ERNATIONAL ACCOUNTING STANDARDS: OF THE APPLICATIONS FOR ACCOUNTING PRACTICES IN BANGLADESH

-By-

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tion submitted for the Degree of Doctor of Philosophy to the Department of Accounting and Information tems, University of Dhaka, Dhaka, Bangladesh

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INTERNATIONAL ACCOUNTING STANDARDS: A STUDY OF THEIR IMPLICATIONS FOR ACCOUNTING PRACTICES IN BANGLADESH

By

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July 2005

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TO

MY BELOVED FATHER

HIRA LAL PAUL

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Supervisor's Certificate

This is to certify that Mr. Arun Prashad Paul, a Ph. D. student registered in the Department of Accounting and Information Systems, University of Dhaka, has prepared this dissertation under my supervision. This is a unique and independent work of Mr. Paul. The dissertation has not been submitted to any other University or Authorities for any degree.

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Abstract

The International Accounting Standards (IASs) and the International Financial Reporting Standards (IFRSs), the most useful accounting guidelines are issued by the International Accounting Standards Committee (IASC) and the International Accounting Standards Board (IASB) respectively for global harmonization of accounting systems. Here it may be noted that IASB is the descendant of IASC. The Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB), two professional accounting bodies, are the members of IASB. Though the formal efforts towards global harmonization of accounting systems started from 1973, the ICAB and the ICMAB introduced IASs in their syllabi in 1983 and 1998 respectively. During October 1997 the Securities and Exchange Commission (SEC) of Bangladesh made IASs mandatory for the listed companies vide the Securities and Exchange Rules (SER) 1987, but section 12(2) of the SER 1987 empowered the ICAB to adopt IASs in Bangladesh. The Research and Technical Committee of the ICAB plays a unilateral role to give acceptance to the IASs/IFRSs applicable to Bangladesh. Till 17th March 2005, the ICAB has accepted 29 IASs out of 34 IASs issued by the IASC. It is experienced that some of them have no use in Bangladesh context.

In many countries of the world, the acceptance or development process of accounting standards is multilateral. That is, the concerned groups like company accounts preparers, accounting professionals, regulators, business leaders or employers, academicians, users of financial statements are involved in this process. As a result the implementation of IASs/IFRSs became easier in those countries. But in Bangladesh, these concerned groups are not involved in this acceptance process.

In this situation, it is hypothesized that the ways in which these things are going on are not appropriate. For successful implementation of IASs in Bangladesh, need for a particular IAS should be assessed. At the same time all the concerned groups (as stated above) should get involved in acceptance and implementation process. Keeping all these in view, the present study has been designed to make an analysis based on the survey of six respondent-groups viz. (i) Accounts Preparers (ii) Professionals (iii) Regulators (iv) Business Leaders/Employers (v) Academicians and (vi) Users of financial statements.

The present dissertation has three parts and ten chapters. These are - Part-I: Introduction and Methodology, Part-II: Literature Survey, and Part-III: The Empirical Study. Part-I has two

chapters, Part-II has five chapters and Part-III has three chapters. In part-I, statement of the problems, objectives of the study, rationale of the study, methodology of the study have been described. Part-II covers review of available literature. This part is completely based on deskwork. Historical background of IASs, present status of IASs in different countries, problems and prospects of IASs, articles published in Bangladesh on IASs, some related research work have been described and reviewed indifferent chapters of Part-II. In part-III respondents' views has been analyzed and described. This chapter is based on empirical survey. Opinion of six respondents groups, as stated above, has been analyzed with the help of SPSS (Statistical Package for Social Science) software.

The opinion survey reveals that the above-mentioned respondents significantly differ on the present acceptance and implementation process followed in Bangladesh. Only professional accountants think that the present process of acceptance is appropriate. In favor of this argument some professional accountants informally said that IASs/IFRSs are highly technical accounting devices. So, there is a little scope for the non-accounting or non-professional accountants to contribute to the present acceptance process. Regarding issue of relevance of IASs to Bangladesh, accounts preparers view that some IASs, already accepted by the ICAB, are irrelevant to Bangladesh, because the context covered by these IASs does not prevail in Bangladesh. The members of the ICAB also agreed with this point of view, but they argued that the situation to apply these IASs might arise in the near future. Since Bangladesh does not incur any costs of standards setting, it is not a problem at all in Bangladesh to accept an IAS that has no use at present. Regarding impediments on the way to implement IASs in Bangladesh, the respondents opine that dearth of skilled manpower is the main impediment on the way to adopt IASs in Bangladesh. Other obstacles are: inefficient capital market, investors' insensitivity to financial information, conservative society, lack of good corporate governance, etc. The academicians viewed that they could play a vital role to produce accounting graduates according to the need of the country. They emphasized the need for an effective liaison between the academicians and the professionals for reciprocal sharing of academic and real life expertise. This would help the academicians to transmit the real life knowledge to the students. They also opined in favor of developing accounting text books based on IASs/IFRSs for the real life application. Many users of financial statements do not understand how IASs can protect their interest. *They strongly believe that the financial statements do not represent 'true and fair view' of an organization. Their belief is that management conceals sensitive information in the financial statements.* These might be the

vital reasons for which the users are not so interested in the financial information disclosed in the financial statements. An overwhelming majority of users cannot distinguish between the situation of having IASs and that of not having IASs.

In view of the above findings, the present study provides certain recommendations:

- A separate independent accounting standards body is to be formed comprising accounting experts and other concerned groups for acceptance of IASs/IFRSs and/or development of Bangladesh Accounting Standards within the framework of IASs/IFRSs based on local needs.
  - This body will assess the need for a particular IAS/IFRS before being adopted.
  - This body will issue proper guidelines for proper implementation of IASs/IFRSs.
  - This body should monitor the implementation aspect of IASs/IFRSs so that authentic financial information could be disclosed. The confidence of the users needs to be restored.
  - This body will identify the discrepancies of financial information with the requirement of IASs/IFRSs, and will lodge charge against the concerned company.
  - This body will give verdict for any misstatement of financial information and/or for non-compliance with the requirement of IASs/IFRSs. Thus the users of financial statements will feel confident regarding authenticity of financial information.
- IASs/IFRSs are to be made mandatory for all limited companies, viz. listed and unlisted public limited companies and private limited companies. To do this the Companies Act 1994 is to be amended to accommodate IASs/IFRSs. This action will create a general congenial environment for.
- Syllabi of graduation levels of different universities, and syllabi of ICAB and ICMAB are to be developed in the light of IASs/IFRSs. This will generate skilled human resources on IASs/IFRSs who will have a positive perception as regards implementation of IASs/IFRSs in Bangladesh.

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List of abbreviations

Abbreviations	Full meanings of abbreviations
AAA	American Accounting Association
ACCA	Chartered Association of Certified Accountants
ADB	Asian Development Bank
AFA	Asean Federation of Accountants
AIA	American Institute of Accountants
AIC	Association Internationale de Comptabilite′
AICPA	American Institute of Certified Public Accountants
AISG	Accountants International Study Group
APB	Accounting Principles Board
ARB	Accounting research bulletins
ASB	Accounting Standards Board
ASC	Accounting Standards Committee
ASEAN	The Association of South Asian Nations
ASSC	Accounting Standards Steering Committee
BOI	Board of Investment
BRPD	Banking Regulations and Policy Department
CAP	Committee on Accounting Procedure
CAPA	Confederation of Asia Pacific Accountants
CCAB	Consultative Committee of Accountancy Bodies
CFO	Chief Financial Executives
CICA	Canadian Institute of Certified Accountants
CIMA	Chartered Institute of Management Accountants
CIPFA	Chartered Institute of Public Finance and Accountancy
EC	European Commission
EEC	European Economic Community
EPZ	Export Processing Zones
EU	European Union
FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board
FCA	Fellow Chartered Accountant

FDI	Foreign direct investments
FEE	Fédération des Experts Comptables Européens [European Accounting]
FIBV	International Federation of Stock Exchanges
FIFO	First In First Out
FRC	Financial Reporting Council
FRRP	Financial Reporting Review Panel
G7	Group Seven [Economic Group of Seven Developed Countries namely the USA, the UK, France, Germany, Italy, Japan and Australia]
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
IAAER	International Association for Accounting Education and Research
IAFEI	International Association of Financial Executives Institutes
IAS	International Accounting Standards
IASB	International Accounting Standard Board
IASC	International Accounting Standards Committee
IBA	International Bar Association
IBA	Investment Bankers Association of America
ICAB	Institute of Chartered Accountants of Bangladesh
ICAC	International Committee for Accounting Cooperation
ICAEW	Institute of Chartered Accountants of England and Wales
ICC	International Chamber of Commerce
ICC	Interstate Commerce Commission
ICCAP	International Coordination Committee for The Accounting Profession
ICFAR	International Comparative Financial Accounting Research
ICFTU	International Confederation of Free Trade Unions
ICI	Institute of Chartered Accountants of Ireland
ICIA	International Council of Investment Associations
ICMAB	Institute of Cost and Management Accountants of Bangladesh
ICS	Institute of Chartered Accountants of Scotland
ICSMAB	Institute of Chartered Secretaries and Managers of Bangladesh.
IDB	Islamic Development Bank
IFAC	International Federation of Accountants

IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISA	Standards of Auditing
ISAR	International Standards of Accounting and Reporting
IVSC	International Valuation Standards Committee
LDC	Least Developed Countries
LIFO	Last In First Out
MNC	Multi-national corporations
MP	Member of Parliament
NASDA	National Association of Securities Dealers Automated Quotation
NIVRA	The Netherlands Institut van Registeraccountants
NYSE	New York Stock Exchange
NYU	New York University
OECD	Organization for Economic Corporations and Development
OIC	Organization for Islamic Conference
OPEC	Organization of Petroleum Exporting Countries
PSLC	Public Sector Liaison Committee
R&D	Research and Development
SAARC	The South Asian Association for Regional Cooperation
SAC	Standards Advisory Council
SAFA	South Asian Federation of Accountants
SEC	Securities and Exchange Commission
SIC	Standing Interpretations Committee
SME	Small and medium sized enterprises
SOE	State-Owned Enterprises
SORP	Statements of Recommended Practice
SPSS	Statistical Package for Social Science
SSAP	Statements of Standard Accounting Practices
TFOSS	Task Force on Standard Setting
UEC	Union Europeénne des Experts Comptables Economiques et Financiers
UITF	Urgent Issue Task Force

UNESCO	United Nations Education, Science and Cultural Organization.
UNO	The United Nations Organization
USSR	Union of Soviet Socialist Republic

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PART - I: INTRODUCTION AND METHODOLOGY

Chapter - 1: Introduction

Chapter - 2: Research Methodology

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Chapter - 1

Introduction

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CHAPTER – I

INTRODUCTION

1.1 Prelude:

The history of Accounting Standards shows that it has a long evolutionary process of development. Still today this process is going on. Since accounting is a service industry, it has to serve the society according to the need of its environment. As an important measuring tool of economic activities and a generator of financial information for decision-making, accounting has become an integral part of human civilization. During the time of monarchs and feudal lords, it served the needs of monarchs and lords. Under a socialistic economic system, also, accounting was treated as one of the most important controlling tool. In the word of Ozira (1974), *"Socialism means Accounting. One cannot think of socialism without Accounting"*. In the same way, accounting has occupied an important place in the democratic system of government and also in the free market economy. Accounting is an indispensable ingredient of the society. It is not limited to any geographical or social boundaries. It is international in scope. Specially, during the late 1960s pressures from different interest groups of different corners of the globe mounted to harmonize the accounting system all over the world. Bangladesh has also become involved in this harmonization process. More than four decades have already passed, but global harmonization is still too far-off to reach. Today, global harmonization is a burning issue. Several endeavors are being carried out from different corners around the world towards global harmonization of accounting. Why is global harmonization of accounting so important? There is no short cut answer to this question. Many arguments for and against the global harmonization process are there. Numerous legal, social, cultural, and environmental issues are making the harmonization process prickly. Before going into the central part of the problem, one needs to be clear about accounting and its service to the society. In accordance with *Enthoven* (1996,11), "Accounting covers the entire administration or management of information for all socioeconomic activities and conditions in the micro and macro economic sectors, covering internal and external needs of various groups." In this regards, to add a quote from Choi and Mueller (1984, 25) would be relevant:

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> In society, accounting performs a service function. This function is put in jeopardy unless accounting remains above all technically and socially useful. Thus, it must respond to ever changing needs of society and must reflect the cultural, economic, legal, social, and political conditions within which it operates.

It reveals from above that accounting is like the son of the soil of a particular country. That is, accounting practices of a country is enormously affected by the environmental factors of that particular country. So it is quite natural that the accounting principles and practices of different countries would be different. Nevertheless global harmonization of accounting is an urgent need of the time. Because investment is the most fundamental prerequisite for economic development of any country and accounting information is most vital for any investment decision. In the era of global free economy, cross-border investment is taking place to a great extent. It is of immense importance in the developing countries like Bangladesh. To generate information as well as prepare financial reports, accounting needs to have a common *language* that is reasonably acceptable to all the investors and other concerned parties around the world. The universal comparability and understandability of financial reports necessitate the global harmonization of accounting. As a result, the International Accounting Standards Committee (IASC) was formed in the year 1973 by some Professional Accountancy bodies from developed countries like Australia, Canada, France, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, the United States of America and West Germany. Many countries and international bodies around the globe hold great interest for International Accounting Standards (IAS) issued by the IASC*. For example:

(1) On 11 May 1999, the European Commission (EC) adopted an "Action Plan" to improve the Single Market for Financial Services over the next five years. With respect to financial reporting, the Action Plan states:

> Comparable, transparent and reliable financial information is fundamental for an efficient and integrated capital market. Lack of comparability will discourage cross-border investment because of uncertainty as regards the credibility of financial statements. ..... At the present juncture, International Accounting Standards (IAS) seem the most appropriate bench-mark for a single set of financial reporting requirements which will

---

* Here it may be noted that IASC was restructured into IASC Foundation effective from 1st April 2001. A board named International Accounting Standards Board (IASB) has been formed under this Foundation to issue Accounting Standards. Statements of International Accounting Standards issued by the International Accounting Standards Committee (1973-2001) are designated "International Accounting Standards" (IAS). The International Accounting Standards Board (IASB) announced in April 2001 that its accounting standards would be designated "International Financial Reporting Standards" (IFRS).

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enable companies (which wish to do so) to raise capital on international markets [www.iasc.org.uk/frame/cen1_6_2.htm].

(2) On 16 February 2000, *the SEC of the United States* unanimously approved and issued for public comment a concept release regarding the use of International Accounting Standards. The release:

- seeks feedback from domestic and foreign parties regarding both acceptance of IASC standards and the broader issue of shaping a global financial structure for increasingly globalized capital markets;
- solicits comment regarding the quality of the IASC standards and raises questions regarding what supporting infrastructure is necessary in an environment where issuers and auditors often are multinational organizations, providing financial information in many countries;
- seeks to identify what important concerns would be raised by acceptance of IASC standards; and then asks for comment on whether the SEC should modify its current requirement for all financial statements to be reconciled to US GAAP; and
- emphasizes the SEC's desire to gain knowledge of first hand experience that issuers have had with applying IASC standards when preparing financial statements, public accountants have had with auditing the application of IASC standards and investors have had with using financial statements prepared using IASC standards." [www.iasc.org.uk/frame/cen1_6_3.htm]

(3) From the Financial Accounting, Reporting and Auditing Handbook of *The World Bank*, January 1995:

In the absence of any superior national standards, the Bank requires the use of IASs in the preparation of financial statements because their use facilitates comparability between projects and countries, ensures consistent presentation of financial statements, and facilitates their interpretation. However, the Bank recognizes that local practices, standards, or legal requirements may not fully reflect such standards. Government agencies serving as implementers may be required by their own laws and regulations to use an accounting methodology which does not meet IAS. Where national standards are used, the Bank requires financial statements to disclose any material departures from IAS, and the impact of such departures on the financial statements as presented must be stated [www.iasc.org.uk/frame/cen1_6_8.htm].

(4) In its 1997-1998 Annual Report, the *American Institute of Certified Public Accountants* (AICPA) said:

.....The AICPA continues to serve on the International Accounting Standards Committee (IASC), which released an exposure draft positing the first set of international rules on financial instruments, the final element in its revision of its core standards (International Accounting Standards). The Committee hopes eventually to gain recognition for its standards by the United States, which is one of only three major markets not using them, along with Canada and Japan. Also, the IASC is looking at its structure, funding and future role in attempting to be the source of accounting standards accepted worldwide [www.iasc.org.uk/frame/cen1_6_9.htm].

(5) Speaking at the XXIVth Annual Conference of International Organization of Securities Commissions (IOSCO) in Lisbon on 25 May 1999, the then International Monetary Fund (IMF) Managing Director *Michel Camdessus* observed,

Here IOSCO has been on the forefront, not only developing principles for the securities markets, but also working together with other agencies, for instance the IASC, to develop proper accounting and disclosure rules [www.iasc.org.uk/frame/cen1_613.htm].

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(6) At their meeting in Washington on 3 October 1998, the *Finance Ministers and Central Bank Governors* of the Group-7*(G-7) countries expressed support for International Accounting Standards as a means toward "greater transparency and openness in the financial operations of individual countries, of financial and corporate institutions, and of the international financial institutions..."

But it is amazing that the pioneer countries of the International Accounting Standards Committee, e.g. Australia, Canada, France, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, the United States of America and West Germany (now Germany) are not using the International Accounting Standards issued by the IASC. These countries prepare their financial reports either on the basis of their code laws or on the basis of accounting standards of their own. It obviously leads to some acute hindrances towards global harmonization of accounting. In such a global situation, Bangladesh has adopted IAS in 1997.

> Anyone wishing to study and research International Accounting today who ignores how we have arrived at such a rich variety of accounting practices is making a serious error. To write about harmonization of accounting practices, for example, without considering why different approaches have been adopted in different countries can be seen as a mistake (Samuels and Piper 1985, 9).

Consequently, a background review of the diversified accounting practices of different countries would be relevant and this will help identifying the problem of the study.

1.2 Background Review of the problem

The world would have been, indeed, magnificent, had all the nations, all the countries, all the peoples had a common language to talk. Likewise global harmonization of "*Accounting*" is a magnificent desire. But is it feasible or attainable? The world has a versatile environment in terms of geographical location, climate, governmental philosophy, social life and peoples' expectations, cultural environment, stage of economic development, level of education, legal framework, organizational structure of business etc. These are the main factors influencing accounting principles and practices of different countries. As a result diversity exists in the accounting systems around the world. For example the USA formulates its own financial accounting standards through

* Economic Group of Seven Developed Countries namely the USA, Canada, the UK, France, Germany, Italy and Japan are called Group Seven or in short G-7. Later on Russia joined the group in late 1998, there after it is called G-8

Financial Accounting Standards Board (FASB, 1973). Even a foreign company intends to be enlisted in any stock exchange in the USA is required to prepare its financial statements according to FASB standards or to reconcile the financial statements with the FASB standards. The Accounting Standards Board (ASB) of the UK issues financial accounting standards (Statement of Standard Accounting Practice i.e., SSAP) for the UK. In Japan multiple standards including IASs are allowed for different types of companies. Australian GAAP is compulsory for the domestic issuers in Australia. Foreign issuers are allowed to follow their national standards with reconciliation to Australian GAAP. Debt issuers are allowed to use US GAAP without reconciliation to Australian GAAP. In Canada all registrants must submit financial statements that follow Canadian GAAP. Foreign companies are allowed to follow their national GAAP, IASs or US, UK, or Australian GAAP with reconciliation to Canadian GAAP in the notes [compiled from: www.iasc.org.uk]. Multiple examples like these can be referred to. All the above countries are the founder members of International Accounting Standards Committee (IASC). The reality is that these countries are not using IASs. So, it would be prudent to test the suitability of IAS to the environment (legal, political, cultural, economic, education etc.) before making them an integral part of the legal framework of Bangladesh.

It may be argued that when one company goes to Australia, Canada, the USA or any other developed country, it goes to raise fund, but not to invest. In Bangladesh foreigners are invited to invest. So, Bangladesh will have to accommodate and entertain the foreign investors in accordance with their (foreign investors) need for the economic interest of her own. To accommodate the needs and demands of the foreign investors, Bangladesh is reasonably tolerant even to change her local laws. The USA, the UK or other developed countries do not need to look after the needs of the foreign issuers in their countries. Because different companies go to the developed countries like the USA or the UK for their own interest, not for the interest of those host countries. Naturally, the companies in need of funds will have to reconcile in respect of legal and accounting matters with the countries having surplus funds. The ultimate solution to these types of problems is the global harmonization of accounting system. Since global harmonization is still far away to reach, necessity for adjustment or reconciliation of accounting matters between two

countries is unavoidable. In such a situation, it is the necessity of Bangladesh to create an environment (as regards accounting system) suitable for the foreign investors with a view to magnetize foreign investment. Accordingly, IASs have been adopted and are made mandatory, for the companies already enlisted or intend to be enlisted in any Stock Exchange(s) in Bangladesh, by the Securities and Exchange Rules 1987 during October 1997.

There might be another argument against adoption of IAS in Bangladesh. The argument is: to make a foreign direct investment in Bangladesh, it is not necessary that an investor will have to be enlisted in either Dhaka or Chittagong Stock Exchange. According to the Foreign Investors Chamber of Commerce and Industry, there are sixty (Table-1.1) foreign companies working with huge investment in Bangladesh. Only seven of them are enlisted in the Dhaka Stock exchange and the Chittagong Stock Exchange. Apart from this, huge Foreign Direct Investment (FDI) has taken place in the different Export Processing Zones (EPZs) in Bangladesh. None of these unlisted Foreign Companies is required to prepare its financial statements on the basis of IASs. Because, they are not publicly traded companies, they are not regulated by the Securities and Exchange Rules 1987. Rather they are regulated by the companies Act 1994. So these companies are not in compulsion to prepare their financial statements on the basis of IASs. It proves that implementation of IASs is not a vital issue to attract FDI.

But when the foreign investors intend to invest in financial assets of the listed companies, then the listed companies should prepare their financial statements in international language i.e., on the basis of International Accounting Standards. On the other hand, there are some multinational companies working in Bangladesh those are enlisted in Dhaka and/or Chittagong Stock Exchange. Multinational companies are the great sufferers of diversified accounting system of different countries. This is why these multinational companies were the active supporters of IASs adoption in Bangladesh. Even it is evident that different multinational companies in Bangladesh like British American Tobacco Bangladesh Co. Ltd. (UK), Singer Bangladesh Ltd. (Canada), Bata Shoe Co. (Bangladesh) Ltd. (Canada) prepared their external reports on the basis of IASs before adopting them in Bangladesh.

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Table: 1.1 Foreign Investment in Bangladesh: Multinational Corporations in numbers by Sector and by Country for the year 2003

Sectors / Countries	Banking & Insurance	Pharmaceuticals	Chemicals & Cement	Power	Textile & Garments	Food, Milk & Drinks	Computers & Software	Fertilizer	Oil and Gas	Others	Total
The USA	2			1			1		1	2	7
France/Germany	1	2	2		1					3	9
The United Kingdom	3	2	1	1			1		1	5	14
Canada	1									2	3
Singapore										1	1
Mexico			1								1
Switzerland		1	1			1					3
Korea					2						2
The Netherlands										2	2
Turkey										1	1
Taiwan						1					1
Norway										1	1
China /Hong Kong					4						4
Japan								1		1	2
Pakistan	1										1
New Zealand						1					1
The UAE										1	1
Saudi	1										1
Sweden			1								1
India	1										1
Malaysia				1						1	2
Sri Lanka	1										1
Total	11	5	6	3	7	3	2	1	2	20	60

1.2.1 Global Harmonization of Accounting and the International Accounting Standards Committee (IASC):

During 1973, as stated earlier, some professional accountancy bodies formed IASC with a view to harmonize global accounting. During the year 1983 it was decided to include all the Accountancy bodies, which are the members of the International Federation of Accountants (IFAC) as the members of IASC. Accordingly, the members of the IASC stand at 153 professional accounting bodies from 112 countries around the world as at December 2000. The pronouncement of the International Accounting Standards Committee (IASC) in its 'web site' under the title 'Some Background of the IASC' states, "The International Accounting Standards Committee (IASC) is an independent, private sector body, formed in 1973 with the objective of harmonizing the accounting

principles which are used by businesses and other organizations for financial reporting around the world" [www.iasc.org.uk/frame/cen1.htm].

1.2.2 Status of IASs in Bangladesh:

The ICAB and the ICMAB are two professional bodies controlling accounting profession and practices in Bangladesh. These two bodies are the members of the IASC. As a member of the IASC it was a moral obligation of these two institutions to adopt IASs as an integral part of accounting profession and practices of Bangladesh voluntarily. With the passes of time different bodies other than the ICAB and the ICMAB are also getting involved in the process of adopting IASs in Bangladesh. A brief description of activities of these bodies are appended below:

The Institute of Chartered Accountants of Bangladesh (ICAB): The ICAB as a member of IFAC became the member of the IASC in 1983. During 1984 the Institute of Chartered Accountants of Bangladesh (ICAB) included IASs in their syllabi. The ICAB is empowered by section 12(2) of the SER 1987 to adopt IASs in Bangladesh. Out of total 41 IAS (of which 34 are currently effective as of September 02, 2003) ICAB has so far adopted 21 IASs as Bangladesh Accounting Standards (BAS). IAS 29 (Financial Reporting in Hyperinflationary Economies) has been rejected by the ICAB on the ground that this IAS is not applicable in the context of Bangladesh. The process of adopting and implementing the remaining IASs is under way.

The Institute of Cost and Management Accountants of Bangladesh (ICMAB): The ICMAB is another national organization controlling accounting profession in of Bangladesh. The members of the institute are working in different business organizations at various executive positions. In true sense they are the appropriate personnel to implement IASs in the organizations they are working. Keeping this responsibility in mind the ICMAB has taken different action plans to train up their existing members on IASs through Continuing Professional Development (CPD) programs, seminar, workshops etc. Side by side the institute has developed a IASs based syllabi (with effect from 1998) with a view to train up their upcoming members on IASs.

The Securities and Exchange Commission (SEC): The Securities and Exchange Commission (SEC) is the guardian of stock market. It has made IASs mandatory for the public limited companies enlisted in any Stock Exchange in Bangladesh in preparing

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their financial statements. To do this the SEC has to amend the Securities and Exchange Rules 1987.

Section 12 of the Securities and Exchange Rules, 1987 stipulates as follows:

> Submission of annual report by issuers: - 1(1) The annual report required by section 11 to be furnished by an issuer of a listed security shall include a balance sheet and profit and loss account and cash flow statement and notes to the accounts, collectively herein after referred to as the financial statements.
> *1. Amended SEC/Sec-7/SER-1987/03/132dt. 22.10.1997*
> Sec-12 (2): The financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.
> Explanation- In this sub-rule, International Accounting Standard refers to the accounting standards issued by the International Accounting Standards Committee.

Sec: 7/B/(20) of the "Public Issue Rules –1998" of the Securities and Exchange Commission of Bangladesh stipulated:

> The prospectus shall include a financial statement and a report by an auditor who shall be a regular member of the Institute of Chartered Accountants of Bangladesh (ICAB) and fulfills the requirements of Company Law, 1994 Section 212. Such financial statement and the audit report shall be prepared in accordance with all applicable International Accounting Standards (IAS) and the audit thereof shall be conducted in accordance with the International Standards on Auditing (ISA) as contained in the Members' Handbook published by the ICAB...[www.secbd.org/ipo.html].

The World Bank: In the year 2000 the World Bank has taken a project under the supervision of Ministry of Commerce of the Bangladesh Government named *"Development of Accounting and Auditing Standards in Bangladesh"* [IDF Grant No. 27304]. In this project the bank is expending about taka one crore. The main objectives of this project are to identify the legal hindrance to implement the IAS in Bangladesh and to develop curricula to update the knowledge of the professional accountants and other interest groups so far IASs is concerned. Recently the World Bank performed a survey on accounting standards and codes of Bangladesh. The title of the study was "Report on Observance of Standards and Codes – Accounting and Auditing (ROSC)" [*detailed report is available in appendix-I (6.7)*]. On the basis of recommendations of the ROSC report the World Bank and Bangladesh Government has undertaken five years project titled "Economic Management Technical Assistance Project (EMTAP)" at a total cost of $6.13million during August 2004. The project component related to ROSC aims at:

> (i) Assisting the Government in improving the environment for a responsive private sector through policy and legal reforms; (ii) Building capacity of regulatory agencies, **Professional Accountancy Bodies** *(ICAB and ICMAB)* and academic institutions for improved functioning of corporate sector.

Specifically, the project emphasized on development of existing curricula in the light of practical application of IASs/IFRS.

Experts' Views: In relation to use of IASs and ISA, the statement of Ex-finance Minister of Bangladesh, made in a seminar held in ICAB in Dhaka on 5th June 1999 is most pertinent:

> ... ... We must make our members aware of how the international companies are doing with regard to IASs and ISA all over the world. We must make them more conversant with the situation arising in the international arena in relation to the international standards" (ICAB 1999, 5-7].

In the same seminar, the then President of ICAB said,

> Foreign investors, entrepreneurs and businessmen, meticulously go through the standards of practices of accounting of a country and decide to invest only when they find the accounting practice to be credible and dependable" (ICAB 1999, 5-7).

Another guest speaker agreed in the same seminar,

> If the practice of accounting lacks a desired standards then there may be a diversified practice without any harmony, which can be a big barrier for the international business and industrialization of the country" (ICAB 1999, 5-7).

The above statements of different experts reveal that they feel the need for IASs implementation in Bangladesh. The very common argument in favor of implementing the IASs in Bangladesh is to attract foreign investment towards industrialization of the country. But it is also equally true that the standard accounting practice is not the only concern for foreign investment. Multiple factors might have an effect on the foreign investment. For example, political stability, economic policy, availability of power and human resources, etc. Another argument is that there are many stock exchanges in the world where a significant number of foreign companies are enlisted. This listing of foreign companies in stock exchanges enhances cross-border investments.

In Bangladesh 7 foreign companies are enlisted in Dhaka Stock Exchange (*http: //www.secbd.org/comlist_new.html., Dated 23rd November 2001: Web site of Securities and Exchange Commission of Bangladesh*). Though there are 60 foreign and/or multinational companies are working in Bangladesh, the remaining 53 companies are not enlisted in any Stock Exchange in Bangladesh. Apart from this, many foreign companies are doing their business in different Export Processing Zones (EPZ) of Bangladesh. Bangladesh is a good place for attraction of foreign investment, because of her low costs labor force. So, during the days to come, large amount of foreign capital will be invested in Bangladesh and at the same time foreign investors will be more interested to invest in different stocks of listed companies. To get Bangladesh ready for the future, a well-designed accounting

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system of international norm needs to be adopted and adoption of IASs would be the only easiest way to meet this need.

The statistics presented in Table-6.4 provide evidence that cross-border investment is taking place considerably. In such a multinational investment environment the language of all the business organizations needs harmonization for easy understanding as well as for making the comparison possible. Since accounting is the language of business, Standard Accounting Practice can facilitate the information users with a common platform of communication which enhances transparency as well as reliability, comparability and understandability of accounting information. Thus harmonized accounting system reduces the risk and uncertainty associated with the cross border investment. There is nothing to think that cross border investment will be stopped in the absence of harmonized accounting system between the countries. Here a quote from Samuels and Piper (1985,10-11) seems quite relevant:

> The argument that if we want to encourage international investment and trade we need high standards of disclosure and a harmonized system of accounting does not seem to stand up in an historical context. Why did the UK invest in the USA in the 19th century when at that time the USA hardly had an accounting profession? The answer is that if the possible returns are large enough, the risk (the uncertainty in this context) are worthwhile. ... ... The argument for harmonized accounting across countries is an argument for reducing risk associated with international investment. This is a reasonable argument, but the evidence indicates that international investment will take place on a large scale even if accounting harmonization cannot be achieved.

For implementation of IASs in Bangladesh, additional cost has to be incurred by the business houses and ultimately by the society. Justification of this additional cost needs to be proved. On the other hand, an environmental infrastructure is to be developed to adopt IAS. Different laws are to be amended to comply with the IAS. It is comparatively easy to pass a law in the parliament than to enforce it. Therefore, only passing a law is not enough to ensure the implementation of IAS in Bangladesh. It comes out from the foregoing discussions that several steps are needed to be taken for successful implementation of IAS in Bangladesh. These steps may be as follows:

- restructuring the accounting education system of the country based on IASs;
- making the present professional accountants and accounts preparers well conversant with IASs;
- implementing the international auditing standards;

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- ensuring that the professional accountants will be guided by their professional ethics;
- establishing a strong supervisory body (say SEC or any other independent body) to monitor implementation process of IAS;
- establishing a tribunal/court (like income tax tribunal) for its verdict in settling the dispute regarding interpretation of IASs.

The researcher thinks that appropriate courses of action will come out from the opinion survey of the concerned groups involved in IAS acceptance and implementation process.

One may now observe that many of the internationally reputed accounting scientists have argued for adopting International Accounting Standards (IASs) in accounting practice. Many accounting professionals of Bangladesh have also passed their views in favor of implementation of IASs. The very purpose behind their advocacy is to achieve harmonization, uniformity, standardization and comparability of the accounting system in the global market, where cross border capital investment has, these days, become an important feature of the global economy. They have viewed that the global accounting system has to be brought into a single pathway reducing diversity to a minimum. Bangladesh has to lift up her accounting practices at a level of International norm to keep parity with the global economy. To reach the desired level of standard in accounting practice, a general consensus of professional accountants, management and accounts preparers of business organizations, academicians and all other concerned parties is necessary. But in Bangladesh, only the ICAB and the SEC are playing the role in IAS acceptance and implementation process. The opinion of the management and accounts preparers of different business organizations, academicians and all other concerned parties regarding IAS is still unknown. Without the active participation and positive motivation of all these concerned groups simultaneously, one cannot think of implementation of IAS in any country. It is noteworthy that most of the developed countries of the world have been striving hard to nurse global accounting with a view to give it a mature shape. A plenty of literature in this field has piled up in those countries. But, in developing countries like Bangladesh, negligible number of works in the area of global accounting and IAS has appeared in literature. No exhaustive research study in this field has so far seen the light of day in Bangladesh. There exists, therefore, a great

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need for a through and insight research study in the area in this part of the globe, Bangladesh.

1.3 Accounting Practices and Implication of IASs: Bangladesh Context

Accounting practices: Accounting practices may be defined as the activities of independent professional accountants (chartered accountants) and accounts preparers (may be or may not be chartered accountant) of different business organizations based on accounting theory and the legal framework of Bangladesh. According to Kohler (1979, 11), accounting practice means *'the customs and predilections of accountants as expressed in their everyday activities; contrasts with accounting theory'*. In Bangladesh, independent professional accountants principally perform statutory audit (external audit) of the business houses according to the sections 212-215 of the Companies Act 1994. On completion of statutory audit, the auditor has to opine for the shareholders regarding compliance of the financial statements with the legal requirements. This independent opinion of the chartered accountants adds credibility to the financial statements, increases their trustworthiness and dependability. Apart from this, they offer different professional accounting services to the business houses on contract basis. These services include: design and installation of financial and cost accounting system, preparation of financial reports, special investigation related to financial matters, advice on management structure and financial policies, income tax service etc. On the other hand, there are majority of chartered accountants in Bangladesh (out of 695 members of ICAB, members in independent practice is 266 and members in service as employee of different organization is 429 (Table-1.2) who serve different business houses as company accountants on full time basis. While practicing accounting, it is compulsory to meet the legal requirements. The Registrar of joint stock companies, the Securities and Exchange Commission (SEC), the Bangladesh Bank, the Chief Controller of Insurance (CCI) etc. are the regulatory authorities controlling accounting practices in Bangladesh. From 1997, International Accounting Standards (IASs) have been made an integral part of accounting practices by the Securities and Exchange Rules 1987 of the SEC. The above legal authorities and conceptual framework of Accounting as well as accounting theory (i.e., different accounting concepts and conventions) determine the periphery of accounting practices in Bangladesh. Since the incorporation of IASs has a tremendous impact on the accounting

system and costs of preparing accounts of an organization, it is an urgent need to study the implications of IAS for accounting practices in Bangladesh.

An accounting practice covers a wide area like sole proprietorship business, partnership business, joint stock companies, different non-trading organizations, national and international non-government organizations (NGOs), state owned business organization, Government etc. It is agreed to limit the study only to the limited companies listed in the stock exchanges in Bangladesh.

Table 1.2: ICAB members and their firm statistics (2002-2003)

Region	Fellow	Associate	Total	Members Status	Number
Dhaka				Members in practice	266
Members in practice	225	05	230	Members not in practice	429
Members not in practice	205	75	280	Members entitled to train articled student	215
Total	**430**	**80**	**510**		
Chittagong				Members resident in Bangladesh	571
Members in practice	28	0	28		
Members not in practice	25	8	33	Members resident abroad	124
Total	**53**	**8**	**61**	Proprietorship firms	135
Abroad				Partnership firms	50
Members in practice	7	1	08		
Members not in practice	105	11	116		
Total	**112**	**12**	**124**		
Total Membership	**595**	**100**	**695**		695

Source: List of Members and Firms 2002-2003 (Members' Directory) of the ICAB

Implications of IASs: In general, implication refers to issues, not openly stated, but implied. According to Microsoft Encarta Encyclopedia, implication means the state of implying or being implied, without being plainly expressed. Therefore, specifically, researcher openly states that implementation of IASs in Bangladesh has the following implications:

(i) Development of Accounting Standards

(ii) Acceptance procedure

(iii) Implementation procedure

(iv) Need for trained and qualified manpower

(v) Cost and benefits of implementing IASs

(vi) Status of implementation of IASs in Bangladesh

Details discussion of the above implications:

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(i) **Development of Accounting Standards:** To be an associate of harmonized accounting system of the world, either Bangladesh has to develop her own accounting standards or to adopt ready-made accounting standards like IASs. Meanwhile, IASs 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. The ICAB has so far adopted 29 out of 34 IASs as Bangladesh Accounting Standards (BAS). The latest summarized position as of 17th March 2005 is as follows:

Table 1.3: Summary of adoption of IASs in Bangladesh

Sl. No.	Subject	IASs in Number	IASs Number
01	Existing number of IASs developed by IASC, IASB	34	
02	Withdrawn by IASB	01	IAS-15
03	IASs not applicable to Bangladesh context	01	IAS-29
04	Total effective IAS	32	
05	IASs adopted in Bangladesh as BAS	29	1, 2, 7, 8, 10, 11, 12, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 30, 31, 33, 34, 35, 36, 37, 38 & 40
06	(a) Under process of review	03	32, 39 & 41

Sources: *Source: The Institute of Chartered Accountants of Bangladesh (ICAB).*

Table-1.3 (a): Adoption status of IFRSs

IFRSs	Name of IFRSs	Status
IFRS-1	First time adoption of International Financial Reporting Standards	Under process of review
IFRS-2	Share-Based Payment	Not adopted by ICAB
IFRS-3	Business Combination	Under process of review
IFRS-4	Insurance Contract	Not adopted by ICAB
IFRS-5	Non-current Assets held for sale and discontinued operation	Under process of review
IFRS-6	Explanation for and Evaluation of Mineral Resources	Not adopted by ICAB

Sources: *Source: The Institute of Chartered Accountants of Bangladesh (ICAB).*

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Diagram 1.4: Present Scenario of Accounting Practices (as well as Implementation Process of IASs) in Bangladesh

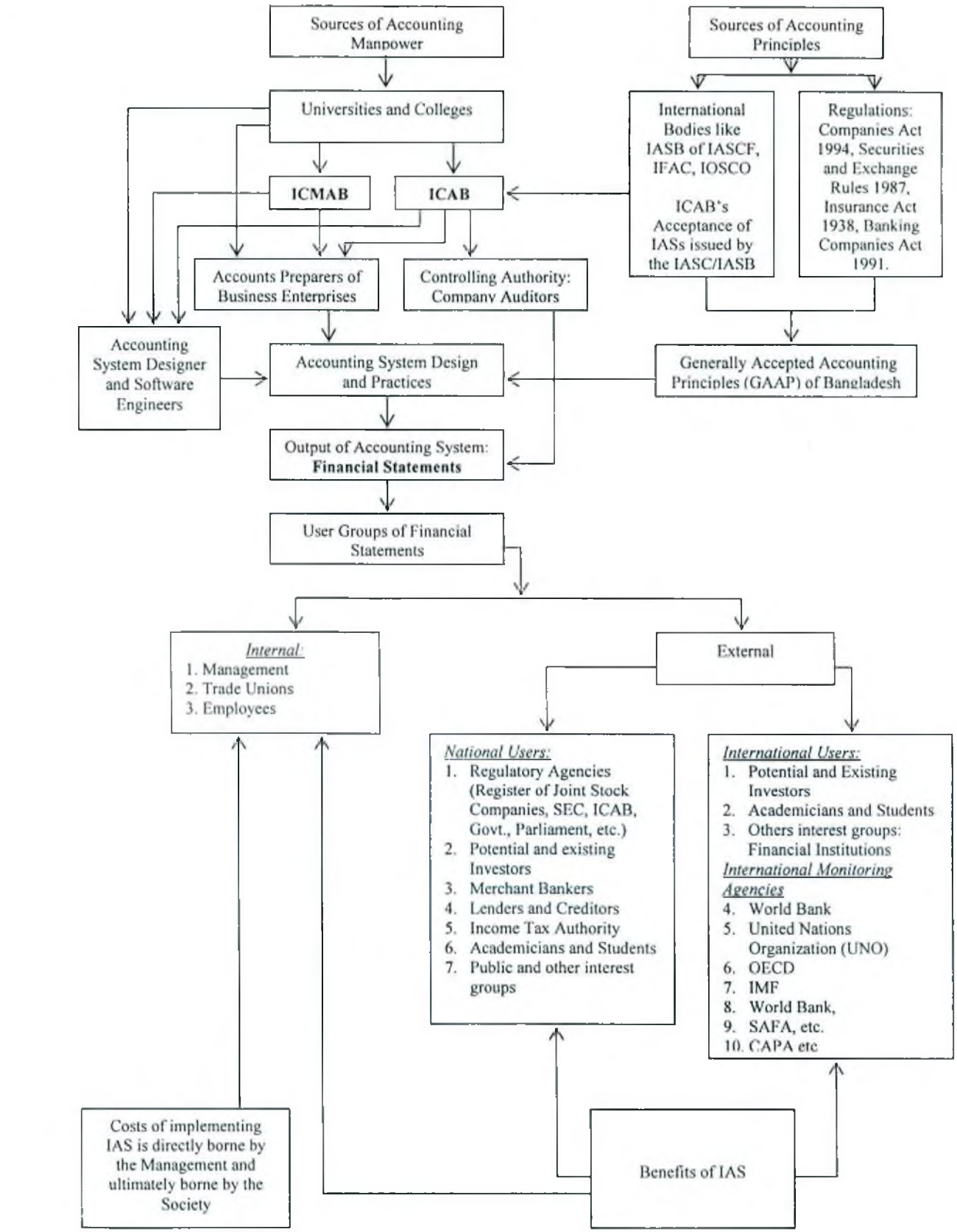

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Table 1.5: Detailed information and present status of IASs in Bangladesh

Sl No.	IASs	Present Title	Effective date by IASC		ICAB adoption status
			Original version	Revised version	
1	01	Presentation of Financial Statements	01 January 1975	01July 1998	Adopted original version as BAS-1
2	02	Inventories*	01 January 1976	01 January 1995	Adopted latest version as BAS-2
3	07	Cash Flow Statements	1 January 1979	01 January 1994	Adopted original version
4	08	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	01 January 1979	01 January 1995	Adopted original version
5	10	Events After the Balance Sheet Date	01 January 1980	01 January 1995	Adopted original version
6	11	Construction Contracts*	01 January 1980	01 January 1995	Adopted latest version as BAS 11
7	12	Income Taxes	01 January 1981	01 January 1998	Adopted original version
8	14	Segment Reporting	01 January 1983	01 January 1998	Adopted
09	16	Property, Plant and Equipment	01 January 1983	01 January 1995	Adopted original version
10	17	Leases	01 January 1984	01 January 1999	Adopted
11	18	Revenue*	01 January 1984	01 January 1995	Adopted latest version as BAS 18
12	19	Employee Benefits	01 January 1985	01 January 1999	Adopted
13	20	Accounting for Government Grants and Disclosure of Government Assistance*	01 January 1984	01 January 1984	Adopted latest version as BAS 20
14	21	The Effects of Changes in Foreign Exchange Rates	01 January 1985	01 January 1995	Adopted original version
15	22	Business Combinations	01 January 1985	01 January 1995	Not adopted
16	23	Borrowing Costs	01 January 1986	01 January 1995	Adopted original version
17	24	Related Party Disclosures	01 January 1986	01 January 1995	Adopted
18	26	Accounting and Reporting by Retirement Benefit Plans	01 January 1988	01 January 1995	Adopted
19	27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries*	01 January 1990	01 January 1995	Adopted latest version as BAS 27
20	28	Accounting for Investments in Associates	01 January 1990	01 January 1995	Adopted
21	30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	01 January 1991	01 January 1995	Adopted latest version as BAS 30
22	31	Financial Reporting of Interests in Joint Ventures	01 January 1992	01 January 1995	Adopted
23	33	Earnings Per Share*	01 January 1998	Not revised	Adopted latest version as BAS 33

24	34	Interim Financial Reporting*	01 January 1999	Not revised	Adopted latest version as BAS 34
25	35	Discontinuing Operations	01 January 1999	Not revised	Adopted
26	36	Impairment of Assets	01 July 1999	Not revised	Adopted
27	37	Provisions, Contingent Liabilities and Contingent Assets	01 July 1999	Not revised	Adopted
28	38	Intangible Assets	01 July 1999	Not revised	Adopted
29	40	Investment Property	01 January 2001	Not revised	Adopted

Source: The Institute of Chartered Accountants of Bangladesh (ICAB).

IASs under process of review are as follows:

(i) IAS-32: Financial Instruments: Disclosure and Presentation

(ii) IAS-39: Financial Instruments: Recognition and Measurement

(iii) IAS-41: Agriculture

The World Bank financed project titled "Development of Accounting and Auditing Standards in Bangladesh" (as stated earlier) is undoubtedly a good attempt to keep pace and parity with the global financial reporting system. But the real thirst for accounting standards in Bangladesh needs to be assessed. There are many countries in the world, which have adopted IASs in original form. Many countries have their own national accounting standards. Many countries have national accounting standards compatible with IASs. Many countries have multiple accounting standards for different groups (domestic, foreign, joint-venture etc.) of public issuers (for details see Table-4.11). Even among the SAARC nations, our closest neighbor India has separate accounting standard setting body. The National Advisory Committee (NAC) of India develops their accounting standards. Members of NAC are nominated by the Institute of Chartered Accountants of India (ICAI), the Institute of Cost and Works Accountants of India (ICWAI), the Institute of Company Secretaries of India, the Central government, the Reserve Bank of India, the Comptroller and Auditor-General of India, the Securities and Exchange Board of India (SEBI) and others. Sri Lanka has their own GAAP. The Sri Lanka Accounting and Auditing Standards Act No.15 of 1985 empowers the Institute of Chartered Accountants of Sri Lanka to adopt suitable accounting standards from time to time and to publish them in the Gazette to have legal effect. But Pakistan and Nepal have adopted IASs. Lahore stock exchange of Pakistan also allows UK standards for foreign

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issuers (IASC website: www.iasc.org.uk). Bangladesh is in such a position, neither can she adopt all the IASs for legal, unsuitability, irrelevancy or any other reasons nor can she ignore the IASs for international reasons.

In this situation the following alternatives can be taken into consideration:

(i) Adopt all the IASs in original form and restructure the legal framework;

(ii) Modify and adopt the IASs according to the need of the country;

(iii) Form a national standards setting body to issue accounting standards keeping harmony with IASs;

(iv) Allow multiple accounting standards (e.g. IASs for foreign issuers, national standards for domestic issuers);

(v) Adopt any other means in accordance with the common consensus among the concerned groups.

Whatever alternative is selected, opinion of the concerned parties is an urgent need for better mutual benefits of accounting standards.

(ii) Acceptance procedures of IASs in Bangladesh: In the acceptance procedures of IASs in Bangladesh, the ICAB is playing a unilateral role. Before 1997, the ICAB was encouraging voluntary adoption of IASs through its practicing members i.e., external auditors.

After making IASs mandatory for the listed issuers by the Securities and Exchange Rules 1987, Securities and Exchange Commission (SEC) became another regulatory authority to oversee the implementation of IASs. Still today, ICAB is the only body in the acceptance procedure of IASs in Bangladesh. Business organizations are the field of IASs application and they are the ultimate beneficiaries of IASs. So, demand to implement IASs in Bangladesh should come from the business houses. This is the business organization or listed issuers who should feel the real need and benefits of IASs, not the IACB. Very recently (November 2000) the world renowned accounting firm ***PricewaterhouseCoopers*** conducted a survey on 700 Chief Financial Executives (CFOs) in 16 countries of Europe under the title *"International Accounting Standards in Europe - 2005 or now?"* In their preface to the survey report the *PricewaterhouseCoopers* (2000, 1) states:

> Europe's listed companies want the freedom to use global standards for their group financial reporting. For the vast majority, this will involve a significant change from their

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> current practice - and change always involves effort. Yet they want to be allowed to use International Accounting Standards (IAS) to bring clarity, credibility and international comparability to their financial reports.

Key evidence from the survey of the demand for IASs includes:

- 79% of CFOs supports the European Commission's recommendation that IASs should be mandatory for listed companies by 2005;
- Over two third of CFOs would prefer to make IASs the sole standard or an alternative to national accounting standards, if offered a choice of financial reporting standards in Europe (PricewaterhouseCoopers 2000, 3).

In Bangladesh, nobody knows the reaction of the CFOs of the listed companies regarding implementation of IASs. The researcher thinks that no business organization or listed issuer feels the need for IASs. Even, they do not find any difference between the situation of having IASs or not having IASs. Multiple reasons might be there behind this insensitivity of the business organizations to IASs. These may be inefficient capital market, ill-defined objectives of financial reporting, lack of corporate governance, ignorance of investors regarding financial information, lack of strict monitoring the activities of business organizations etc. In this situation the SEC and the ICAB are imposing the IASs on the business organization; this is just opposite to the right way of doing things. According to the researcher, the process of IASs implementation that is going on in Bangladesh is not on the right track. All the concerned parties are to be involved in the acceptance process of IASs or development process of accounting standards. Here an American example might be worth mentioning. The Financial Accounting Standards Board (FASB) is the world's strongest private body involved in developing financial accounting standards for the companies listed in different stock exchanges in the United States of America. According to Miller et al. (1994, 24).

> To accomplish its duty, the FASB must mobilize members of the business community to participate in its procedures. Through their participation, the FASB is more capable of: (i) identifying unresolved financial accounting questions. (ii) ranking those questions in importance. (iii) identifying the alternative answers, and (iv) evaluating the answers to find out the most suitable one for the present circumstances. Furthermore, by involving the community in extensive and thorough due process procedures, the board can develop a more broadly based consensus in support of its conclusions than it would be operated in a vacuum

So, without any involvement of business community in the acceptance and/or development of accounting standards process nobody can think of successful implementation of IASs in Bangladesh only by the effort from the ICAB and the SEC alone.

