Financial Instruments: Disclosures	Adopted as BFRS 7, effective on or after 1st January 2010
IFRS 8	Operating Segments	Adopted as BFRS 8, effective on or after 1st January 2010
IFRS 9	Financial Instruments	Not Yet Adopted by ICAB

Source: ICAB Website. http://www.icab.org.bd/bas.php. accessed on 10 December 2011.

3.3.8.1 Mandatory Disclosure Provisions for Financial Reporting under Bangladesh Financial Reporting Standards-7 (BFRS 7)

International Financial Reporting Standards-7 (IFRS-7) titled 'Financial Instruments: Disclosures' is a special purpose standard promulgated by IASB for banks and similar financial institutions. IFRS-7 supersedes IAS-30 (BAS-30) and adopted by ICAB as BFRS-7 with effect on or after 1st January 2010. Before that date, BAS-30 shall be applied in the financial statements of bank and similar financial institutions. BAS-30 became operative covering periods beginning on or after 1st January 1999. Compliance with BFRS ensures compliance in all material respects with IFRS-7 that includes amendments resulting from IFRSs issued and amended up to 3 July 2008.[100] In accordance with BAS-30 Bangladesh bank Prescribed a format for banks and issued a circular (BRPD circular No. 3/2000, dated 18 April 2000) to comply with this format. Later BB issued another circular (BRPD Circular No. 14/2003 dated 25 June 2003) to revise the previous one. It is noted that BAS-30 has been superseded by

[100] The Institute of Chartered Accountants of Bangladesh, *Bangladesh Financial Reporting Standards (BFRS) including Bangladesh Accounting Standards (BAS)*, vol. 1 (Dhaka: ICAB, 2009). 242.

BFRS-7 that is applicable for the periods beginning on or after 1st January 2010. But BB does not prescribe the revise format in line with BFRS 7. The main Provisions of BFRS-7 are presented below:

Balance Sheet Disclosures (paragraph 8 – 19)

- Paragraph 8 requires entities to disclose information about the carrying amount of each of the categories of financial assets and liabilities defined in IAS-39. These disclosures are to be provided either on the face of the balance sheet or in the notes. This disclosure of carrying amounts by category helps users of financial statements understand the extent to which accounting policies for each category affect the amounts at which financial assets and financial liabilities are measured.

- Paragraph 12 states that if an entity reclassifies its financial assets it shall disclose the amount of reclassification and reason behind it.

- An entity may have transferred financial assets in such a way that part or all of them do not qualify for de-recognition (paragraph 15-37 of IAS 39). If the entity either continues to recognize all of the assets or continues to recognize the assets to the extent of its continuing involvement, paragraph 13 requires the nature of disclosure of the financial assets, the extent of entity's continuing involvement and any associated liabilities.

- Paragraph 14 requires the disclosure of the carrying amount of financial assets if an entity has pledged its own financial assets as collateral for liabilities or contingent liabilities along with terms and conditions.

- Paragraph 15 requires the disclosures about collateral that the entity holds if it is permitted to sell or repledge the collateral in the absence of default by the owner along with terms and conditions.

- When an entity uses a separate account to record impairment of financial asset (i.e., an allowance account) rather than directly reducing the carrying amount of the assets paragraph 16 requires disclosure of a reconciliation of changes in that account during the period for each class of financial assets.

- According to Paragraph 14, if an entity has issued an instrument that contain both a liability and an equity component (as determined in BAS-32) and the instrument has multiple embedded derivatives whose values are interdependent, it shall disclose the existence of those features.
- Paragraph 18 and 19 require disclosures about defaults and breaches of loans payable and other loan agreements. Such disclosures provide information about the entity's creditworthiness and its prospects to obtaining future loans.

Income Statement (Statement of comprehensive Income) disclosure

- Paragraph 20 requires an entity to disclose certain special items of income, expense, gains, or losses either on the face of statement of comprehensive income or in the notes. Paragraph 20(a) requires disclosure of income statement gains and losses by measurement categories in BAS-39. Paragraph 20(b) requires disclosure of total interest income and total interest expense for financial assets or financial liabilities that are not at fair value through profit or loss. Paragraph 20(c) requires disclosure of fee income and expenses arising from financial assets or financial liabilities and from trust and other fiduciary activities. Paragraph 20(d) requires disclosure of income on impaired financial assets accrued in accordance with BAS-39. Paragraph 20(e) requires disclosure of the amount of any impairment loss for each class of financial asset.

Other Disclosures

- As per Paragraph 21, BFRS-7 includes a reference to BAS-1, which requires an entity to disclose, in the summary of significant accounting policies, the measurement basis (or bases) used in preparation of financial statements and the other accounting policies that are relevant to an understanding of the financial statements.

- Paragraph 22-24 requires the disclosure of each type of hedges described in BAS-39 (i.e fair value hedges, cash flow hedges and hedges of net investments in foreign operations).
- Paragraph 25-30 requires that a bank should disclose the fair values of each class of its financial assets and liabilities, the methods and techniques used in determining fair values.

<u>Nature and extent of risks arising from financial instruments</u>

- Paragraph 31-40 describes the nature and extent of risks arising from financial instruments and how they have been managed.
- Paragraph 33 requires the qualitative disclosure of each type of risks arising from financial instruments, policies and methods used in measuring the risks and any change from the previous period.
- Paragraph 34 requires an entity to disclose summary quantitative data about its risk exposures and concentration of risks at the end of reporting period.
- Paragraph 35 requires en entity to disclose representative quantitative data to risk exposures.
- Paragraph 36 requires an entity to disclose information about its exposure to credit risk by class of financial instruments. 36(a) deals with entity's maximum exposures to credit risk at the reporting date. 36(b) requires a description of collateral held as security i.e policies and processes for valuing collateral, information about the main types if collateral along with risk concentrations within the collateral etc. 36(c) requires an entity to disclose information about the nature of credit quality of financial assets with credit risk that are neither past due nor impaired.
- Paragraph 37(a) of BFRS-7 requires an entity to disclose an analysis of the age of financial assets that are past due at the end of reporting date but not impaired. For example- an entity might determine that the following time

bands are appropriate: not later than 1 month; later than 1 month and not later than 3 months; later than 3 month and not later than 1 year; later than 1 year and not later than 5 years.

- Paragraph 37(b) requires an analysis of impaired financial assets by class as of reporting date.
- Paragraph 38 requires an entity to disclose the nature and carrying amount of assets obtained by taking possession of collateral held as security or calling on other credit enhancements (e.g. guarantees) and its policy for disposing of such assets.
- BFRS-7 requires an entity to disclose both a maturity analysis for financial liabilities that shows the remaining contractual maturities (39.a) and a description of how it manages the liquidity risk inherent in those liabilities (39.b).
- Paragraph 40 & 41 require a sensitivity analysis for each type of market risk with description about the methods and assumptions used in analysis and clarifications if there exists any change.
- Paragraph 42 requires that an entity shall disclose the fact and reason if the sensitivity analysis is unrepresentative under paragraph 40 & 41.

The adoption and implementation of IFRS-7 reflects greater accountability in bank operations and greater transparency in the published financial information of banking companies. Hence, IFRS-7 provides guidelines for presentation of assets, liabilities, revenue and expenses in the financial statement in details. List of disclosure requirements in BFRS-7 is shown in the following table.

Table 3.9: Disclosure Requirements of Financial Reporting under BFRS-7.

Paragraph No.	Disclosure Contents
8 - 19	**Statements of Financial Position (Balance Sheet) disclosures**
8	Categories of financial assets and liabilities as per IAS-39 on the face of balance sheet or in the notes.
9	Financial assets or financial liabilities at fair value through profit or loss
12	Disclosure of reclassified financial assets (If any) with reason of reclassification.
13	Disclosure of financial assets in case of derecognition.
14	Disclosure of the amount of collateral for pledge of own financial assets.
15	Disclosure of collateral hold by the entity (financial or nonfinancial).
16	Allowance Account for Credit losses
17	Disclosure for Compound financial instruments with multiple embedded derivatives
18 & 19	Disclosures about defaults and breaches of loans payable and other loan agreements.
20	**Income Statement (Statement of comprehensive Income) disclosure**
21-30	**Other Disclosures**
21	Summary of significant accounting policies and the measurement basis (or bases) used in preparation of financial statements.
	Hedge Accounting
22-24	Disclosure of fair value hedges, cash flow hedges and hedges of net investments in foreign operations.
	Fair value
25-30	Fair values of each class of its financial assets and liabilities, the methods and techniques used in determining fair values.
	Nature and extent of risks arising from financial instruments
33	Qualitative Disclosures of risks, policies and methods used in measuring the risks.
34-35	Qualitative disclosures about risk exposures and concentration of risks.
	Credit Risk
36	Maximum exposure to credit risk, credit quality of financial assets that are neither past due or impaired.
37	Financial assets that are either past due or impaired.
38	Collateral or other credit enhancement (e.g. guarantee) obtained.
	Liquidity Risk
39	Maturity analysis of financial liabilities and description of liquidity risk management by the entity.
	Market Risk (currency risk, interest rate risk and other price risk) – Sensitivity Analysis
40-41	Sensitivity analysis for market risk and methods and techniques used in analysis.
42	Disclosure of the fact and reason if the sensitivity analysis is unrepresentative.

Source: Compiled by the researcher after extensive review of the BFRS-7.

3.3.8.2 Disclosure Requirements of Financial Reporting under Bangladesh Accounting Standards-1 (BAS-1): Presentation of Financial Statements.

BAS-1 provides guidelines on the presentation of the 'general purpose financial statements' thereby ensuring comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structures and minimum requirements for their content. BAS-1 prescribes the minimum detail level required on the face of the balance sheet and the income statement, and also defines the overall considerations for financial statements, such as fair presentation, accrual basis of accounting, consistency of presentation, materiality and aggregation, and comparative information. The minimum disclosure requirement under this standard is shown in table below:

Table 3.10: Disclosure Requirements of Financial reporting under BAS-1

Paragraph No.	Disclosure Contents
10	**Complete set of financial statements:** 10(a) a statement of financial position (Balance Sheet) as at the end of reporting period 10(b) a statement of comprehensive income (profit &loss Account) for the period 10(c) a statement of changes in equity for the period 10(d) a statement of cash flow for the period 10(e) a summary of significant accounting policies and other explanatory notes to the financial statement. 10(f) a statement of financial position as at the beginning of the earliest comparative period
25	Preparation of financial statement on a ***Going Concern*** basis.
27	Preparation of financial statement using the ***Accrual Basis*** except for cash flow information.
36	Presentation of a complete set of financial statements (including comparative information) at least annually.
45	Consistency in presentation from one period to the next. If not, justify the change.
77-78	Information to be presented either in the statement of financial position or in the notes.
97-105	Information to be presented either in the statement of comprehensive income or in the notes.
106-110	Information to be provided in statement of changes in equity.
111	Statement of cash flow as per BAS-7.
117	Disclosure the summary of significant accounting policies: 117 (a) the measurement basis (or bases) used in preparing the financial statements 117(b) other accounting policies used that are relevant to an understanding of the financial statements.
134	Disclosure of information about the entity's objectives, policies and processes for managing capital
137	**Other Disclosures:**
	137 (a) the amount of dividend proposed or declared before the financial statements were authorized to for issue and the related amount per share.
	137(b) the amount of any cumulative preference dividends not recognized.

Source: Compiled by the researcher after extensive review of the BAS-1.

3.3.8.3 Disclosure Requirements under BAS-7: Statement of Cash Flow

Statement of cash flow lays down the rules regarding cash flow statement preparation and reporting. This statement provides information about an entity's cash receipt and cash payments for the period for which the financial statement are presented. The objective of this standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities. The following table shows the required disclosures of the standard.

Table 3.11: Disclosure Requirements of Financial Reporting under BAS-7.

Paragraph No.	Disclosure Contents
3	All entities, regardless of the nature of their activities require to present a statement of cash flows as an integral part of financial statement for each period for which the financial statements are presented.
10	The statement of cash flows shall report cash flows classified by operating, investing and financing activities.
18	Reporting cash flows from operating activities using either direct or indirect method.
24	Cash flows arising from each of the following activities of a financial institution may be reported on a net basis: (a) cash receipts and payments for the acceptance and payments of deposits with a fixed maturity date. (b) the placement of deposits with and withdrawal of deposits from financial institutions (c) cash advances and loans made to customers and repayment of those advances and loans.
31	Cash flows from interest and dividends received and paid shall be disclosed separately from period to period as either operating, investing or financing activities.
48	An entity shall disclose the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group with a commentary by management.

Source: Compiled by the researcher after extensive review of the BAS-7.

3.3.8.4 Disclosure Requirements under BAS-10: Events after the Reporting Period.

This standard discussed the events after the balance sheet date that may provide additional and material information to the stakeholders to have informed economic decision. Disclosure requirements of this standard are shown in the following table:

Table 3.12: Disclosure Requirements of Financial Reporting under BAS-10.

Paragraph No.	Disclosure Contents
17	An entity shall disclose the date when the financial statements were authorized for issue and who gave the authorization.
19	If an entity receives information after the reporting period about conditions that existed at the end of reporting period, it shall update disclosures that relate to those conditions, in the light of new condition.
21	If non-adjusting events after the reporting period are material an entity shall disclose those events mentioning the nature of the event and an estimate of its financial effect.

Source: Compiled by the researcher after extensive review of the BAS-10.

3.3.8.5 Disclosure Requirements under BAS-12: Income Taxes

This standard requires an entity to account for the tax consequences of transactions and other events. The objective of this standard is to prescribe the accounting treatment for income taxes. BAS-12 deals with the presentation of income taxes in financial statements and disclosure of information relating to income taxes. Required disclosures are presented in the following table:

Table 3.13: Disclosure Requirements of Financial Reporting under BAS-12.

Paragraph No.	Disclosure Contents
79	The major components of tax expenses (income) as stated in Paragraph 80 shall be disclosed separately.
80 (a)	The aggregate current and deferred tax relating to items that are charged or credited directly to equity shall be disclosed separately.
80 (b)	The amount of income tax relating to each component of other comprehensive income as per para-62 of BAS-1 shall be disclosed separately.
80 (c)	An explanation of the relationship between tax expenses (income) and accounting profit.
80 (d)	An explanation of changes in the applicable tax rate(s) compared to previous accounting period.
80 (f)	The aggregate amount of temporary differences associated with entity for which no deferred tax liabilities has been recognized should be disclosed
80 (g)	The net deferred tax balances of the current and previous period should be analyzed by types of temporary difference and type of unused tax loss and unused tax credits.
82A	An entity shall disclose the nature of potential income tax consequences that would result from the payment of dividend to its shareholders.

Source: Compiled by the researcher after extensive review of the BAS-12

3.3.8.6 Disclosure Requirements under BAS-16: Property, Plant and Equipment

BAS-16 prescribes rules regarding the recognition, measurement and disclosures relating to property, plant and equipment (often referred as fixed assets) that would enable users of financial statements to understand the extent of entity's investment in such assets and movements therein. The following table shows the minimum disclosure requirements under this standard.

Table 3.14: Disclosure Requirements of Financial Reporting under BAS-16.

Paragraph No.	Disclosure Contents
73	Disclosure with respect to each class of property, plant and equipment comprise:
	73 (a) measurement bases used for determining gross carrying amounts.
	73 (b) depreciation methods used.
	73 (c) useful lives or depreciation rates used.
	73 (d) gross carrying amount and accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.
	73 (e) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions (ii) assets classified as held for sale as per BFRS 5 and other disposals. (iii) acquisition through business combinations. (iv) increases and decreases arising from revaluations and from impairment losses and reversals thereof. (v) impairment losses recognized in profit and loss in accordance with BAS 36. (vi) impairment losses reversed in profit and loss in accordance with BAS 36. (vii) Depreciation (viii) net exchange differences recognized under BAS 21. (ix) other changes
74	74 (a) existence and amounts of restrictions on title and property, plant and equipment pledge as security for liabilities. 74 (b) the amount of expenditure recognized in the carrying amount of an item of property, plant and equipment in the course of construction. 74 (c) the amount of contractual commitments for the acquisition of property, plant and equipment. 74 (d) compensation for property, plant and equipment impaired, lost or given up.
77	If property, plant and equipment are stated at revalued amounts, the following shall be disclosed: 77 (a) the effective date of revaluation. 77 (b) whether an independent valuer was involved. 77 (c) methods and significant assumptions used in assessing the values. 77 (d) the extent to which fair values were determined directly by observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques. 77 (e) for each revalued property, plant and equipment, the carrying amount that would have been recognized had the assets been carried under the cost model 77(f) the revaluation surplus, indicating the change for the period and any restrictions on distribution to shareholders.

Source: Compiled by the researcher extensive review of the BAS-12

3.3.8.7 Disclosure Requirements under BAS-17: Leases

BAS-17 prescribes the accounting treatment for leases in the financial statements of lessees and lessors. Disclosure requirement under this standard is shown in the following table:

Table 3.15: Disclosure Requirements under BAS-17.

Paragraph No.	Disclosure Contents
31 (a,b,c,d,e)	Disclosure requirements under financial lease in the financial statement of lessee.
35 (a,b,c,d)	Disclosure requirements under operating lease in the financial statement of lessee.
47 (a,b,c,d,e,f,)	Disclosure requirements under financial lease in the financial statement of lessor.
56 (a,b,c)	Disclosure requirements under operating lease in the financial statement of lessor.

Source: Compiled by the researcher after review of BAS-17

3.3.8.8 Disclosure Requirements under BAS-19: Employee Benefits

This standard sets out the accounting and disclosure by employers for employee benefits. Required disclosures under this standard are shown in the following table.

Table 3.16: Disclosure Requirements of Financial Reporting under BAS-19

Paragraph No.	Disclosure Contents
46	Disclosure of the amount recognized as an expense for defined contribution plans.
47	Contribution plan for key management personnel as required by BAS-24.

Source: Compiled by the researcher after review of BAS-19

3.3.8.9 Disclosure Requirements under BAS-20: Accounting for Government Grants and Disclosure of Government Assistance.

BAS-20 deals with the accounting treatment and disclosure requirements of grants received by entities from government. It also mandates disclosure requirements of other forms of government assistance. The following table shows these requirements.

Table 3.17: Disclosure Requirements of Financial Reporting under BAS-20.

Paragraph No.	Disclosure Contents
39 (a)	Accounting policy adopted for government grant including methods of presentation adopted in financial statement.
39 (b)	The nature and extent of governments grants recognized in the financial statements and an indication of government assistance from which the entity has directly benefited.
39 (C)	Unfulfilled conditions and other contingencies attaching to government assistance that has been recognized.

Source: Compiled by the researcher after review of BAS-20

3.3.8.10 Disclosure Requirements under BAS-21: The Effect of Changes in Foreign Exchange Rates

The objective of this standard is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into presentation currency. Table below shows the required disclosures.

Table 3.18: Disclosure Requirements of Financial Reporting under BAS-21.

Paragraph No.	Disclosure Contents
52 (a)	Net amount of exchange differences recognized in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with BAS-39.
52 (b)	Net exchange differences recognized in other comprehensive income and accumulated in a separate component of equity and a reconciliation of the amount of such exchange differences at the beginning and end of the period.
53	When the presentation currency is different from functional currency, that shall be stated, together with disclosure of the functional currency and the reason for using a different currency.
54	Any change in the functional currency of either of the reporting entity or significant foreign operation and the reason for change.
55	When an entity presents its financial statements in a currency that is different from its functional currency, its shall disclose the financial statements as complying with BFRS if they comply with all the requirements of each applicable standards including the translation method set out in paragraph 39 and 42.
57	When the requirements of paragraph 55 are not met, an entity shall - (a) clearly identify the information as supplementary information to distinguish it from the information that complies with BFRS; (b) disclose the currency in which the supplementary information is displayed; (c) disclose the entity's functional currency and the method of translation used to determine the supplementary information.

Source: Compiled by the researcher after review of BAS-21

3.3.8.11 Disclosure Requirements under BAS-23: Borrowing Costs

BAS-23 prescribes the criteria for determining whether borrowing costs can be capitalized or recognized as an expense. Required disclosures are shown in the following table:

Table 3.19: Disclosure Requirements of Financial Reporting under BAS-23:

Paragraph No.	Disclosure Contents
29 (a)	The accounting policy adopted for borrowing cost.
29 (b)	The amount of borrowing costs capitalized during the period.
29 (c)	The capitalization rate used to determine the amount of borrowing costs eligible for capitalization.

Source: Compiled by the researcher after review of BAS-23

3.3.8.12 Disclosure Requirements under BAS-24: Related Party Disclosure

The objective of this standard is to ensure that an entity's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. Minimum disclosure requirement is as follows:

Table 3.20: Disclosure Requirements of Financial Reporting under BAS-24:

Paragraph No.	Disclosure Contents
12	Relationship between parents and subsidiaries and name of the parent(s).
16	Key management personnel compensation in total.
17	The amount of transactions, outstanding balances, terms & conditions, nature of settlement consideration, details of guarantees, provisions for doubtful debts of transactions between parties.
18	Separate disclosure of parents, subsidiaries, associates, key management personnel of the entity or parents, entities with joint control or significance over the entity and other related parties.

Source: Compiled by the researcher after review of BAS-24

3.3.8.13 Disclosure Requirements under BAS-26: Accounting and Reporting by Retirement Benefit Plan.

BAS-26 deals with the accounting and reporting by the plan to all participants as a group. This standard sets out the form and content of the general purpose financial reports of retirement benefit plan. Minimum required disclosures are as shown in the table below:

Table 3.21: Disclosure Requirements of Financial Reporting under BAS-26.

Paragraph No.	Disclosure Contents
34	(a) a statement of changes in net assets available for benefits.
	(b) a summary of significant accounting policies.
	(c) a description of the plan and the effect of any change in the plan during the period.
35 (b)	A statement of changes in net assets available for benefits showing employer contributions, employee contributions, investment income such as interest and dividend, benefits paid or payable, administrative expenses, transfer from and to other plans.
35 (c)	A description of funding policy

Source: Compiled by the researcher after review of BAS-26

3.3.8.14 Disclosure Requirements under BAS-27: Consolidate and Separate Financial Statements:

This standard shall be applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent. Disclosure requirement are as follows:

Table 3.22: Disclosure Requirements of Financial Reporting under BAS-27.

Paragraph No.	Disclosure Contents
41 (a)	Nature of relationship between parent and a subsidiary.
41 (b)	Detail of voting rights or control.
41(c)	Reporting date of financial statements of subsidiary. If different from parent than what are the reasons behind it.
41(d)	The nature and extent of any significant restrictions to transfer funds to the parent in the form of cash dividends or to repay loans or advances.

Source: Compiled by the researcher after review of BAS-27

3.3.8.15 Disclosure Requirements under BAS-33: Earnings Per Share (EPS)

This standard applies to entities whose ordinary shares or potential ordinary shares are publicly traded or that are in the process of issuing shares in the public markets and entities that voluntarily choose to disclose. Required disclosures are as follows:

- Basic and diluted EPS on the face of the income statement for each class of ordinary shares.
- An entity should report basic and diluted EPS even if it is a loss per share.
- The weighted average number of ordinary shares used as denominator in calculating basic and diluted EPS.

- Instruments that could potentially dilute basic EPS in the future.
- Issues and redemptions of ordinary shares, warrants and options after the reporting period.

3.3.8.16 Disclosure Requirements under BFRS-3: Business Combination

BFRS-3 prescribes the recognition and measurement criteria in preparation and presentation of financial statements for business combination. The objective of this standard is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. Disclosure requirements of the above mentioned standard is applicable only when there is a business combination. An entity shall disclose the following information for each business combination:

- Names and descriptions of the combining entities,
- The acquisition date
- The percentage of voting equity instruments acquired
- The cost of combining and a description of the components of that cost
- The amount recognized at the acquisition date for each class of acquiree's assets, liabilities, and contingent liabilities and the carrying amount of each of those classes immediately before the acquisition unless that is impracticable.
- The amount of any negative goodwill that has been shown in the income statement.
- The factors that contributed to the recognition of goodwill.
- The amount of acquiree's profit or loss since acquisition that has been included in the acquirer's profit and loss for the period.
- The revenue of the combined entity for the period.
- The combined profit and loss account for the period.

3.3.8.17 Disclosure Requirements of Financial Reporting under BFRS-8: Operating Segment

Table 3.23: Disclosure Requirements of Financial Reporting under BFRS-8

Paragraph No.	Disclosure Contents
20	Information about the nature and financial effects of business activities in which it engages and the economic environments in which it operates.
22	General information such as factors used to identify the entity's reportable segments and the types of products and services from which each reportable segment derives its revenues.
23	Information about profit or loss, assets and liabilities for each reportable segment.
33	Information about geographical areas of each reportable segment.
34	Information about major customers.

Source: Compiled by the researcher after review of BFRS-8

3.4 Conclusion

Regulatory Framework of commercial banks sets out the guiding principles to which each banks should follow in preparation and presentation of financial statements. Companies Act, 1994; Banking companies Act, 1991; Bangladesh Bank circulars and notifications; SEC Rules; DSE & CSE Rules; Accounting standards e.g IFRS/BFRS, professional requirements such as rules of ICAB has direct effect on the disclosure of financial information. All the regulatory frameworks have been designed based on the information needs of different types of stakeholders of commercial banks. This chapter attempts to find out the relevant provisions of regulatory framework relating to disclosure requirement in financial reporting of commercial banks in general and provisions of accounting standards (BFRS/BBAS) in specific. Extensive review of BFRSs also reveals that disclosure requirements of BAS 33 and 39 are stated in BFRS-7. BFRS-1 describes the requirements for first time adopters of BFRSs in reporting. BAS 2, 11, 18, 28, 31, 36, 37, 38, 41 and BFRS 2, 4, 5 & 6 are not applicable for financial reporting of banks and similar financial institutions. The above mentioned accounting standards are mandatory for all listed companies, recommendatory for all other public and private companies and also recommendatory for statutory bodies including autonomous and semi-autonomous bodies/corporations.

A well designed financial reporting containing adequate disclosure of financial and nonfinancial information helps the stakeholders to take their decision about the business entity. If the statement is prepared based on accounting principles and standards it will be more informative, reliable, comparable and transparent. It is remarkable from the extensive study that all the regulatory requirements of commercial banks are interrelated. BASs/BFRSs are the comprehensive package of provisions of all the required disclosures. If these provisions can be complied properly, all the disclosures of other regulatory bodies relating to financial statements can be fulfilled. Hence, the information need of different types of users of financial reporting can be provided.

Chapter 4
Compliance with Accounting Standards in Preparation and Disclosure

4.1 Introduction

This chapter highlights the compliance score of individual bank and aggregate compliance score of all sample banks under the study. At first, year-wise maximum number of disclosure items based on the nature of banking activities and categories of banks have been identified from disclosure checklist developed by the researcher. After that disclosed items in financial reports of selected commercial banks have been matched with disclosure checklist to measure the total number of disclosed items. Compliance score of individual banks has been stated in percentage form to facilitate easy comparison among banks. Descriptive statistics has been used in this chapter to compare the compliance score over the periods from 2006 to 2011. Compliance score of individual accounting standard has also been identified to compare the variation in compliance among banks. Ranking of banks in terms of compliance score also shown to identify which bank disclose more information in financial reports. The whole effort is summarized in this chapter.

4.2 Compliance Status of Janata Bank Limited

As a State Owned Commercial Bank the regulatory requirements of Janata Bank Limited (JBL) are slightly different from that of other commercial banks. But the requirements of accounting standards are almost same. Maximum number of disclosure items also varies depending on the nature of business. The following table describes the compliance status of JBL over the period 2006 to 2011.

Table 4.1 : Compliance Score of Janata Bank Limited (JBL)

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	222	137	61.71%
2007	220	144	65.45%
2008	216	139	64.35%
2009	221	143	64.70%
2010	239	165	69.04%
2011	241	174	72.20%
Mean Compliance Score			66.24%

Source: Researcher's own analysis

The table above shows an increasing trend of disclosure in line with the provisions of accounting standards. From the extensive analysis of financial reporting of JBL, it is evident that the bank complied with all the relevant accounting standards with departure in certain cases. It is praiseworthy that JBL maintained the principle of consistency in presentation of financial statement. The bank has provided detailed information about the accounting policies and key assumptions about the future and other major sources of estimations uncertainty that have significant risk of causing material adjustment to the carrying amount of assets and liabilities in compliance with BAS 1 and BFRS 7. The bank incorporated on 15th November 2007 as Janata Bank Limited and after that they started to recover their previous losses. At the same time they started to comply more and more with the regulatory requirements of financial reporting. But in case of compliance with accounting standards related disclosure some departure is evident. These departures can be explained by some observations.

As per BAS 7, cash flow statement can be prepared either in direct or indirect method. But the bank followed mixture of direct and indirect method as per BRPD circular 14 of June 25, 2003. Balance which is not available for use in day to day operations should be treated as other assets as per BAS 7. But as per Bangladesh Bank Circular, it is to be included in cash and cash equivalent and the bank followed BB circular. Upto 2008, the bank did not disclose separate statement of compliance with BFRS as per para 114 of BAS 1. The bank did not mention anything whether they have revalued their asset with independent valuer or not. Satisfactory compliance has been marked with BAS 1, 10, 18, 23, 27, 33 and BFRS 8. Lower degree of compliance score has been obtained for BAS 36 (Impairment of Assets) and BAS 34 (Interim Financial Reporting). Average compliance score of 66.24% over the years indicates fair level of compliance. Disclosure score obtained by JBL compared to other bank it not impressive at all. The causes of departure with accounting standards can be explained by the ownership structure of bank and excessive dependence on BB Circulars.

4.3 Compliance Status of Agrani Bank Limited

AS a SCB, the regulatory and professional requirements of Agrani Bank Limited (ABL) are same as JBL. But the number of disclosure items varies depending upon the nature and modes of business. The following table describes the compliance status of ABL of the study period.

Table 4.2: Compliance Score of Agrani Bank Limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	217	140	64.52%
2007	219	146	66.67%
2008	225	155	68.89%
2009	225	156	69.33%
2010	240	171	71.25%
2011	239	1172	71.96%
Mean Compliance Score			68.77%

Source: Researcher's own analysis

The table above shows positive trends in compliance with accounting standards in disclosure of financial information. In-depth analysis of financial reports can be explained with some important observations. As per BAS 19, actuarial valuation was conducted for retirement benefit plan in the year 2006. It is appreciable that the bank revalued its assets in this year by independent valuer.

In the year 2007, the Agrani Bank limited (ABL) did not provide comparative information for all items reported in financial statements. Comparative information for Balance Sheet and Profit & loss account has been shown in notes to the financial statements which is a clear violation of BAS-1 para-38. The bank has two subsidiary companies but they did not disclose consolidated financial statements as per BAS-27. As per BAS-I para-83, en entity should disclose the profit attributable to owners and non-controlling interest. But they did not provide such demarcation. As per the requirement of BAS 1, Para – 114, the bank has not provided any statement of compliance with BFRS. As a result, it is not clear, how many accounting standards were complied with by the bank. As per BAS 27, investment in subsidiaries should be presented in consolidated financial statements on line items of assets. But, as per Bangladesh Bank Circular number 14, dated June 25, 2003, it must be presented under the heading of 'other assets'. The bank followed BB Circular. In this period, the bank, has not disclosed any interim financial reporting violating the requirements of BAS 34. In year 2008 and 2009, the bank maintained almost the same reporting with some additional disclosure such as compliance statement with BFRS, interim financial reporting, key financial performance indicators and comparative information etc.

In 2010, BAS 30 was superseded by BFRS 7 which has much implication on the financial statements of banks. It is evident from the financial statements of the bank that they have complied with some of the provisions of BFRS 7. But they did not provide any statement on that issue. Even the nature and effects of any accounting policy as a result of that change has not been given. Upto December 31, 2010, the bank has four wholly-owned subsidiary companies but no consolidated financial statements have been provided in their annual report. One of the important positive attitudes of the bank management has been revealed that they have determined the fair value of financial assets and financial liabilities in accordance with BFRS 7. It is praiseworthy that the bank classified financial assets and financial liabilities keeping pace with BFRS 7.

In 2011, the bank did not provide consolidated financial statement but provided separate financial statements for all four subsidiary companies. The bank has not provided corporate governance notifications issued by SEC. Guidelines of core management issued by BB vide BRPD circular number 17, dated October 7, 2003 were not fully complied with. In this year, the bank has taken some positive steps in their reporting. The bank has appointed independent valuer to revalue its fixed assets. Most of the requirements of BFRS 7 have been complied with by the bank. Most impressive thing is that, the bank disclosed the categories of financial assets and financial liabilities in accordance with BFRS 7.