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Present Acceptance Procedures:

Acceptance by the ICAB: Bangladesh as well as ICAB, as a member of IFAC, became the member of IASC in 1983. IASC was formed in 1973 with a view to issue high quality International Accounting Standards (IASs) for global acceptance and use. According to IASC's Constitution, the members of IASC consist of all professional accountancy bodies that are members of the International Federation of Accountants (IFAC). The IFAC was formed on 9th October 1977 as a descendant of International Coordination Committee for the Accountancy Profession (ICCAP). The ICAB and the ICMAB are the representing authority on behalf of Bangladesh in these international bodies. As a member of the IASC, it was a moral voluntary obligation of the ICAB to accept and implement IASs in Bangladesh. Formal attempt towards implementation of IASs in Bangladesh was taken by the ICAB in 1983 when the ICAB issued their first circular along with IAS-1 to its members for comments and ultimate acceptance in accounting practices (Parry and Khan, 1984, 58). The acceptance procedures of IASs in Bangladesh followed by the ICAB are as under:

- The ICAB place the IASs/IFRSs to the Research and Technical Committee of the ICAB for review.
- The committee itself or with the help of any other expert member of ICAB prepares review report covering usefulness, applicability, contradiction with local laws etc. on a particular IAS/IFRS;
- The Review Report is placed before the executive council of the ICAB for approval;
- The executive council of the ICAB approves the specific IASs/IFRSs for adoption in Bangladesh as BASs.

Acceptance by the Bangladesh Bank: The Bangladesh Bank (the central bank of Bangladesh) is the controlling authority of all the scheduled banks and financial institutions in Bangladesh, i.e., it is the regulator of the Banking sector of Bangladesh. The bank is empowered by the Section 38(4) of the Banking Companies Act 1991 to amend the first schedule (comprising of Part-A: Balance Sheet and Part-B: Profit and Loss Account) of the Act. i.e., the bank has the right to amend the requirements and contents of the financial statements prepared by financial institutions. Accordingly,

Bangladesh Bank issued a circular (BRPD* circular no 03 on the 18th April 2000) amending the first schedule of the Act to accommodate IAS 30. This amendment has caused some fundamental changes in the financial reporting practices (both listed and unlisted banking companies) of the banking industry of Bangladesh. The notable change that has taken place under this amendment is disclosure of bad and doubtful debts in the financial statements. Here it may be noted that the ICAB adopted IAS-30 on 1st January 1999. According to the Section 44(7) of the Banking Companies Act 1991 banks were allowed to conceal the amount of bad and doubtful debt. So disclosure of bad and doubtful in the financial statements (which is required by IAS-30) by the listed banking companies was against the content of the section 44(7) of the Banking Companies Act 1991. That is, there was a clear contradiction between this section of the Banking Companies Act and IAS 30. Amendment of the first schedule of the Banking Companies Act 1991 has mitigated this contradiction. In this state of affairs, how well IAS-30 is working in the banking industry, what are the changes those have taken place in the banking sector to accommodate IAS-30, what are the problems faced by the banks and what are the possible ways and means to overcome those problems (if any), would be an important subject matter to study.

Acceptance by the Securities and Exchange Commission (SEC): The Securities and Exchange Commission (SEC) is the controlling authority of issue of securities in Bangladesh. It is the regulator of the Securities and Exchange Rules 1987. SEC is the first regulatory authority that made IASs mandatory in 1997 for the listed issuers of Stock Exchanges in Bangladesh by amending the Securities and Exchange Rules 1987. Section 12(2) of the Securities and Exchange Rules, 1987 stipulates as follows:

> The financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh. [Amended SEC/Sec-7/SER-1987/03/132dt. 22.10.1997] Explanation- In this sub-rule, International Accounting Standard refers to the accounting standards issued by the International Accounting Standards Committee.

The same legal obligation has been pronounced in the Public Issue Rules 1998 of the SEC. This rule controls the operation of companies intend to raise their capital through initial public offerings (IPO) in the capital market. Section 7(20) of the Public Issue

* BRPD means Banking Regulations and Policy Department

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Rules 1998 states:

> The prospectus shall include a financial statement and a report by an auditor who shall be a regular member of the Institute of Chartered Accountants of Bangladesh (ICAB) and fulfills the requirements of Company Law, 1994 Section 212. Such financial statement and the audit report shall be prepared in accordance with all applicable International Accounting Standards (IASs) and the audit thereof shall be conducted in accordance with the International Standards of Auditing (ISA) as contained in the Members' Handbook published by the ICAB... ... ...

Both the rules reveal that the SEC did not give any direct acceptance to the IASs. It has simply added a legal enforcement mechanism to the adoption of IASs those have already been accepted or to be accepted by the ICAB. So, the ultimate responsibility of accepting IASs lies with the ICAB.

Acceptance by Business organizations: The researcher thinks that business organizations in Bangladesh had never adopted IASs on their own. Capital markets in Bangladesh are still in indigenous form (weak form of efficiency) and not so sensitive to financial information. On the other hand major portion of paid up share capital is owned by the pioneer directors of an issuer. In most of the cases these directors are close relatives or family members. These directors are directly involved in company management and as a result they do not depend on any financial reports to know their business. Sometimes the accounts preparer have to prepare accounts in the way as dictate by the directors. The researcher had an informal talk to some mid-level officials of the National Board of Revenue (NBR) of Bangladesh. They informed the researcher that many companies prepare more than one set of financial statements for the same period. One set of the financial statements submitted to the income tax authority for tax purpose while another set is submitted to the bank for loan purpose. Evidences are there that sometimes external auditors are proved guilty of professional misconduct in connection with the Annual Report & Accounts. Here is an example of professional misconduct of a chartered accountant: The SEC press release Dated 06 July 2000 [having Subject 'one-year suspension of Chartered Accountant'] stated that:

> On a reference from the Securities and Exchange Commission (SEC), the Institute of Chartered Accountants of Bangladesh (ICAB) after detailed examination/reexamination by the investigation and Disciplinary Committee to the Council, has passed an order of suspension for one year on Mr. ... ... FCA (bearing Institute's Enrolment No. ... ...), Proprietor of ... ... Chartered Accountant, Dhaka. The one-year suspension has been made effective from 31 May 2000. ICAB in its letter dated 31 May 2000 has informed SEC that the ICAB Council has found the aforesaid audit firm guilty of professional misconduct in connection with the Annual Report & Accounts of ... ... ltd. for the year 1996-97. All concerned are requested to take notice about the suspended audit firm. It may be mentioned that in the meantime, SEC has referred to ICAB some more cases for investigation and

necessary action by its Disciplinary Committee. A few more cases are also being referred to ICAB.

Where disclosure of financial facts is discouraging, one cannot think about disclosures according to the spirit of IASs. Culturally, the entrepreneurs in Bangladesh are very much conservative in disclosing business secret, especially financial accounting matters. So, what they disclose in the financial statements is nothing but at minimum to comply with the legal requirements. IASs are not an important issue to them. Even they are not aware of the benefits that can be derived from implementation of IASs. Since the SEC has made IASs mandatory for the listed companies, they are now compelled to adopt IASs in presenting financial statements. Some evidence in support of the above proposition is given in Table-1.6.

In this situation the researcher thinks that the extent of IASs implementation in Bangladesh is in question. i.e., in true sense, these (IASs) are not accepted by the business organizations. IASs are being imposed on business organization by the regulatory body like SEC, ICAB, Bangladesh Bank etc. For better result of adoption of IASs, it is necessary to involve the business communities in the acceptance process.

Table 1.6: Legal measures taken by the SEC against some listed companies

Sl. N	*Name of the Companies*	*Allegation*	*Penalty/Action*	*Date of SEC press release*
01	Niloy Cement Industries Ltd.	Delay in disclosing share price sensitive information	Tk. 10.00 lakh	27th March, 2001
02	South East Bank Ltd.	Do	Tk. 3.00 lakh	24th May, 2001
03	Sajib Netware Ltd.	Do	Tk. 2.00 lakh	Do
04	Ibn Sina Pharmaceuticals Industries Ltd.	Do	Tk. 1.00 lakh	Do
05	Rahim Textile Mills Ltd.	Delay in publishing half yearly financial report	Alert	Do
06	A B Biscuit Co. Ltd.	Do	Do	Do
07	Wonderland Toys Ltd.	Do	Do	Do
08	Paragon Leather and Footwear Industries Ltd.	Do	Tk. 0.50 lakh	19th June, 2001
09	Gemini Sea Food Industries Ltd.	Delay in disclosing share price sensitive information	Tk. 2.00 lakh	10th July, 2001

Implementation of IASs in Bangladesh: Some issues

As regards implementation of IASs, the most noteworthy issue is that neither IASC nor any member of IASC like ICAB or ICMAB has any power to enforce IAS to implement. This might be the possible reason that ICAB did not take any effective measure to implement IAS in Bangladesh at early stage, i.e., before 1997. On the other hand, dearth

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of skilled manpower conversant in IASs was another problem. Moreover, implementation of IAS in Bangladesh was not a necessity at that time. Because the members of the ICAB as well as the Chartered Accountants are empowered by Section 213, 214 and 215 of the Companies Act 1994 to opine on the financial statements regarding authenticity of the information disclosed in the financial statements and their (financial statements) compliance with legal requirements. Since the Companies Act 1994 is silent about IASs, it was a discretionary matter to the external auditors (Chartered Accountants) to care for the disclosure requirements according to IAS.

Bangladesh, to a great extent, is dependent on foreign investment for her economic development and growth. With the increase in foreign investment in Bangladesh, pressure mounts from different national and international corners to adopt IASs. To keep harmony with the contemporary need, it became necessary to accommodate IAS in the legal framework. Accordingly, in 1997, SEC amended the section 12(2) of the Securities and Exchange Rules, 1987. After having the legal shape, implementation aspect of IASs comes forward. IASs emphasizes on disclosure of information in the financial statements, which ensures the transparency and credibility of financial statements. But question is: how effectively this job is being done in Bangladesh? The researcher thinks that in most of the cases, IASs implementation is confined to the auditors report. Because without creating an infrastructural atmosphere, IASs have been made mandatory in Bangladesh. Here an example from Europe might be relevant. There are fourteen developed countries in the European Union (EU). The European Commission (EC) has decided to implement IASs in EU countries by 2005. Meanwhile they are trying to develop an environment and enforcement mechanisms for IASs implementation. The European Commission addressed their enforcement infrastructure as follows (FEE 2001, 4-5):

> Enforcement comprises a cascade of different elements, including (1) clear accounting standards, (2) timely interpretations and implementation guidance, (3) statutory audit, (4) monitoring by supervisors and (5) effective sanctions. Each of these must work efficiently: the system will be as strong as its weakest part in delivering strong investor and creditor protection. If this framework is to provide high quality financial reporting, the statutory audit function, which ensures a proper application of accounting standards, will need to be carried out to uniformly high levels across the EU. This requires giving urgent attention to the establishment of benchmarks for auditing, the development of professional ethics standards and the implementation of effective quality assurance systems for the statutory audit function. The Commission will issue a Recommendation on Quality Assurance for Statutory Audit. ... ... In particular, the Commission looks to European securities markets supervisors (through FESCO - the Forum of European Securities Commissions) to develop and implement a common approach to enforcement. Such an approach would establish a level

playing field and avoid the danger of regulatory arbitrage. Peer-reviews of securities markets supervisors' practices could be considered as a useful instrument for ensuring a common approach.

In view of the above the researcher thinks that well-defined implementation and enforcement mechanisms do not prevail in Bangladesh. These mechanisms are to be developed taking all concerned groups together. These mechanisms may be grouped as under:

(1) **Short Term Mechanisms:**

- Set up a committee/body consisting of all concerned groups to develop well defined accounting standard (adopt IASs in original form or modify them to BASs.);
- Set up a body (ICAB and/or ICMAB may perform this job) to issue interpretations and guidance on the IASs to the management of business organization and academic institutions;
- Trained up the accounts preparers of different companies on IASs by offering short diploma course under the ICAB and/or ICMAB or any other separate organization;
- Adopt international auditing guidelines issued by IFAC (already accepted in Bangladesh);
- Reform the legal framework keeping harmony with the accounting standards;
- Develop an institutional supervision system to oversee the implementation of IASs. SEC can play this role and take necessary actions against the issuers for non-compliance with IASs and
- Disclose the evidence of non-compliance with IASs publicly to improve control environment

(2) **Long Term Mechanism:**

- Develop human resources according to the spirit of IASs and accordingly develop IASs based accounting curricula at graduation and post graduation level;

Role of Management of business organization in IASs implementation: Business houses are the field of IAS implementation. But most noteworthy matter is that management of the business organizations are nowhere in the acceptance and adoption process of IAS in Bangladesh. No effective attempts were taken either by the ICAB, SEC

or Bangladesh Bank to get involved business organizations in this regard. IASs have simply been imposed on the business organizations paying no attention to their stand and problems with IASs. In these circumstances the researcher thinks that the Management of business organizations might go either for: (i) voluntary implementation of IASs or (ii) mandatory implementation of IASs. That is, voluntary implementation will take place when the business houses will realize that IASs certainly add some marginal benefits (though it is very difficult to measure the benefits of IASs in terms of money) to the over all growth of the organization, because IAS implementation is cost sensitive. So, if the environment prevails in favor of voluntary implementation (i.e., IASs brings benefits), the business houses themselves will take care of successful and effective implementation of IAS. i.e., a self-enforcement mechanism will take place. But if business organizations think that IAS brings no benefits to them, then effective implementation of IASs will be very difficult. They will try to avoid the pains of adopting IASs. The researcher thinks that there is every possibility of adopting IASs, which are directly traceable to the external financial reporting like IAS-1, IAS-7 etc. IASs relating to measurement and valuation related financial information may remain in the dark and unused. In this situation, if the policy makers think that IASs implementation is an urgent need for the greater interest of the country, irrespective of some difficulties to business organizations, then strong external enforcement mechanisms are needed to activate. So, the researcher thinks, it is very important to explore the inner picture of IASs adoption in Bangladesh to identify the problems on the way to their (IAS) implementation (if any) and to recommend the best solution to the problems through opinion survey.

Dearth of trained manpower: Dearth of trained and skill manpower is another hurdle of IAS implementation in Bangladesh. Accounts preparers of different business enterprises are the output of different Universities, colleges, ICAB and/or ICMAB. The ICAB included IASs during 1984 in the then syllabi of CA intermediate and CA final (Group-II) examinations. From 1984 to till 2002 IASs were given 5% weight in intermediate level and 30% weight in one paper of final level of CA examinations. IASs have been made an integral part of financial accounting in the revised syllabi of 2002. Though the ICMAB was suppose to take up the vital role to produce skilled accounts personnel who will be well trained and well conversant in IASs but they lagged behind to perform their

appropriate duties in comparison to ICAB. The institute has become a member of the then IASC in 1983. Even then, the ICMAB introduced IASs in their syllabi of February 1998. This was after the adoption of IASs by the Securities and Exchange Commission of Bangladesh in 1997. The Dhaka University introduced IASs during late '80s. The students were taught the historical background and need for IASs, global harmonization process of International Accounting etc. During late '90s Dhaka University introduced IASs based syllabi for their BBA and MBA students. But the dearth of knowledgeable faculty on IASs is another impediment on the way to train people by the academic institutions. On the other hand, there is no other special institution in Bangladesh to train up the accountants of different business enterprises or to offer any diploma or special course(s) on IASs. Since IASs are highly specialized and technical area of financial reporting, effective initiatives will have to be taken to develop professionally expert human resources for business organizations. Keeping this technicality in mind, IASC itself has taken initiatives to publish training materials on different IASs. So it is necessary to study the present status of human resource development with a view to propose an appropriate way of action for the future.

Design of Accounting Systems: It is likely that each business organization has an *Accounts Manual* to operate the accounting system of the organization. In most of the cases in Bangladesh this accounts manual is designed by the independent chartered accountants in exchange for a large amount of fees. In case of a computerized accounting system, the accounting software is developed by a group normally comprising of software engineers and chartered accountants. Adoption of IASs will obviously result remarkable changes in this accounts manual or accounting software. As a result the business organizations will have to incur a sizable amount of costs to upgrade these accounts manual or accounting software to accommodate IASs. On the other hand, there might be dearth of skilled manpower to work with this upgraded accounting system. This study is an endeavor to trace the problems (if any) associated with the new accounting system and to suggest possible solutions to these problems.

Regulatory Authorities controlling accounting practices in Bangladesh: There are several rules/regulations and their corresponding regulatory authority controlling Accounting Practice in Bangladesh directly. These are presented in the following table:

Table-1.7: Shows list of different Regulations and their respective Regulators

Sl. No.	*Regulations*	*Regulators*
01	The Companies Act 1994	The Register of Joint Stock Companies
02	The Securities and Exchange Rules 1987	The Securities and Exchange Commission
03	The Banking Companies Act 1991	The Bangladesh Bank
04	The Insurance Act 1938	The Chief Controller of Insurance (CCI)
05	The Income Tax Act 1994	The National Board of Revenue

Apart from these mandatory laws, there are some National and International Institutions that control and/or affect the accounting practices in Bangladesh. These are:

- The Institute of Chartered Accountants of Bangladesh (ICAB)
- The Institute of Costs and Management Accountants of Bangladesh (ICMAB)
- International Accounting Standards Committee (IASC)/International Accounting Standards Committee (IASBC): IASs
- The World Bank
- The United Nations: UN code of Conduct on Transnational Corporation.
- The Organization for Economic Co-operation and Development (OECD): OECD Guidelines for Multinational Enterprises

Among the above laws and non-mandatory bodies, the securities and Exchange Rules 1987 indirectly (through ICAB) has made IAS mandatory on for the companies listed in the Stock Exchanges. Section 12.1(2) of the Securities and Exchange Rules, 1987 stipulates as follows:

> The financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh. [Amended SEC/Sec-7/SER-1987/03/132dt. 22.10.1997] Explanation- In this sub-rule, International Accounting Standard refers to the accounting standards issued by the International Accounting Standards Committee.

The Securities and Exchange Rules 1987 simply amended a section to enforce the IASs and passed on the ultimate responsibility to the ICAB regarding implementation of IASs. On the other hand the Chartered Accountants i.e., the members of the ICAB have got the authority by the Companies Act 1994 to perform the statutory audit of the public and private limited companies (irrespective of their listing status in the stock exchanges). Moreover, the ICAB is the ultimate authority of controlling accounting profession in Bangladesh and at the same time the ICAB is the member of IASs issuing authority, the IASC/IASB. From all these points of view, ICAB is the most vital authority of accepting, implementing and monitoring IASs in Bangladesh. The Bangladesh Bank is another

enforcing institution which specifically adopted IAS-30. Bangladesh Bank issued a circular (BRPD Circular No. 03 Dated 18 April 2000) titled 'Amendment of First Schedule Forms of the Banking Companies Act, 1991' to accommodate IAS-30. Though Bangladesh bank is the controlling authority of all the scheduled banks, the Companies Act 1994 has empowered the Chartered Accountants to perform statutory audit of these banks. However, the Companies Act 1994 is quite silent as regards enforcement of IAS in Bangladesh. As a result, all the private limited companies registered under the Companies Act 1994 remain free from mandatory implementation of IAS in Bangladesh. Only Chartered Accountants i.e., the statutory auditors can look after the matter of private limited companies as regards implementation of IASs.

In particular, The Institute of Chartered Accountants of Bangladesh (ICAB), the Securities and Exchange Commission (SEC) and the Bangladesh Bank are directly involved in the acceptance, implementation and controlling process of IASs in Bangladesh. The researcher thinks that for wider acceptance of IASs with positive motivation, all the concerned parties especially representatives from business forum, representatives from government agencies, academicians, company accounts preparers, etc. should be given due importance to opine on adoption of IAS in Bangladesh. Here it may be noted with relevance that the Trustees of the IASC has formed the new International Accounting Standards Board (IASB) to accommodate the accounting professionals and domestic standards setters from various countries around the world with a view to widen the acceptability of IASs [Standards issued by the IASB will be called International Financial Reporting Standards (IFRS)]. So large participation in acceptance process can easily ensure the wider and successful implementation of IAS in Bangladesh.

Legal Proceedings for non-compliance with IASs: Every law determines a norm of action, i.e., what to do and what not to do. Any deviation from that norm become punishable and the degree of punishment is also determined by that law. Adoption of IAS is mandatory according to section 12(2) of the Securities and Exchange Rules 1987 and the first schedule of the Banking Companies Act 1991. The Securities and Exchange Rules 1987 is quite silent about the penalties for non-compliance with IASs. Here it may be noted that in exercise of the powers conferred by Section 33 of the Securities and

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Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), the Securities and Exchange Commission (SEC) has formulated the Securities and Exchange Rules 1987. The Securities and Exchange Ordinance, 1969 is also kept silent on penalties for non-compliance with IASs specifically. But section 22 of the Securities and Exchange Ordinance, 1969 provides for a penalty of taka not exceeding one lakh for willful refusal, failure or contravention to furnish any documents, paper or information, which is required by this ordinance. Section 22 states as follows:

PENALTY FOR CERTAIN REFUSAL OR FAILURE:-

(1) If any person:-
(a) refuses or fails to furnish any document, paper or information which he is required to furnish by or under this Ordinance; or
(b) refuses or fails to comply with any order or direction of the Commission made or issued under this Ordinance; or
(c) contravenes or otherwise fails to comply with the provisions of this Ordinance;
the Commission may, if it is satisfied after giving the person an opportunity of being heard that the refusal, failure or contravention was willful, by order direct that such person shall pay to the Commission by way of penalty such sum not exceeding one lakh taka as may be specified in the order and, in the case of a continuing default, a further sum calculated at the rate of ten thousand taka for every day after the issue of such order during which the refusal, failure or contravention continues.
(2) Any sum directed to be paid under sub-section (1) shall be recoverable as an arrear of land revenue. (3) No prosecution for an offense against this Ordinance shall be instituted in respect of the same facts on which a penalty has been imposed under this section.

Section 109(2) of the Banking Companies Act 1991 provides for penalty and maximum three years of imprisonment for concealment of any facts in the balance sheet or non-compliance with any requirements of the Act.

Users of Financial Statements: The ultimate output of IASs is the preparation financial statements and objectives of these financial statements are to satisfy the need of the users. Since there are different types of users and their needs are also different, it is very difficult to satisfy all these users by a single set of financial statements. As a result, general-purpose financial statements are prepared keeping in mind the common needs of all the users. The following diagram shows the different parties involved in the process of preparation and uses of financial statements:

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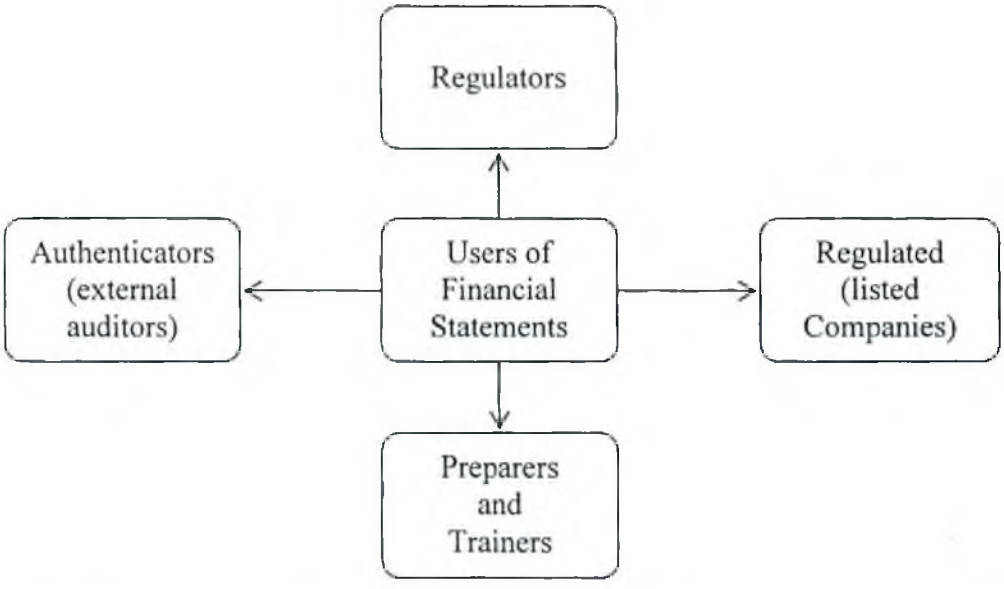
Diagram-1.8: Shows parties involved in the process of preparation and uses of financial statements

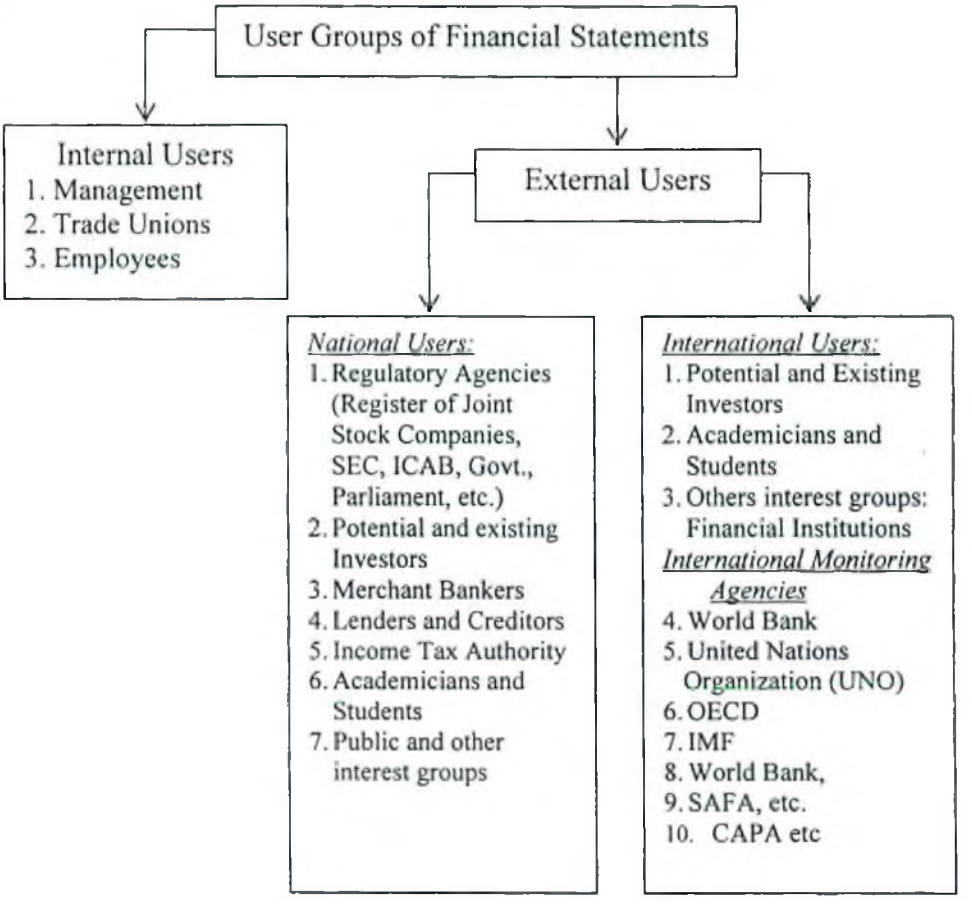


Management and other internal groups: Financial Statements are prepared to measure the financial performance and to know the financial position of an organization. Usually these financial statements are widely used by the management of the organization itself in planning, preparing budgets and taking different business decision including feedback control. Employees find interest in the financial statement since there exists a positive relation between profit earning capacity of the organization and personal financial benefits like bonus, commission etc. This is why more disclosure of financial information is normally expected by the employees as well as different trade unions. Another issue is costs of implementing IASs. Apparently the cost of implementing IASs is borne by the business houses. But this increased costs is shifted by the business houses to the consumers by increasing selling price and finally the costs is borne by the society. Since the business houses are directly affected by the implementation of IAS, they (business houses) should have an active participation in the acceptance and implementation process of IASs in Bangladesh. This involvement or participation is very much important not only from democratic point of view, but also equally important from easy, smooth and successful implementation point of view. Another noteworthy matter is that, implementation of IASs in a business house is a costly process. So, until and unless the

justification of this cost could be proved, it will not be welcomed by the business houses and in this situation it will be very difficult to implement IASs successfully.

Diagram-1.9: Shows different users of financial statements

Error!



Local investors and lenders: If there exists a perfect capital market, financial reports of a company become a very sensitive issue to the investors and all other concerned parties. The capital market in Bangladesh is quite imperfect. All the investors do not have uniform access to financial and non-financial information. Even the financial statements of most of the companies do not reflect the true and fair view of the state of affairs. Examples of *'window dressing'* and fraudulent presentation of information in the balance sheet are frequently evident in the stock exchanges of Bangladesh. As a result, the reliability and dependability of financial statements are in question. Most of the investors do not consider financial reports as reliable in taking any investment decision. Another thing is that the local investors in Bangladesh are very much fatalistic rather than realistic and rational. As a result, analytical and rational investment decision is seldom seen.

During the year 1996, the devastating collapse in the Dhaka Stock Exchange caused thousands of investors penniless. Most of them had hardly ever gone through the financial statement of the issuing company. They did not know how IASs could help them in evaluating an investment decision. Same picture prevails in the Banking sector where financial statements of the loan seeking companies were supposed to be the most important elements of evaluation of loan proposal. Once upon a time the researcher was a Probationary Officer of a leading private bank in Bangladesh. This is his experience in the bank that the loan sanctioning process is highly influenced by political and other undue pressures rather than rational and quantitative evaluation of the proposal based on financial statements. As a result, financial statements remain least usable to the lenders though some exceptions might be there. Since the preparation of financial statement is a legal obligation of the listed companies, they disclose it publicly to comply with the legal requirements. In view of the above, the researcher can hypothesize that it makes no difference between having IASs and not having IASs in Bangladesh.

The Securities and Exchange Commission (SEC): SEC is the controlling authority of Stock Exchanges in Bangladesh and the mission of this regulatory body is to-

- protect the interests of securities investors.
- develop and maintain fair, transparent and efficient securities markets.
- ensure proper issuance of securities and compliance with securities laws.

The SEC is the only regulatory body that made IASs mandatory for the listed companies. Protection of the interests of security investors is the foremost mission of the SEC. Among all other things, transparent and dependable financial information is the most important safeguard to the securities investors. In Bangladesh, there are some examples of cheating the investors by the fraudulent presentation of financial information in the external reports. So, the SEC has thought that the investors can get rid of such cheating through adopting IASs in Bangladesh. On the other hand, IAS based financial reports will be easily readable and understandable to the foreign investors interested to invest in Bangladesh. This was an urgent need to adopt IASs with a view to boost up the foreign investment in Bangladesh. So, as a regulatory body, financial statements of different listed companies are of great importance to the Securities and Exchange Commission. To detect any deviation from securities law and to take any legal proceedings against any

issuer, financial statements are used as primary evidence. But the question is: how successful the SEC is in adopting IAS in Bangladesh.

Academicians and Students: Different Universities and Colleges are the suppliers of skill human resource as input to the ICAB, the ICMAB and to different business houses. Especially business graduates need to be well conversant about the environment of accounting practices of Bangladesh. Therefore, financial statements and various laws and standards governing accounting practices are of great importance both to the academicians as well as teachers and students. These students are the input if ICAB and ICMAB. Some of the accounting graduates will come out as Chartered Accountants (CA) and/or Cost and Management Accountants (CMA). Many university graduates, CAs and CMAs may build international career in Accounting. So, the academicians and students are an important part of the accounting practices in Bangladesh. They use financial statements of different companies to meet the real life knowledge on accounting practices. It is necessary to prepare the students according to the future need of the society and to close the gap between academic accounting practices and real life accounting practices. To keep pace and parity with the real life situation, IASs should be an important part of the syllabi of different universities and colleges. For better and effective results, there should be a well coordination between professional bodies, regulatory agencies and academic institutions. One objective of this study is to explore the degree of relationship persists among the above-mentioned authorities.

International users: Bangladesh has taken multiple measures to boost up the economy by foreign investment. Foreign companies/investors are invited and encouraged by different fiscal measures to invest in Bangladesh. In fact, a recent assessment showed that the country offers perhaps the most liberal FDI regime in South Asia, with no prior approval requirements or limits on equity participation or restrictions on the repatriation of profits and income [UN & ICC 2000, 1]. For foreign direct investment, there is no limitation pertaining to foreign equity participation, i.e. 100 percent foreign equity is allowed. Non-resident institutional or individual investors can make portfolio investment in stock exchanges in Bangladesh. Foreign investors or companies may obtain full working loans from local banks. The policy framework for foreign investment in Bangladesh is based on 'The Foreign Private Investment (Promotion & Protection) Act.

1980,' which ensures legal protection to foreign investment in Bangladesh against nationalisation and expropriation. It also guarantees non-discriminatory treatment between foreign and local investment, and repatriation of proceeds from sale of shares and profit [*http://www.bangladesh-bank.org/investpr/invesfac.html*].

In such a situation, it is likely that foreign investors will look for financial statements of international standard which are easily readable and understandable to them in evaluating investment decision. Probably these foreign investors are the most serious users and beneficiaries of implementation of IASs in Bangladesh. Apart from the foreign investors, the United Nations, the World Bank, the International Chamber and Commerce (ICC), the Organization Economic Co-operation and Development (OECD) etc. have great interest with the accounting system and practice of Bangladesh, because, directly or indirectly, these international organizations are the associates of foreign investment in Bangladesh. So it is their primary responsibility to protect the interest of foreign investment in Bangladesh. In many cases the World Bank imposes precondition to adopt IASs before sanctioning a loan to a project. To make the financial statements readable and understandable to these international investors and organizations, it became an urgent need to enforce IASs in Bangladesh and accordingly the Securities and Exchange Commission of Bangladesh has made IASs mandatory by amending the Securities and Exchange Rules 1987 on 22nd October, 1997. In view of the above, the researcher wants to explore the extent of international norm (by adopting IASs) that the listed companies in Bangladesh attained in financial reporting.

1.4 Statement of the Problem:

The emergence of global capital market is perhaps the most influential factor that has accelerated the enormity of international accounting and global harmonization. At the same time the emergence of multinational business is the core impetus towards the development of International Accounting Standards. In this complex business world with diverse accounting practices of different countries creates communication gap in understanding financial statements among the countries involved in international business. So a harmonized practice of accounting will facilitate the concerned groups to understand the financial statements of each other. Since Bangladesh is highly dependent on international business, accounting systems of Bangladeshi business houses needs to be

standardized in conformity with IASs, because the diversified accounting practice without any harmony with IASs can be a big obstacle to international business and industrialization of a country like Bangladesh. Accordingly, out of total 41 IASs (of which 34 are effective), Bangladesh has so far adopted original version of 21 IASs as Bangladesh Accounting Standards (BAS) as of September 02, 2003 (stated earlier in detail). Keeping all these in view, the problem of the present study may be enunciated in terms of the following questions:

1. What are the International Accounting Standards issued by IASC/IASB and why are these being modified constantly?
2. Are the IASs suitable or relevant for a country like Bangladesh?
3. What is the process of acceptance of IASs in Bangladesh?
4. Is it the appropriate way of accepting IASs in Bangladesh?
5. How are IASs being enforced in Bangladesh at present?
6. Is the present system the appropriate way of enforcing IASs in Bangladesh?
7. What is the present monitoring process of IASs implementation in Bangladesh?
8. What should be the monitoring process of IASs implementation in Bangladesh?
9. What is the impact of IASs on the users of financial statements?
10. Is there any need for development of local Accounting Standards for Bangladesh?
11. Is implementation of IASs in Bangladesh feasible from cost-benefit point of view?
12. What are the problems on the way to successful implementation of IAS in Bangladesh?
13. What is the reaction of the Accounts preparers as regards implementation of IASs in Bangladesh?
14. Do the external financial reports of the listed companies in Bangladesh comply with the disclosure requirements of IASs?
15. What are the appropriate steps to be taken to implement IASs in Bangladesh successfully?
16. What is the reaction of the Academicians as regards implementation of IASs in Bangladesh?

1.5 The objectives of the study:

In view of the problems and research questions described above, the present study is directed to accomplish the following objectives:

1. To collect the total numbers of IASs issued by the IASC/IASB and explore their revision/development.
2. To assess the relevancy and applicability of IASs in Bangladesh.
3. To conduct a survey on the acceptance process of IASs Bangladesh.
4. To evaluate the present process of acceptance of IASs in Bangladesh.
5. To conduct a survey on the enforcement process of IASs Bangladesh.
6. To evaluate the present process of enforcement of IASs in Bangladesh.
7. To conduct a survey on the present monitoring process of IASs Bangladesh.
8. To evaluate the present monitoring process of IASs in Bangladesh.
9. To conduct a survey on the impact of IASs on the users of financial statements.
10. To conduct a survey on need for development of local Accounting Standards in Bangladesh.
11. To identify the benefits and costs incurred by the companies (either in monetary or non-monetary form) after the adoption of IASs.
12. To conduct a survey to identify the impediments on the way to successful implementation of IASs in Bangladesh.
13. To conduct a survey to assess the reaction of the preparers of financial statements.
14. To know the extent of compliance and non-compliance with the different IAS so far adopted in Bangladesh.
15. To find out the possible ways of successful implementation of IAS in Bangladesh.
16. To conduct a survey to assess the reaction of the academicians as regards implementation of IASs in Bangladesh
17. To assess the satisfaction of the users of financial statements.

1.6 Scope of the Study:

All the interest groups such as *Company Management, Accounts preparers, Statutory Auditors (Professional Chartered Accountants)* and *users groups* come under the scope of the study. The implementation of IASs in Bangladesh (in the light of the spirit of IASC) mainly depends on the attitude of all these groups. The study covers how the

Management and Accounts Preparers/Executives of Joint Stock Companies are accommodating the IASs and how the professionals i.e., Chartered Accountants are ensuring the implementation of IASs. The user group includes potential local or foreign investors, lenders, creditors, tax authority of the Government, academicians etc.

1.7 Rationale of the Study:

Since no research study has so far taken place in Bangladesh, there exists a wide research gap in regard to International Accounting Standards in this country. This study will hopefully close this gap and focus on the debate regarding implementation process of IASs in Bangladesh. This study is expected to have the following rationale:

1. This study will focus on the degree of acceptance of and the relevance to IASs implementation in Bangladesh;
2. This study will focus on the process of implementation of IASs in Bangladesh;
3. This study will focus on the need for Accounting education model as well as curricula of different Universities and professional Institutes of Bangladesh in accordance with the need of the country;
4. This study may provide guidelines as to how to make a comparative study of the accounting practices in Bangladesh and that of other countries;
5. Professional accounting bodies and the concerned interest groups are expected to benefit from this study and this study may be an interesting exercise for the scholars interested in this area.

1.8 Definitions of Important Terms used in this Study:

Accounting Practice: Accounting practice is expressed as the activities performed by the independent accountants and accounts preparers in conformity with the legal requirements and Generally Accepted Accounting Principles (GAAP) of Bangladesh.

Implications of IASs: Implications of International Accounting standards (IASs) means the impact of IASs on the following areas:

- Regulatory framework;
- IASs accepting authority (ICAB, Bangladesh Bank, SEC);
- Management and accounts preparers of business organizations;

- Accounting System, Accounting methods, Presentation of financial statements;
- Costs of adopting IASs;
- Auditors (Independent Chartered Accountants);
- Users of financial statements;
- Implication of IASs also covers the impediments faced by the parties involved in IASs acceptance and implementation process.

Accounts Preparers: Accounts preparers means the persons skilled in keeping records and preparing accounts of business houses. The minimum professional qualification of an account preparer is not defined in the Companies Act 1994 or any other laws of Bangladesh. They might be Chartered Accountants, Accounting Graduates, Cost and Management Accountants, *etc.*

Independent Professional Accountants: Independent Professional Accountants means the Chartered Accountants who are the members of the ICAB and who are not appointed as an employee of a business organization. They are appointed auditor(s) as per section 210 of the Companies Act 1994 to perform the statutory audit of a business organization. Regarding their qualification, section 212(1) of the same Act states, "No person shall be appointed an auditor of any company unless he is 'chartered accountant' within the meaning of the Bangladesh Chartered Accountants Order, 1973 (P.O. No. 2 of 1973)."

General Issues: Issues means transaction based accounting problems those arise in the field of international business. General Issues are some accounting problems common to all types of organizations (including multinational group of companies) directly or indirectly involved in international business. For example: Deferred Tax, Leasing, Stock valuation, Long-term Contract, Research and Development costs, Post Retirement Benefits, Valuation of Tangible Fixed Assets, Depreciation, Inflation, Related Party Disclosure etc.

Special Issues: From an international accounting perspective, probably the most important form of organization is the multinational group of companies. Special Issues are some international accounting problems usually faced by these multinational group of companies. These issues wrap up the problems of consolidation, translation of foreign currencies, disaggregated reporting etc.

Multinational Enterprises: Multinational Enterprise may be defined as a large company that operates or has investments in several countries.

Harmonization of Accounting: Harmonization of accounting is a process of minimizing the diversity of accounting system of different countries around the world, since complete eradication of differences in accounting system is not possible. In the harmonization process, global accounting system has to be brought into a single pathway keeping variations at minimum. Harmonization of accounting allows more space to reconcile the accounting differences between the countries.

Standardization of Accounting: Standardization of accounting in a strict sense of harmonization. Standardization does not allow any diversity in accounting practices among the countries. It seeks to eliminate diversity in accounting practices by developing uniform set of accounting standards for global use.

Uniformity: Uniformity is a state of imagination where no diversity in accounting practices will be there in the world. Standardization of Accounting is the precondition of uniformity. Uniformity will prevail where diversity is absent.

Business Houses/Business Organizations/Business Enterprises: This means the companies limited by shares and the law by which a company is formed/registered, guided and regulated in Bangladesh is the Companies Act 1994. The companies limited by shares are of two types, viz., (a) Private limited Company and (b) Public Limited Company.

1.9 Limitations of the Study:

The present study has the following limitations:

(i) The researcher has failed to collect any data from the business leaders. As a result the views of the employers as well as cost bearers of adopting IASs would remain unexplored.

(ii) The researcher has also failed to collect data from two important regulatory authorities, one is the SEC and another is the Registrar of Joint Stock Companies. One top-level official representing the SEC comments that the questionnaire is lag behind than the present standing of the SEC. So the SEC thinks that responding to the questionnaire is useless. Rather they wanted to provide some papers and documents relating to activities

of the SEC on IASs issue. Consequently, the researcher could not collect any papers from the SEC despite of several attempts. On the other hand the Registrar of Joint Stock Companies informs that they don't have any technical knowledge on IASs, so respond to the questionnaire is meaningless. Thus views of two vital respondents remain outside the sideline of the study.

(iii) Some of the respondents responded after repeated reminder. As a result they might feel pressure from researcher's end and might respond hurriedly or without sufficient concentration on the questionnaire.

(iv) Over all analysis (taking four respondents groups simultaneously) and inter group (two groups at a time) analysis has been carried out only on the basis of profession. Other characteristics like age, experience, academic discipline, IASs upgrading training, experience in IASs etc. might have some impact on opinion of the respondents. But analyses on the basis of these characteristics has not been done.

(v) Despite of sincere efforts to make the thesis clean, there might be some printing mistakes.

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Chapter – 2

Research Methodology

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CHAPTER-2
RESEARCH METHODOLOGY

2.1 Introduction:

The present research work has two parts:

1. Literature Survey (Desk Research)
2. Empirical Research (Opinion Survey)

2.2 Literature Survey (Desk Research):

The researcher has reviewed existing stock of literature (based on books, journals, edited collection of articles etc. related to International Accounting Standards) available in the Libraries of Dhaka University, ICMAB, ICAB, British Council and personal collection of journals and articles of distinguished scholars. Detailed list of articles and journals is available in the bibliography of the dissertation. Apart from this, the researcher has visited relevant websites of different organizations involved in the development of accounting standards as well as accounting profession around the world. Especially, the researcher visited the websites of following organizations frequently to keep the dissertation up-to-date:

International Accounting Standards Committee [www.iasc.org.uk*]*, Accounting Standards Board (ASB) of the UK [*www.asb.org.uk*], International Organization of Securities Commissions (IOSCO) [*www.iosco.org*], Association of Chartered Certified Accountants [*www.acca.co.uk*], Chartered Institute of Management Accountants (UK) [*www.cima.org.uk*], Confederation of Asian & Pacific Accountants [*www.capa.com.my*], Financial Accounting Standard Board (FASB) [*www.rutgers.edu/Accounting/raw/fasb*] (IFAC) [*www.ifac.org*] Organization for Economic Co-operation and Development (OECD) [*www.oecd.org*], Securities and Exchange Commission of Bangladesh [*www.secbd.org*].

2.3 Empirical Survey

2.3.1 Population:

International Accounting Standards are highly technical accounting devices. On the other hand the use of IASs in Bangladesh is very much recent. As a result the development of skilled human resources on IASs in Bangladesh is underway. This limitation has been taken into account in defining the population of the study. The persons who are directly

involved in the acceptance, implementation and training/teaching process of IASs are included in defining the population of the study. Total population has been segregated into *six groups* considering their different standings on IASs issues. Due to limited capacity, resources, and time all the six groups of the population are confined to Dhaka city only. The population of the study is automatically defined and the six groups of population are as follows:

Professional Accountants: Professional accountants are empowered by the Companies Act 1994 to perform the external audit of the accounts of all limited companies. Thus they oversee the implementation aspect of IASs by the listed companies which were made mandatory by the SER 1987. So the professional accountants are the right persons who are very much concerned about IASs. In this study the professional accountants have been defined as the practicing members of the ICAB established in Dhaka city. According to the *List of Members and Firms: 2002-2003* of the ICAB, number of total practicing member is 266 of which 225 are practicing in Dhaka.

Accounts preparers: Accounts preparers has been defined as the employed accountants (professional or non-professional) of the listed companies having registered office in Dhaka city. They are the persons applying IASs in preparing the financial statements of their companies. i.e., the implementation aspect of IASs completely goes with these accounts preparers. This is why the accounts preparers are taken as the vital respondents of this study. According to the website of the Securities and Exchange Commission (*www.secbd.org*) as at 21st December 2002 total numbers of companies listed with the Dhaka Stock Exchange (DSE) are 227, of them 214 have registered office situated in Dhaka metropolitan city area.

Regulators: IASs have been made mandatory by the Securities and Exchange Rules 1987 and the Banking Companies Act 1991. So legally the Securities and Exchange Commission (SEC) and the Bangladesh Bank regulate the implementation of IASs in Bangladesh. Here it may be noted that the ICAB has become an integral part of this process, because ICAB first accepts IASs and thereafter the SEC enforce them by the SER 1987. On the other hand, the financial statements of the limited companies are regulated by the Companies Act 1994 though the act is quite silent about IASs. Recently it is widely talked-about that IASs should be made mandatory by the Companies Act

1994. So the regulators group includes the SEC, the Bangladesh Bank, the ICAB and the Registrar of the Joint Stock Companies as under:

- Chairman and Members of the SEC, 3 in numbers;
- General Manager (GM) and Deputy General Manager (DGM) of audit and inspection department of Bangladesh Bank, 5 in numbers;
- President, vice-presidents and council members of the ICAB, 20 in numbers;
- Registrar and deputy registrar of joint stock companies, 2 in numbers

Leaders of Business Communities: Different Chamber of Commerce and Industries are the organizations of leaders of business communities of the country. They are the owners or representatives of the owners of the different limited companies. The costs of implementing IASs are directly borne by these communities. Since the Metropolitan Chamber of Commerce and Industries (MCCI) is the organization of the business communities of Dhaka city, the office-bearers of the MMCI have been taken into population of the study. They are 14 in numbers.

Academicians: Introduction of IASs in the curricula of graduate and post-graduate levels of different Universities of Bangladesh is very new. It is observed that there exists a dearth of teachers at university level whose area of interest is IASs. Normally financial accounting experts teach the IASs. This is why the financial accounting experts of Dhaka University have been taken into the population of academicians group only. They are 12 in numbers.

Users of financial statements: Users of financial statements has been classified into two groups viz. (i) Individual Users and (ii) Institutional users. The researcher talked to 10 different individual investors (three of them with accounting education background) as regards IASs. All of them were found insensitive to the use of IASs in preparing financial statements. Two of them have heard the name of IASs in their student life and the rest have never heard the term IASs. None of them go through the financial statements at the time of buying securities. They are concerned only about the rate of dividend and market price of the share and they use different daily newspapers to know this information. This why the researcher thinks better not to include the individual investors in the population of the study. The population of the study includes only the institutional users/investors such as members of Dhaka Stock Exchange (183 in numbers), Merchant Banks having

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corporate office situated in Dhaka (24 in numbers), and the Executives of Investment Corporation of Bangladesh (11 in numbers). In view of the above the summary of the population can be drawn as follows:

Table: 2.1-Shows size of population

Questionnaire Set	*Respondents*	*Numbers*	*Numbers*
A	Professional Accountants		228
B	Accounts Preparers		214
C	Regulators:		
	SEC	3	
	Bangladesh Bank	5	
	ICAB	20	
	Registrar of Joint Stock Companies	2	30
D	Leaders of Business Communities		14
E	Academicians		80
F	Users of Financial Statements:		
	Member of Dhaka Stock Exchange	183	
	Merchant Banks/Investment companies	24	207
		Total	783

2.3.2 Sample Size of the study:

The researcher is working within a limited timeframe and financial resources. It is true that a larger sample size ensures greater precision of the output. But it is costly and time consuming to handle a larger sample size. According to Anderson (1996: 816), "often the budget for the study dictates how large the sample can be. In other cases, the size of the sample must be large enough to provide a specified level of precision." The researcher tried to make a trade-off between cost/time and precision. Since the population of the study is known, sample size has been determined by using the following formula (Anderson 1996, 820):

$$n = \frac{N.\ p\ (1-p)}{N\left(\frac{B^2}{4}\right) + p\ (1-p)}$$

$$n = \frac{783\ X.\ 5\ (1-0.50)}{783\left(\frac{.10^2}{4}\right) + .5\ (1-0.50)}$$

$$n = \frac{195.75}{2.2075}$$

n = 88.67 or n = 90

Where:

N = Number of known population = 783;

p = Proportion belonging to specified category =0.50 (assumed);

(1-p) = Proportion not belonging to specified category;

B = Level of significance = 10% (i.e., level of confidence = 90%);

n = Sample size;

This sample size has been broken down to six groups according to population proportion as per following table. Finally sample size has been increased by another four for adjustment of fractions:

Table: 2.2- Shows population and sample size by respondents

Respondent Groups	*Population*		*Sample*	
	Numbers	*Numbers*	*Numbers*	*Numbers*
Professional Accountants		234		27
Accounts Preparers		214		25
Regulators:				
SEC	3		1	
Bangladesh Bank	5		1	
ICAB	20		3	
Registrar of Joint Stock Companies	2	30	1	6
Leaders of Business Communities		14		2
Academicians		84		10
Users of Financial Statements:				
Member of DSE	183		21	24
Merchant Banks	24	207	3	
	Total	783		94

2.3.3 Hypotheses of the study:

a) Relevancy of IASs in Bangladesh:

Total number of IASs issued by the IASC is 34 (effective number) and IFRSs issued by the IASB are 6 (six) and ICAB has so far adopted 29 IASs in Bangladesh. No IFRSs have so far been adopted [Table-1.4, 1.4(a), 1.5]. This is the scenario of IASs adoption in Bangladesh as on 17th March 2005. The researcher has gone through some published annual reports of some listed companies and observed that some of the adopted IASs have not been given recognition in preparing their financial statements. Especially IAS-12 (Income Taxes), IAS-19 (Employee Benefits), IAS-26 (Accounting and Reporting by Retirement Benefit Plans) etc. In this situation the researcher hypothesizes:

- All the IASs are not relevant to Bangladesh.