4.4 Compliance Status of AB Bank Limited

As a Private Commercial Bank and member of stock exchanges of Bangladesh, AB bank has to comply with some additional requirements than that of SCBs comply with. Professional requirements are almost same for all commercial banks. Disclosure items of AB bank are more than PCBs under study because of their diverse business operations and presence of subsidiary companies. The following table shows the compliance status of the bank.

Table 4.3: Compliance Score of AB Bank Limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	229	169	73.79%
2007	228	168	73.68.%
2008	233	181	77.68%
2009	231	187	78.35%
2010	236	184	77.97%
2011	248	184	74.19%
Mean Compliance Score			75.94%

Source: Researcher's own analysis

Compliance score as stated in the above table indicates positive trends over the years under study. Average compliance score is also satisfactory. The bank management has shown their efforts to comply with all the regulatory and professional requirements of financial reporting. Financial statements have been prepared in the format prescribed by BB Circular no. 14, dated June 25, 2003 and in accordance with relevant BASs and BFRS and comply with the Companies Act, 1994, the Banking Companies Act, 1991, Rules and Regulations issued by BB, SER 1987 and other applicable laws and regulations. The bank showed consistency in presentation of financial information in their annual reports over the years.

In 2006, the bank complied most of the requirements of BAS 1 which is appreciable. The bank did not provide details of the changes in accounting policy and accounting estimates in accordance with BAS 8. Higher level of compliance have been provided by the bank for BAS 1 (83.82%), BAS 7 (80%), BAS 18 (100%), BAS 23 (100%), BAS 24 (75%), and BAS 33 (100%). It is appreciable that that bank disclosed adequate information in compliance with BAS 30 (78.13%), the standard which is specially issued for disclosure in the financial statements of banks and similar financial institutions. Lowest compliance score obtained by the bank for BAS 8 (25%) and BAS 36 (20%).

In the year 2007, several new and revised accounting standards came into effect. But the bank did not provide any statement of adopting and implementation of these standards. Moreover, they did not disclose the impact of changes in accounting policy as a result of adoption of new standards. Most remarkable observation is that they did not disclose consolidated and separate financial statement for their only subsidiary company in compliance with BAS 27. In 2008, the bank did not disclose details information for leasing activities and related party transactions. Even, they did not disclose minority interest in income statement. There was no separate disclosure for subsidiary company.

The format of reporting was almost same as provided in 2008 and 2009. It has been observed that the bank disclosed separate financial statement for one subsidiary company out of five subsidiaries.

In 2010, BFRS 7 came into effect for banks and similar financial institutions. ABBL came forward to adopt the new standard. They gave separate statement of compliance for accounting standards which is praiseworthy. Compliance score obtained for disclosure under BFRS 7 is 66.67% which is not that much impressive compared to the score of other accounting standards. There was no separate disclosure for fair value of each class of financial assets and financial liabilities. Methods and valuation techniques used for fair value determination was not mentioned. No disclosures have been provided for hedging activities of the bank. There were no details for default and breaches, collateral held for loans and advances.

In the year 2011, to comply with BAS 27 the Bank prepared both consolidated and separate financial statements. For the purpose of preparing FSs the Bank has followed the prescribed format of BRPD Circular No. 14/2003. As an integral part of the FSs the Bank provided 44 notes to explain the policy and procedure. In the Notes to the Financial Statements the following points are discussed, alongside others: The bank and its activities, significant accounting policies and basis of preparation of financial statements, basis of valuation of assets, capital, reserve, liabilities and provisions and basis of their valuation, segment reposting under BFRS 8, compliance report on BAS and BFRS, related party disclosure, concentration of loans and advances, shareholdings information and price sensitive information and Highlights of the overall activities of the Bank. It is appreciable that the bank has given detailed disclosure for market discipline disclosure under Pillar III of Basel II.

4.5 Compliance Status of National Bank Limited

Disclosure items of National Bank Limited (NBL) are almost same as both the bank are PCBs and first generation bank. NBL has also diverse business operation and subsidiary companies as like AB bank has. The number of disclosure items and compliance status has been shown in the following table.

Table 4.4: Compliance Score of National Bank limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	219	163	74.43%
2007	227	172	75.77%
2008	227	179	78.85%
2009	231	182	78.78%
2010	241	185	76.76%
2011	243	172	70.78%
Mean Compliance Score			75.90%

Source: Researcher's own analysis

The trend of compliance score as depicted in the above table shows positive attitude of the management of the bank to comply with the regulatory requirements of BFRS. Average compliance score is also satisfactory. Year-wise disclosure practice of the bank shows different pictures of compliance with BFRS.

In 2006, the bank disclosed most of the requirements of BAS 1 (86.96%), BAS 7 (80%), BAS 10 (80%), BAS 18 (100%), BAS 23 (100%), and BAS 33 (100%). The bank also disclosed adequate information in compliance with BAS 30 (77.42%). Lowest compliance score is obtained by the bank for BAS 8 (25%), BAS 36 (20%) and BAS 40 (42.85%).

In the year 2007, the bank complied most of the requirements of BAS 1 (88.23%), followed by BAS 7 (80%), BAS 10 (80%), BAS 18 (100%), BAS 23 (100%), BAS 30 (80.64%) and BAS 33 (100%). Like, 2006, the bank disclosed less information for changes in accounting policy, impairment of assets and investment in property.

The compliance score obtained by the bank in the financial year 2008 and 2009 was satisfactory. Reporting style was also similar for most of the items. Some additional disclosures in compliance with BFRS have been done by the bank during these periods. A reconciliation of amounts in cash flow statement with cash and cash equivalents has been provided by the bank. Descriptions have been given for leasing activities, current and deferred income tax assessment, related party disclosure, employee benefits and post-employee benefits, disclosure in interim financial statements etc. But, the bank shows reluctance to disclose much about impairment of assets, default and breaches, terms and conditions for revaluation of property assets, actuarial valuation methods and principal actuarial assumptions for employee benefits, and general descriptions of the significant leasing agreements.

In 2010, the bank meticulously prepared consolidated and separate financial statements. In cash flow statement, the bank has categorized cash flows for main operations, subsidiaries and for off-shore banking units. It is remarkable that the bank did not provide consolidated cash flow statement though it has three subsidiary companies.

In 2011, NBL prepared a compliance statement for BAS/BFRS compliance in its annual report. But the bank did not provide disclosure for BFRS 7 and BFRS 8, which was effective from 1 January 2010. No disclosure has been observed for BAS 32 and BAS 39. More interesting factor is that, the NBL has provided compliance statement for BAS 14 (Segment Reporting), BAS (Accounting for Investments) and BAS 30 (disclosure in the Financial Statements of Banks and Similar Financial Institutions) which has been superseded by other standards and not in force. Compliance score for BFRS 7 is satisfactory (76.60%).

4.6 Compliance Status of Prime Bank Limited

Prime Bank limited has diverse operations which include leasing activities, subsidiary companies, off-shore banking units and Islamic banking branches. The bank is the member of stock exchanges of Bangladesh. As a result, disclosure items also increased. The following table shows the disclosure items and their corresponding compliance status.

Table 4.5: Compliance Score of Prime Bank Limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	238	183	76.89%
2007	230	189	82.17%
2008	240	196	81.67%
2009	233	194	83.26%
2010	254	208	81.89%
2011	254	227	89.37%
Mean Compliance Score			82.54%

Source: Researcher's own analysis

Average compliance score of PBL is highest (82.54%) among the commercial banks under current study. Year-wise disclosure performance of the bank is also satisfactory compared to other banks. In-depth study of the financial reports of PBL revealed some interesting findings.

In 2006, the bank followed most of the provisions of BAS 1 (89.55%), BAS 10 (100%), BAS 14 (100%), BAS (100%), BAS 23 (100%), BAS 27 (75%), BAS 33 (100%), BAS 30 (77.42%) and BAS 34 (71.43%). It is appreciable that PBL has disclosed consolidated and separate financial statements in annual report. The bank also provided sufficient information in interim financial statements. PBL is the recipient of first prize under ICAB National Award for the year 2006 in the banking sub-sector under the financial sector for best published financial reports. The bank also received "SAFA Merit Award" for the year 2006 for its published reports. On the other hand, PBL showed reluctance in disclosing information of BAS 8 (25%), BAS 24 (44.44%), and BAS 36 (20%).

In 2007, PBL disclosed more information related to the requirements of BFRS. In accordance with BAS 17, the bank has classified the present value of lease liabilities in three periodic bands which is uncommon in the financial reports of other banks. Moreover, PBL has started necessary preparation for the implementation of Basel II in 2006, though it has came into force from December 2009.

In 2008, PBL achieved Best Bank Award by ICAB and SAFA bronze medal award for best financial reporting. In 2009, the bank again, got its recognition for best published accounts and reports from ICAB and SAFA. The bank also got corporate governance disclosure award from ICAB in this year.

In 2010, PBL had disclosure under pillar III of Basel II and has already made a stress testing model in line with Bangladesh Bank guidelines which initially focused on sensitivity and scenario analysis. BFRS 7 come into force in this year. Compliance for the standard was fair (67.39%). Much reluctance has been observed in disclosing information regarding categorization of financial assets and financial liabilities, fair value determination, de-recognition of assets, collateral held, and disclosure of hedging activities and impairment of assets.

In 2011, PBL in its annual report published a standard disclosure index covering almost all the information requirements of various stakeholders of the bank. The bank disclosed detailed information for the requirements of BAS 10. The bank complied most of the requirements of BFRS 7 (82.61%) which implies the positive intention of the bank to comply with the professional requirements of financial reporting. The bank disclosed detailed information for impairment of assets (BAS 36) and investment property (BAS 40) which is absent in financial reporting of other banks.

4.7 Compliance Status of Southeast Bank Limited

The modes of operation as well as nature of banking activities of Southeast Bank Limited (SEBL) are almost same as other PCBs. The bank has diverse business operations such as Islamic banking branches, off-shore banking units, foreign correspondents and subsidiary companies. The compliance status of the bank is shown in the following table.

Table 4.6: Compliance Score of Southeast Bank Limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	225	161	71.56%
2007	236	159	67.37%
2008	227	171	75.33%
2009	225	165	73.73%
2010	245	175	71.42%
2011	244	182	74.59%
Mean Compliance Score			72.33%

Source: Researcher's own analysis

The compliance score as depicted in the above table shows increasing trends of disclosure with accounting standards. Average compliance score is satisfactory. But compared to other banks under study it is not that much impressive.

In 2006, the bank complied most of the requirements of BAS 1 (86.30%), followed by BAS 7 (70%), BAS10 (80%), BAS 14 (77.77%), BAS 19 (75%), BAS 30 (75.75%), and BAS 33 (75%). The bank disclosed less information for BAS 8 (33.33%), BAS 24 (50%), and BAS 36 (0%). SEBL did not give details regarding some income tax related items as per para 79, 80 and 81 of BAS 12. There exists gap in detailed presentation of some provisions of BAS 16. The bank did not provide general description of the significant leasing agreement as per BAS 17. Related party disclosure as per BAS 24 was not fully presented. Explanatory notes as per BAS 36 was also absent in the financial statement of the bank.

In 2007, several revised and new standards came into effect. But the bank did not provide compliance statement for these standards. As a result, compliance score goes down.

In 2008 and 2009, SEBL disclosed more information compared to previous periods. The bank has provided compliance statement for disclosure of BAS/ BFRS. SEBL also gave compliance statement for SEC notification for corporate governance. The bank emphasized more on BRPD circulars and orders for preparation and disclosure of financial information.

In 2010 and 2011, the bank has provided compliance statement for BFRS 7. But the compliance score for this standard is not that much impressive compared to other banks. SEBL disclosed 61.70% and 59.57% respectively in the year 2010 and 2011 for BFRS 7. Classification of financial assets and financial liabilities along with their fair value determination procedure was absent in the reports. Details of some important items such as default and breaches, collateral held, hedging activities, reclassification and derecognition was absent in financial reporting. But the bank has disclosed detail information under Basel II. Quantitative and qualitative disclosure under Basel II was nicely presented. Credit risk, market risk and liquidity risk and their measurement process was meticulously presented which is really impressive.

4.8 Compliance Status of Mercantile Bank Limited

Mercantile Bank Limited has been disclosing regulatory and professional requirements form the inception of its reporting period through publication of annual report. The number of disclosure items and their compliance status has been shown in the following table.

Table 4.7: Compliance Score of Mercantile Bank Limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	221	158	71.49%
2007	249	168	67.07%
2008	230	166	72.17%
2009	239	187	78.24%
2010	253	198	78.26%
2011	250	209	83.60%
Mean Compliance Score			75.14%

Source: Researcher's own analysis

Overall compliance score as depicted in the above table shows satisfactory performance of the bank regarding compliance with the requirements of accounting standards. Year-wise compliance status also shows increasing trend which implies that the bank management is proactive to comply the regulatory and professional requirements. It is positive indication that MBL complied most of the requirements of BAS 1 scoring 88.24%, 88.89%, 88.06%, 92.75%, and 94.20% respectively over the years from 2006 to 2011. It is appreciable that in 2006 the bank gave reference for BAS and BFRS for each item of financial statement and related notes. The bank also provided compliance statement with BAS/BFRS in annexure of annual report during the period which is quite distinct from other banks under study. Higher compliance score obtained by the bank for BAS 7 (70%), BAS 14 (90%), BAS 18 (100%), BAS 23 (100%), BAS 30 (75.75%) and BAS 33 (75%). Lower score obtained by the bank for BAS 8 (0%), BAS 24 (42.85%), and BAS 36 (0%).

Format of reporting remains almost same and the auditors remain same in the year 2007. Auditor gave an unqualified opinion regarding the fairness of financial statements. The bank did not provide disclosure relating to adoption of new and revised standards which came into effect during 2007. As a result, compliance score falls down a little bit.

In 2008, compliance score increased due to increase in disclosure of more information in line with the provisions each accounting standard. MBL has established a wholly owned subsidiary on June 30, 2009. But no consolidated and separate financial statements have been prepared and disclosed in annual report violating the provisions of BAS 27. In 2010 and 2011 BFRS 7 came into effect and the bank complied with larger portion of the requirements of the standard (70.45% and 71.42% respectively). The bank categorized financial assets and financial liabilities and grouped these as their nature. Compliance statement for the implementation of Basel II has been provided in the financial report. Risk measurements along with possible impact of different types of risks inherent have been shown meticulously. As a result, compliance score increased during the periods.

4.9 Compliance Status of Jamuna Bank Limited

As a third generation PCB Jamuna Bank Limited has shown their utmost effort to comply with the regulatory and professional requirements of various regulatory bodies. The following table shows the summery of its efforts to comply with Accounting Standards.

Table 4.8: Compliance Score of Jamuna Bank Limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	221	145	65.61%
2007	230	145	63.04%
2008	227	161	70.92%
2009	224	170	75.89%
2010	242	154	63.36%
2011	244	174	71.31%
Mean Compliance Score			68.35%

Source: Researcher's own analysis

Average compliance score of Jamuna Bank Limited over the years is satisfactory but not that much impressive compared to other banks under study. In 2006, the bank complied most of the provisions of BAS 1 (80.28%). Higher compliance score is obtained by the bank for BAS 7 (80%), BAS 14 (80%), BAS 18 (100%), BAS 23 (100%) and BAS 33 (100%) The bank disclosed minimum information for BAS 8 (0%), BAS 17 (44.44%), BAS 19 (33.33%), BAS 24 (42.85%), BAS 36 (0%) and BAS 40 (42.85%). Extensive analysis reveals that the bank did not give any compliance statement with BFRS (as per para 114 of BAS 1) anywhere in the financial report. Inadequate disclosure has been made for some important items such as judgment made in applying the accounting policies that have most significant impact on the accounts recognized in the financial statements, key assumptions about the future and other sources of information uncertainty that have a material impact on financial statements. Minimum information has been provided for accounting policies, changes in accounting estimates and errors. There was no detail presentation of the requirements of accounting standard regarding income tax, property, plant and equipments, employee benefits, related party disclosure, and impairment of assets. In accordance with BAS 30, the bank did not classify its financial assets and financial liabilities. Fair value determination procedure is also absent. No details has been found for losses on loans and advances as per para 43 of Bas 30. Notes regarding significant risk assessment, general banking risks, assets pledged as security and significant trust activities is also absent in the financial reports of the bank.

In 2007, the bank did not provide compliance status for some new and revised standards adopted by ICAB. The reporting format and compliance score for accounting standards related items remains almost same during the period.

In 2008 and 2009, compliance score has been increased due to disclosure of some additional information in each accounting standard. The bank provided disclosure regarding changes in accounting policies, judgment applied in estimation, description of the nature and purpose of reserve in equity, employee benefits, interim financial statements and impairment of assets.

BAS 30 was superseded by BFRS 7 on 1 January 2010. But no statement has been given by the bank anywhere in the report whether it has applied the standard or not. Even, there was no indication of possible impact on changes in accounting policies in relation to that standard. Compliance score for this standard was not that much impressive (61.70%) which is one of the dominant reasons for decrease in compliance score. It is evident from the annual report of Jamuna Bank Limited that on December 2009, the bank established Jamuna Bank Capital Management Limited which is a wholly owned subsidiary of the bank. As per BAS 27, en entity shall have to prepare and disclose consolidated financial statement for the bank and separate financial statement for the subsidiary with necessary notes in the financial reports. But the bank did not provide separate reports for the subsidiary company. In 2011, the bank categorized its financial assets and financial liabilities and measured the fair value. Moreover, the bank disclosed consolidated and separate financial statement for two subsidiary companies. As a result, compliance score increased compared to the earlier period.

4.10 Compliance Status of Islami Bank Bangladesh Limited

IBBL was established as a Public Limited Banking Company in Bangladesh in 1983 as the first interest free shari'ah based scheduled commercial bank in South East Asia. Naturally, its mode of operation is different from conventional banking. The bank carries out its business through 236 branches which includes 30 SME/Agricultural branches in Bangladesh. The bank is listed with DSE and CSE. But the requirements of accounting standards are almost same as other PCBs. The following table summarizes the compliance status of the bank.

Table 4.9: Compliance Score of Islami Bank Bangladesh Limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	227	166	73.13%
2007	221	171	77.37%
2008	227	175	77.09%
2009	225	177	78.67%
2010	248	194	78.22%
2011	244	189	77.46%
Mean Compliance Score			76.69%

Source: Researcher's own analysis

The average compliance score of IBBL as stated in the above table indicates a higher degree of compliance level. Though, the modes of operation and products of IBBL are different from conventional commercial banks, the bank has made compliance statements fulfilling the requirements of regulatory and professional requirements. Management has provided statement that financial statements has been prepared in accordance with BFRS, The Banking Companies Act 1991, the Companies Act 1994, SEC rules and regulations and other rules and regulations applicable in preparation and disclosure of financial reporting. Year-wise analysis also shows positive trends of disclosure of financial information.

In 2006, IBBL fulfilled all the requirements of BAS 10, BAS 18, BAS 23 and BAS 33. It is impressive that the bank has complied most of the requirements of BAS 1 (89.85%), BAS 7 (90%), BAS 7 (90%), BAS 16 (70%) and BAS 30 (78.13%). The bank disclosed less information for BAS 8 (50%), BAS 17 (50%), BAS 7 (90%) and BAS 36 (0%). The bank did not provide any compliance statement regarding BAS/BFRS compliance during the period. It is impressive that the bank revalued its assets by independent valuer in this year.

In 2007, 2008 and 2009, the IBBL disclosed more information in line with the requirements of BFRS. As a result, compliance score increased significantly compared to 2006. The bank has made compliance statement with BFRS, published interim financial reports along with notes to the financial statements, and disclosed more information on employee benefits. As a member of SEC, the bank disclosed more price sensitive information for the stakeholders of the bank. But the bank did not revalue its land and building during 2007 and 2008.

In 2010 and 2011, disclosure items increased due to adoption of BFRS 7. The compliance score of IBBL during this period is not that much impressive compared to compliance with other standards. In most of the cases, the bank partially complied with BFRS 7. It is revealed from analysis that the bank preferred Bangladesh Bank Guidelines instead of BFRS 7 and BAS 39. Less information have been provided in financial statements and related notes regarding default and breaches, collateral held, categorization of financial assets and financial liabilities, fair value determination procedure and hedging activities. The bank has provided separate financial statements for its subsidiary companies. It is praiseworthy that IBBL has made detailed disclosure for the implementation of Basel II. Quantitative and qualitative disclosures along with their measurement process have been presented meticulously.

4.11 Compliance Status of EXIM Bank Limited

As an Islamic bank, the modes of operation and disclosure requirements of EXIM bank are almost same as IBBL. Differences have been observed in disclosure items depending upon the diversity of business. The following table summarized the compliance status of the bank.

Table 4.10: Compliance Score of EXIM Bank Limited

Year	Maximum no. of disclosure items	Total no. of disclosed items	Percentage of compliance
2006	206	150	72.81%
2007	205	155	75.60%
2008	222	172	77.48%
2009	228	173	75.88%
2010	241	178	73.85%
2011	245	189	77.14%
Mean Compliance Score			75.46%

Source: Researcher's own analysis

EXIM bank operates its business based on Islamic Shariah. The modes of operation are different from conventional banks. But the accounting and auditing procedures remain same. As the Islamic banks operate their business in different way, the items of financial statements such as the balance sheet, Income statement, statement of cash flows, statement of changes in equity and related notes have been drawn by the bank as per proforma prescribed by Bangladesh Bank. The bank's overall compliance score of the bank is satisfactory. Year-wise analysis reveals some interesting findings.

In 2006, the bank fully complied with the provisions of BAS 10, BAS 18, BAS 23 and BAS 33. The bank complied most of the requirements of BAS 1 (85.29%), BAS 7 (80%), BAS 16 (70%) and BAS 30 (80.64%). Lower compliance has been identified with BAS 8 (25%), BAS 17 (50%), BAS 36 (0%) and BAS 40 (28.57%). It is notable that the bank started merchant banking operation from 2006 but did not identify it as subsidiary company or segment which is a non-compliance as per BAS 27 and BAS 14.

In 2007, the bank maintained almost the same disclosure in its annual report. Compliance score is also remains almost same. In this year, the bank did not provide compliance statement in the notes that the financial statements comply with BFRS. The bank did not mention anything about the implementation status for revised and new standards adopted by ICAB in 2007.

In 2008, EXIM bank complied some additional requirements of accounting standards compared to previous periods. The bank has provided detailed disclosure of related party transactions as per BAS 24. Presentation of financial statements as per BAS 1 was also nicely presented. But, like previous years under study, the bank did not disclose minimum information for BAS 8 (40%), BAS 17 (50%), BAS 36 (0%), and BAS 40 (42.85%). Analysis reveals that, the bank has been engaged with leasing activities in the name of Izara but sufficient disclosure was absent as per BAS 17. One of the most appreciable factor is that the bank has given reference paragraph of IFRS and IAS for the items of financial statements and its relevant notes.

In 2009, it was found that, information about subsidiary company has been disclosed clearly. No separate disclosure has been made for leasing (Izara) activities as per BAS 17. Detailed information for related party transaction as per BAS 24 has not been provided. Segment reporting as per BAS 14 was not clear. Moreover, the bank did not provide statement of compliance with BFRS as per BAS 1 Para 16.

Financial report analysis of 2010 and 2011 of EXIM bank reveals some interesting findings. BFRS 7 came into effect and the bank tried their best to comply with the requirements. Compliance score for this new standard is 60.46% in 2010 and 68.68% in 2011. The bank has provided reconciliation for cash and cash equivalent in the notes to the financial statements as per BAS 7 Para 45. EXIM bank provided segment report as per BFRS 8 (Previously it was BAS 14) for the first time in 2010 and continued in 2011. It is notable that, the bank has given detailed presentation under Basel II which is very much related with BFRS 7. But some hesitation has been observed in disclosing some information such as categorization of financial assets and financial liabilities, fair value of financial assets and financial liabilities and determination procedures, details of default and breaches, collateral held, hedging activities, trust activities, risk measurement process etc. In case of noncompliance in any provisions of accounting standard, the bank argued that they prepared their financial statements as per the guidelines provided by Bangladesh Bank in BRPD circular number 14 dated June 25, 2003.

4.12 Comparative Analysis of Compliance Level among Banks

It has been observed from data analysis that there exists differences in level and extent of compliance among the banks under study. It has also been revealed that differences in compliance level exist from one reporting period to another reporting period. Nature of banking activities, age of the bank, types of bank, modes of operations, stakeholders needs etc. are the prime factors for the existence of such differences. The following table summarized the compliance level over the study period.

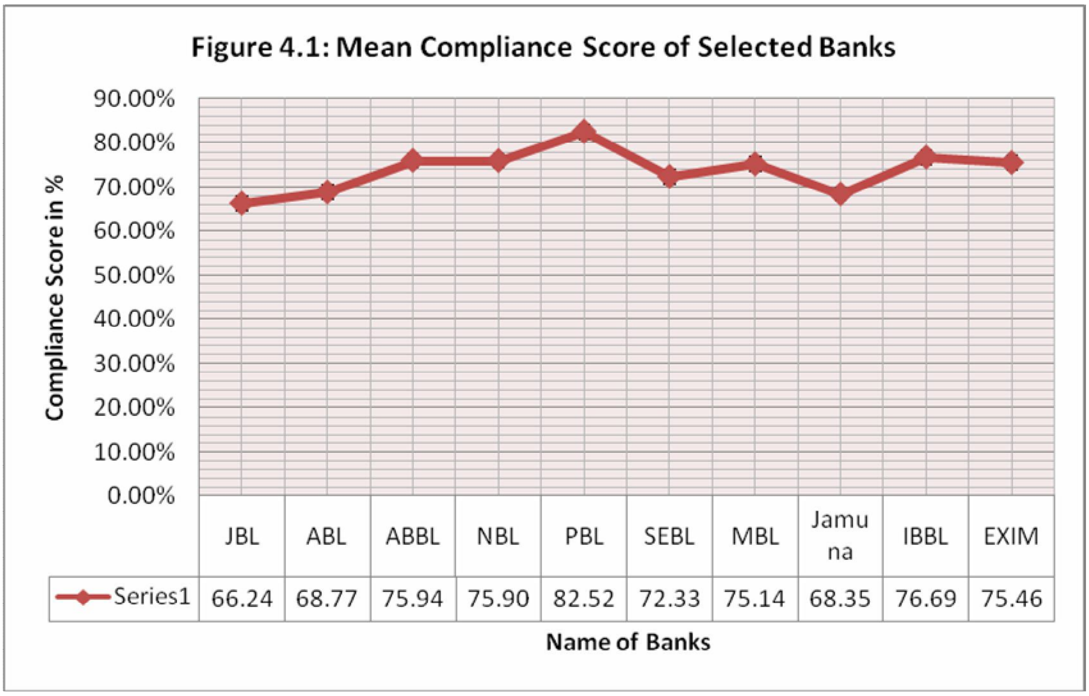
Table 4.11: Comparative Analysis of Compliance Score among Selected Banks

Bank/ Year	2006	2007	2008	2009	2010	2011	Mean Score	Std. Dev.
JBL	61.71%	65.45%	64.35%	64.70%	69.04%	72.20%	66.24%	0.04
ABL	64.52%	66.67%	68.89%	69.33%	71.25%	71.96%	68.77%	0.03
ABBL	73.79%	73.68.%	77.68%	78.35%	77.97%	74.19%	75.94%	0.02
NBL	74.43%	75.77%	78.85%	78.78%	76.76%	70.78%	75.90%	0.03
PBL	76.89%	82.06%	81.67%	83.26%	81.89%	89.37%	82.52%	0.04
SEBL	71.56%	67.37%	75.33%	73.73%	71.42%	74.59%	72.33%	0.03
MBL	71.49%	67.07%	72.17%	78.24%	78.26%	83.60%	75.14%	0.06
Jamuna	65.61%	63.04%	70.92%	75.89%	63.36%	71.31%	68.35%	0.05
IBBL	73.13%	77.37%	77.09%	78.67%	78.22%	77.46%	76.69%	0.02
EXIM	72.81%	75.60%	77.48%	75.88%	73.85%	77.14%	75.46%	0.02
Max.	76.89%	82.06%	81.67%	83.26%	81.89%	89.37%		
Min.	61.71%	63.04%	64.35%	64.70%	63.36%	70.78%		
Mean	70.59%	71.41%	74.44%	75.69%	74.43%	76.26%		
Std. Dev.	0.05	0.07	0.05	0.05	0.06	0.06		

Source: Researcher's own calculation

The table above shows the mean compliance score of each bank under the study for the periods from 2006 to 2011. The mean score of banks reveals that Prime Bank Limited scored highest compliance score among banks. It implies that PBL disclosed more information to the stakeholders compared to other banks. Lower compliance score obtained by Janata Bank Limited (66.24%) and Jamuna bank Limited (66.35%) respectively. Year-wise analysis of the mean score reveals that highest score (76.26%) and lowest score (70.59%) were obtained in the year 2011 and 2006 respectively. This implies an increasing trend of compliance score over the years. This also implies that banks are proactive to disclose more information to the users of financial reporting. The compliance score of each bank can also be explained by the following chart.

Figure 4.1: Mean Compliance Scores of Slected Banks



4.13 Trend Analysis of Compliance Score:

The following figure clearly depicts the level of compliance with accounting standards over the study period.

Figure 4.2: Trends in Compliance Score over the Study Period

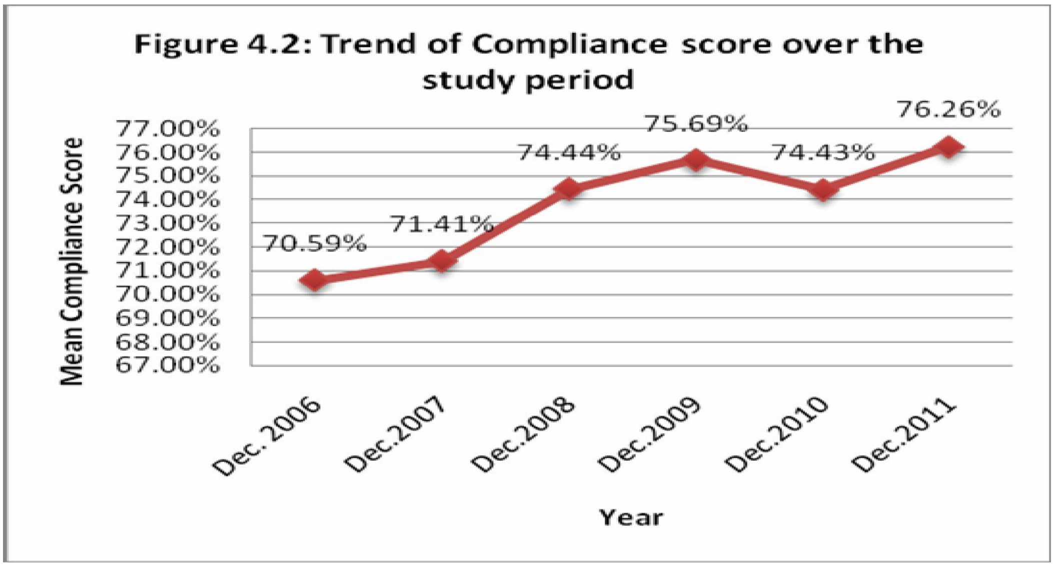


Figure 4.2 depicts the compliance score of selected banks over the study period reveals the positive trend of disclosure of financial information. In the year 2010, compliance score decreased slightly due to adoption and implementation of BFRS 7. Some provisions of this newly introduced standard are in contradiction with Bangladesh Bank Circulars. Banks preferred BB circulars in most of the case instead of BFRS 7.

4.14 Compliance Score on Nature of Banks

The study contains three types of commercial banks. Data analysis reveals that there exists variations in compliance status among banks. The following table depicts the status of compliance with accounting standards by SCBs, PCBs and IBs.

Table 4.12: **Compliance** Score of Different Types of Commercial Banks

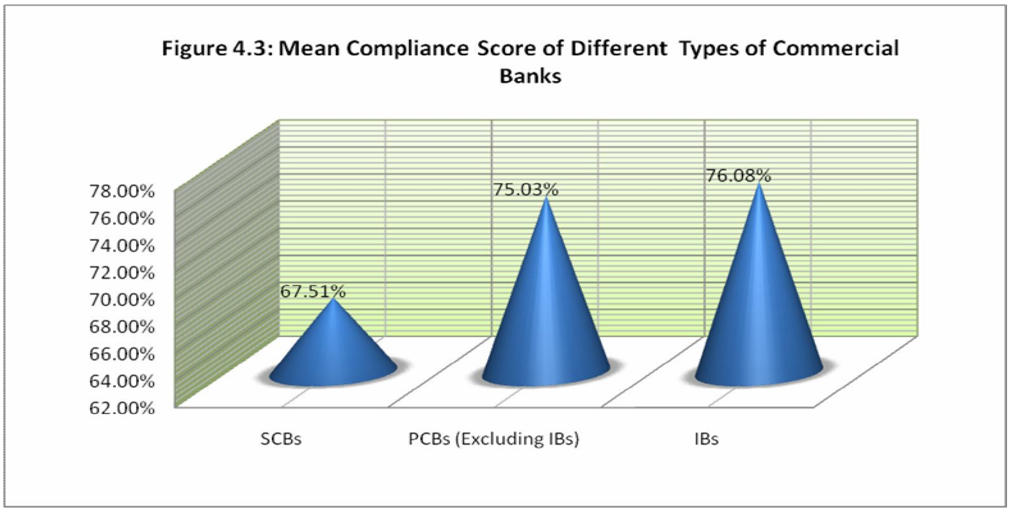
Bank Category/Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**		Mean Score	Std. Dev.
SCBs	63.12%	66.06%	66.62%	67.02%	70.15%	72.08%		**67.51%**	3.17
PCBs (Excluding IBs)	72.30%	71.06%	76.10%	78.04%	74.94%	77.31%		**75.03%**	2.78
IBs	72.97%	76.49%	77.09%	77.28%	76.04%	77.30%		**76.08%**	1.66
Mean	69.46%	71.20%	73.27%	74.11%	73.71%	75.56%			
Std. Dev.	5.50	5.22	5.78	6.15	3.13	3.02			

Source: Researcher’s own calculation

Table 4.12 shows the comparative compliance score for the disclosure of financial information by three categories of commercial banks under the study. Mean compliance score of two State Owned Commercial Banks (SCBs) is 67.51% which is lowest among three categories of banks. Islamic banks (IBs), though their mode of operation is different, disclosed highest information regarding accounting standards related requirements. Compliance score of Private Commercial Banks (PCBs) is also satisfactory compared to SCBs. This also implies that PCBs (both conventional and Islamic Banks) disclosed more information than that of SCBs. All the PCBs in Bangladesh are the members of SEC and have to comply with SEC rules and Regulations. Moreover, they have to follow the requirements set by DSE and CSE. As a result, they have to comply with more requirements and disclose price sensitive information to shareholders and stakeholders. On the other hand, SCBs are not bound to comply with SEC requirement, as they are not the members of SEC.

This may be the main reason for lower disclosure of accounting information by SCBs in Bangladesh. This following chart clearly shows the compliance score among three categories of commercial banks in Bangladesh.

Figure 4.3 : Mean Compliance Scores of Different Types of Commercial Banks



4.15 Ranking of the Sample Banks

Banks are ranked in order of overall disclosure to show their relative position in compliance with accounting standards. Mean score of the study period along with their respective rank has been shown in the following table.

Table 4.13: Ranking of Banks in Compliance Score

Name of the Bank	Mean Score (2006 to 2011)	Rank
JBL	66.24%	**10**
ABL	68.77%	**8**
ABBL	75.94%	**3**
NBL	75.90%	**4**
PBL	82.52%	**1**
SEBL	72.33%	**7**
MBL	75.14%	**6**
Jamuna	68.35%	**9**
IBBL	76.69%	**2**
EXIM	75.46%	**5**
Overall Mean	**73.73%**	

Source: Researcher's own analysis

Table 4.13 shows that Prime Bank Limited disclosed the highest requirements of accounting information in its financial report. On the other hand, Janata Bank Limited disclosed least information on accounting standards and ranked at 10. Most interesting finding is that Jamuna Bank limited ranked at 9 though it is a third generation private commercial bank. Overall mean score of 73.73% implies satisfactory compliance level over the years under study.

4.16 Compliance Scenario of Individual Accounting Standard

Data analysis reveals some interesting findings for compliance with the requirements of each accounting standards. The following table summarizes the compliance scenario of each accounting standard by each bank under study.

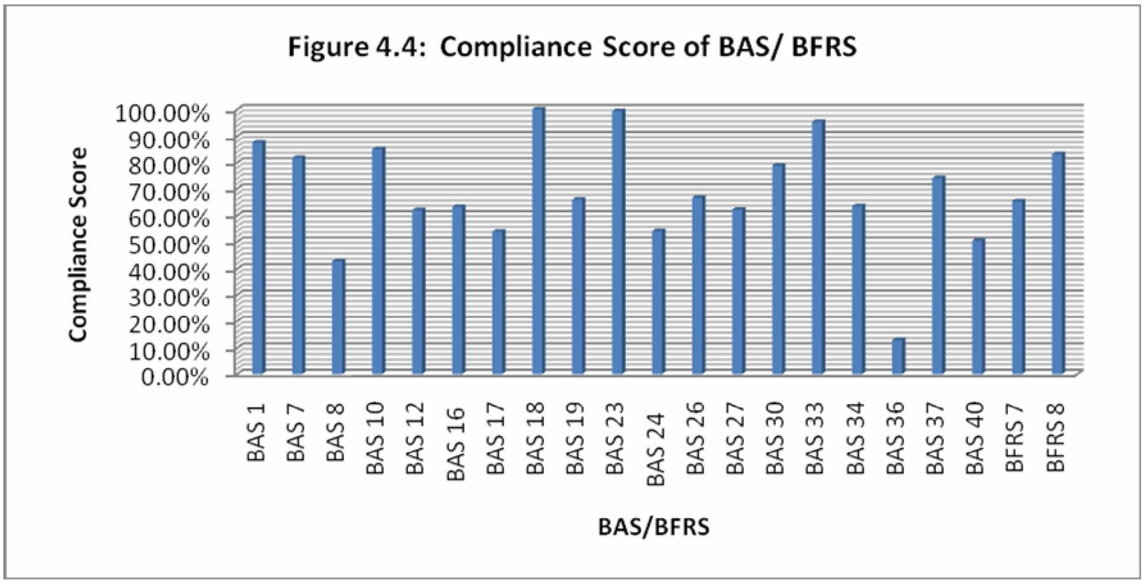
Table 4.14: Compliance with BAS/BFRS by Commercial Banks

BAS/ BFRS No.	Compliance Score of Banks (in %)										Mean (%)	St. Dev.
	JBL	**ABL**	**ABBL**	**NBL**	**PBL**	**SEBL**	**MBL**	**Jamuna**	**IBBL**	**EXIM**		
BAS 1	79.12	78.51	90.58	89.34	93.14	88.29	90.82	82.95	93.52	89.78	87.60	5.47
BAS 7	73.33	73.33	83.33	80	85	81.66	79.82	80	91.66	90	81.81	6.06
BAS 8	29.28	38.88	41.67	44.45	61.39	44.03	45.09	12.5	58.33	52.50	42.81	14.17
BAS 10	66.94	66.67	91.67	91.11	100	72.50	87.50	77.78	100	95.83	85	13.02
BAS 12	53.77	61.54	64.96	53.57	69.78	58.88	65.94	62.77	64.29	64.29	61.98	5.21
BAS 16	60.92	59.68	63.70	66.80	69.08	54.46	62.04	59.44	67.22	68.70	63.20	4.76
BAS 17		-	50.78	44.22	77.79	57	67.41	32.14	50.94	50	53.79	13.96
BAS 18	100	100	100	100	100	100	100	100	100	100	100	0.00
BAS 19	59.73	62.12	65.89	65.28	75.40	70.46	72.22	53.6	66.67	68.06	65.94	6.33
BAS 23	100	100	100	100	100	94.45	100	100	100	100	99.44	1.76
BAS 24	54.25	43.05	64.58	55.13	63.89	47.22	53.67	41.73	65.28	51.85	54.07	8.56
BAS 26	66.67	66.67	-	-	-	-	-	-	-	-	66.67	0.00
BAS 27	56.67	41	58.33	80	85	50	46.67	57.50	80	66.67	62.18	15.20
BAS 30	66.42	74.33	82.43	79.99	87.22	77.59	80.50	77.31	81.69	80.64	78.81	5.55
BAS 33	96.67	85	100	96.67	100	87.50	91.67	96.67	100	100	95.42	5.52
BAS 34	47.71	53.33	72.04	67.06	77.84	52.56	65.67	60.83	67.65	70.10	63.48	9.64
BAS 36	0	1.67	20	20	33.33	7.50	13.33	6.67	23.33	3.33	12.92	10.95
BAS 37	50.18	64.81	79.45	79.26	85.74	72.96	76.48	58.44	91.29	82.96	74.16	12.80
BAS 40	46.43	48.81	53.25	47.61	65.61	48.81	56.54	48.45	50.23	38.09	50.38	7.16
BFRS 7	61.46	67.02	64.83	68.53	75	60.63	70.94	57.45	63.04	64.67	65.36	5.20
BFRS 8	86.67	74.33	86.67	88.33	100	82.96	90	85	65	73.13	83.21	9.96
Max	100	100	100	100	100	100	100	100	100	100		
Min	0	1.67	20	20	33.33	7.5	13.33	6.67	23.33	3.33		
Mean	66.24	68.77	75.94	75.90	82.52	72.33	75.14	68.35	76.69	75.46		
StDev	24.92	23.75	21.05	22.11	17.55	22.58	21.81	25.21	20.75	24.73		

Source: Researcher's own analysis

The above table shows the compliance score of individual Accounting Standards by the banks under present study. BAS 17 is not applicable for JBL and ABL as the banks has no leasing activities. BAS 26 is only applicable for SCBs. Hence, no compliance score has been shown for PCBs and IBs. The table reveals some interesting findings. Full compliance has been observed for BAS 18 which implies that all the banks complied with the requirements of revenue recognition. Higher level of compliance score has been obtained for BAS 1, BAS 7, BAS 10, BAS 23, BAS 33 and BFRS 8 (mean score falls into 80% and above). Lower compliance score has been observed for BAS 8, BAS 17, BAS 24, BAS 36 and BAS 40 which implies the banks under study fails to comply with most of the requirements of these two standards. Fair and satisfactory level of compliance has been observed for other standards in financial reporting. It is appreciable that banks have complied with most of the requirements of BAS 30, the standard which is specially issued for financial reporting of banks and similar financial institutions. After that BFRS 7 came into effect replacing Bas 30 (Effective from January 1, 2010). Some additional requirements have been introduced. But the compliance score has been decreased to 65.36%. Data analysis also reveals that Prime Bank Limited disclosed highest information in their financial reports. JBL and ABL disclosed less information for the requirements of accounting Standards. The percentage of compliance by Islamic Banks is much impressive compared to SCBs and other PCBs under study. The compliance scenario for each standard can be easily understood from the following chart.

Figure 4.4: Complaince Scores of BAS/BFRS



4.17 Conclusion

It is evident from the above study that commercial banks have improved their financial reporting and complied most of the requirements of BAS/BFRS. It is also revealed from the study that PCBs complied most of the requirements of accounting standards than SCBs. Year-wise analysis reveals an increasing trend of compliance score over the years. Again, Overall mean score 73.73% implies satisfactory compliance level over the years under study. It is notable that, compliance score of BFRS 7 which is a special purpose accounting standard for reporting of financial statements of banks, is not much impressive (mean score 65.36%). The study reveals some departure in disclosure of accounting standards related provisions. Compliance score of BAS/BFRS related disclosure is not that much impressive compared to other regulatory requirements compliance. In some cases, there exists contradiction among the provisions of BAS/BFRS and other regulatory requirements. Some items such as investments in shares and securities, revaluation gain/loss on securities, provisions on loans and advances, REPO transactions, financial guarantee as per BAS 39; other comprehensive income and line of Balance Sheet & Profit and loss account items as per BAS 1; preparation of statement of cash flows and treatment of other assets as per BAS 7 and some provisions of BAS 8, 12, 16, 24, 32, 36 and BFRS 7 are in contradiction with Bangladesh Bank Circulars. Moreover, there is no indication in BAS/BFRS about the treatment of non-banking assets, off balance sheet items and disclosure of appropriation of profit. In case of any contradiction in any item banks usually prefer Bangladesh Bank circulars.

Chapter 5
Corporate Attributes and Level of Compliance: Interrelations

5.1 Introduction

Several prior studies indicate the presence of corporate attributes that may explain and affect the level of compliance of business entities. Most of the previous studies reveal that corporate attribute such as age of the entity, size of the entity, listing status, profitability, type of industry, leverage ratio, nature of external auditors, size of audit committee etc. has relation with the level of disclosure. Some studies tests the association between corporate characteristics and mandatory disclosures (e.g. Wallace and Naser, 1995; Owusu-Ansah, 1998; Street and Gray, 2002; Glaum and Street, 2003; Owusu-Ansah and Yeoh, 2005; Al shammari et al, 2007). Some studies tests the association between corporate characteristics and voluntary disclosures (e.g. Cooke, 1989; Meek et al, 1995; Hossain and et al, 1995; Hewaidy, 1998; Oyelere et al, 2003; and Alsaeed, 2006). The third category includes studies that test the association between corporate characteristics and total, both mandatory and voluntary, disclosures (e.g. Street and Bryant, 2000; Hassan et al, 2006). Some previous studies reported positive association between company characteristics and level of disclosure. Some researchers found negative association and some found no association between these variable. The findings of the precious studies relating to company characteristics has been mentioned in literature review and hypotheses development section of chapter one. The present study further explores the association between corporate characteristics and total disclosures required by the BAS/BFRS in commercial banks in Bangladesh. Methodology used to draw the relationships has been mentioned in chapter two.

5.2 Corporate Attributes of Selected Commercial Banks

Corporate characteristics such as age of the bank, size of the bank, profitability, listing status of the bank and nature of banking activity followed have been taken into consideration to find the relationship between corporate attributes and level of compliance. Information on Total Assets, Total Capital, Net Profit After Tax, Return on Equity (ROE), Return on Assets (ROA), Earning per Share (Tk.), number of branches, age of the bank, number of subsidiary companies, capital adequacy ratio of ten commercial banks under study have been collected to draw such relationships.

5.2.1 Janata Bank limited (JBL)

Janata Bank Limited is the second largest commercial bank in Bangladesh, operates through 873 branches including 4 overseas branches in UAE. It is a state owned bank whose 100% share is owned by the Government of Bangladesh. JBL has also two subsidiaries namely Janata Capital and Investment Ltd. and Janata Exchange Company Srl.(Italy). It was established in 1972 as NCB and incorporated on 15th November 2007 as Janata Bank Limited. The key operational and financial data of the bank are as follows:

Table 5.1: Data Profile of Janata Bank Limited

Figure in million (Tk.)

Particulars	2011	2010	2009	2008	2007	2006
Total Assets	440,389.37	345,233.93	294,727.00	267,157.00	244,061.00	212,663.93
Total Capital	29,967	20,422	14925	9062	5679	(5,648)
Net Profit After Tax	4445	4907	2982	3145	1094.44	(9,968.88)
Return on Equity (ROE)	17.58%	27.78%	24.86%	42.67%	19.27%	-
Return on Assets (ROA)	1.01%	1.42%	1.45%	1.18%	.45%	-
Earning per Share (Tk.)	6.05	6.97	7.33	12.12	.006	(38.4)
Number of Branches	873	861	851	849	848	848
Capital Adequacy Ratio	10.20%	9.19%	13.81%	8.62%	6.59%	-

Source: Compiled from Annual Reports of JBL

5.2.2 Agrani Bank Limited (ABL)

Agrani Bank Limited is a state owned commercial bank whose 100% share is owned by the Government of Bangladesh. It was established in 1972 as NCB and incorporated on May 17, 2007 as Agrani Bank Limited. The bank has 876 branches as on December 31, 2011. The bank has four wholly owned subsidiary companies. Key financial data over the years are as follows:

Table 5.2: Key Financial Data of Agrani Bank Limited

(Taka in million)

Particulars	2011	2010	2009	2008	2007	2006
Total Capital	25,942.62	15717.28	11,440.93	6,419.21	3,340	(15,320)
Total Assets	348820.71	264852.02	21,178.91	18,732.57	18,628	15,408
Net Profit After Tax	2499.90	3516.77	1,360	2,650	3,160	1,940
Return on Equity (ROE)	9.64%	22.38%	53.75%	41.28%	29.55%	-
Return On Assets (ROA)	0.72%	1.33%	0.63%	1.41%	0.92%	1.26
Earning per Share (Tk.)	3.24	4.64	2.48	10.65	3.45	-
Number of Branches	876	867	867	867	866	866
No. of Subsidiaries	4	2	2	2	2	2

Source: Compiled from Annual Reports of ABL

5.2.3 AB Bank Limited (ABBL)

AB Bank Limited is one of the first generation private commercial banks (PCBs), incorporated in Bangladesh on 31 December 1981 as a Public Limited Company. The Bank went for public issue of its shares on 28 December 1983 and its shares are listed with DSE and CSE for trading. The bank operates its business through 86 branches over the country. Key financial data of the bank are as follows:

Table 5.3: Key Financial Data of AB Bank Limited

(Taka in Million)

Particulars	2011	2010	2009	2008	2007	2006
Total Assets (Tk.)	152,962.84	132,691.20	106,912.31	84,053.61	63,549.86	47,989.34
Total Capital	15,943.32	14,660.29	10,917.85	7 ,439.80	4 ,785.08	2,664.17
Net Profit After Tax	1,327.98	3,696.02	3,362.56	2 ,300.62	1 ,903.49	532.19
EPS (Tk.)	3.78	10.90	10.66	8.97	8.53	9.40
ROA (%)	0.93%	3.08%	3.52%	3.12%	3.41%	1.31%
ROE (%)	9.10%	30.50%	40%	40.95%	53.66%	3.86%
No. of Branches	86	82	78	72		68
No. of Islamic Banking Branches	1	1	1	1	1	1
No. of Subsidiaries	6	4	4	1	1	1

Source: Compiled from Annual Reports of ABBL

5.2.4 National Bank Limited (NBL)

National Bank Limited was incorporated in Bangladesh as a public limited company as on 15 march 1983. The bank has been carrying out its banking activities through154 branches including 15 SME/agri-branches over the country. The bank is listed with DSE and CSE. Key financial indicators of the bank are as follows:

Table 5.4: Data Profile of National Bank Limited

Figure in million (Tk.)

Particulars	2011	2010	2009	2008	2007	2006
Total Assets (Tk.)	169,037.38	134,748.04	91,980.63	72,227.30	56,526.96	46,796.00
Total Capital	24,905.02	19,190.79	9,124.62	6,519.14	4,711.47	3,237.88
Net Profit After Tax	6,085.70	6,871.56	2,082.03	1,524.02	1,238.11	507.49
EPS (Tk.)	7.07	7.97	4.69	7.27	5.33	4.20
ROA (%)	4.01%	6.05%	2.52%	2.36%	2.40%	2.50%
ROE (%)	29.96%	48.96%	27.53%	28.38%	31.57%	%
No. of Branches	154	145	131	106	101	91
No. of Subsidiaries	3	2	1	-	-	-
Capital Adequacy Ratio	12.65%	12.29%	8.61%	13.42%	13.11%	10.10%

Source: Compiled from Annual Reports of NBL

5.2.5 Prime Bank Limited (PBL)

The Prime Bank Limited was incorporated as a public limited company in Bangladesh under Companies Act, 1994. It commenced its banking business with one branch from April 17, 1995 under the license issued by Bangladesh Bank. Presently the Bank has 102 branches. Out of the above 102 branches, 05 (five) branches are designated as Islamic Banking Branch complying with the rules of Islamic Shariah. The Bank has 3 (Three) Off-shore Banking Units (OBU). The Bank went for Initial Public Offering in 1999 and its shares are listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company for its general classes of share. Key financial data are as follows:

Table 5.5: Data Profile of Prime Bank Limited

Figure in million(Tk.)

Particulars	2011	2010	2009	2008	2007	2006
Total Assets (Tk.)	199,950.49	154,342.06	124,806.38	110,437.10	79,588.43	60,899.48
Total Capital	24,112.34	20,910.61	12,168.48	7,858.65	6,832.60	4,409.21
Net Profit After Tax	3,662.18	3,101.40	2784.22	1231.83	1,400.66	1,051.89
EPS (Tk.)	4.70	3.98	7.83	4.33	6.16	6.11
ROA (%)	2.07	2.22	2.37	1.30	1.99	2.05
ROE (%)	20.32	21.65	30.19	20.58	30.68	31.55
No. of Branches	102	94	84	70	61	50
No. of Islamic Banking Branches	5	5	5	5	5	5
No. of Subsidiaries	5	5	1	1	1	1

Source: Compiled from Annual Reports of PBL

5.2.6 Southeast Bank Limited (SEBL)

Southeast Bank Limited was incorporated on March 12, 1995 as a scheduled commercial bank and operates through 84 branches throughout the country. Key financial data of the bank are as follows:

Table 5.6: Data Profile of Southeast Bank Limited

(Taka in million)

Particulars	2011	2010	2009	2008	2007	2006
Total Capital	19,000.06	17,196.80	9,927.16	7,657.01	6,468.36	4,940.92
Capital Adequacy Ratio	11.46%	11.25%	11.72%	11.12%	13%	11.50%
Total Assets	158,078.59	131,784.27	112,676.98	81,181.53	64,370.69	53,706.12
Net Profit After Tax	1,912.19	2,763.93	1,870.19	887.24	1,222.97	909.88
ROE (%)	10.47%	19.41%	16.51%	12.06%	19.90%	17.98%
ROA (%)	1.32%	2.26%	1.66%	1.09%	1.90%	1.66%
EPS	2.33	3.77	3.24	3.11	4.28	5.97
Number of Branches	84	76	56	46	38	31
No. of Subsidiaries	3	3	3	3	3	3

Source: Compiled from Annual Reports of SEBL

5.2.7 Mercantile Bank Limited (MBL)

MBL was incorporated as a public limited company on May 20, 1999. It has 75 branches, including 5 SME/Agri- branches and two subsidiary companies. Key financial data are as follows:

Table 5.7: Data Profile of Mercantile Bank Limited

(Taka in million)

Particulars	2011	2010	2009	2008	2007	2006
Total Assets (Tk.)	116,553.01	87,140.11	66,166.52	55,928.72	44,940.54	37,159.65
Total Capital	10,700.90	8,684.32	4,995.43	4,131.21	3,387.17	2,554.29
Net Profit After Tax	1,734.17	1,425.34	807.52	615.88	540.50	494.22
EPS (Tk.)	3.49	4.10	3.07	2.85	3.01	3.3
ROA (%)	1.49%	1.64%	1.22%	1.10%	1.20%	1.50%
ROE (%)	17.95%	19.84%	18.80%	17.75%	18.45%	21.48%
No. of Branches	75	65	53	42	41	45
No. of Subsidiaries	2	1	1	-	-	-
Capital Adequacy Ratio	10.60%	9.13%	10.48%	10.17%	11.67%	10.68%

Source: Compiled from Annual Reports of MBL

5.2.8 Jamuna Bank Limited

Jamuna Bank Limited was incorporated on 02 April 2001 as a public limited company. The bank has 73 branches including 2 Islamic Banking branches and 4 SME centers as at 31 December 2011. Key financial data are as follows:

Table 5.8: Data Profile of Jamuna Bank Limited

(Taka in Million)

Particulars	2011	2010	2009	2008	2007	2006
Total Assets (Tk.)	87,065.13	70,013.90	48,730.95	31,646.63	26,405.40	18,510.40
Total Capital	7,552.79	6,350.02	3,997.66	2,444.34	1,872.72	1,701.82
Net Profit After Tax	1330.20	1066.02	923.12	476.43	89.11	253.40
EPS (Tk.)	3.65	2.92	5.67	3.62	.73	2.07
ROA (%)	1.69	1.80	2.30	1.65	.38	1.37%
ROE (%)	19.43%	20.52%	30.06%	25.12%	5.54%	21.39%
Number of Branches	73	66	54	39	35	29
No. of Islamic Banking Branches	2	2	2	2	2	2
No. of Subsidiaries	2	1	-	-	-	-
Capital Adequacy Ratio	11.27%	9.50%	12.83%	11.91%	12.42%	14.79%

Source: Compiled from Annual Reports of Jamuna Bank Ltd.

5.2.9 Islami Bank Bangladesh Limited (IBBL)

IBBL was established as a Public Limited Banking Company in Bangladesh in 1983 as the first interest free shari'ah based scheduled commercial bank in South East Asia. Naturally, its mode of operation is different from conventional banking. The bank carries out its business through 236 branches which includes 30 SME/Agricultural branches in Bangladesh. The bank is listed with DSE and CSE.

Table 5.9: Data Profile of Islami Bank Bangladesh Limited

Taka in Million

Particulars	2011	2010	2009	2008	2007	2006
Total Assets (Tk.)	389,192.12	330,785.17	278,302.84	230,879.14	191,362.35	150,252.82
Total Capital	33,716.73	28,400.03	23619.81	18,572.08	15,765.94	10,435.96
Net Profit After Tax	4,841.45	4,463.47	3,403.55	2,674.80	1,427.36	1,400.59
EPS (Tk.)	4.84	4.48	4.59	4.33	4.31	4.42
ROA (%)	1.35%	1.47%	1.34%	1.27%	.84%	1.03%
ROE (%)	17.42%	19.00%	16.93%	19.02%	13.00%	13.42%
Number of Branches	266	251	231	206	186	176
No. of Subsidiaries	2	2	-	-	-	-
Capital Adequacy Ratio	12.08%	11.06%	11.65%	10.27%	10.61%	9.43%

Source: Compiled from Annual Reports of IBBL

5.2.10 EXIM Bank Limited

EXIM Bank was incorporated as a Public Limited Company on 02 June 1999. The bank converted its banking operation into Islamic Banking based on Islamic Shahri'ah from traditional banking from 1 July 2004. The bank is listed with DSE and CSE. Key financial data are as follows:

Table 5.10: Data Profile of EXIM Bank Limited

Figure in million (Tk.)

Particulars	2011	2010	2009	2008	2007	2006
Total Assets (Tk.)	115,390.20	113070.98	86,213.37	64446.46	51503.03	41,793.54
Total Capital	16,109.56	13,957.40	7,718.89	5,763.89	4,569.56	3111.69
Net Profit After Tax	2,009.37	3,476.01	1,694.10	1,096.63	930.84	650.29
EPS (Tk.)	2.18	3.77	5.02	4.09	3.48	4.34
ROA (%)	1.65%	3.54%	2.14%	1.83%	2.00%	1.73%
ROE (%)	14.93%	36.27%	28.94%	24.28%	26.02%	25.88%
Number of Branches	62	59	52	42	35	30
No. of Subsidiaries	3	3	1	-	-	-
Capital Adequacy Ratio	10.88%	9.95%	11.18%	10.79%	11.23%	10.70%

Source: **Compiled from Annual Reports of EXIM Bank Ltd.**

5.3 Results and Discussion

5.3.1 Results of Correlation among Corporate Attributes

Table 5.11: Correlation Table among Covariates

		Compliance Score	Age of Bank	Total Assets	Total Capital	ROE	ROA	EPS	NPAT
Compliance Score	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	60							
Age of Bank	Pearson Correlation	-.227	1						
	Sig. (2-tailed)	.081							
	N	60	60						
Total Assets	Pearson Correlation	.016	.571**	1					
	Sig. (2-tailed)	.905	.000						
	N	60	60	60					
Total Capital	Pearson Correlation	.217	.468**	.766**	1				
	Sig. (2-tailed)	.101	.000	.000					
	N	58	58	58	58				
ROE	Pearson Correlation	.010	.259	-.195	-.102	1			
	Sig. (2-tailed)	.942	.052	.146	.449				
	N	57	57	57	57	57			
ROA	Pearson Correlation	.327*	-.053	-.166	.138	.573**	1		
	Sig. (2-tailed)	.012	.689	.209	.303	.000			
	N	59	59	59	58	57	59		
EPS	Pearson Correlation	.142	.428**	.108	.096	.537**	.463**	1	
	Sig. (2-tailed)	.287	.001	.418	.473	.000	.000		
	N	58	58	58	58	57	58	58	
NPAT	Pearson Correlation	.130	.494**	.576**	.738**	.295*	.428**	.380**	1
	Sig. (2-tailed)	.328	.000	.000	.000	.026	.001	.003	
	N	59	59	59	58	57	59	58	59

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher's own analysis

5.3.1.1 Age of the Bank and Compliance Score

Correlation coefficient between age of the bank and compliance score is -0.227 having two sided P-value .081. This figure indicates that the age of the bank is inversely related to the compliance score and statistically insignificant at 5% level of significance. The relation would have been significant if we test the figure with 10% level of significance. More clearly, if the age of the bank rises, the compliance score significantly goes down. So, the hypothesis (H_{03}:) is accepted, that implies, age of the bank as measured by number of years passed has no significant effect on disclosure and compliance of accounting information.

5.3.1.2 Size of the Bank as Measured by Total Assets and Compliance Score

Correlation coefficient between total assets and compliance score is .016 having two tailed P-value 0.905. The finding indicates a very low degree of positive correlation between total assets and compliance score. It also reveals that the size of the bank as measured by total assets is not significantly related to the compliance with disclosure requirements of accounting standards. Thus, the null hypothesis (H_{01}) is rejected at 5% level of significance.

5.3.1.3 Size of the Bank as Measured by Total Capital and Compliance Score

Correlation coefficient exhibited in the correlation table between size of the bank as measured by total capital and compliance score is .217 having two-sided P-value 0.101. The result indicates a low degree of positive correlation between total capital and compliance score. This figure also suggests that the size of the bank has no significant impact on BAS/BFRS requirements. Therefore, the null hypothesis (H_{02}) is rejected at 5% level of significance.

5.3.1.4 Profitability of the Bank as Measured by ROE and Compliance Score

Pearson's correlation coefficient between profitability measure through ROE and compliance score is 0.010 with two-sided P-value .942. This figure indicates very low degree of positive correlation between ROE and Compliance score. The figure also implies that profitability measure through Return on Equity has no significant impact on compliance score at 5% level of significance. So, the null hypothesis (H_{05}) is rejected.

5.3.1.5 Profitability of the Bank as Measured by ROA and Compliance Score

Correlation coefficient in the above table between profitability measure through ROE and compliance score is 0.327 with two-sided P-value .012. This figure indicates that profitability measure through Return on Assets is significantly associated to the compliance score at 1% level of significance. So, the null hypothesis (H_{04}) is accepted.

5.3.1.6 Profitability of the Bank as Measured by EPS and Compliance Score

Correlation coefficient between Earnings per Share and compliance score is .142 having two-tailed P-value 0.287. This figure suggests that profitability measure through EPS is not significantly associated with the compliance score of the sample commercial banks at 5% level of significance. Hence, the null hypothesis (H_{06}) is rejected.

5.3.1.7 Profitability of the Bank as Measured by NPAT and Compliance Score

Pearson's coefficient between Net Profit after Tax and compliance score is .130, having two-sided P-value .328. This figure indicates that profitability of banks as measured through NPAT has no significant impact on the compliance score of banks under study at 5% level of significance. Hence, the null hypothesis (H_{07}) is rejected.

Correlation table also shows the correlation between age of the bank and total assets is .571 having two tailed P-value .000. This implies that there exists significant relationship between these two independent variables at 1% level of significance. Significant relationship between covariates (independent variables) is known as multi-colinerity. In case of the presence of multi-colinearity, the regression model frequently does not show the desired relationships between dependent and independent variables (covariates). The same result has been observed between total capital and age, total capital and total assets, ROA and ROE, EPS and ROE, EPS and age, EPS and ROA, NPAT and age, NPAT and Total Assets, NPAT and ROE, NPAT and ROA, and NPAT and EPS.

5.3.2 Results of Multiple Regression Analysis

5.3.2.1 Description of the Fitted Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.504[a]	.254	.148	5.10208	.254	2.384	7	49	.035

a. Predictors: (Constant), Net Profit after Tax, Return on Equity, Age of Bank, Earning Per Share, Return on Asset, Total Assets, Total Capital
b. Dependent Variable: Compliance Score

Coefficient of Correlation (R)

Coefficient of Correlation measures the relationship between the dependent and independent variables. Here, model summary as stated in the above table shows that value of R is .504. It indicates that there is a positive correlation among the variables entered. Any increase in the independent variable will result in the increase of dependent variable.