The null hypothesis is:

(I) H_0: *There exits no significant differences among the interest groups regarding relevancy of all IASs in Bangladesh.*

b) Implementation of IASs in Bangladesh:

Acceptance Process: At present, a committee named 'Research and Technical Committee' under the ICAB is working to give acceptance to the IASs for adoption in

Bangladesh. The committee comprises of thirteen members and all of them are members of the ICAB. Here it may be noted that in many countries (like the USA, the UK, India, Sri Lanka etc.) of the world, different concerned groups like professional accountants, bank representatives, academicians, employed accountants, representatives from chamber of commerce and industry, representatives from different regulatory bodies etc. are involved in the development and/or acceptance process of accounting standards. The researcher had talk to different interest groups. Most of them think that a joint effort from all interest group is necessary to implement IASs successfully. But some chartered accountants think that IASs are sophisticated accounting devices. This is why all other interest groups have a little scope to contribute towards IASs acceptance and development process. The researcher observed a clear contradiction in opinion between groups. In view of the above, the researcher hypothesizes:

- Acceptance of IASs by the ICAB, SEC and Bangladesh Bank only is not sufficient for their successful implementation.
- All the concerned parties (regulators, preparers & trainers, regulated, authenticators and business communities) are to be involved in the acceptance process.

Null hypothesizes are:

(2) H_0: There exits no significant differences among the interest groups regarding Acceptance of IASs by the ICAB, SEC and Bangladesh Bank.

(3) H_0: There exits no significant differences among the interest groups regarding involvement of all concerned parties in the acceptance process of IASs in Bangladesh.

Enforcement Process: The ICAB accepts IASs for adoption by the listed companies but they do not have any authority to enforce these IASs. The SEC is the regulatory authority but it does not have any participation in the IASs acceptance process. The Bangladesh Bank and the Registrar of Joint Stock Companies are another regulatory authority to control schedule banks and all limited companies (private and public) respectively. So multiple authorities are there to control over a single listed company. So far the issue of IASs application is concerned, according to the researcher, a single but a powerful authority should be there. In view of the above the researcher hypothesizes:

- Present enforcement process is not effective to ensure the proper application of IASs in Bangladesh.

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Null hypothesis is:

(4) ***H_0:*** *There exits no significant differences among the interest groups regarding present enforcement process of IASs in Bangladesh.*

Monitoring Process: Multiple authorities such as Bangladesh Bank, ICAB, and SEC monitor the application of IASs by the listed companies. On the other hand the ICAB has a control only over their members as well as practicing members. It cannot take any action against any listed company for non-compliance of IASs. The researcher thinks that this is not an effective process monitoring. In view of the above the researcher hypothesizes:

- Existing institutional monitoring system is not effective to ensure the application of IASs in Bangladesh.

Null hypothesis is:

(5) ***H_0:*** *There exits no significant differences among the interest groups regarding present monitoring system to ensure the proper application of IASs in Bangladesh.*

Development of local Standards: There are people who argue that the members of developed countries have developed IASs. These are designed for efficient capital market. The capital market of Bangladesh is undoubtedly inefficient and the investors of this market are not so sensitive to the financial information. As a result the need for disclosure of financial information as well as IASs does not exist here. In such a situation adoption of IASs will not give any pragmatic result. This is why many developing countries, for example India, have developed their own local accounting standards within the conceptual framework of IASs. In the long run they may go for adoption of IASs. In view of the above the researcher hypothesizes:

- The users of financial statements are indifferent between having IASs and not having IASs.
- Development of local Accounting Standards will be better than adopting of IASs directly.

Null hypotheses are:

(6) ***H_0:*** *There exits no significant differences among the interest groups that the users of financial statements are indifferent between having IASs and not having IASs.*

(7) ***H_0:*** *There exits no significant differences among the interest groups regarding Development of local Accounting Standard.*

Cost-benefit impact of IASs: A listed company will have to incur additional costs on account of employment of skilled accounts personnel, training of existing accounts personnel, redesigning the accounting system for adopting IASs etc. These costs will be justified if the benefits of IASs are higher than these costs. Though it is very difficult to quantify the costs and benefits of IASs (an in-depth research may be carried out only on this issue), yet the researcher is interested to know the feelings of the concerned parties about the costs and benefits of IASs adoption. In view of the above the researcher hypothesizes:

- Benefits of IASs are greater than the costs of adopting IASs.

Null hypothesis is:

(8) ***H_0:*** *There exits no significant differences among the interest groups on the issue that Benefits of IASs are greater than the costs of adopting them.*

c) Impediments on the way to adopt IASs in Bangladesh:

It is observed by the researcher that implementation of IAS is facing several problems. Such as unreceptive local legal framework, dearth of skill, lack of motivation, lack of knowledgeability about IASs and their benefits, lack of motivational measures by the concerned authority like SEC, ICAB, ICMAB etc. Another fact is that the SEC did not allow sufficient time to the listed companies to develop themselves so that they can apply perfectly a sophisticated accounting device like IASs. As a result the listed companies are trying just to comply with the legal requirements rather than applying IASs in the right way. In view of the above the researcher is interested to trace the impediments those faced by the concerned groups and thus hypothesizes:

- Many controllable and uncontrollable impediments are there on the way to adoption of IASs in Bangladesh.

Null hypothesis is:

(9) ***H_0:*** *There exits no significant differences among the interest groups regarding impediments of adopting IASs in Bangladesh.*

d) Reaction of the Accounts Preparers:

Accounts preparers are the most vital and key part of IASs adoption. Successful implementation of IASs depends on their skill, commitment and sincerity. If they take it positively then it is a good sign, otherwise it is a big problems of IASs implementation. During the year 1997 IASs were made mandatory by the Securities and Exchange Rules 1987. The researcher wants to know how this group reacted when the Securities and Exchange Commission made IASs mandatory for them. In view of the above the researcher hypothesizes:

- Preparers of financial statements are not satisfied with the process of imposition of IASs.

Null hypothesis is:

(10) H_0: There exits no significant difference between the sample mean and an arbitrary value (such as '3' and '5' in a 5-point scale).

e) Degree of Compliance:

The auditor's reports of listed companies of Bangladesh states that the financial statements of the listed companies comply with the disclosure requirements of IASs. Unfortunately most of the users of financial statements do not rely on this statement of the auditors. The researcher thinks that in many cases it is simply a paper work and the real life situation is different from this statement of compliance. In view of the above the researcher hypothesizes:

- Compliance with IASs is limited only to the auditors report.

Null hypothesis is:

(11) H_0: There exits no significant differences among the interest groups regarding compliance of IASs.

f) Proposed ways of IASs Implementation:

The researcher thinks that both long term and short-term plan is necessary for implementation of IASs. Initiatives are to be taken to produce skilled manpower from grass root academic level. Apart from this intensive training program is to be conducted for the concerned groups. In view of the above the researcher hypothesizes:

- IASs should be made an integral part of both academic and professional syllabi.

- Rigorous training program on IASs for the concerned parties is necessary for their successful implementation in Bangladesh.
- Adoption of international auditing guidelines issued by IFAC is necessary to ensure application of IASs.

Null hypothesizes are:

(12) ***H_0:*** *There exists no significant difference among the interest groups regarding some proposal on successful implementation of IASs in Bangladesh.*

g) Reaction of the Academicians:

Different Universities and University-Colleges of the country are producing accounting graduates who are the input to the accounting profession. So to build up skilled human resources on IASs these academic institutions should play an important role. Their academic syllabi should be restructured in the light of IASs. The researcher is interested to know how much the academicians are ready to meet the demand for skilled accounting personnel. In view of the above the researcher hypothesizes:

- Academic efforts at college and university level are suffering from lack of skilled teachers who are well conversant in IASs.

(13) H_0: There exits no significant difference between the sample mean and an arbitrary value (such as '3' and '5' in a 5-point scale).

h) Satisfaction of the users of Financial Statement:

The ultimate objective of IASs is to disclose financial information for the users of financial statements. So, if the users of financial statements are satisfied with information provided, then the whole mission of the IASB will be successful. Otherwise the endeavor will be foiled. This is why the researcher is interested to know the reaction of the users of financial statements as regards adoption of IASs in Bangladesh. In view of the above the researcher hypothesizes:

- The users of financial statements are not satisfied with the information disclosed in the Financial Statements.
- The users of financial statements are in doubt about the reliability of the information disclosed in the Financial Statements.

(14) H_0: There exits no significant difference between the sample mean and an arbitrary value (such as '3' and '5' in a 5-point scale).

2.3.4 Questionnaire of the Study:

This study has used six sets of questionnaire. These are:

Set A: Questionnaire for Accountants Preparers

Set B: Questionnaire for Professionals

Set C: Questionnaire for Regulators

Set D: Questionnaire for Leaders of Business Houses

Set E: Questionnaire for Academicians

Set F: Questionnaire for the Users of Financial Statements

All the questions are not common to six respondent groups. Some questions are common to six groups, some questions are only for a single group. A unique serial number for all the 106 questions has been maintained to ensure data integrity. This uniqueness is also convenient for data analysis. Different part of the questionnaire covers different area of objectives of the study. Such as:

Table: 2.3- Shows structure of the questionnaire

Serial No.	Part	Question No.	Research issues covered
01	Part - A	01-13	Respondent's Profile
02	Part - B	14-35 *[14-19]* *[20-23]* *[24-28]* *[29-32]* *[33 -35]*	Present Implementation Process of IASs *[Acceptance Process]* *[Application Process]* *[Monitoring Process]* *[Development of local standards]* *[Cost-benefit impact of IASs]*
03	Part-C	36-49	Relevancy of IASs:
04	Part-D	50-60	Impediments of IASs adoption
05	Part-E	61-69	Reaction of the Accounts Preparers
06	Part-F	70-72	Degree of Compliance
07	Part-G	73-80	Proposed ways of IASs implementation
08	Part-H	81-90	Reaction of the Academicians
09	Part-I	91 -101	Satisfaction of the Users of financial statements
10	---	102	Comment on the research topic and questionnaire

Table-2.4: Shows the questions by respondent groups and by question/part:

Part	Serial No.	Question Number	Is (are) the question(s) for the group?					
			Set-A	**Set-B**	**Set-C**	**Set-D**	**Set-E**	**Set-F**
A	01 - 09	01- 09	Yes	Yes	Yes	Yes	Yes	Yes
	10	10	Yes	Yes	---	---	---	---
	11	10A	---	---	Yes	---	---	---
	12	10B	---	---	---	---	Yes	---
	13	10C	---	---	---	---	---	Yes
	14	11	Yes	---	---	---	---	---
B	15	11A	---	---	---	---	Yes	---
	16	12	Yes	---	---	---	---	---
	17	13	Yes	---	---	---	---	---
	18 - 39	14 - 35	Yes	Yes	Yes	Yes	Yes	---
C	40 - 41	36 - 37	Yes	Yes	Yes	Yes	Yes	---
	42 - 53	38 - 49	Yes	---	---	---	---	---
D	54 - 64	50 - 60	Yes	Yes	Yes	Yes	Yes	---
E	65 - 73	61 - 69	Yes	---	---	---	---	---
F	74 - 76	70 - 72	Yes	Yes	Yes	Yes	Yes	---
G	77- 84	73 - 80	Yes	Yes	Yes	Yes	Yes	---
H	85 - 94	81 - 90	---	---	---	---	Yes	---
I	95 -105	91 - 101	---	---	---	---	---	Yes
	106	102	Yes	Yes	Yes	Yes	Yes	Yes

2.3.5 Procedure of Data Collection

Questionnaire method has been followed in data collection. The researcher himself visited most of the respondents. Only in case of group 'F' (Users of financial statements) he took the help of some volunteers for data collection. The researcher sent questionnaire to twelve respondents by courier service. Normally all the respondents were allowed two weeks' time verbally. Only three respondents responded within one-week. All other respondents could not respond in due time. Many of them respond after several reminders. Even the researcher got back the questionnaire after three months period. One respondent of professional group lost the questionnaire and he was given a second copy along with a copy of synopsis (according to his request). But he did not response despite of several reminders over telephone and meeting personally. One professional accountant not only declined to respond but also annoyed and his behavior was impolite with the researcher. It was unyielding situation that the researcher faced with the company accountants (accounts preparers). Either they were extremely busy with their jobs, in true sense, or they tried to avoid responding for unknown reasons. As a result, the researcher

had to go for replacement of the respondent. In some cases it takes four months time to get back one questionnaire because of three or four times replacement of respondents.

2.3.6 Data Analysis Techniques

"One of the scientific explanations is analysis. Analysis is a form of explanation which consists in resolving the law of a joint effect into the laws of its causes and the concurrence of these causes". In this study, attempts are made to identify the effect of the following characteristics of respondents:

Profession

Age

Experience

Academic discipline

IASs upgrading training

Profession: The respondents have been divided into six professional groups. These are (i) Accounts Preparers (ii) Accounting Professionals (iii) Regulators (iv) Business Leaders (v) Academicians and (vi) Users of financial statements. All the six groups are directly or indirectly involved in IASs implementation process. So opinion of these groups is important in any decision matters relating to IASs. Profession is a factor for which different groups might have different opinion on a particular issue. This is why analyses have been carried out taking all the groups at a time with a view to test agreement or disagreement on a particular issue relating to IASs. There after inter group analysis has also been performed to test the agreement or disagreement between the groups. Profession has been considered the most vital factor for analyses and all most all the analyses are based on profession factor.

Age: Age is another factor that may affect opinion. Even respondents belonging to same professional group might have different opinion on a particular issue because of age factor. This is why respondents of different age group (belonging to same profession) have been taken to test variation in opinion on some selected issues.

Experience: Experience is a factor that may change the perception of a respondent on a particular issue. Whether this factor has any influence on opinion or not has been examined taking some selected issues.

Academic discipline: The respondents may differ in opinion because of academic discipline factor. Influence of this factor on opinion has also been examined.

Upgrading training on IASs: The ICAB and ICMAB conducted many seminar continuing professional development programs on IASs to upgrade their members. Obviously there will be some differences of opinion between a trained and an untrained member. Analysis on some selected issues has been carried out taking this training as a factor.

Single group analysis: There are some questions only for a single group. In that cases inter-group analysis is not possible. So analysis has been carried out between sample mean and an arbitrary value (3 and 5 from a five point scale). Here 't-test' has been used. In some cases only frequency table has been used to assess the respondents' views.

Whatever the type of analysis, all data analysis has been carried out by using the *Statistical Package for Social Science (SPSS) software version-11*. Primarily the researcher has taken assistance of a professional data analysis expert.

2.3.7 Statistical tools used:

Since all the sample size is less than thirty, Mann-Whitney's 'U' test and Kruskul-Walli's 'K' test has been used to test the null hypothesis. In some cases Rank correlation and Chi-square test and 't'-test has been used.

Justification for using Mann-Whitney's 'U' test and Kruskul-Walli's 'K' test: The *Central Limit Theorem* states that the sampling distribution of the mean approaches normal as the sample size increases. Actually, a sample does not have to be very large for the sampling distribution of the mean to approach normal. Statisticians use the normal distribution as an approximation to the sampling distribution whenever the sample size is at least 30, but the sampling distribution of the mean can be nearly normal with samples of even half that size, i.e., 15 (Levin 1999, 319). Here independently selected sample sizes are: Accounts Preparers-17, Professional-21, Regulators-4, Academicians-8, and Users of Financial Statements-16. So all the sample sizes do not satisfy the condition of normal distribution. In such cases, one can use two nonparametric tests, neither of which depends on the normality assumptions. Both of these tests are called rank sum tests because the test depends on the ranks of the sample observations. Rank sum tests are a whole family of tests. One shall concentrate on just two members of this family, the

Mann-Whitney U test and the Kruskul-Walli's 'K' test. When two populations are involved, Mann-Whitney 'U' test is to be used. When more than two populations are involved, Kruskul-Walli's 'K' test is to be used (Levin 1999, 801-802). At first four groups have been taken together to assess their agreement or disagreement on a particular issue. Later on further analyses of inter-group agreement or disagreement on that particular issue, six combinations of four groups have been formed. So for the first situation Kruskul-Walli's 'K' test and for the second situation Mann-Whitney 'U' test have been considered appropriate. i.e., Mann-Whitney's 'U' test has been used to test the null hypothesis on equality of two means, i.e., agreement or disagreement between two groups of respondents on a particular variable. At the same time Kruskul-Walli's 'K' test has been used to test the equality of perceptions among the four respondents groups.

Table: 2.5- Shows Problems, Objectives and Hypothesis of the Study at a glance

Problems of the Study	Objectives of the Study	Hypotheses of the Study	Sources of Data	Statistical test used
Number of IAS issued by the IASC				
What are the International Accounting Standards issued by IASC/IASB?	To collect the total numbers of IASs issued by the IASC/IASB and their revision/ development.			
Relevancy of IASs in Bangladesh				
Are the IASs suitable or relevant for a country like Bangladesh?	To assess the relevancy and applicability of IASs in Bangladesh.	1. All the IASs are not relevant to in Bangladesh.	Q. No. 36-49	Chi-Square test
Implementation of IAS in Bangladesh:				
Acceptance Process: What is the process of acceptance of IASs in Bangladesh? Is it the appropriate way of accepting IASs in Bangladesh?	To conduct a survey on the acceptance process of IASs Bangladesh. To evaluate the present process of acceptance of IASs in Bangladesh.	2. Acceptance of IASs by the ICAB, SEC and Bangladesh Bank only is not sufficient for their successful implementation. 3. All the concerned parties (regulators, preparers & trainers, regulated, authenticators and business communities) are to be involved in the acceptance process.	Q. No. 14-19	U test & K test
Enforcement Process: How IASs are being enforced in Bangladesh at present? Is it the appropriate way of enforcing IASs in Bangladesh?	To conduct a survey on the enforcement process of IASs Bangladesh. To evaluate the present process of enforcement of IASs in Bangladesh.	4. Present enforcement process is not effective to ensure the proper application of IASs in Bangladesh.	Q. No. 20-23	U test & K test
Monitoring Process:				

What is the present monitoring process of IASs implementation in Bangladesh? What should be the monitoring process of IASs implementation in Bangladesh?	To conduct a survey on the present monitoring process of IASs Bangladesh. To evaluate the present monitoring process of IASs in Bangladesh.	5. Existing institutional monitoring system is not effective to ensure the application of IASs in Bangladesh	Q. No. 24-28	U test & K test
Development of local Standards: What is the impact of IASs on the users of financial statements? Is there any need for development of local Accounting Standards for Bangladesh?	To conduct a survey on need for development of local Accounting Standards in Bangladesh. To conduct a survey on the impact of IASs on the users of financial statements.	6. The users of financial statements are indifferent between having IASs and not having IASs. 7. Development of local Accounting Standards will be better than adopting of IASs directly.	Q. No. 29-32	U test & K test
Cost-benefit impact of IASs: Is implementation of IASs in Bangladesh is feasible from cost-benefit point of view?	To identify the benefits and costs incurred by the companies (either in monetary or non-monetary form) after the adoption of IASs.	8. Benefits of IASs are greater than the costs of adopting IASs.	Q. No. 33-35	
Impediments of IASs adoption in Bangladesh				
What are the problems on the way to successful implementation of IAS in Bangladesh?	To conduct a survey to identify the impediments on the way to successful implementation of IASs in Bangladesh.	9. Many controllable and uncontrollable impediments are there on the way to adoption of IASs in Bangladesh.	Q. No. 50-60	U test & K test
Reaction of the Accounts Preparers:				
What is the reaction of the Accounts preparers as regards implementation of IASs in Bangladesh?	To conduct a survey to assess the reaction of the preparers of financial statements.	10. Preparers of financial statements are not satisfied with the process of imposition of IASs.	Q. No. 61-69	U test & K test
Degree of Compliance				
Does the external financial reports of the listed companies in Bangladesh comply with the disclosure requirements of IASs?	To know the extent of compliance and non-compliance with the different IAS so far adopted in Bangladesh.	11. Compliance with IASs is limited only to the auditors report.	Q. No. 70-72	U test & K test
Proposed ways of IASs implementation:				
What are the appropriate steps to be taken to implement IASs in Bangladesh successfully?	To find out the possible ways of successful implementation of IAS in Bangladesh.	12(i) IASs should be made an integral part of both academic and professional syllabi. 12(ii) Rigorous training program on IASs for the concerned parties is necessary for their successful implementation	Q. No. 73-80	U test & K test

		in Bangladesh. 12(iii) Adoption of international auditing guidelines issued by IFAC is necessary to ensure application of IASs.		
Reaction of the Academicians:				
What is the reaction of the Academicians as regards implementation of IASs in Bangladesh?	To conduct a survey to assess the reaction of the Academicians as regards implementation of IASs in Bangladesh	13. Academic efforts at college and university level are suffering from lack of skilled teachers who are well conversant in IASs.	Q. No. 81-90	t-test
Satisfaction of the users of Financial Statement:				
Are the users of financial statements satisfied with the information disclosed in the financial statements after adoption of IASs in Bangladesh?	To assess the satisfaction of the users of financial statements.	14(i) The users of financial statements are not satisfied with the information disclosed in the Financial Statements. 14(ii) The users of financial statements are in doubt about the reliability of the information disclosed in the Financial Statements.	Q. No. 91-101	t-test

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PART - II: LITERATURE SURVEY

Chapter-3: Historical Development of Accounting Standards: Global Perspectives

Chapter-4: International Accounting: A Comparative Study of Different Countries

Chapter-5: Harmonization of Global Accounting System

Chapter-6: International Accounting Standards and Bangladesh

Chapter-7: A Critical Summary of Related Published Research Studies

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Chapter - 3

Historical Development of Accounting Standards: Global Perspectives

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CHAPTER – 3

HISTORICAL DEVELOPMENTS OF ACCOUNTING STANDARDS: GLOBAL PERSPECTIVES

3.1 Introduction:

Accounting Standards have three facets. These are (i) Procedural Standards (ii) Measurement Standards and (iii) Disclosure Standards. The history of Procedural Standards is older than 500 years. Formally it started form the evolution Double Entry Book Keeping during 1494 by Luca Pacioli. But the history of Measurement Standards and Disclosure Standards started from 1930. Following the Stock Market Crash of 1929, an American Institute of Accountants' special committee, in correspondence with the New York Stock Exchange, recommended five 'broad principles of accounting which won fairly general acceptance' and introduced the passage '(the financial statements) fairly present, in accordance with accepted principles of accounting consistently maintained' in the auditor's report. The purpose was to improve accounting practice (Zeff 2004, 1). It starts from the USA and today it has turned to a movement of global harmonization of accounting. In this chapter the researcher has tried to explore the history of accounting standards from global point of view taking some leading countries involved in harmonization movement.

3.2 Accounting Standards: A quest for their root:

The definition of standard given in the Random House Webster's Dictionary is (1) "something considered by an authority or by general consent as a basis of comparison." (2) "the morals, ethics, customs etc., regarded generally of by an individual as acceptable"(Random 1996). According to Kohlar, (1) "A standard is a mode of conduct of general application arising from convention or advocated or imposed by higher authority" (2) "Accounting standard is a mode of conduct, imposed on accountants by customs, law or professional body". In this light it would not be wrong if we define that when some accounting principles are regulated by an authority for general acceptance and comparison then it becomes accounting standards. On the other hand accounting principles mean (1) "an accepted or professed rule of action or conduct." (2) "a

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fundamental law, axiom or doctrine"(Random 1996). So the root of accounting standards lies in the starting point of process of formulating accounting principles.

Traditionally there are different approaches towards the formulation of accounting principles. According to A.C. Littileton (1953, 186-187), by using the induction approach, rules of action can be converted into principles. Rules, on the other hand, are based primarily on implicit assumptions and objectives (Hendricksen 1970, 92). Assumptions are termed as postulates. According to Webster's Third International Dictionary, the most relevant definition of postulates appear to be (1) "a proposition advanced with the claim that it be taken to be granted or as axiomatic," (2) "an underlying hypothesis or assumption." The first of these definitions refers to statements, which are assumed to be generally accepted, but the validity of which is necessary for the acceptance of other postulates or general principles, standards, or procedures. Even though such a postulate is generally accepted, however, it may be falsifiable upon further investigation or found to irrelevant to further development of accounting thought. The second definition of a "postulate" refers to a hypothesis that is as yet unproven and may, in fact, not require proof if it leads to relevant ideas and logical development of thought and useful conclusions (Hendricksen 1970, 95).

During the year 1957-58 Jennings, the president of AICPA recommended creation of a research foundation and appointed a special committee on research program, of which Weldon Powel is chairman, to formulate a specific recommendation. The committee's principal concern was the lack of research, understanding and agreement on the basic postulates and principles underlying accounting practices (Zeff 1972a, 219-233). The special committee on research program recognized the need for a development of accounting from a central core. In their report to the council of AICPA in September 1958, the need for research into the problems of accounting prior to the issuance of pronouncements relating to reporting practices was recognized (Keller and Zeff 1969, 40). The committee stated that,

> Postulates are few in number and are basic assumptions on which principles rest. They necessarily are derived from the economic and political environment and from the modes of thought and customs of all segments of the business community. The profession, however, should make clear its understanding and interpretation of what they are, to provide a meaningful foundation for the formulation of principles and the

> development of rules or other guides for the application of principles in specific situation. Rules or other guides for the application of accounting principles in specific situation, then, should be developed in relation to the postulates and principles previously expressed. ... They should have reasonable flexibility" (Report 1958, 63).

Thus The term "postulates" was injected into the accounting literature, although there had been earlier, isolated attempts at unearthing the basic assumptions of accounting (Paton 1922, chap. xx).

Of the first four accounting research studies of the special committee on research program of the AICPA, the first proposed study was issued by Moonitz and Maurice [1961, Study no.1) on accounting postulates and the third by Sprouse and Moonitz (1962, Study no.3) on broad accounting principles. The special committee of the AICPA hoped that "the results of these [Studies], as adopted by the board, should serve as a foundation for the entire body of future pronouncements on accounting matters, to which each new release should be related"(Report 1958, 64). The preface of the principles study states that the first draft of the monograph was "entirely reworked in the light of the postulates study in order to integrate the two projects." A summary of the fourteen postulates was reproduced in the principles monograph (Accounting Research study no.3), and it is stated "the first five postulates led to the following statement of the functions of accounting" (Sprouse and Moonitz 1962, 6-7):

- To measure the resources held by specific entities
- To reflect the claims against, and the interest in those entities
- To measure the changes in those resources, claims, and interests
- To assign the changes to specifiable periods of time
- To express the forgoing in terms of money as a common denominator

This approach and emphasis put the notion of postulates at the root of accounting theory. Presumably, functions are determined and principles are established (according to this view) by deductive logic applied to postulates that are viewed as "givens" which underlie the problems of the field (Vatter 1963, 179-197).

Though it was the endeavor of the AICPA to give the accounting postulates and principles a formal and organized shape during the late 50s and early 60s, some of the basic postulates were in existence during the early stage of human civilization. Record keeping dates back to about 3600 B.C., and some accounting concepts can be traced back

to the early Greek and Roman period. For example, a Roman architect of the early Christian Era is quoted as stating that the valuation of wall should be determined not by cost alone but only after deducting from the cost one eightieth for each year the wall has been standing (Lyndon 1923, 51).

The first record of a complete system of double-entry bookkeeping was found in the record of medieval merchant of Genoa, Italy, originating about the year 1340. More recently, evidence has been found that double entry system preceded this date and possibly originated simultaneously in several Italian trading centers gradually over a period of time (Rover 1956, 115).

While these very early records and concepts are of interest, mere record keeping adds little insight into the development of accounting theory [*Theory means "a coherent group of general proposition used as principles of explanation for a class of phenomena"*(Random 1996, 1073)]. to the present, and the concepts [*a concept is a "mental image – especially a generalized idea formed by combining the elements of a class into the notion of one object"* (Random 1996, 1384)] alone were not adequate to form a theory of accounting. Therefore, the origin of double-entry bookkeeping in about the 14th century is an appropriate starting point for a study of the development of accounting thought and accounting concepts (Hendricksen 1970, 23).

Without going further into the recording techniques of this period, several concepts behind the method become apparent: (Trueblood 1967, 183-191).

- Double entry itself assumes a concept of the business entity and business relationships.
- The fact that transactions were recorded in monetary terms implies that unlike items were compared in terms of a common monetary denominator. Thus, the assumption that economic events could be quantified in terms of monetary unit was implied from the beginning.
- The use of expense and equity accounts implies at least a partial understanding of the distinction between capital and income.

So accounting concepts, assumptions, postulates were there in the early stage of civilization. But there was no urgent need to test the validity of those assumptions through a methodological process. Since, during the period prior to 16th century, the major objective of accounting was to provide information for the owner, the accounts were held in secrecy and there was no external pressure for accuracy or uniform standards of accounting (Hendricksen 1970, 25). "Conventional wisdom" was the main source of concepts, assumptions towards the evolving of accounting principles. Conventional wisdom is knowledge held because it is generally accepted; deviations from conventional wisdom do not always find acceptance even when they are fully justified (Galbraith 1958).

Recent trend in Accounting - Theorization to Conceptualization: Accounting theory may be defined as an integrated group of accounting principles underlying its practical application. The theoretical framework of accounting is the output of pragmatic thoughts and research of numerous scholars over the years and decades. According to professor Ahemed Belkaoui (1981, 27), Traditionally the formulation of accounting theory has used either a normative or descriptive methodology, a theoretical or a non-theoretical approach, a deductive or an inductive line of reasoning and has focused on a concept of "fairness," "social welfare," or "economic welfare." But with the passes of time the traditional accounting theory fails to keep pace with the need of the users of accounting information. Because normally this type of theory evolved through a academic research process by using different research methodology and logical reasoning. As a result it suffers from lack of qualities to adopt with the complex real life environment. At the 1982 annual meeting of the American Accounting Association (AAA), Jensen, (1982, 3) explained some of the reasons of this failure:

> Academic research tends to be highly rigorous in the realm of fantasyland. Economic theorist, for example, are experts at rigorous argument constructed upon assumption of complete market, costless and timeless communication, and equilibrium assumption that exists only in the realm of fantasy. Behavioral experiments can be rigorous in terms of carefully controlled conditions far removed from real-world complexity and circumstances. The findings, accordingly, may have dubious validity and veracity in the real world.

Zeff (1971, 30) first demonstrated that accounting principles development does not come from specific scientific theory but from interactions among theory, practice, and various

social, economic, and political influences. Corollary to this major conclusion is Zeff's proposition (based on substantial amount of research in the five countries concerned – Canada, England, Mexico, Scotland, and the United States) that the formulation of accounting principles cannot be achieved by an accounting profession alone but necessarily depends on the tacit or expressed support of the real 'power centers' in an economy – for example, governmental agencies, industry association, and investors group and their representatives (Choi and Mueller 1984, 30). In such a real life situation, especially in the global context, the validity, acceptability and applicability of a rigid rule like accounting theory is of a great question. Due to this shortcoming and inflexibility of accounting theory, a change of direction from 'theorizing' to 'conceptualizing' has evolved.

Theorization versus Conceptualization: Theory may be defined as an integrated group of the fundamental principles underlying a science or its practical application. Or it is the abstract knowledge of any art as opposed to the practice of it (Funk and Wagnall 1975). On the other hand 'concept' means a mental image, specially a generalized idea formed by combining the elements of a class into the notion of one object. The activity involved in conceptualization is conceptualism. It is defined as the doctrine, intermediate between the extreme of nominalism and realism, that universals, abstract characteristics, have no independent reality and exist only as idea in the mind, or as traits embodied in particular things (Funk and Wagnall 1975). From a philosophy of science perspective then, conceptual development is less ambitious than theoretical development. Concepts are less abstract than theories. Conceptualism exists somewhere between stark realism and on the one hand and remote nominalism on the other. For the purpose of an endeavor like accounting, a conceptual approach to its development may be more useful than a theoretical approach (Choi and Mueller 1984, 28-29).

3.3 Development Accounting Standards Prior to 1930: A Global Scenario

There exists no formal endeavor to develop Accounting standards prior to 1930. But the practices of accounting were there. Accountants prepared their accounts according to the need of the owner of the business. So there was no urgent need for the standard accounting system. Accounting principles and practices evolved historically according to the changing need of different business entities operating under different circumstances

in the society. There really is no reason to expect that these varied practices should be logically interrelated to the degree that some of us had hoped (Trueblood 1967, 183-191). That is why Johnson (1965, 691) has said, "Accounting is a man-made art; not a science; it does not enjoy the discipline of natural laws." Accounting, to a large extent, was influenced by the development of multiple disciplines. According to Robert M. Trueblood (1967, 183-191),

> Accounting is not a basic discipline in the usual sense, but rather it is derived in large part from other related areas of disciplines. Accordingly, it seems unlikely that basic concepts of accounting can never be developed without taking into consideration developments in other fields such as the law, economics, mathematics, and the behavioral sciences.

During the period prior to 1930, accounting had not any formal structure and it was very much incondite. As a result various socio-economic factors had taken the opportunity to inject some ideas, assumptions or concepts towards the development of accounting just like an organization reshape their probationary or fresh employees according to their need through a formal training process. Thus accounting became enrich over the years, decades and centuries. Hendriksen (1970, 29-55) identified some seven factors those were most influential on the development of accounting theory. These are:

(1) the textbook presentation of book-keeping and the development of newer methods of teaching accounting;
(2) the industrial revolution with its influence on cost accounting and the accounting for depreciation;
(3) the growth and development of railroads;
(4) government regulations of business;
(5) the taxation of business;
(6) the development of the corporations and the growth of industrial and financial giants through mergers; and
(7) the influence of economic theory.

Each of the above factors will be discussed in brief separately. But it is needless to say that all the above factors are interrelated, so separate influencing factors are basically artificial.

The textbook theories of bookkeeping and accounting: Different text book writers had remarkable contribution to the development of accounting theory during the last stage of

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19th century and early stage of 20th century. In the United States of America, writers like Charles E. Sprague in 1904, Henry Rand Hatfield in 1909, Roy B Kester in 1917, J. W. Baker in 1935 adopted the *Theory of ownership* in their books. Charles E. Sprague (1907, 49) mentioned the *Entity theory* in his 1907 edition of the book titled *The Philosophy of Accounts.* But according to A.C. Littleton (1933, 49), elements of entity theory were published as early as 1838 in Italy, 1869 in England, and 1873 in America.

The effect of Industrial Revolution: The Industrial revolution took place in the United States and Europe during the middle of 19th century with the tremendous changes in the technological method of industry. Many mechanical inventions were made during the 18th century but they were effectively and successfully used during the 19th century. For example, the annual production of steel in the United States increased from about 20,000 tons in 1867 to about 24 million tons in 1914 and to about 56 million tons in 1929 (Hendriksen 1970, 33). The concept of depreciation and cost accounting emerged directly from these technological changes. Indirectly this change necessitates the distinction between capital and income and greater adherence to cost as a basis of asset valuation.

The effect of development of railroads: The development of railroads in the United States and Europe created several problems for the accountants. The accountants could not cope with the huge investment in railroads and rail engine so far preparation of accounts was concerned. In the United States, the earliest prescribed instructions for keeping railroads accounts were issued in 1876 by the Railway Commissioners of Massachusetts (Brundage 1950, 384). An outline for a uniform system of accounts for railroads was prepared by a special committee of state commissioners and railroad accountants and adopted by all state railroad commissioners in 1879 (Bunnell 1955, 17). The first classification of accounts issued by the Interstate Commerce Commission (ICC) appeared in 1894. Undoubtedly these were the significant achievement in the development of accounting theory. Moreover, during the year 1957, most of the differences between railway accounting and "generally accepted accounting principles" have been corrected through the voluntary cooperation of the New York stock exchange, the securities and exchange commission and the American Institute of Certified Public Accountants with Interstate Commerce Commission (ICC) (Editorial 1957).

In England evidence submitted to the Select Committee on Audit of 1849 emphasized over and over again the necessity of keeping separate the two accounts of capital and revenue (Polins 1933, 332). Some of this failure was a deliberate attempt to defraud, while most cases resulted from the absence of a clear distinction between capital and revenue expenditures. The regulation of Railway Act of 1868 in England attempted for the first time to specify which items belonged to capital and which to revenue; however, there was still lack of uniformity this date (Hendricksen 1970, 39).

The influence of Government regulatory bodies in the United States: The regulation of privately owned public service corporations, a unique process found only in the United States has had its influence upon accounting thought, on the one hand, by forcing the regulated firms to adopt up-to-date accounting practices and uniform systems which lead to better inter firm comparisons. On the other hand, regulations and the demand for uniformity have brought about a shifting of independent research and experimentation by the independent companies. The usual historical development of regulatory commission followed this pattern: first, they operated primarily as an information gathering body; later, they added the objective of controlling the accounting procedures through uniform systems of accounts of accounts; and finally, they became rate controlling bodies using accounting data as the control mechanism. The commissions that prescribe uniform accounting systems of accounts include, the Institute of commerce Commission, the Federal Power Commission, the Federal Communications Commission, and (in a less rigid form) the Securities and Exchange Commission (Hendricksen 1970, 41-42).

The influence of income taxation: Income tax occupies a significant portion of revenues of any government of any country. Many small businesses would not keep their books of accounts if income tax were absent. Even many big enterprises compel to keep proper books of accounts as per law just to meet the legal obligation of the income tax law. So income tax law had a tremendous impact on the development of accounting procedures and principles and still today it has.

Taxation of personal income was tried in Great Britain as early as 1799 and in the United States in 1862. Both of these, however, short lived. Current taxation of income in Great Britain dates from 1842 and in German from 1890. In the United States it was the corporate excise tax law of 1909 and imposition of tax on personal income came to effect

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from 1913 through the sixteenth constitutional amendment. That law posed the question of how net income should be computed (Hendricksen 1970, 44), though determination of income is still today a debating issue.

The influence of Corporation: In England, the Joint Stock Companies Act of 1844 provided for the periodical balancing of accounts and presentation of a "full and fair" balance sheet to shareholders. This joint stock companies act was amended in the year 1855, 1862, 1900, 1908. During this period, the general principles with regard to accounting methods were basically one of non-interference. In the Act of 1900 and 1908, a trend was started towards the requirement of increasing amount of specific and general financial disclosure in annual returns of corporations in the United Kingdom and other countries influenced by the British laws (Hendricksen 1970, 49).

In Germany, the German companies Act of 1884 required companies to declare their profits and present balance sheets with assets valued at cost or the lower of costs or market (Hendricksen 1970, 49).

In the USA, the first incorporation Act was passed in New York in the year 1811 in respect to manufacturing firms. Before that a firm obtained its charter by direct negotiation with the state legislature. The first modern statue permitting incorporation for any lawful business operated in Connecticut in 1837. Between this date and 1900, most of the other States passed similar laws. An interesting aspect of the early corporation laws was their requirement that dividends should not be paid out of capital. New York, for example provided that the directors would be guilty of a misdemeanor if the dividends were not paid out of profit "arising from the operation of the business" (Hendricksen 1970, 50). Meanwhile the New York stock exchange was organized as early as 1792 but it did not obtain any financial statements from listed companies until 1866. Since the growth and development of a capital market mostly depends on the propensity of the investors to invest, which on the other hand depends on the transparent flow of financial information regarding the enterprise, the New York stock exchange authority feels that submission of financial reports should be made mandatory. That is why in 1900 New York stock exchange requested that all companies applying listing on the stock exchange agree to publish annual report of their financial consolidation and operating results. This agreement was expanded in 1926 to require all the listed companies to publish and submit

to stockholders annual financial reports prior to annual meeting. The main emphasis of the New York stock exchange was on the obtaining of adequate disclosure of financial information to the stockholders (Hendricksen 1970, 51).

In this context the name of William Z. Ripley and J.M.B. Hoxsey can specially be recalled. Because they were particularly influential in stating the case for an improvement in accounting standards for reporting to stockholders and investors. William Z. Ripley, a professor of economics at Harvard, made an attack on the accounting practice of the Railroads in 1915 and criticized severely the paucity of information available to stockholders of Individual Corporation in 1926. Hoxsey, an executive assistant to the committee on stock list of the New York stock exchange in an address before the annual convention of the American Institute of Accountants in 1930 made a specific plea for the providing of adequate understandable information published in financial statement presented to stockholders. He argued that this information should avoid misleading the stockholders in any respect and should aid them in determining the true value of their investment (Hendricksen 1970, 58).

The influence of economic Theory: During the year 1930, an editorial in the Journal of Accountancy stated ". . . it does not require any great stretch of imagination to regard economics as a vital part of the theory of accountants" [Editorial 1930, 404]. However, there is little evidence that accounting theory had been influenced to any considerable extent by economic theory prior to 1930. The influences that can be found are only indirect and not a result of any conscientious effort to borrow from economics.

3.4 Development of Accounting Standards since 1930: History of some leading countries

The accounting principles as well as accounting standards (Zeff 1973, 3) were developed in an unorganized and scattered way prior to 1930. During the late 20s and early 30s, different organization in the United States of America were met formally and came to a consensus on the issue of uniform accounting standards formulation. One thing to be kept in mind that if we want to search the history of accounting, the name of the country that will come out first is the United States of America. According to Stephen A. Zeff (1994, 2), *"Formal standard setting has had a long history in the United States than in any other country."* All other leading countries in the field of International Accounting Standards

like Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom, etc., came out in accounting standard setting process long after the endeavor of the United States.

a) The United States of America:

The great depression of 1930 following the 'Wall Street Crush' of 1929 was a turning point of development of accounting standard in the United States. Many market experts believed that unreliable financial reports and lack of uniform accounting standards was one of the most vital causes of capital market crush. Many investors predicted the fatality of capital market long before the occurrence. According to Riper (1994, 5), "There were occasional outcries in books and magazine articles in the 1920s and early 1930s about unreliable financial reporting and 'hoodwinking of shareholders,' but hardly anyone paid them any heed."

In 1932 the American Management Association was called for "the leading professional societies" to establish a joint committee on accounting standards. Indirectly as a result of that initiative, dialogue began on an informal basis between committee of the American Institute of Accountants (AIA) and the New York Stock Exchange (NYSE). At first the accountants were reluctant to acknowledge that promulgation of accounting standards was either practical or desirable. They insisted on trying to identify and define only those practices about which corporations and their public accountants were in general agreement (Carey 1969, 169).

In January1933, the Senate committee on Banking and Currency, upstaged to a large extent by its dynamic general counsel, Ferdinand Pecora, conducted hearing on the operations of the securities market. Among many other things, members of the committee pointed to lack of uniform standards for preparation of financial reports as a contributing cause of unwarranted speculation in stocks during the 1920s – and thus of the 1929 market crash that was the dramatic overture to the great depression (Riper 1994, 5). The Securities Act of 1933 emerged from Senate Banking and Currency hearing. That Act, with its stated purpose "to provide full and fair disclosure of the character of securities . . . and prevent fraud in the sale thereof," stipulated among other things, that the financial statement of most publicly traded companies must be audited by independent public

accountants. Accordingly the New York Stock Exchange (NYSE) announces that, henceforth, it will require independent audits of companies seeking of listing. During the year 1933 NYSE, for the first time, threatened a listed company (Allied Chemical) with delisting unless it improves it financial disclosure (Zeff 1973, 40).

For a brief time, the requirements of the 1933 Act were administered by the Federal Trade Commission (FTC), but the Securities Exchange Act of 1934 transferred that authority to a new Securities and Exchange Commission (SEC) that it created. The Act of 1934 directed the SEC to prescribe the form and content of financial statements issued by those publicly held companies large enough to be required to register with the Commission.

Securities and Exchange Act 1934 created the SEC, as stated earlier, with full authority to determine accounting practices for corporations reporting. Accordingly SEC looked to the public accounting profession though it was composed primarily of lawyers and in the last 35 years (1934 to 1969), only two certified public accountants, Donald C. Cook and Edward T. McCormick, has been appointed as commissioner of the SEC (Keller 1969, 2).

Committee on Accounting Procedure (CAP) and GAAP: While reviewing the books of some authors regarding the inception of Generally Accepted Accounting Principles (GAAP), some lacks of similarities are found. These are:

According Keller and Zeff (1969, 2)

> From 1932 to 1934, an institute committee chaired by George O. May worked with the New York Stock Exchange in an effort to achieve agreement on accounting and auditing practices applicable to the listed corporation (Audit 1932, 34:32). Prior to then, few standards of financial reporting existed, and the stockholding public could look only to the sense of fair play of corporation officers in order to be fully and fairly informed of the operations of companies in which they had invested (Ripley 1927). . . . The Institute's committee – it should be called the 'May Committee', because the leadership and execution were energetically provided almost entirely by George O. May - achieved important results. In addition to securing agreement on a standard form of auditor's report, it coined the term 'Accepted Accounting Principles', and submitted a short list of 'principles' to the Institute membership for approval. Another Institute committee in 1936 added the term 'Generally', and the accounting literature has since been populated by countless references to 'Generally Accepted Accounting Principles' (GAAP).

According to Hendriksen (1970, 71),

> From 1933 to 1936, a Special Committee of Accounting Principles was composed of seven members, each of whom was the chairman of a designated Institute committee. From 1936 to 1938 a similarly constituted committee had had the title of Committee on Accounting Procedure consisting of 21 members. The decision of the Institute Council to expand the committee in 1938 and to authorize it to issue pronouncements on matters of accounting principle and procedure was based on the belief that this was necessary to establish practices that would become generally accepted by corporations.

According to Riper (1994, 7),

> The private sector body of the Commission had in mind in 1938 was the American Institute of [Certified Public] Accountants, which promptly reorganized and upgraded its Committee on Accounting Procedure (CAP)." However, the reconstituted Committee was charged not with establishing rules or standards but merely with identifying 'acceptable' accounting practices, including alternative in many circumstances (Carey 1970, 13). This was consistent with the conventional wisdom of accountants at the time, and the SEC lacked sufficient professional expertise in the accounting area to recognize the implications. In that charge to the CAP were planted the seeds of the notion of 'generally accepted accounting principles', referred to by the cognoscenti to this day as GAAP (pronounced 'gap'). Thus, the accounting profession drew distinction, in which the SEC acquiesced for more than two decades, between enforceable rules and general guidelines.

So one can conclude that, it was the late 30s when the widely pronounced GAAP were originated by the CAP of the AICPA. Between 1939 to 1959, the Committee on Accounting Procedures issued 51 Accounting Research Bulletins. In 1953, Bulletin 43 codified and superseded those of the first 42 Bulletins that dealt with accounting principles. Today, Bulletins 43 to 51, as modified by subsequent pronouncement, are still in effect (Zeff 1994, 2).

The causes of failure of the CAP: In 1938 American Institute of Accountants (AIA), today's AICPA, appointed the Committee on Accounting Procedures (CAP) to provide some definitive accounting principles. The CAP issued a number of accounting research bulletins (ARBs) that set forth what the committee believes GAAP should be. ARBs were recommendations only. They were not binding on the profession. CAP was a part time committee. By the mid 50s the committee had become inactive. The reasons behind the failure of CAP were as follows:

(a) The CAP was a part time body. I.e., all the members of the CAP were part timer. As a result they could not employ enough time on the development of accounting

standards. Its staff were inadequate in numbers and kept changing. Its critics claimed that it did not rely enough on research, and was the cat's paw of SEC, that is it had no teeth, and that its bulletins are equivocal (e.g. one on inventories authorized the use of three different methods) (Baxter 1994, 11).

(b) The CAP of AIA gave to congress as a pretext to impose LIFO inventory accounting on financial reporting, the first evidence of economic consequences reasoning the pronouncements of American policy makers occurred as long as 1941 (Zeff 1994, 73).

(c) When the CAP issued ARB no. 11 on "corporate accounting for ordinary stock dividends", the CAP, in accordance with "proper accounting and corporate policy", required that fair market value to used to record the issuance of stock dividend where such market value was substantially in excess of the book value. Evidently both the New York stock exchange and majority of the committee members of accounting procedures regarded periodic stock dividends as "objectionable", and the CAP acted to make it more difficult for corporations to sustain a series of such stock dividends out of their accumulated earnings (Zeff 1994, 76).

(d) During the post World War II year 1947-48, inflation took place. Several corporations had adopted replacement cost depreciation in their published financial statements. Among the arguments employed in the debate involving the CAP were the possible implications for tax reform, the possible impact on wage bargaining and the need to counteract criticism of profiteering by big business. Notwithstanding the pressure for accounting reform, the CAP reaffirms its support to historical cost accounting for depreciation in accounting research bulletin no-33 and in a letter issued in Oct. 1948 (Zeff 1994, 76-77).

(e) In 1958 CAP fall in grate trouble on deferred tax issue. Three subsidiaries of American Electric Power Company sued in the federal court to enjoin AICPA from allowing the CAP to issue a letter saying that the deferred tax credit account, as employed in the recently issued ARB no. 44(revised), should be classified as a liability. The three public utility companies were concerned that the SEC, under authority granted by the public utility holding company Act, would not permit them to issue debt securities in view of the unfavorable debt-equity ratios, which the proposed reclassification will

produce. The case reached the Supreme Court, where certiorari was denied. In the end clarifying letter was issued. Nonetheless, the SEC accommodated the public utility companies by consenting to exclude the deferred tax credit from both liabilities and stockholders' equity for the purpose of decisions taken under the public utility holding company Act (Zeff 1994, 77).

Accounting Principles Board (APB): More than four decades after the SEC acquiesced in CAP, Donald J. Kirk, as chairman of the FASB, would call GAAP and the notion of general acceptance 'false labeling' [Kirk 1981, 85]. Discomfort with the lack of specificity in its work, as stated above, led to the disbanding of CAP in 1959 and its replacement by another senior committee of the AICPA, the Accounting Principles Board (APB). In its early years, the APB was expected to concentrate on development of accounting theory; it soon was caught up in specific problems arising from newly invented kinds of business transactions and newly developed accounting practices (Riper 1994, 7). Some examples are as follows:

Shortly after the creation of APB, the accounting treatment of the investment tax credit exploded upon the scene. The three confrontations between the APB and the combined forces of industry and the administration of President Kennedy, Johnson, and Nixon have already been amply discussed in the literature. The Government's argument was not that the accounting deferral of the investment tax credit was bad accounting, but that it diluted the incentive effect of fiscal policy (Zeff 1994, 77).

In 1965, the subject of segmental reporting emerged from a hearing of the Senate Subcommittee on Antitrust and Monopoly on the economic effects of conglomerate mergers. The aim of the Senatorial inquiry was not to promote better accounting practices for investors' use, but to provide the Subcommittee and other Government policy makers with accounting data that would facilitate their assessment of the economic efficacy of conglomerate mergers. Company managements naturally looked upon the disclosures as potentially detrimental to their merger ambitions. Pressure applied by this powerful Subcommittee eventually forced the hand of the SEC to call for product-line disclosures in the published financial reports. The repercussion of this initiative, which had its origin in a Senate hearing room are still being felt (Zeff 1994, 77-78).

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In 1967-69, the APB responded to an anguished objection by the startled Investment Bankers Association of America (IBA) (today's the Securities Industry Association) to a provision, once thought to be innocuous, in APB opinion No.10 which imputed a debt discount to convertible debt and debt issued with stock warrants. The IBA was concerned about the impact of the accounting procedure on the market of such securities. In APB opinion No.14 the board rescinded its action in regard to convertible debt, while retaining the rest (Zeff 1994, 78).

During 1968-71, the banking industry opposed the inclusion of bad-debt provision and looses on the sales of securities in the net income of commercial banks. Bankers believed that the new measures would reflect unfavorably on the performance of the banks. Eventually, through a concerted effort by the APB, SEC, and the bank regulatory agencies, generally acceptable accounting principles were made applicable to Banks (Zeff 1994, 78).

In 1968-70, APB struggled with the accounting for business combination. It was flanked by on the one side by the Federal Trade Commission and the Department of Justice, who favored the elimination of "polling of interest" accounting in order to produce a slowing effect on the merger movement, and on the other side by the merger-minded corporations who were fervent supporters of "pooling of interest" accounting. The APB, appearing to behave as if it were a pawn in a game of political chess, disenchanted of its supporters, as it abandoned positions of principle in favor of an embarrassing series of pressure-induced compromises (Zeff 1994, 78).