Coefficient of Determination (R^2) and Adjusted R^2

R^2 shows the proportion of the dependent variable that can be explained by the estimated regression equation. Summary statistics of the model indicates that 25.40% of the variability in compliance score is explained by independent variables while 74.60% remains unexplained. Adjusted R square is the actual variability which is adjusted for the independent variables.

5.3.2.2 Analysis of Variance (ANOVA)

Table 5.12: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	434.446	7	62.064	2.384	.035[a]
	Residual	1275.527	49	26.031		
	Total	1709.973	56			

F-test is used to determine whether a significant relationship prevails between dependent and independent variables. It is considered as the test of overall significance. The ANOVA (Analysis of Variance) suggests that the relationship between dependent and independent variables is significant at 5% level of significance.

5.3.2.3 OLS Regression Results

Table 5.13: Summarized Results of Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	71.682	2.350		30.505	.000
Age of Bank	-.195	.108	-.370	-1.803	.078
Total Assets	-3.108E-7	.000	-.006	-.023	.982
Total Capital	.000	.000	.516	2.020	.049
Return on Equity	-.024	.098	-.046	-.240	.811
Return on Asset	1.356	1.227	.236	1.105	.275
Earning Per Share	.568	.377	.261	1.504	.139
Net Profit after Tax	.000	.001	-.244	-1.019	.313

a. Dependent Variable: Compliance Score

Source: Research's own analysis

Table 2.13 reports the results of multiple regression in this study. The table represents the relationship between the level of compliance and independent variables in terms of whether there is a linear association based on the correlation among dependent and independent variables. The coefficient of determination (R-square), F ratio, beta coefficient and t-statistics for the regression model and summarized results of dependent variable on the experimental variables can be seen in the table 2.12 and table 2.13.

All the variables in correlation analysis were seen positively related to the compliance score (dependent variable) except for age of the bank. Further, analysis indicated that t-values were not significant except for total capital at 5% level of significance. If we take significance level at 10%, age of the bank would have significant impact on compliance score. Thus, there was no enough evidence to infer the existence of a linear relationship between the dependent and independent variables except for total capital.

The result from the standardized coefficients' beta can also help pinpoint the relative impact of each variable on the independent variables. The size of total capital has the highest impact whereas age of the bank has lowest impact on the level of compliance with BAS/BFRS. The result indicates that only size of the bank as measured by total capital is significant at 5% level of significance. The rest of the independent variables have no significant impact on compliance score.

5.4 Conclusion

This chapter highlighted the corporate performance indicators of each bank under study. Sixty annual reports of ten banks have been examined to find out the corporate characteristics for the periods 2006 to 2011. Financial statements of these banks have been examined to identify the compliance level. Each item of financial statements and related notes has been matched with the disclosure index to measure the extent of compliance. The study tests seven hypotheses and finds that there is no significant relationship between compliance score and other independent variables (Except for ROA). More specifically, compliance score does not depend on the age of the bank, total assets, total capital, ROE, EPS and NPAT except for ROA.

Chapter 6
Compliance Scenario of Accounting Standards in Financial Reporting: Analysis of Bankers' Perceptions

6.1 Introduction

This chapter has been designed depending on the opinions of bank executives of commercial banks in Bangladesh. Bank executives of Financial Administration Division (FAD) and Internal Audit Division of three categories of commercial banks (2 SCBs, 6 PCBs and 2 IBs) were asked to indicate their level of agreement with a given statement by way of an ordinal scale. Taking into consideration of the response given, this chapter intended to show the significance level of differences in opinions of the bank executives. Both descriptive and inferential statistics have been applied to serve the purpose. One-way ANOVA test has been conducted to measure the level of compliance. Post Hoc (Tucky HSD) test trough SPSS software has been used to show the multiple comparisons among different categories of respondents.

6.2 Hypotheses to Measure the Opinions of Respondents

Some hypotheses depending on the grouping of variables identified in the questionnaire for bank executives have been developed to measure the significance level of differences in opinions. These hypotheses are as follows:

H_{01}: There is no significant difference between the opinions of respondents regarding the compliance level of regulatory and professional requirements.

H_{02}: There is no significant difference between the opinions of respondents regarding the compliance level of qualities of accounting information.

H_{03}: There is no significant difference between the opinions of respondents regarding the Application of GAAP in financial reporting.

H_{04}: There is no significant difference between the opinions of respondents regarding the compliance with accounting standards.

H_{05}: There is no significant difference between the opinions of respondents regarding the compliance requirements of BFRS7.

Measurement of Hypotheses Tests:

These hypotheses have been tested with the help of ANOVA Test. For each variable hypothesis is accepted, if the p-value between groups is greater than 0.05 (at 5% level of significance). Where p-value is less than 0.05, the hypotheses have been rejected, which implies there exist a significant difference among the respondents of three categories of commercial banks in Bangladesh. In such cases, further investigations are undertaken by Post Hoc test to compare the differences between all the possible pairs (SCBs Vs. PCBs, SCBs Vs. IBs, PCBs Vs. IBs).

6.3 Opinions Regarding Compliance with Regulatory and Professional Requirements

Banking companies in Bangladesh have to abide by different regulatory and professional requirements as stated in chapter three. But it varies from bank to bank depending on the nature of banking activities. Listed companies have to follow all the regulations stated below. State Owned Commercial Banks (SCBs) are not the member of SEC. As a result, they do not follow the SEC, DES and CSE rules. Islamic Banks on the other hand, follows some additional regulations issued by AAOIFI and IFSB. The detailed analysis of the compliance scenario is stated in the following table.

Table 6.1: **Compliance with Regulatory and Professional Requirements**

Variable no.	Description	N	Mean	Median	Mode	Stan. Dev.	Maximum	Minimum
V1	The Companies Act, 1994	100	4.69	5.00	5.00	0.46	5.00	4.00
V2	The Banking Companies Act, 1991	100	4.86	5.00	5.00	0.35	5.00	4.00
V3	BB Orders and Circulars	100	4.91	5.00	5.00	0.32	5.00	3.00
V4	SEC Ordinance, 1969	80	4.78	5.00	5.00	0.42	5.00	4.00
V5	SEC Rules, 1987	80	4.78	5.00	5.00	0.45	5.00	3.00
V6	SEC notifications for Corporate Governance	80	4.43	4.50	5.00	0.63	5.00	3.00
V7	BFRS/BAS	100	3.95	4.00	4.00	0.63	5.00	2.00
V8	Listing Regulations of DSE & CSE	80	4.80	5.00	5.00	0.46	5.00	3.00
V9	The Income Tax Ordinance, 1984	100	4.56	5.00	5.00	0.59	5.00	3.00
V10	The VAT Act, 1991	100	4.47	5.00	5.00	0.66	5.00	2.00
V11	Basel- I & II	100	4.76	5.00	5.00	0.49	5.00	3.00
V12	GAAP	100	4.36	4.00	4.00	0.63	5.00	3.00
V13	Ethical code of conduct	99	4.34	4.00	4.00	0.61	5.00	2.00
Overall Mean			**4.60**					
For Islamic banks only								
V14	AAOIFI	20	3.05	3.00	2.00	1.05	5.00	2.00
V15	IFSB	20	1.20	1.2	1.00	0.52	3.00	1.00

Source: Calculated based on field survey

Table 6.1 shows that mean score of the sample banks for V1, V2, V3, V4, V5, V8, V9 and V11 is above 4.50 indicates higher level of compliance of the regulatory and professional requirements. Variables V6, V7, V10, V12 and V13 have mean score between 3.00 and 3.50 implies fair compliance level. Low compliance has been observed for V14. It is important to note that V14 and V15 are Islamic Shariah regulations and applicable for two Islamic banks under the study. On the other hand, V4, V5, V6 and V8 are not applicable for SCBs. Analysis also reveals that for most of the variable median score is 5.00 indicates higher level of compliance. Mode analysis reveals that score 5.00 appear frequently for all the variables except for V14 and V15. If we look at the score of V7 (BAS/BFRS), which is the prime focus of the study, we see that the maximum score is 5.00 and minimum score is 2.00 with mean score 3.95; and median and mode score of 4.00. It implies that mean score is satisfactory but not that much impressive. Standard deviation analysis reveals that there is not much variation among the opinions of the respondent about the compliance status. So, it can be said that the banking sector of Bangladesh complies most of the regulatory requirements. But in case of the compliance of professional requirements (BAS/BFRS) we observe some limitations.

The summary of ANOVA and Post Hoc test (Tucky HSD) results for the following variables is stated below:

Table 6.2: **Summary of ANOVA Test Results for Regulatory and Professional Requirements**

Var. No.	**Variables**	**p-value between groups**	**p-value for multiple comparison (Post Hoc Test – Tukey HSD)**		
			SCBs-PCBs	**SCBs-IBs**	**PCBs-IBs**
V1	The Companies Act, 1994	.229	1.00	.362	.220
V2	The Banking Companies Act, 1991	.108	.215	1.00	.215
V3	BB Orders and Circulars	.071	.162	1.00	.162
V4	SEC Ordinance, 1969	.360[a]			
V5	SEC Rules, 1987	.152[a]			
V6	SEC notifications for Corporate Governance	.066[a]			
V7	BFRS/BAS	.465	.934	.481	.538
V8	Listing Regulations of DSE & CSE	.265[a]			
V9	The Income Tax Ordinance, 1984	.276	.993	.376	.280
V10	The VAT Act, 1991	.082	.177	1.00	.177
V11	Basel- I & II	.022*	.046*	.942	.114
V12	GAAP	.248	.751	.729	.229
V13	Ethical code of conduct	.005**	.004**	.238	.396

Source: Calculated based on field survey opinions

**Mean difference is significant at the 0.01 level

*Mean difference is significant at the 0.05 level

[a] Post hoc tests are not performed because at least one group has fewer than two cases

Note: No statistics are computed for V14 & V15 as the regulations are applicable for Islamic Banks only.

Interpretations of the ANOVA and Results of Hypothesis Test (H_{01}):

ANOVA test result in the above table shows that the p-value for V13 is significant at 1% level of significance and p-value for V11 is significant at 5% level of significance. It implies that there exists significant differences in the opinion of the respondents of three categories of commercial banks in Bangladesh. Hence, our null hypothesis is rejected. For all other variables p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

The Tukey HSD test reveals that the p-value for V11 and V13 is less than 0.05, which indicates that, there exists significant differences between the opinions of the respondents of SCBs and PCBs. But for both the variables, no significant variation in opinions are observed between SCBs-IBs and PCBs-IBs.

6.4 Perceptions Regarding Compliance with the Qualities of Accounting Information

Users of financial reporting are always concerned about the material items which directly or indirectly influence them in taking decision about the entity. As a stakeholder, they desire reliable, relevant, decision useful, transparent, comparable, consistent and timely information. This study made an attempt to identify whether the sample banks are fulfilling their needs or not. Questionnaire was given to the respondents to indicate their level of agreement on the compliance of following items of the qualities of accounting information. The summary results are as follows.

Table 6.3: **Analysis for compliance with Accounting Qualities**

Var. no.	Variables	N	Mean	Median	Mode	Stan. Dev.	Maximum	Minimum
V16	Reliability	99	4.85	5.00	5.00	0.39	5.00	3.00
V17	Relevance	99	4.76	5.00	5.00	0.50	5.00	2.00
V18	Understandability	100	4.62	5.00	5.00	0.55	5.00	3.00
V19	Faithful presentation	100	4.79	5.00	5.00	0.41	5.00	4.00
V20	Neutrality	100	4.68	5.00	5.00	0.55	5.00	2.00
V21	Timeliness	100	4.85	5.00	5.00	0.39	5.00	3.00
V22	Comparability	100	4.87	5.00	5.00	0.37	5.00	3.00
V23	Consistency	100	4.74	5.00	5.00	0.46	5.00	3.00
V24	Accuracy of financial information	98	4.66	5.00	5.00	0.48	5.00	4.00
V25	Decision usefulness to stakeholders	100	4.15	4.00	4.00	0.58	5.00	3.00
V26	True and fair view of accounts	100	4.79	5.00	5.00	0.50	5.00	2.00
V27	Adequacy of information	99	4.25	4.00	4.00	0.52	5.00	3.00
V28	Transparency & accountability	100	4.55	5.00	5.00	0.58	5.00	3.00
V29	Corporate Governance	100	4.06	4.00	4.00	0.49	5.00	3.00
	Overall Mean	4.62						

Source: Calculated based on field survey

Table 6.3 shows that the mean scores for all the variables (except V25, V27 and V29) of sample banks are above 4.5 which indicates higher level of compliance of qualitative characteristics of accounting information. Variables V25, V27 and V29 have mean score between 3.50 and 4.50, implies satisfactory compliance level. No low compliance has been observed regarding the qualities of accounting information. Analysis also reveals that for most of the variables median score is 5.00 indicates higher level of compliance. Mode analysis reveals that score 5.00 appears frequently for all the variables except for V25 V27 and V29. Standard deviation analysis reveals that variation in opinion is less than 1 which implies that there exists insignificant differences among the opinions of the respondent about the compliance status. So, it can be said that the banking sector of Bangladesh maintains most of the qualities of accounting information in preparation and disclosure in financial reports. But, there exists some doubt in the mind of the respondents about the corporate governance, adequacy of information and decision usefulness of the information provided.

In order to find out the differences in opinions of the respondents of three categories of banks (SCBs, PCBs and IBs) regarding their perceptions towards compliance of the qualities of accounting information, ANOVA test has been performed.

The summary of ANOVA and Post Hoc test (Tucky HSD) results for the following variables is stated below:

Table 6.4: **Summary of ANOVA Test Results**

Var. No.	**Variables**	**p-value between groups**	**p-value for multiple comparison (Post Hoc Test – Tukey HSD)**		
			SCBs-PCBs	**SCBs-IBs**	**PCBs-IBs**
V16	Reliability	.285	.321	.923	.578
V17	Relevance	.063	.079	.808	.317
V18	Understandability	.022*	.017*	.301	.596
V19	Faithful presentation	.089	.189	1.000	.189
V20	neutrality	.356	.401	.955	.615
V21	Timeliness	.026*	.047*	.907	.147
V22	Comparability	.058	.085	.899	.244
V23	Consistency	.153	.274	1.000	.274
V24	Accuracy of financial information	.175	.162	.660	.690
V25	Decision usefulness to stakeholders	.025*	.014**	.212	.768
V26	True and fair view of accounts	.364	.637	.946	.401
V27	Adequacy of information	.867	.956	.857	.928
V28	Transparency & accountability	.042*	.080	.957	.163
V29	Corporate Governance	.098	.618	.589	.087

Source: Calculated based on field survey opinions

**Mean difference is significant at the 0.01 level

*Mean difference is significant at the 0.05 level

Interpretations of the ANOVA and Results of Hypothesis Test (H_{02}):

Table 6.4 reveals that the p-value of all the variables (except V18, V21, V25 and V 28) is greater than 0.05. Hence, the null hypothesis is accepted for these variables. p-value for V18, V21, V25 and V 28 is less than 0.05, indicates there exist significant difference among the respondents of three categories of commercial banks. Hence, null hypothesis is rejected for these variables.

In order to show the nature of these differences and the multiple comparisons among each pair (SCBs Vs. PCBs, SCBs Vs. IBs, PCBs Vs. IBs), the Post Hoc test is performed where the results have been shown under Tukey HSD. The test results reveal that p-value for V18, V21, and V25 is less than 0.05, which indicates that, there exists significant difference between the opinions of the respondents of SCBs and PCBs.

6.5 Perceptions Regarding Application of assumptions/Concepts/ Constraints

Accounting concepts are the benchmark for preparation of financial statements. These concepts explains which, when, and how financial elements and events should be recognized, measured and reported by the accounting system. Respondents were asked to give their opinions on the application of the following concepts in financial reporting. The summary of the analysis of the results of the responses is presented in the table below:

Table 6.5 : Opinion Analysis of the Application of GAAP

Var. no.	Variables	N	Mean	Median	Mode	Stan. Dev.	Maximum	Minimum
V30	Periodicity	100	4.94	5.00	5.00	0.24	5.00	4.00
V 31	Historical cost	100	4.84	5.00	5.00	0.44	5.00	3.00
V32	Accrual Basis	100	4.88	5.00	5.00	0.36	5.00	3.00
V33	Revenue recognition	100	4.65	5.00	5.00	0.50	5.00	3.00
V34	Matching	100	4.74	5.00	5.00	0.44	5.00	4.00
V35	Full disclosure	100	4.26	4.00	4.00	0.50	5.00	3.00
V36	Cost benefits	100	4.56	5.00	5.00	0.54	5.00	3.00
V37	Materiality	100	4.32	4.00	4.00	0.57	5.00	2.00
V38	Objectivity	100	4.64	5.00	5.00	0.50	5.00	3.00
V39	Conservatism	99	4.48	5.00	5.00	0.56	5.00	2.00
Overall Mean		4.63						

Source: Calculated based on field survey

Table 6.5 shows that the mean scores for the variables V30, V31, V32, V33, V34, V36 and V38 of sample banks are above 4.5 which indicates higher level of application of accounting concepts in financial reporting. Variables V35, V37 and V39 have mean score between 3.50 and 4.50 implies satisfactory compliance level. No low compliance has been observed regarding the Application of GAAP. Analysis also reveals that for most of the variables median score is 5.00 which indicates higher level of compliance. Mode analysis reveals that score 5.00 appears frequently for all the variables except for V25 V27 and V29. Standard deviation analysis reveals that variation in opinion is less than 1 which implies there exists insignificant differences among the opinions of the respondent about the compliance status. So, it can be said that the banking sector of Bangladesh applies most of the Concepts/assumptions/constraints in preparation of financial statements. But, there exists some doubt in the mind of the respondents about the materiality and full disclosure of information in the financial reports. Further analysis has been done to test the level of significance through ANOVA test. The results of detailed analysis are presented in the following table.

Table 6.6: **Summary of ANOVA Test Results**

Var. No.	**Variables**	**p-value between groups**	**p-value for multiple comparison (Post Hoc Test – Tukey HSD)**		
			SCBs-PCBs	**SCBs-IBs**	**PCBs-IBs**
V30	Periodicity	.396	.371	.786	.852
V 31	Historical cost	.547	.901	.537	.660
V32	Accrual Basis	.021*	.504	.020*	.070
V33	Revenue recognition	.015*	.080	.011*	.311
V34	Matching	.421	.390	.754	899.
V35	Full disclosure	.926	1.00	.948	.924
V36	Cost benefits	.397	.529	1.00	.529
V37	Materiality	.444	.837	.843	.426
V38	Objectivity	.204	.334	1.00	.334
V39	Conservatism	.155	.982	.332	.137

Source: Calculated based on field survey opinions
**Mean difference is significant at the 0.01 level
*Mean difference is significant at the 0.05 level

Interpretations of the ANOVA and Results of Hypothesis Test (H_{03}):

Table 6.6 reveals that the p-value of variables V32 and V33 is lower than 0.05 which implies that there exists significant differences in the opinions of the three categories of bank employees regarding the application of Generally Accepted Accounting Principles (GAAP). Hence, the null hypothesis is rejected. On the other hand, the p-value for all other variables is greater than 0.05 which implies no significant difference in perceptions. So, for all these variables (except V32 and V33) our null hypothesis is accepted.

In order to show the nature of these differences and the multiple comparisons among each pair (SCBs Vs. PCBs, SCBs Vs. IBs, PCBs Vs. IBs), the Post Hoc test is performed where the results have been shown under Tukey HSD. The test results reveal that p-value for V32 and V33 is less than 0.05 which indicates that, there exists significant difference between the opinions of the respondents of SCBs and IBs.

6.6 Perceptions Regarding Compliance with BAS/BFRS

Respondents were asked to identify their level of compliance in an ordinal 5-point Likert's Scale for accounting standards related requirements in preparation and disclosure in financial reporting. The details of the descriptive statistical results of compliance with BAS/BFRS are presented in the following table.

Table 6.7: **Perception Analysis on Compliance with BAS/BFRS**

Var. no.	Variables	N	Mean	Median	Mode	Stan. Dev.	Maximum	Minimum
V40	Presentation of FSs	100	4.30	4.00	4.00	0.52	5.00	3.00
V41	Statement of Cash Flows	100	3.98	4.00	4.00	0.65	5.00	3.00
V42	Accounting Policies, Changes in Accounting Estimates and Errors	100	4.19	4.00	4.00	0.72	5.00	3.00
V43	Events after the B/S Date	100	4.37	4.00	4.00	0.63	5.00	3.00
V44	Income Taxes	100	4.31	4.00	4.00	0.58	5.00	3.00
V45	Property, Plant & Equipment	100	4.12	4.00	4.00	0.59	5.00	3.00
V46	Leases	100	3.65	4.00	4.00	0.73	5.00	2.00
V47	Revenue	100	4.14	4.00	4.00	0.62	5.00	2.00
V48	Employee Benefits	100	4.08	4.00	4.00	0.63	5.00	3.00
V49	The Effects of Changes in Foreign Exchange Rates	100	4.53	5.00	5.00	0.54	5.00	3.00
V50	Borrowing Costs	99	4.38	4.00	4.00	0.58	5.00	3.00
V51	Related Party Disclosure	95	4.04	4.00	4.00	0.54	5.00	3.00
V52	Consolidated and Separate FSs	98	4.46	5.00	5.00	0.66	5.00	1.00
V53	Disclosure in the FSs of Banks & similar FIs	100	3.26	3.00	3.00	0.80	5.00	1.00
V54	FIs: Presentation	99	3.88	4.00	4.00	0.73	5.00	3.00
V55	Earnings Per Share	100	4.68	5.00	5.00	0.58	5.00	3.00
V56	Interim Financial Reporting	100	4.30	4.00	4.00	0.64	5.00	3.00
V57	Impairment of Assets	96	3.32	3.00	3.00	0.70	5.00	2.00
V58	Provisions, Contingent Liabilities and Contingent Assets	100	4.53	5.00	5.00	0.67	5.00	2.00
V59	Intangible Assets	90	3.68	4.00	4.00	0.76	5.00	2.00
V60	Financial Instruments: Recognition and Measurement	100	3.45	3.00	3.00	0.74	5.00	1.00
V61	Investment Property	98	3.31	3.00	3.00	0.88	5.00	1.00
V62	Financial Instruments: Disclosures	98	3.46	3.00	3.00	0.72	5.00	2.00
V63	Operating Segments	98	4.25	4.00	4.00	0.80	5.00	1.00
	Overall Mean		4.03					

Source: Calculated based on field survey

It is observed from the table 6.7 that mean compliance score of the selected commercial bank variables V49, V55 and V58 is above 4.50 which indicates higher degree of compliance with accounting standards. Variables V40, V41, V42, V43, V44, V45, V6, V47, V48, V50, V51, V52, V56, V59, and V63 have mean score between 3.50 and 4.5, which implies satisfactory compliance level. Similarly variables V53, V57, V60, V61 and V62 have mean score between 3.00 and 3.50, indicates fair level of compliance. No mean score below 3.00 has found in the above table which reveals that the compliance scenario of the sample banks regarding the accounting standards is satisfactory. Analysis of Median indicates that for most of the variables score is 4.00 and above which indicates satisfactory level of compliance. Mode analysis also indicates that score 4.00 comes frequently for most of the variables. Mean and mode analysis also reveals that score for variables V53, V57, V60, V61, and V62 is 3.00 indicates fair level of compliance and the compliance level is not that much impressive compared to other variables of the table. It is important to note that V52 and V62 are special purpose reporting standards for banks and similar financial institutions. But the mean, mode and median score tends to 3.00 which imply fair level of compliance. Hence, it can be said that the sample banks disclose less information for variables V52 and V62 than other accounting standards. Standard deviation analysis reveals that there is not much variation among the opinions of the respondent about the compliance status.

Further analysis has been done to test the level of significance through ANOVA test. The results of detailed analysis are presented in the following table.

Table 6.8: **Summary of ANOVA Test Results**

Var. No.	**Variables**	**p-value between groups**	**p-value for multiple comparison (Post Hoc Test – Tukey HSD)**		
			SCBs-PCBs	**SCBs-IBs**	**PCBs-IBs**
V40	Presentation of FSs	.142	.872	.442	.118
V41	Statement of Cash Flows	.289	.300	.878	.645
V42	Accounting Policies, Changes in Accounting Estimates and Errors	.040*	.031*	.176	.929
V43	Events after the B/S Date	.755	.757	.966	.913
V44	Income Taxes	.740	.993	.851	.721
V45	Property, Plant & Equipment	.340	.589	.961	.392
V46	Leases	.574	.962	.795	.543
V47	Revenue	.239	.220	.409	.994
V48	Employee Benefits	.388	.440	.425	.949
V49	The Effects of Changes in Foreign Exchange Rates	.576	.684	1.00	.684
V50	Borrowing Costs	.854	.848	.902	1.00
V51	Related Party Disclosure	.850	.976	.855	.885
V52	Consolidated and Separate FSs	.747	.938	.737	.830
V53	Disclosure in the FSs of Banks & similar FSs	.204	.445	.178	.594
V54	FIs: Presentation	.277	.248	.663	.848
V55	Earnings Per Share	.091	.503	.689	.089
V56	Interim Financial Reporting	.006**	.908	.016*	.009**
V57	Impairment of Assets	.003**	.003**	.012*	.968
V58	Provisions, Contingent Liabilities and Contingent Assets	.014*	.010**	.211	.647
V59	Intangible Assets	.813	.990	.907	.797
V60	Financial Instruments: Recognition and Measurement	.701	.719	.976	.863
V61	Investment Property	.915	.911	.983	.979
V62	Financial Instruments: Disclosures	.349	.995	.518	.329
V63	Operating Segments	.135	.704	.130	.249

Source: Calculated based on field survey opinions
**Mean difference is significant at the 0.01 level
*Mean difference is significant at the 0.05 level

Interpretations of the ANOVA and Results of Hypothesis Test (H_{04}):

It reveals from the above table that p-value of variables V56 and V57 is lower than 0.01 and p-value of the variables V48 and V58 is lower than 0.05 which implies that there exists significant differences in the opinions of the three categories of bank employees regarding the compliance with accounting standards for these variables. Hence, our null hypothesis is rejected for these accounting standards. On the other hand, the p-value for all other variables is greater than 0.05 which implies no significant difference in perceptions of the respondents. So, for all these variables null hypothesis is accepted.

Multiple comparisons through ANOVA (Tukey HSD) test reveals that p-value for variable V42 is less than 0.05 which indicates significant relationship between the opinions of SCBs and PCBs. No significant relationship has been found for other two pairs (SCBs-IBs and PCBs-IBs) of the same variable. Same comparison has been observed for variable V58 of the table. In case of variable V56, p-value is lower than 0.01 for pair PCBs-IBs, indicates significant relationship between the response given by executives of Private Commercial Banks and Islamic Banks. P-value is lower is 0.05 for the same variable for pair SCBs-IBs, indicates significant relationships between the respondents for this pair. Significant relationship is also observed for variable V57 (SCBs-PCBs and SCBs-IBs) and Variable 58 (between SCBs-PCBs).

6.7 Perceptions Regarding Disclosure of Specific requirements of BFRS 7

Bangladesh Financial Reporting Standard 7 (BFRS 7) is a special financial reporting standard designed for banks and similar financial institutions. The respondents of three categories of bank executives were addressed to give their perceptions regarding some important provisions of BFRS 7. The descriptive statistics of the results of the responses are summarized in the following table.

Table 6.9: Perception Analysis on Compliance with Specific Requirements of BFRS 7

Var. no.	Variables	N	Mean	Median	Mode	Stan. Dev.	Maximum	Minimum
V76	Presentation of income and expenses as group by nature	100	4.37	5.00	5.00	0.80	5.00	1.00
V77	Group assets and liabilities as their nature and present as their liquidity	100	4.40	5.00	5.00	0.78	5.00	2.00
V78	Categorization of financial assets and financial liabilities	100	3.30	3.00	3.00	0.82	5.00	2.00
V79	Fair value and other Details of the collateral held	100	3.31	3.00	3.00	0.83	5.00	2.00
V80	Allowance for credit losses	100	3.47	3.00	3.00	0.64	5.00	2.00
V81	Details of the default and breaches	100	3.00	3.00	3.00	0.77	5.00	1.00
V82	Key terms and conditions for large loans	100	3.00	3.00	3.00	0.90	5.00	1.00
V83	Details of the related party transactions	100	3.39	3.00	3.00	0.75	5.00	2.00
V84	Accounting policies and measurement bases for financial assets and liabilities	100	3.75	4.00	4.00	0.73	5.00	2.00
V85	Fair value of each class of financial assets and financial liabilities	100	3.78	4.00	4.00	0.63	5.00	2.00
V86	Disclosure of hedging activities	65	2.29	2.00	2.00	0.90	5.00	1.00
V87	Methods and valuation techniques used in fair value determination	100	4.00	4.00	4.00	0.70	5.00	2.00
V88	Qualitative disclosures under BASEL-II	100	4.77	5.00	5.00	0.49	5.00	3.00
V89	Quantitative disclosures under BASEL-II	100	4.77	5.00	5.00	0.47	5.00	3.00
V90	Nature and amount of contingent liabilities and commitments	100	4.52	5.00	5.00	0.64	5.00	2.00
V91	Disclosure of significant trust activities	69	3.32	3.00	3.00	1.02	5.00	2.00
	Weighted average of Mean		3.72					

Source: Calculated based on field survey

Analysis of table 6.9 shows that the mean score of the perceptions for variables V88, V89 and V90 is above 4.50 which indicate higher degree of compliance with specific provisions of BFRS 7. Mean score of variables V76, V77, V82, V85, and V87 are between 3.50 and 4.5, implies satisfactory compliance level. Similarly variables like V78, V79, V80, V81, V82, V83 and V91 have mean score between 3.00 and 3.50, indicates fair level of compliance. Lower level of compliance has been observed for variable V86, implies the commercial banks under the present study disclosed less information regarding the hedging activities of banks.

Median score of 5.00 has been observed for variables V76, V77, V88, V89, and V90, implies highest disclosure for these variables. Mode score of 5.00 appear frequently for the same variables. Median and mode score of 3.00 for most of the variables in the above table indicates fair disclosure of the requirements of BFRS in financial reporting. Standard deviation analysis reveals that there is not much variation among the opinions of the respondent about the compliance status. Further analysis has been done to test the level of significance through ANOVA test. The results of detailed analysis are presented in the following table.

Table 6.10: **Summary of ANOVA Test Results**

Var. No.	**Variables**	**p-value between groups**	**p-value for multiple comparison (Post Hoc Test – Tukey HSD)**		
			SCBs-PCBs	**SCBs-IBs**	**PCBs-IBs**
V76	Presentation of income and expenses as group by nature	**.004****	.005**	.038*	.939
V77	Group assets and liabilities as their nature and present as their liquidity	.355	.785	.815	.340
V78	Categorization of financial assets and financial liabilities	.080	.754	.086	.140
V79	Fair value and other Details of the collateral held	.043*	.969	.084	.048*
V80	Allowance for credit losses	.000**	.159	.000**	.003**
V81	Details of the default and breaches	.000**	.518	.000**	.001**
V82	Key terms and conditions for large loans	.000**	.181	.000**	.003**
V83	Details of the related party transactions	.835	.998	.908	.822
V84	Accounting policies and measurement bases for financial assets and liabilities	.340	.899	.529	.654
V85	Fair value of each class of financial assets and financial liabilities	.007**	.005**	.165	.603
V86	Disclosure of hedging activities	.115	.137	1.00	.438
V87	Methods and valuation techniques used in fair value determination	.200	.184	.360	.995
V88	Qualitative disclosures under BASEL-II	.135	.704	.592	.118
V89	Quantitative disclosures under BASEL-II	.112	.681	.563	.096
V90	Nature and amount of contingent liabilities and commitments	.534	.872	.876	.517
V91	Disclosure of significant trust activities	.738[a]			

Source: Calculated based on field survey opinions
**Mean difference is significant at the 0.01 level
*Mean difference is significant at the 0.05 level
[a] Post hoc tests are not performed because at least one group has fewer than two cases

Interpretations of the ANOVA and Results of Hypothesis Test (H_{05}):

It is observed from the table 6.10 that the p-value for variables V76, V80, V81, V82, and V85 is less than 0.01, which implies that the opinions of the different categories of banks executives differs significantly at 1% level of significance. The p-value for V79 is 0.043, indicates the differences in opinion is significant at 5% level of significance. Hence, null hypothesis (H_{05}) is rejected. On the other hand, the p-value for all other variables is greater than 0.05 which implies no significant difference in perceptions of the respondents. So, for all these variables null hypothesis is accepted.