In 1971, the APB held public hearings on accounting for marketable equity securities, leases, and the exploration and drilling costs of companies in the petroleum industry. In all three areas, powerful industry pressures thwarted the APB from acting. The insurance industry was intensely concerned about the possible effects on its companies' stock prices of including the unrealized gains and losses on portfolio holdings in their income statements (Horngren 1973, 61-66).

Few examples of numerous, as stated above, proves that the APB was not in comfort. As the decade wore on, criticism of the APB mounted. In a phrase that was popular at the time, it was seemed to concentrate on "firefighting." Somewhat contradictorily, the APB also was faulted for its inability, as a part time, volunteer body, to act quickly enough to

keep up with developments in the marketplace. A more telling criticism was that a Board made up almost entirely of public accountants whose partners and clients were alleged to exert self-interested pressure was not equipped to perform a "public interest" standard-setting function. Under-representation of issuers of financial statements, who viewed themselves as being most directly affected by the opinion of the board, was a serious, and probably decisive, point of contention (Riper 1994, 8).

The volume of criticism reached a level that impelled Marshall S. Armstrong, then the elected president (a title later changed to chairman) of the AICPA, to convene a conference in Washington early in 1971 of three dozen leaders in the public accounting profession to consider possible ways out of this morass. Decisions were taken there to launch parallel studies of the objectives of financial statements and of the structure for establishing accounting principles (Riper 1994, 8).

The two study groups became known by the names of their respective chairmen. These were:

- The study on their objectives was headed by the late Robert M. Trueblood, managing partner of Touche Ross & Co.
- The study on establishment of accounting principles was led by Francis M. Wheat, an attorney specializing in securities law and a former commissioner of the SEC.

After 12 months of intensive activity, including a two-day public hearing, the Wheat Committee published its report at the end of March 1972 (AICPA 1972). The report dealt with what it called "the threshold question" – whether standard setting should remain a responsibility of the private sector or whether it should be taken over by a Governmental body. The study group cited several reasons for retaining the function in the private sector. Such as:

- the susceptibility of Government agencies to political pressures;
- the tendency of such agencies towards inflexibility and lack of responsiveness; and
- the likelihood that the private sector's highest level of technical expertise and experience would be less available to the standard setters.

Focusing on the SEC as the most likely Governmental standards setter, the Group also observed that accounting standards apply to a far larger universe of enterprises than the approximately 10,000 companies required by the law with the Commission (Riper 1994, 9).

Financial Accounting Standards Board (FASB): According to the recommendation of the Wheat Committee, steps were taken to set-up an independent structure for standard setting. There would be a Financial Accounting Foundation (FAF), a Financial Accounting Standards Board (FASB), and a Financial Accounting Standards Advisory Council (FASAC). The trustees of the foundation would be responsible for appointing the members of both FASB and FASAC, funding their operation, and exercising general oversight, except with regard to technical decisions of the FASB. The Financial Accounting Foundation (FAF) was incorporated in June 1972. The first chairman of the FASB, the same Marshall Armstrong who had initiated the Trueblood and Wheat Study Groups, was appointed in November 1972. A temporary office (later on turned into permanent campus-like setting, which was deliberately chosen to put distance between the FASB and the pressures of New York and Washington) was opened in Stamford, Connecticut, on the first business day of 1973, and FASB officially succeeded the APB as standard setter on July 1 of that year, the new FASB were introduced to the world at a banquet in the grand ballroom of the Waldorf-Astoria Hotel in New York (Riper 1994:9-10). In view of the historical background, the Business Week of March 31, 1973 issue, called the FASB "the last chance to avoid government control of accounting." FASB is working on accounting standards in the USA for about three decades. How well this organization is being done is a vital question of the day.

b) United Kingdom and Bangladesh:

The United Kingdom has been a monarchy of many centuries and It has a long history of accounting and financial reporting. Many of regulations relevant to economic enterprises are contained in statutes, passed by the Act of parliament. In addition to the statutes, the common law system includes a large body of case law consisting of legal principles developed over many years from the decisions made within the higher law courts. Though the UK has a long history of accounting profession, the formal standards setting process began in the earnest in the late 60s and early 70s. Companies Acts have regulated

the financial reporting throughout the twentieth century but all the earlier Companies Acts, particularly those of 1948, 1967, 1976, and 1981, have been consolidated into the 1985 companies Act. As a result of this the Companies Act 1985 contains all the provisions relating to the formats and contents of accounts for all limited liability companies.

It is stated earlier that in the United Kingdom the formal standard setting process began in the late 60s and early 70s when the accountancy profession formed the Accounting Standards Steering Committee (ASSC), which was subsequently renamed simply the Accounting Standards Committee (ASC). This ASC became a committee of the Consultative Committee of Accountancy Bodies (CCAB). The CCAB is made up of the following professional accounting bodies:

1. Chartered Association of Certified Accountants (ACCA)
2. Chartered Institute of Management Accountants (CIMA)
3. Chartered Institute of Public Finance and Accountancy (CIPFA)
4. Institute of Chartered Accountants of Scotland (ICS)
5. Institute of Chartered Accountants of Ireland (ICI)
6. Institute of Chartered Accountants of England and Wales (ICAEW)

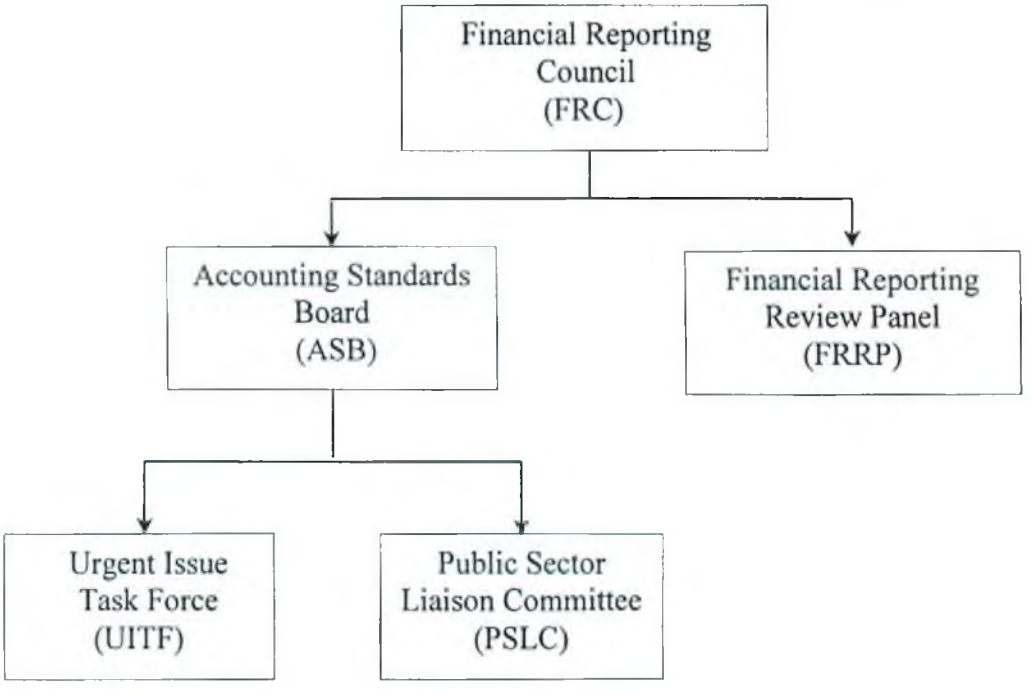
The Accounting Standards Committee (ASC) issued final pronouncements titled Statements of Standard Accounting Practices (SSAP) and Statements of Recommended Practice (SORP). SORPs were issued on matters that were not of general application or of fundamental importance, while SSAPs were issued for problems of general application and of fundamental importance. SSAPs were therefore more important pronouncements. This process resulted in the publication of 25 SSAPs (though three, SSAP No.7, 11 and 16, were withdrawn even before the old ASC was replaced) and two SORPs. These pronouncements were considered to be unsatisfactory and the most telling criticism of the ASCs standards setting achievements were:

- the inability to enforce the standards due to lack of legal backing;
- the standards were too general and imprecise;
- the standards took too long to publish because all CCAB bodies had to approve;

- the quality of the standards was not good enough because compromises were there on any disputes between the CCAB bodies.

As a result there was an urgent need to introduction of new standard-setting framework. It is important to realize that standard-setting has been going on in the UK for several decades but the current process was introduced since 1990. The Companies Act 1989 contains the provisions for a new standard- setting system but left much of the detail to be developed by authorized bodies. The Act empowers the government to approve and grants to such bodies concerned with overseeing the directing, issuing, and investigating departures from accounting standards. Current standard- setting structure of the UK is as like as the USA but there is noticeably a lack of involvement of any stock exchange body, which is equivalent to the SEC of the USA (Lawrence 1996, 160-173).

Diagram: 3.1-Present standard-setting structure of the UK



Source: Lawrence (1996:169).

Financial Reporting Council (FRC): FRC is the committee that generally oversees the standard-setting process. Each of the members of the committee are senior individuals who are considered to have influence in the communities they represent, e.g. industry, commerce, and the accounting profession. At the FRC level of the standard-setting

structure the individual members are unpaid volunteers. This structure is an attempt to open up the process of standard-setting from the sole domain of the accounting profession but the FRC has to date not adopted the 'sunshine' policy for the bodies in the setting of standards as they have in the USA (Lawrence 1996, 169-170).

Accounting Standards Board (ASB): This is the committee that develops and publishes accounting standards. Members of the committee must have the technical skills in the field of financial accounting. The ASB is free from many constraints suffered by its predecessor ASC. For example, it does not require the approval of the CCAB members before issuing standards. At the inaugural meeting of the ASB, the board adopted all the 22 existing SSAPs issued by the ASC. This adoption gives those standards the same legal backing that is provided by the general provision introduced in the 1989 Companies Act for the new standards developed by the ASB. The standards developed by the ASB are called Financial Reporting Standards (FRS) (Lawrence 1996, 170-171).

Financial Reporting Review Panel (FRRP): This is a body establish to accept the government's delegation of power to challenge accounts which are not considered to comply with accounting standards and therefore not true and fair. The FRRP does not actively monitor itself, but will deal with complaints from, for example, shareholders, the stock exchange, financial media, etc. If the FRRP found the account of any company unsatisfactory, they initially ask the company to amend the accounts voluntarily. Otherwise the FRRP have the authority to initiate legal proceedings against the company under conviction (Lawrence 1996, 171).

Urgent Issue Task Force (UITF): The UITF is a committee of the ASB and is designed to assist the Board in the maintenance and development of good accounting standards and best practice in financial accounting and reporting. The UITF is similar to Emerging Issue Task Force in the UAS. The committee deals with any urgent issues not covered by the existing standards. The meeting of the fifteen members of the task force is chaired by the chairman of the ASB.

The chairman does not vote on UITF decisions but the decisions of the committee must be accepted by the ASB before being executed.

Public Sector Liaison Committee (PSLC): The members of this committee are experienced in accounting in the public sector environment. This Committee is headed by

one of the members of ASB and it is the ASB, which determines the terms of reference of the PSLC (Lawrence 1996, 171).

The following table will give a brief picture of professional development of accounting in the UK from the period 1853 to 1919. Many of were formed on a regional basis and there are indeed still three separate Institute of Chartered Accountants in the British Isles: of Scotland, in England and Wales, and in Ireland.

Table: 3.2-Shows professional development of accounting in the UK (1853 to 1919)

Year	Name of the Professional Accounting body
1853	Society of Accountants in Edinburgh (Royal Charter 1854) [1]
1853	Institute of Accountants and Actuaries in Glasgow (Royal Charter 1855)
1867	Society of Accountants in Aberdeen [1]
1870	Incorporated Society of Liverpool Accountants [2]
1870	Institute of Accountants in London [2]
1871	Manchester Institute of Accountants [2]
1872	Society of Accountants in England [2]
1877	Sheffield Institute of Accountants [2]
1880	Institute of Chartered Accountants of England an Wales
1880	Scottish Institute of Accountants [3]
1885	Society of Accountants and Auditors [4]
1885	Corporate Treasurers' and Accountants' Institute [5]
1888	Institute of Chartered Accountants in Ireland
1891	Corporation of Accountants in Scotland [6]
1903	Institute of Certified Public Accountants [7]
1904	London Association of Accountants [6]
1905	Central Association of Accountants [8]
1919	Institute of Cost and Works Accountants [9]

Source: Robert H. Parker [1996, 62-84], Importing and Exporting Accounting: The British Experience

1 Merged to form Institute of Chartered Accountants of Scotland, 1951

2 Merged to form Institute of Chartered Accountants in England and Wales, 1880

3 Absorbed by the Society of Accountants and Auditors, 1899

4 Name changed to Society of Incorporated Accountants and Auditors, 1908; to Society of Incorporated Accountants, 1954; integrated into English, Scottish and Irish Chartered Institute, 1957

5 Name changed to Institute of Municipal Treasurers and Accountants, 1901; to Chartered Institute of Public Finance and Accountancy, 1973

6 Amalgamated in 1939 to form the Association of Certified and Corporate Accountants

7 Amalgamated in 1941 with the Association of Certified and Corporate Accountants (from 1971 the Association of Certified Accountants and from 1984 the Chartered Association of Certified Accountants)

8 Absorbed by the Institute of certified Accountants, 1933

9 Name Changed to Institute of Cost and Management Accountants, 1972; to Chartered Institute of Management Accountants, 1986.

c) The Netherlands:

Accounting and business economics are closely related in the Netherlands. As a result, economic concept of income, costs, and value have had a great impact on accounting concepts. This alliance explains the wide acceptance of sound business-economic

standards as the guiding force in the development of Dutch accounting standards (Arpan and AlHashim 1984, 105-106). The 1970 Act on Annual Accounts states that accounting practices should "comply with standards that are regarded as being acceptable in economic and social life" (Act 1970, article-5).

This 1970 Act can be considered to be the first detailed legal reporting requirements were introduced. But later on, the Dutch Civil Code (Title 9) incorporates the provision of the 1970 Act on Annual Accounts and includes the requirements of the EC directives.

The first major change to the legal accounting requirements was introduced in 1983 to implement the 4th EC Directive. In 1988 another change is made in the Dutch Civil Code to implement the requirement of the 7th EC Directive (Lawrence 1996, 42-43). This is why the Dutch is called a Code Law country [Choi and Mueller 1984, 31], because financial reporting and disclosure are completely guided by the Civil Code, not by any professional accounting body.

Private initiatives to develop accounting standards: Since the 1970 Act on Annual Accounts contains detailed provisions for financial reporting by Dutch companies but left the development of specific accounting standards and principles to those concerned with them – that is, companies, professional accountants, labor union representatives, and government officials, the interested parties have combined into an official study group known as the *Netherlands Tripartite Accounting Standards Committee*. This committee published *Draft Netherlands Accounting Guidelines* in October 1981 and these draft guidelines are a compiled version of all earlier opinions and recommendations and will, it is expected that in due course, become the foundation of Dutch financial accounting and reporting (Choi and Mueller 1984, 87).

Enterprise Chamber - A section of Court of Justice: The Netherlands is the only country that explicitly provides for legal review of the administration of the Act on Annual Accounts, 1970. The Enterprise Chamber is established under the Civil Code, which is a special section of the Court of Justice of Amsterdam, and comprises three judges and two experts but no jury sits in the court. The task of the court is to rule on charges of failure to comply with the legal requirements of financial accounting. The plaintiff must prove that they have a direct interest in the financial statements of the company under investigation and cite the discrepancies that are purported to exist in the

financial statements. The court states in its verdict whether, and if so how, the company should correct its financial statements for the current and future reporting periods. Though the verdict of the court is strictly applicable to the case in question but the details of the case may cover the fundamental aspect of accounting and can therefore have an influence on reporting practices of other companies as ready reference [Lawrence 1996, 43-44].

d) Australia:

So far accounting is concerned; Australia is highly influenced by the United Kingdom. The Companies Act of 1961 constitutes the underlying legislation presently in effect. The Act, among other provisions, addresses:

- the accountability of directors to the shareholders, particularly through the presentation of the annual accounts, and the directors report thereon; and
- audit of annual accounts.

The Act of 1961 requires financial statement to give a "true and fair view" though this term is not defined in the Law. Moreover, the legislation does not refer to any authoritative accounting standards, developed by any accounting profession, nor generally accepted accounting principles. But most of the Australian accounting measurement rules is derived from professional recommendations. There are two principal professional accounting organizations in Australia: (a) *The Institute of Chartered Accountants in Australia,* and (b) *The Australian Society of Accountants*. Both bodies sponsor the Australian Accounting Research Foundation which, through appropriate committee structure, recommends accounting and auditing standards. After due approvals, the official if the two professional bodies issue joint statements containing the standards to be observed by members in their professional capacities (Choi and Mueller 1984, 78).

e) Canada:

Canada is economically dependent on the United States for trade and capital, which suggests the similar financial accounting principles and practices between the two countries. According to the statistical evidence for the year 1996, the United States provided Canada with 48% of foreign investment in Canadian money market instruments; 92% in stocks; 46% in bonds and 68% of foreign direct investment.

Similarly Investment by Canadians abroad tends to be concentrated in the United States. For example, 65% of Canadian investment in foreign stocks is in the United States; 59% of bonds and 54% of Canadian direct foreign investment is in the United States. Similarly, with regard to trade, the United States is Canada's major partner, accounting for 81% of Canada's exports and 68% of all Canadian imports. The unquestioned dominance of the United States in Canada's financial and money markets provides strong reasons for ensuring that there is broad consistency between the U.S. and Canadian accounting standards (Richardson and Hutchinson 1999, 10).

f) France:

France is one of the most modern industrial and largest agricultural countries in Europe. For many centuries France was governed by centralized form of government. Since 1958 presidential form of government has been established in the country. The history of France as regards joint stock companies and modern financial accounting practice is very much contemporary.

Standard-setting in France: In France, accounting standards are part of basic business law and consequently every business entity is required to comply with them when publishing its accounts. There are a number of different sources of law, which are hierarchically structured as follows:

- European Directives.
- Code de Commerce (including general accounting obligations for all commercial entities and general rules for consolidated accounts).
- Regulatory texts such as decrees and regulations (regulations are now issued by the CRC – see below).
- Jurisprudence.
- Guidance, interpretations and recommendations (issued by CNCC and OEC for all companies, and by the COB for listed companies).

Note that the French Code de Commerce (first issued in 1807) was obsolete and incomplete because it had not been updated regularly with new laws issued. It was completely and recently revised and recodified (in September 2000) and now includes

fundamental texts such as the French law of 24 July 1966 applicable to commercial entities.

Table: 3.3-Implementation of EU Directives in France

	Statutory Accounts	Consolidated Accounts
European directives	Fourth Directive	Seventh Directive
French Code de Commerce		
Articles L123-12 to L123-24	■	
Articles L233-16 to L233-28		■
Application decrees		
Application Decree of 29 November 1983	■	
Articles D248 to D248-14 of the Decree of 23 March 1967		■
French *Plan Comptable Général* (revised in April 1999) (CRC Regulation n°99-03)	■	
New methodology relating to consolidated accounts issued in April 1999 (CRC Regulation n°99-02)		■

Recent changes: In April 1998, an official accounting body was created, the Comité de la Réglementation Comptable (CRC), which is responsible for approving new accounting standards. This body was created to address the following issues:

- French accounting standards were often general and could be interpreted in several ways. The CRC's standards are designed to be more specific and therefore make the financial statements more transparent.
- French accounting standards had previously been set by several sources. The creation of the CRC was designed to provide more consistency to the standard-setting process.

Accounting standards are proposed by the *Conseil National de la Comptabilité* (CNC), and reviewed by the CRC before issuance. In addition, the *Comité d'Urgence du CNC* (urgent issues committee), comprised of a limited number of CNC members, issues interpretation of and guidance on existing standards. The first standards have covered consolidation rules, accounting changes, construction contracts and accounting for liabilities and provisions. Article 233-24 of the French Code de Commerce stipulates that the companies listed on the French stock exchange may prepare financial statements using International Accounting Standards (IASs). However, the CRC has not yet

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endorsed the requirements for adopting this option, meaning that French companies still have to produce their primary financial statements under French GAAP. The proposal by the EU Commission to require the use of IASs by all European listed companies (see below) will clearly speed up the process towards IAS implementation.

Transition to IASs/IFRSs: In June 2000, the European Commission proposed a regulation that would require all EU companies listed on a regulated market, including banks and insurance companies, to prepare consolidated accounts in accordance with IASs by 2005, at the latest. In addition, member states could decide that IASs could or should also be used in statutory accounts and by unlisted companies. Before the end of 2001, the European Commission will finalize a proposal aimed at modernizing the Accounting Directives and reducing discrepancies between them and IASs.

g) Japan:

Japan accounting regulations and practices are largely influenced by German and to some extent by France. From 1800 to the Second World War Japan was linked with Germany and France and consequently these countries helped Japan to develop their accounting practices. During the World War-II all major cities of Japan were destroyed. In this situation the country became dependent on the USA and their Allied Occupational forces. Thus the influence of the USA on Japan becomes prominent and the present Japan has been developed since 1945. Specifically development of accounting regulations and stock exchange regulations are remarkably influenced by the USA. Apart from this influence Japan's accounting regulations has three distinct sources.

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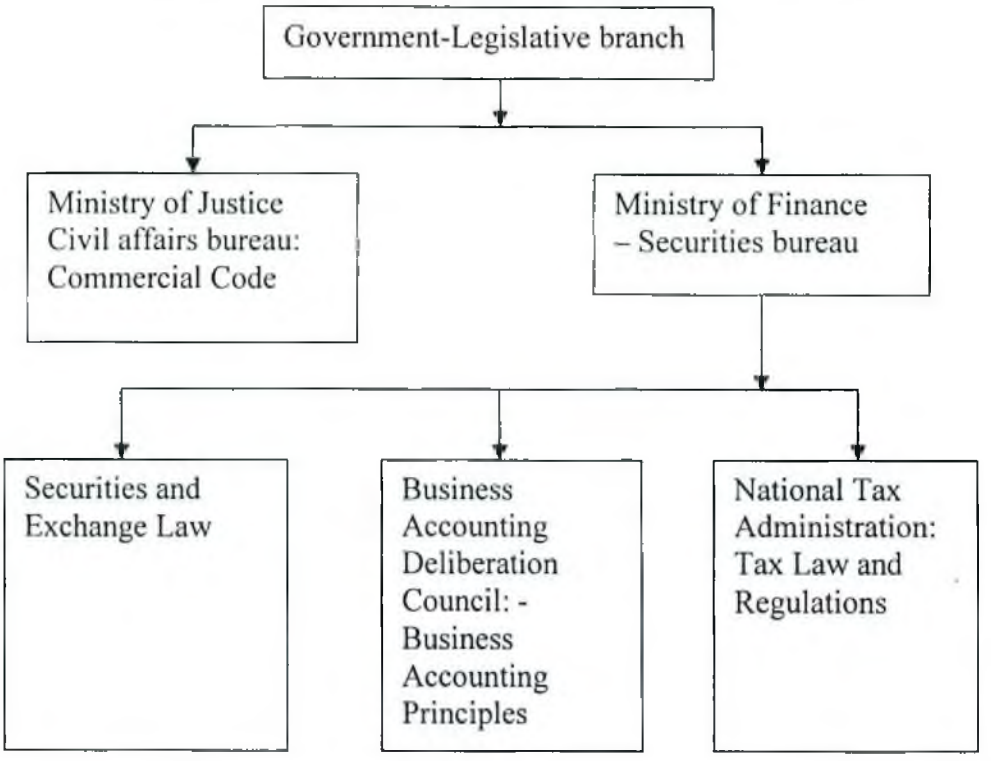
Recent development: Japan is one of the nine pioneer members of the then International Accounting Standards Committee (IASC). As a member of IASC it was a moral obligation of Japan to implement IASs. Long after 1973 (year of establishing IASC) Japan established the Accounting Standards Board of Japan (ASBJ) during 2001. The ASBJ has committed continuously to improve Japanese GAAP in the line with development in other major internationally recognized accounting standards including IASs/IFRSs and US GAAP. As a part of this effort, the ASBJ will continue to work together with the IASB to develop high quality accounting standards. This continuous process will reduce the differences between Japanese GAAP and IASs/IFRSs. The following diagram depicts the picture of accounting regulations in Japan:

ঢাকা
বিশ্ববিদ্যালয়
গ্রন্থাগার

Diagram: 3.4 – Shows the accounting regulations in Japan



h) Germany:

Germany is industrially developed country. It is one of the nine pioneer countries of the then IASC. In the past German industry was dominated by sole trading small business. Most of these businesses were financed by the owners and in some cases by banks. So owners and creditors were the only interest groups. Consequently, the major developments in German accounting have been driven by the needs of the owners and creditors. Financial security (the balance sheet) has traditionally been of greatest significance to the German user. Another important characteristic of German accounting was that it is basically governed by detailed legal regulations. i.e., accounting is a part of law.

In Germany, profit distributions are assessed and taxed on the basis of the companies' individual accounts. In the past, individual accounts were, hence, the focus of interest whereas consolidated financial statements were traditionally of minor importance. As a result of increased cross-border capital flows and the orientation of many enterprises towards the requirements of international capital markets, consolidated financial statements are gradually becoming the focus of public interest.

Recent development: The German legislation supports this development by allowing enterprises whose securities are publicly traded to prepare their consolidated financial statements according to International Accounting Standards (IAS) or US Generally Accepted Accounting Principles (US GAAP) rather than according to German Generally Accepted Accounting Principles (§ 292a of the Commercial Code (HGB)). In 1998 the German Accounting Standards Committee (Deutsches Rechnungslegungs Standards Committee or DRSC) was set up by the government. According to § 342 HGB (Handelsgesetzbuch or Commercial Code), this body, which itself is a non governmental organization, was given the following tasks:

- the development of accounting standards for listed companies' consolidated financial statements;
- advising the German Ministry of Justice on new legislation concerning accounting standards and
- liaison with international standard setters and representation of the Federal Republic of Germany on international accounting committees.

So Germany is moving towards international harmonization of accounting but not adopting IASs/IFRSs rather reducing the differences between national GAAP and international standards.

i) Mexico:

Mexico is the only country represented Third World as a pioneer member in the then IASC. Although Mexico came under European influence in 1540, it is actually a young nation from the viewpoint of economic activities. Similarly the history of modern accounting is also contemporary. In 1959, a presidential decree admitted reports of independent public accountants as evidence of compliance by corporate tax –payers with their Federal tax obligation. This event put accounting profession in the spotlight. Before that the Mexican Institute of Certified Public Accountants (MICPA) was established in 1923 following the shape of its U.S.A. counterpart. As a consequence of the Presidential decree many graduates of accounting became independent. The decree also prompted the MICPA to come out with more frequent pronouncement on auditing procedures and accounting principles. However, the Mexican GAAP is developed by The Comision Nacional de Valores (Mexican National Securities Commission) and Mexican listed

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companies do not follow IASs/IFRSs rather they follow Mexican GAAP as developed by the Mexican National Securities Commission.

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CHAPTER - 4

INTERNATIONAL ACCOUNTING: A COMPARATIVE STUDY OF DIFFERENT COUNTRIES

4.1. Introduction:

When an accounting system is viewed from multinational or international point of view then it is called international accounting. The issue of international accounting arises when an organization get involved in business activities of more than one nations. Different countries have different accounting system. As a result an organization involved in international business faces different diversified accounting issues in preparing their own financial reports. The study of international accounting helps these types of organization to cope with this diversified global accounting system in preparing their financial reports.

Lawrence (1997,1) defined international accounting as the process of providing useful financial information viewed on a multinational basis. According to him the study of international accounting should include:

- Consideration of accounting principles and practice of several nations, rather than the usual one-nation emphasis of more traditional accounting;
- A comparison of those principles and practices;
- a review of technical accounting problems that affect all nations in general; and
- a specific review of some of the problems, both technical and reporting, that arises because of differences between nations, e.g. existence of different national currencies.

According to Evans T. G., et al. (1994, 3),

> International Accounting, which includes both financial and managerial accounting, is defined as accounting for international transactions, the operations of international firms, and comparison of accounting principles and practices found in foreign lands and the procedures by which they are established. International accounting is a well-established specialty area within accounting and has two major dimensions:
>
> • *Comparative*: examining how and why accounting principles differ from country to country;

- *Pragmatic:* accounting for the operational problems and issues encountered by the individuals and firms in international business.

International Accounting and IASs/IFRSs: IASs/IFRSs are a set of high quality accounting norms/rules promulgated by the IASC/IASB for voluntary adoption worldwide. It is an endeavor taken by the IASC/IASB to minimize the diversity of global accounting practices to make the accounting aspect of international business easier, transparent, comparable and understandable. Most of the countries of the world unanimously recognize that it would be a magnificent achievement in the history of accounting if IAS/IFRS are accepted and adopted globally. Due to some local uniqueness of rules and regulations, many countries could not adopt original IAS/IFRS yet, but a continuous effort is evident from all the corners of the world to adopt IAS/IFRS for mutual benefits of harmonized accounting system. With a view to widen the boundary of IASs/IFRSs, IASC/IASB has accommodated alternative treatments of many accounting issues those are international in nature (e.g. direct method and indirect method of preparing cash flow statement, IAS-7). So IAS/IFRS are the new windows of international accounting and they can be termed as synonymous to international accounting. The researcher, in this chapter, has tried to explore the status of IASs/IFRSs along with technical accounting diversity in different countries.

4.2 Environmental Influences on Accounting:

The world is gradually becoming smaller and smaller. This does not mean that the earth has become smaller. The rapid development in infrastructure including communication especially information technology and transportation has brought the world closer. At present, the economic life of one country relies explicitly on the economic life of another country. After the break of the USSR in 1991, the so-called concept of closed economy is no more in existence. Even, China has also introduced a new concept of socialistic market economy. This change is nothing, but the acceptance of the truth that the economic activities of a country depend on those being carried out throughout the world. It is universally applicable that when there are opportunities, the active and courageous entrepreneurs are ready to avail themselves of those opportunities. When the present

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Table-4.1: World merchandise trade by region and selected economy, 1948, 1953, 1963, 1973, 1983, 1993 and 2002

	1948	1953	1963	1973	1983	1993	2002
Exports Value (Billion dollars)							
World	58.0	84.0	157.0	579.0	1835.0	3671.0	6272.0
Share (percentage)							
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	27.3	24.2	19.3	16.9	15.4	16.6	15.1
Latin America	12.3	10.5	7.0	4.7	0.0	4.4	5.6
Mexico	1.0	0.7	0.6	0.4	5.8	1.4	2.6
Brazil	2.0	1.8	0.9	1.1	1.4	1.1	1.0
Argentina	2.8	1.3	0.9	0.6	1.2	0.4	0.4
Western Europe	31.5	34.9	41.4	45.4	38.9	44.0	42.4
C. /E. Europe/Baltic States/CIS a	6.0	8.1	11.0	9.1	9.5	2.9	5.0
Africa	7.3	6.5	5.7	4.8	4.4	2.5	2.2
South Africa b	2.0	1.7	1.5	1.0	1.0	0.7	0.5
Middle East	2.0	2.7	3.2	4.1	6.8	3.4	3.9
Asia	13.6	13.1	12.4	14.9	19.1	26.1	25.8
Japan	0.4	1.5	3.5	6.4	8.0	9.9	6.6
China	0.9	1.2	1.3	1.0	1.2	2.5	5.2
India	2.2	1.3	1.0	0.5	0.5	0.6	0.8
Australia and New Zealand	3.7	3.2	2.4	2.1	1.4	1.5	1.3
Six East Asian traders	3.0	2.7	2.4	3.4	5.8	9.7	9.6
Memorandum item: GATT/WTO Members c	60.4	68.7	72.8	81.8	76.0	89.5	94.6
Imports Value (Billion dollars)							
World	66.0	84.0	163.0	589.0	1881.0	3768.0	6510.0
Share (percentage)							
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	19.8	19.7	15.5	16.7	17.8	19.7	22.0
Latin America	10.6	9.3	6.8	5.1	4.5	5.1	5.4
Mexico	0.8	1.0	0.8	0.6	0.7	1.8	2.7
Brazil	1.7	1.6	0.9	1.2	0.9	0.7	0.8
Argentina	2.4	0.9	0.6	0.4	0.2	0.4	0.1
Western Europe	40.4	39.4	45.4	47.4	40.0	43.0	40.8
C./E. Europe/Baltic States/CIS a	5.8	7.6	10.3	8.9	8.4	2.9	4.6
Africa	7.6	7.0	5.5	4.0	4.6	2.6	2.1
South Africa b	2.2	1.5	1.1	0.9	0.8	0.5	0.4
Middle East	1.7	2.0	2.3	2.8	6.3	3.3	2.7
Asia	14.2	15.1	14.2	15.1	18.5	23.3	22.4
Japan	1.0	2.9	4.1	6.5	6.7	6.4	5.2
China	1.1	1.7	0.9	0.9	1.1	2.8	4.5
India	3.1	1.4	1.5	0.5	0.7	0.6	0.9
Australia and New Zealand	2.6	2.4	2.3	1.6	1.4	1.5	1.3
Six East Asian traders	3.0	3.4	3.1	3.7	6.1	9.9	8.4
Memorandum item:							
GATT/WTO Members c	52.9	66.0	74.2	89.1	83.9	88.7	96.1

Sources: International Trade Statistics 2003, World Trade Organization (WTO) 2003, p.32.

a Figures are significantly affected by: (i) changes in the country composition of the region and major adjustment in trade conversion factors between 1983 and 1993; and (ii) the inclusion of the Baltic States and the CIS mutual trade between 1993 and 2002.

b Beginning with 1998, figures refer to South Africa only and no longer to the Southern African Customs Union.

c Membership as of the year stated (as a percentage of total countries of total countries of the world).

Note: Between 1973 and 1983 and between 1993 and 2002 export and import shares were significantly influenced by oil price developments.

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world is so near and open, it is natural that active business entrepreneurs may come in direct contact with colleagues of different countries. This will promote international business. During the last few decades, a tremendous growth has been observed in international business. The Table: 4.1 and Table: 4.2 will clarify the scene

Table: 4.2- GDP Growth Rate and Growth Rate of World Trade

Indicators	Growth Rates (in %)						
	1980-85	1985-90	1990-95	1996	1997	1998	1999
World GDP	20.4	3.5	1.9	3.3	3.3	2.0	3.3
World Trade (Volume)	3.9	6.4	5.7	6.7	9.7	4.2	4.6
Exports of Goods and Services	4.0	5.8	3.1	6.0	6.9 (1990-99)		

Sources: 1. World Development Report (various issues)

1. *Trade & Development Report 1990*
2. *IMF Annual Report 2000*
3. *LDC Annual Report 1998*
4. *World Development Indicators-2000*

Table - 4.2 shows that international export over a period of 54 years to (from 1948 to 2002) has increased by about 108.13 times and at the same time international import has increased by 98.64 times. Table - 3 indicates that the export growth rate has increased from 4.0 during the year 1980-85 to 6.9 during the year 1990-99. This high growth rate speaks of greater interdependency of the world economy. Internationalization of economic activities is a fact today. Moreover, today's world economic activities are dominated by different regional and international groups. The European Economic Community (EEC), the Association of South Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC), the Organization for Islamic Conference (OIC), the Organization of Petroleum Exporting Countries, (OPEC), the organization for Economic Corporations and Development (OECD) and different sub-units of the UN are some of the examples. There are some economic and aid giving consortiums also. All these contribute to the interdependence of the world economy. Moreover, International financing institutions like the World Bank (WB), the International Monetary Fund (IMF), the Asian Development Bank (ADB) and the Islamic Development Bank (IDB) also contribute to this phenomenon.

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Accounting is not an isolated discipline. It came into existence to serve the needs of Society. It is a need-oriented subject. As a result it differs across countries and over time to meet the diversified need of different countries. According to Arpan and AlHashim (1984, 4),

> The most general purpose of accounting is to provide financial information to people for decision-making purpose. Therefore, one of the major reasons accounting is done differently in various countries is because the users and preparers of accounting information are themselves different.

People, both users and preparers of financial statements, differ in educational and training background and intellectual outlook. Not to speak of differences across nations, even within a national boundary, people differ in understanding capability. Differences in educational trainings result in the differences in understanding information, absorbing information and using information for decision-making. Therefore, the development of accounting principles and practices is directly related to the educational level of both users and preparers of financial statements. It is rightly expressed by Arpan and AlHasim (1984, 4) that,

> The sophistication and complexity of accounting varies directly with the sophistication and education of the users of accounting information. ... It also directly varies with sophistication and education of the people who prepare the statements: the accounting.

With the passage of time, the number of interested parties in the affairs of a company has increased. The main interested groups are (i) creditors, (ii) investors, (iii) government, (iv) employees and union leaders, (v) customers and (vi) international agencies, *etc.* Different interest groups require different information in accordance with their need. Thus, some times, accounting is termed as (a) government oriented-accounting, (b) investors-oriented accounting and (c) creditors-oriented accounting. These days, it is really a complex job of the accountants to satisfy these diversified users and their diversified need for financial information. According to Arpan and AlHashim (1984, 5),

> The more users of information there are in a country, and the greater the differences among the needs of those users, the more complex a country's accounting procedures and report likely to be.

Beside the users and the preparers of financial statements, there are other factors, which have immense influence on the nature of accounting practices in a country. These factors are:

(i) Socio-cultural;

(ii) Legal and Political;

(iii) Economic;

(iv) Educational.

a) Socio-cultural Environment:

The socio-cultural norms of a particular country/society affect the behavior of the people of that society and ultimately affect the attitude of the people towards "*secrecy*", "*time*", "*Fate*" "*Business*" and "*Accounting*". The attitude of the people towards these variables has a direct impact on the nature of accounting and extent of disclosures of accounting information.

Attitude towards "Secrecy": Management and accountant's attitude towards secrecy affects the extent of disclosure of financial information. Where these people are secretive, they are not likely to provide much information to others. External reports are not prepared frequently and are not very well disclosed. Naturally, auditing of financial statements under such circumstances is very much difficult. Another factor affects the disclosure is "trust". A high degree of trust from owners' side, will lead to low level of disclosure in external reporting. Secrecy had given a legal shape in the Banking Companies Act, 1991 of Bangladesh. Section 44 of this Act has provided defense to the banks in the matter of non-disclosure of important items like amount of bad debt and bad debt provision against loans and advances. These are treated as top secret and confidential. Recently situation has been changed due to adoption of IAS-30 by the Bangladesh Bank [the central Bank of Bangladesh].

Attitude towards "time": The attitude towards "time" may be either "Short-term" or "Long-term" or "Relaxed". This may be further explained as the period for which one is particularly interested in an issue. It may be either investment or employment or survival. It is claimed that: According to Arpan & AlHasim,

> Where people have longer view of time and a diminished sense of urgency, the balance sheet is likely to be given more importance than income statement, and the financial reports are likely to be published less frequently.

It is further claimed by them that in developing countries people have longer view of time and for this reason there is less frequent publication of financial information. It is natural

that the opposite will be the picture where the attitude is short-term. Where people's attitude towards time is short-term oriented and higher sense of urgency, there will be greater importance of the income statement. This is the reason why there is a practice of publishing quarterly income statement in the U.S.A. In between these two extremes, there is another level of attitude towards time. That is relaxed attitude, prevalent in Japan, Germany and Switzerland. In case of relaxed attitude towards time, the concept of income determination is not taken as important.

Attitude towards "Fate": It is said that the more fatalistic a country is, the lower is its development in managerial accounting. People with this attitude generally depend on luck. If the belief is that there is nothing under control, people will not try to improve the performance. This attitude has a direct influence on the nature of accounting tools used. In the words of Arpan and AlHashim, "If the dominant belief is that there is no control over events of life in general, then there is little perceiver need for planning, budgeting, performance evaluation of other means of control". This type of attitude is common in Bangladesh. Thus in Bangladesh, most of the people may appear to be frustrated and take any responsibility as a casual affair.

Attitude towards "Business": This refers to the attitude of government, owners of business enterprises and the society as a whole toward "Business" and its "Management". If the society does not trust the business community, then it will impose various rules and regulations forcing business enterprises to disclose more and more of their activities. Even the disclosures in the form of statements may not be taken as sufficient. Society may require some other experts to attest those statements to increase the reliability and credibility. It is claimed that in the UK and the USA a distrustful and negative attitude towards business community is prevailing resulting in the huge disclosure requirements. Although a negative attitude towards business community is prevailing in Bangladesh, yet the disclosure requirement is not that much stringent. Negative attitude combined with fatalistic attitude has created a deadbeat likely environment in Bangladesh.

Attitude towards "Accounting": Accounts department including the accountant is the most important key factor in any organization irrespective of the nature or type of organization. But the important, heavy and laborious job done by the accountant is not recognized as a dignified one in many countries of the world. They think, an accountant

means a Clerk, a dishonest man. According to the observation of Arpan and Radebaugh (1985, 18),

> " . . . In many countries, accounting is still regarded as a low-status occupation filled with thieves and people fit for no meaningful job. As can be expected, the best and brightest people in these countries do not aspire to become accountants. This may be a self-fulfilling prophecy; perhaps only thieves and other undesirable become accountants in these countries".

In contrary, other pictures are also available in this world. In many countries accountants are designated as controller and they take up a highly respected and highly paid position in the organization. This rewarding position attracts the young brilliants of the society towards accounting profession. Arpan and Radebaugh (1985:18) said,

> " . . . Accountants occupy a highly respected place in the society, and accounting attracts high-caliber individuals as a result. Accountants in these countries tend to lead the world in the development of accounting theory, procedures, and practices. Germany, the Netherlands, the United Kingdom, and the United States of America are representative examples."

b) Legal and Political Environment:

The legal and political environment of a country has a direct influence on all activities including accounting of that country. As accounting function includes (i) scorekeeping (ii) attention–directing, (iii) problem–solving and (iv) controlling assignments, it can draw the attention of the policy makers i.e., the parliament of a country. Issues that may be included here are:

1) Government:
   - (a) Political philosophy
   - (b) Stability

(2) Status of union movement

(3) Existence of different laws:
   - (a) Taxation laws
   - b) Corporate laws

4) Social consciousness

5) Existence of accounting bodies.

Government: Political philosophy of the government may have influence on accounting. Government with socialistic attitude may prefer accounting for controlling cost with lower or no emphasis for measuring profit, whereas a government with capitalistic

philosophy will go for measurement of profit first. At present, in the accounting world new concepts like, value for money management, value for money accounting and value for money audit are being frequently talked of for this obvious reason. If the government in a country changes more frequently, there is every possibility that the accounting requirements of business enterprises will also change. This means that accounting must response to the need and philosophy of the government.

Trade Unions: It is a recent phenomenon that trade union leaders have become interested in accounting figures. Because in most of the cases the trade unions get involved in conflict with the management on monetary issue. It was found that industrial disputes could be solved relatively faster where both the parties use accounting figures on the bargaining table. Now, trade unions are coming up to the accountants with their demands.

Tax and Corporate Laws: Tax accounting has become a separate and independent discipline in most countries of the world. There are several accounting issues covered by tax laws and corporate laws and to comply with these laws is mandatory. As a consequence, some times, corporations keep two sets of book of account (i) one for tax authority and (ii) another for the owner, regulated by Corporation Act.

Social consciousness: Social consciousness and expectations of the people of a country has direct impact on accounting of that country. Local laws especially the tax laws, corporate laws of every country are created by the legislative body keeping harmony with the expectations of the peoples. Due to this factor, new branches of accounting are about to come into existence. These are "Ecology Accounting", "Social Accounting", "Forensic Accounting", "Cosmetic Accounting" etc. To produce information in accordance with the need of the users, the UNO and the OECD have become interested in the activities of multi-national corporations (MNCs) and these organizations have required the MNCs to provide some non-financial information along with financial information. Here, non-financial information refers to data, which are not normally included in financial statements.

Attitude of professional accounting bodies has influence on accounting. In the USA and the UK professional accountants work jointly with the academicians for the development

of accounting discipline as a whole. Whereas in under developed or developing countries like Bangladesh, there exists a vivid dividing line between accounting professionals and accounting academics. There could not be even an association of accounting academics and non-professional accountants due to the opposition from leaders of professional accountants. A few months back, the president of the Institute of Chartered Accountants of Bangladesh was found to oppose one Ph.D. student of the University of Dhaka in undertaking his/her dissertation on the public control of professional accounting in Bangladesh, although a few young professionals supported the study. Very recently initiatives are taken by some academicians and professional accountants to wipe out the dividing line and a body named 'Accounting Club' has been formed.

Existence of accounting bodies: Absence of professional accounting bodies or the existence of a weak professional accounting body may also be due to government intervention in controlling accounting activities. That means, high degree of governmental or regulatory control makes the accounting practices of a country more inflexible and static. Financial Accounting Standards Board (FASB) of the USA is the world's most strong accounting standards setting private body that is absolutely free from any governmental intrusions. As a result accounting practices in the USA is very dynamic and flexible enough to cope with the changed economic activities. But in Bangladesh accounting practices is greatly controlled by different laws like the Companies Act 1994, the Securities and Exchange Rules 1987, the Banking Companies Act 1991 etc. and no independent Accounting Standards setting body exits in Bangladesh.

c) Economic Environment:

It is claimed that accounting is the scorekeeper of economic activities. An accountant observes, perceives and measures the economic transactions of his/her entity and then processes his/her measured data through various systems to get the final results demanded by various interested groups. When accounting deals in processing economic transactions, it is very likely that a multiplicity of characteristics of an economy will have an effect on the nature of accounting practices of that economy. The changes from self-sufficient economy to exchange economy, from barter system to monetary system, from local and regional trade to international trade, from stability to instability, from fixed

exchange to market exchange rate, from owned financing to borrowed financing – all have direct influence on accounting practices.

Economic instability puts certain demand on accounting, such as accounting for inflation, hyperinflation and changing currency rates. Moreover, in an environment of economic instability, where uncertainty prevails and prediction becomes difficult, organizations go for more conservative accounting practice, i.e., more provisions and/or reserves are created to protect their capital. The complexity of economy is also directly related to accounting complexity. The U.S.A being the most complex economy in the world has taught us many new concepts and new accounting techniques. Involvement of Government in the economic activities of a country has a tremendous impact on accounting principles and practices. In a centrally controlled economy (communist countries), accounting information is mostly used by the government for policy making. But in a free economy accounting information is mostly used by investors, creditors, lenders, employees, for decision-making and by the government to determine the tax liability of an organization. So the accounting principles can never be the same for both types of economy. Involvement in international business activities is another economic factor, which affects the accounting principles and practices. That is, the issues relating to foreign exchange transactions and conversion of foreign exchange are a subject matter of international business. Inflation has also an impact on accounting. Accounting practices in a hyperinflationary economy and a less or moderate inflationary economy is bound to be different. Arpan and AlHasim explained the impact of complex society on accounting in the following way:

> In an economically complex society, international business activity assumes more importance. As international trade expands, countries begin to worry about balance of payments and foreign exchange. Thus, government must develop accounting systems to monitor trade flows, to observe foreign currency stocks and so on. For the domestic firms involved in international trade new accounting procedures are needed to assess gains and losses due to changes, in the value of currencies.

d) Educational Environment:

Accounting is a specialized service to the society. For a meaningful accounting service, both the preparers of accounting reports and the users of accounting information must have a minimum level of education. So the level of education of a country is an important factor affecting accounting practices. According to Arpan and Radebaugh (1985, 15-16):

> . . . Educational characteristics encompass (1) the degree of literacy, including the ability to use simple mathematics, (2) the percentage of people who have received formal schooling at various levels (elementary school, high school, college), (3) the basic orientation of the educational system (religion, vocational, liberal arts, scientific, professional), and (4) the educational match – the appropriateness of the educational system's output for the country's economic and social needs.

Education makes people sensitive about their environments, determines their level of expectations, increases the need for information. If accounting is to serve the various interest groups, education level of those groups will obviously dictate the accountants to serve information according to their need.

4.3 Factors Influencing Internationalization of Accounting:

It is generally accepted that accounting has got a formal shape with the development of double entry system of bookkeeping at the end of 15th century in Italy. Since then double entry system of bookkeeping spread throughout the globe. So by origin accounting is an international discipline. According to Choi and Mueller (1979) "The heritage of accounting is indisputably international. So today's concern with multinational accounting is more a renaissance than a new idea". Parker (1971) said, "Modern accounting is not the invention of any one country. It has always been international in scope".

But it takes different shape to fine-tune with the different environment of different countries of the world keeping some basic principles same as it was. Diverse accounting practices of different countries are not a problem at all for any country, but it becomes a problem when capital of one country crosses the border of another country. The accounting system of two countries confront each other as result of this international transaction. Financial reports of different countries suffer from lack of comparability and ambiguity prevails reciprocally. As a result discrepancies between the accounting systems of different countries become vivid. Accounting of different countries becomes just like the different *races* of the same *human being*. Particularly the following factors set the accounting in motion to the international arena:

Emergence of Multinational Corporations: Multinational corporations operate their business in different parts of the world. In doing this it has to face multiple accounting problems. For examples:

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(1) It has to prepare different financial statements for different countries which is very much costly. For every country, the corporation has to appoint at least one local professional accountant who is well conversant with the rules, regulations, terminology etc. of local accounting practices.

(2) In measuring comparative financial performances of different segment of the corporations comparison suffers from serious lack of uniformity.

(3) It becomes necessary to translate all the financial reports of different countries in accordance with the rules of home country (where the corporation is incorporated) to prepare consolidated financial statements.

Foreign Direct Investment (FDI): It is very natural that the investors will invest their funds anywhere in the world where they will get highest rate of return. Free economic environment and unthinkable development of information technology facilitates the investors to invest anywhere in the world just clicking on the *mouse* of the computer. But the basic quantitative information for decision-making is derived from the financial statement, which is hardly ever understandable to the foreign investors because of dissimilar accounting system to them.

FDI in Bangladesh: The Government of Bangladesh so far has established six Export Processing Zones (EPZ) to attract foreign direct investments (FDI), which are already in operation. First Chittagong EPZ went into operation in 1983 and then Dhaka EPZ in 1993. Later on another four EPZ were established in Comilla, Mongla, Uttara and Ishwardi. One hundred eighty (180) manufacturing units are in production in the sixteen zones with a total investment of US$634.04 millions. The following table: 4.3 show the year-wise ratio of the amounts of domestic and foreign investment to the amount of total investment:

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Table-4.3: Amount of Investment Registered with the Board of Investment (1991-2003) mil. US$

Year (July - June)	Domestic (US$)	Foreign (US$)	Total (US$)
1991/92	91	25	116
1992/93	90	53	143
1993/94	457	804	1261
1994/95	846	730	1576
1995/96	1,171	1516	2687
1996/97	1,108	1054	2162
1997/98	1,137	3440	4577
1998/99	1,183	1926	3109
1999/00	1,324	2119	3443
2000/01	1,420	1271	2691
2001/02	1,531	302	1833
2002/03	2,027	368	2395
Total	12,385	13,608	25,993
Share (%)	47.65%	52.35%	100.00%

Source: Bangladesh Economic Review, 2003, p.78.

It is evident from the above table that foreign investment occupies a major portion (i.e., 52.35%) of total investment.

Global Capital Market: The emergence of global capital market perhaps is the most influential factor that has accelerated the enormity of international accounting and its global harmonization. According to Evans and others (1994, 13):

> the explosive growth in this market has been caused by the elimination of national capital controls, deregulation, improved communication (especially electronics), and dis intermediation.

Hawkins (1991, 42-49) said,

> The world's largest equity markets (the United States, Japan, the United Kingdom, Germany, France, and Switzerland) experienced sevenfold (700 percent) growth in the period 1971 to 1990. In fact, the total volume (in US dollar) on these equity markets was slightly over $1 trillion in 1971 but grew to $7.3 trillion by 1990.

Table: 4.4- Amount of capital raised in US public securities markets by non-US registrant (US$ billions)

1990	1991	1992	1993	1994	1995	1996	1997
$7.7	$24.9	$33.1	$49.4	$48.9	$48.3	$84.8	$128.3

Source: SEC Division of Corporation Finance, Statistical Report (1997)

Table: 4.5- Number of new non-US issuers registering with SEC

1990	1991	1992	1993	1994	1995	1996	1997
45	40	94	109	146	103	162	167

Source: SEC Division of Corporation Finance, Statistical Report (1997)

Table-4.6: Foreign Companies Listed on the London Stock Exchange, December 31, 1997

	UK Companies	Foreign Companies	Total
Number of listed companies	2157	526	2683
Percent of total	80.40%	19.60%	100%
Market value of their shares (Trillion in US$)	1.012	2.258	3.270
Percent of total	30.90%	69.10%	100%

Source: London Stock Exchange Web Site – www.londonstockex.co.uk

Analysis of above data reveals that in the US capital market raising of capital by the non-US foreign companies increased by 1566% in the year 1997 in comparison to 1990. In the London Stock Exchange 19.60% foreign companies holding 69.10% market value of shares. These figures imply that cross-border investment is taking place at a large scale around the world. The following table reveals that in the USA out of 10910 companies, 1055 non-US companies are registered with the SEC. In Europe - Africa – Middle East, out of 9198 companies, 1318 foreign companies are trading their shares in different stock exchanges. In case of Asia-Pacific the number of foreign issuers is 238 (out of 17836 companies). This increased cross-border investment of the world business pushed the international accounting into spotlight and global harmonization of accounting becomes an urgent need of the present time.

4.4 Issues in International Accounting

When international accounting is a matter of discussion, the most relevant form of organization is probably Multinational Corporations and Multinational Group of Companies. On crossing the border Multinational Corporations face accounting problems in the host countries. Thus the issues of international accounting arise. Issues may be classified into two groups, viz.,

- *General Issues* and
- *Special Issues.*

General issues means the accounting issues those are all most very much common to all types of multinational companies irrespective of their national status and nature of business. Some examples of these general issues are: Deferred Tax, Leasing, Stock valuation, Long-term Contract, Research and Development costs, Post Retirement

Table-4.7: Shows Number of Companies Listed on 49 Major World Stock Exchanges, with Domestic and Foreign Split (30 June 2004)

Stock Exchanges	Total Companies	Domestic Companies	Foreign Companies
Americas	***10910***	***9855***	***1055***
Amex	563	494	69
Bermuda	56	21	35
Buenos Aires	108	104	4
Lima	230	198	32
Mexico	237	155	82
Nasdaq	3 256	2 919	337
NYSE	2 283	1 823	460
Santiago	241	240	1
Sao Paulo	361	360	1
TSX Group	3 575	3 541	34
Europe - Africa – Middle East	***9198***	***7880***	***1318***
Athens	329	327	2
Borsa Italiana	276	267	9
Budapest	48	47	1
Copenhagen	189	182	7
Deutsche Börse	842	674	168
Euronext	1362	1025	337
Hex Helsinki	137	134	3
Irish	67	54	13
Istanbul	292	292	0
JSE South Africa	400	379	21
Ljubljana	141	141	0
London	2722	2354	368
Luxembourg	241	43	198
Malta	13	13	0
Oslo	184	164	20
Spanish Exchanges	NA	NA	NA
Stockholm	280	261	19
Swiss Exchange	413	283	130
Tehran	365	365	0
Tel Aviv	581	581	0
Warsaw	192	191	1
Wiener Börse	124	103	21
Asia - Pacific	***17836***	***17598***	***238***
Australian	1 532	1 464	68
Bursa Malaysia	930	926	4
Colombo	241	241	0
Hong Kong	1 068	1 058	10
Jakarta	336	336	0
Korea	675	675	0
Mumbai	5 271	5 271	0
National Stock Exchange India	934	934	0
New Zealand	214	173	41
Osaka	1 114	1 114	0
Philippine	236	234	2
Shanghai	830	830	0
Shenzhen	506	506	0
Singapore	585	507	78
Taiwan	677	672	5
Thailand	430	430	0
Tokyo	2 257	2 227	30
Grand Total	***37944***	***35333***	***2611***

Source: World Federation of Exchanges (WFE) (formerly FIBV) members [http://www.iasplus.com/stats/wfeintl.pdf]

Benefits, Valuation of Tangible Fixed Assets, Depreciation, Inflation, Related Party Disclosure etc.

Special issues are some international accounting problems usually faced by the multinational group of companies. These issues wrap up the problems of consolidation, translation of foreign currencies, disaggregated reporting etc.

General Issues:

Deferred Tax: Deferred tax originates when accounting/commercial profits and taxable profits differ. The difference of profit takes place because there are some income and expenditure that are recognized in the accounts but not permissible in the income tax law, that is called *permanent difference.* Another *timing difference* takes place when some items are recognized in calculating accounting profit for a period, which is different from that period in which they are dealt with for tax purpose. For example: depreciation.

There are three types of provisions for deferred tax. These are: (1) Nil provision (2) Full provision and (3) Partial provision.

Nil provision is created when no material timing difference arises. Japan, Brazil, Austria use this type. *Full provision* is created to recognize the full timing difference when they arise. USA, Canada, Bangladesh and to some extent Denmark use this type of provision. *Partial provision* lies somewhere between the above two extremes. Here net amount of timing difference is recognized. UK (SSAP 15), Pakistan, Nigeria (IAS 12) use this type.

Methods of computing tax provision: There are two methods of computing tax provision for deferred tax. (1) Deferral method and (2) Liability method. Under *deferral method* it is assumed that a charge/benefit arises when a timing difference takes place, which is deferred until the next period when it reverses. On the other hand under the *liability method* a liability is created on the cumulative closing balance of timing difference using the ruling rate of tax.

If the rate of tax changes over years two methods will produce different results, otherwise result will be identical. Surprisingly IAS 12 permits both the deferral and liability methods.

Leasing: Leasing is a debating issue in International Accounting arena. There are some countries (e.g., UK, USA, Canada, Belgium, New Zealand, Mexico, Indonesia etc.) where financial lease is capitalized by the lessee and reported in the balance sheet and operating lease disclosed in footnotes. International Accounting Standards (IAS) permits to capitalize the financial lease. In others, Germany, Japan, Denmark, Italy, capitalization of financial lease is tolerated but there is no mandatory requirement for this. In Sweden, Brazil, all leases, regardless of their economic substance, treated as operating leases. But disclosure of lease rental commitments must be made.

Accounting for leases is therefore internationally diverse with some countries still giving emphasis to legal form. Bangladesh is one of them giving emphasis to legal form.

Stock valuation: Value of stock has a direct impact on profit. Different methods of stock valuation lead to different value of stock as well as diverse profit. This diversity pushes the stock valuation issue into International Accounting arena. Different methods are being used in different countries, which reveals no consensus on the stock flow assumptions are there. Production overhead is a part of stock but it is excluded in stock valuation by 'Carlsberg' of Denmark (Lawrence 1996, 326). LIFO method is specifically abandoned in some countries, e.g. UK, Australia, France, and Hong Kong. It is not permitted in Germany, Brazil, and Austria for tax purpose but it is permitted in Belgium, Greece, India, Malta, Switzerland, and USA etc. In case of software industries it is difficult to use LIFO. IAS : 2 'Inventories' stipulates that '*inventories to be valued at the lower of cost and net realizable value. The benchmark treatment is to use FIFO or weighted average. An allowed alternative is LIFO'*. In Bangladesh 'lower of cost and net realizable value' is used in most of the cases, FIFO is also used. Clearly there is a long way to go for global harmonization in this area.

Long-term Contract: There are some controversies over profit determination in long-term contracts. IAS: 11 Construction Contract stipulates that '*expected losses should be recognized immediately'* but profits are not recognized in such a clear-cut way. IAS:11 prescribes that 'the percentage of completion method' to be used in profit recognition. India, Italy and the USA all permit the use of either the Percentage method or the

completed contract method, while Germany and Franc prefer the completed contract method to be used.

Research and Development (R&D) costs: Research and Development costs include the costs incurred normally to develop the existing product or to develop a new product line for the survival of the business in an ever-developing world. Sometimes a significantly large amount is expended in this area especially by the manufacturing companies. A survey by a leading national UK newspaper in 1993 showed that research and development spending rose while profit fell - it must therefore relate to the expectation of future profits (Lawrence 1996, 327). But surprisingly a greater part of the companies write-off this expenditure against the current year's falling profits. *IAS 9:* 'Research and development costs' (replaced by IAS 38, Intangible Assets, effective 1.1.99) requires,

> 'Research costs should be expensed. Development costs are also be expensed until the project is deemed technically and economically feasible and the enterprise intends to proceed, from which point costs should be capitalized. Capitalized development costs should be amortized on a systematic basis reflecting the pattern of recognition of benefits'.

In some countries both research and development costs being treated in a similar manner, no differentiation is made. In USA, research and development costs expensed currently except in certain industries (i.e., oil, gas, software). In UK, Germany, Japan, both research and development costs expensed as incurred; development costs sometimes capitalized under limited situation. In Sweden both capitalization (amortization over a five year period) and immediate expensing is permitted. There are some countries like Denmark, Greece, Spain, Italy, and France, where deferral of R&D costs permitted but restricted to amortize over a period of five years. So diversity is there so far research and development costs are concerned.

Post-retirement Benefits: Employees are given some financial benefits in the form of pension, gratuity, health care benefits etc. after their retirement. These benefits are given obviously in recognition of their service to the organization. So these benefits should be considered as an ingredient of employees' overall remuneration package of their working life. There are two types of post retirement benefit plan viz.,

(1) Defined contribution plan where the cost to the employer is usually specifically detailed in the contract with the employee and once the contribution has been made no further costs are incurred.

(2) *Defined benefit plan* is comparatively complex method from accounting viewpoint for post-retirement benefits. Here it becomes necessary to convert the pre-defined (future) benefits into present value using the bond/treasury rate to account for the present costs, which depends on the length of service and life expectancy of the employee concerned.

IAS 19: 'Employee Benefits' is applicable to both *defined contribution plan* and *defined benefit plan*.

The disclosure requirement will be very important in those countries where *defined benefit plan* scheme exits, e.g., USA, UK. In many other countries including Bangladesh this type of scheme is quite absent, which eliminates the necessity of adoption of IAS 19. In *Bangladesh* IAS 19 has not yet adopted and most of the local and multinational companies like Singer Bangladesh Ltd., BTC Bangladesh Ltd., Philips Bangladesh Ltd., Reckitt and Colman Bangladesh Ltd., BEXIMCO, etc., operates un-funded gratuity scheme only for the permanent employees and accrual/provision is made annually to cover the potential obligation. Only Bata Shoe Co. (BD) Ltd. operates a funded management pension scheme.

Valuation of Tangible Fixed Assets: Another issue in international accounting is valuation of tangible fixed assets. There are some countries where revaluation of tangible fixed assets is permitted and in some countries these are valued at historical costs. This diversity leads to differences in depreciation charges and provisions as well as profit and finally lack of comparability.

'IAS 16: Property, Plant and Equipment' permits revaluation of these assets along with disclosure of historical costs. In UK these assets are disclosed at historical cost, but upward or downward revaluation adjustment is permitted. Historical cost with selected revaluation, principally downward, in USA. Germany, Japan, Sweden, Brazil etc. follow historical costs and revaluation is applied conservatively. In *Bangladesh* IAS 16 is in force and normally fixed assets are disclosed at historical costs, revaluation is permitted and instances are frequently seen.

Depreciation: Different methods of depreciation bring about another problems of profit determination, tax allowances, deferred tax liability etc. In Germany tax allowances are very influential and historical cost is the only permitted valuation base. In UK tax

allowances are ignored in assessing the relevant depreciation methods and rates and historical cost is not the only permitted valuation base. In Bangladesh historical cost is the permitted depreciation base. An example from BEXIMCO: Annual report 1999, Notes to the Financial Statements # 3 states,

> There are upward revaluation of fixed assets of the bone mills at Chittagong and Khulna in the years 1976-77 and 1987-88 by the professional valuers but no depreciation has been charged on re-valuation surplus.

Inflation: Inflation a very common economic attribute of some Latin American and reforming East European countries. The going up of prices tremendously affect the value of assets and depreciation, which necessitate the development of accounting system that adequately allow for changes in price levels. IASC has so far issued two IASs relating to inflation viz. *IAS 15: Information Reflecting the Effect of Changing Prices* and *IAS 29: Financial Reporting in Hyperinflationary Economies.* According to ICAB IAS 29 is 'not applicable in the context of Bangladesh' and IAS 15 is under consideration to adopt. However, where the world's most influential economic leaders like America, Japan, Germany, UK etc. countries sticking on the historical cost convention, it is very unlikely that inflation accounting will be a part of global harmonization of accounting though it may be very useful to an inflationary economy.

Related Party Disclosure: According to 'IAS 24: *Related Party Disclosure'* related parties are those able to control or exercise significant influence. Such relationships include: Parent-subsidiary relationships, Entities under common control, Associates, Individuals (who, through ownership, have significant influence over the enterprise and close members of their families), Key management personnel etc. The disclosure of this relationship has a significant impact on the value as well as creditworthiness of the financial statements. On the other hand, especially the transfer pricing policy of the multinational corporations working in the developing countries is an important factor to the government on the ground of import duty and income tax, remittance of foreign currency etc. Disclosure requirement already exits in many countries like USA, Singapore, Saudi Arabia, Nigeria but in many countries it does not subsist. UK are on the way to develop their own standards in this area. Bangladesh is actively considering to adopt 'IAS 24: Related Party Disclosure'.

Special Issues:

Consolidation: Diversity exists regarding the constituency of a group of companies around the world. As a result the methods of consolidation are also in diverse. Before (1977) making the consolidated statements mandatory in Japan, the following malpractices frequently occurred:

> During period of slack turnover, some parent companies have been known to ship merchandise to their subsidiaries and list the goods as sold, even though the subsidiaries didn't have any customer on hand. Workers also could be transferred from a parent to subsidiary to lower unit costs. And managers skipped over for promotion in the head office could be transferred to subsidiaries, where there performances couldn't be as easily seen. (Wall Street 1977, 6)

These types of events lead the consolidation issue to be made mandatory.

The United Nations in its 1988 *Review of International Accounting and Reporting Issues* emphasized on the *'control'* of parent company over the subsidiaries on consolidation issue. According to the UN report the preparation of consolidated financial report may be required if:

- the parent company owns the majority of shares of another enterprises but not the majority of voting power;
- the parent entity exercise control over another enterprise by virtue of a provision in the memorandum of association or of a term in a contract;
- the parent entity has the right to appoint the majority of members of the board of directors or the supervisory board of another enterprise; etc.

The report also stated that,

> The situation in which the preparation of consolidated financial statements are required vary from country to country. Most countries require such statements, however, where a parent entity owns a majority of the voting shares in another enterprises and where there is no impairment in its ability to control that enterprise.

The EC seventh (7th) directive stipulates that the EC member state shall be required to prepare consolidated financial statements if the undertaking:

- has a majority of shareholders or members voting right in another undertakings; **or**

- has right to appoint or remove a majority of the members of the administrative, management or supervisory body of another undertaking and at the same time a shareholder in or member of that undertaking; **or**
- is a shareholder in or a member of an undertaking and control alone, pursuant to an agreement with other shareholders in or members of that undertaking, a majority of shareholders' or members' voting right in that undertaking; etc.

Both UN and EC directives emphasized on the controllability ignoring the legal aspect of relationship exists between the undertakings in the group.

According to International Accounting Standards (IAS 27) if a parent has one or more subsidiaries, consolidated financial statements are required. A subsidiary is defined as a company controlled by another enterprise (the parent). All subsidiaries must be included, unless control is temporary or if there are severe long-term restrictions on the transfer of funds from the subsidiary to the parent.

Table: 4.8-Shows a comparative picture of presenting consolidated financial statements

Parent company statement only	Parent company statements supplemented by consolidated statements		Consolidated statements only
Brazil	*Australia*	*Malaysia**	*Bahamas*
Costa Rica	*Botswana**	*Mexico**	*Bermuda*
El Salvador	*Denmark**	*Netherlands**	*Canada*
Guatemala	*Dominican Republic*	*New Zealand**	*Panama*
Honduras	*Fiji**	*Norway**	*Philippines*
Ivory Coast	*France**	*Singapore**	*United States*
Island of Jersey	*Germany**	*South Africa**	
Nicaragua	*Hong Kong**	*Sweden**	
Senegal	*Ireland**	*Trinidad-*	
Spain	*Jamaica**	*United Kingdom**	
	*Japan**	*Venezuela**	
	*Kenya**	*Zambia-*	
	*Korea**	*Zimbabwe**	
	*Malawi**	*Bangladesh***	
	*Rhodesia**		

*Required practice ** was not included in the original table

Source: Price Waterhouse, International Survey of Accounting Principles and Reporting Practices (Canada: PWI, 1979)

There are three ways of presenting consolidated financial statements. These are (a) present parent company's financial statements only (b) present parent company's financial statements supplemented by consolidated financial statements (c) parent

company's consolidated financial statements only. The above Table-4.8 shows a comparative picture of presenting consolidated financial statements:

Goodwill is another issue in consolidation that significantly affects the net assets reported in the consolidated statements. Goodwill on acquisition is recognized as the difference between the purchase price of investment and the corresponding share of net assets. Many countries like UK, Italy require net assets to be valued at fair price at the date of acquisition. While in Belgium and Greece net asset is taken at book value. Another problem with goodwill is its treatment. It is written-off over a period not exceeding 20 years in Australia and Belgium, 40 years in the USA, 5 years in Italy. UK allows both immediate written-off against reserves and amortization. An example from BEXIMCO: Annual report of 1999 states in its:

> Note # 1: The principal place of business is the registered office at 17, Dhanmondi R/A, Road No. 2, Dhaka-1205. The London office Branch is situated at 305A Finchley Road, London NW36DT, UK and the wholly owned subsidiary BEXIMCO UAS Ltd. is located at 310 Selviddge Street, Dalton, Georgia-30722, USA. Note # 2(o): The Companies that are partly owned by BEXIMCO Group and its associates, and are under the common management of the group have been classified as associate undertakings.

BEXIMCO prepared consolidated balance sheet and Profit and loss account and individual profit and loss account of Bangladesh operation and operation of London branch.

Translation of foreign currencies: Consolidation is a problem experienced by both types of companies having local and/or foreign subsidiaries. But the additional problem of foreign currency translation is only faced by the company having foreign subsidiaries, joint ventures, investments etc. Diverse methods are in practice around the world as regards foreign currency translation.

IAS 21: The Effect of Changes in Foreign Exchange Rates states the following guidelines on the subject of foreign currency translation:

- Transactions: A foreign currency transaction should be recorded at the exchange rate exists between the reporting currency and the foreign currency at the date of transaction;

- Assets and Liabilities: Foreign currency monetary items should be reported using the closing rate, non-monetary items carried in terms of historical costs at the exchange rate of transaction date and non-monetary items carried in terms of fair value at the exchange rates that existed at the time of value determination.

- Exchange gains/losses: Exchange gains or losses arise on the settlement of monetary items should be recognized as income or losses in the period in which they arise except exchange differences arising in relation to foreign investments and related foreign borrowings. Special provisions are created for this exchange differences. The UK 'SSAP 20: Foreign Currency Translation' is more or less similar to IAS 21 but SSAP 20 supports forward currency contract rates for specific transactions which eliminates the exchange differences on those transactions. The position of USA is very similar to UK.

Bangladesh scenario: IAS 21 has been adopted in Bangladesh. Annual report of BEXIMCO for 1999, note 2(j) states:

> Transactions dominated in foreign currencies are translated in Bangladesh taka at the exchange rate ruling on the date of transaction. Borrowings dominated in foreign currencies held at the year-end are translated into Bangladesh taka at year-end exchange rates. Exchange differences are expensed to costs of goods sold. Closing balances of London branch of the company in Pound Sterling have been converted into Bangladesh taka at the year-end exchange rates.

Disaggregated reporting: Though endeavors are there from different corners of the world for global harmonization of accounting system, yet disaggregated or segmental reporting practices are also being developed. Many developed countries like UK, USA, Australia, Canada, Pakistan require disaggregated information by regulations.

4.5 Classification of International Accounting System

This world is full of diversity as regards accounting principles and practices. A different socio-economic, geographical, cultural, and educational environment determines the level of expectations and needs of the peoples of different countries. As an effect the only human being has got different languages, different colors, different physical exterior, different cultures, different economic health, different education, different lifestyles, different expectations etc. In such a global scenario one can never expect a uniform or harmonized accounting system in action. Different researchers and international accounting thinkers tried to identify the criterion to classify the global accounting

systems over time. Once upon a time the whole world was divided into two confronting economic philosophy, Communism and Capitalism. After the collapse of former USSR as well as the communism in the year 1991, the whole world is gradually moving towards free market economy. British Empire, name given to United Kingdom of Great Britain and Northern Ireland and the former dominions, colonies, and other territories throughout the world that owed allegiance to the British Crown from the late 1500s to the middle of the 20th century. At its height in the early 1900s, the British Empire included over 20 percent of the world's land area and more than 400 million people (British Empire: 2001). With the end of British Empire and collapse of socialism, the USA became the triumphant economic and political leader of the world. It is very natural that the countries that have an economic dependency on a super power, willingly or unwillingly become the follower of that power. Bangladesh was a British colony up to the middle of the nineteenth century and her education, economy, socio-culture everything was developed according to British style. But at present everything is becoming Americanized because of economic and political dependency. The leading Universities of this country teach their students in American style and refer to American books so far business education is concerned.

> Taking the Department of Accounting, University of Dhaka as a representative academic unit, we have found that a total of 10 courses, Financial Accounting 5, Accounting Theory 2, and Auditing 3 is offered and for these courses there are 53 prescribed reference text-books mentioned in the course curricula. Out of these 53 texts, 27 (i.e., 50.94%) are from the USA, 10 (i.e., 18.87%) from UK and India and are the rest from Bangladesh. (Bala and Habib, 1996: 187-205)

So, with the changes of socio-political and economic philosophy of a country, the accounting education, principles and practices are bound to be changed. Thus accounting of different countries takes different shapes. It is an ever-changing process and with the changes in influencing factors, it becomes necessary to reshape the accounting systems to cope with the new environment. For example the FASB of USA and APB of UK endlessly are issuing Accounting Standards to cover the new upsurge of their complex economy.

Different accounting thinkers classified the global accounting system from different point of views. Some research findings are presented below:

Classification based on Accounting Practices: During 1977 Watt, Hammer and Burge classified global accounting system by practices. They analyzed published accounts from 45 countries and developed four clusters. The type business organizations were most closely resembling the U.S. corporations. Classifications were (Arpan and Radebaugh: 1985, 329-333) as follows:

> *Group A:* The financial statements of all or most public companies are required to be examined by independent public accountants.
> *Group B:* All or most companies must appoint one or more statutory examiner, and some companies- because of size, type of business, or sale of security to the public- must be examined by independent accountants.
> *Group C:* all or most companies must appoint one or more statutory examiners who need to be independent accountants.
> *Group D:* there are no requirements, or only a limited number of companies-such as banks, insurance firms, or listed companies – are subject to audit requirement.

The following table shows the above classification of accounting by practices:

Table-4.9: Shows accounting classification by practices

Groups	Name of countries
Group A: The financial statements of all or most public companies are required to be examined by independent public accountants.	Australia, Canada, Colombia, Denmark, Germany, Hong Kong, India, Israel, Jamaica, Kenya, Netherlands, New Zealand, Pakistan, Peru, Philippines, Rhodesia, Singapore, South Africa, United Kingdom.
Group B: All or most companies must appoint one or more statutory examiner, and some companies- because of size, type of business, or sale of security to the public- must be examined by independent accountants.	Argentina, Brazil, Greece, Japan, Mexico, Norway, Sweden, Venezuela.
Group C: all or most companies must appoint one or more statutory examiners who need to be independent accountants.	Belgium, Chile, France, Guatemala, Honduras, Italy, Lebanon, Spain, Switzerland.
Group D: there are no requirements, or only a limited number of companies-such as banks, insurance firms, or listed companies – are subject to audit requirement.	Bahamas, Bolivia, Cayman Island, Indonesia, Netherlands Antilles, Nicaragua, Panama, Paraguay, Uruguay.

Classification by measurement practice: In 1980 Nair and Frank used a more elaborate analysis of the 1973 and 1976 Price Waterhouse surveys, dividing the accounting practices into measurement and disclosure related groups. In terms of measurement practices four clusters evolved as shown in Table-4.10:

Table-4.10: Shows accounting classifications on measurement practices basis

British Commonwealth Model	Latin American Model	Continental European Model	United States Model
Australia	Argentina	Belgium	Canada
Bahamas	Bolivia	France	Japan
Eire	Brazil	Germany	Mexico
Fiji	Chile	Italy	Panama
Jamaica	Colombia	Spain	Philippines
Kenya	Ethiopia	Sweden	United States
Netherlands	India	Switzerland	
New Zealand	Paraguay	Venezuela	
Pakistan	Peru		
Rhodesia	Uruguay		
Singapore			
South Africa			
Trinidad & Tobago			
United Kingdom			

Source: R.D. Nair and W.F. Frank, "The Impact of Disclosure and Measurement Practices on International Accounting Classifications", *Accounting Review*, July 1980, p.429

Classification by accounting practices: In 1981 two renowned authors, Nobes and Parker classified the international accounting system on the basis of accounting practices. Though this dimension of classification is not something new, but what is unique about the Nobes and Parker approach was its attempt to develop an accounting hierarchy and to show not only that two countries are in different groups but also how close or distant these groups are to each other. The Diagram-4.11 shows the classification of international accounting developed by Nobes and Parker:

4.6 Comparative International Accounting

"Comparative Accounting is the study of accounting practices in the various countries and socio-economic systems for the purpose of providing explanations for the similarities and differences identified and developing and testing universal accounting theories" (Wallace and Gernon 1991, 209-264). The following table shows a comparative picture of some accounting issues between UK, USA, Germany, Sweden, Japan, and Brazil:

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Table: 4.11- shows a comparative picture of some accounting issues between UK, USA, Germany, Sweden, Japan, and Brazil

Serial No.	Accounting Issues	Treatment in the United Kingdom	Treatment in the United States of America
1	Asset Valuation	Historical cost with revaluation adjustment permitted (either upward or downward)	Historical cost with selected revaluation (principally downward)
2	Inventory valuation	Principally FIFO and average cost method; LIFO not permitted for tax purpose, hence rarely used.	Principally LIFO (because of tax consideration), also FIFO and average cost method used.
3	Inventory: year-end	Lower of cost or net realizable value.	Lower of cost or replacement cost.
4	Depreciation	Principally straight line with accelerated methods permitted.	Principally straight line with accelerated and production methods permitted.
5	Goodwill	Principally charged off against equity reserves but capitalization permitted.	Capitalized to balance sheet, with amortization (principally straight line) over a maximum of 40 years; negative goodwill not permitted (i.e., eliminated against non-current assets).
6	Research and development costs	Research costs expensed as incurred; Development costs may be capitalized under limited situation..	Research costs expensed currently; Development costs expensed currently except in certain industries (i.e., oil, gas, software)
7	Capitalized interest cost	Capitalization permitted, but not widely practiced.	Capitalization required for self constructed assets.
8	**Inter-corporate Investments**:		
8.1	Marketable securities (current asset: trading securities)	Lower of costs or market value (portfolio basis) with revaluation permitted	Mark to market (on an individual security basis) with unrealized gains and losses taken to income.
	Long-term investments:		
8.2	(a) 0-20% ownership (available-for-sale securities)	Historical cost with revaluation permitted	Mark to market (on an individual security basis) with unrealized gains and losses taken to shareholders' equity.
	(b) 20-50% ownership	Equity method	Equity method
	(c) 51-100% ownership	Consolidated, using pooling or purchase accounting	Consolidated, using pooling or purchase accounting
9	Debt Valuation	All debt valued at face or settlement value.	Long-term debt (except deferred income taxes) valued at present value; all other debt valued at face value.
10	Leases	Financing lease capitalized to balance sheet; operating lease disclosed in	Capital leases reflected in balance sheet;

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		footnotes.	operating lease disclosed in footnotes.
11	Deferred income taxes	Computed under liability method	Computed under liability method
12	Pension liabilities	Reflected on balance sheet	Reflected on balance sheet
13	Discretionary reserves	Specific reserve permitted	Restricted to identifiable operational losses
14	Statement of cash flows	Required	Required
Serial No.	**Accounting Issues**	**Treatment in Germany**	**Treatment in Japan**
1	Asset Valuation	Historical cost, applied conservatively (i.e., principally downward revaluation)	Historical cost (applied conservatively)
2	Inventory valuation	Principally specific identification or moving weighted average method; FIFO and LIFO permitted, although rarely used.	Specific identification, moving and weighted average, LIFO, FIFO, HIFO (i.e., highest purchase price)
3	Inventory: year-end	Lower of cost or replacement cost.	Lower of cost or replacement cost.
4	Depreciation	Straight line, accelerated methods, and production-based methods permitted; excess (or extraordinary) depreciation based on tax code permitted and frequently used.	Principally accelerated methods, although production-based and straight line methods also permitted.
5	Goodwill	Goodwill either capitalized and amortized over (preferably) 4 years (15 years for tax purpose), or charged directly to reserves; negative goodwill reported as "difference arising on capital consolidation" on balance sheet and may be taken to income under certain condition.	Capitalized and amortized, normally over 5 years; negative goodwill permitted.
6	Research and development costs	Principally expensed as incurred.	Ordinary R&D expensed as incurred; R&D for new products, techniques, or markets deferred and amortized over 5 years.
7	Capitalized interest cost	Capitalization permitted, but not required.	Generally not practiced except for real estate development companies.
8 8.1 8.2	**Inter-corporate Investments:** Marketable securities (current asset: trading securities) Long-term investments:	Lower of costs or market value.	Lower-of-cost-or-market value

	(a) 0-20% ownership (available-for-sale securities)	Lower of costs or market value.	Principally cost
	(b) 20-50% ownership	Lower of costs or market value; equity method principally used when a company, included in a consolidated statement of a group, has a significant shareholding in another unconsolidated company.	Equity method
	(c) 51-100% ownership	Consolidated except when controlled subsidiary is held for resale, when value is immaterial relative to the group, when consolidation would be detrimental to a true and fair view of the group; both pooling and purchase accounting permitted.	Consolidated, unless the subsidiary (1) composes less than 10% of group total assets or sales, (2) control is temporary, (3) is not a going concern, or (4) consolidation produces misleading results; unconsolidated subsidiaries equity method accounted; pooling and purchase accounting permitted.
9	Debt Valuation	Principally face or settlement value, though present value permitted.	All debt valued at face or repayment value.
10	Leases	Financing leases capitalized to balance sheet; significant operating lease commitment disclosed in footnotes.	All leases treated as operating leases.
11	Deferred income taxes	Largely unnecessary due to close conformity of book and taxable income; when present, often not disclosed.	Generally unrecorded due to close proximity of book and taxable income.
12	Pension liabilities	Reflected on balance sheet and likely to be an amount equal to the accumulated benefit obligation.	Reflected on balance sheet
13	Discretionary reserves	General purpose reserve permitted	Specific reserves permitted.
14	Statement of cash flows	Not required	Permitted under the securities and exchange law but not subject to audit.
Serial No.	**Accounting Issues**	**Treatment in Sweden**	**Treatment in Brazil**
1	Asset Valuation	Principally historical cost, although revaluations are permitted under special circumstances.	Historical cost, with revaluation adjustments permitted for specific fixed asset; in addition, permanent non monetary accounts (e.g., fixed assets and accumulated depreciation, investment on deferred costs, shareholder equity accounts) indexed for general price level changes.
2	Inventory valuation	Principally FIFO, which is prescribed by tax law.	Principally moving weighted-average costs, although FIFO and LIFO permitted; LIFO not permitted for tax purpose and rarely used.
3	Inventory: year-	Lower of costs or net realizable value	Lower of cost or replacement cost, principally applied on an item-by-item

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	end		basis.
4	Depreciation	Principally straight line, but any "appropriate depreciation plan" permitted; excess depreciation permitted.	Principally straight line, however, any method that systematically allocates an asset's carrying value is acceptable; if the asset is revalued, depreciation based on the revalued amount.
5	Goodwill	Capitalization and amortization over a period not in excess of 10 years; exceptions, however, may be observed (e.g., the charge-to-equity method, a 40 year write-off); negative goodwill permitted and reported as either current liability or as shareholders equity (restricted reserve).	Capitalized to the balance sheet and amortized over expected useful life; negative goodwill permitted.
6	Research and development costs	Capitalization (and amortization over a five year period) or immediate expensing permitted.	Principally capitalized to the balance sheet if material and if involving new products; amortized over period of expected benefit.
7	Capitalized interest cost	Permitted during construction and installation of assets but rarely practiced.	Generally not permitted except when company is in pre-operating state
8	**Inter-corporate Investments**:		
8.1	Marketable securities (current asset: trading securities)	Lower of cost or net realizable value, preferably on a portfolio basis.	Lower of materiality adjusted cost or market.
8.2	Long-term investments:		
	(a) 0-20% ownership (available-for-sale securities)	Historical cost, adjusted for any permanent declines in values; upward revaluations permitted in rare cases.	Lower of materiality adjusted cost or market. ***(0-10% ownership)***
	(b) 20-50% ownership	Equity method.	Equity method. ***(10-50% ownership)***
	(c) 51-100% ownership	Consolidated, using principally purchase accounting (although pooling permitted)	Consolidated (with exception), principally using purchasing accounting; pooling permitted if the acquiror cannot be identified.
9	Debt Valuation	Face or settlement value	Valued at face value
10	Leases	Principally operating leases (i.e., leases generally not capitalized).	All leases, regardless of their economic substance, treated as operating leases.
11	Deferred income taxes	Provided for in the balance sheet for (principally) untaxed reserves; otherwise generally unneeded because of book-tax consistency.	Generally unnecessary due to proximity of book and taxable income, but when appropriate, the liability method used.
12	Pension liabilities	Accrued on the balance sheet if not fully funded.	Company-sponsored plans not common in Brazil.

13	Discretionary reserves	Fully permitted under Swedish tax laws but limited to excess depreciation and a special tax equalization reserve.	Specific reserves for taxes, dividends, employee benefits, and future expenses (e.g., warranties) permitted.
14	Statement of cash flows	Not required, although statement of changes in financial position required and often presented on a cash basis (principally using indirect method).	Not required (but a statement of changes in financial position required.

Table: 4.12- Shows relative status of local standards, IASs/IFRSs, US GAAP and UK Standards

Countries	Accounting Principles						Stock Exchange Requirements/other remarks
	Local Standards	IAS	IAS Compatible	US GAAP	UK	Others	
ALBENIA							Information not available
ARGENTINA	√						The Buenos Aires Stock Exchange requires both domestic and foreign companies to follow Argentine GAAP. Alternatively foreign companies may follow IAS or their national GAAP but in that case reconciliation to Argentine GAAP is required.
ARMENIA		√					Government of Armenia decided to adopt IAS in Decree 740 of 26th November 1998.
AUSTRALIA	√			√			Domestic issuers must follow Australian GAAP and allows foreign issuers to use the same that are largely compatible to IAS. Allow debt issuers to use US GAAP without reconciliation to Australian GAAP.
AUSTRIA		√		√			Allow both domestic and foreign issuers to follow either IAS or US GAAP. The companies that are not listed on the A-Market may use IAS or US GAAP.
BAHAMAS							Information not available
BAHRAIN		√					By law the banks in Bahrain are required to conform to IAS. Information relating to other companies are not available
BANGLADESH		√					*Allow both domestic and foreign issuers to follow IAS strictly. The Securities and Exchange Commission of Bangladesh has made it mandatory by Law to follow IASs as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).*
BARBADOS		√					The Institute of Chartered Accountants of Barbados (ICAB) fully adopted all IASs as issued by the IASC as the 'benchmark' for Barbados GAAP.
BELGIUM		√		√			Brussels Stock Exchange allows foreign issuers either to follow IAS or their national GAAP subject to reconciliation to IAS. Domestic companies with

							significant foreign operation may follow IAS.
BENIN	√						During the year 1998 Benin and other six West-African French speaking country viz., Burkina Faso, Ivory Coast, Mali, Niger, Senegal, and Togo signed a business harmonization treaty that includes creation of new accounting plan - Systeme Comptable Quest-African (Plan SYSCOA).
BOLIVIA	√						The National Technical Accounting and Auditing Committee is responsible for setting the local Accounting and Auditing standards for the profession.
BOTSWANA		√					IASs are recommended but there is no legal framework to apply them.
BRAZIL	√						All companies listed on the Rio De Janoiro Stock Exchange and Sao Pauio Stock Exchange must follow the Brazilian GAAP. Brazilian GAAP is influenced by IAS to a large extent.
BRUNEI	√						The Brunei Darussalam Institute of Certified Public Accountants has begun to develop accounting standards.
BULGERIA	√		√				National accounting standards are obligatory for all companies listed on the Bulgarian Stock Exchange. These standards are IAS compatible.
BURKINA FASO	√						Regional harmonization processes are there in seven countries including Burkina Faso. See BENIN.
COMBODIA	√		√				In 1998 Cambodia established a new accounting standards committee that intends to issue standards based on IAS.
CANADA	√		√				All registrants must submit financial statements that follow Canadian GAAP. Foreign companies to follow their national GAAP, IAS or US, UK, or Australian GAAP with reconciliation to Canadian GAAP in the notes. The Certified General Accountants Association of Canada (CGA- CANADA) supports IAS to adopt in Canada.
CAYMAN ISLANDS		√		√	√		All foreign and domestic companies listed on the Cayman Islands Stock Exchange may follow IAS or US, Canadian, or UK GAAP, or other equivalent standards acceptable to the Exchange.
CHILE	√		√				The Santiago Stock Exchange requires domestic listed companies to follow Chilean GAAP. Foreign listed companies must follow their own national principles and include reconciliation to Chilean GAAP. If no Chilean standard exists IAS is permitted.
CHINA	√		√				IAS, Hong Kong accounting standards, standards promulgated by the PRC Ministry of Finance are allowed for different types of issuers.
COLOMBIA	√						All commercial companies in Colombia must follow Colombian GAAP. Colombia generally tends to take into account US GAAP and FASB Rules when new regulations are issued.

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COSTA RICA		√					Mexican GAAP were used Costa Rica. And Costa Rican companies were encouraged to use IAS. From October 2000 onward, use of IAS is made mandatory.
CROATIA		√					Zagreb Stock Exchange requires IAS financial statements for both domestic and foreign enterprises by law.
CYPRUS		√			√		IAS are to be followed by both foreign and domestic companies. UK accounting standards are looked to if IAS do not address a particular issue.
CZECH REPUBLIC		√					The Prague Stock Exchange requires audited financial statements compiled in accordance with IAS.
DENMARK		√		√	√		Copenhagen Stock Exchange allows Danish companies to use IAS or US or UK GAAP with a reconciliation to Danish GAAP. Foreign companies may follow their national GAAP with a reconciliation to Danish GAAP or, if their own national law allows the use of IAS, US, or UK GAAP, the foreign company may use that GAAP without reconciliation to Danish GAAP.
DOMINICAN REPUBLIC		√					The Dominican Republic Institute of Certified Public Accountants (Instituto de Contadores Publicos Autorizados de la Republica Dominicana) adopted IASs as the accounting standards of the Dominican Republic effective 1 January 2000.
ECUADOR		√					The use of IAS has made mandatory in Ecuador In 1996 by the National Federation of Accountants of Ecuador ("FNCE").
EGYPT		√					All companies listed on the Cairo Stock Exchange must follow IAS. It is mandatory by law.
EL SALVADOR							Information not available.
ESTONIA	√		√				All companies are to follow the Estonian GAAP by law. But Tallinn Stock Exchange requires IAS compatible financial statements. Developments in the IASC, FASB, ASB, AASB, CICA, and FRSB, process is closely monitored in developing local GAAP.
FIJI	√		√				Listed Companies are required to comply with disclosure requirements of the 1983 Companies Act, and all accounting standards approved by the Fiji Institute of Accountants (FIA). FIA has decided to adopt most IASs as Fiji standards with effect for reporting periods beginning on or after 1st January 2000.
FINLAND	√		√	√	√		Foreign companies may follow IAS or US or UK GAAP or their national GAAP with reconciliation to Finnish GAAP. Domestic listed companies may follow IAS if more than 50% of the shares are owned by foreigners or if the company is listed in an OECD country outside the European Economic Area, again with reconciliation to Finnish GAAP.
FRANCE		√		√			Foreign listed companies are allowed to follow IAS. Companies based in the EU are also allowed to follow their national accounting standards. Domestic companies may follow IAS for consolidated financial statements. Law permits companies to elect US GAAP until 2002

GEORGIA		√					IAS must be followed by all private entities. Joint stock companies must follow IAS starting 1 January 2000. Other limited liability companies must start 1 January 2001. The law also requires that educational institutions in Georgia reflect IAS in their accounting curricula.
GERMANY		√		√			Stock Exchanges allow IAS financial statements. Domestic companies may follow IAS. For domestic reporting purposes, companies are allowed to use IAS or US GAAP rather than German GAAP.
GHANA	√		√				Accounting standards are established by the Institute of Chartered Accountants of Ghana. Those standards are based on IAS with minor modifications.
GREECE	√		√				Accounting principles are set out in Company Law, which generally follows the guidelines of IASC.
GUATEMALA	√		√			√	The Guatemalan Institute of Public Accountants and Auditors ("IGCPA") issues accounting standards based in large part on both Mexican GAAP and IAS.
GUYANA							Information not available
HAITI	√		√				In September 1997, the Order of Professional Accountants of Haiti (OCPAH) passed a resolution adopting for Haiti the IAS, subject to Haitian laws.
HONDURAS		√					Both IAS and International Standards of Auditing were mandatory to apply in Honduras effective January 1, 1997
HONG KONG	√	√			√		Stock Exchange of Hong Kong allows foreign listed companies to follow either Hong Kong GAAP or IAS with reconciliation to Hong Kong GAAP. The Exchange allows some foreign companies to use UK GAAP. Domestic companies must follow Hong Kong GAAP.
HUNGARY		√					The Budapest Stock Exchange allows listed companies to follow IAS.
ICELAND	√		√				Local Accounting Standards Board has issued several standards that are in an abbreviated form in conformity with standards issued by IASC.
INDIA	√		√				Accounting standards in India are prescribed by the Central Government in consultation with the National Advisory Committee on Accounting Standards (NAC). Most of those standards conform in all material respects to IAS.
INDONESIA	√		√				Public companies are to comply with the Statements and Interpretations of the Committee on Financial Accounting Standards. The Committee uses IASs as the basis for developing Indonesian standards.
IRAN	√						All companies must follow Iranian GAAP/accounting principles.
IRAQ							Information not available
IRELAND					√	√	The Dublin Stock Exchange requires that listed companies to follow UK GAAP. However, foreign issuers based in the EU may use their national GAAP.

ISRAEL	√			√			Listed companies to follow Israeli GAAP, which are in line with U.S. GAAP. The Israel Accounting Standards Board (IASB) has recently started to evaluate each IAS to justify their acceptability.
ITALY		√					Allows IAS financial statements by foreign listed companies. Domestic companies may follow IAS as well for consolidated financial statements.
IVORY COAST	√						Regional harmonization treaty signed that includes creation of a new accounting plan -- Systeme Comptable Ouest-Africain (Plan SYSCOA). SYSCOA is not based on IAS. See BENIN
JAMAICA	√						All registrants to submit financial statements that follow Statements and recommendations of the Institute of Chartered Accountants of Jamaica.
JAPAN	√					√	"Home country basis", "Third country basis", "Minister of the Finance directed basis" financial statements are allowed. If financial statements based on IAS satisfy one of the above three, a foreign issuer can submit financial statements based on IAS.
JORDAN		√					The Amman Stock Exchange requires both domestic and foreign listed companies to comply with IASC Standards.
KAZAKHSTAN	√	√					"A-listed" companies must submit financial statements that comply with IASC Standards. Other listed companies follow Kazakhstan accounting principles.
KENYA		√					Adopt IAS from financial year commencing on or after 1 January 2000.
KOREA	√						Foreign companies may submit financial statements in their own national GAAP with a note reconciling to Korean GAAP. Korean companies must follow Korean GAAP.
KUWAIT		√					By a Ministerial Order of 1990, IASs are adopted as national standards.
KYRGYZ REPUBLIC	√						All listed companies must submit financial statements that follow Kyrgyz accounting principles.
LATVIA		√					Riga Stock Exchange listing rules require that all 'Official List' companies must follow IAS.
LAOS	√		√				The Accounting Department of the Ministry of Finance sets accounting standards. The use of International Accounting Standards is permitted.
LEBANON							Information not available
LESOTHO		√					IAS are allowed but there is no legal requirement for companies to apply them.
LIBERIA							Information not available
LIBYA							Information not available
LITHUANA	√	√					All companies on the 'Official Trading List' must follow IAS. Other companies must either follow national accounting standards or follow IAS and EU accounting directives.

LUXEMBURG		√		√	√	√	Allows IAS financial statements for foreign companies, provided the EU directives are also complied with. Foreign listed companies may also follow US/UK GAAP. Foreign listed companies may also follow their national GAAP if they include a reconciliation of significant differences with IAS.
MACEDONIA		√					All companies, foreign and domestic, follow IASC Standards.
MALAWI							Information not available
MALAYSIA	√	√					Foreign issuers are allowed to follow IAS or Malaysian GAAP. A foreign registrant's own national GAAP may be acceptable if a reconciliation of net profit or loss and shareholders' equity to Malaysian GAAP is provided.
MALI	√						Regional harmonization treaty signed that includes creation of a new accounting plan -- Systeme Comptable Ouest-Africain (Plan SYSCOA). SYSCOA is not based on IAS. See BENIN
MALTA		√					All listed companies to publish interim (half-yearly) and yearly financial statements prepared in conformity with IAS.
MAURITIUS	√		√				Mauritius Accounting Standards are followed but these standards are IAS compatible. IAS are used as a guide.
MEXICO	√						Mexican GAAP as developed by The Comision Nacional de Valores (Mexican National Securities Commission) are followed.
MOLDONA	√		√				Twelve IAS accepted as National Accounting Standards.
MYANMAR		√			√		Accepts financial statements prepared using either International Accounting Standards or UK GAAP.
NAMIBIA	√		√				Standards are developed locally. IAS used as a guide.
NEPAL		√					Use of International Accounting Standards is mandatory in Nepal.
NETHERLANDS	√	√		√	√		Allows foreign companies to follow either IAS or US GAAP without reconciliation to Netherlands GAAP. Domestic companies may follow Netherlands GAAP or IAS, US GAAP, or UK GAAP with reconciliation to Netherlands GAAP.
NEW ZEALAND	√	√		√	√	√	Foreign listed companies may follow NZ GAAP, IAS, US GAAP, UK GAAP, or their national GAAP without reconciliation to NZ GAAP. Domestic listed companies must follow NZ GAAP.
NICARAGUA							Information not available
NIGER	√						Regional harmonization treaty signed that includes creation of a new accounting plan -- Systeme Comptable Ouest-Africain (Plan SYSCOA). SYSCOA is not based on IAS. See BENIN
NIGERIA							Information not available

NORWAY	√	√		√	√	√	Allows foreign listed companies to follow IAS, US, or UK GAAP without reconciliation to Norwegian GAAP. With permission, they may also follow other national GAAP. Domestic listed companies must follow Norwegian GAAP.
OMAN		√					All companies are to prepare financial statements in accordance with IASs. IAS are mandatory in Oman.
PAKISTAN		√			√		Karachi Stock Exchange requires that all companies must follow IASC Standards. But Lahore Stock Exchange allows both domestic and foreign companies to file financial statements using IASC Standards or U.K. GAAP.
PANAMA		√					Panama's Stock Exchange, the Bolsa de Valores de Panamá, requires that listed companies follow IAS starting in 2000.
PAPUA NEW GUINEA	√						A stock exchange is being organized. Thee Papua New Guinea Institute of Accountants is in process of creating an accounting standards board.
PARAGUAY							Information not available
PERU		√		√		√	Domestic listed companies must follow IAS or US GAAP in the absence of an IAS on the subject. Foreign listed companies must follow their own national GAAP with an explanation of differences with IAS.
PHILIPINES	√		√				All public companies and all companies with more than 20 shareholders must follow rules of the Philippine Securities and Exchange Commission (SEC). The Accounting Standards Council (ASC) policy is to review and adopt both existing and new IASC Standards as Philippine standards
POLAND	√	√		√			Domestic companies must follow Polish GAAP but if their shares also trade in a foreign market they must include reconciliation to either IAS or US GAAP. Foreign listed companies may follow IAS or US GAAP with reconciliation to Polish GAAP.
PORTUGAL	√		√				Portuguese accounting standards are followed. These standards are compatible to the directives of the EC and IAS.
ROMANIA	√	√					Listed companies are to follow Romanian accounting standards IAS are being used for five companies for a trial period. On getting good result IAS to be adopted for all companies, but in parallel with Romanian accounting standards.
RUSSIA	√		√				A "Program for the Reform of Russian Accounting" is underway based on IAS. There will be a national system of accounting standards rather than direct adoption of IAS.
SAUDI ARABIA	√						Accounting standards are established by the Ministry of Commerce
SIERRA LEONE							Information not available

SINGAPORE	√	√		√			Domestic companies are to follow Singaporean GAAP. Foreign listed companies may follow IAS with no reconciliation to Singaporean GAAP or US GAAP with reconciliation to Singaporean GAAP.
SLOVAK REPUBLIC	√	√					Bratislava Stock Exchange requires IAS for foreign listed companies and Slovak Accounting Standards for domestic listed companies.
SLOVENIA	√	√		√	√		Ljubljana Stock Exchange allows domestic and foreign listed companies to follow IAS or US or UK GAAP or their national GAAP without reconciliation to Slovenian GAAP.
SOUTH AFRICA	√	√					Listed companies may follow South African GAAP or IAS without reconciliation to South African GAAP.
SPAIN	√	√		√			Listed foreign companies may follow IAS, US GAAP, or their own national GAAP but with an audited reconciliation to Spanish GAAP. Domestic companies must follow Spanish GAAP.
SRI LANKA	√		√				Listed companies are allowed to comply with Sri Lanka GAAP. The standards developed by the local Accounting Standards are IAS compatible.
SUDAN							Information not available
SWAZILAND	√		√				The Swaziland Institute of Accountants issues Swaziland Accounting Standards that are compatible to IAS. There is no legislation that forces companies to use any particular accounting standards.
SWEDEN	√	√		√	√		Stockholm Exchange requires domestic companies to follow Swedish GAAP. Foreign listed companies may either follow Swedish GAAP, IAS, UK, or US GAAP with reconciliation to Swedish GAAP.
SWITZERLAND	√	√					Swiss Stock Exchange permits all listed companies to follow Swiss GAAP. Use of IAS or their national GAAP are also allowed with no reconciliation to Swiss GAAP but that must have to meet the disclosure requirements of Swiss GAAP.
SYRIA	√		√				The Association of Syrian Certified Accountants sets accounting principles and standards in Syria. They are based on IAS
TAIWAN	√					√	Domestic listed companies are allowed to follow Taiwanese GAAP. Foreign listed companies must follow their own national standards with reconciliation to Taiwanese GAAP.
TANZANIA		√					Dar-es-Salaam Stock Exchange allows companies to submit IAS financial statements.
THAILAND	√	√		√			The Stock Exchange of Thailand allows foreign listed companies to follow Thai GAAP, IAS, or US GAAP. Domestic companies must follow Thai GAAP or IAS if there is no Thai standard on the subject.
TOGO	√						Regional harmonization treaty signed that includes creation of a new accounting plan -- Systeme Comptable Ouest-Africain (Plan SYSCOA). SYSCOA is not based on IAS. See BENIN

TRINIDAD & TOBAGO		√					IAS are adopted as national standards.
TUNISIA	√		√				Most of the local standards are similar to IAS. Foreign enterprises are allowed to use their national GAAP or IAS.
TURKEY	√	√		√	√		Foreign companies are allowed to use IAS or US GAAP or UK GAAP (and also must comply with the 4th and 7th EC Directives). A foreign company may also follow its national GAAP, in which case a reconciliation to IAS is required. Domestic companies must follow Turkish national GAAP.
TURKMENISTAN							Information not available
UGANDA		√					The Accounting Standards Committee of the Institute of Certified Public Accountants of Uganda encourages the use of International Accounting Standards.
UKRAINE	√	√					Domestic listed companies must follow Ukrainian GAAP. Foreign listed companies may use either IAS or Ukrainian accounting standards.
UNITED ARAB EMIRATES	√	√					All banks and financial institutions are to follow IAS for periods beginning 1 January 1999 by Federal Law.
UNITED KINGDOM	√				√		Accounting Standards Board (ASB) issues Financial Reporting Standards (FRS). These FRS are recognized to be used in Great Britain. ***Yet London Stock Exchange allows IAS financial statements.*** ASB supports the endeavor of IASC towards global harmonization. As part of this support, an FRS contains a section explaining how it relates to the IAS dealing with the same topic
UNITED STATES	√				√		Domestic companies must follow US GAAP issued by FASB. Foreign listed companies may use US GAAP or IAS or their national GAAP but reconciliation to US GAAP is required. FASB also supports the endeavor of IASC towards global harmonization.
URUGUAY	√	√					By decree, most IAS has been declared obligatory. In a few cases certain principles in an IAS have not been adopted, and Uruguayan regulations take precedence over IAS.
UZBEKISTAN	√			√			Tashkent Republican Stock Exchange allows foreign companies to use U.S. GAAP. Domestic companies must follow Uzbek accounting standards.
VENEZUELA	√		√	√		√	Companies are allowed to use Venezuelan GAAP. In absence of a local standard, IASs are the first alternative for all accounting and disclosure matters. Otherwise companies look to Mexican GAAP and then to U.S. GAAP.
VIETNAM	√					√	Domestic companies must follow the Vietnamese GAAP. Foreign companies generally are allowed to use their national GAAP, with approval by Ministry of Finance.
YUGOSLAVIA		√					The Association of Accountants and Auditors of Yugoslavia voted for the direct implementation of International Accounting Standards.