Multiple comparisons through ANOVA (Tukey HSD) test reveal that p-value for variable V76 is .005 and .038 for pair SCBs-PCBs and SCBs-IBs respectively. It implies there exists significant relationship between the respondents of these two pairs of bank executives at 5% level of significance. No significant relationship has been found for other pair (PCBs-IBs) of the same variable. Multiple comparisons for V79 indicate a significant relationship between the pair PCBs and IBs at 5% level of significance. Same comparisons have been revealed from the analysis of variable V85. Tukey HSD results also reveals that there exists significant relationship between the pairs SCBs-IBs and PCBs-IBs for variable V80, V81, V82 and V85 at 5% level of significance.

6.8 Conclusion

It is evident from the perception analysis of the three categories of respondents that the mean compliance score relating to regulatory and professional requirements, application of the qualities of accounting information, application of Generally Accepted Accounting principle is above 4.50 which implies higher degree of compliance. Median and mode score also lies between 4.00 and 5.00, indicates higher level of compliance by the sample banks. But in case of the compliance with accounting standards, the overall mean score is near about 4.00 score, which implies fair level of compliance. Again, in case of disclosure of specific requirements of Bangladesh Financial Reporting Standard 7, average mean score is lowest (3.72) which implies fair level of disclosure. So, it can be inferred from the above analysis, the commercial banks are interested to disclose information related to regulatory requirements than to professional requirements. ANOVA tests have been conducted to test the significance differences in opinion of the respondents about the compliance status. The analysis reveals that for most of the variable relating to regulatory and professional requirements, there exists no significant differences in opinions of the respondents of three categories of bank employees regarding compliance.

Chapter 7
Bank Audit, Auditors' Perceptions Analysis and Challenges of Compliance

7.1 Introduction

It is now widely accepted fact that banks play a central role in economy. Banking business is based on public trust and failure of a bank severely dents that trust and it affects not only banks but the whole economic systems bears the brunt. As part of this confidence building measure on banks, its financial statements are subject to audit by multiple auditors including external auditor and statutory auditors. The external auditors conduct the audit in accordance with applicable ethical and auditing standards ensuring independence, objectivity, due care, adequate planning and supervision. The stakeholders trust on the statements duly signed by the auditors. The objective of an audit of bank's financial statements is to enable an independent auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework (i.e. Bangladesh Financial Reporting Standards) and other applicable laws and regulations for banking sector. This chapter describes the essential features of bank audit highlighting the regulatory and professional requirements followed by the auditors while conducting bank audit. After that perception of auditors regarding compliance status of these requirements has been evaluated using both descriptive and inferential statistics to identify the differences in opinions among external and internal auditors. Second part of the chapter includes the real challenges in compliance and harmonization process of accounting standards.

7.2 The Role of Banks' External Auditors

The responsibility of external auditor is to express an opinion on the fairness of financial statements of the bank and its subsidiaries (if any) which comprises consolidated and separate balance sheet, profit and loss account, cash flow statement, statement of changes in equity and a summary of significant accounting policies and other explanatory notes. The external auditors conduct their audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require the auditor to comply with the ethical requirements. The auditor plans and performs the audit to obtain reasonable assurance whether the financial statements of the bank are free from material misstatements.

Bank audit involves performing procedures to obtain evidence about the amount and disclosure in the financial statements. The procedures selected depend on the judgment of the auditor, including the assessment of the risks o material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparations and fair presentations of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

7.3 Tasks Performed by Auditors in Audit of Bank's Financial Statements

The following tasks are performed by external auditors while they audit a banking company:

1. Planning of audit procedures
2. Knowledge of the Business/Operations
3. Understanding the accounting and internal control systems
4. Tests of internal control systems
5. Analytical Procedures
6. Risk Assessments

7. Preparation of tailor-made audit program
8. Conducting audit in line with audit program
9. Review the compliances of legislation and directives of regulatory bodies
10. Review of Events after Balance Sheet Date
11. Documentation
12 Review of Working Papers
13. Issue Draft Auditors' Report and Audited Financial Statements
14. Issue Draft Management Letter and Discuss the Draft Auditors' Report and Audited Financial Statements and Management Letter Points
15. Signing of Financial Statements after approving by the Board of Directors

7.4 Reporting of Opinions by External Auditors

With the necessary matters under the Companies Act and Banking Companies Act, External auditor opines in the audit report on the following matters:

(i) Whether the financial position and profit or loss during the concerned period have been properly reflected in the financial statements.

(ii) Whether the financial statements have been prepared in accordance with the generally accepted accounting principles.

(iii) Whether the financial statements have been drawn up in conformity with the Act and in accordance with the accounting rules and regulations issued by the Bangladesh Bank.

(iv) Whether adequate provision has been maintained for the doubtful loans and advances and other assets.

(v) Whether the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements.

(vi) Whether the information and explanations sought by the auditors have been received and found satisfactory.

(vii) Any other matters which auditor thinks to inform the shareholder of the bank.

(vii) Whether the internal control system of the bank is satisfactory in all respect and whether it is adequate to prevent provable fraud-forgery.

(ix) Whether the existing banking rules and regulations have been followed at the time of loan sanction and disbursement.

(ix) Whether proper compliance with the instructions issued by Bangladesh Bank from time to time on loan classification, provisioning and interest suspense account.

(x) Whether capital, reserve and net worth, cash and liquid assets have been maintained as per rules.

(xi) Whether relationship is maintained in liability and maturity of assets and if no, whether any adverse effect may happen on liquidity.

(xii) Whether any irregularity has been made to inflate the profit.

(xiii) Whether necessary steps have been taken to rectify the irregularities identified in the Bangladesh Bank Inspection Report.

(xiv) Whether all instructions issued from the various department of Bangladesh Bank Have been properly complied with.

7.5 International and Local Standards for Conducting Audit of Banks

The International Auditing Practices Committee (IAPC) of the International Federation of Accountants (IFAC) issues standards (ISAs) on generally accepted auditing practices and on related services and on the form and content of the auditor's report. These standards are intended to improve the degree of uniformity of auditing practices and related services throughout the world. In addition to the international standards, there are various standards framed by local authorities, need to be followed by the auditors. In addition, banks are required to follow the local standards, procedures, guidelines and programs as embodied by the local authorities and the central bank.

7.6 Hypotheses to Measure the Opinions of Respondents

Hypotheses depending on the groupings of variables identified in the questionnaire for external auditors have been developed to measure the significance level of differences in opinions between internal and external auditors. These hypotheses are as follows:

H_{01}: There is no significant difference between the opinions of auditors regarding the compliance of regulatory and professional requirements.

H_{02}: There is no significant difference between the opinions of auditors regarding the compliance level of qualities of accounting information.

H_{03}: There is no significant difference between the opinions of auditors regarding the Application of GAAP in financial reporting.

H_{04}: There is no significant difference between the opinions of auditors regarding the compliance with BAS/BFRS.

H_{05}: There is no significant difference between the opinions of auditors regarding the Application of Auditing Standards and guidelines.

7.7 Opinions Regarding Compliance of Regulatory and Professional Requirements

Table 7.1: Compliance with Regulatory and Professional Requirements

Variable no.	Description	Mean	Median	Mode	Stan. Dev.	F	p-value
V1	The Companies Act, 1994	4.54	5.00	4.00	0.54	8.890	.004**
V2	The Banking Companies Act, 1991	4.64	5.00	5.00	0.48	3.840	.056
V3	BB Orders and Circulars	4.44	4.00	5.00	0.50	64.284	.000**
V4	SEC Ordinance, 1969	4.48	4.50	5.00	0.54	6.019	.018*
V5	SEC Rules, 1987	4.12	4.00	5.00	0.85	10.161	.003**
V6	SEC notifications for Corporate Governance	3.88	4.00	4.00	0.63	2.524	.119
V7	BFRS/BAS	3.48	3.00	4.00	0.50	18.071	.000**
V8	Listing Regulations of DSE & CSE	3.74	4.00	4.00	0.60	25.920	.000**
V9	The Income Tax Ordinance, 1984	3.74	4.00	4.00	0.56	7.385	.009**
V10	The VAT Act, 1991	4.44	4.00	4.00	0.50	.136	.713
V11	Basel- I & II	3.90	4.00	4.00	0.68	3.019	.089
V12	GAAP	4.06	5.00	5.00	0.62	.173	.679
V13	Ethical code of conduct	4.54	4.00	4.00	0.54	.009	.924
V107	BBA/BAPS	3.94	4.00	4.00	0.55	.164	.687

Source: Calculated based on field survey opinions
**Mean difference is significant at the 0.01 level
*Mean difference is significant at the 0.05 level

Interpretations of the Descriptive Statistics and ANOVA Test Results

It is evident from the above table that the mean compliance score for variables V1, V2, V13 is greater than 4.5 which implies higher degree of compliance with regulatory and professional requirements by sample banks. Variables V3, V4, V5, V6, V8, V9, V10, V11, V12 and V107 have mean score between 3.50 and 4.50 implies satisfactory level of compliance. Variable V7 has the lowest mean score (3.48) in the above table which implies both the internal and external auditors think that compliance with BAS/BFRS related disclosure by commercial banks is not satisfactory. Analysis also reveals that for most of the variables median score is 4.00. It indicates satisfactory level of compliance. Again, the mean score for variable V7 is 3.00 which indicates fair level of compliance. Mode analysis revealed that score 4.00 appears frequently for most of the variables.

Standard deviation analysis reveals that there is not much variation among the opinions of the respondent about the compliance status. So, it can be said that the banking sector of Bangladesh complies most of the regulatory requirements. But in case of the compliance of professional requirements (BAS/BFRS) we observe some limitations.

Further, ANOVA test has been performed to test whether there is any difference between the opinions of external and internal auditors regarding the compliance of regulatory and professional requirements of financial reporting. Test result shows that the p-value for variables V1, V3, V5, V7, V8 and V9 is significant at 1% level of significance. P-value of variable V4 is 0.018 which indicates that difference between the opinion of internal and external auditors is significant at 5% level of significance. Hence, our null hypothesis is rejected for all the variables mentioned above. For all other variables p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

7.8 Perceptions Regarding Compliance with the Qualities of Accounting Information

Table 7.2: **Analysis for Compliance with Accounting Qualities**

Var. no.	Description	Mean	Median	Mode	Stan. Dev.	F	p-value
V16	Reliability	4.28	4.00	4.00	0.45	.791	.378
V17	Relevance	4.22	4.00	4.00	0.46	.988	.325
V18	Understandability	4.08	4.00	4.00	0.40	.083	.774
V19	Faithful presentation	3.94	4.00	4.00	0.74	.733	.396
V20	Neutrality	4.12	4.00	4.00	0.59	.600	.442
V21	Timeliness	4.44	4.00	4.00	0.58	.010	.922
V22	Comparability	4.50	4.50	4.00	0.51	.000	1.000
V23	Consistency	4.32	4.00	4.00	0.51	2.195	.145
V24	Accuracy of financial information	3.68	4.00	4.00	0.51	.808	.373
V25	Decision usefulness to stakeholders	3.64	3.00	3.00	0.75	39.384	.000**
V26	True and fair view of accounts	4.12	4.00	4.00	0.69	1.011	.320
V27	Adequacy of information	3.76	4.00	4.00	0.69	13.483	.001**
V28	Transparency & accountability	3.84	4.00	4.00	0.58	.154	.697
V29	Corporate Governance	3.72	4.00	3.00	0.76	24.013	.000**

Source: Calculated based on field survey opinions
**Mean difference is significant at the 0.01 level

Interpretations of the Descriptive Statistics and ANOVA Test Results

It is observed from the table 7.2 that the mean compliance score for variable V22 is greater than 4.5 which implies higher degree of compliance with Qualities of Accounting Information. All other Variables have mean score between 3.50 and 4.50, implies fair satisfactory level of compliance. Analysis reveals that for most of the variables median score is 4.00 indicates satisfactory level of compliance. Mode analysis reveals that score 4.00 appears frequently for most of the variables. Mode results also reveals that variable V25 and V29 have score 3.00 which imply most of the respondents are fairly satisfied with the compliance level of corporate governance and decision usefulness of accounting information.

Further, ANOVA test result shows that the p-value for variables V25, V27 and V29 is significant at 1% level of significance which implies that there are significant differences between the two groups of respondents regarding the application of the requirements of qualities of accounting information. Hence, our null hypothesis is rejected for all the variables mentioned above. For all other variables p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

7.9 Perceptions Regarding Application of Assumptions/Concepts/ Constraints

Table 7.3: Opinion Analysis of the Application of GAAP

Var. no.	Description	Mean	Median	Mode	Stan. Dev.	F	p-value
V30	Periodicity	4.66	5.00	5.00	0.48	.014	.905
V 31	Historical cost	4.66	5.00	5.00	0.48	.014	.905
V32	Accrual Basis	4.20	4.00	4.00	0.45	1.655	.204
V33	Revenue recognition	4.14	4.00	4.00	0.40	1.672	.202
V34	Matching	3.84	4.00	4.00	0.62	4.090	.049*
V35	Full disclosure	3.96	4.00	4.00	0.45	.016	.899
V36	Cost benefits	4.18	4.00	4.00	0.63	4.359	.042*
V37	Materiality	4.12	4.00	4.00	0.52	.109	.743
V38	Objectivity	4.06	4.00	4.00	0.51	.012	.912
V39	Conservatism	4.08	4.00	4.00	0.40	.083	.774

Source: Calculated based on field survey opinions
*Mean difference is significant at the 0.05 level

Interpretations of the Descriptive Statistics and ANOVA Test Results

Table 7.3 shows that the mean compliance score for variables V30 and V31 is greater than 4.5 which implies higher degree of compliance with the application of GAAP. All other Variables have mean score between 3.50 and 4.50, implies satisfactory level of compliance. Mean and mode results of V30 and V31 also show the indication of higher degree of compliance. Mean and mode score for all other variables is equal to 4.00 which indicate satisfactory level of compliance.

But, ANOVA test result reveals that the p-value for variables V34 and V36 is significant at 5% level of significance which implies that there are significant differences in opinion between internal and external auditors regarding the application of the matching principle and cost benefits principles in preparation of financial reporting. Hence, our null hypothesis is rejected for those variables. For all other variables p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

7.10 Perceptions Regarding Compliance with Accounting Standards

Table 7.4: Perception Analysis on Compliance with BAS/BFRS

Var. no.	Description	Mean	Median	Mode	Stan. Dev.	F	p-value
V40	Presentation of FSs	3.90	4.00	4.00	0.46	6.982	.011*
V41	Statement of Cash Flows	3.84	4.00	4.00	0.65	2.960	.092
V42	Accounting Policies, Changes in Accounting Estimates and Errors	4.02	4.00	4.00	0.62	4.459	.040*
V43	Events after the B/S Date	4.24	4.00	4.00	0.72	.102	.751
V44	Income Taxes	3.98	4.00	4.00	0.68	1.21	.278
V45	Property, Plant & Equipment	3.94	4.00	4.00	0.77	.089	.767
V46	Leases	3.84	4.00	3.00	0.84	9.237	.004**
V47	Revenue	3.86	4.00	4.00	0.88	1.931	.171
V48	Employee Benefits	3.98	4.00	4.00	0.77	4.758	.034*
V49	The Effects of Changes in Foreign Exchange Rates	4.52	5.00	5.00	0.58	.480	.492
V50	Borrowing Costs	4.38	4.50	5.00	0.73	.403	.530
V51	Related Party Disclosure	4.04	4.00	4.00	0.75	6.221	.016*
V52	Consolidated and Separate FSs	4.36	4.00	4.00	0.66	.007	.932
V53	Disclosure in the FSs of Banks & similar FIs	3.75	4.00	3.00	0.76	11.729	.001**

Var. no.	Description	Mean	Median	Mode	Stan. Dev.	F	p-value
V54	FIs: Presentation	3.68	4.00	4.00	0.62	4.485	.039*
V55	Earnings Per Share	4.74	5.00	5.00	0.44	.268	.607
V56	Interim Financial Reporting	4.34	4.00	5.00	0.69	1.831	.182
V57	Impairment of Assets	3.18	3.00	3.00	0.90	8.425	.006**
V58	Provisions, Contingent Liabilities and Contingent Assets	4.42	5.00	5.00	0.67	.356	.553
V59	Intangible Assets	3.62	4.00	3.00	0.73	1.863	.179
V60	Financial Instruments: Recognition and Measurement	3.56	4.00	4.00	0.54	7.432	.009**
V61	Investment Property	3.28	3.00	3.00	0.70	.976	.328
V62	Financial Instruments: Disclosures	3.72	4.00	3.00	0.83	10.597	.002**
V63	Operating Segments	3.80	4.00	4.00	0.95	.366	.548

Source: Calculated based on field survey opinions
**Mean difference is significant at the 0.01 level
*Mean difference is significant at the 0.05 level

Interpretations of the Descriptive Statistics and ANOVA Test Results

It is evident from the table 7.4 that the mean compliance score for variable V49 is greater than 4.5 which implies higher degree of compliance with disclosure requirements of BAS 21. Variables V57 and V61 have mean score between 3.00 and 3.50 implies fair level of compliance. All other variables of the tables have mean score between 3.50 and 4.50 which implies satisfactory level of compliance. Analysis also reveals that for most of the variables median score is 4.00, indicates satisfactory level of compliance. Mode analysis revealed that score 4.00 appear frequently for most of the variables. It is also observed that mode score 3.00 appeared frequently for variables V53, V57, V61 and V62. This implies, most of the auditors think that the banks comply fairly for those variables in financial reporting. Standard deviation analysis reveals that there is not much variation among the opinions of the respondent about the compliance status.

Further, ANOVA test has been performed to test whether there is any difference between the opinions of external and internal auditors regarding the compliance of regulatory and professional requirements of financial reporting. Test result shows that the p-value for variables V46, V53, V57, V60, and V62 is significant at 1% level of significance. P-value of variables V40, V42, V48, V51 and V54 is significant at 5% level of significance. This implies, there exists significant differences in opinions between external and internal auditors regarding the compliance of the above mentioned variables in financial reporting. Hence, our null hypothesis is rejected for all the variables. For all other variables in the table, p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

7.11 Opinions Regarding Compliance with Bangladesh Standards on Auditing (BSA)

Table 7.5: Perception Analysis on Compliance with BSA

Var. no.	Description	Mean	Median	Mode	Stan. Dev.	F	p-value
V107	Audit Documentation	3.92	4.00	4.00	0.49	.893	.349
V108	The auditor's Responsibilities Relating to Fraud in an Audit of FSs.	3.92	4.00	4.00	0.54	.747	.392
V109	Consideration of Laws and Regulation in an Audit of FSs	4.24	4.00	5.00	0.82	6.320	.015*
V110	Identifying & Assessing the Risks of Material Misstatement	4.12	4.00	4.00	0.52	18.056	.000**
V111	Materiality in Planning and Performing an Audit	3.88	4.00	4.00	0.63	.410	.525
V112	Auditor's Response to Assessed Risks	3.82	4.00	4.00	0.52	.593	.445
V113	Audit Considerations Relating to Service Organization	3.78	4.00	4.00	0.55	.713	.403
V114	Evaluation of Misstatement identified during the Audit	3.80	4.00	4.00	0.49	6.00	.018*
V115	Audit Evidence	3.74	4.00	4.00	0.63	5.207	.027*
V116	Analytical Procedures	3.56	4.00	4.00	0.64	.972	.329
V117	Audit Sampling	3.78	4.00	4.00	0.76	.276	.602
V118	Auditing Accounting Estimates, Including Fair Value Estimates, and Related Disclosures	3.80	4.00	4.00	0.64	.201	.656
V119	Related Parties	3.92	4.00	4.00	0.53	.105	.747
V120	Using the Work of Internal Auditors	3.78	4.00	4.00	0.55	1.634	.207
V121	Forming an Opinion and Reporting on FSs	4.02	4.00	4.00	0.43	.161	.690
V122	Comparative Information – Corresponding Figures and Comparative FSs	4.04	4.00	4.00	0.73	8.382	.006**
V123	The Relationship between Banking Supervisors and Banks' External Auditors	3.86	4.00	4.00	0.64	.987	.325
V124	Audit of Financial Statements of Banks	3.86	4.00	4.00	0.81	13.560	.001**
V125	Reporting by Auditors on Compliance with IFRS	4.10	4.00	4.00	0.74	8.743	.005**

Source: Calculated based on field survey opinions

Interpretations of the Descriptive Statistics and ANOVA Test Results

Table 7.5 shows that the mean score for all the variables have falls between 3.50 and 4.50. It implies that the application of auditing standards in auditing of financial statements of banks is satisfactory. Median and mode analysis also attest the same findings. Both the mean score and mode score of variable V109 is higher than other variables, implies auditors are more concerned for consideration of Laws and Regulation in an audit of financial statements.

But, the result of ANOVA test gives different picture of difference in opinion between internal and external auditors about the application of auditing standards and guidelines in audit of financial statements of banks. Test result shows that the p-value for variables V109, V122, V124, and V124 is significant at 1% level of significance. P-value of variables V110, V114, and V115 is significant at 5% level of significance. This implies, there exists significant differences in opinions between external and internal auditors regarding the application of the above mentioned variables in auditing of banks' financial statements.

Hence, our null hypothesis is rejected for the above mentioned variables. For all other variables in the table, p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

7.12 Challenges/ Hindrances of Compliance

Accounting standards have become an integral part of the legal framework of Bangladesh from 1997 by inserting section 12(2) into the Securities and Exchange Rules 1987. But financial reporting practices are far away from achieving required accounting quality. Harmonization of financial reporting and audit practices, through implementation of BAS/BFRS and the BSA/BAPS, therefore represents a major challenge facing the financial, business/ corporate environment in Bangladesh. The study reveals some hindrances which impede the full compliances of accounting standards in financial reporting of commercial banks in Bangladesh. Bank executives of three categories of commercial banks, internal and external auditors were asked with open ended questionnaire to identify the real challenges of compliance with regulatory framework in general and accounting standards in particular. The opinions of the respondent regarding the challenges of compliance are summarized below:

Contradiction among legal and professional requirements

There is often contradiction between financial reporting and tax provisions and practices. In a number of cases the legal requirements given in the Companies Act/ Tax law are in contradiction with those of the professional requirements. This creates barriers to the harmonization of accounting practices.

Recommendatory nature of BFRS/BAS

BAS/BFRS are mandatory only for all the listed company operating in Bangladesh. These accounting standards are recommendatory for all other public and private companies and also recommendatory for statutory bodies including autonomous and semi-autonomous bodies/corporation. This creates major impediments for the proper implementation of BAS/BFRS.

Deep-rooted culture and strong mindset of the management for minimum disclosure

The impact of "corruption" acts as a deterrent to transparent financial reporting. Since companies have to work within an environment where corruption is common, sometimes a substantial expenditure is incurred in unofficial payments which are necessary to facilitate/protect their business interests.

Lack of implementation guidelines for BFRS/BAS application

Under the prevailing regulatory frameworks, there is a lack of appropriate monitoring for implementation of the adopted standards. Non-compliance with the requirements of a particular standard is often not reported and disciplinary action is seldom instituted.

The quality of financial reporting depends on the quality of accounting standards as well as the effectiveness of the process by which those standards are implemented. Adequate regulatory and other supports are necessary to ensure proper implementation of standards. Implementation of accounting standards is not an easy task. In spite of convergence, there is no assurance that they will be implemented with same amount of vigor in every jurisdiction.

Huge initial transition costs as well as recurring compliance costs

Implementation of standards entails incremental costs to reporting entities in ensuring compliance with IAS through employment of appropriately qualified personnel for preparation of Financial Statements. Audit fees would also be increased for ensuring such compliance, which is often resented and even discontent for application of standards.

IFRS are more complex and less understandable and requires detailed disclosures

There is Lack of proper knowledge and familiarization with Standards (IAS/IFRS) on the part of preparers and auditors of financial statements to ensure proper application of the Standards in the presentation and audit of financial information. This professional constraint is a major `stumbling bloc' which often impedes the practical crystallization of benefits from implementation of standards and may even lead to misleading views being presented by audited financial information.

Intensions to give favorable audit treatments to the client

There has always been a conflict of interest arising from audit firms performing non-audit work for clients. To many observers, auditors had incentives to appease their clients by giving them favorable audit treatment, in order to retain lucrative consulting engagements. The situation in Bangladesh is even worse due to lack of professional independence.

Low Audit Fee

The general defense put forward by the independent bank auditor is that the audit fees do not allow him to comply with ICAB requirements. By any standard the audit fees in Bangladesh are very low compared to the responsibilities involved and the time and efforts required conducting a proper audit job. This obviously affects the approach and work of the auditor whose profession is his main source of income.

Ownership Structure and Low Capital Market Dependency:

Bangladesh lagged behind its neighbors and the global economy in corporate governance. As a result, controlling insiders may be reluctant to provide disclosures that limit their ability to consume private benefits. That is, controlling insiders may not seek a disclosure commitment, even when it increases firm value and reduces the cost of capital.

7.13 Conclusion

Financial statements are ordinarily prepared and presented annually and are directed towards the common information needs of a wide range of users. Most of those users rely on the financial statements as their major source of information. The auditor's opinion enhances the credibility of financial statements by providing a high level of assurance. The auditors conduct bank audit in accordance with Bangladesh Standards on Auditing (BSAs) taking into consideration of the requirements of BAS/BFRS, relevant professional bodies, legislation, and regulations. This chapter summarized the differences in opinions of internal and external auditors regarding the compliance and application of the related regulation in an audit of financial statements of banks. Study results reveal that compliance score for most of the variables under different groupings of regulations are satisfactory. But, difference in opinions between internal and external auditors is evident in ANOVA test.

Chapter 8
Summary of Findings, Conclusion and Policy Implications

8.1 Introduction

This study reports on the nature and extent of compliance with accounting standards by commercial banks in Bangladesh. This chapter summarizes the major findings of the study. At first, major findings of each chapter are precisely mentioned so that the readers can easily understand the key findings of the study. Findings of the study have been arranged in accordance with the objective and chapter outline of the thesis. After that conclusions are drawn based on objectives and findings of the study. Some policy implications have been suggested in this chapter. Scope for further studies has been mentioned so that further studies can be conducted on the relevant fields.

8.2 Findings Related to Overview of Financial Reporting and Regulatory Framework

Financial reporting is the medium through which different categories of stakeholder get right and timely information to make an economic decision about an entity. Chapter three evaluates the important aspects of financial reporting which includes conceptual framework of financial reporting, need for conceptual framework, qualitative characteristics of financial statements, uses and users of financial reporting, corporate annual report and its contents. This chapter also reviewed regulatory as well as professional requirements visa-a-vie relevant provisions of accounting standards (both BAS and BRFS) in preparation and disclosure of financial statements.

The researcher finds that a complex set of regulatory framework for Banking Sector exists in Bangladesh. The Companies Act, 1994, The Banking Companies Act, 1991, Bangladesh Bank Orders and Circulars, The Income Tax Ordinance, 1984, The VAT Act, 1991 are mandatory regulatory regulations which govern the financial reporting of commercial banks in Bangladesh.

On the other hand, The Securities and Exchange Ordinance, 1969, Securities and Exchange Rules, 1987, The Listing Regulations of DSE & CSE, Bangladesh Financial Reporting Standards (BFRS)/BAS are mandatory for listed commercial banks.

Islamic banks operating in Bangladesh have to follow, in addition to the above mentioned regulations, separate guidelines on the specimen reports and financial statements for banks under Islamic Shariah issued by Bangladesh Bank on November 09, 2009; Accounting standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board (IFSB).

In addition to the above mentioned regulations banks operating in Bangladesh usually report on Application of Basel- I & II, Application of GAAP, Application of Ethical code of conduct, boards report, audit committee report, sustainability report, CSR report and green banking Report.

The study reveals some of the provisions of BAS/BFRS are in contradiction with The Companies Act, 1994, The Banking Companies Act, 1991 and Bangladesh Bank circulars and guideline. In that case, the Bangladesh Bank circulars always get preference over BAS/BFRS.

8.3 Findings Related to Compliance Status of Sample Banks under Study

Compliance status of accounting standards by individual sample bank and aggregate compliance score of all sample banks have been discussed in chapter four. Findings reveal that Prime bank limited ranked first in term of disclosing the requirements of accounting standards (mean score 82.52%) while, Janata bank Limited ranked last (mean score 66.24%). Findings based on category of banks reveals that Islamic Banks disclosed highest accounting information (mean score 76.08%) than other Private Commercial banks (mean score 76.08%) and State-Owned Banks (mean score 67.51%). Compliance score of each accounting standard is also evaluated in this chapter. Findings show that, Full compliance has been observed for BAS 18 which implies that all the banks complied with the requirements of revenue recognition. Higher level of compliance score has been obtained for BAS 1, BAS 7, BAS 10, BAS 23, BAS 33, and BFRS 8 (mean score is 80% and above). Low compliance score has been observed for BAS 8, BAS 17, BAS 24, BAS 36 and BAS 40 (mean score is less than 60%) which implies that the banks under study fail to comply with most of the requirements of these two standards. Fair level of compliance has been observed for other standards in financial reporting. It is notable that, compliance score of BFRS 7 which is a special purpose accounting standard for reporting of financial statements of banks, is not much impressive (mean score 65.36%).

Year-wise analysis of the mean score reveals that highest score (76.26%) and lowest score (70.59%) were obtained in the year 2011 and 2006 respectively. This implies an increasing trend of compliance score over the years. Again, overall mean score of 73.73% implies satisfactory compliance level over the years under study.

8.4 Findings Related to Corporate Attributes and Level of Compliance

Chapter five explores the association between corporate characteristics and total disclosures required by the BAS/BFRS in commercial banks of Bangladesh. Corporate attributes such as age of the bank (measured by numbers of years passed), size of the bank (measured by total assets and total capital) and profitability (measured by ROA, ROE, EPS and NPAT) are taken as independent variables to test whether there exists any association between these attributes and compliance score or not. The researcher used correlation and regression techniques to test the significance level between dependent and independent variables. The study tests seven hypotheses and finds that there is no significant relationship between compliance score and other independent variables except for ROA. More specifically, compliance score does not depend on the age of the bank, total assets, total capital, ROE, EPS and NPAT except for ROA.

Correlation analysis also reveals multi-colinearity between age of the bank and total assets, total capital and age, total capital and total assets, ROA and ROE, EPS and ROE, EPS and age, EPS and ROA, NPAT and age, NPAT and Total Assets, NPAT and ROE, NPAT and ROA, and NPAT and EPS. In case of the presence of multi-colinearity, the regression model frequently does not show the desired relationships between dependent and independent variables (covariates).

8.5 Findings Related to the Opinions of Bank Executives

Chapter six empirically analyzes the results of questionnaire survey designed for the bank executives of three categories of commercial banks under study. Five hypotheses were tested in this chapter to find out the differences in opinions of the respondents. Total 91 variables categorized into five groups are tested to obtain desired results. The summary test results based on grouping of variables are as follows:

8.5.1 Findings Related to Compliance with Regulatory and Professional Requirements

Test results shows that mean scores for V1, V2, V3, V4, V5, V8, V9 and V11 are above 4.50. It indicates higher level of compliance. Variable V6, V7, V10, V12 and V13 have mean scores between 3.00 and 3.50, implies fair compliance level. Low compliance has been observed for V14. If we look at the score of V7 (BAS/BFRS), which is the prime focus of the study, we see that the maximum score is 5.00 and minimum score is 2.00 with mean score 3.95; and median and mode score of 4.00. It implies that mean score is satisfactory but not that much impressive. So, it can be said that the banking sector of Bangladesh complies most of the regulatory requirements. But in case of the compliance of professional requirements (BAS/BFRS) we observe some limitations.

ANOVA test result in the above table shows that the p-value for V13 is significant at 1% level of significance and p-value for V11 is significant at 5% level of significance. It implies that there exists significant difference in the opinions of the respondents of three categories of commercial banks in Bangladesh. Hence, our null hypothesis is rejected. For all other variables p-value is greater than 0.05. It implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

8.5.2 Findings Related to Compliance of the Qualities of Accounting Information

The descriptive statistics results report that mean scores for all the variables (except V25, V27 and V29) of sample banks are above 4.5. It indicates higher level of compliance of qualitative characteristics of accounting information. Variables V25, V27 and V29 have mean scores between 3.50 and 4.50, implies satisfactory compliance level. No low compliance has been observed regarding the qualities of accounting information. So, it can be said that the banking sector of Bangladesh maintains most of the qualities of accounting information in preparation and disclosure in financial reports. But, there exists some doubt in the mind of the respondents about the corporate governance, adequacy of information and decision usefulness of the information provided.