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ZAMBIA		√					The Zambia Institute of Certified Accountants has implemented a formal policy for the adoption of International Accounting Standards, although there is no legal requirement for companies to apply them
ZIMBABWE	√	√					The Zimbabwe Stock Exchange requires both Zimbabwe and foreign listed companies to comply with both IAS and Zimbabwe accounting standards. Compliance with Zimbabwe standards means compliance with IAS since Zimbabwe Accounting Practices Board has adopted all International Accounting Standards.

Many countries that maintain national GAAP claim that their national GAAP is "based on" or "similar to" or "nearly identical to" IFRSs. In some cases the wording changes seem minor, and in other cases the wording is quite different. Sometimes, national GAAP is not in English. Often, not all IASs/IFRSs have been adopted as national GAAP. Often there is a time lag in adopting the IFRS as national GAAP. We are not in a position to compare national GAAPs to IFRS in detail. Therefore, this table only reports direct use of IFRSs country by country. Direct use means that the basis of preparation note and the auditor's report will refer to conformity with IFRSs.

Table: 4.13- Shows direct use of IFRSs country by country

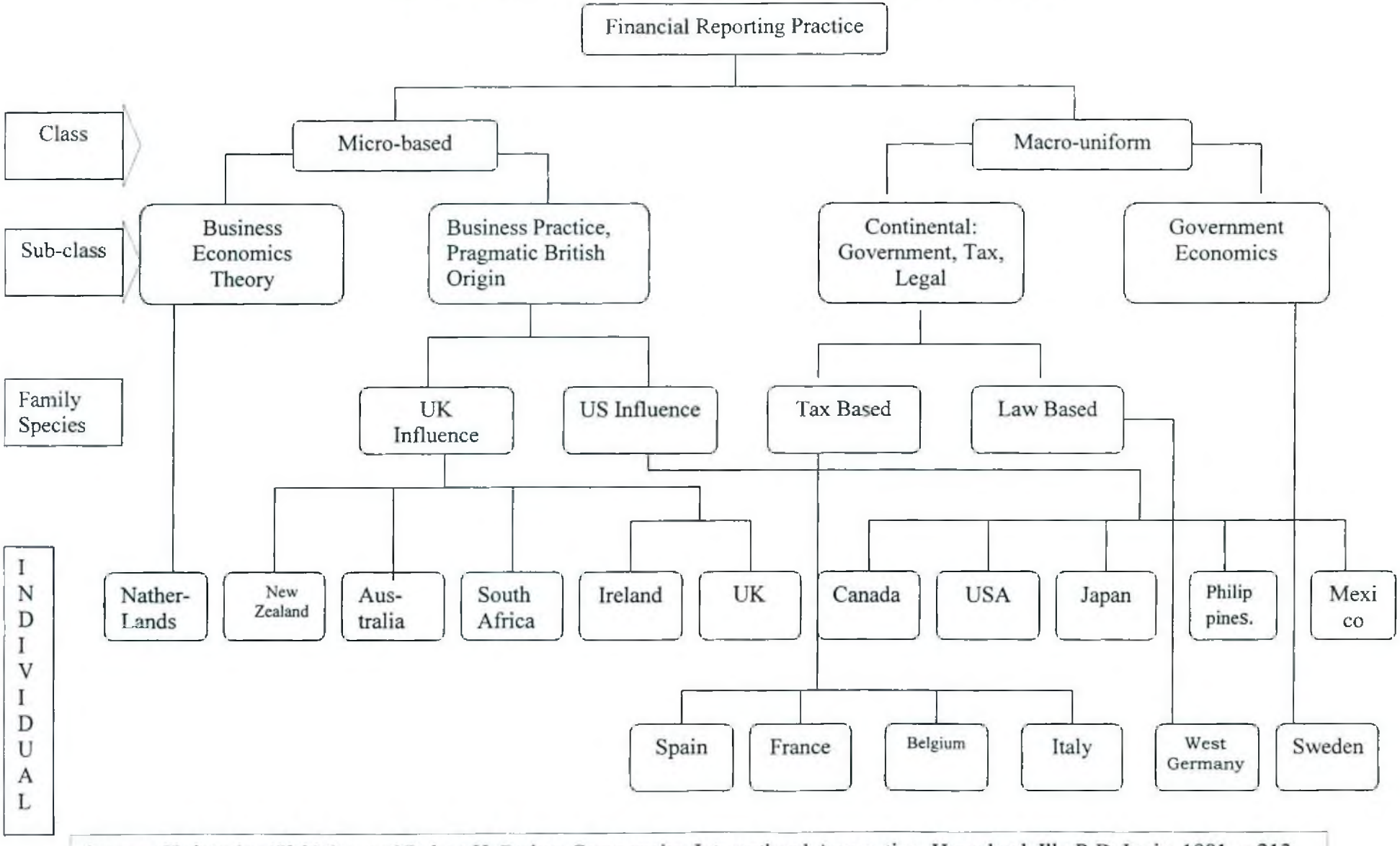
Code	Country	IFRS Not Permitted for Domestic Listed Companies	IFRS Permitted for Domestic Listed Companies	IFRS Required for Some Domestic Listed Companies	IFRS Required for All Domestic Listed Companies
AL	Albania	No domestic stock exchange in Albania. Companies (unlisted) follow Albanian GAAP.			
AR	Argentina	X			
AM	Armenia				X
AW	Aruba		X		
AT	Austria				2005**
AU	Australia				2005
BS	Bahamas				X
BH	Bahrain			Banks	
BB	Barbados				X
BD	Bangladesh				X
BE	Belgium				2005**
BJ	Benin	X			
BM	Bermuda		X		
BO	Bolivia		X		
BA	Bosnia and Herzegovina				X (all large and medium sized)
BW	Botswana		X		
BR	Brazil	X			
BN	Brunei Darussalam		X		
BG	Bulgaria				2003
BF	Burkina Faso	X			
KH	Cambodia	X			

KY	Cayman Islands		X		
CA	Canada	X			
CL	Chile	X			
CN	China			X	
CI	Cote D'Ivoire (Ivory Coast)	X			
CO	Colombia	X			
CR	Costa Rica				X
HR	Croatia (Hrvatska)				X
CY	Cyprus				X
CZ	Czech Republic				2005** (new EU member)
DK	Denmark				2005**
DM	Dominica		X		
DO	Dominican Republic				X
EC	Ecuador				X
EG	Egypt				X
SV	El Salvador		X		
EE	Estonia				Since 2003
FI	Finland				2005**
FJ	Fiji	X			
FR	France				2005**
DE	Germany				2005**
GE	Georgia				X
GH	Ghana	X			
GI	Gibraltar		X		
GR	Greece				2003 (annual, but not 2003 interim)
GU	Guam	No domestic stock exchange in Guam. Companies (unlisted) follow US GAAP.			
GT	Guatemala				X
GY	Guyana				X
HT	Haiti				X
HN	Honduras				X
HK	Hong Kong		X		
HU	Hungary				2005** (new EU member)
IS	Iceland				2005** (member of EEA*)
IN	India	X			
ID	Indonesia	X			
IE	Ireland				2005**
IL	Israel	X			
IT	Italy				2005**
JM	Jamaica				X
JP	Japan	X			
JO	Jordan				X
KE	Kenya				X
KR	Korea (South)	X			
KW	Kuwait				X
KG	Kyrgyzstan				2003
LA	Laos		X		

LV	Latvia				2005** (new EU member)
LB	Lebanon				X
LI	Liechtenstein				2005** (member of EEA*)
LS	Lesotho		X		
LT	Lithuania				2005** (new EU member)
LU	Luxembourg				2005**
MK	Macedonia				X
MW	Malawi				X
ML	Mali	X			
MT	Malta				X
MY	Malaysia	X			
MU	Mauritius				X
MX	Mexico	X			
MD	Moldova	X			
MZ	Mozambique	X			
MM	Myanmar		X		
NA	Namibia		X		
NL	Netherlands				2005**
AN	Netherlands Antilles		X		
NP	Nepal				X
NZ	New Zealand	X			
NI	Nicaragua				2005
NE	Niger	X			
NO	Norway				2005** (member of EEA*)
OM	Oman				X
PK	Pakistan	X			
PA	Panama				X
PG	Papua New Guinea				X
PE	Peru				X
PH	Philippines	X			
PL	Poland				2005** (new EU member)
PT	Portugal				2005*
RO	Romania			Companies of National Importance In 2005 for All Large Companies	
RU	Russian Federation			X	Requirement to use IFRS being phased in 2004-2007
SA	Saudi Arabia	X			
SG	Singapore	X			
SI	Slovenia				2005** (new EU member)
SK	Slovak Republic				2005** (new EU member)

ZA	South Africa		X		2005
ES	Spain				2005**
LK	Sri Lanka	X			
SE	Sweden				2005**
SY	Syria	X			
SZ	Swaziland		X		
CH	Switzerland		X Multi-national main board companies must choose either IFRS or US GAAP starting 2005		
TW	Taiwan	X			
TJ	Tajikistan				2003
TZ	Tanzania				2004
TH	Thailand	X			
TG	Togo	X			
TT	Trinidad and Tobago				X
TN	Tunisia	X			
TR	Turkey		X		
UG	Uganda		X		
UA	Ukraine			Banks	2003
AE	United Arab Emirates			Banks	
UK	United Kingdom				2005**
US	United States	X			
UY	Uruguay	X			
UZ	Uzbekistan	X			
VE	Venezuela				2006 (listed companies) 2007 (others)
VN	Vietnam	X			
YU	Yugoslavia				X
ZM	Zambia		X		
ZW	Zimbabwe		X		

Diagram-4.14: A suggested classification of accounting system by practice



Source: Christopher W. Nobes and Robert H. Parker, Comparative International Accounting, Homeland, Ill.: R.D. Irwin, 1981, p.213

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Chapter-5:

Harmonization of Global Accounting System: Role of International Accounting Standards Committee (IASC)

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CHAPTER – 5

HARMONIZATION OF GLOBAL ACCOUNTING SYSTEMS: ROLE OF INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE (IASC)

5.1 Introduction

Harmonization, Standardization and uniformity: Harmonization is the most frequently uttered term in the arena of International Accounting at present. Harmonization of accounting is a process of minimizing the diversity of accounting system of different countries around the world, since complete eradication of differences in accounting system is not possible. In the harmonization process, global accounting system has to be brought into a single pathway keeping variations at minimum. According to *Microsoft Encarta Encyclopedia 2001:* Harmonization means, (1) "to blend pleasingly, be in a pleasant combination, or make things combine pleasantly."(2) "to make rules, regulations, or systems similar or in accord with each other."

Standard means authorized yardstick to measure. International Accounting Standards are the standards authorized by the IASC. Standardization is possible if IASs are accepted by all the countries unanimously. According to *Microsoft Encarta Encyclopedia 2001, Standardization* means (1) "to remove variations and irregularities and make all types or examples of something the same or bring them into conformity with one another." (2) "to assess something or determine its properties by comparing it with a standard". Nobes and Parker (1981) see standardization as implying the formation of a more rigid set of rules. Samuels and Piper (1985, 56) states, "Standards - are an authorized model of a unit of measure. So attempts in accounting to standardize are attempts to introduce uniformity in accounting methods. The model that is to be used for measurement being the Authorized Version."

Uniformity is a world of imagination so far accounting systems of different countries are concerned. In a planet of uniformity, diversity in accounting principles and practices must be zero which is quite unattainable, uncalled for and sometimes may be disagreeable also. Samuels and Piper refers to Mueller's (1967) statement on uniformity as "on the whole complete international uniformity seems undesirable, especially if different development patterns are taken into account. ... Significantly different environmental circumstances are

not conducive to singular international accounting uniformity. Yet certain sectional and national development patterns based on a uniform approaches are clearly in evidence."

There are multiple issues of conflict in International Accounting. These issues take different dimensions along with the ever-changing socio-economic environments of the world. New issues are coming up to cope with increased complexity of global scenario. So, the concept of standardization or uniformity in global accounting practices is absurd. One set of accounting standards cannot meet the need of all countries. Some standards may be inappropriate for some countries. So, either problem of insufficiency or problem of abundance or both the problems will always be there to a particular country. The above reality will be proved if one looks at the plan of FASB:

> In early 1992, the FASB approved a more supportive and active role for itself in the arena of international standard setting. It announced a six-part plan to expand its international role by: (1) considering more intensely International Accounting Standard Committee (IASC) standards in all domestic FASB projects; (2) working with IASC on multinational joint standard-setting projects on mutually selected topics; *(3) thinking about adopting IASC standards or other non-US national standards that are judged to be superior to US standards; (4) influencing the IASC and other worldwide countries to adopt US standards judged to be superior to IASC or national standards;* (5) agreeing on a choice of standards where US, IASC, or non-US national standards are considered equal; and (6) continuing efforts to encourage financial statement requirement equality for domestic and non-US firms using US capital markets [FASB, 1992:16-17].

5.2 Harmonization of Accounting: Historical Perspectives:

Advent of harmonization: The concept of global harmonization of accounting instigates at the commencement of twentieth century. Different bodies of regional type or discussion forum were formed at the first half of the century. Activities of these bodies were very much limited to discussion, paper writing and presentation, exchange views and ideas among the accountants of different countries. All these activities may be taken into consideration as the background work of fruitful initiatives for global harmonization of accounting. Most organized and effective endeavors are seen after 1972.

Period prior to 1972: It is evident that the partners of British branch and USA branch of *Price Waterhouse* exchanged views on harmonization issues between the period 1901 and 1913. Among the partners of *Price Waterhouse* Garnsey wrote papers and Dickinson delivered lectures on the issues in London. (Kitchen 1972) Apart from this it was a tradition of that time to organize International Exhibitions and Fairs on Science, Arts and

Education where intellectuals and professional bodies from around the world were invited to participate and exchange views on different issues. The Paris exposition of 1900 launched an International Association of Science, Arts and Education. The Belgium based *Association Internationale de Comptabilite'*(AIC) took on the responsibility for organizing Exhibitions and Fairs. The *first* accounting congress was held in St. Louis during the year 1904 as a part of International Exhibitions and Fairs. Though international accounting was not the objective, a paper on comparative accounting was presented there. Several congresses were held after that but little is known about them. The Brussels exposition held in 1910 where comparative accounting theory and practices including triple entry bookkeeping as practiced in Russia were given special importance to discuss (Samuels and Piper 1985, 58-59). The *Second* International Congress on Accounting was held at Amsterdam in 1926. There ware several participants in the congress from 17 countries. At the time of this second congress an article published in 'The Accountant' on 2nd October 1926 written by P.D. Leake where the author state, "... many subjects of international concern with which the accountants have to deal, it is suggested that the time may be near for the formation of an International Accountants Association ..." (Samuels and Piper 1985, 60). The *third* international congress held at New York in 1929. Sixty-five papers were presented in this congress. In one paper Kester of Colombia University argued for international standardization of accounting and said,

> As our civilization grows more complex, it becomes more and more difficult to understand and interpret properly.

Apart from this there were papers on consolidated financial statements from UK and USA and paper on inflation accounting from Germany (Samuels and Piper 1985, 62). The *forth* congress was held in London in July 1933. A number of international issues were discussed in the forth congress covering international finance, fluctuation in foreign currency rates in relation to subsidiary company accounts etc. In a paper presented by Lord Plender in which he said,

> ...Principles involved are in many respects international. But it must be remembered that the laws of the countries differ and to expect international uniformity in all these respect is impractical (Samuels and Piper 1985, 62).

The *fifth* and last pre-World War congress was held in September 1938 in Berlin. After the Second World War greater degree of international cooperation, both at political and economic level got new dimensions and impetus. Suggestions were there to form

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'International Institute of Accountancy' under the aegis of UNESCO. But the founder of the UEC (Union Europeénne des Experts Comptables Economiques et Financiers) Caujolle thought that such institute could not be effective because the stage of development of the profession in different part of the world were too divergent. Caujolle thinks to harmonize the profession in Europe and arranged a meeting in March 1951 at Basle, Switzerland (Samuels and Piper 1985, 65-66). In 1953 the first congress of UEC was held in Italy on the issue of 'Accounting Uniformity and Economic Integration. Here it may be noted that in November 1951, the UEC is established in Paris, with membership consisting of twelve professional accounting associations from Austria, Belgium, France, West Germany, Luxemburg, the Netherlands, Portugal, Spain and Switzerland. UEC meetings are held every three years and focus on accounting problems in Europe. This organization is especially active since the establishment of European Economic Community (EEC) in 1957 (Evans et al. 1994, 10). The *seventh* International Congress of Accountants held in 1957 in Amsterdam and Jacob Kraayenhof presided over the Congress. ***Kraayenhof*** is often called as the 'father of the harmonization movement.' In 1959 he presented a paper at the annual meeting of AICPA, which was published in 1960. He recognized that on some issues difference of opinion might be so great that agreement could not be reached, and wanted loose uniformity with agreed standards on some items, but flexibility on others (Samuels and Piper 1985, 65-66). The First Convention of Confederation of Asia Pacific Accountants (CAPA) was held in Manila in 1957. This organization sits on every three years and concerned about the special accounting problems in Asia and the Pacific area. In the early of 1960s, the American Accounting Association (AAA) established a committee on international accounting issues (Evans et al. 1994, 10). The *Ninth* International Conference was held in1962 which covers a session on the harmonization of accounting principles. There were ten country papers all indicating problem areas in the way of harmonization. Another important stage in the development of the international aspect of accounting was the publication of "Professional Accounting in 25 Countries" in 1964 by the AICPA. In 1966 the Accountants International Study Group (AISG) was established to issue comparative studies on accounting in three countries: the UK, Canada and the USA. It was anticipated that if AISG proved to be success, other nations might be invited later on. At the same time the AICPA established International Committee for Accounting

Cooperation (ICAC) in cooperation with similar organizations in Canada, Mexico and various international agencies. The purpose of this body was to facilitate the accounting development of Third World Countries (Evans et al. 1994, 10).

Formal and effectual efforts en route for harmonization (Period after 1972): The year 1972 is considered the benchmark of global harmonization of accounting because initiatives were taken to form a body named *International Accounting Standards Committee* (IASC) with a view to developing accounting standards for bring into play around the world. It was 1972, the tenth International Congress of Accountants held in Sydney. Representatives of professional bodies from UK, USA and Canada got together and proposed to set up an International body that could effectively deal with the tribulations of international Accounting multiplicity. On further discussion on the matter six other nations were invited to join the endeavors because it was thought that an international organization having less than nine member countries would be unworkable, on the one hand and would be unfit to be seen from an international point of view, on the other. These countries were Australia, France, Germany, Japan, Mexico and the Netherlands. The inaugural meeting of the resulting International Accounting Standards Committee (IASC) was held on 29th June 1973 with the confidence that IASC would produce basic accounting standards that would be capable of rapid acceptance and implementation worldwide.

Another international accounting organization was formed in 1977 just before the eleventh International Congress named International Federation of Accountants (IFAC). IFAC was aspired to be the voice of the accounting profession around the world other than the international accounting standard issues. One of the most important tasks of IFAC was determined to develop guidelines for International Auditing. The twelfth International Congress was held in Mexico in 1982. Initiatives were taken in this congress to link up IFAC and IASC and it come into effect in 1983. According to the mutual commitments of these two bodies, all the members of IFAC became the members of IASC automatically. Thus from January 1, 1984, all the members of IFAC i.e., 84 professional bodies from 60 countries became the identical members of IASC and ***Bangladesh*** was one of them.

5.3 Need for global Harmonization of Accounting:

The peoples of one country are moving to another country all over the world irrespective of their national identity around the clock. So there must be a common language to talk. Accounting is called the language of business. So where cross-boarder investment is a vital issue of the present time for mutual economic development of the countries concerned, there should be a common language for the business enterprises those involved in cross-boarder investment activities. Moreover the issue of cross-boarder investment and foreign direct investment is significantly important for the developing countries like Bangladesh for their economic development. Undoubtedly countries like Bangladesh will be much more benefited if all the countries of the world come on the same pathway of global harmonized accounting system. More specifically, the benefits of the harmonized accounting system can be pronounced as follows:

From Users' Point of View: Today is the era of open market economy where capital/fund from surplus part is being moving towards the deficit part of the world. This is the mechanism of efficient allocation of capital/fund. Since accounting generates information, which is a vital element of optimal economic decision for investment, this information must be readable, understandable and comparable from international point of view.

> A strong case for increased harmonization of accounting standards can be made from the standpoint of the users of accounting and financial information. If comparability of accounting standards helps economic decision-making and the efficient allocation of economic resources within a nation, the same can be said about economic decision-making and economic resource allocation on a worldwide basis (Evans 1994, 84).

The demand for the international standardization of accounting principles stemmed from a need for information by the capital markets in developed countries and in accounting problems arising from a corporation's foreign operations (Doyle and Spencer 1986, 28-29). The recent expansion of international capital markets and the availability of instantaneous global communications have place on accounting the onus to provide useful and comparable information across international boundaries (Rivera 1989, 320-341). In general, the interest of the investors as a user of financial information must be met (Gray 1980, 64-76). Accounting of international norm can meet this need.

From Preparers' Point of View: Harmonization of accounting system can reduce the costs of preparation of accounts. An article in *The Wall Street Journal* describe the costs

incurred by an international firm which sought to sell an offering of securities in the United States, Canada, and the United Kingdom. This offering required three sets of financial statements and finally costs $2.8 million to get $55.5 million offering registered (Crock 1981, 31). If these 'three' increase to 50 countries then one cannot think about the costs of preparing accounts. The company's accounting travails would then be extremely unpleasant.

Another problem with the accounts preparers of multinational enterprises is that they have to cope with the diversified accounting system of different countries. Obviously it is a tough job for a professional accountant to be well conversant in different accounting system of different countries. According to Evans et al. (1994, 85):

> To complicate matters even further, there are three different levels of national accounting differences. The accounting system of any nation consists of (i) **Underlying concepts**, (ii) **Broad principles and** (iii) **Specific practices.** The accounting differences between two nations can exist on all three levels. ... ... In fact, over the international spectrum of accounting, the differences in accounting principles and practices have been found to be extensive and in significant areas. But harmonization could eliminate much of this diversity and thus would increase the international flow of investment capital and foster world economic growth and development.

Other Advantages of Harmonization: Pacter (2000) identifies the following advantages of a harmonized accounting system as well as International Accounting Standards:

Advantages of IASs for analysis, investors

- Understandability
- Comparability
- Transparency
- Confidence
- Reduced cost of analysis.

Advantages of IASs for Companies

- Lower cost of capital – less uncertainty
- One accounting system
- No reconciliation
- Credibility of reporting
- Consistency of internal and external reporting.

Advantages of IASs for Auditors

- No "standards-shopping"
- Enforcement
- Global training.

Advantages of IASs for National standards setters

- Sharing of ideas
- Leveraging resources
- Building block for national standards
- Global convergence
- Credibility of national standards.

Advantages of IASs for Developing Countries

- Save costs of standard- setting
- Credibility of financial reports in the market
- Ability to attract investors

A survey carried out by **Mason** (1977, 1978) identified different user groups who would be benefited from international harmonization of accounting. These are:

- Investor;
- Multinational Companies;
- Large International Accounting Firms;
- Regional Economic Group;
- Developing Countries;
- Tax Authority;
- International Credit Agencies;
- Labor Union;

Mihular (2004) identifies the following benefits of Global Accounting Standards:

- Easier access to foreign capital markets.
- Credibility of domestic capital markets to foreign capital providers
- Lower costs of capital to companies.
- Comparability of financial data across boarders.
- Transparency.
- Understandability.

- Companies keep one set of books.
- Reduce national standards-setting costs, still can have local implementation guidance for local circumstances.
- Less susceptibility of political pressures.
- Portability of knowledge and education.
- Lead to global professional credentials

5.4 Barriers of global Harmonization of Accounting:

(a) There is a general consensus in support of the global harmonization of Accounting in the literature of International Accounting but at the same time there are several hindrances on the way to global harmonization of accounting. These are stated as follows:

(b) Cultural environment among the countries determine the level of disclosure of a financial statement. Naturally the diversity in the cultural environment is a great obstruction towards harmonization of accounting;

(c) In several cases local laws conflict with the International Accounting Standards. As a result it become necessary to break down the local laws to accept IASs, which is not an easy task;

(d) The International Accounting Standards issued so far by the IASC is very much complicated not only in terms of language but also from 'subject matter of issues' point of view. As a result it become repellent to the preparer of financial statements;

(e) There are several uncover and unnecessary issues in the IASs as regards a particular country;

(f) There are different user groups of financial information in different countries. In USA and in UK investors are the high-ranking users but in Germany it is the tax authority which ranks top in using financial statements. Different user groups need different information that shows the way to prepare different financial reports.

(g) Historical background of accounting system of country is another obstacle to harmonization. There are many countries that have a long history of using their national standards set by an independent body. Some countries have codified laws governing financial statements. What quick the former can do to adopt IAS, the later cannot.

(h) Different national, international, private and public sector bodies are working together for harmonization. But the very objects of these bodies sometimes differ significantly.

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Some research findings:

(i) IASC is always trying to increase its acceptability. To do this IASC several times invited representative of stock exchange, labor unions, financial analyst etc. to participate in the standard setting process. It was 1982; almost all the invitees refused the invitation. Burggraaff (1982) was the retiring Chairman at that time and he regarded these refusals as 'something of a surprise', but identified the following reasons: (a) some user groups under their own constitutions are unable to give a mandate to support International Standards, which was a precondition for membership of the committee; (b) others have inadequate secretariats; (c) others have inadequate financial resources; (d) and some could not give high priority to IAS, as they had problems of their own to settle.

(ii) Nationalism is another obstruction to accept IASs. According to Arpan and Radebaugh (1981):

> Nationalism, egoism, and pride also impede progress: the French would like to have the new global system patterned after the French system ... the Americans the American. Each country believes its system is the best and is reluctant to adopt a system it perceives to be inferior or unsuitable.

(iii) Evans and Taylor (1982) point out that the IASC has no real authority to implements its recommendations "and must rely on the best efforts of individual members which most often are not the accounting standards setting bodies of these countries"

(iv) Choi and Bavishi (1982) also got worried by this lack of compliance and suggested that the IASC should concentrate its attention on the areas of accounting where major differences between countries do exists. Their research indicates that of 24 countries under study reveals no fundamental differences in accounting standards exists, i.e., "not as extensive as one would expect".

(v) Mueller (1981) gives three major reasons why the IASC may be viewed as an ineffective and inappropriate agency for setting International standards. These are: (a) there is the potential conflict between the standards set by IASC and those set by national bodies; (b) in many countries accounting standards need to be incorporated in law and set by political procedures; (c) there is no political and diplomatic recognition of IASC by national governments or international agreements.

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(vi) According to Samuels and Piper (1985), both practical and theoretical considerations are mentioned as reasons for discouraging the standardization of accounting principles internationally.

(vii) Choi and Muller (1978) identified numerous environmental variables that affect accounting development. For example, the degree of sophistication of a country's capital market affects business information requirements. Few of the less developed countries have a structured capital market. The specific ownership structure of business enterprises constitutes another variable. In some countries, ownership is widely spread among investors who are normally absent from managing the business. In other countries, ownership and management fall to the same individuals. The need for disclosure and the emphasis on agency theory, so common in the more developed countries, are not a concerned in many developing nations.

(viii) Rivera (1989) observed that a strong argument against the standardization of international accounting principles proposes that the conditions in developing countries differ from those in the developed nations. Because the process of standard setting has been predominantly controlled by the developed countries, the less-developed nations complain of not having enough participation in the process.

(ix) Sometimes it is alleged that the Super Powers of the world are trying to impose their liking in the arena of accounting through IASC. The 'World Accounting Report' [1982] accused IASC for biasness. The Report states,

> ... ... despite the accepted wisdom that the British, Dutch and North Americans are streets head of the rest in almost all aspect of Accounting.

(x) On the other hand the British, Americans argue that the standards issued by IASC are not sufficient to cover the complex socio-economic issues of their countries.

(xi) A basic criticism of the IASC is that it has not paid sufficient attention to the objectives of financial accounting and reporting in an international context. The IASC's focus has been more on legitimating certain practices already tried in influential, developed economies. ... ... The internationalization of accounting principles has suffered from a lack of synchronization between the issuance of standards at the national level in different countries and the formulation of standards by IASC. Based on the type of subjects covered, it seems that IASC follows those undertaken by the Financial Accounting Standards Board

(FASB) (Rivera 1989, 320-341). Some researchers that the IASC is generally reluctant to issue a standard that conflicts with U.S. or U.K. principles (Benson 1981, 27-48). It implies that IASC satisfies UK and US first. In such a situation IASs can never be accepted by all the countries in general. Some researchers also observed that both the IASC and the FASB of United States have been categorized as political bodies whose standards are appropriate for industrial countries with a large private sector and a well-developed capital market (Samuels and Oliga 1982, 27-48 and May and Sundem 1976, 747-763).

(xii) Accounting Standards are created and followed as guides to behavior because they serve some function in society or, more precisely, individuals find it in their self interest to follow these standards. The choice of a standard-setting regime will thus be based on the ability of that regime to fulfill its functions. So a universally acceptable standard setting regime should have the following criteria: *(a) largest community users; (b) openness of the process; (c) quality of standards; (d) lowest cost of creating and maintaining standards* (Richardson and Hutchinson 1999, 7). Any lack of the above criteria will make the endeavor foil. Does IASC able to satisfy these criteria?

5.5 Prospects of Global Harmonization of Accounting:

About a quarter century ago Benson (1976) wrote that,

> I know that the standards so far issued (up to 1976) ... are not perfect. Sometimes they reflect a compromise, or proffer alternatives; sometimes they may not be penetrating enough. Nevertheless they are a gallant start. Any attempt to have moved to quickly or too fast in the formative years would have been fatal. I think IASC has come to stay and that its impact will increase in the years to come. I have never thought that the impact of IASC will be revolutionary or immediate ... the impact will be important in the next ten years and of dominating importance in the presentation of financial statements by about the year 2000.

Despite of numerous criticisms the achievement of IASC towards global harmonization is noteworthy. Different obstacles on the way to global harmonization of accounting are talked about. All these obstacles will be stamped out if the countries to adopt IASs experience that it will fetch some financial benefits to their economy. Otherwise adoption of IASs will be proved worthless and any endeavor will go into trash. According to Nair and Frank (1981, 61-77) the growing interdependence of countries and the growing commonality of worldwide economic conditions might have provided an added impetus to the trend toward harmonization. IASC is always trying to increase its acceptability and

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credibility and in the mean time it has taken several measures in this context. Some of these measures are stated below:

Recognition, Supports and Adoption: Instead of numerous impediments of global harmonization of Accounting, it is obviously a great success of the IASC that different international organizations, countries are realizing the need for global harmonization of accounting. Recognition and support of these internationally influential bodies will add impetus toward harmonization. The following are some of these organizations, which support IASC standards for harmonization:

- US Securities and Exchange Commission (SEC)
- US Congress
- European Commission (EC)
- European Accounting (FEE)
- G7 Finance Ministers
- World Bank
- Basel Committee
- Big- 5 Accounting Firms.
- International Federation of Stock Exchanges (FIBV)
- International Federation of Accountants (IFAC)
- Euro-Asian Stock Exchanges
- OECD
- APEC
- IMF
- World Trade Organization.

Enforcement: IASC issues IASs but cannot enforce any country to implement these. On the other hand there are many issues in IASs which become as an impediment to many countries to adopt IASs. So it is very difficult to adopt IASs voluntarily. Some influential international organization is playing a vital role to enforce the implementation of IASs on behalf of IASC. For example, implementation of IAS is a precondition for loans and grants imposed by the World Bank and the IMF (Pacter 2000, 27) on many developing countries including Bangladesh. A World Bank financed project titled "Development of Accounting and Auditing Standards in Bangladesh" (IDF Grant No. 27304) is being implemented by

the ICAB under the supervision of Ministry of Commerce and Industry of Bangladesh Government. It indicates that Bangladesh ready to eradicate any obstacle on the way to adoption of IASs. There are many developing countries like Bangladesh in the world. These countries are greatly dependent on the World Bank and International Monetary Fund (IMF) for loans and grants for their economic development. So the encouragement of World Bank and IMF is an effective enforcement for implementation of IASs in many developing countries.

Restructuring: It is a common allegation that IASC standards are the sub-set of FASB standards and UK standards and the process of setting IAS is not independent. To overcome this limitation, IASC has been restructured to IASB (International Accounting Standard Board) from 1st April 2001. The new structure has the following main features:

- IASC would be established as an independent organization such as a foundation;
- The organization would have two main bodies, the Trustees and the Board, as well as a Standing Interpretations Committee and Standards Advisory Council;
- The Trustees would appoint the Board members, exercise oversight and raise the funds needed;
- The Board would have sole responsibility for setting accounting standards.

The new structure of the IASB is very similar to FASB of the United States. Here it may be noted that FASB is called the most powerful and independent Accounting Standards setting body in the world. It is expected that this new structure of the IASB will increase its acceptability, credibility and transparency of IASs.

IOSCO core standards: Another remarkable achievement of the IASC is the recognition and approval of IAS by the International Organization of Securities Commissions (IOSCO). In 1993, the IOSCO agreed on *"the necessary components of a reasonably complete set of accounting standards (core standards) that would comprise a comprehensive body of principles for enterprises undertaking cross-border offerings and listings."* In July 1995, IASC agreed with IOSCO that IASC would develop a set of "core standards", as identified in a work plan developed by the IASC Board. IOSCO agreed that it would consider endorsing International Accounting Standards for cross-border capital raising and listing purposes in all global markets, if the core standards were successfully completed. IASC completed the core standards in 1999, with the exception of a small

project on Investment Property that was completed in March 2000. The Technical Committee of the IOSCO has assessed 30 IASC standards, including their related interpretations ("the IASC 2000 standards"), considering their suitability for use in cross-border offerings and listings. Report of the Technical Committee of the International Organization of Securities Commissions published in May 2000 where IOSCO recommends to its members use of 30 selected IASC standards for cross-border listings and offerings by multinational enterprises. List of these 30 IASC Standards are as follows:

1. IAS 1, Presentation of Financial Statements (revised 1997)
2. IAS 2, Inventories (revised 1993)
3. IAS 4, Depreciation Accounting (reformatted 1994)
4. IAS 7, Cash Flow Statements (revised 1992)
5. IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (revised 1993)
6. IAS 10, Events After the Balance Sheet Date (revised 1999)
7. IAS 11, Construction Contracts (revised 1993)
8. IAS 12, Income Taxes (revised 1996)
9. IAS 14, Segment Reporting (revised 1997)
10. IAS 16, Property, Plant and Equipment (revised 1998)
11. IAS 17, Leases (revised 1997)
12. IAS 18, Revenue (revised 1993)
13. IAS 19, Employee Benefits (revised 1998)
14. IAS 20, Accounting for Government Grants and Disclosure of Government Assistance (reformatted 1994)
15. IAS 21, The Effects of Changes in Foreign Exchange Rates (revised 1993)
16. IAS 22, Business Combinations (revised 1998)
17. IAS 23, Borrowing Costs (revised 1993) SIC-2, Consistency – Capitalization of Borrowing Costs
18. IAS 24, Related Party Disclosures (reformatted 1994)
19. IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries (reformatted 1994)
20. IAS 28, Accounting for Investments in Associates (revised 1998)

21. IAS 29, Financial Reporting in Hyperinflationary Economies (reformatted 1994)
22. IAS 31, Financial Reporting of Interests in Joint Ventures (revised 1998)
23. IAS 32, Financial Instruments: Disclosure and Presentation (revised 1998)
24. IAS 33, Earnings Per Share (1997)
25. IAS 34, Interim Financial Reporting (1998)
26. IAS 35, Discontinuing Operations (1998)
27. IAS 36, Impairment of Assets (1998)
28. IAS 37, Provisions, Contingent Liabilities and Contingent Assets (1998)
29. IAS 38, Intangible Assets (1998)
30. IAS 39, Financial Instruments: Recognition and Measurement (1998)

Here it may be noted that up to publication of IOSCO report in May 2000, IASC issued 40 IAS of whish 35 were in force. IASs 41 were published after May 2000. The following six IASs were not considered by the IOSCO for cross-boarder listing and offering:

1. IAS 15, Information Reflecting the Effects of Changing Prices
2. IAS 25, Accounting for Investments
3. IAS 26, Accounting and Reporting by Retirement Benefit Plans
4. IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions
5. IAS 40, Investment Property
6. IAS 41, Agriculture (*Issued by IASC after the report of IOSCO*)

Separate Standards for Emerging Economies: Sometimes it is alleged that the IASs issued by the IASC are not compatible for the developing economies. Keeping this in view IASC has added to its agenda a new Accounting Standard named "Emerging Markets" during April 1998. Possible issues to be covered by the proposed standard are:

- Should IASC develop a basic system of accounting -- procedural standards and guidelines similar to the French Plan Compatible -- for developing countries?
- Should there be different accounting standards or different disclosure standards for enterprises in developing countries and economies in transition?
- Are there special problems with applying existing IAS in developing countries or countries in transition?

So, in near future this standard will be able to meet the special type of need of the developing countries as well as emerging economies.

Other Activities: IASB Staff was present at the most recent session of the UN Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), held in Geneva in July 2000, which discussed accounting and reporting by small and medium sized enterprises (SMEs), and suggested that a 'progressive' system of reporting formats be developed. At its July 2000 session, ISAR specified that the proposed framework should have the following characteristics:

- be simple, understandable and user-friendly
- produce useful management information
- be as standardized as possible
- be flexible enough to accommodate the growth of business and increase the potential of some SMEs as they expand to use International Accounting Standards
- be easily reconcilable for tax purposes
- recognize the environment in which SMEs operate

The above issues are in active consideration of the IASB. Hopefully new accounting standard will be developed covering all this issues. The proposals aim to provide a model framework for national accounting regulators, which will cover the whole range of accounting entities from the one-person business through to the listed company.

5.6 International Accounting Standards Board (IASB):

a) Historical Background of IASB: Harmonization of accounting becomes a sparkling issue with the process of globalization. Specifically cross-boarder investment issue adds pace to the harmonization process of Accounting. Active initiatives was taken from different corners of the world to form a body named International Accounting Standards Committee (IASC) with a view to develop accounting standards for bring into play around the world. Its origin can be traced back to an agreement among *Canada*, *Great Britain* and *the United States* in 1966 to create a "study group" to organize a program of comparative studies of current trends in Accounting thoughts and practices in three countries. This lead led to the formation of the Accountants International Study Group (AISG) in 1967. It issued 20 authoritative papers prior to 1973, papers that began to shape international thinking in the profession. The principal motivator behind the creation of both AISG and

the IASC was Lord Henry Benson of Great Britain, who served as the first Chairman of the IASC (Wyatt 1996, 344). It was the season of autumn of 1972, the 10th International Congress of Accountants held in Sydney, Australia. Representatives of professional bodies from UK, USA and Canada got together and proposed to set up an International body that could effectively deal with the tribulations of international Accounting multiplicity. On further discussion on the matter six other nations were invited to join the endeavors because it was thought that an international organization having less than nine member countries would be unworkable, in one hand and would be unfit to seen from an international point of view, on the other. These countries were Australia, France, Germany, Japan, Mexico and the Netherlands. The inaugural meeting of the resulting International Accounting Standards Committee (IASC) was held on 29th June 1973 with the confidence that IASC would produce basic accounting standards that would be capable of rapid acceptance and implementation worldwide.

What happened in the 1970s so that some countries were eager to harmonize the global accounting practices? According to Nair and Frank (1981, 61-77),

> In the decade of 1970s, serious attempts were made to harmonize international accounting practices. This effort was deemed important because of the growth international growth of multinational trade and multinational corporations necessitated the comparison accounting data across national boundaries. Differences, which existed in accounting practices constituted a barrier to international communication of valid financial data.

Investors seek investment opportunities at highest possible rate of return around the world and in contrary, business enterprises want to procure capital at lowest possible cost from any where in the world. Transparency and understandability of accounting information at international level will close the investors and business enterprises. As a result, investors can read the business enterprises which help them a lot to mitigate the investment risk. The developed countries have huge amount of surplus capital and the developing countries like Bangladesh are in urgent need of that capital. For the security and safety of capital, the developed countries like USA, UK and Canada came to a consensus to introduce a standard accounting system especially for the developing countries. This may be the reason that the developed countries do not adopt IAS and developing countries like Bangladesh are compelled to adopt IAS.

Organizational Structure of IASC and IASB: The IASC had the following organs: (i) The Board (ii) The Executive Committee (iii) The Consultative Group (iv) The Advisory Council and (v) Standing Interpretations Committee. The relationships among these organs are depicted in the following diagram:

Diagram: 5.1- Organizational Structure of IASC (just before 1st April 2001)

The IFAC Council: The Council of the International Federation of Accountants (IFAC) appointed the 17 board members of the IASC for a period of two and a half years. These members were the representatives of Accountancy Bodies from 13 different countries (or combinations of countries) and four other Organizations. Here it may be noted that the Board of the IFAC is comprised of representatives from 15 countries and Bangladesh has been elected as one of the Board member for a term of three years. Notable Chartered Accountants of Bangladesh Jamal Uddin Ahemed and Anwaruddin Chowdhury (serving as Technical Advisor) are representing Bangladesh. This is a remarkable getting in the history of Accounting profession of Bangladesh to act as a Board member of an International Accounting Body like IFAC.

The Board of IASC: The Board of the IASC produced the International Accounting Standards (IAS). Each Board Member organization could nominate up to two representatives and a technical adviser to attend the Board meetings. IASC encouraged each Board Member to include in its delegation at least one person working in industry and one person directly involved in the work of the national standard setting body. One Board

"seat" could cast one vote. Final IASC Standards and Interpretations required at least 12 votes and Exposure Drafts require at least 11 votes.

The Board Members for the two-and-a-half year term ending 30 June 2000 were:

(1) Chairman and Vice-Chairman (non-voting, elected by the board) (2) Australia (3) Canada (4) France (5) Germany (6) India and Sri Lanka (7) Japan (8) Malaysia (9) Mexico (10) the Netherlands (11) Nordic Federation of Public Accountants (12) South Africa and Zimbabwe (13) United Kingdom (14) United States of America The Observer Organizations with voting right are: (15) International Council of Investment Associations (ICIA) (16) Federation of Swiss Industrial Holding Companies (17) International Association of Financial Executives Institutes (IAFEI) (18) vacant. Observer Organizations without voting right (participate in the deliberations but do not vote) were: (1) European Commission (EC) (2) United States Financial Accounting Standards Board (FASB) (3) International Organization of Securities Commissions (IOSCO) (4) People's Republic of China

Executive Committee of the IASC: The Board appointed an Executive Committee to look after the administrative matters and did not have any power with respect to setting International Accounting Standards. Normally, it studied a matter and could make a recommendation to the Board. For certain urgent matters, the Executive Committee reached decisions subject to ratification of the Board.

Consultative Group of the IASC: In 1981, the IASC Board established a Consultative Group that includes representatives of international organizations of preparers and users of financial statements, stock exchanges, securities regulators, development agencies, standard setting bodies, and intergovernmental organizations. The Consultative Group met periodically to discuss with the Board the technical issues in IASC projects, IASC's work program and IASC's strategy. This group played an important part in IASC's due process for the setting of International Accounting Standards and in gaining acceptance for the resulting Standards. Members of the Consultative Group were:

(1) Fédération Internationale des Bourses de Valeurs (FIBV), ***France*** (2) International Association for Accounting Education and Research (IAAER), ***USA*** (3) International Banking Associations (4) International Bar Association (IBA) (5) International Chamber of Commerce (ICC), ***France*** (6) International Confederation of Free Trade Unions (ICFTU),

Belgium and World Confederation of Labor, ***Belgium*** (7) International Valuation Standards Committee (IVSC), ***UK*** (8) International Finance Corporation (IFC), ***USA*** (9) The World Bank, ***USA*** (10) Financial Accounting Standards Board*, ***UK*** (11) European Commission*, (12) Organization for Economic Co-operation and Development (OECD)*, France (13) United Nations Division on Transnational Corporations and Investment*

Advisory Council of the IASC: In 1995, IASC established high-level international Advisory Council of outstanding individuals in senior positions from the accountancy profession, business, and the other users of financial statements. The role of the Advisory Council is to promote generally the acceptability of International Accounting Standards and enhance the credibility of IASC's work. The members of the IASC Advisory Council are as follows:

(1) Stephen D. Eccles, Chairman, IASC Advisory Council, Former Vice President, *The World Bank* (2) James Cochrane, *United States*, New York Stock Exchange (3) Michael Cook, *United States*, Deloitte & Touche, Former Chairman, US Financial Accounting Foundation (4) Stig Enevoldsen, *Denmark*, Former Chairman of IASC (5) Frank Harding, *United Kingdom* President of IFAC (6) Thomas E. Jones, *United Kingdom*, Ex Officio, Chairman of IASC (7) Dr. Jürgen Krumnow, *Germany*, Member of the Board of Managing Directors, Deutsche Bank Ag (8) Kimiaki Nakajima, *Japan*, Corporation Finance Research Institute (COFRI) (9) Linda Quinn, *United States*, Shearman & Sterling (10) Michael Sharpe, *Australia*, Former Chairman of IASC (11) Gerard Worms, *France*, Partner, Rothschild Bank (12) Antonio Zoido, *Spain*, President, Madrid Stock Exchange

Standing Interpretations Committee (SIC): Formed by the IASC Board in 1997, the Standing Interpretations Committee (SIC) reviews, on a timely basis within the context of existing International Accounting Standards and the IASC Framework, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus as to the appropriate accounting treatment. Members of the Standing Interpretations Committee were:

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* Observers (Organizations without voting right)

(1) Paul Cherry, Chairman Retired, St. John, *Canada* (2) Yves Bernheim Mazars and Guérard, *France* (3) Domingo Marchese, Marchese Grandi Meson, *Argentina* (4) Mary Keegan, PricewaterhouseCoopers, *United Kingdom* (5)Junichi Akiyama, Professor of Accounting, *Japan* (6) Patricia Doran Walters, Association for Investment Management and Research, *United States* (7) Wienand Schruff, KPMG, *Germany* (8) John T Smith, Deloitte & Touche, *United States* (9) Kevin M Stevenson, Stevenson McGregor, *Australia* (10) Leo G van der Tas, Ernst & Young Accountants, *The Netherlands*, *Observers:* (11) IOSCO (12) European Commission

Secretaries-General of the IASC: The following persons acted as secretary general of the IASC: (1) Paul Rosenfield (1973-1975), *United States* (2) John Brennan (1975-1977), *Canada* (3) Roy Nash (1977-1979), *United States* (4) Allan Cook (1979-1982), *United Kingdom* (5) Geoffrey Mitchell (1982-1985), *Australia* (6) David Cairns (1985-1995), *United Kingdom* (7) Sir Bryan Carsberg (1995-), *United Kingdom.*

Chairmen of the IASC Board: The Chairman of the IASC Board is elected for a term of two-and-a-half years by the Board Representatives from among their number. The Chairman is not eligible for reelection. The Board Member country or organization providing the Chairman is entitled to a further Board Representative.

(1) Sir Henry Benson (later Lord Benson) (1973-1976), *United Kingdom* (2) Joseph P. Cummings (1976-1978), *United States* (3) John A. Hepworth (1978-1980), *Australia* (4) J.A. (Hans) Burggraaff (1980-1982), *The Netherlands* (5) Stephen Elliott (1982-1985), *Canada* (6) John L. Kirkpatrick (1985-1987), *United Kingdom* (7) Georges Barthès de Ruyter (1987-1989), *France* (8) Arthur R. Wyatt (1990-1992), United States (9) Eiichi Shiratori (1993-1995), *Japan* (10) Michael Sharpe (1995-1997), *Australia* (11) Stig Enevoldsen (1998-2000), Denmark (12) Thomas E. Jones, Current Chairman (2000-), *United Kingdom.*

All the above information has been summarized in the following table to get a picture of the participants at a glance. The following summarized table (Table-5.2) has been prepared on the basis of the above information of the previous organizational structure of IASC. The table reveals that the developed countries are occupying the major position of power in IAS setting process. The governance of the USA in all the organs of the IASC is very much

remarkable. Apart from this, there are several International Organizations forming in the *Consultative Group* of the IASC. Most of these Organizations are also based on Europe and America.