ANOVA test results reveal that the p-value of all the variables (except V18, V21, V25 and V 28) is greater than 0.05. Hence, the null hypothesis is accepted for these variables. p-value for V18, V21, V25 and V 28 is less than 0.05, indicates that there exists significant difference among the respondents of three categories of commercial banks. Hence, null hypothesis is rejected for these variables.

8.5.3 Findings Related to Application of Assumptions/Concepts/Constraints (GAAP)

Test results indicate that the mean scores for the variables V30, V31, V32, V33, V34, V36 and V38 of sample banks are above 4.5 which indicate higher level of application of accounting concepts in financial reporting. Variables V35, V37 and V39 have mean score between 3.50 and 4.50 implies satisfactory compliance level. No low compliance has been observed regarding the Application of GAAP. So, it can be said that application of GAAP in financial reporting of commercial banks is satisfactory.

ANOVA test results report that the p-value of variables V32 and V33 is lower than 0.05 which implies that there exists significant differences in the opinions of the three categories of bank employees regarding the application of Generally Accepted Accounting Principles (GAAP). Hence, the null hypothesis is rejected. On the other hand, the p-value for all other variables is greater than 0.05 which implies no significant differences in perceptions. So, for all these variables (except V32 and V33) our null hypothesis is accepted.

8.5.4 Findings Related to Compliance with BAS/BFRS

It is observed that mean compliance scores of the selected commercial banks for variables like V49, V55 and V58 are above 4.50 which indicate higher degree of compliance with accounting standards. Variables V40, V41, V42, V43, V44, V45, V6, V47, V48, V50, V51, V52, V56, V59, and V63 have mean scores between 3.50 and 4.5, which implies satisfactory compliance level. Similarly variables V53, V57, V60, V61 and V62 have mean scores between 3.00 and 3.50, indicates fair level of compliance. No mean score below 3.00 has been found in this which reveals that the compliance scenario of the sample banks regarding the accounting standards is satisfactory. It is important to note that V52 and V62 are special purpose reporting standards for banks and similar financial institutions. But the mean, mode and median score tends to 3.00 which implies fair level of compliance. Hence, it can be said that the sample banks disclose less information for variables V52 and V62 than other accounting standards.

ANOVA test results show that that p-value of variables V56 and V57 is lower than 0.01 and p-value of the variables V48 and V58 is lower than 0.05 which implies that there exists significant difference in the opinions of the three categories of bank employees regarding the compliance with accounting standards for these variables. Hence, our null hypothesis is rejected for these accounting standards. On the other hand, the p-value for all other variables is greater than 0.05 which implies no significant difference in perceptions of the respondents. So, for all these variables null hypothesis is accepted.

8.5.5 Findings Related to Disclosure of Specific Requirements of BFRS 7

Analysis shows that the mean scores of the perceptions for variable V88, V89 and V90 are above 4.50 which indicate higher degree of compliance with specific provisions of BFRS 7. Mean scores of variables V76, V77, V82, V85, and V87 are between 3.50 and 4.5, implies satisfactory compliance level. Similarly variables V78, V79, V80, V81, V82, V83 and V91 have mean score between 3.00 and 3.50, indicates fair level of compliance. Lower level of compliance has been observed for variable V86, implies the commercial banks under the present study disclosed less information regarding the hedging activities of banks.

It is observed from ANOVA tests that the p-value V76, V80, V81, V82, and V85 is less than 0.01, which implies that the opinions of the different categories of banks executives differs significantly at 1% level of significance. The p-value for V79 is 0.043, indicates the differences in opinion is significant at 5% level of significance. Hence, null hypothesis (H_{05}) is rejected. On the other hand, the p-value for all other variables is greater than 0.05 which implies no significant difference in perceptions of the respondents. So, for all these variables null hypothesis is accepted.

8.6 Findings Related to the Opinions of External and Internal Auditors

Chapter seven empirically analyzes the results of questionnaire survey designed for the external and internal auditors. Five hypotheses were tested in this chapter to find out the differences in opinions of the respondents. Total 82 variables categorized into five groups are tested to obtain desired results. The summary test results based on grouping of variables are as follows:

8.6.1 Regulatory and Professional Requirements

Test results report that the mean compliance scores for variables V1, V2, V13 are greater than 4.5 which imply higher degree of compliance with regulatory and professional requirements by sample banks. Variables V3, V4, V5, V6, V8, V9, V10, V11, V12 and V107 have mean score between 3.50 and 4.50 implies satisfactory level of compliance. Variable V7 has the lowest mean score (3.48) in this category which implies both the internal and external auditors think that compliance with BAS/BFRS related disclosure by commercial banks is not satisfactory. So, it can be said that the banking sector of Bangladesh comply most of the regulatory requirements. But in case of the compliance of professional requirements (BAS/BFRS) we observe some limitations.

ANOVA test result shows that the p-value for variables V1, V3, V5, V7, V8 and V9 is significant at 1% level of significance. P-value of variable V4 is 0.018 which indicates that difference between the opinions of internal and external auditors is significant at 5% level of significance. Hence, our null hypothesis is rejected for all the variables mentioned above. For all other variables p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

8.6.2 Qualitative Characteristics of Accounting Information

It is observed from test results that the mean score for variable V22 is greater than 4.5 which implies higher degree of compliance. All other Variables have mean score between 3.50 and 4.50 which imply satisfactory level of compliance. Mode results also reveal that variable V25 and V29 have score 3.00 which imply most of the respondents are fairly satisfied with the compliance level of corporate governance and decision usefulness of accounting information.

ANOVA test result shows that the p-value for variables V25, V27 and V29 is significant at 1% level of significance. Hence, our null hypothesis is rejected for all the variables mentioned above. For all other variables in this category p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

8.6.3 Application of GAAP

Table 7.3 shows that the mean compliance score for variables V30 and V31 is greater than 4.5 which imply higher degree of compliance with the application of GAAP. All other Variables in this category have mean score between 3.50 and 4.50 implies satisfactory level of compliance.

ANOVA test result reveals that the p-value for variables V34 and V36 is significant at 5% level of significance which implies that there are significant differences in opinion between internal and external auditors regarding the application of the matching principle and cost benefits principle. Hence, our null hypothesis is rejected for those variables. For all other variables p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

8.6.4 Compliance with BAS/BFRS

Test results reveals that the mean score for variable V49 is greater than 4.5 which implies higher degree of compliance with disclosure requirements of BAS 21. Variables V57 and V61 have mean score between 3.00 and 3.50 implies fair level of compliance. All other variables in this category have mean score between 3.50 and 4.50 which implies satisfactory level of compliance. It is also observed that mode score 3.00 appeared frequently for variables V53, V57, V61 and V62. This implies, most of the auditors think that the banks comply fairly for those variables in financial reporting.

ANOVA test result shows that the p-value for variables V46, V53, V57, V60, and V62 is significant at 1% level of significance. P-value of variable V40, V42, V48, V51 and V54 is significant at 5% level of significance. This implies, there exists significant differences in opinions between external and internal auditors regarding the compliance of the above mentioned variables in financial reporting. Hence, our null hypothesis is rejected for all the variables. For all other variables in the table, p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

8.6.5 Compliance with Bangladesh Standards on Auditing

Analysis shows that the mean scores for all the variables lies between 3.50 and 4.50. It implies that the application of auditing standards in auditing of financial statements of banks is satisfactory. Median and mode analysis also attest the same findings. Both the mean score and mode score of variable V109 is higher than other variables, implies auditors are more concerned for consideration of Laws and Regulation in an audit of financial statements.

But, the result of ANOVA test gives different picture of differences in opinions between internal and external auditors. Test result shows that the p-value for variables V109, V122, V124, and V124 is significant at 1% level of significance. P-value of variables V110, V114, and V115 is significant at 5% level of significance. This implies, there exists significant differences in opinions between external and internal auditors regarding the application of the above mentioned variables in auditing of banks' financial statements.

Hence, our null hypothesis is rejected for the above mentioned variables. For all other variables in the table, p-value is greater than 0.05, implies no significant differences among the respondents. Hence, our null hypothesis is accepted for those variables.

This chapter also evaluates the bankers' and auditors' perception regarding the challenges of compliance. The findings reveals that Lack of overall accountability and transparency, recommendatory nature of BFRS/BAS, contradiction among legal requirements, deep-rooted culture and strong mindset of the management for minimum disclosure, Lack of implementation guidelines for BFRS/BAS application, Huge initial transition costs as well as recurring compliance costs, complex and less understandable provisions of BFRS, Intentions to give favorable audit treatments to the client and Low audit fee are some of the real hindrances of compliances among others.

8.7 Conclusion

Accounting has always been acknowledged as the language of business. It is a service activity aimed at providing relevant, reliable, qualitative and comparable financial information for users of financial reporting. Financial reporting is the medium through which the stakeholders get necessary information to take informed judgment about an entity. Accounting standards are the comprehensive guidelines in preparation and disclosure of financial information. The application of BAS/BFRS renders high quality financial information that satisfies the “qualitative characteristics” of understandability, relevance, reliability and comparability. Application of the Standards would positively help achieve the qualitative characteristics that are necessary to reflect a set of globally comparable "true and fair view" credible financial statements of corporate entities.

The present study has been conducted to explore the practical application as well as nature and extent of compliance with the provisions of Bangladesh Financial Reporting standards (BAS/BFRS) in financial reporting of commercial banks in Bangladesh. To fulfill this view, the researcher has identified all the relevant provisions of accounting standards which govern the financial reporting of commercial banks in Bangladesh. A comprehensive disclosure checklist containing 371 items covering all the adopted BAS/BFRS was prepared by the researcher to measure the degree of compliance. Corporate characteristics such as age of the bank, size of the bank and profitability measures are tested through hypotheses to find out the interrelationships between corporate attributes and level of compliance. In addition to these efforts, the views and opinions of the bank executives of three categories of commercial banks and professional accountants have been tested through hypotheses to measure the differences in opinions and to find out the possible reasons for compliance or non-compliance.

In evaluation of the regulatory and professional requirements the study identified that a complex set of banking regulations exists in Bangladesh. Financial reporting of commercial banks in Bangladesh is directly regulated by Bangladesh

Bank with legal backing of The Companies Act 1994 and The Banking Companies Act 1991. SEC Rules 1987, SEC notification for corporate governance, BFRS/BAS, Income Tax Ordinance 1984, VAT Act 1991 are others regulatory and professional requirements which sets out the boundary for financial reporting of commercial banks. On the other hand, Islamic banks follow some standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board (IFSB) in addition to the regular requirements applicable for conventional banks. It reveals that Accounting Standards are mandatory for listed companies only. Some provisions of BFRS/BAS related to disclosure are in contradiction with other regulatory requirements particularly with Bangladesh Bank Circulars. In that case, Bangladesh Bank circulars always get preference over BAS/BFRS.

The study results show that overall compliance with accounting standards by sample commercial banks is satisfactory. But, bank-wise as well as category-wise analysis shows some diversity in compliance and presentation. Bank-wise analysis shows that prime Bank Limited ranked at the top and Janata Bank Limited ranked at the bottom of the banks in terms of compliance status. Category-wise analysis reveals that compliance score of State-owned Commercial Bank is lowest among three types of commercial banks under study. Islamic banks on the other hand, have the highest compliance score. Non-mandatory nature of accounting standards is one of the most dominant reasons for such low compliance by SCBs.

The study also investigates the relationship between a number of corporate attributes and extent of compliance with the requirements of accounting standards. Seven hypotheses were tested and results reveal that there exists no significant relationship between compliance score and other independent variables (except for ROA). More specifically, compliance status does not depend on the age of the bank, total assets, total capital, return on equity, earnings per share and net profit after tax (except for ROA).

The hypotheses testing results indicate that there exists no significant differences in opinion of the respondents regarding compliance with most of the variables of regulatory requirements, application of GAAP and qualitative characteristics of accounting information. It implies that the respondents are in agreement that commercial banks comply most of the requirements of regulatory requirements. The test results also show significant differences in opinion for most of the variables of accounting standards and application of BFRS 7. Internal and external auditors also argued that there exists significant differences in opinion of internal and external auditors for most of the variables of accounting and auditing standards.

The quality of financial reporting of commercial banks in Bangladesh improved remarkably. However, financial reporting practices slightly differ from bank to bank based on the nature of banking activities and types of banks. It is evident from the analysis of respondents' opinion that banks are proactive to disclose mandatory regulatory requirements in financial reporting. But, compliance with BAS/BFRS is not impressive compared to others regulatory requirements.

The study identified that Recommendatory nature of BFRS/BAS, Lack of implementation guidelines for BFRS/BAS application, Complex provisions of BAS/BFRS, management's intensions to disclose less information, low audit fees, contradiction of BAS/BFRS with legal requirements, lack of overall accountability and transparency, lack of auditors' independence are some of the most dominant hindrances to full compliance with accounting standards.

In conclusion, it may be said that, although there has been a marked improvement in the quantity and quality of information provided in the financial statements by the banks over the years, there exists still some diversity in their reporting practices. Thus, more efforts should be put to unearth the unexplored area of accounting and reporting within the network of statutory requirement with a view to reducing the diversity and ambiguity in their disclosure and hence enhancing the quality, reliability, comparability and comprehensibility of accounting information.

8.8 Policy Implications

The findings of the study put forward some implications. The study identified most of provisions of regulatory and professional requirements regarding the disclosure in financial reporting of commercial banks in Bangladesh. Furthermore, the researcher prepared a disclosure checklist containing 371 items covering all the adopted BAS/BFRS. These efforts would be of immense use to practitioners and regulatory bodies as guidelines towards improving the compliance level. Users of financial reports also can take it as a guideline to understand the disclosure status of commercial banks in Bangladesh. Based on the findings and challenges of compliance the study put forward some measures to improve the quality of financial reporting of commercial banks which are as follows:

- BAS/BFRS should be made mandatory guidelines for the preparation and disclosure of financial reporting for all banks operating in Bangladesh.
- The Companies Act 1994, The Banking Companies Act 1991, Bangladesh Bank Orders and Circulars and others regulatory regulations should have provisions for mandatory compliance of BAS/BFRS. The aforesaid regulations regarding the preparation and presentation of financial statements should be amended in accordance with BAS/BFRS to ensure better compliance and international harmonization.
- Bangladesh Bank, as the prime regulators of banking sector of Bangladesh should come forward with appropriate monitoring and supervision policy to ensure full compliance of accounting standards.
- Bangladesh bank BRPD Circular No.14, Dated 25 June 2003, which is the main preparation and presentation guideline for commercial banks in Bangladesh, should be amended in accordance with Bangladesh Financial Reporting Standards 7 (BFRS7) - Financial Instrument: disclosure.

- The legal responsibility for the preparation of financial reports is of company management. So, management of banks should be pro-active in disclosing information in line with regulatory and professional requirements.
- The ICAB organized Best Published Accounts and Reports Awards and the SAFA Best Presented Accounts Awards and Corporate Governance Awards annual competition serves as a "catalyst" for transparent financial reporting through proper application of IAS/IFRS and ISA. This impacts a positive dimension towards Harmonization of Financial Reporting and audit practices in Bangladesh and the SAARC region. This awards competition should be continued for transparent financial reporting which will disclose more information useful to the stakeholders.
- Appropriate vigilant measures should be enforced by regulators/profession for non-compliance of IAS/IFRS and ISA commercial banks and auditors thereof respectively. Punitive actions may be taken against defaulters, and awards may be given to the best-published accounts/corporate reports.
- The audit fees should also be appropriately increased significantly to adequately compensate for the professional time, expertise and responsibilities involved. This would also impact on the quality of financial reporting and audit practices.
- The proposed Financial Reporting Council (FRC) should be immediately established with proper representation from ICAB, ICMAB, Chambers of Commerce and Industries, SEC, DSE, CSE, Bangladesh Bank, Income Tax Authority and concerned ministry for better and well informed financial reporting.
- The concerned monitoring/regulatory agencies should be adequately strengthened through engagement of qualified competent professionals to ensure appropriate compliance and monitoring of the implementation of adopted BAS/BFRS for financial reporting and corporate governance practices and the BSA for audit purposes.

- Commercial banks operating in Bangladesh should recruit more qualified accountancy professionals for enabling competent preparation and presentation of financial statements aimed at ensuring necessary harmonization in reporting practices.
- Both the Regulators and the professional accountants should play an active role in ensuring quality assurance through adequate monitoring and ensuring effective compliance of the provisions of law, financial reporting and auditing standards.
- With the rapid computerization of banking functions, the independent audit is also required to cope with the environment. Chartered Accountants, by definition are not considered to computer expert. Therefore, a requisite professional needs to be included in audit team.
- The ICAB should constantly train and develop awareness among its members (as well as non-members engaged as preparers of financial statements) for easy understanding, interpretation and application of the adopted IAS/IFRS and ISA through relevant publications and regular holding of seminars and workshops.
- Professional accountancy bodies like the ICAB and ICMAB should consider organizing joint seminars and conferences on IAS/IFRS and ISA on a regular basis, for developing user awareness and familiarization with the practical implementation aspects of these highly conceptualized standards.

This will impact a positive dimension towards developing relevant professional expertise and contribute towards the harmonization of financial reporting and audit practices.

8.9 Scope for Further Studies

While carrying out the study, the researcher finds some issues worthy of independent study. Undertaking initiative to study those issues may contribute to the development of new knowledge to the existing literature. The present study addressed the level and extent of compliance with accounting standards in financial reporting of commercial banks in Bangladesh. Independent study can be carried on other sectors to find out the level of compliance. Comparative study between financial sectors and non-financial sectors can also be pursued regarding compliance. Furthermore, study can be carried out on the adoption and implementation status of auditing standards and guidelines in Bangladesh.

Taking into cognizance of the findings from this study, further studies can be extended to examine the compliance level of all the regulatory and professional requirements. The sample size of future studies can be extended to include a larger sample from different industries.

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Appendices

Appendix 1.A : Questionnaire for Conventional Bank Executives

Questionnaire for PhD Research	
Research Title:	Compliance with Accounting Standards in Financial Reporting of Commercial Banks in Bangladesh
Researcher:	Mohammad Jahangir Alam, PhD Fellow, Institute of Bangladesh Studies, Rajshahi University
Supervisor:	Dr. Abhinaya Chandra Saha, Director, Institute of Business Administration, Rajshahi University

Category of Respondent: Conventional Bank Executives

Declaration

The questionnaire has been prepared to collect data to achieve the objectives of the research. Your sincere response is the key. Respondents are requested to fill up the questionnaire willingly and without any influence or prejudice. Your responses will be treated confidentially and will not be used for any purpose other than research purpose. Information obtained from this survey will not be identified with any particular person or entity. The result will be presented only in aggregate manner. **Please put tick (✓) mark** in the relevant box and mention your opinions in the open spaces where applicable.

1. Information of the Respondent

Name (optional) :
Designation & Name of the Bank :
Department/Section :
Educational Qualifications :
Subject of highest academic degree achieved :
Professional Qualifications :
Experience (in years) :

2. How far do you comply with the following regulatory and professional requirements in preparation and disclosure of financial reporting?

	Requirements	Fully complied	Mostly complied	Complied with little departure	Low compliance	No compliance at all
2.1	The Companies Act, 1994	☐	☐	☐	☐	☐
2.2	The Banking Companies Act, 1991	☐	☐	☐	☐	☐
2.3	Bangladesh Bank Orders and Circulars	☐	☐	☐	☐	☐
2.4	The Securities and Exchange Ordinance, 1969	☐	☐	☐	☐	☐
2.5	Securities and Exchange Rules, 1987	☐	☐	☐	☐	☐

2.6	SEC notifications for Corporate Governance	☐	☐	☐	☐	☐
2.7	Bangladesh Financial Reporting Standards (BFRS)/BAS	☐	☐	☐	☐	☐
2.8	The Listing Regulations of DSE & CSE	☐	☐	☐	☐	☐
2.9	The Income Tax Ordinance, 1984	☐	☐	☐	☐	☐
2.10	The VAT Act, 1991	☐	☐	☐	☐	☐
2.11	Application of Basel- I & II	☐	☐	☐	☐	☐
2.12	Application of GAAP	☐	☐	☐	☐	☐
2.13	Application of Ethical code of conduct	☐	☐	☐	☐	☐

3. To what extent do you ensure the application of the following qualities of accounting information in financial reporting?

Items		Maximum	Optimum	Neutral	Minimum	Absent
3.1	Reliability	☐	☐	☐	☐	☐
3.2	Relevance	☐	☐	☐	☐	☐
3.3	Understandability	☐	☐	☐	☐	☐
3.4	Faithful presentation	☐	☐	☐	☐	☐
3.5	Neutrality	☐	☐	☐	☐	☐
3.6	Timeliness	☐	☐	☐	☐	☐
3.7	Comparability	☐	☐	☐	☐	☐
3.8	Consistency	☐	☐	☐	☐	☐
3.9	Accuracy of financial information	☐	☐	☐	☐	☐
3.10	Decision usefulness to stakeholders	☐	☐	☐	☐	☐
3.11	True and fair view of accounts	☐	☐	☐	☐	☐
3.12	Adequacy of information	☐	☐	☐	☐	☐
3.13	Transparency & accountability	☐	☐	☐	☐	☐
3.14	Corporate Governance	☐	☐	☐	☐	☐

4. How far the applications of the following Assumptions/Concepts/Constraints are established?

Assumptions/Concepts/Constraints		Fully applied	Mostly applied	applied with little departure	Minimum application	No application at all
4.1	Periodicity	☐	☐	☐	☐	☐
4.2	Historical cost	☐	☐	☐	☐	☐
4.3	Accrual Basis	☐	☐	☐	☐	☐
4.4	Revenue recognition	☐	☐	☐	☐	☐
4.5	Matching	☐	☐	☐	☐	☐
4.6	Full disclosure	☐	☐	☐	☐	☐
4.7	Cost benefits	☐	☐	☐	☐	☐
4.8	Materiality	☐	☐	☐	☐	☐
4.9	Objectivity	☐	☐	☐	☐	☐
4.10	Conservatism	☐	☐	☐	☐	☐

5.	How far the following Bangladesh Financial Reporting Standards (BFRS)/BAS are complied with in preparation and disclosure of financial information?						
	BAS/ BFRS Ref.	Name of the Standards	Fully complied	Mostly complied	Complied with little departure	Low compl iance	No compliance at all
5.1	1	Presentation of Financial Statements	☐	☐	☐	☐	☐
5.2	7	Statement of Cash Flows	☐	☐	☐	☐	☐
5.3	8	Accounting Policies, Changes in Accounting Estimates and Errors	☐	☐	☐	☐	☐
5.4	10	Events after the Balance Sheet Date	☐	☐	☐	☐	☐
5.5	12	Income Taxes	☐	☐	☐	☐	☐
5.6	16	Property, Plant & Equipment	☐	☐	☐	☐	☐
5.7	17	Leases	☐	☐	☐	☐	☐
5.8	18	Revenue	☐	☐	☐	☐	☐
5.9	19	Employee Benefits	☐	☐	☐	☐	☐
5.10	21	The Effects of Changes in Foreign Exchange Rates	☐	☐	☐	☐	☐
5.11	23	Borrowing Costs	☐	☐	☐	☐	☐
5.12	24	Related Party Disclosure	☐	☐	☐	☐	☐
5.13	27	Consolidated and Separate Financial Statements	☐	☐	☐	☐	☐
5.14	30	Disclosure in the FSs of Banks and similar Financial Institutions (Superseded by BFRS 7 from 1 Jan.'10)	☐	☐	☐	☐	☐
5.15	32	Financial Instruments: Presentation	☐	☐	☐	☐	☐
5.16	33	Earnings Per Share	☐	☐	☐	☐	☐
5.17	34	Interim financial Reporting	☐	☐	☐	☐	☐
5.18	36	Impairment of Assets	☐	☐	☐	☐	☐
5.19	37	Provisions, Contingent Liabilities and Contingent Assets	☐	☐	☐	☐	☐
5.20	38	Intangible Assets	☐	☐	☐	☐	☐
5.21	39	Financial Instruments: Recognition and Measurement	☐	☐	☐	☐	☐
5.22	40	Investment Property	☐	☐	☐	☐	☐
5.23	BFRS 7	Financial Instruments: Disclosures	☐	☐	☐	☐	☐
5.24	BFRS 8	Operating Segments	☐	☐	☐	☐	☐

6. Please mention the method you follow in preparation of Statement of Cash Flows?

- ☐ Direct method
- ☐ Indirect method

7. Do you prepare maturity groupings for the following items?

Items	Yes	No
Balance with other banks and financial institutions	☐	☐
Investments/loans and advances	☐	☐
Borrowings	☐	☐
Bill purchased and discounted	☐	☐
Deposits	☐	☐
Fixed asset (premises, furniture, fixtures etc.)	☐	☐
Other assets	☐	☐

8. Do you classify loans and advances in the following category?

Items	Yes	No
Sector-wise (Agriculture, forestry, fishery etc.)	☐	☐
Industry-wise (Pharmaceuticals, cement etc.)	☐	☐
Category-wise (Service, trading etc.)	☐	☐
Geographical location-wise	☐	☐

Other category (please specify) . . . . . .

9. How far do you ensure the professional requirements of the following items in disclosure of financial information?

	Particulars/items	Fully complied	Mostly complied	Complied with little departure	Low compliance	No compliance at all
9.1	Presentation of income and expenses as group by nature	☐	☐	☐	☐	☐
9.2	Group assets and liabilities as their nature and present as their liquidity	☐	☐	☐	☐	☐
9.3	Categorization of financial assets and financial liabilities	☐	☐	☐	☐	☐
9.4	Fair value and other Details of the collateral held	☐	☐	☐	☐	☐
9.5	Allowance for credit losses	☐	☐	☐	☐	☐
9.6	Details of the default and breaches	☐	☐	☐	☐	☐
9.7	Key terms and conditions for large loans	☐	☐	☐	☐	☐
9.8	Details of the related party transactions	☐	☐	☐	☐	☐
9.9	Accounting policies and measurement bases for financial assets and liabilities	☐	☐	☐	☐	☐
9.10	Fair value of each class of financial assets and financial liabilities	☐	☐	☐	☐	☐
9.11	Disclosure of hedging activities	☐	☐	☐	☐	☐
9.12	Methods and valuation techniques used in fair value determination	☐	☐	☐	☐	☐
9.13	Qualitative disclosures under BASEL-II	☐	☐	☐	☐	☐
9.14	Quantitative disclosures under BASEL-II	☐	☐	☐	☐	☐
9.15	Nature and amount of contingent liabilities and commitments	☐	☐	☐	☐	☐
9.16	Disclosure of significant trust activities	☐	☐	☐	☐	☐

10. Do you maintain Provisions for the following items?

Items	Yes	No
Investments/Loans And Advances	☐	☐
Off-balance Sheet Exposures	☐	☐
Taxation	☐	☐
Audit Fees	☐	☐
General Banking Risk	☐	☐

Other Category (Please Specify) . . . . . .

11. Do you disclose Interim Financial Reporting (IRF)? ☐ **Yes** ☐ **No**

12. If answer of the above question is yes, then what are the contents?

Items	Yes	No
Balance Sheet/Statement of Financial Position	☐	☐
Income Statement/ statement of comprehensive income	☐	☐
statement of changes in equity	☐	☐
Statement of Changes in Equity	☐	☐
Notes to the Financial Statements	☐	☐

13. Do you have subsidiary companies? ☐ **Yes** ☐ **No**

14. If yes, do you disclose separate Financial Statements for subsidiaries in your Annual Report? ☐ **Yes** ☐ **No**

15. Do you have Business/Operating Segment in your bank? ☐ **Yes** ☐ **No**

16. If yes, do you disclose separate Financial Statements for Segments in your Annual Report? ☐ **Yes** ☐ **No**

17. What are the benefits of Compliance with Accounting Standards (IFRS & BFRS)? (**Multiple response**)

- ☐ Ensuring true and fair view of accounts
- ☐ Ensuring comparability of accounting information across countries
- ☐ Costs of preparation of different financial statements will diminish
- ☐ Reduces the degree of choice accounting policy
- ☐ Reduce information asymmetry between manager and external investors
- ☐ increase transparency of accounting information
- ☐ Attract foreign investment for multinational companies
- ☐ Smooth access to world's major capital market
- ☐ Fair disclosure is ensured
- ☐ Developing consistency in presentation of Financial Statements
- ☐ Developing prudence in accounts
- ☐ Ensuring reliability and verifiability
- ☐ Ensuring comparability of financial information
- ☐ Prevention of fraud and error
- ☐ Ensuring objective decision
- ☐ Prevention of manipulation of accountant
- ☐ Ensuring international harmonization

Other benefits (please mention) . . . .

18. What are the challenges in compliance and disclosure of Accounting Standards in banks? (**Multiple response**)

- ☐ Some legal requirements are in contradiction with those of the professional requirements.
- ☐ Lack of overall accountability and transparency.
- ☐ Recommendatory nature of BFRS/BAS.
- ☐ Deep-rooted culture and strong mindset of the management for minimum disclosure.
- ☐ Lack of implementation guidelines for BFRS/BAS application.
- ☐ Huge initial transition costs as well as recurring compliance costs.
- ☐ IFRS are more complex and less understandable and requires detailed disclosures.
- ☐ Lack of Auditors' independence.
- ☐ Intensions to give favorable audit treatments to the client.

Other challenges (please mention) . . . .

19. How can you suggest for better compliance of Professional Standards in presentation and disclosure of financial reporting of banks?

Signature of the Respondent (optional): . . . .

With thanks and regards

Mohammad Jahangir Alam
PhD Fellow, Institute of Bangladesh Studies (IBS)
Rajshahi University, Rajshahi.
E-mail : Jahangir.sr@gmail.com

Postal Mail Address:	**Mohammad Jahangir Alam (Topu)** **PhD Fellow (2010-11)** **Room # 207 & 208** **Institute of Bangladesh Studies (IBS)** **University of Rajshahi, Rajshahi.**

Appendix 1.B: Questionnaire for Islamic Bank Executives

Questionnaire for PhD Research	
Research Title:	Compliance with Accounting Standards in Financial Reporting of Commercial Banks in Bangladesh.
Researcher:	Mohammad Jahangir Alam, PhD Fellow, Institute of Bangladesh Studies, Rajshahi University.
Supervisor:	Dr. Abhinaya Chandra Saha, Director, Institute of Business Administration, Rajshahi University.

Category of Respondent: Islami Bank Executives

Declaration

The questionnaire has been prepared to collect data to achieve the objectives of the research. Your sincere response is the key. Respondents are requested to fill up the questionnaire willingly and without any influence or prejudice. Your responses will be treated confidentially and will not be used for any purpose other than research purpose. Information obtained from this survey will not be identified with any particular person or entity. The result will be presented only in aggregate manner. **Please put tick (✓) mark** in the relevant box and mention your opinions in the open spaces where applicable.

1. Information of the Respondent

Name (optional) :
Designation & Name of the Bank :
Department/Section :
Educational Qualifications :
Subject of highest academic degree achieved :
Professional Qualifications :
Experience (in years) :

2. How far do you comply with the following regulatory and professional requirements in preparation and disclosure of financial reporting?

	Requirements	Fully complied	Mostly complied	Complied with little departure	Low compliance	No compliance at all
2.1	The Companies Act, 1994	☐	☐	☐	☐	☐
2.2	The Banking Companies Act, 1991	☐	☐	☐	☐	☐
2.3	Bangladesh Bank Orders and Circulars	☐	☐	☐	☐	☐
2.4	The Securities and Exchange Ordinance, 1969	☐	☐	☐	☐	☐
2.5	Securities and Exchange Rules, 1987	☐	☐	☐	☐	☐
2.6	SEC notifications for Corporate Governance	☐	☐	☐	☐	☐
2.7	Bangladesh Financial Reporting Standards (BFRS)/BAS	☐	☐	☐	☐	☐

2.8	The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	☐	☐	☐	☐	☐
2.9	Islamic Financial Services Board (IFSB)	☐	☐	☐	☐	☐
2.10	The Listing Regulations of DSE & CSE	☐	☐	☐	☐	☐
2.11	The Income Tax Ordinance, 1984	☐	☐	☐	☐	☐
2.12	The VAT Act, 1991	☐	☐	☐	☐	☐
2.13	Application of Basel- I & II	☐	☐	☐	☐	☐
2.14	Application of GAAP	☐	☐	☐	☐	☐
2.15	Application of Ethical code of conduct	☐	☐	☐	☐	☐

3. To what extent do you ensure the application of the following qualities of accounting information in financial reporting?