Table: 5.2 -Participants (excluding organizations) by country and by position/organs in IASs setting process

Sl. No.	Countries	Secretaries - General 1973-2000	Chairmen 1973-2000	Board Members of IASC	Advisory Council of IASC	SIC	Total	Percentage
01	United States of America	2	2	2	4	2	12	22.22%
02	United Kingdom	3	3	1	2	1	10	18.52%
03	Australia	1	2	1	1	1	6	11.11%
04	France		1	1	1	1	4	7.41%
05	Japan		1	1	1	1	4	7.41%
06	Canada	1	1	1	0	1	4	7.41%
07	The Netherlands		1	1	0	1	3	5.56%
08	Germany		0	1	1	1	3	5.56%
09	Denmark		1	0	1	0	2	3.70%
10	Argentina		0	0	0	1	1	1.85%
11	Spain		0	0	1	0	1	1.85%
12	India and Sri Lanka		0	1	0	0	1	1.85%
13	Indonesia		0	1	0	0	1	1.85%
14	Mexico		0	1	0	0	1	1.85%
15	South Africa and Zimbabwe		0	1	0	0	1	1.85%
Total		7	12	13	12	10	54	100.00%

Restructuring IASC to IASB (with effect from 1st April 2001): During the year 1997 it was decided by the IASC to reorganize the IASC so that it can effectively play a role in the International arena towards global harmonization of Accounting. The proposed restructure of IASC has already been implemented from 1st April 2001. If one have a look on the process of reorganizing and new Structure of IASB, it will be seen that the proposed structure is very much akin to the structure of Financial Accounting Standards Board (FASB) of the United States and Accounting Standards Board (ASB) of the United Kingdom. The present organization structure of IASB is depicted below:

Strategy Working Party (SWP): During the year 1997 the Strategy Working Party (SWP) was appointed by the Chairman and Deputy Chairman of IASC with a view to report to the IASC Board on *Recommendations on Shaping IASC for the Future* The members of the SWP were: *Edward Waitzer*, Partner, Stikeman, Elliott, (Chairman), Former Chairman, Ontario Securities Commission, Former Chairman, IOSCO Technical Committee, *Canada*

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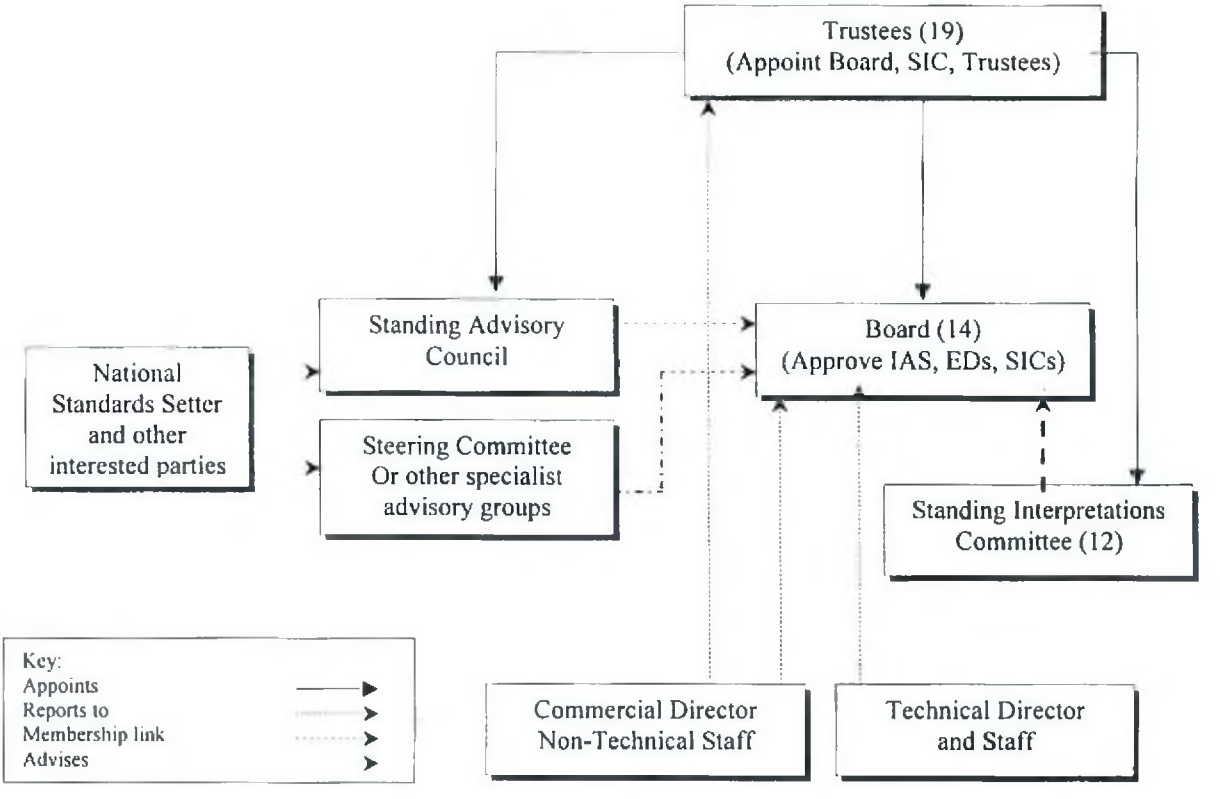
(2) *Georges Barthès de Ruyter*, Chairman, Conseil National de la Comptabilité, Former Chairman of IASC, *France* (3) *Jacques Manardo*, Global Managing Partner - Strategic Clients - Member of the Executive Group, Deloitte Touche Tohmatsu, *France*

Diagram: 5.3 -Present Organizational Structure of IASB



(4) *Werner Seifert*, Chief Executive Officer, Deutsche Borse AG, *Germany* (5) *Kazuo Hiramatsu*, Professor of Accounting, Kwansei Gakuin University, Member, Business Accounting Deliberation Council, *Japan* (6) *Peter Sjöstrand*, Partner, BZ Group (Switzerland), Board member, Pharma Vision, *Sweden* (7) *Sir David Tweedie*, Chairman, Accounting Standards Board, *United Kingdom* (8) *Anthony Cope*, Board member, Financial Accounting Standards Board, *USA* (9) *David Ruder*, Professor of Law, Northwestern University, Trustee, Financial Accounting Foundation, Former Chairman, US Securities and Exchange Commission, *USA* (10) *Birgitta Kantola*, Vice President, Finance and Planning, International Finance Corporation (11) *Frank Harding*, President, International Federation of Accountants (12) *Stig Enevoldsen*, Chairman, IASC, *Denmark* (13) *Michael Sharpe*, Past Chairman, IASC, *Australia* (14) *Sir Bryan Carsberg*, Secretary-General,

IASC , the *United Kingdom.* The IASC's Strategy Working Party issued its report to the IASC Board, *Recommendations on Shaping IASC for the Future* in December 1999.

Nominating Committee: At its December 1999 meeting, the IASC Board approved a resolution supporting the final report of the Strategy Working Party, *Recommendations on Shaping IASC for the Future.* Also, in a unanimous vote the Board appointed the members of the Nominating Committee that will select the initial Trustees to implement the new structure proposed for IASB:

(1) *H. Baumann*, Chairman of the Supervisory Board, Siemens AG, Deputy Chairman DRSC (the German national accounting standards setter), *Germany* (2) *James E. Copeland*, Jr, Chief Executive Officer, Deloitte Touche Tohmatsu, Japan (3) Howard Davies, Chairman, UK Financial Services Authority, UK (4) Levitt, Jr, Chairman, US Securities and Exchange Commission, USA (5) M. Prada, Chairman, French Commission des Operations de Bourse, France (6) Sheng, Chairman, Hong Kong Securities and Futures Commission, Hong Kong (7) D. Wolfensohn, President, The World Bank.

Trustees: On 22 May 2000, the IASC Nominating Committee announced the selection of the initial 19 Trustees of the restructured IASC, including the Chairman. The individuals selected were:

(1) Paul A. Volcker, Chairman, Former Chairman, U.S. Federal Reserve Board, *United State* (2) Andersen, Deputy Chairman and CEO, The Liberty Life Group, *South Africa* (3) H. Biggs, Chairman, TIAA-CREF, *United States* (4) Crockett, General Manager, Bank for International Settlements, *Switzerland* (5) Teixeira Da Costa, Former Chairman, Brazilian Comissão de Valores Mobiliários, *Brazil* (6) A. Ferrarini, Professor of Law, University of Genoa, *Italy* (7) L. Y. Fortier, Chairman, Ogilvy Renault, Barristers and Solicitors Former Ambassador of Canada to the United Nations, *Canada* (8) Fukuma, Chief Financial Officer, Mitsui & Co., Ltd., *Japan* (9) Herkstroter, Former President, Royal Dutch Petroleum, *The Netherlands* (10) Kopper, Chairman of the Supervisory Board, Deutsche Bank, *Germany* (11) A. Laskawy, *United States* (12) Y. K. Lee, Chairman, Hong Kong Exchange and Clearing Ltd., *China,* (13) Sir Sydney Lipworth, Chairman, U.K. Financial Reporting Council, *United Kingdom,* (14) Pineau-Valencienne, Chairman, Association Française des Enterprises Privées, *France* (15) Røder, Senior Partner, PricewaterhouseCoopers, *Denmark* (16) David S. Ruder, Former Chairman, U.S. Securities

& Exchange Commission, *United States* (17) Kenneth H. Spencer, Former Chairman, Australian Accounting Standards Board Director of a number of publicly listed companies, *Australia* (18) William C. Steere, Jr., Chairman and CEO, Pfizer Inc., *United States* (19) Koji Tajika, Co-Chairman, Deloitte Touche Tohmatsu, *Japan.*

IASB Constitution: On 24 May 2000, the IASB Member Bodies, meeting in Edinburgh, Scotland, approved the IASB's Restructuring and the new IASB Constitution.

Chairman of the new IASC Board: After their first meeting in New York, NY on 28 June 2000, the IASC Trustees announced the appointment of *Sir David Tweedie,* Chairman, *UK* Accounting Standards Board, as Chairman of the new IASB Board. The appointment is effective when the new IASC structure comes into effect, currently expected to be 1 January 2001.

Members of new International Accounting Standards Board: At a press conference on January 25, 2001, the Trustees announced the remaining Board Members of the new International Accounting Standards Board. The appointments are effective when the new IASB structure comes into effect from 1 April 2001. IASB Members are:

(1) Sir David Tweedie, Chairman, *UK* (2) Thomas E. Jones, Vice Chairman, *UK* (3) Mary E. Barth, USA (4) Hans-Georg Bruns, *Germany* (5) Anthony T. Cope, *USA* (6) Robert P. Garnett, *South Africa* (7) Gilbert Gélard – Liaison to French Standard Setter, *France* (8) Robert H. Herz, *USA* (9) James J. Leisenring – Liaison to the U.S. Standard Setter, *USA* (10) Warren McGregor, *Australia*, (11) Patricia O'Malley, *Canada.* (12) Harry K. Schmid, *Switzerland* (13) Geoffrey Whittington, *England* (14) Tatsumi Yamada, *Japan.*

The above information has been summarized in the following table to depict the picture of involvement in IAS setting process by country and by different organs of IASB at a glance. The following table (Table-5.4) is prepared on the basis of information relating to restructuring the IASC into IASB and its present strength of office bearers. The above table reveals that in its reformed structure of IASB the influence of developed countries like USA, UK, Japan, France, Germany, Canada, Australia, The Netherlands, Denmark are very much remarkable and these countries are always participating directly in the IAS setting process like permanent members in different forms of position or capacity.

Table: 5.4 - Participants by country and by position/organs in new IAS setting process

Serial No.	Countries	Strategy Working Party (SWP)	Nominating Committee	Trustees	IASB Members	Total	Percentage
01	United States	4*	2**	5	4	15	27.78%
02	United Kingdom	2	1	1	3	7	12.96%
03	Japan	1	1	2	1	5	9.26%
04	France	2	1	1	1	5	9.26%
05	Germany	1	1	1	1	4	7.42%
06	Canada	1	0	1	1	3	5.56%
07	Australia	1	0	1	1	3	5.56%
08	Denmark	1	0	1	0	2	3.70%
09	South Africa	0	0	1	1	2	3.70%
10	Switzerland	0	0	1	1	2	3.70%
11	China & Hong Kong	0	1	1	0	2	3.70%
12	Sweden	1	0	0	0	1	1.85%
13	Brazil	0	0	1	0	1	1.85%
14	Italy	0	0	1	0	1	1.85%
15	The Netherlands	0	0	1	0	1	1.85%
Total		14	7	19	14	54	100.00%

** Includes US based IFC and IFAC, ** Includes US based World Bank*

b) Standards Setting Process of the IASB:

After the restructuring of IASB the standard setting process has not yet approved by the Trustees of the IASB. However the following steps of standard setting are included in the constitution of the IASB:

IASB's procedures ensure that International Financial Reporting Standards (IFRS) are of high quality and are developed only after giving IASB's constituencies opportunities to make their views known at several points in the standards-setting due process.

The Constitution permits IASB to would work in whatever way it considers most effective and cost efficient. It would normally form Advisory Committees or other forms of specialist advisory groups to give advice on major projects. The Board may also wish to outsource detailed research or other work to national standard setters.

Procedures of developing IFRS: At first IASB determines the scope of any projects formally added to its agenda. The process for the development of a Standard would involve the following steps:

- During the early stages of a project, IASB may establish a Advisory Committee to give advice on the issues arising in the project. Consultation with the Advisory Committee and the Standards Advisory Council occurs throughout the project;
- IASB may develop and publish Discussion Documents for public comment;

- Following the receipt and review of comments, IASB would develop and publish an Exposure Draft for public comment; and
- Following the receipt and review of comments, IASB would issue a final International Financial Reporting Standard.

Additional Elements of the Due Process

***Voting*:** Each IASB Member has one vote on technical and other matters. The publication of a Standard, Exposure Draft, or final SIC Interpretation requires approval by eight (8) of the Board's fourteen (14) Members. Other decisions, including the issuance of a Draft Statement of Principles or a Discussion Paper and agenda decisions, requires a simple majority of the Board Members present at a meeting attended by 50% or more of the Board Members. The Board has full control over its technical agenda.

Openness of Meetings: Meetings of IASB, the Standards Advisory Council (SAC) and the Standing Interpretations Committee (SIC) are open to public observation. However, certain discussions (primarily selection, appointment and other personnel issues) are, at the discretion of IASB, SAC and SIC, held in private.

IASB, SAC and SIC are exploring the use of technology (such as the Internet, the web site, electronic observation of meetings), to overcome geographical barriers and the logistical problems for members of the public in attending open meetings.

The agenda for each meeting of IASB, SAC and SIC is published in advance and the Secretariat publishes a summary of the technical decisions made at such meetings promptly thereafter.

When IASB publishes a Standard, it also publishes a Basis for Conclusions to explain publicly how it reached its conclusions and to give background information that may help users of the Standards to apply them in practice. IASB would also publish dissenting opinions.

Comment Periods: IASB issues Exposure Drafts of Proposed Standards, Discussion Documents and other similar documents for public comment. The usual comment period is ninety (90) days, however in exceptional circumstances proposals may be issued with a comment period of sixty (60) days. Draft SIC Interpretations are exposed for a 60 day comment period.

Public Hearings and Field Tests: IASB may use any of the following, although there would be no requirement to do so for every project:

- 'public hearings' to discuss proposed standards; and
- field tests (both in developed countries and in emerging markets) to ensure that proposals are practical and workable around the world.

Where practicable, public hearings and field tests should be coordinated with national standard setters.

Coordination with National Due Process: Close co-ordination between IASB's due process and the due process of national standard setters is important to the success of IASB's mandate. IASB is exploring ways in which it can integrate its due process more closely with national due process. Such integration may grow as the relationship between IASB and national standard setters evolves. In particular, IASB is exploring the following procedure for projects that have international implications:

- IASB and national standard setters would co-ordinate their work plans so that when IASB starts a project, national standard setters would also add it to their own work plans so that they can play a full part in developing an international consensus. Similarly, where national standard setters start projects, IASB would consider whether it needs to develop a new Standard or revise its existing Standards. Over a reasonable period, IASB and national standard setters should aim to review all standards where significant differences currently exist, giving priority to the areas where the differences are greatest;
- national standard setters would not be required to vote for IASB's preferred solution in their national standards, since each country remains free to adopt IASC standards with amendments or to adopt other standards. However, the existence of an international consensus is clearly one factor that members of national standard setters would consider when they decide how to vote on national standards;
- IASB would continue to publish its own Exposure Drafts and other documents for public comment;
- national standard setters would publish their own exposure documents at approximately the same time as IASB Exposure Drafts and would seek specific comments on any significant divergences between the two exposure documents. In some instances, national standard setters may include in their exposure documents specific comments on

issues of particular relevance to their country or include more detailed guidance than is included in the corresponding IASB document; and

- national standard setters would follow their own full due process, which they would, ideally, choose to integrate with IASB's due process. This integration would avoid unnecessary delays in completing standards and would also minimize the likelihood of unnecessary differences between the standards that result.

These procedures would be facilitated by IASB through those Board Members having liaison responsibilities with a national standard setter.

c) Impact of the IASB on developed and developing countries

During the era of cool war between capitalist and socialist countries, there was a concept of 'third world'. The countries of Africa, Asia and Latin America were termed as third world countries. After the end of socialism, the term 'developing' is used rather than 'third world'. 'Developing countries' or 'less developed countries (LDC)', whatever the term is used, means a poor or non-industrial country that is seeking to develop its resources by industrialization. According to the classification made by the United Nations, Bangladesh is one of the LDCs. The major characteristics (most of them are apparent in Bangladesh) of a developing country are as follows (Lawrence 1996, 196):

- predominantly agrarian and/or involved in mining natural resources;
- unbalanced distribution of income and wealth, with a majority of the population having a relatively low standard of living;
- few exports, with these being mainly agricultural and/or mineral produce;
- rudimentary domestic industries, often only developing slowly;
- most manufactured goods, particularly those produced by capital intensive industries, are imported;
- a severe national balance of payments problem resulting from the imbalance of the value of the goods that can be exported and those that need to be imported;
- an authoritarian, single-party (or military), political system where the government is the dominant market force;
- the majority of the population are poorly educated (in all aspects of education not just accounting).

In such a situation the status of practices of accounting can easily be imagined. Listed limited companies are under the compulsion of different laws to prepare their financial statements. As a result theses companies try to maintain a systematic books of accounts. Yet in many cases the external auditors had to get the accounts prepared by themselves. The situation of unlisted limited companies is worsening. Many companies do not even maintain a proper record of financial transactions. Reasons behind this situation are that, though legally these are limited companies but in true sense these are mostly sole trading type so far management is concerned. Directors of the board are family members. As a result question of financial interest does not arise or not so sensitive and they don't feel the necessity of maintaining proper books of accounts. The researcher has come to know that the ICAB does not have any formal program or guidelines/instructions to their members to apply IASs in preparing financial statements of private limited companies. Here it may be noted that the private limited companies in Bangladesh are not under any legal obligation to follow IASs. On the other hand there exists a scarcity of skilled manpower who are well conversant in IASs. So the proper environment to adopt IASs does not prevail in Bangladesh and proper implementation of IASs is not possible right now. Before enforcing IASs in Bangladesh it was an urgent need to pay attention to create a congenial atmosphere such as development of strong capital market, trained up the accounts personnel and professional accountants in IASs, setting a time period for the listed companies to get ready to adopt IASs, issuing guidelines to the accounts preparers to prepare their accounts following IASs etc.

Another important issue regarding adoption of IASs in Bangladesh is the relevancy of IASs in Bangladesh. Because IASs have been developed by the members of developed countries. Members of developing countries had hardly ever get the opportunity to participate in IASs development process. As a result, there are some IASs those are quite irrelevant to the economic environment of Bangladesh. So before adopting IASs in Bangladesh local need should be assessed. Unfortunately the ICAB has accepted all the IASs in original form except IAS-29 (Financial Reporting in Hyperinflationary Economies). Some IASs like IAS 36 (Impairment of Assets), IAS 26 (Accounting and Reporting by Retirement Benefit Plans) etc have no use in Bangladesh. It is clear from the above discussion that IASs are

not adopted in Bangladesh in a systematic manner and thus quality financial reporting remains in dark.

d) Evolution of IASs/IFRSs issued by IASC/IASB

IASs of IASC (as of Sept. 2004):

1. IAS 1: Presentation of Financial Statements (revised 1997)
2. IAS 2: Inventories (revised 1993)
3. IAS 7: Cash Flow Statements (revised 1992)
4. IAS 8: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (revised 1993)
5. IAS 10: Events After the Balance Sheet Date (revised 1999)
6. IAS 11: Construction Contracts (revised 1993)
7. IAS 12: Income Taxes (revised 1996)
8. IAS 14: Segment Reporting (revised 1997)
9. *IAS 15: Withdrawn by the IASB*
10. IAS 16: Property, Plant and Equipment (revised 1998)
11. IAS 17: Leases (revised 1997)
12. IAS 18: Revenue (revised 1993)
13. IAS 19: Employee Benefits (revised 1998)
14. IAS 20: Accounting for Government Grants and Disclosure of Government Assistance (reformatted 1994)
15. IAS 21: The Effects of Changes in Foreign Exchange Rates (revised 1993)
16. *IAS 22: Business Combination*
17. IAS 23: Borrowing Costs (revised 1993)
18. IAS 24: Related Party Disclosures (reformatted 1994)
19. IAS 26: Accounting and Reporting by Retirement Benefit Plans
20. IAS 27: Consolidated Financial Statements and Accounting for Investments in Subsidiaries (reformatted 1994)
21. IAS 28: Accounting for Investments in Associates (revised 1998)
22. IAS 29: Financial Reporting in Hyperinflationary Economies (reformatted 1994)

23. IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions
24. IAS 31: Financial Reporting of Interests in Joint Ventures (revised 1998)
25. IAS 32: Financial Instruments: Disclosure and Presentation (revised 1998)
26. IAS 33: Earnings Per Share (1997)
27. IAS 34: Interim Financial Reporting (1998)
28. *IAS: 35 Discontinuing Operation*
29. IAS 36: Impairment of Assets (1998)
30. IAS 37: Provisions, Contingent Liabilities and Contingent Assets (1998)
31. IAS 38: Intangible Assets (1998)
32. IAS 39: Financial Instruments: Recognition and Measurement (1998)
33. IAS 40: Investment Property
34. IAS 41: Agriculture

IFRSs of IASB:

1. IFRS 1: First-time Adoption of International Financial Reporting Standards
2. IFRS 2: Share-based Payment
3. IFRS 3: Business Combinations
4. IFRS 4: Insurance Contracts
5. IFRS 5: Non-current Assets Held for Sale and Discontinued Operations
6. IFRS 6: Explanation for and Evaluation of Mineral Resources

Evolutionary History of IASs and IFRSs: IASs were issued by the International Accounting Standards Committee (IASC). Most of the IASs were amended, modified and reviewed to make them up-to-date and to improve their the quality. The IASC was re-organized and it comes to effect from 1st April 2001. International Accounting Standards Board (IASB) was form under the structure of IASC Foundation. It is decided that accounting standards issued by the IASB will be recognized as International Financial Reporting Standards (IFRSs) and IASs will remain as it was until these were reviewed or modified by the IASB. So IASs are the accounting standards issued by the IASC and IFRSs are the accounting Standards issued by the IASB. The brief history as well as evolutionary process of IASs and IFRSs has been presented in appendix – 5.1.

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5.7 International Bodies Involved in Harmonization of Accounting

International Accounting Standards Board (IASB) is playing the pioneer role towards harmonization global accounting system. At the same time there are many organizations working on the same issue and they are directly or indirectly involved in this harmonization process. A brief description of these organizations are given below:

a) European Financial Reporting Advisory Group (EFRAG): The European Financial Reporting Advisory Group (EFRAG) was established in June 2001 by a broad group of organizations representing the European accounting profession, preparers, users, and national standard-setters. These organizations include:

Preparers:

- UNICE - Union des Confederations de l'Industrie et des Employeurs d'Europe
- GEBC - European Association of Cooperative Banks
- ESBG - European Savings Banks Group
- EBF - European Banking Federation
- CEA - Comite Europeen des Assurances

Organizations of SMEs:

- UEAPME - European Association of Craft, Small and Medium-sized Enterprises
- EFAA - European Federation of Accountants and Auditors for SMEs

Users:

- EFFAS - European Federation of Financial Analysts Societies
- FESE - Federation of European Securities Exchanges

Accountancy profession:

- FEE - Federation des Experts Comptables Europeens

The goals of the EFRAG are:

- to provide technical expertise to the European Commission concerning the use of IAS within the Europe,
- to participate in IASB's standard setting process, and
- to coordinate within the EU the development of views concerning international accounting standards

EFRAG has a two-tier structure:

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Technical Expert Group: An accounting technical committee of "highly-qualified technical experts" drawn from national standard setters, the accountancy profession, preparers and users, limited in size.

Supervisory Board: This board includes representatives of a wide range of European Organizations "to enhance the legitimacy and credibility of EFRAG".

Four Main Functions of the Technical Expert Group:

(i) ***Proactive contribution to the work of IASB*:** Proactive coordination of European standard setters, accounting profession, users and preparers so as to contribute to and influence the IASB standard setting process efficiently. The mechanism should normally provide the IASB with submissions on any discussion paper or exposure draft issued by the IASB or SIC (Standing Interpretations Committee). It would also contribute to the development of technical and conceptual papers on emerging topics that would be brought to the attention of the IASB.

(ii) ***Initiating changes to the EU Accounting Directives:*** To help the Commission in their assessment of possible non-conformity of an IAS or SIC with EU Accounting Directives and recommending appropriate changes to the Directives.

(iii) ***Technical assessment of the IASB standards and interpretations:*** Making a recommendation to the European Commission regarding acceptance or rejection of an IASB standard or interpretation for application in the EU.

(iv) ***Implementation guidance:*** Identification of issues for which the IASB general interpretation guidance (i.e. SIC Interpretations) is not sufficient to ensure consistent application of a given standard in the EU. The mechanism would communicate such situations to the IASB and urge it to identify appropriate solutions. Also, in cooperation with European securities markets supervisors, the mechanism would develop implementation guidance specifically relevant to EU listed companies.

So the EFRAG is playing a very vital role towards harmonization of accounting in Europe. It is not only strengthening the efforts of IASB to develop accounting standards but also taking necessary measures to implement IAS/IFRS in Europe.

b) European Union (EU): EU directives on Accounting are the milestones for the harmonization of Accounting in Europe. Accounting Directives (directive number 4 & 7)

are the legal periphery of IAS implementation in European countries. There are twenty-five (25) member countries in the EU. These are

Austria	Belgium	Cyprus	Czech Republic	Denmark
Estonia	Finland	France	Germany	Greece
Hungary	Ireland	Italy	Latvia	Lithuania
Luxembourg	Malta	Poland	Portugal	Slovakia
Slovenia	Spain	Sweden	The Netherlands	United Kingdom

Apart from this there are three additional countries, such as Iceland, Liechtenstein, and Norway are members of the European Economic Area, though not the EU. They are committed to follow EU Directives, including the Accounting Directives.

Different organs of EU are working together towards implementation of IAS in EU member countries. These are:

Contact Committee: The EU maintains a Contact Committee with the European accounting profession. The Contact Committee is an advisory body composed of representatives of the Member States and representatives of the Commission. It was set up by the Commission according to the requirements contained in Article 52 of the Directive 78/660/EEC (4th Directive). The functions of the Contact Committee are:

- to facilitate harmonized application of the Accounting Directives through regular meetings dealing in particular with practical problems arising in connection with their application;
- to advise the Commission, if necessary, on additions or amendments to the Accounting Directives.

The Contact Committee has a Technical Subcommittee that meets regularly to discuss matters particularly relating to International Accounting Standards.

Accounting Regulatory Committee (ARC): The Accounting Regulatory Committee (ARC) is composed of representatives from Member States and chaired by the European Commission. The Committee was set up pursuant to the requirements of Article 6 of the IAS Regulation (EC/1606/2002). The function of the Committee is a regulatory one and consists of providing an opinion on Commission proposals to adopt (endorse) an international accounting standard as envisaged under Article 3 of the IAS Regulation.

European Securities Committee (ESC): The European Securities Committee was created in 2001 to serve as a consultant to the Commission when drafting legislative proposals on securities policy issues. The Committee may also act as a regulatory committee in the

context of work on future legislative proposals conferring implementing powers on the Commission. In its future regulatory capacity, it will vote on draft technical implementing measures that develop basic legislation submitted to it by the Commission.

Federation des Experts Comptables Europeens (FEE): The Federation des Experts Comptables Europeens (FEE) is the representative organization for the accountancy profession in Europe. It groups together 38 professional bodies from 26 countries, including all 15 Member States of the European Union and the 3 main member countries of EEA. Between them, these bodies have a combined membership of 400.000 individuals. FEE maintains a close relation with IASB with a view to assist IASB in developing and improve IAS. At the same time FEE is an active participant to implements IAS within their jurisdiction.

Committee of European Securities Regulators (CESR): The Committee of European Securities Regulators is composed of high-level representatives of the national public authorities in the field of securities regulation. Before CESR was created by the European Commission in June 2001, the European securities regulators had cooperated in an organization called the Forum of European Securities Commission (FESCO). All of the IAS and work of FESCO have been taken over by CESR.

c) International Federation of Accountants (IFAC): The International Coordination Committee for the Accounting Profession (ICCAP) was formed during 1972 at the Tenth International Congress of Accountants held in Sydney, Australia. The next congress was held in 1977 in Munich. At this congress the ICCAP was replaced by a new organization named International Federation of Accountants (IFAC) with the following two objectives: (i) to arrange future international congress, and (ii) to achieve international technical, ethical, and educational guidelines for the Accounting Profession. At present it works with 159 member organizations in 118 countries to protect the public interest by encouraging high quality practices by the world's accountants. IFAC members represent 2.5 million accountants employed in public practice, industry and commerce, government, and academe. At present the IFAC plays a multidimensional role as regards accounting profession. It actively encourages convergence of professional standards, particularly auditing, assurance, ethical, educational and financial reporting standards (including IFAC standards and International Accounting Standards Board standards). In the mean time the IFAC has

identified some strategic objectives and their priorities for the year from 2004 to 2007. These are:

Standard-Setting

- Proactively address regulatory issues related to accounting and auditing, including standard setting.
- Obtain endorsement of IFAC standards on auditing, assurance and ethics by the European Commission, the International Organization of Securities Commissions and key regulators with influence over significant exchanges, for example the United States Public Company Accounting Oversight Board and the United Kingdom Financial Reporting Council.
- *Actively support global convergence to IFAC standards and International Accounting Standards Board standards.*
- Establish structures and processes for IFAC's governance and standard setting so that they are accepted by international bodies, including regulatory organizations, and by member bodies and the Forum of Firms.
- Update ethics standards for all professional accountants.
- Develop and maintain international education standards.
- Develop and maintain international public sector accounting standards.

Assurance

- Work with the Forum of Firms to improve firms' audit quality.
- Establish a cost-effective global compliance program for member bodies.

Professional Leadership

- Identify and address the needs of professional accountants operating in industry, commerce, the public sector, the not-for-profit sector and in academia, working in cooperation with member bodies and other relevant groups.
- Identify and address the needs of small- and medium- sized practices, working in cooperation with member bodies and other relevant groups.
- Identify the needs of developing and emerging economies in establishing a high-quality accountancy profession committed to serving the public interest and determine how IFAC can best support these countries.

- Develop and maintain best practice guidance in areas of critical importance for professional accountants in business.
- Become the recognized spokesperson for the worldwide accountancy profession on global public policy issues.

The International Auditing and Assurance Standards Board ("IAASB"), which is a committee of the IFAC issues 'International Auditing Practice Statements' ("Statements") to provide practical assistance to auditors in implementing the International Standards on Auditing (ISA) or to promote good practice. ISA 700 on 'the Auditor's Report on Financial Statements' by the IAASB. The paragraph 17 of that ISA requires that the auditor's report clearly indicate the financial reporting framework used to prepare the financial statements. The purpose of this International Auditing Practice Statement (IAPS) is to provide additional guidance when the auditor expresses an opinion on financial statements prepared:

(*a*) in accordance with International Financial Reporting Standards (IFRS);

(*b*) in accordance with both IFRS and relevant national standards or practices; or

(*c*) in accordance with relevant national standards or practices, but which disclose in the notes to the financial statements the extent of compliance with IFRS.

So the activities of the IFAC are not only limited to issuance of international auditing standards but IFAC is playing a very important and key role to ensure the application of IASs/IFRSs. It is the largest professional accountants' body and at the same time the right body to work towards global harmonization of accounting around the globe.

d) The International Forum on Accountancy Development (IFAD): The International Forum on Accountancy Development (IFAD was created as a working group between the Basel Committee, the International Federation of Accountants, IOSCO, the large Accounting Firms, OECD, UNCTAD, and the World Bank and regional development banks, which flowed from the East Asian crisis. Their mission is to improve market security and transparency, and financial stability on a global basis.

The current members and observers of IFAD include:

(a) International Federation of Accountants and its regional bodies in Asia Pacific, Africa, Europe and the Americas

(b) International Accounting Standards Committee

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(c) International Monetary Fund

(d) Organization for Economic Co-operation and Development

(e) World Bank and the regional development banks for Africa, Asia, the Americas and Central and Eastern Europe

(f) The Big 5 accounting firms

(g) Basel Committee on Banking Supervision

(h) Financial Stability Forum

(i) International Organization of Securities Commissions

(j) International Association of Insurance Supervisors

(k) International Organization of Supreme Audit Institutions

(l) United Nations Conference on Trade and Development

(m)United Nations Development Program

(n) USAID Bureau for Global Programs

(o) US Securities and Exchange Commission

(p) Ministry of Foreign Affairs of Italy

(q) International Association of Financial Executives Institutes

*Objectives of **IFAD are as follows:***

(i) To promote understanding by national governments of the value of transparent financial reporting, in accordance with sound corporate governance;

(ii) To assist in defining expectations as to how the accountancy profession (in both the public and private sectors) should carry out its responsibilities to support the public interest;

(iii) To encourage governments to focus more directly on the needs of developing countries and economies in transition (hereinafter referred to jointly as 'developing countries');

(iv) To help harness funds and expertise to build accounting and auditing capacity in developing countries;

(v) To contribute to a common strategy and framework of reference for accountancy development; and

(vi) To promote co-operation between governments, the accountancy and other professions, the international financial institutions, regulators, standard setters, capital providers and issuers.

If we have a look on the above objectives of the IFAD it will be very clear that it is working in a broader and comprehensive parameter with a long term vision. IFAD is trying to create a congenial environment for market security and transparency and financial stability worldwide. It is IFAD's view that the national accounting standards of most countries should be raised with IASs as the benchmark or minimum standards, but in an orderly way that ensures development of a sufficient infrastructure to effectively adopt IASs/IFRSs.

e) The International Organization of Securities Commissions (IOSCO): The International Organization of Securities Commissions (IOSCO) is the worldwide association of national securities regulatory commissions, such as the Securities and Exchange Commission in the United States, the Financial Services Authority in the United Kingdom, and about 100 other similar bodies. *The Securities and Exchange Commission (SEC) of Bangladesh* is a member of the IOSCO. It is an active associate organization of the IASB working for global harmonization of accounting. The member of the IOSCO regulates the world security markets, this is why they can play an important role (like the SEC of Bangladesh) to enforce IAS/IFRS for the listed companies. The IOSCO has also extended it hands to IASB and *1993 IOSCO-IASC Agreement* is an evidence of that cooperation. In 1993, IOSCO and IASC agreed on a list of a minimum body of "core accounting standards" for financial statements of enterprises involved in cross-border offerings and listings and possibly for domestic offerings and listings as well. At the time, IOSCO noted that International Accounting Standards already dealt with many of the core standards. In early 1999 Working Party No. 1, a sub-committee of the IOSCO Technical Committee, began its review of the IASC standards. In March 2000, they concluded their work and recommended to the IOSCO Technical Committee that IOSCO endorse 30 IASC Standards for the purpose of multinational offerings and cross-border listings. The Technical Committee approved that recommendation in May 2000 and submitted it to the IOSCO President's Committee for adoption. The technical committee for cross boarder listing did not approve IASs in addition to these 30. On 17 May 2000, in a resolution, the

IOSCO President's Committee congratulates the IASC for its hard work and contribution to raising the quality of financial reporting worldwide.

The [IOSCO] Technical Committee has initiated a project on *Regulatory Interpretations of International Financial Reporting Standards* to address communications among IOSCO members to promote the consistent application and enforcement of IFRSs. The major outputs of this project are expected to be a central database of regulatory decisions and a process for facilitating communications and cooperation among regulators and other enforcers relating to IFRSs. The Technical Committee also will seek to coordinate its work on this project with a comparable project being undertaken by CESRFIN [the Standing Committee on Financial Reporting of the Committee of European Securities Regulators].

The Technical Committee also will undertake another initiative on *Review and Enforcement of Application of Financial Reporting Standards* focusing on the range of activities and powers that relate to reviews of public company financial statements by securities regulators and others. This project will focus on the powers and activities of a review process, and criteria and actions needed, regardless of the accounting standards in use. The major output of this project is expected to be an IOSCO statement of principles, best practices, and/or descriptions of effective models in use for such review functions. This project should conclude in 2005.

f) The Financial Accounting Standards Board (FASB): FASB is said the most strong accounting standards setting in the world. It is established in 1973 as a successor of the Accounting Principles Board (APB) of the USA. It is a private sector body for establishing standards of financial accounting and reporting in the United States of America. Those standards govern the preparation of financial reports. They are officially recognized as authoritative by the Securities and Exchange Commission of the USA (Financial Reporting Release No. 1, Section 101) and the American Institute of Certified Public Accountants (Rule 203, Rules of Professional Conduct, as amended May 1973 and May 1979). The stated mission of the FASB is to establish and improve standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors, and users of financial information.

FASB is working not only for the USA but also working seriously for global harmonization of accounting. It has already strengthened the hands of IASB. In October 2002, the IABS

and the US FASB jointly issued a memorandum of understanding, marking a significant step toward formalizing their commitment to the convergence of US and international accounting standards. The IASB and the FASB presented the agreement to the chairs of leading national standard setters at a two-day meeting in London on 28-29 October 2002. The two Boards had reached agreement on the terms in the memorandum of understanding at their joint meeting in Norwalk, Connecticut, USA in September 2002. For that reason, the memorandum of understanding is sometimes referred to as the "Norwalk Agreement".

The USA played an important role in restructuring the IASC into IASCF and IASB. Paul Volcker, former Chairman U.S. Federal Reserve was appointed as the chairman of independent group of Trustees, who carried out the restructuring process of the IASC. Among those appointed to the IASB were Tony Cope and Jim Leisenring are from the FASB. So the activities of the IASB will undoubtedly be affected by the theme and framework of the FASB.

The following quotation has been taken from the address by FASB Chairman Robert H. Herz, on 12 December 2002 at the AICPA 2002 National Conference on Current SEC Developments:

> As I noted, a more principles-based approach could help in the drive for international convergence between the U.S. and other parts of the world. Clearly, the growth of cross-border investing and capital flows and a growing endorsement of international standards in many parts of the world mean that, on the one hand, the U.S. cannot go it alone in terms of development of accounting standards and, on the other hand, the development of international standards across the major capital markets of the world requires that the U.S. be a very active participant in the process, for there can be no truly international accounting standards if the largest capital market in the world, the U.S., is not part of their development. Accordingly, we have been dedicating significant resources at various levels to this effort, including developing procedures and protocols used not only by the FASB but also by the IASB and other major national standards setters in working together, working with the IASB on several major joint projects including business combinations, revenue recognition, and reporting on financial performance, and closely monitoring the progress of the IASB on other key projects. Moreover, recently we have also agreed to try on the best-efforts basis to align our agendas and finally, and very importantly, we have agreed to undertake a specific project with the IASB and with the help and support of the SEC staff aimed at accelerating the convergence process by trying to eliminate or narrow some of the areas of difference between current U.S. and international standards. Since there are literally hundreds of differences between U.S. GAAP and international standards, realistically, this effort will still be ongoing, well, beyond 2005 when Europe adopts international standards en masse. But we need to set this process in motion now if we are to get to the Promised Land.

So it is clear from the above statement of the FASB chairman that the USA is also going to mitigate the differences between FASB standards and IASB standards not only for the global interest but also for the shake of their own interest and benefits. Joint IASB-FASB Short-term Convergence Project is a realistic attempt of FASB and IASB towards global harmonization of accounting.

g) The U.S. Securities and Exchange Commission (SEC): In the United States, primarily the US Securities and Exchange Commission, a national government agency, regulate the public capital markets. The law gives the SEC the authority to prescribe the form and content of financial statements filed with the Commission. Historically, the Commission has looked to the private sector to develop financial reporting standards, though the Commission does prescribe financial statement presentation formats and disclosures and, sometimes, accounting recognition and measurement principles as well. Approximately 1,300 of the 13,000 companies registered with the SEC are non-US companies. A foreign registrant may submit financial statements that conform to US GAAP. Alternatively, a foreign registrant may submit either IFRS financial statements or financial statements prepared using its national GAAP, but then a reconciliation of earnings and net assets to US GAAP figures is required.

In February 2000, the United States Securities and Exchange Commission issued a Concept Release on International Accounting Standards (File No.S7-04-00). The comment period closed on 23 May 2000. A key issue for the SEC is to determine under what conditions the Commission should "accept financial statements of foreign private issuers that are prepared using the standards promulgated by the International Accounting Standards Committee". One outcome may be issuance of a rule proposal for public comment, which may include modifications of the financial statement requirements for registration and reporting forms utilized by foreign private issuers, such as Forms F-1 and 20-F. So the US SEC feels the problems of accounting diversity. They are also working for a single set of high quality global accounting standards that promotes confidence in capital markets both for the investors and foreign registrants, decreases cost of capital, and promotes efficiency of the markets.

h) The US Public Company Accounting Oversight Board (PCAOB): The United States Public Company Accounting Oversight Board (PCAOB) is a private-sector, non-profit

corporation, created by the Sarbanes-Oxley Act of 2002, to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. The Board is funded principally by fees from public companies.

i) Confederation of Asian and Pacific Accountants (CAPA): CAPA is an organization representing national accountancy bodies in the Asia-Pacific region. Today, CAPA has a membership of *31 accountancy organizations in 21 countries*. CAPA is by far the *largest regional accountancy organization* and its geographical area spans half the globe that represents 700000 individual members. CAPA established in 1957. It's **mission** is to provide leadership in the development, enhancement and coordination of the accounting profession in the Asia-Pacific region. To achieve this mission, CAPA will pursue the following objectives:

- Enhance the standards and development of the profession by promoting harmonization through the adoption of IFAC and IASC pronouncements.
- Assist with the formation and development of national and intra-regional organizations which serve the interests of accountants in public practice, commerce, industry, public sector and education.
- Foster a strong and cohesive profession by providing leadership on emerging issues, coordinating with IFAC, other regional, intra-regional organizations, member bodies and associates to achieve appropriate strategic objectives.
- Promote the profession's role, responsibilities and achievements in advancing the interests of member bodies and in serving the public interest.

Table: 5.5- Shows program and contents of the CAPA-ADB workshops

Session 1.	The National Financial Management Framework	Outline financial management and role of accounting framework; Link with economic, social and environmental objectives; Role of accounting framework; Role of training
Session 2	The Role of Universities in Accounting Training	Under Graduate, Post Graduate and PhD Programs; Best Practice Curricula; Staffing of Accounting lecturing; Role of Accounting in University Priorities; Best Practice Teaching Methods; Links with Private, Public and Social Sectors; Research
Session 3	The Development of the National Accounting Framework	Objectives; Principles; Constructs; Training Groups; Approaches and methodologies; International standards; Links to professional bodies; Role of the academic; Research topics

Session 4	Developing the Accounting Curriculum in Universities	Best Practice examples of university accounting curriculum; Discussion
Session 5	The Conceptual Framework for Financial Reporting	IASC, FASB and SAC Frameworks; Objectives of Financial Statements; The Reporting Entity Concept; Elements of Financial Statements; Measurement; Standards setting process; Current IASs and IPSASs; ISAs; Professional requirements from IFAC;
Session 6	Best Practice Teaching Methods in Accounting Training	Examples of Best Practice teaching; Internet examples; Research and PhD topics; References and texts; Short courses and Specific Programs for special purpose teaching; future developments
Session 7	Case Studies in Accounting Training from Developing Countries	Current teaching arrangements in Developing Countries; Problems and Issues in accounting; Teaching arrangements
Session 8	Plenary Session	Participants to provide details of teaching methods and issues and problems in accounting training. E.g. local cases on accounting training.
Session 9	Practical Applications in Accounting Training	Participants to provide details of teaching methods and issues and problems in accounting training. E.g. local cases on accounting training.
Session 10	Research Topics	Discussion of Research topics for accounting training in developing countries
Session 11	Networking Arrangements	Exchange of ideas of building accounting training academics networks among participating countries
Session 12	Plenary and discussion	General discussion on topics arising over 3 days; Preparing Report on major findings from Symposium

During September 2002 CAPA and Asian Development Bank (ADB) conducted two 3-day workshops on "CAPA–ADB TRAIN THE TRAINERS WORKSHOP" (a joint CAPA-ADB project to upgrade Accounting Education), one in Dhaka, Bangladesh and another in Hanoi, Vietnam. For the workshop in Dhaka, Bangladesh the participating countries were Bangladesh, Nepal and Pakistan. For the workshop in Hanoi, Vietnam the participating countries were Vietnam. Cambodia and Mongolia.

The above contents [Table: 5.5] of the workshops indicate that CAPA and ADB have taken a comprehensive program for the development of accounting education and practices in the member countries. Their effort towards global harmonization of accounting is also notable and substantial. They are also working jointly to create a congenial atmosphere to implement IASs in the member countries. This will obviously add pace to the effort of IASB to harmonize global accounting.

16Th CAPA Conference at Dhaka:

CAPA held its 62nd and 63rd Executive Committee (Excom) meeting, assembly of delegates and 16th conference in Dhaka on 22-24 May 2004. Key features of the Excom meeting were:

Decision to work with IFAC to establish how CAPA can assists its own member bodies in the completion of the IFAC information requests concerning their legal and professional environment. As well as to work with IFAC to assists member bodies to comply with to IFAC request for the provision of information of their status with respect to the Statement of Membership Obligations (SMOs), if necessary and if requested by our member bodies, as well as to work with IFAC, if requested, to commend on these responses. Among other things, the CAPA Excom also decided to implement the following projects in relation to IFRS:

- Undertake a further round of the very successful 'Train the Trainers' program.
- Undertake a program of developing core studies of those IFRS standards of particular concern to member bodies, such as those of high complexity;
- This is in partial response to the needs identified at the IFAC Chief Executive meeting in New York in January 2004. Arrangement with IASCF for discounted price 2004 IFRS publications for members in developing countries.
- Undertake a study on level of convergence to IFRS by CAPA member countries.

So CAPA is working not only to adopt IFRS but also working to develop a group of trained peoples who will be well conversant in IASs/IFRSs in its member countries.

j) South Asian Federation of Accountants (SAFA): The South Asian Federation of Accountants (SAFA) is a forum of professional accountancy bodies in the SAARC countries and is committed to positioning, maintaining and developing the profession in its member-countries and ensuring its continued eminence in the world of accountancy. Eight professional bodies of five SAARC nations are the constituents of SAFA, these are:

(a) The Institute of Chartered Accountants of India;

(b) The Institute of Cost & Works Accountants of India;

(c) The Institute of Chartered Accountants of Bangladesh;

(d) The Institute of Cost and Management Accountants of Bangladesh;

(e) The Institute of Chartered Accountants of Pakistan;

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(f) The Institute of Cost and Management Accountants of Pakistan;

(g) The Institute of Chartered Accountants of Sri-Lanka;

(h) The Institute of Chartered Accountants of Nepal;

In the year 1998, SAFA became a recognized body of SAARC and at the 22nd meeting of the Council of Ministers of SAARC at Katmandu SAFA had been elevated to the status of SAARC Apex Body. The broad objectives of SAFA are the development of a coordinated accountancy profession in the region. In furtherance of this objective and within the framework of the Constitution, the SAFA shall:

- coordinate and guide efforts to evolve technical, ethical and educational guidelines within the region;
- work towards international recognition of qualifications of accountancy bodies of the region;
- provide opportunities for consultation such as the holding of conferences of accountants within the region to enable members of the accountancy profession to discuss and interchange ideas and to inform themselves of developments in accounting and related matters;
- encourage and assist the development of national accountancy organization within the region; and
- arrange exchange programs for students and teachers so as to expand training opportunities.

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International Accounting Standards and Bangladesh

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CHAPTER - 6:

INTERNATIONAL ACCOUNTING STANDARDS AND BANGLADESH

6.1 Introduction

International Accounting Standards work well in industrially developed countries having well organized capital market. How well IASs are working or will work in Bangladesh depends on economic development accompanied by development of capital market. In this chapter the researcher tried to give a brief profile of Bangladesh in the area of socio-cultural and economic heritage and trend of economic development. The researcher thinks that this will help the reader to understand the present status of IASs in Bangladesh.

6.2 Economic Environment and Industrialization History of Bangladesh

Development of accounting is closely related to economic development and industrialization. It is evident from history that industrial revolution during 17th century in Europe has a tremendous impact on the development of accounting. So exploration of economic development and industrialization history is quite relevant to a researcher who wants to know the status of accounting as well as IASs in Bangladesh.

Roots of Nationalism and Birth of Bangladesh: Bangladesh is a country of elongate heritage. If we have a look on the history of thousands of years, it is only thirty-four (1971-2005) years that Bangladesh is self-governed. Majumder, in his renowned book *The History of Bengal*, states that ***Nishad*** was the forefather of *Bengali* nation. *Nishad* means an uncivilized race of ancient India chiefly lived on agriculture and hunting. Some of them were Swineherd, Fishermen or Fowler by caste. Dr. Majumder also stated that a race named ***Alpine*** of Dravidian language from the southern part of India came to the land of today's Bangladesh before the Aryans. Though disputes are there about the specific period of Aryans' arrival at the Indian sub-continent, yet it is generally accepted that the Aryans were of European origin and they entered first into Punjab of India between the periods of 2000 to 1500 $_{B.C.}$ Over a long period the Aryans entered and became permanent inhabitants of Indian sub-continent resulting a hybrid race of *Nishad, Alpine* and *Aryans* that is *Bengali*.

Bangladesh was governed by the Hindu Regime up to 1197 $_{A.D.}$ and Laxman Sen was the last king of Hindu Regime. That year Ikhtiar-Uddin-Bin-Bakhtiar, the *Senapoti* [chief of

army staff] of Kutubuddin conquered Bihar and Bangladesh by defeating the King Laxman Sen and thus Muslim era starts that ends in 1757 when the British Empire takes over the power by defeating the last Muslim Nawab Siraj-Ud-Daulla at the *War of Palassey*. The British governed undivided India for a period of about 200 (1757-1947) years. At the end of British Empire, the political partition of the Indian subcontinent on the eve of its independence in 1947, the eastern part of the province of Bengal became East Pakistan, divided from West Pakistan by a considerable stretch of Indian Territory. In true sense she (East Pakistan) was governed by West Pakistan, which was never a comfortable partner of East Pakistan owing to particular differences in language and culture. Dissension eventually led to a movement for independence and after a nine months blood-spattered liberation war the country ***Bangladesh*** is emerged as an independent realm in the world Atlas in 1971 at a cost of 3 millions lives. The Bengali as a nation starts the era of self-governance.

Bangladesh: Some Basic Statistics [2005]

Official name: The People's Republic of Bangladesh
Political system: Parliamentary Democracy
Head of state: His Excellency Professor Dr. Iaz Uddin Ahemed (President) [2005]
Central government Ruling party: The Bangladesh Nationalist Party
Head of Government: Her Excellency Begum Khaleda Zia (Prime Minister)
Next election: Due By October 2006
Population: 140 million
Population density: 867 per km
Area: 147,570 sq. km.
Official language: Bangla (Bengali)
English is widely used in Government, Business and Universities
Religion: Muslims (88 %)
Hindus (10 %)
Others (2%)
Time zone: 6 hours ahead of GMT
GDP: per capita $386

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Currency: Bangladeshi Taka (Tk)
Exchange rates: $1 =Tk. 54.25 (approximate, as of mid-2000)
£1 =Tk. 45.57 (approximate, as of mid-2000)
¥ 100 =Tk. 50.67 (approximate, as of mid-2000)
Largest cities: Dhaka 9.6 million inhabitants
Chittagong 3.4 million inhabitants
Khulna 1.3 million inhabitants
Neighbors: India and Myanmar
Climate: Sub-tropical.
Heavy rainfall during the monsoons (July-October).
[Numbers as elsewhere-in South Asia, large numbers are expressed in lakhs (one hundred thousand, written 1,00,000) and crores (100 lakhs or ten million, written 1,00,00,000).]