Items		Maximum	Optimum	Neutral	Minimum	Absent
3.1	Reliability	☐	☐	☐	☐	☐
3.2	Relevance	☐	☐	☐	☐	☐
3.3	Understandability	☐	☐	☐	☐	☐
3.4	Faithful presentation	☐	☐	☐	☐	☐
3.5	Neutrality	☐	☐	☐	☐	☐
3.6	Timeliness	☐	☐	☐	☐	☐
3.7	Comparability	☐	☐	☐	☐	☐
3.8	Consistency	☐	☐	☐	☐	☐
3.9	Accuracy of financial information	☐	☐	☐	☐	☐
3.10	Decision usefulness to stakeholders	☐	☐	☐	☐	☐
3.11	True and fair view of accounts	☐	☐	☐	☐	☐
3.12	Adequacy of information	☐	☐	☐	☐	☐
3.13	Transparency & accountability	☐	☐	☐	☐	☐
3.14	Corporate Governance	☐	☐	☐	☐	☐

4. How far the applications of the following Assumptions/Concepts/Constraints are established?

Assumptions/Concepts/Constraints		Fully applied	Mostly applied	applied with little departure	Minimum application	No application at all
4.1	Periodicity	☐	☐	☐	☐	☐
4.2	Historical cost	☐	☐	☐	☐	☐
4.3	Accrual basis					
4.4	Revenue recognition	☐	☐	☐	☐	☐
4.5	Matching	☐	☐	☐	☐	☐
4.6	Full disclosure	☐	☐	☐	☐	☐

4.7	Cost benefits	☐	☐	☐	☐	☐
4.8	Materiality	☐	☐	☐	☐	☐
4.9	objectivity					
4.10	Conservatism	☐	☐	☐	☐	☐

5. How far the following Bangladesh Financial Reporting Standards (BFRS)/BAS are complied with in preparation and disclosure of financial information?

	BAS/ BFRS Ref.	Name of the Standards	Fully complied	Mostly complied	Complied with little departure	Low compliance	No compliance at all
5.1	1	Presentation of Financial Statements	☐	☐	☐	☐	☐
5.2	7	Statement of Cash Flows	☐	☐	☐	☐	☐
5.3	8	Accounting Policies, Changes in Accounting Estimates and Errors	☐	☐	☐	☐	☐
5.4	10	Events after the Balance Sheet Date	☐	☐	☐	☐	☐
5.5	12	Income Taxes	☐	☐	☐	☐	☐
5.6	16	Property, Plant & Equipment	☐	☐	☐	☐	☐
5.7	17	Leases	☐	☐	☐	☐	☐
5.8	18	Revenue	☐	☐	☐	☐	☐
5.9	19	Employee Benefits	☐	☐	☐	☐	☐
5.10	21	The Effects of Changes in Foreign Exchange Rates	☐	☐	☐	☐	☐
5.11	23	Borrowing Costs	☐	☐	☐	☐	☐
5.12	24	Related Party Disclosure	☐	☐	☐	☐	☐
5.13	27	Consolidated and Separate Financial Statements	☐	☐	☐	☐	☐
5.14	30	Disclosure in the FSs of Banks and similar Financial Institutions (Superseded by BFRS 7 from 1 Jan.'10)	☐	☐	☐	☐	☐
5.15	32	Financial Instruments: Presentation	☐	☐	☐	☐	☐
5.16	33	Earnings Per Share	☐	☐	☐	☐	☐
5.17	34	Interim financial Reporting	☐	☐	☐	☐	☐
5.18	36	Impairment of Assets	☐	☐	☐	☐	☐
5.19	37	Provisions, Contingent Liabilities and Contingent Assets	☐	☐	☐	☐	☐
5.20	38	Intangible Assets	☐	☐	☐	☐	☐
5.21	39	Financial Instruments: Recognition and Measurement	☐	☐	☐	☐	☐
5.22	40	Investment Property	☐	☐	☐	☐	☐
5.23	BFRS 7	Financial Instruments: Disclosures	☐	☐	☐	☐	☐
5.24	BFRS 8	Operating Segments	☐	☐	☐	☐	☐

6. Please mention the method you follow in preparation of Statement of Cash Flows?

- ☐ Direct method
- ☐ Indirect method

7. Do you prepare maturity groupings for the following items?

Items	**Yes**	**No**
Balance with other banks and financial institutions	☐	☐
Investments/loans and advances	☐	☐
Borrowings	☐	☐
Bill purchased and discounted	☐	☐
Deposits	☐	☐
Fixed asset (premises, furniture, fixtures etc.)	☐	☐
Other assets	☐	☐

8. Do you classify loans and advances in the following category?

Items	**Yes**	**No**
Sector-wise (Agriculture, forestry, fishery etc.)	☐	☐
Industry-wise (Pharmaceuticals, cement etc.)	☐	☐
Category-wise (Service, trading etc.)	☐	☐
Geographical location-wise	☐	☐

Other category (please specify) . . . . . .

9. How far do you ensure the professional requirements of the following items in disclosure of financial information?

	Particulars/items	Fully complied	Mostly complied	Complied with little departure	Low compliance	No compliance at all
9.1	Presentation of income and expenses as group by nature	☐	☐	☐	☐	☐
9.2	Group assets and liabilities as their nature and present as their liquidity	☐	☐	☐	☐	☐
9.3	Categorization of financial assets and financial liabilities	☐	☐	☐	☐	☐
9.4	Fair value and other Details of the collateral held	☐	☐	☐	☐	☐
9.5	Allowance for credit losses	☐	☐	☐	☐	☐
9.6	Details of the default and breaches	☐	☐	☐	☐	☐
9.7	Key terms and conditions for large loans	☐	☐	☐	☐	☐
9.8	Details of the related party transactions	☐	☐	☐	☐	☐
9.9	Accounting policies and measurement bases for financial assets and liabilities	☐	☐	☐	☐	☐
9.10	Fair value of each class of financial assets and financial liabilities	☐	☐	☐	☐	☐
9.11	Disclosure of hedging activities	☐	☐	☐	☐	☐
9.12	Methods and valuation techniques used in fair value determination	☐	☐	☐	☐	☐
9.13	Qualitative disclosures under BASEL-II	☐	☐	☐	☐	☐
9.14	Quantitative disclosures under BASEL-II	☐	☐	☐	☐	☐
9.15	Nature and amount of contingent liabilities and commitments	☐	☐	☐	☐	☐
9.16	Disclosure of significant trust activities	☐	☐	☐	☐	☐

10. Do you maintain Provisions for the following items?

Items	Yes	No
Investments/Loans And Advances	☐	☐
Off-balance Sheet Exposures	☐	☐
Taxation	☐	☐
Audit Fees	☐	☐
General Banking Risk	☐	☐

Other Category (Please Specify) . . . . . .

11. Do you disclose Interim Financial Reporting (IRF)? ☐ **Yes** ☐ **No**

12. If answer of the above question is yes, then what are the contents?

Items	Yes	No
Balance Sheet/Statement of Financial Position	☐	☐
Income Statement/ statement of comprehensive income	☐	☐
statement of changes in equity	☐	☐
Statement of Changes in Equity	☐	☐
Notes to the Financial Statements	☐	☐

13. Do you have subsidiary companies? ☐ **Yes** ☐ **No**

14. If yes, do you disclose separate Financial Statements for subsidiaries in your Annual Report? ☐ **Yes** ☐ **No**

15. Do you have Business/Operating Segment in your bank? ☐ **Yes** ☐ **No**

16. If yes, do you disclose separate Financial Statements for Segments in your Annual Report? ☐ **Yes** ☐ **No**

17. What are the benefits of Compliance with Accounting Standards (IFRS & BFRS)? (**Multiple response**)

☐ Ensuring true and fair view of accounts
☐ Ensuring comparability of accounting information across countries
☐ Costs of preparation of different financial statements will diminish
☐ Reduces the degree of choice accounting policy
☐ Reduce information asymmetry between manager and external investors
☐ increase transparency of accounting information
☐ Attract foreign investment for multinational companies
☐ Smooth access to world's major capital market
☐ Fair disclosure is ensured
☐ Developing consistency in presentation of Financial Statements
☐ Developing prudence in accounts
☐ Ensuring reliability and verifiability
☐ Ensuring comparability of financial information
☐ Prevention of fraud and error
☐ Ensuring objective decision
☐ Prevention of manipulation of accountant
☐ Ensuring international harmonization
Other benefits (please mention) . . . .

18. What are the challenges in compliance and disclosure of Accounting Standards in banks? (**Multiple response**)

- ☐ Some legal requirements are in contradiction with those of the professional requirements.
- ☐ Lack of overall accountability and transparency.
- ☐ Recommendatory nature of BFRS/BAS.
- ☐ Deep-rooted culture and strong mindset of the management for minimum disclosure.
- ☐ Lack of implementation guidelines for BFRS/BAS application.
- ☐ Huge initial transition costs as well as recurring compliance costs.
- ☐ IFRS are more complex and less understandable and requires detailed disclosures.
- ☐ Lack of Auditors' independence.
- ☐ Intensions to give favorable audit treatments to the client.

Other challenges (please mention) . . . .

19. How can you suggest for better compliance of Professional Standards in presentation and disclosure of financial reporting of banks?

Signature of the Respondent (optional): . . . .

With thanks and regards

Mohammad Jahangir Alam
PhD Fellow, Institute of Bangladesh Studies (IBS)
Rajshahi University, Rajshahi.
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PhD Fellow (2010-11)
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Institute of Bangladesh Studies (IBS)
University of Rajshahi, Rajshahi.

Appendix 1.C : Questionnaire for Professional Accountant/Auditor

Questionnaire for PhD Research	
Research Title:	Compliance with Accounting Standards in Financial Reporting of Commercial Banks in Bangladesh.
Researcher:	Mohammad Jahangir Alam, PhD Fellow, Institute of Bangladesh Studies, Rajshahi University.
Supervisor:	Dr. Abhinaya Chandra Saha, Director, Institute of Business Administration, Rajshahi University.

Category of Respondent: Professional Accountant/Auditor

Declaration

The questionnaire has been prepared to collect data to achieve the objectives of the research. Your sincere response is the key. Respondents are requested to fill up the questionnaire willingly and without any influence or prejudice. Your responses will be treated confidentially and will not be used for any purpose other than research purpose. Information obtained from this survey will not be identified with any particular person or entity. The result will be presented only in aggregate manner. Please put **tick (✓)** mark in the relevant box and mention your opinions in the open spaces where applicable.

1. Information of the Respondent

Name of the Professional Accountant/Auditor:

Designation & Name of office:

Name of Audit firm:

Experience (in years):

Other Professional Training (if any) : . . . .

2. What is your observation on the compliance of the following regulatory and professional requirements by commercial banks in Bangladesh?

	Requirements	Fully complied	Mostly complied	Complied with little departure	Low compliance	No compliance at all
2.1	The Companies Act, 1994	☐	☐	☐	☐	☐
2.2	The Banking Companies Act, 1991	☐	☐	☐	☐	☐
2.3	Bangladesh Bank Orders and Circulars	☐	☐	☐	☐	☐
2.4	The Securities and Exchange Ordinance, 1969	☐	☐	☐	☐	☐
2.5	Securities and Exchange Rules, 1987	☐	☐	☐	☐	☐
2.6	SEC notifications for Corporate Governance	☐	☐	☐	☐	☐
2.7	**BFRS/BAS**	☐	☐	☐	☐	☐
2.8	**BSA/BAPS**	☐	☐	☐	☐	☐

2.9	The Listing Regulations of DSE & CSE	☐	☐	☐	☐	☐
2.10	The Income Tax Ordinance, 1984	☐	☐	☐	☐	☐
2.11	The VAT Act, 1991	☐	☐	☐	☐	☐
2.12	Application of Basel- I & II	☐	☐	☐	☐	☐
2.13	Application of GAAP	☐	☐	☐	☐	☐
2.14	Application of Ethical code of conduct	☐	☐	☐	☐	☐
2.15	The Sarbanes-Oxley Act, 2002	☐	☐	☐	☐	☐

3. What is your level of satisfaction on the application of the following qualities of accounting information in financial reporting of banks?

Items		Highly satisfied	Satisfied	Indifferent	dissatisfied	Highly dissatisfied
3.1	Reliability	☐	☐	☐	☐	☐
3.2	Relevance	☐	☐	☐	☐	☐
3.3	Understandability	☐	☐	☐	☐	☐
3.4	Faithful presentation	☐	☐	☐	☐	☐
3.5	Neutrality	☐	☐	☐	☐	☐
3.6	Timeliness	☐	☐	☐	☐	☐
3.7	Comparability	☐	☐	☐	☐	☐
3.8	Consistency	☐	☐	☐	☐	☐
3.9	Accuracy of financial information	☐	☐	☐	☐	☐
3.10	Decision usefulness to stakeholders	☐	☐	☐	☐	☐
3.11	True and fair view of accounts	☐	☐	☐	☐	☐
3.12	Adequacy of information	☐	☐	☐	☐	☐
3.13	Transparency & accountability	☐	☐	☐	☐	☐
3.14	Corporate Governance	☐	☐	☐	☐	☐

4. What is your observation on the compliance of the following Assumptions/Concepts /Constraints?

Assumptions/Concepts/Constraints		Fully complied	Mostly complied	Complied with little departure	Low compliance	No compliance at all
4.1	Periodicity	☐	☐	☐	☐	☐
4.2	Historical cost	☐	☐	☐	☐	☐
4.3	Revenue recognition	☐	☐	☐	☐	☐
4.4	Matching	☐	☐	☐	☐	☐
4.5	Full disclosure	☐	☐	☐	☐	☐
4.6	Cost benefits	☐	☐	☐	☐	☐
4.7	Materiality	☐	☐	☐	☐	☐
4.8	Conservatism	☐	☐	☐	☐	☐

5.	What is your observation on the level of compliance of the following Bangladesh Financial Reporting Standards (BFRS)/BAS in commercial banks?						
	BAS/ BFRS Ref.	Name of the Standards	Fully complied	Mostly complied	Complied with little departure	Low compl iance	No compliance at all
5.1	1	Presentation of Financial Statements	☐	☐	☐	☐	☐
5.2	7	Statement of Cash Flows	☐	☐	☐	☐	☐
5.3	8	Accounting Policies, Changes in Accounting Estimates and Errors	☐	☐	☐	☐	☐
5.4	10	Events after the Balance Sheet Date	☐	☐	☐	☐	☐
5.5	12	Income Taxes	☐	☐	☐	☐	☐
5.6	16	Property, Plant & Equipment	☐	☐	☐	☐	☐
5.7	17	Leases	☐	☐	☐	☐	☐
5.8	18	Revenue	☐	☐	☐	☐	☐
5.9	19	Employee Benefits	☐	☐	☐	☐	☐
5.10	21	The Effects of Changes in Foreign Exchange Rates	☐	☐	☐	☐	☐
5.11	23	Borrowing Costs	☐	☐	☐	☐	☐
5.12	24	Related Party Disclosure	☐	☐	☐	☐	☐
5.13	27	Consolidated and Separate Financial Statements	☐	☐	☐	☐	☐
5.14	30	Disclosure in the FSs of Banks and similar Financial Institutions (**Superseded by BFRS 7 from 1 Jan.'10**)	☐	☐	☐	☐	☐
5.15	32	Financial Instruments: Presentation	☐	☐	☐	☐	☐
5.16	33	Earnings Per Share	☐	☐	☐	☐	☐
5.17	34	Interim financial Reporting	☐	☐	☐	☐	☐
5.18	36	Impairment of Assets	☐	☐	☐	☐	☐
5.19	37	Provisions, Contingent Liabilities and Contingent Assets	☐	☐	☐	☐	☐
5.20	38	Intangible Assets	☐	☐	☐	☐	☐
5.21	39	Financial Instruments: Recognition and Measurement	☐	☐	☐	☐	☐
5.22	40	Investment Property	☐	☐	☐	☐	☐
5.23	BFRS 7	Financial Instruments: Disclosures	☐	☐	☐	☐	☐
5.24	BFRS 8	Operating Segments	☐	☐	☐	☐	☐

6.	What is your observation on the application of Auditing Standards and Guideline in audit of banking companies?						
	BSA/ BAPS Ref.	Name of the Standards	Fully complied	Mostly complied	Complied with little departure	Low compliance	No compliance at all
6.1	230	Audit Documentation	☐	☐	☐	☐	☐
6.2	240	The auditor's Responsibilities Relating to Fraud in an Audit of FSs.	☐	☐	☐	☐	☐
6.3	250	Consideration of Laws and Regulation in an Audit of FSs	☐	☐	☐	☐	☐
6.4	315	Identifying & Assessing the Risks of Material Misstatement through understanding the entity and its environment	☐	☐	☐	☐	☐
6.5	320	Materiality in Planning and Performing an Audit	☐	☐	☐	☐	☐
6.6	330	Auditor's Response to Assessed Risks	☐	☐	☐	☐	☐
6.7	402	Audit Considerations Relating to Entities using Service Organization	☐	☐	☐	☐	☐
6.8	450	Evaluation of Misstatement identified during the Audit	☐	☐	☐	☐	☐
6.9	500	Audit Evidence	☐	☐	☐	☐	☐
6.10	520	Analytical Procedures	☐	☐	☐	☐	☐
6.11	530	Audit Sampling	☐	☐	☐	☐	☐
6.12	540	Auditing Accounting Estimates, Including Fair Value Estimates, and Related Disclosures	☐	☐	☐	☐	☐
6.13	550	Related Parties	☐	☐	☐	☐	☐
6.14	610	Using the Work of Internal Auditors	☐	☐	☐	☐	☐
6.15	700	Forming an Opinion and Reporting on FSs	☐	☐	☐	☐	☐
6.16	710	Comparative Information – Corresponding Figures and Comparative FSs	☐	☐	☐	☐	☐
6.17	BAPS 1004	The Relationship between Banking Supervisors and Banks' External Auditors	☐	☐	☐	☐	☐
6.18	BAPS 1006	Audit of Financial Statements of Banks	☐	☐	☐	☐	☐
6.18	BAPS 1014	Reporting by Auditors on Compliance with IFRS	☐	☐	☐	☐	☐

7.	Please mention the level of application of the following regulatory & Professional requirements in financial reporting by **Islamic Banks?**

	Requirements	Fully applied	Mostly applied	Applied with little departure	Low application	No application at all
7.1	The Companies Act, 1994	☐	☐	☐	☐	☐
7.2	The Banking Companies Act, 1991	☐	☐	☐	☐	☐
7.3	Bangladesh Bank Orders and Circulars	☐	☐	☐	☐	☐
7.4	The Securities and Exchange Ordinance, 1969	☐	☐	☐	☐	☐
7.5	Securities and Exchange Rules, 1987	☐	☐	☐	☐	☐
7.6	SEC notifications for Corporate Governance	☐	☐	☐	☐	☐
7.7	The Listing Regulations of DSE & CSE	☐	☐	☐	☐	☐
7.8	The Income Tax Ordinance, 1984	☐	☐	☐	☐	☐
7.9	Bangladesh Financial Reporting Standards (BFRS)/BAS	☐	☐	☐	☐	☐
7.10	Bangladesh Standards on Auditing/BAPS	☐	☐	☐	☐	☐
7.11	The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	☐	☐	☐	☐	☐
7.12	Islamic Financial Services Board (IFSB)	☐	☐	☐	☐	☐

8. Haw far your audit Practices for Islamic Banks are different from that of traditional banks?

9. Why Accounting Standards are different in Islamic Banks?

10. What are the benefits of Compliance with Accounting Standards (IFRS & BFRS)? (**Multiple response**)

- ☐ Ensuring true and fair view of accounts
- ☐ Ensuring comparability of accounting information across countries
- ☐ Costs of preparation of different financial statements will diminish
- ☐ Reduces the degree of choice accounting policy
- ☐ Reduce information asymmetry between manager and external investors
- ☐ increase transparency of accounting information
- ☐ Attract foreign investment for multinational companies
- ☐ Smooth access to world's major capital market
- ☐ Fair disclosure is ensured
- ☐ Developing consistency in presentation of Financial Statements
- ☐ Developing prudence in accounts
- ☐ Ensuring reliability and verifiability
- ☐ Ensuring comparability of financial information
- ☐ Prevention of fraud and error
- ☐ Ensuring objective decision
- ☐ Prevention of manipulation of accountant
- ☐ Ensuring international harmonization

Other benefits (please mention) . . . .

11. What are the challenges in compliance and disclosure of Accounting Standards in banks? (**Multiple response**)

- ☐ Some legal requirements are in contradiction with those of the professional requirements.
- ☐ Lack of overall accountability and transparency
- ☐ Recommendatory nature of BAS.
- ☐ Deep-rooted culture and strong mindset of the management for minimum disclosure
- ☐ Lack of implementation guidelines for BAS application
- ☐ Huge initial transition costs as well as recurring compliance costs.
- ☐ IFRS are more complex and less understandable and requires detailed disclosures

Other challenges (please mention) . . . .

12. How can you suggest for better compliance of Professional Standards in presentation and disclosure of financial reporting of banks? (Multiple response)

Signature of the Respondent (optional): . . . .

With thanks and regards

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Appendix 2 : Bangladesh Bank Circulars Corresponding to BFRS

BB Circular No. & Date	Subject matter	Corresponding BFRS
BRPD -17, Oct. 07, 2003	Core Risk Management	BFRS 7
BRPD -10, Sep. 18, 2007	Provision for Off-balance Sheet Exposure	BAS 1, P-119 BAS 37
BRPD -15, Nov. 09, 2009	Correction of Error in Prior Financial Statements	BAS 10
BRPD -10, Nov. 25, 2002	Revaluation of Assets	BAS 16
BCD - 34 dated 16 Nov.1989, BCD -20 dated 27 Dec.1994, BCD - 12 dated 4 Sep. 1995,	Provision for loans and advances / investments	BAS 37
BRPD - 16 dated 6 Dec.1998, BRPD - 9 dated 14 May 2001, BRPD -02 of Feb.2005, BRPD -05, June 05, 2006, BRPD- 09, Aug. 2005 and BRPD - 17 dated 06 December 2005	Advances and provisions	BAS 37
BRPD (P) 744 (84)/2001-868 dated 19 March 2001.	Off-shore Banking Unit	BFRS 8
DOS - 05, May 26, 2008	market based revaluation of treasury bill and bond held by the banking company	IFRS 7, p-8
BRPD -10, Sep. 18, 2007	Master Circular- Loan Classification and Provisioning	BAS-37
Circular No. 677, 13/09/05	Nostro Account Reconciliation (Provisioning)	BAS-37
DOS Circular letter no.-05, 26/5/2008 & 05, 28/01/2009	Marking to market based revaluation of treasury bill and bond held by the banking company	BAS-40 and BFRS-7
BRPD Circular No-09 dated 19- 09-1996	Benefit provided to Directors and Managing Director	BAS-24
BRPD (R) 717/2004-959 dated 21 November 2004.	Foreign currency translation	BAS 21

Appendix 3: Discloser Checklist for BAS/BFRS Compliance

BFRS No.	Item No.	Title as adopted by ICAB	Y	N	NA
BAS 1		**Presentation of Financial Statement [Effective Date:1st Jan 2007 and 1st Jan 2010 (revised)]**			
		Complete sets of financial statements			
1p10	 1 2 3 4 5 6	Include the following components in the financial statements: (a) a statement of financial position (B/S) at the period end date; (b) a statement of comprehensive income (P/L) for the period; (c) a statement of changes in equity for the period; (d) a statement of cash flows for the period; (e) notes, including a summary of significant accounting policies and other explanatory information; and (f) a statement of financial position as at the beginning of earliest comparative period when an entity applies an accounting policy retrospectively.			
		Compliance with BFRS			
1p16	7	Make an explicit and unreserved statement in the notes that the FSs comply with BFRS (whose FSs comply with BFRSs).			
		Going Concern			
1p25	8	When FSs are not prepared on going concern basis, disclose the fact, the basis on which the FSs are prepared and the reason.			
		Accrual Basis			
1p27	9	An entity prepares its FSs, except for cash flow information, using the accrual basis of accounting.			
		Materiality and Aggregation			
1p29	10	Present separately each material class of similar items. Present separately items of a dissimilar nature or function unless they are immaterial.			
		Offsetting			
1p32	11	The value of assets and liabilities or income and expenses should not be off-set by way of deduction from another asset and liability or income and expanse unless required or permitted by a BFRS.			
		Frequency of Reporting			
1p36	12	Where an entity has changed the end of its reporting period and prepares FSs for a period of less than or more than one year, disclose: (a) the period covered by the FSs; (b) the reason for using a longer or shorter period; and (c) the fact that amounts presented in the FSs are not entirely comparable.			
		Comparative Information			
1p38	13	Disclose comparative information in respect of the previous period for all amounts reported in the current period's FSs.			
1p39	14	Where an entity applies an accounting policy retrospectively it presents, as a minimum, three statements of financial position, two of each of the other statements, and related notes. An entity presents statements of financial position as at: (a) the end of the current period; (b) the end of the previous period (which is the same as the beginning of the current period); and (c) the beginning of the earliest comparative period.			

1p41	15	Where an entity has reclassified comparative amounts due to a change in presentation or classification of items in its FSs, disclose: (a) the nature of the reclassification; (b) the amount of each item or class of item that is reclassified; and (c) the reason for the reclassification.			
1p42	16	Where an entity changes the presentation or classification of items, but it is impracticable to reclassify comparative amounts, disclose: (a) the reason for not reclassifying the amounts; and (b) the nature of the adjustments that would have been made if the amounts had been reclassified.			
		Consistency of presentation			
1p45	17	Retain the presentation and classification of items in the FSs from one period to the next unless: (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its FSs, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies; or (b) a BFRS requires a change in presentation.			
		Identification of the financial statements			
1p49	18	Identify the FSs and distinguish them from other information in the same published documents.			
1p51	 19 20 21 22 23	Identify each FS and the notes. Display the following information prominently, and repeat where necessary for the information presented to be understood: (a) the name of the reporting entity or other means of identification, and any change in that information from the end of the previous reporting period; (b) whether the FSs are for an individual entity or a group of entities; (c) the date of the end of the reporting period or the period covered by the FSs and notes; (d) the presentation currency (defined in BAS 21); and (e) the level of rounding used in presenting amounts in the FSs.			
		Statement of financial position			
1p54 (a-r)	24	Include in the statement of financial position, as a minimum, the following line items: (***Relevant items for financial institutions/Banks***) **Disclose as per First Schedule of BPRD Circular No. 14 dated 25 June 2003.**			
1p55	25	Present additional line items, heading and subtotals on the face of the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.			
1p56	26	Do not classify deferred tax assets or liabilities as current assets or liabilities.			
		Current/non-current distinction			
1p60	27	If the current/non-current distinction of assets and liabilities made is on the face of the balance sheet, apply the classification rules in IAS 1 paras 66-76. If not, ensure that assets and liabilities are presented in order of their liquidity.			
1p61	28	Whichever method of presentation is adopted, disclose the amount expected to be recovered or settled: (**Maturity grouping of investment**) (a) no more than 12 months after the reporting period and (b) more than 12 months after the reporting period.			

1p64	29	An entity may use a mixed basis of presentation, including current/non-current classification and in order of liquidity, when an entity has diverse operations.			
		Information to be presented either in the statement of financial position or in the notes.			
1p77	30	Disclose further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations.			
1p78 (e)	31	Equity capital and reserves are disaggregated into various classes such as paid-in capital, share premium and reserve.			
1p79	 32 33 34 35 36 37 38 39	Disclose the following, either in the statement of financial position or in the statement of changes in equity, or in the notes (this information is usually disclosed in the notes): (a) for each class of share capital: (i) the no. of shares authorized; (ii) the no. of shares issued and fully paid, and issued but not fully paid; (iii) par value per share, or that the shares have no par value; (iv) a reconciliation of the shares at the beginning and end of the year; (v) the rights, preferences and restrictions attached to each class of share capital, including restrictions on the distribution of dividends and the repayment of capital; (vi) shares in the entity held by the entity itself or by the entity's subsidiaries or associates; and (vii) shares reserved for issuance under options and sales contracts, including the terms and amounts. (b) a description of the nature and purpose of each reserve within equity.			
		Statement of Comprehensive Income (SCI)			
1p81	 40 41	Present all items of income and expense recognised in a period: (a) in a single SCI; and (b) in a statement displaying components of profit or loss (a separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (SCI).			
1p82	42	Include in the SCI, as a minimum, line items showing the following amounts for the period: (***Relevant items for financial institutions/Banks***) **Disclose as per First Schedule of BPRD Circular No. 14 dated 25 June 2003.**			
1p83	43	Disclose the following in the SCI as allocations for the period: (a) profit or loss for the period attributable to: (i) non-controlling interests; and (ii) owners of the parent; and/ Equity holders.			
1p85	44	Present additional line items, headings and subtotals in the SCI (and the separate income statement, if presented) when such presentation is relevant to an understanding of the entity's financial performance.			
1p90	45	Disclose, either in the SCI or in the notes, the amount of income tax relating to each component of other comprehensive income including reclassification adjustments.			
1p91	46	Components of other comprehensive income may be presented: (a) net of related tax effects, or (b) before related tax effects with one amount shown for aggregate amount of income tax relating to those components.			

1p92	47	Disclose reclassification adjustments relating to components of other comprehensive income.			
1p94	48	An entity may present reclassification adjustments in the SCI or in the notes. An entity presenting classification adjustments in the notes presents the components of other comprehensive income after any related reclassification adjustments.			
		Information to be presented in the SCI or in the notes			
1p97	49	When items of income and expense are material, disclose their nature and amount separately.			
1p98	 50 51 52 53 54 55	Circumstances that would give rise to the separate disclosure of items of income and expense include: (b) restructuring and the reversal of any provisions for restructuring; (c) disposals of items of property, plant and equipment; (d) disposals of investments; (e) discontinued operations; (f) litigation settlements; and (g) other reversals of provisions.			
1p99, 1p100, 1p101	56	Give an analysis of expenses using a classification based on either their nature or their function within the entity. Entities are encouraged to present this analysis in the SCI or in the separate income statement (if presented).			
1p104	57	Where the entity classifies expenses by function, disclose additional information on the nature of expenses, including depreciation, amortisation and employee benefits expense.			
		Statement of changes in equity			
1p106(a), (b),(d)	 58 59 60	Present a statement of changes in equity showing in the statement: (a) total comprehensive income (N/P) for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with BAS 8; (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: (i) profit or loss; (ii) other comprehensive income; and (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.			
1p107	61	Disclose, either in the statement of changes in equity or in the notes, the amount of dividends to owners during the period and the related amount per share.			
1p108	62	In BAS 1 para 106 the components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings.			
		Notes			
1p112	63	Disclose in the notes: (a) the basis of preparation of the FSs and the specific accounting policies used; (b) the information required by BFRSs that is not presented elsewhere in the FSs; and (c) information that is not presented elsewhere but is relevant to an understanding of the FSs.			

1p113	64	Present notes in a systematic manner for cross-reference of all the statements of FSs.			
1p114	 65 66 67 68	Notes are normally presented in the following order to assist users to understand the FSs and to compare them with FSs of other: (a) statement of compliance with BFRSs (see BAS 1.16); (b) summary of significant accounting policies applied; (c) supporting information for items presented in the statements of financial position and of comprehensive income, in the separate income statement (if presented), and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and (d) other disclosures, including: (i) contingent liabilities (BAS 37) and unrecognized contractual commitments; (ii) non-financial disclosures (BFRS 7).			
1p116	69	Notes providing information about the basis of preparation of the FSs and specific accounting policies may be presented as a separate section of the FSs.			
		Disclosure of Accounting Policies			
1p117	70 71	Disclose in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the FSs; and (b) the other accounting policies used that are relevant to an understanding of the FSs.			
1p122	72	Judgments made in applying the accounting policies that have most significant impact on the accounts recognized in the FSs.			
		Sources of information uncertainty			
1p125	73	Key assumptions about the future and other major sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, disclose: (a) their nature, and (b) their carrying amount as at the period end date.			
1p131	74	Where impracticable to disclose the extent of the possible effects of an assumption or estimation uncertainty, disclose: (a) the fact; (b) the nature and carrying amount of the specific asset or liability affected by the assumption.			
		Capital			
1p134-136	75	Qualitative information of the entity's objectives, policies and processes for managing capital.			
		Other disclosures			
1p137	 76 77	Disclose in the notes: (a) dividends proposed or declared before the FSs were authorised for issue but not recognised as a distribution to equity holders during the period, and the related amount per share; and (b) the amount of any cumulative preference dividends not recognised.			
1p138	 78	Disclose the following if not disclosed elsewhere in the FSs: (a) the domicile and legal form of the entity, the country in which it is incorporated and the address of its registered office;			

	79 80 81	(b) nature of the entity's operations and its principal activities; (c) the name of the parent and the ultimate parent of the group; (d) if it is a limited life entity, information regarding the length of its life.			
BAS 7		**Statement of Cash Flows [Effective Date:1st Jan 1999]**			
7p10	1	Classify cash flows into three activities: operating, investing and financing.			
		Reporting cash flows from operating activities			
7p18	2	Disclose cash flows from operating activities using either: (a) the direct method, disclosing major classes of gross cash receipts or payments; or (b) the indirect method, adjusting net profit and loss for the effects of: (i) any transactions of a non-cash nature; (ii) any deferrals or accruals; (iii) items of income or expense associated with investing or financing cash flows.			
		Reporting cash flows from investing and financing activities			
7p21	3	Report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities.			
		Reporting cash flows on a net basis			
7p24	4	the following cash flows may be reported on a net basis: (a) cash receipts and payments for the acceptance and payments of deposits with a fixed maturity date. (b) the placement of deposits with and withdrawal of deposits from financial institutions (c) cash advances and loans made to customers and repayment of those advances and loans.			
7p25	5	A foreign exchange transaction is recorded in the functional currency using the exchange rate at the date of cash flow.			
		Interest and dividends			
7p31	6	Cash flows from interest and dividends received and paid shall be disclosed separately from period to period as either operating (for financial institution), investing or financing activities.			
		Taxes on income			
7p35	7	Disclose separately cash flows from taxes on income in operating activities, unless specifically identified with financing or investing activities.			
		Change in ownership interests in subsidiaries and other business			
7p39	8	Aggregate cash flows arising from the following are presented separately and classified as investing activities: (a) acquisitions; and (b) disposals of subsidiaries or other business units.			
7p40 (a-d)	9	Disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period each of the following: (a) the total consideration paid or received; (b) the portion of the consideration consisting of cash and cash equivalents; (c) cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and (e) the assets and liabilities, other than cash or cash equivalents, in the entity obtained or lost, summarised by each major category.			

		Components of cash and cash equivalents			
7p45	 10 11	For cash and cash equivalents, disclose: (a) the components; and (b) reconciliation of amounts in cash flow statement with cash and cash equivalents in statement of financial position.			
		Other disclosures			
7p48	12	Significant cash and cash equivalent balances held by the entity that are not available for use by the group should be treated as other assets with a commentary by management.			
BAS 8		**Accounting Policies, Changes in Accounting Estimates and Errors [Effective Date:1st Jan 2007]**			
8p19	1	Where a change in accounting policy is made on the adoption of an IFRS, provide the disclosures in accordance with the specific transitional provisions of that standard.			
8p28	 2 3 4 5 6 7 8 9	On initial application of a relevant standard or interpretation, disclose: (a) the title of the BFRS; (b) that the change in accounting policy is made in accordance with its transitional provisions, when applicable; (c) the nature of the change in accounting policy; (d) a description of the transitional provisions, when applicable; (e) the transitional provisions that might have an effect on future periods, (f) the adjustment for the current period and each prior period presented: (i) for each FSs line item affected; and (ii) if BAS 33 applies, the impact on basic and diluted earnings per share; (g) the adjustment to periods prior to those presented; and (h) if the retrospective application required is impracticable for a particular prior period, or for periods before those presented, disclose the fact. [these disclosures need not be repeated in the FSs of subsequent periods.]			
8p29	10	On a voluntary change in accounting policy, disclose: (a) the nature of the change in accounting policy; (b) the reasons why the new policy provides reliable and more relevant information; (c) the adjustment for the current and each prior period presented; (i) for each FS line item affected; and (ii) if IAS 33 applies, the impact on basic and diluted earnings per share; (d) the adjustment to periods prior to those presented; and (e) if the retrospective application required is impracticable for a particular prior period, or for periods before those presented disclose the fact. [these disclosures need not be repeated in the FSs of subsequent periods.]			
8p30	11	If an entity has not applied a new BFRS that has been issued but is not yet effective, disclose: (a) the pending implementation of a new standard; and (b) known or reasonably estimable information relevant to assessing the possible impact of new standard.			
DV 8p31	12	In complying with the previous paragraph, consider disclosing: (a) the title of the BFRS; (b) the nature of the impending change or changes in accounting policy;			

		(c) the date by which application of BFRS is required; (d) the date as at which it plans to apply the BFRS initially; and (e) either: (i) a discussion of the impact that initial application of the standard or interpretation is expected to have on the entity's financial statements; or (ii) if that impact is not known or reasonably estimable, a statement to that effect.			
		Changes in accounting estimates			
8p39	13	The nature and amount of change in the estimates.			
8p40	14	The amount of change and its effect on the current and future periods.			
		Errors			
8p49	 15 16 17 18	In considering prior-period errors, en entity should disclose: (a) nature of the prior period error; (b) the amount of correction in each period presented and the line of items affected. (c) the amount of correction at the beginning of the earliest period presented. (d) the correction relating to periods prior to those presented.			
BAS 10		**Events After the Reporting Date [Effective Date:1st Jan 2007]**			
10p17	 1 2 3	Include the following in the notes to the financial statements: (a) the date when the FSs were authorised for issue; (b who gave that authorisation; and (c) whether the entity's owners or others have the power to amend the FSs after issue.			
10p19	4	If an entity receives information after the reporting period about conditions that existed at the end of reporting period, it shall update disclosures that relate to those conditions, in the light of new condition.			
10p21	5	If non-adjusting events after the reporting period are material an entity shall disclose those events mentioning the nature of the event and an estimate of its financial effect.			
BAS 12		**Income Taxes [Effective Date:1st Jan 1999]**			
12p79,80	 1 2 3 4 5 6 7 8	The major components of tax expenses (income) shall be disclosed separately: (a) current tax expenses (income) (b) any adjustments recognized in the period for current tax of prior periods. (c) deferred tax expense (income) (d) deferred tax expense (income) for changes in tax rate or imposition of new tax. (e) benefits arising from a previously unrecognized tax loss that is used to reduce current tax expense; (f) benefits arising from a previously unrecognized tax loss that is used to reduce deferred tax expense; (g) deferred tax expense arising from the write-down (or reversal of a previous write down) of a deferred tax asset. (h) tax expense (income) relating to changes in accounting policies or error.			
		Disclose separately in statement of financial position and notes			
12p81	9 10	(a) the aggregate current and deferred tax charged or credited to equity. (b) the amount of income tax relating to each component of other comprehensive income as per para-62 of BAS-1.			

	11 12 13 14 15	(c) an explanation of the relationship between tax expenses (income) and accounting profit. (d) an explanation of changes in the applicable tax rate(s) compared to previous accounting period. (e) amount (and expiration date) of deductible temporary differences, unused tax losses, and unused tax credits for which no differed tax asset is recognized. (f) The aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates, and joint ventures for which deferred tax liabilities have not been recognized. (g) The net deferred tax balances of the current and previous period should be analyzed by types of temporary difference and type of unused tax loss and unused tax credits.			
12p8 2A	16	An entity shall disclose the nature of potential income tax consequences that would result from the payment of dividend to its shareholders.			
BAS 16		**Property, Plant and equipment (PPE) [Effective Date:1st Jan 2007]**			
16p7 3	 1 2 3 4 5	Disclosure with respect to each class of PPE in FSs comprise: (a) the measurement bases used for determining gross carrying amounts. (b) the depreciation methods used. (c) the useful lives or depreciation rates used. (d) the gross carrying amount and accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period. (e) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions (ii) assets classified as held for sale as per BFRS 5 and other disposals. (iii) acquisition through business combinations. (iv) increases and decreases arising from revaluations and from impairment losses and reversals thereof. (v) impairment losses recognized in profit and loss in accordance with BAS 36. (vi) impairment losses reversed in profit and loss in accordance with BAS 36. (vii) Depreciation (viii) net exchange differences recognized under BAS 21. (ix) other changes			
16p7 4	6 7 8 9	(a) restrictions on title and PPE pledge as security for liabilities. (b) expenditure recognized in the carrying amount of PPE in the course of construction. (c) contractual commitments for the acquisition of PPE. (d) compensation for PPE impaired, lost or given up.			
16p7 6	10	Disclose the nature and effects of a change in accounting estimate for: (a) residual values; (b) the estimated cost of dismantling, removing ar restoring items; (c) useful lives (d) depreciation methods.			
16p7 7	 11 12 13	For PPE stated at revalued amounts, disclose: (a) the effective date of revaluation; (b) whether an independent valuer was involved; (c) methods and significant assumptions applied;			

	14 15 16	(d) reference to observable prices in an arm's-length transactions; (e) for each revalued PPE, the carrying amount that would have been recognized had the assets been carried under the cost model. (f) the revaluation surplus, indicating the change for the period and any restrictions on distribution to shareholders.			
BAS 17		**Leases [Effective Date:1st Jan 2007]**			
		Lessees—Finance Leases:			
17p31	 1 2 3 4 5	In addition to requirement of BFRS 7, Disclose: (a) Asset: the net carrying amount for each class of assets (b) Liability: total minimum lease payments reconciled to the present values of lease liabilities in three periodic bands, namely- (i) no later than one year; (ii) later than one year but no later than five years; and (iii) later than five years; (d) contingent rents recognised as an expense for the period; (e) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting period; and (f) a general description of the lessee's significant leasing arrangements. This would include, but is not limited to: (i) the basis on which contingent rent payments are determined; (ii) the existence and terms of renewal or purchase options and escalation clauses; and (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.			
		Lessees – operating leases			
17p35	 6 8 9 10	In addition to requirement of BFRS 7, Disclose: (a) future minimum non-cancellable lease payments in three periodic bands (same information as for finance lease above); (b) the total of future minimum sublease payments to be received under non-cancellable subleases at the end of reporting period; (c) lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents and sublease payments; and (d) a general description of the significant leasing arrangements (same information as for finance lease above).			
		Lessors—Finance Leases			
17p47	 11 12 13 14 15 16	In addition to requirement of BFRS 7, Disclose: (a) the total gross investment reconciled to the present value of minimum lease payments receivable in the three periodic bands (mentioned above); (b) unearned finance income; (c) unguaranteed residual values; (d) accumulated allowance for uncollectible receivables; (e) contingent rents recognized as income; (f) a general description of the significant leasing arrangements.			

		Lessors – operating leases			
17p56	 17 18 19	In addition to requirement of BFRS 7, Disclose: (a) total future minimum non-cancellable lease payments in three periodic bands (same information as for finance lease above); (b) contingent rents recognized as income; (c) a general description of the significant leasing arrangements.			
BAS 18		**Revenue [Effective Date:1st Jan 2007]**			
18p35	1 2 3	(a) Accounting policies adopted for recognition of revenue; (b) Amounts of significant revenue arising from rendering of services, interest, royalties and dividends; (c) Amounts of revenue arising from exchange of goods and services.			
BAS 19		**Employee Benefits [Effective Date:1st Jan 2004]**			
	 1 2 3 4 5 6 7	The statement of financial position and notes shall include the following: • Details about the recognized defined benefit assets and liabilities; • Reconciliation of the movements of the aforementioned. • Amounts included in the fair value of plan assets with respect to: (i) the entity's own financial instruments, or (ii) property occupied or assets used by the entity. • The actual return on plan assets. • liability raised for equity compensation plan. • Financial instrument issed to and held by equity compensation plans as well as their fair value. • Share option held by and exercised under equity compensation plans.			
	 8 9 10	The statement of comprehensive income and notes shall include the following: • Expense recognized for defined contribution plans; • Expense recognized for defined benefit plans and the line of items in which they are included; • Expense recognized for under equity compensation plans.			
	 11 12 13 14	The following accounting policies should be disclosed: • Description of post-employment benefit plans; • Description of equity compensation plan; • Actuarial valuation methods used; • Principal actuarial assumptions.			
BAS 23		**Borrowing Cost [Effective Date:1st Jan 2007]**			
23p29	 1 2 3	An entity shall disclose: (a) the accounting policy adopted for borrowing costs; (b) the amount of borrowing cost capitalized during the period; and (c) capitalization rate used to determine capitalized borrowing costs; and			
BAS 24		**Related party Disclosures [Effective Date:1st Jan 2007]**			
24p12	1	Relationships between parent and subsidiaries should be disclosed. Name of the parent and, if different, name of the ultimate controlling party should be disclosed.			

24p16	 2 3 4 4	An entity shall disclosed key management personnel compensation in total and for each of the following categories: (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; and (d) share based payments.			
24p17	 5 6 7 8	If related party transactions occur, the following should be disclosed: (a) Amount of transactions; (b) amount of outstanding balances (including Terms & conditions and details of guarantee); (c) Provisions for doubtful debts and bad and doubtful debt expense. (d) Expense recognized during the period for doubtful debts.			
24p18	9	Disclosure required by paragraph 17 shall be disclosed for- (a) parent; (b) entities with joint control of significant influence over the entity; (c) subsidiaries; (d) associates; (e) joint venture in which the entity is a venture; (f) key management personnel of the entity or its parent; and (g) other related party.			
BAS 26		**Accounting and Reporting by Retirement Benefit Plans [Effective Date:1st Jan 2007]**			
26p34	 1 2 3	The FSs of a retirement befit plan, whether defined benefit or defined contribution, shall also contain the following information: (a) a statement of changes in net assets available for benefits; (b) a summary of significant accounting policies; and (c) a description of the plan and the effect of any changes in the plan during the period.			
BAS 27		**Consolidate and Separate Financial Statements [Effective Date:1st Jan 2007]**			
27p41(a-e)	1 2 3 4	**Disclose the following in the consolidated financial statements**: (a) the nature of the relationship between the parent and a subsidiary; (c) the end of the reporting period of the FSs of a subsidiary. If the reporting period of subsidiary is different mention the reason; (d) the nature and extent of any significant on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances; (e) a schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control on the equity attributable to owners of the parent; and			
27p41(f)(i)(ii)	5	(f) if control of a subsidiary is lost, the parent discloses the gain or loss, if any, recognised in accordance with paragraph 34; (i) the portion of that gain or loss attributable to recognising any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the line item(s) in the statement of comprehensive income in which the gain or loss is recognised (if not presented separately in the statement of comprehensive income).			

		Separate financial statements			
27p42	6	When separate FSs are prepared for a parent, disclose in the separate FSs: (a) the fact that the FSs are separate FSs. The name and country of incorporation of the parent that publishes a consolidated FS. (b) a list of significant investments in subsidiaries, jointly controlled entities and associates; (c) a description of the method used to account for the investments listed under (b).			
BAS 33		**Earnings per Share [Effective Date:1st Jan 2007]**			
33p66	1 2	• Present basic and diluted EPS on the face of the income statement for each class of ordinary shares of the parent entity; • Present diluted EPS for each class of ordinary shares.			
33p67	3	Present EPS for every period for which an income statement is presented.			
33p68	4	For discontinuing operation disclose the basic and diluted amounts per share for the discontinuing operation either on the face of the income statement or notes.			
33p69	5	Present basic and diluted EPS, even if the amounts are negative (a loss per share).			
33p70 (a-d)	6	Amount used as numerators for basic and diluted EPS and a reconciliation of those amounts to the net profit or loss for the period.			
BAS 34		**Interim Financial Reporting (IRF) [Effective Date:1st Jan 1999]**			
		Minimum component of an IRF			
34p8	1 2 3 4 5	(a) a condensed statement of financial position; (b) a condensed statement of comprehensive income; (c) a condensed statement of changes in equity; (d) a condensed statement of cash flows; and (e) Selected explanatory notes.			
		Selected explanatory notes in the IRF should include at a minimum:			
34p16	6 7 8 9 10 11 12 13 14 15	(a) a statement of accounting policies have been applied consistently or a description of any changes made since the last annual FSs; (b) explanatory comments about the seasonality or cyclicality of interim operations; (c) nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence; (d) changes in estimates of amounts reported in prior interim periods of the current year or amounts reported in prior years; (e) issuances, repurchases and repayment of debt and equity securities; (f) dividend paid separately for ordinary and other shares. (g) revenue and result of segments or geographical segments, whichever is the primary format of segment reporting; (h) events occurring after the statement of financial position date. (i) purchase or disposal of subsidiaries and long-term investments, restructurings and discontinued operations; (j) changes in contingent liabilities or assets;			
34p19	16	The fact that the IRF complies with this standard.			

34p26	17	If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount should be disclosed in a note to the annual financial statements.			
BAS 36		**Impairment of Assets [Effective Date:1st Jan 2005]**			
		Statement of comprehensive income			
36p126	1 2 3 4	(a) Impairment losses; (b) reversals of impairment losses; (c) amount recognized directly in equity for impairment losses; and (d) amount recognized directly in equity for reversals of impairment losses.			
36p130	5	If an impairment loss for an individual asset or cash-generating unit is recognized or reversed and is material to the FSs, disclose: • Events and circumstances that led to the loss being recognized or revised. • Amount recognized or revised. • Details about the nature of the asset of the cash generating unit and reportable segments involved. • Whether recoverable amount is the net selling price or its value in use. • The basis used to determine net selling price or the discount rate used to determine value in use, and any previous value in use.			
BAS 37		**Provisions, Contingent Liabilities and Contingent Assets [Effective Date:1st Jan 2007]**			
37p84	 1 2 3 4 5	**Provisions:** for each class of provision, an entity shall disclose: (a) the carrying amount at the beginning and end of the period; (b) additional provisions made in the period, including increases to the existing provisions; (c) amount used during this period; (d) unused amount reversed during the period; and (e) the increase during the period in the discounted amount arising from passage of time and the effect of any change in discount rate.			
37p85	6	For each class of provision disclose separately- A brief description of the nature of obligation and the expected timing of any resulting outflows of economic benefits.			
37p86	 7 8 9 10	**Contingent liabilities:** disclose the following for each class separately: (a) a brief description of the nature of the liability; (b) estimate of the financial effect; (c) Indication of uncertainties relating to the amount or timing of any outflow of economic benefits; (d) the possibilities of any reimbursement.			
37p89	11	**Contingent Assets:** disclose the following for each class separately: • a brief description of the nature of the assets; • estimate of the financial effect.			
BAS 40		**Investment Property [Effective Date:1st Jan 2007]**			
	 1 2 3	**Accounting policy should specify the following:** • Criteria to distinguish investment property from owner-occupied property; • Methods and significant assumptions applied in determining fair value; • Extent to which fair value has been determined by an external independent valuer;			

	4 5 6	• Measurement bases, depreciation methods and rates for investment property valued at cost model; • The existence and amounts of restrictions on the investment property; • Material contractual obligations to purchase, construct, or develop investment property of for repairs or enhancement of the property.			
	  7 8 9	Statement of Financial position and notes shall include the following: When an entity applies **fair value model-** • A detailed reconciliation of movements in the carrying amount during the period; When an entity applies **cost model-** • All the disclosure requirements of BAS 16 should be furnished; • The fair value of investment property is disclosed by way of note.			
BFRS 7		**Financial Instruments(FIs): Disclosure [Effective Date:1st Jan 2010]**			
 BFRS 7p7	 1	**General disclosures** Disclose information that enables users of the FSs to evaluate the significance of FIs for financial position and performance.			
		Statement of Financial position			
		Categories of financial assets and financial liabilities			
IFRS 7p8	 2 3 4 5 6 7	Disclose either on the face of the statement of financial position or in the notes the carrying amounts of each of the following categories, as defined in IAS 39: (a) financial assets at fair value through profit or loss, showing separately: (i) those designated as such upon initial recognition; and (ii) those classified as held for trading in accordance with IAS 39; (b) held-to-maturity investments; (c) loans and receivables; (d) available-for-sale financial assets; (e) financial liabilities at fair value through profit or loss, showing separately: (i) those designated as such upon initial recognition; and (ii) those classified as held for trading in accordance with IAS 39; and (f) financial liabilities measured at amortised cost.			
		Financial assets or financial liabilities at fair value through profit or loss			
BFRS 7p9	8	If a loan or receivable (or group of loans or receivables) is designated as at fair value through profit or loss, disclose: (a) the maximum exposure to credit risk; (b) mitigation of risk by using credit derivatives; (c) the change in the fair value attributable to the credit risk (not market risk events) as well as the methods used to achieve this specific credit risk disclosure; (d) the change in the fair value of any related credit derivatives during the period and cumulatively since the loan or receivable was designated.			
BFRS 7p10	9	If the entity has designated a financial liability as at fair value through profit or loss in accordance with IAS 39 para 9, disclose: (a) the change in the fair value attributable to the credit risk (not market risk events) as well as the methods used to achieve this specific credit risk disclosure; (b) the difference between the carrying amount and the required contractual payment when the liability matures.			

		Reclassification			
BFRS 7p12	10	If the entity has reclassified a financial asset (in accordance with BAS 39 paras 51-54) as one measured: (a) at cost or amortised cost, rather than at fair value; or (b) at fair value, rather than at cost or amortised cost, disclose the amount reclassified into and out of each category and the reason for that reclassification.			
		Derecognition			
BFRS 7p13	11	If financial assets have been transferred in such a way that part or all of the financial assets do not qualify for derecognition (BAS 39 paras 15-37), disclose for each class of such financial assets: (a) the nature of the assets; (b) the nature of the risks/rewards of ownership still exposed; (c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and (d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.			
		Collateral			
BFRS 7p14	 12 13	Disclose: (a) the carrying amount of financial assets that the entity has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with IAS 39 paras 37(a); and (b) the terms and conditions relating to its pledge.			
BFRS 7p15	14	When the entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, disclose: (a) the fair value of the collateral held; (b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and (c) the terms and conditions associated with its use of the collateral.			
		Allowance account for credit losses			
BFRS 7p16	15	Reconciliation of changes during the current period should be provided for all impaired financial assets, by class of assets.			
		Compound financial instruments with multiple embedded derivatives			
BFRS 7p17	16	If the entity has issued an instrument that contains both a liability and an equity component (IAS 32 para 28) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), disclose the existence of those features.			
		Defaults and breaches			
BFRS 7p18	 17 18 19	For loans payable recognised at the reporting date, disclose: (a) details of any defaults during the period of principal, interest, sinking fund or redemption terms of those loans payable; (b) the carrying amount of the loans payable in default at the reporting date; and (c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.			

		Statement of Comprehensive Income			
		Items of income, expense, gains or losses			
BFRS 7p20	 20	Disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes: (a) net gains or net losses on: (i) financial assets or financial liabilities at fair value through profit or loss, showing separately in accordance with BAS 39; (ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised directly in equity during the period and the amount removed from equity and recognised in profit or loss for the period; (iii) held-to-maturity investments; (iv) loans and receivables; and (v) financial liabilities measured at amortised cost;			
	21	(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss;			
	22	(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from: (i) financial assets or financial liabilities that are not at fair value through profit or loss; and (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions;			
	23	(d) interest income on impaired financial assets accrued in accordance with IAS 39 AG 93; and			
	24	(e) the amount of any impairment loss for each class of financial asset.			
		Other disclosures			
		Accounting policies			
BFRS 7p21	25	Summary of significant accounting policies, the measurement basis (or bases) used in preparing the FSs and the other accounting policies used that are relevant to an understanding of the FSs.			
		(b) Disclosure of Hedging activities			
BFRS 7p22		Disclose the following separately for each type of hedge described in BAS 39 (ie, fair value hedges, cash flow hedges and hedges of net investments in foreign operations):			
	26	(a) a description of each type of hedge;			
	27	(b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and			
	28	(c) the nature of the risks being hedged.			
BFRS 7p23		For cash flow hedges, disclose:			
	29	(a) periods when the cash flows are expected to occur and when they are expected to affect profit or loss;			
	30	(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;			
	31	(c) amount recognised in equity during the period;			
	32	(d) amount removed from equity into profit or loss, showing the amount included in each line item in the income statement; and			
	33	(e) amount removed from equity into initial cost/carrying amount of forecast hedged non-financial instrument.			

BFRS 7p24	 34 35 36	Disclose separately: (a) in fair value hedges, gains or losses: (i) on the hedging instrument; and (ii) on the hedged item attributable to the hedged risk; (b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges; and (c) the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.			
		(c) Fair value			
BFRS 7p25	37	For each class of financial assets and liabilities disclose the fair value in a way that permits to be compared with carrying amount.			
BFRS 7p27	38 39 40 41	(a) methods and valuation techniques used in fair value determination; (b) market price preference if used; (c) valuation techniques using assumptions not supported by observable/quoted market prices. (d) the change in the fair value recognized in profit or loss, using this technique.			
BFRS 7p30	42	The carrying amount and profit or loss on de-recognition of instruments whose fair value could not be measured reliably.			
		12. Nature and extent of risks arising from financial instruments			
		Qualitative disclosures			
BFRS 7p33	 43 44 45	For each type of risk arising from financial instruments, disclose: (a) the exposures to risk and how they arise; (b) objectives, policies and processes for managing the risk and the methods used to measure the risk; and (c) any changes in (a) or (b) from the previous period.			
		Quantitative disclosures			
BFRS 7p34	 46 47	For each type of risk arising from financial instruments, disclose: (a) summary quantitative data as supplied by key management personnel; (b) & (c) Details of all risk concentration.			
BFRS 7p35	48	Further information if data provided are not representative of the risk during the period.			
		(a) Credit risk			
BFRS 7p36	 49 50 51 52	Disclose by class of financial instrument: (a) the amount that best represents its maximum exposure to credit risk; (b) a description of any collateral held. (c) information about the credit quality of financial assets that are neither past due nor impaired. (d) the carrying value of assets negotiated.			
		Financial assets that are either past due or impaired			
BFRS 7p37	 53 54	Disclose by class of financial asset: (a) the age of financial assets that are past due but not impaired; and (b) an analysis of financial assets that are individually determined to be impaired including the factors the entity considers in determining that they are impaired.			
		Collateral and other credit enhancements obtained			
BFRS 7p38	55	(a) the nature and carrying amount of the assets; and (b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.			

		(b) Liquidity risk			
IFRS 7p39	56 57	Disclose: (a) An analysis of remaining contractual maturities. (b) A description of management inherent liquidity risk.			
		(c) Market risk			
		Sensitivity analysis			
IFRS 7p40	58	Unless an entity complies with IFRS 7 para 41, disclose: (a) sensitivity analysis, including the impact on income and equity; (b) methods and assumptions used for sensitivity analysis; and (c) changes from the previous period.			
		Other market risk disclosures			
IFRS 7p42	59	When the sensitivity analyzes in accordance with para 40 and 41 are unrepresentative of a risk inherent in a financial instrument disclose that fact and the reason the sensitivity analyzes are unrepresentative.			
BAS 30		**Disclosure in the Financial Statements of Banks and Similar Financial Institutions [Effective Date:1st Jan 1999]**			
		Accounting Policies			
30p8	1	Disclose the accounting policies that are followed for FSs.			
		Income Statement			
30p9	2	Income and expenses should be presented as group by nature.			
30p10	3	Disclosure of Prescribed items income statement or in the notes.			
30p13		Income and expenses items shall not be offset.			
30p15	4	Gain and losses arising from disposals and changes in the carrying amount of dealing securities, disposals of investment securities and dealings in foreign currencies are normally reported on net basis.			
30p16	5	Interest income and expenses should be disclosed separately.			
30p17	6	Govt. assistance to bank by making deposits and other credits.			
		Balance Sheet			
30p18	7	Group assets and liabilities as their nature and present as their liquidity.			
30p19	8	Disclose assets and liabilities in the stated form in this para among others.			
30p21	9 10 11 12 13 14	A bank should disclose separately: (a) the balance with central bank; (b) placement with other bank; (c) other money market placements; (d) deposits from other banks; (e) other money market deposits; and (f) other deposits.			
30p24	15	A bank should disclose the fair values of each class of its financial assets and liabilities.			
30p25	16	Financial assets should be presented by classification as: • loans and receivables originated by the enterprise, • held to maturity investments, • Financial assets at fair value through profit or loss, and • available-for-sale financial assets.			
		Contingencies and commitments including off Balance Sheet Items			
30p26	17	Bank should disclose the amount and nature of contingent liabilities and commitments.			

		Maturities of Assets and Liabilities			
30p30	18	A bank shall disclose an analysis of assets and liabilities into relevant groupings based on remaining period at the balance sheet date to the contractual maturity date.			
30p33	19	Maturity grouping of assets and liabilities as: (a) Up to 1 month; (b) from 1 month to 3 months; (c) from 3 month to 1 year; (d) from 1 year to 5 years; (e) from 5 years and above.			
30p34	20	In the maturity grouping, maturity period of assets and liabilities should be same.			
30p36	21	A bank should disclose an analysis of deposits and advances expressed in terms of contractual maturities.			
		Concentration of assets, liabilities and off Balance Sheet items			
30p40	 22 23 24	A bank should disclose any significant concentrations of its assets, liabilities and off balance sheet items in terms of • geographical areas, • customer or industry group, or • other concentration of risk.			
30p41	25	Bank should also disclose the amount of significant net foreign currency exposures arising from changes in exchange rates.			
		Losses on Loans and Advances			
30p43	 26 27 28	A bank should disclose: (a) accounting policy for uncollectible loans and advances that are recognized as expense or written off; (b) details of the movements in allowance for impairment losses on loans and advances separately; (c) the aggregate amount of allowance account for impairment losses on loans and advances.			
30p44	29	Any amount set aside in respect of losses on loans and advances shall be accounted for as appropriations of retained earnings.			
		General Banking Risks			
30p50	30	Any amount set aside for banking risks should be separately disclosed as appropriation of retained earnings.			
		Assets Pledged as Security			
30p53	31	A bank should disclosed the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security.			
		Trust Activities			
30p55	32	If the bank engaged in significant trust activities disclose the fact.			
		Related Party Transactions			
30p58	33	When a bank entered into transactions with related party, it is appropriate to disclose the nature of relationships and transactions.			
BFRS 1		**First-time Adoption of Bangladesh Financial Reporting Standards**			
BFRS1 p35-46	1	A statement should be made to the effect the FSs are being prepared in terms of BFRS for the first time			
	2	The way in which the transition from previous GAAP to BFRS has affected the reported financial position, financial performance, and cash flows.			
	3	With regard to reporting date reconciliation from previous GAAP disclose: • Equity reconciliation at transition date and at the end of the previous GAAP period. • Profit reconciliation for the last GAAP period.			
	4	With regard to interim reporting reconciliation, disclose: • Equity reconciliation at transition date and at the end of the previous GAAP period.			

		• Profit reconciliation for the last GAAP period and for the prior year comparative period.			
	5	Impairment losses are disclosed as follows: • Recognized or reserved on transition to BFRS • BAS 36 disclosure as if recognized or reserved in the period beginning on the transition date.			
	6	Use of fair value as deemed cost, disclose: • Aggregate amount for each line item • Adjustment from previous GAAP for each line item.			
BFRS 3		**Business Combination**			
BFRS 3p59 -63	1 2 3 4 5 6 7 8 9 10 11	The acquirer should disclose: • Name and description of the combining entities or business. • Acquisition date. • Percentage of voting equity instruments acquired. • Cost of combination and a description of the components of that cost. such as number of equity instruments issued or issuable, the fair value of those instruments, and the basis for determining the fair value. • Details of any operations the entity has decided to dispose of as a result of the combination. • Amounts recognized at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities. • Amount of any excess (negative goodwill) recognized in profit or loss, and the line item in the statement of comprehensive income in which the excess is recognized. • A description of factors that contributed to goodwill • Revenue and profit &loss of the combined entity • Information to enable users to evaluate the effects of adjustments that relate to prior business combination should be disclosed. • All information necessary to evaluate changes in the carrying amount of goodwill during the period.			
BFRS 8		**Operating Segments**			
BFRS 8p20 -24	1	An entity should disclose the factors used to identify its reportable segments, including- • The basis of organization (product & services, geographic areas, regulatory environments or a combination thereof); • Whether the operating segments have been aggregated; • Types of products and services from which the reportable segment derives its revenues.			
	2	A measure of profit or loss and total of assets for each reportable segment.			
	3	A measure of liabilities for each reportable segment if such amount is regularly provided to the chief operating decision maker.			
	4	Revenues from external customers			
	5	Revenues from transactions with other operating segments of the same entity.			
	6	Interest revenue			
	7	Interest expense			
	8	Depreciation and amortization			
	9	Material items of income			
	10	Income tax expense			
Total	**371**				

Source: Prepared by the researcher after review of all the provisions of IFRS, BFRS/BAS relating to the financial reporting of banks.