Source: UNCTAD, based on Investing in Bangladesh: A Guide to Opportunities (Board of Investment), International Monetary Fund Exchange Rates and other sources.

Economic environment: Development of industrial sector and development of Accounting are positively correlated. So to explore the status of Accounting in Bangladesh, it will be justified to explore the historical background of Bangladesh from the viewpoint of economic development and industrialization.

Pre-liberation era: Bangladesh was a part of undivided India up to 1947. So, to look at the pre-liberation economic environment of Bangladesh we shall have to see the economic history of undivided Pakistan and India.

Pre-Historic and Proto-Historic India (About 2500 B.C.): This was the dark era of Indian history. Nothing is known about this era. It is assumed that people lived only on hunting. They did not even know how to cultivate the land to produce foods. Peoples were like animal.

Indus Valley Civilization (2500-1500 B.C.): A civilization flourished on the valley of the Indus River and its tributaries, extending as far to the northeast as Delhi and south to Gujarât. The people of the Indus civilization used copper and bronze, and they spun and wove cotton and wool. They also produced sculpture and other objects of substantial beauty, including many seals decorated with images of animals and, in a few cases, what appear to be priests (Microsoft, 2001).

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The Vedic Age (1500-7 $_{B.C.}$): Alexander attacked India during the year 327 $_{B.C.}$ and from that time the history of Bengal takes a formal shape in the works of different Greek and Latin writers. It is evident from the articles of Quistus Curtious, Plutarch, Solinus and Diodorus that there was a great nation named '*Gangaridai'* who lived in the eastern bank of the river *Ganges*. Alexander died in 323 $_{B.C.}$ and Greek empires ends in 317 $_{B.C.}$ After that Chandragupta Maurya (324-300 $_{B.C.}$) strengthens his empire. It is a historical truth that Bangladesh was under the administration of Maurya Empire (324-187$_{B.C.}$). Economic lives of the people were agro-based at that time. Different agro-based productive sectors were evident at this era. These were Potteries, Textiles, Handicrafts, and Tanneries etc. Peoples used different utensils made of gold, silver, copper, bronze, iron etc. Many peoples lived on different creative activities like sculptures, fine arts etc (Choudhury 1995).

Pala Dynasty (750$_{AD}$ -1144$_{AD}$) and Sena Dynasty (1095$_{AD}$ - 1197$_{AD}$): The period of Pala regime was known as overall prosperity. Several ports and cities were in existence where the earning member of the family worked and other dependents were lived in rural areas. Elites were lived in cities. Different industrial goods especially quality textile were exported from Bangladesh to different Arab and European countries. Tamralipi and Saptagram port of present Medinipur and Hugli district respectively were used in foreign trade with Burma, China, Sri Lanka, Sumatra, Malay, Champa, Comboj, etc. Tibet, Nepal, Mid-Asia and other part of India were linked by road with Bangladesh and several goods were exchanged among these countries. According to Ibne-khor-dad-bah, an Arab trader, a cotton made 'dhuti' could easily be passed through a finger ring. Another Arab trader named Solaiman stated that rhinoceros's horns were exported from Bangladesh to China. According to the book 'Abhidhan Ratnamala', tin (iron) were found at that time in Bangladesh. So a rich business environment is evident in Pala and Sena dynasty.

Muslim Regime (1197 - 1757): The prosperity of Bangla during the regime Muslim was legendary. Abul Fadl, the famous historian in the court of the great Moghul, was impressed by the plentitude of fruits and flowers of Bengal and the fertility of its soil that produced three crops. In the sixteenth century A .D. Bangladesh had a flourishing export trade in sugar and textile industry had no parallel in the whole world in variety of production as well as quality and quantity (Rahim 1992, 16). Marvelous sharee 'Maslin' was the proud of Bangladesh. Ship building industry of Bangladesh was prominent in the age of Senas and

continued to be so till the Moghul invasion. Chittagong, Sonargaon and Bagerhat were the important centers for ship building industry (Muhit 1992, 16-17).

British Regime (1757 - 1947): The British Empire governed Bangladesh for 190 years. With the defeat of Nawab Siraj-Ud-Dowla in 1757 at the Palassey battle, Bangladesh territory had gone under the indirect control of the British East India Company. The history of these 190 years was the history of exploitation. The British East India Company came to this territory in the 18th century with a view to take out the wealth of Bengal. As a result of colonial administration Bangladesh could hardly ever get the opportunity to develop her industrial sector, rather the industries of Bangladesh were forced to die out. It became a hinterland for supply of raw materials. It was converted into a market for manufactured products. Its agriculture deteriorated under the pressure of an antiquated land tenure system and lack of proper attention of firming (Muhit 1992, 92). In 1947 British rules came to an end and two sovereign states, India and Pakistan (East Pakistan i.e., Present **Bangladesh** and West Pakistan i.e., present Pakistan) emerged.

Pakistan Regime (1947-1971): Another history of exploitation was the Pakistan regime. Though 56% people were in the then East Pakistan, basically this majority people were never self-governed rather administered by the minority 44% people of the West Pakistan. West Pakistan's dominance in the political, economic and administrative decision-making processes gave her wide latitude to distribute the total wealth of the country to the advantage of West Pakistan alone. Bangladesh, in fact, was squeezed severely to transfer substantial resources to West Pakistan. Industries were developed in West Pakistan initially by transferring resources from agriculture of Bangladesh and they were developed by assuring protected market in Bangladesh. Export earnings of Bangladesh were utilized for imports in West Pakistan (Muhit 1992, 92-93). To get rid of this severe exploitation Bangladesh starts war of independence in 1971 and become independent at a cost of nine months bloodshed of three million lives.

Post Liberation era (1971 - onward): It is evident from the above discussion that Bangladesh became heir to a collapsed economy. Though she was very poor from industrialization point of view, most of the industries were owned by the West Pakistanis. After the independence, Pakistani owners left Bangladesh and these industries become abandoned. The new government of Bangladesh was no way but to take over the

responsibility of these industries by the nationalization order 1972. Multiples of reasons were there that these industries were not doing good and becoming *'sick'* day by day. These nationalized or State-Owned Enterprises (SOEs), which have a dominant, and in most cases monopoly, position in the provision of utilities and many manufactured products, continue to remain mired in inefficiency and large scale thefts. Most SOEs are overstaffed by 20-50%, with the average cost of maintaining a job amounting to about Tk 54-167 thousand - about 6-20 times the per capita income. In some cases, it would be cheaper to suspend operations and pay workers to stay at home. In 1993-94, 155 SOEs made total losses of Tk. 10.73 billion, which was 12 percent of the Annual Development Program and 1.2 percent of GDP. To save the drain away of these resources, during the late 1980s government decides to hand over these SOEs to the private entrepreneurs. This privatization process is still on the way despite of different obstacles. Since the beginning of the 1990s, Bangladesh has adopted a number of policies to facilitate the expansion of the private sector and increase the inflow of foreign investment. The private sector is recognized as the engine of growth. Although the transition process from an agrarian to an industrial economy has only started, there is a consensus among the political parties on promoting a market-oriented economic policy. Foreign companies are welcome. In fact, a recent assessment showed that the country offers perhaps the most liberal FDI regime in South Asia, with no prior approval requirements or limits on equity participation or restrictions on the repatriation of profits and income. According to Board of Investment (BOI), foreign investment proposal for 19.07 billion US dollar (38.8% local investment and 61.2% foreign investment) has been registered with them (BOI) between a period from June 1991 to December 2000.

Recent Development: Bangladesh economy is very much agro-based in nature. The agricultural sector contributed 31.6% of GDP in the financial year 1997-98 in comparison to 37.6% in 1990-91. This is an improvement in favor of the contribution of industrial sector to GDP, though it is evident that industrial sector's contribution towards GDP is increasing insignificantly [Table: 6.1, GDP: Sector wise Contribution (%)]. Bangladesh has achieved a remarkable GDP growth among the south Asian countries as a result of bumper agricultural crops production during the last few years, and the decreasing tendency of agricultural sector's contribution towards GDP implies that all other sectors other than

agriculture is coming up to a large extent in economic activities. Government has already taken different measures to boost up the industrial sector and attract the foreign investment. Since the beginning of the 1990s, Bangladesh has adopted a number of policies to facilitate the expansion of the private sector and increase the inflow of foreign investment. The private sector is recognized as the engine of growth. The transition process from an agro-based economy to an industrial economy has only started and all the potential political parties have unanimously accepted the philosophy of market-oriented economic policy. At present the country offers perhaps the most liberal foreign direct investment (FDI) regime in South Asia, with no prior approval requirements or limits on equity participation or restrictions on the repatriation of profits and income. These opportunities are reflected in the inflows of foreign direct investment (FDI), which increased from virtually zero in the 1980s to over $300 million in the late 1990s. The core attraction of international investors to Bangladesh is low-cost production facilities especially labor costs or abundant natural resources and apart from this, there exists a growing market with nearly 140 million inhabitants and undoubtedly this is potentially a sizeable market. Huge amount of FDI is under active consideration in the gas and oil exploration sector. A relatively high economic growth rates in recent years induces the purchasing power of the growing middle class with increasing demand for various products and services. During 1960s, the growth rate of per capita GDP was only 0.50 percent. It was 2.2%, 1.5%, and 3.2%, in the regime of 1972-82, 1983-90 and 1991-97 respectively. During the last three years of the preceding century the per capita GDP growth rate was 3.8% on an average. At this time the over all GDP growth rate was 5.6% and population growth rate was 1.8%. The 3.8% growth rate is about seven and a half folds in comparison to 1960s. Bangladesh stands in the second position after India in achieving remarkable economic growth in south Asian region [Rahman 2000]. In terms of GDP, when adjusted for purchasing power, the Bangladesh economy amounts to over $170 billion [United Nations and ICC 2000]. Besides representing a potential market in itself (and potential access to the much larger South Asian market) Bangladesh also offers considerable potential as a base for labor-intensive manufacturing. Low-cost labor is the factor most often cited by the private as well as the public sector in Bangladesh when asked to name the most attractive features of the country. For example, in 1998, the average hourly labor cost in apparel manufacturing was a mere $0.43, which is competitive

even by regional standards (United Nations and ICC 2000). For export-oriented activities, the Government has set up two export- processing zones (EPZs) in the two largest urban areas, Dhaka and Chittagong, and a further four are being developed. The advantages of EPZs include facilitation services and a variety of fiscal and non-fiscal incentives. In addition to its large population and low-cost labor, Bangladesh offers major reserves of natural resources, in particular natural gas. According to the United States Geographical Survey, proven gas reserves are in excess of 10 trillion cubic feet (tcf) and private estimates of probable reserves gas high as 50 tcf. These resources have attracted the attention of major corporations such as Cairn Energy, Shell and Unocal etc. The gas sector accounted for more than half of the total inflow of FDI in 1998 (United Nations and ICC 2000).

Contribution of industrial sector in GDP: Bangladesh is on the way to industrial development in a very slow pace. SOEs played a dominant role in the industrial sector. Industrial policy of the government was formulated stimulating the private sector to come forward in the industrialization process in the late 1980s. Side by side the government is vigorously pursuing the privatization policy of the SOEs, still the contribution of these enterprises is substantial in GDP, value addition, employment generation and revenue earnings. The following table shows the position and contribution of industrial sector in GDP:

Table: 6.1- GDP of Bangladesh: Sector-wise Contribution (%)

Sector/Sub-sector	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02
Agriculture	32.8	32.2	32.4	31.6	19.35	19.49	19.51	18.58
Crops & vegetables	24.3	23.7	23.8	22.8	14.33	14.59	14.72	13.75
Forestry	2.5	2.4	2.3	2.3	1.90	1.88	1.87	1.88
Livestock	3.1	3.1	3.1	3.2	3.12	3.02	2.95	2.96
Fisheries	3.1	3.1	3.2	3.3	5.93	6.09	5.52	5.40
Mining and Quarrying	0.0	0.0	0.0	0.0	1.00	1.03	1.07	1.07
Industry (Manufacturing)	**11.3**	**11.3**	**11.1**	**11.5**	**15.60**	**15.40**	**15.59**	**15.76**
Large-Scale	**7.4**	**7.4**	**7.2**	**7.6**	**11.20**	**11.01**	**11.13**	**11.16**
Small-Scale	**3.9**	**3.9**	**3.9**	**3.9**	**4.40**	**4.39**	**4.46**	**4.60**
Construction	6.3	6.2	6.2	6.3	7.67	7.84	8.08	8.41
Electricity, Gas, Water and Sanitation	1.8	1.9	1.9	1.8	1.42	1.43	1.46	1.51
Transport, Storage and Communication	12.1	12.1	12.2	12.3	9.21	9.20	9.42	9.62
Trade services	9.7	10.0	10.1	10.2	13.21	13.35	13.48	13.77
Public Administration and defense	5.1	5.2	5.3	5.5	2.55	2.55	2.56	2.60
Banking and Insurance	1.8	1.8	1.8	1.7	1.58	1.57	1.57	1.61

Source: Bangladesh Economic Review, 1999 & 2003. Ministry of Finance, Govt. of Bangladesh, p.17 & 22 respectively

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Recent Reform Initiatives: *Industrial Sector:* In the recent years the government of Bangladesh has taken a series of reform initiatives to strengthen the industrial sector, both public and private. Several reform issues are on the way to implementation. Such as:

Banking: To increase the operational autonomy of the Bangladesh Bank some relevant acts has been amended. These are the Bangladesh Bank order, the Banking Companies Act and Banks (Nationalization) order. Government hopes that this change will increase the operational efficiency of banking sector. It is very important because the banking sector is a vital allied sector of industrialization.

Trade and Industry: Trade regime has been liberalized by reducing the maximum tariff rate by 5%. Supplementary duty scheme has been rationalized by reducing the number of rates from 31 to 5. Import license fee for all imports has been withdrawn. This liberalization trend will be continued from 2003-04 fiscal year. All industries excepting those relate to national security have been made open for local and foreign investors. The government ha set a target of 25% contribution of industrial sector towards GDP for the year 2003-2004 in comparison to 15.91% for the preceding year 2002-03. At the same time government has taken several measures to encourage the private sector and as a consequence many nationalized industrial units are being privatized. Since establishment of Privatization Board (now Privatization Commission), up to June 2003 a total 42 industrial entities have been privatized with a view to increase their efficiency and boost up the private sector (Bangladesh Economic Review 2003, 13).

6.3 Legal Framework and Existing Financial Reporting in Bangladesh

The outsiders dominated Bangladesh for a long-long time. The nation did never get the opportunity to build up their culture, education, economy, social system, laws, etc. on their own because of the deception and fraudulence act by the outsiders for thousands of years. Hundred years old acts and rules are still in force in this country. Even two vital Acts governing the economic as well as corporate activities and financial reporting viz. the Income Tax Act of 1922 and the Companies Act of 1913 were in force till 1984 and 1994 respectively. Many old (even more than hundred years old) Acts inherited from the British Empire are considerably influenced by the British heritage. After the collapse of Socialism during the year 1991, America takes over the economic and political headship of the world.

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In consequences, American influence on Bangladesh becomes very much perceptible in the area of politics, education, economic activities etc.

The financial reporting of all countries of the world is regulated by one or more legal structure because of the involvement of public interest with the financial reports of a particular company. Different legal structures are there in Bangladesh for different types of companies.

Table- 6.2: The legal framework and their peripheries:

Rules and Regulations	Peripheries
The Companies Act 1994	All types of private and public limited companies other than state owned enterprises.
The Securities and Exchanges Rules	Companies Listed in the Stock Exchanges
Banking Companies Act 1991	Banking Companies including State owned Banks
The Income Tax Act 1984	Individuals, All types of Companies including State owned enterprises.
The Insurance Act 1938	All Insurance Companies including State owned Insurance Corporations.
Various Governmental Orders (G/O), Ordinances	State Owned Enterprises.

Table- 6.3: Matrix of Different Institutions and Different Governing Regulations:

Regulations / Sectors	Companies Act 1994	Securities and Exchange Rules	Banking Companies Act 1991	Income Tax Act 1984	Insurance Act 1938
Manufacturing:					
Listed	√	√		√	-
Unlisted	√	-		√	-
Banking: Listed	√	√	√	√	-
Unlisted	√	-	√	√	-
Insurance: Listed	√	√	-	√	√
Unlisted	√	-	-	√	√
Service and Real Estate:					
Listed	√	√	-	√	-
Unlisted	√	-	-	√	-
State Owned Enterprises:					
Listed	√	√	-	√	-
Unlisted	√	-	-	√	-
Individual	-	-	-	√	-
Sole Trading	-	-	-	√	-
Partnership	-	-	-	√	-

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The legal provisions of different laws regarding financial reports are expressed as follows:

The Companies Act 1994: Companies Act 1994 is the legal framework regulating the functions of limited companies, both listed and unlisted. The regulator of the act is the Registrar of Joint Stock Companies (RJSC). Till today, the act is quite silent about the application of IASs in Bangladesh. Despite silence of the Act many listed companies (local and foreign) follow IASs in compliance with SER 1987. Demand is mounting from different corners to make IASs mandatory by the Companies Act 1994. However, sections 181-191 of the Act cover the accounts related matters. Relevant provisions are quoted from the act:

Section 181(1) states that every company shall keep proper books of accounts with respect to –

(a) all sums of money received and expended by the company and the matters in respect of which the receipts and expenditure takes place;

(b) all sales and purchase of goods by the company;

(c) the assets and liabilities of the company; and

(d) in case of a company engaged in production, distribution, marketing, transportation, processing, manufacturing, milling, extraction, and mining activities, such particular relating to utilization of material, labor, and other items of overhead costs.

According to Section 182(1) of the Act, the books of accounts and papers of the companies are to be inspected by the registrar of joint stock companies or by any authorized government officials. *Section 183* stipulates about the period of financial statements. *Section 185* specifically deals with the forms and contents of *financial statements* viz. balance sheet and profit and loss account. The *Balance Sheet* of a company has to be prepared in accordance with the prescribed format and contents laid down in the *Part-I of Schedule XI* (Appendix-6.1) of the Act. On the other hand *Part-II of Schedule XI* (Appendix-6.2) contains the format for *Profit and Loss Account*. However a company may deviate from the formats of schedule-XI subject to governments' authorization. The formats prescribe to disclose information relating to two consecutive years i.e., current year and previous years. However, according to note (g) of the general instructions for preparation of balance sheet (given in Part-I of schedule-XI after the Horizontal form of

balance sheet), "A statement of changes in financial position shall be included as an integral part of the financial statements, and shall be presented for each period for which the profit and loss account is prepared." The Companies Act 1994 also allows the vertical form of balance sheet which is similar to Fund Flow Statement where the sources of fund such as equity and debt is shown in the upper portion and application of fund such as fixed assets, investments, net current assets etc. are shown in the lower portion of the statement. No Cash Flow Statement or Statement Showing Changes in Equity is prescribed by the Companies Act 1994.

The Securities and Exchange Rules (SER) 1987: The scope of the Securities and Exchange Rules 1987 is to regulate the functions of companies listed in the stock exchanges. As regards preparation of financial statements, the Securities and Exchange Rules 1987 have given a wider definition of financial statements than the Companies Act 1994. According to the Companies Act 1994, profit and loss account and balance sheet are the components of financial statements whereas the Securities and Exchange Rules 1987 included the cash flow statement and notes to the accounts as an integral part of the financial statements in addition to profit and loss account and balance sheet. On the other hand the SER 1987 made International Accounting Standards (IASs) mandatory fore the listed companies by amending the rule number 12(2) during the year 1997. The relevant rules are quoted below:

According to Rule-12 (1) the annual report of an issuer of a listed security shall include "a *Balance Sheet* and *Profit and Loss Account* and *Cash Flow Statement* and ***Notes to the Accounts***, collectively herein after referred to as the financial statements" (amended SEC/Sec-7/SER-1987/03/132dt. 22.10.1997). According to Rule 12(2) the financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the *Schedule* and the *International Accounting Standards* as adopted by the Institute of Chartered Accountants of Bangladesh. [Explanation- In this sub-rule, International Accounting Standard refers to the accounting standards issued by the International Accounting Standards Committee].

Schedule of Part-1 of SER 1987 describes about the content of balance sheet (Appendix - 6.3) and *schedule of Part-II* describes about the content of Profit and Loss account (Appendix - 6.4). No description about the content of cash flow statement is there in the

rule but it refers to direct method of IAS-7 to prepare cash flow statement. Here it may be noted that IAS-7 allows both direct method and indirect method for cash flow statement

Rule 13 of the SER 1987 provides that every issuer shall, within one month of close of the first half-year, prepare and transmit to the stock exchange on which its securities are listed, to its securities holders and to the Commission *a balance sheet, profit and loss account* and *cash flows statement* in Form "C" annexed to the schedule or as near thereto as circumstances may admit, for the half-year, whether audited or otherwise.

The Insurance Companies Act 1938 & the Bangladesh Insurance Corporation Act 1973: The Insurance Act 1938 and the Bangladesh Insurance Corporation Act 1973 are two laws controls the activities of insurance business in Bangladesh. The laws vested sufficient power on the Chief Controller of Insurance (CCI) to regulate insurance business including external financial reporting. The Insurance Companies Act 1938 requires that an insurance company must prepare their *Balance Sheet* and *Profit and Loss Account* according to the *first schedule* and *second schedule* of the Act respectively. On the other hand the Bangladesh Insurance Corporation Act 1973 also provide for preparation of proper accounts including Balance Sheet and Profit and Loss Account and Revenue account.

The ICAB-World Bank Disclosure Checklist: As stated earlier that the Securities and Exchange Commission vide a notification No. SEC/Section-7/SER/03/132, dated 22 October 1997 made it mandatory for all listed companies to conform to certain requirements as to the formulation of Financial Statements of those entities vis-à-vis compliance's of relevant IASs (BAS) for standard disclosure.

In line with the stipulated requirements a Standard Disclosure and Compliance Checklist has been developed under the ICAB World Bank finance project for use of all concerned specially for the members of the ICAB as a model checklist. This checklist was approved in a meeting of the Project Development and Implementation Committee (PDIC), ICAB for circulation amongst members of the Institute. Now this checklist has become an important framework of Financial Reporting of Bangladesh. The checklist covers the important provisions of relevant laws and International Accounting Standards (IASs) relating to financial disclosures. The detailed checklist is available in appendix - 6.5.

SAFA Criteria for best annual reports: SAFA stands for South Asian Federation of Accountants. It is a forum of professional accountants of SAARC countries. Bangladesh as

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well as ICAB and ICMAB are active members of SAFA. As a part of its objectives SAFA has published some criteria (both financial and non-financial) for best annual reports for the listed companies of the region. Listed companies in this region are being rated, ranked and awarded for best annual reports on the basis of these criteria. This is why these criteria has significant impact on preparation of financial statements of listed companies of Bangladesh.

6.4 Capital Markets in Bangladesh

The Capital Market can be defined as the sources of medium and long-term fund. Capital market serves the need of industry and commerce, Government and Local authorities. Limited companies go to capital market to raise their fixed capital or long-term capital by issuing shares and debentures (Roy, 1992, 17). Stock Exchanges are the examples of capital market. Bangladesh has two capital markets, one is Dhaka Stock Exchange (DSE) and another is Chittagong Stock Exchange (CSE).

The DSE was incorporated on 28th April 1954 as the East Pakistan Stock Exchange Association Limited. On 23rd June 1962, it was renamed as the Dhaka Stock Exchange. Formal Trading began in 1956. The CSE was established in 1995. Both DSE and CSE is registered as public limited companies and their activities are regulated by their Articles and Association Rules and regulations and bye-laws along with the Securities and Exchange Ordinance 1969, Companies Act 1994 and Securities and Exchange Commission Act 1993.

Performance of Capital Markets in Bangladesh:

Dhaka Stock Exchange (DSE): The total number of securities listed with the DSE stood 260 in June 2003 against 257 in June 2002. As of June 2003 the issued capital and debentures of listed securities amounted to Tk. 3608.10 crore as compared with Tk. 3496.80 crore in June 2002 registering an increase of 3.18 percent. As of June 2003 the market capitalization of all securities stood at Tk. 7299.80 crore, which was 6551.80 crore in June 2002 showing an increase of 11.42 percent. The weighted average Share price index in June 2003 was 823.14 percent against 819.74 in June 2002.

Chittagong Stock Exchange (CSE): The total number of securities listed with the CSE stood 185 in June 2003 against 184 in June 2002. As of June 2003 the issued capital and debentures of listed securities amounted to Tk. 3190.67 crore as compared with Tk.

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3084.74 crore in June 2002 registering an increase of 3.57 percent. As of June 2003 the market capitalization of all securities stood at Tk. 6020.86 crore, which was 5619.05 crore in June 2002 showing an increase of 7.15 percent. The weighted average Share price index in June 2003 was 1841.24 percent against 1838.99 in June 2002.

Sources: Bangladesh Economic Review 2003, Ministry of Finance, Govt. of Bangladesh

Recent reform programs: To develop the capital market and to protect the interest of the investors a number of reform issues have been taken. These are enactment of Central Depository System (CDS Amendment) Bill 2002, introducing website of capital market, reduction of corporate tax, introduction of floating exchange rate since May 2003 etc. Up to 30th June 2003 the capital market of Bangladesh attracted new investment to the tune of 194.38 crore of which Tk. 116.12 crore came through IPO (Initial Public Offering) and Tk. 78.26 crore through local placement. After the crush of 1996 in the capital market the price index of Dhaka Stock Exchange dropped down to the lowest to 488 in 1999. Due to macroeconomic stability and implementation of reform programs in capital market, price index stood at 818 and 822 during 2001 and 2002 respectively. Despite of this improvement in the capital market it is still not comparable to any develop countries. Even the price index of Bombey (Mumbai) Stock Exchange was 3262 and 3377 for the year 2001 and 2002 respectively (Bangladesh Economic Review 2003, 47-48). Still now the investors cannot feel safe to invest their money in the securities traded in stock exchanges of Bangladesh.

6.5 Foreign Investment in Bangladesh

Bangladesh has adopted a very liberal industrial policy to attract foreign investment. Liberalized Industrial Policy Export-oriented, private sector-led growth strategy. No limitations pertaining to equity participation i.e. up to 100 percent foreign private investment allowed. Except five reserve sectors, all industries are open for private investment. Industries earmarked for public sector investment are included in the reserve sector namely:

- Arms, ammunition and other defense equipment and machinery,
- Production of nuclear energy
- Forest plantation and mechanized extraction within the bounds of reserved forests
- Security printing (currency notes) & minting and

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- Railways & air transportation (except certain domestic routes and air cargo).

No permission of the Government is required to set up new industries. For obtaining institutional facilities like procurement of land, electricity, gas and sewerage connection, importation of capital machinery and raw materials tax rebate, duty drawback facilities etc. industries need only to be registered with the Board of Investment (BOI) in a simple prescribed form.

Facilities to Non-Resident Bangladeshis:

- Non-resident Bangladeshi investors enjoy facilities similar to foreign investors
- Allowed to buy newly issued shares /debentures of Bangladeshi Companies.
- Quota of 10% reserved for non-resident Bangladeshis in primary shares (IPO)
- Foreign currency deposits in the Non-resident Foreign (NFCD) account.

Investment Guarantee

Foreign Private Investment (Promotion & Protection) Act, 1980 ensures legal protection to foreign investment in Bangladesh against nationalization and expropriation. It also guarantees repatriation of capital & dividend and equitable treatment with local investors

Facilities and Incentives

- Tax holiday 5-1 0 years depending on location of Industries
- 15 years tax holiday for private power generation companies
- Facilities for repatriation of invested capital, profit & dividend
- Exemption of tax on interest on foreign loan
- Tax exemption on royalties, technical know-how & technical assistance fees
- Avoidance of double taxation on the basis of bilateral agreements
- Six months multiple entry visa for the investors
- TAKA, the nation's currency, is convertible for international payments in the current account
- Re-investment of repatriable dividend treated as new investment
- Working capital loan, as well as term loan, from local commercial banks allowed to the industries set up with foreign capital.
- Citizenship by investing a minimum of US$ 5,00,000 or by transferring US$ 1 0,00,000 to any recognized financial institution (non repatriable)
- Permanent resident-ship by investing a minimum of US$ 75,000 (non-repatriable)

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- Tax deduction is made on dividend @ 15% for institutional investors

Present Position of FDI: Some body argue that FDI depends to a great extend on implementation of IASs. This argument is not true in all respect however foreign investors may feel secure with their investment if the economy has a transparent accounting information system. Proper implementation of IASs can ensure that transparent and comparable accounting information to facilitate the investors to take optimal investment decision. Naturally foreign investors will prefer IASs based information system in a country to make their investment more secure. So it cannot be said that without adoption of IASs no FDI will take place in a country. IASs were made mandatory in Bangladesh since 1997. It would be a subject matter of research whether IASs have any direct impact on FDI inflows in Bangladesh. However the present FDI position in Bangladesh can be depicted from the World Investment Report 2003 (UNCTAD). The report mentioned that

> FDI flows to Bangladesh and other countries in the sub-region declined. However, in case of Bangladesh, FDI flows in 2002 would have been higher if investment in kind is included.

According to the census conducted by the Board of Investment (BOI) the FDI position in Bangladesh has been presented in Table-6.4. The most of the investor countries (as depicted in the table 6.4) have well-organized own GAAP or IASs based accounting system in comparison to Bangladesh. They know it very well that status of IASs in Bangladesh is not so strong and probably that was an obstacle on the way to FDI. It is also natural that these developed countries will fell safe and ease regarding their investment if there is a transparent and globally accepted accounting system prevail in Bangladesh.

Box-6.4: Foreign Direct Investment in Bangladesh for the year 2002

- FDI inflows in 2002 were $328 million (compared with $58 on a balance of payment basis reported by the Central Bank of Bangladesh). Half of it was financed by equity, 31% by reinvested earnings and 19% by intra-company loans.
- While FDI flows have traditionally been concentrated in the power and energy industries, 44% of the total FDI flows in 2002 went to the manufacturing sector.
- The major sources of investment in 2002 were Asia (45%), followed by Europe (32%) and North America (17%). Norway was the single largest investor (19%), followed by the United States (17%), Singapore (14%) and Hong Kong (China) & Malaysia (9% each). Most of the FDI from Norway was in telecom and from the USA in

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the service sector (e.g. power generation, oil and gas, liquefied petroleum gas bottling, medicare service). Investment from Asia, particularly South, East and South-East Asia, were concentrated in manufacturing.

- The major investors include AES and Unicol (USA), BASF (Germany), Cemexs (Mexico), Holcim and Nestle (Switzerland), Lafarge and Total FinaElf (France), Taiheyo (Japan), Telenor (Norway) and TMI (Malaysia).

Sources: *Source: Bangladesh Economic Review, 2003. Ministry of Finance, Govt. of Bangladesh, pp. 80-81*

6.6 Need for IASs in Bangladesh

Adoption of IASs in Bangladesh is necessary on the following ground:

- The ICMAB and the ICAB, both the professional institutions of Bangladesh are the members of the IASC/IASB. So it is a moral obligation to Bangladesh to adopt IASs/IFRSs as issued by the IASC/IASB.
- Bangladesh is a developing country. The country needs help of different international leading and donor agencies in working towards stability and prosperity for the future. The leading and donor agencies will not provide fund without reasonable assurance that the fund will be spent wisely and well. Adoption of IASs/IFRSs can create a culture of accountability, responsibility and above all transparency in financial matters.
- The era of globalization is going on. With rapid acceleration in the internationalization of business, there has been a corresponding need for an international accountancy profession capable of meeting the clients' demand. Introduction of IASs/IFRSs can meet this demand.
- Investors will feel safe and confident in taking investment decision in an IASs/IFRSs reporting environment.
- Different stakeholders like employees, customers, suppliers, local communities, and pressure groups need reliable, transparent and comparable information in order to make sound business decision. IASs/IFRSs can ensure to provide such information.
- To develop an efficient capital market with a view to capital formation, IASs/IFRSs can play a vital role.

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6.7 Acceptance of IASs in Bangladesh.

The Institute of Chartered Accountants of Bangladesh (ICAB) became the members of International Accounting Standards Board (IASB) in 1977. The ICAB has so far adopted 29 International Accounting Standards (IASs) as Bangladesh Accounting Standards (BAS) out of total 41 IASs (of which 34 are currently effective). Section 12(2) of the Securities and Exchange Rules of 1987 has made it mandatory to use IAS by the all listed companies. The ICAB looks after the implementation process of IASs in Bangladesh through its associate and fellow members (Chartered Accountants) who act as external auditors of public limited companies. Despite of the implementation of IAS, several fraudulent presentations of financial statements has taken place in Bangladesh. As a result the extent of implementation of IAS in Bangladesh is in question. Mere adoption of IAS is meaningless without their successful implementation.

6.8 Enforcement Mechanisms and Implementation of IASs in Bangladesh:

There are several bodies those are supposed to enforce and monitor the implementation of IASs in Bangladesh. These bodies are empowered by law to go for prosecution if the financial statements of the companies are not complied with respective laws. Since IASs/IFRSs are enforceable by law, any noncompliance with IASs/IFRSs is a violation of law and should be punishable. But the real picture does not like that. It is rare that these regulatory bodies have taken a lawful measure against a company for noncompliance with IASs.

Institute of Chartered Accountants of Bangladesh (ICAB): ICAB is empowered by the Securities and Exchange Rules 1987 to adopt IASs in Bangladesh. Though ICAB monitors the implementation aspect as well as compliance of financial statements of listed companies with IASs and other relevant laws, but it suffers from lack of effective mechanism to ensure the compliance with IASs. Very recently the ICAB has developed a standard disclosure checklist with the assistance of World Bank finance project. This checklist covers provisions of relevant laws and disclosure requirement of applicable IASs (appendix - 6.5). This is a good job that ICAB has done but due to lack of effective enforcement mechanism the members of the institute are not serious to follow this guidelines.

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The Registrar of Joint Stock Companies (RJSC): All limited companies, private or public, are under the jurisdiction of RJSC. He (RJSC) has the authority to enforce the provisions of the Companies Act 1994. Unfortunately the RJSC has not technical expertise to look after the compliance or non-compliance of financial statements with the provisions of the Companies Act 1994 relating to accounting matters. Even the researcher has the experience to get back his questionnaire from RJSC's office blank. The researcher had talk to some high officials including Registrar and observed that they don't have any idea about IASs and their status in Bangladesh.

The Securities and Exchange Commission (SEC): The SEC regulates the capital market as well as the functions of stock exchanges of Bangladesh. Though it is not so well staffed but yet the SEC has a separate cell to monitor the listed companies' financial statements with regard to their compliance with IASs and other relevant legal provisions. A preliminary analysis of financial statements conducted by SEC staff, up to end-February 2003, identified 16 listed companies that appear to have anomalies in their financial statements. However the audit report of all these financial statements were unqualified. The SEC takes initiatives using its regulatory power to perform a second audit of these 16 issuers. They determine terms of references of second audit and appoint five audit firms. Three of the company managements writ with the high court challenging the SEC's decision. High court's order goes against the SEC, they fail to perform second audit. Here the worth mentioning thing is that the SEC should have absolute power to perform second audit where necessary to improve the accounting practices in Bangladesh and at the same time to protect the interest of the investors.

The Bangladesh Bank: The Bangladesh bank regulates functions of scheduled banks and other non-bank financial institutions. It performs routine audit and monitor the activities including preparation of financial statements of banks and other non-bank financial institutions. But this routine supervision does not take any attempt to identify the non-compliance of financial statements with IAS 30 or other legal requirement. The Bangladesh bank also suffers from lack of skilled and technical manpower to look after this accounting aspect of scheduled banks and other non-financial institutions.

The Insurance Act 1938: The Chief Controller of Insurance (CCI) is sufficiently empowered by the Insurance Act 1938 to regulate the financial statements of insurance

companies. But unfortunately it is rare that the CCI has used this power vested on him. Like the office of RJSC the office of the CCI also suffers from lack of skilled personnel who can look after the compliance of financial statements of insurance companies with provisions of relevant laws and IASs. The CCI normally appoints very small audit firms to conduct special audit and most of these auditors appear to lack knowledge of the complexities of the modern insurance business (World Bank, ROSC).

6.9 Enforcement Mechanism: European Experience

Bangladesh can learn a lot from different developed countries having a look on their process of implementation of accounting standards (either IAS or national standards). In relation to enforcement, several aspects can be taken into consideration. In most of the European countries including UK, there appear six levels of enforcement mechanism of accounting standards (Fédération des Experts Comptables Européens: 2001). These are:

1. Self-enforcement: preparation of financial statements
2. Statutory audit of financial statements
3. Approval of financial statements
4. Institutional oversight system
5. Court: sanctions/complaints
6. Public and Press reactions

Self-enforcement: preparation of financial statements: The first step in enforcing the proper application of accounting standards is the self-enforcement on the preparation of financial statements. It is the clear responsibility of the management of the company that the financial statements are prepared in accordance with International Accounting Standards.

Statutory audit of Financial statements: The statutory auditors play an important role in ensuring the quality of financial reports. They report to the shareholders that the financial statements has been prepared in compliance with the applicable laws and accounting standards. ISA 700s "The Auditor's Report on Financial Statements" states in paragraph 17 on the Opinion Paragraph that:

> The auditor's report should clearly state the auditor's opinion as to whether the financial statements give a true and fair view (or are presented fairly, in all material respects) in accordance with the financial reporting framework and, where appropriate, whether the financial statements comply with statutory requirements.

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The audit is an important element of the financial reporting structure because it subjects information in the financial statements to independent and objective scrutiny, increasing the reliability of these financial statements. Trustworthy and effective audits are essential to the efficient allocation of resources in a capital market environment, where investors are dependent on reliable information. It is the duty of the auditors in the first instance to draw attention to departures from standards in reporting to the shareholders and for regulators or other enforcement agencies and capital and financial markets then take appropriate action against those companies that abuse compliance with the agreed accounting standards. Capital and financial market regulators have a prudential interest in ensuring accurate and consistent application of accounting standards in the securities markets they regulate. Therefore, all countries have the system of statutory audits (FEE, 2001, 9)

Approval of financial statements: Each and every country has the customs/rules to approve their financial statements. Normally, in most of the countries, shareholders approve the financial statements at their annual general meeting (AGM). In others, e.g. in UK and Ireland, this responsibility is assumed by the board of directors. In some countries the approval of the AGM is without legal effect. In others approved financial statements are needed to distribute dividends. Approval does not in all countries imply that the AGM has the power to modify the accounts on specific aspects (FEE, 2001, 10).

Institutional oversight system: Merely framing law is not sufficient to implement IASs effectively. A strong institutional oversight system is necessary for effective enforcement as well as implementation. Different country has different Institutional oversight system. Where voluntary adoption takes place, institutional supervision become less important and vise versa. The following table [Table: 6.5] gives comparative picture of institutional oversight system of different countries.

Oversight mechanism also differs from country to country. In some countries it is proactive (review of financial statements is a routine work of the overseeing authority) and in some other countries it is reactive (review of financial statements is not a routine work rather it is done on complaint basis). The following table [Table: 6.5] shows a comparative picture of oversight mechanism work in different countries.

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Austria, Finland, Germany, Ireland, Luxembourg, Netherlands, Hungary and Slovenia have no specific institutional enforcement oversight system to enforce financial reporting standards for financial statements by reviews going beyond formal checks (FEE, 2001, 12).

Table: 6.5- Summary information on institutional oversight mechanisms concerning consolidated accounts of listed companies

Institutional oversight mechanism for financial statements				No institutional oversight system7[1]
Stock Exchange	Stock Exchange Regulator	Review Panel	Other Government	
Sweden Norway Switzerland	Belgium France, Italy Portugal, Spain	UK (FRRP) [2]	Denmark[3] UK (DTI)[4] Czech Republic[5]	Austria, Finland Germany, Ireland[6] Luxembourg, Netherlands[7] Hungary, Slovenia

Source: Fédération des Experts Comptables Européens (FEE), 2001, p-12

Table-6.6: Nature of Activeness of institutional oversight

Way of review		
Proactive		Reactive
Review all listed companies (Systematic Review)	Test Basis	Complaint
Belgium Italy Sweden Czech Republic	Denmark France Portugal Norway Spain	UK (FRRP) UK (DTI) Switzerland

Source: Fédération des Experts Comptables Européens (FEE), 2001, p-14

Court: sanctions/complaints: In many countries there is detailed legislation for legal reaction by creditors and other third parties in case the financial statements are incorrect or not in compliance with the law, including a system of punishments, penalties and enforcement fines by the court. There exists a special Court system like this in the Netherlands. However, it is obviously questionable whether such a system is feasible for a developing country like Bangladesh. It is rare in Bangladesh to sue against a doctor even for loss of a life due to wrong treatment. In such a situation it cannot be thought that an

[1] In those countries the existing institutional oversight systems is only responsible for enforcement in relation to other documents than annual financial statements (e.g. prospectus, preliminary results, interim financial statements) or is only prepared to undertake reviews limited to formal checks.
[2] Large and listed companies
[3] In Denmark, the financial statements of financial institutions and insurance undertakings are reviewed by a special governmental agency: The Financial Supervisory Authority. For other companies, the financial statements are reviewed by the Danish Companies and Commerce Agency on a test/sample basis.
[4] Small and medium sized companies primarily
[5] Securities Committee
[6] The office of the Director of Corporate Enforcement is to be established.
[7] In the Netherlands, there is a special Court system.

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investor will sue against a company for any financial loss incurred because of incorrect or false information provided in the financial statements deliberately.

Public and Press reactions: Any malpractice of accounting that causes significant injury to public investment becomes a subject matter of press. The name of ENRON Corporation of USA is now known worldwide. The Arthur Anderson (world renowned accounting service firm) concealed some accounting facts that misguide the investors for the time being but finally ENRON collapsed. Here press played an important role to get the facts open worldwide. Now it has become a severe threat to the credibility of the Arthur Anderson. So public and press reactions could have an influence on the accounting practices of companies. Therefore the role of public and press reaction could have a positive impact on the proper application of accounting standards (FEE 2001, 15).

6.10 International Accounting Standards and Legal Framework of Bangladesh

Legal framework is an important factor towards enforcement of IASs. If the legal framework contradicts with any disclosure requirement of IASs then naturally legal requirement will supersede over the disclosure requirement of IASs. On the other hand if legal framework accommodates IASs then it will be a mandatory obligation for all the listed companies to comply with the requirements of IASs. So the legal requirements should be receptive enough in harmony with the disclosure and other requirements of IASs. According to the observation of the researcher: IASs are more detailed and elaborate regarding disclosure of a particular financial information in comparison to different legal requirements of disclosure of financial information. A comparative picture of IASs and Companies Act 1994 has been gives on some specific issues in Table-6.7. Insufficiency and lack of clarity of financial information is a limitation of legal framework of Bangladesh. There exists some contradiction between IASs and legal provisions. For example:

The Companies Act 1994: (1) The Act requires that under all circumstances the gain of loss arising from changes in foreign exchange rates be capitalized. This provision is in contrary to the requirement of IAS-21.

(2) The Companies Act provisions for preparing consolidated balance sheet is not consistent with the requirement of IAS-27. According to Section 186 (1)

There shall be attached to the balance sheet of a holding company having a subsidiary or subsidiaries at the end of the financial year as at which the holding company's balance sheet is made out, the following documents in respect of such subsidiaries or each such subsidiary, as the case may be -

(a) a copy of the balance sheet of the subsidiary;
(b) a copy of the profit and loss account;
(c) a copy of the report of its Board of Directors;
(d) a copy of the report of its auditors;
(e) a statement of the holding company's interest in the subsidiary as specified in sub-section (6);
(f) the statement referred to in sub-section (8), if any; and
(g) the report referred to in subsection (9), if any.....

But the disclosure requirement of IAS-27 includes:

- Name, country, ownership, and voting percentages for each significant subsidiary.
- Reason for not consolidating a subsidiary.
- Nature of relationship if parent does not own more than 50% of the voting power of a consolidated subsidiary.
- Nature of relationship if the parent does own more than 50% of the voting power of a subsidiary excluded from consolidation.
- The effect of acquisitions and disposals of subsidiaries during the period.
- In the parent's separate financial statements, a description of the method used to account for subsidiaries.

The Securities and Exchange Rules 1987: Listed companies should follow disclosure requirements of the Securities and Exchange Rules (SER) 1987 in preparing their financial statements. In case of any inconsistency the SER 1987 will be a triumph over the disclosure requirements of Companies Act 1994. During October 1997 the SEC made IASs (as adopted by the ICAB) mandatory for the listed companies inserting section 12(2) into the SER 1987. The rules remain silent as regards statement of full compliance with IASs by the management or chartered accountants. To over come this shortcoming the SEC issued a new rule during February 2000 on the format of auditor's report. According to this rule the

auditors will verify that the financial statements have been prepared in accordance with IAS and the audit has been carried out in accordance with International Standards on Auditing (ISA).

Table-6. 7: Comparative picture of components of financial statements

Components of Financial Statements as per IAS-1	The Companies Act 1994	The Securities and Exchange Rule 1987	Real life practice in Bangladesh
Balance Sheet	Balance Sheet	Balance Sheet	Balance Sheet
Income statement	Profit and Loss Account	Profit and Loss Account	Income statement/ Profit and Loss Account
Statement of Changes in Equity	Not addressed	Not addressed but IASs adopted	Some companies prepare separate statement some shows at the end of Profit and Loss Account
Cash Flow Statements	Not addressed	Not addressed but IASs adopted	All companies prepare it
Notes to the Accounts	Not addressed	Not addressed but IASs adopted	All companies prepare it

The ICAB has so far adopted 29 IASs out of 34 IAS (effective number). But Para-11 of IAS-1 (revised 1997) clearly states,

> An enterprise whose financial statements comply with International Accounting Standards should disclose that fact. Financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable Standards and each applicable interpretation of Standing Interpretation Committee.

So issuing compliance certificate by the auditor without adopting all the applicable IASs is a clear contradiction between SER 1987 and IAS-1.

The Banking Companies Act 1991: The Bangladesh bank is the regulator of the banking Companies Act 1991. The Banking companies are regulated by the Companies Act 1994 first and the Banking Companies Act 1991 is in addition to that. However the Banking Companies Act 1991 will super-cede the Companies Act 1994. IAS-30 was adopted by the ICAB on 1st January 1999 but the same was accommodated by the Bangladesh bank on 18th April 2000 vide BRPD circular no. 03. The Bangladesh Bank amended the first schedule (format of profit and loss account and balance sheet) of the Banking Companies Act 1991. A schedule bank, listed or unlisted, must follow this format in preparing their

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financial statements. As a result the banks fail to prepare general-purpose financial statements in many cases because they are strictly regulated by the Banking Companies Act.

The Insurance Act 1938: This Act regulates insurance companies in addition to the periphery of the Companies Act 1994. In case of any inconsistency between the provision of the Companies Act and the Insurance Act, Insurance Act 1938 shall prevail. The financial statements of an insurance company must comply with the formats provided by the Act but the accounting rules and disclosure formats prescribed by the Act are not consistent with the IASs disclosure requirements and accounting rules.

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Chapter - 7

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CHAPTER – 7

A SUMMARY OF RELATED PUBLISHED RESEARCH STUDIES

7.1 Introduction:

Several studies have been carried out around the world on different issues relating to IASs. These may be characterized as development of accounting standards, accounting standards for third world countries, need for IASs, acceptance process of IASs, compliance with IASs, relevance of IASs etc. Some of the literatures relating to the present study are reviewed on issue basis as under:

7.2 Issue: Relevance of International Accounting Standards

Wallace, R. S. O. (1993): The author carried out a research work on "Development of Accounting Standards for Developing and newly Industrialized Countries" during 1993. He was appointed as research fellow by the IASC to provide research support for the Steering Committee of the IASC. The committee was assigned the responsibility to assess the need of Developing and Newly Industrialized Countries (D/NICs) for Accounting Standards. In his paper he pointed out that IASs are not equally relevant to developed and developing nations. He explored that most of the D/NICs countries have specific and unique problems those are not faced by the developed countries. But IASs are not sufficient enough to cover these special problems of D/NICs. For example: There are three types of accounting standards, these are:

1. Procedural Standards
2. Measurement Standards
3. Disclosure Standards

Procedural standards are concerned with how accounting records are kept, transactions and events are recognized. Measurement standards specify how revenue, expense and balance sheet items can be measured. Disclosure standards refer to rules concerning the description, publication and presentation of information relating to transactions and events of a reporting enterprise in aggregated, segmental and special formats. Wallace pointed out that all IASs are concerned with measurement and/or disclosure standards but not concerned with standards of accounting procedures. IASs presume that procedural standards already prevail i.e., a system of accounting exists and such a system would allow the aggregation,

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retrieval and disclosure of relevant items of information. But the reality is that in many D/NICs, most of the enterprises do not have organized accounting system as well as procedural standards and there is usually no guidance on how such system can be developed and maintained. In such an environment IASs can bring no good results.

Table-7.1: shows some specific problems of D/NICs and relevant statements required by some countries

No.	Problems of D/NICs	Relevant Statements	Countries requiring such statements
1	Balance of payment	Net foreign exchange earnings	Colombia, El Salvador, Nigeria, Tanzania, Thailand and Zaire
2	Wealth Distribution	Value Added Statement	Burundi, Columbia, Ecuador, Guatemala, Maldives, Panama, Poland, Senegal, Singapore, Thailand and Zaire
3	Low Technology	Transfer of Technology	Colombia, Ecuador, Guatemala, Maldives, Poland and Thailand.
4	Unemployment	Labor/employment report	Burundi, Colombia, Cuba, Ecuador, Ethiopia, Guatemala, India, Maldives, Nigeria, Panama, Philippines, Poland, Senegal, Thailand and Zaire
5	Economic Growth	(a) Investment program	Burundi, Colombia, Ecuador, Ethiopia, Guatemala, India, Maldives, Philippines and Thailand.
		(b) Production	Burundi, Colombia, Cuba, Ecuador, Ethiopia, Guatemala, India, Maldives, Pakistan, Panama, Poland, Zaire
6	Environment	Ecological Report	Brazil, Guatemala and Maldives
7	Violation of non-accounting rules (e.g., price control rules)	Compliance report in the form of attestation by Auditors	Colombia, Ecuador, El Salvador, Ethiopia, Guatemala, India, Maldives, Nigeria, the Philippines, Thailand and Zaire.
8	Regional imbalances	(a) Regional flow of funds (b) Regional distribution of assets	No country presently requires this statement
9	Corruption	(a) Audit of financial statements	All countries
		(b) Audit of non-financial statements	Colombia, Ecuador, Guatemala, India, the Philippines and Thailand
10	Multinationals from foreign countries	Information disclosed by domestic subsidiaries	Burundi, China, Cuba, Cyprus, Ecuador, Ethiopia, Fiji, Guatemala, India, Maldives, Nigeria, Pakistan, the Philippines and Thailand.
11	Multinationals of home countries	Information disclosed by foreign subsidiaries	China, Cyprus, Ecuador Fiji, Nigeria, Poland and the Philippines.
12	Devaluation of currency	Effect of devaluation on net income and assets values	Malawi

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Many countries of D/NICs need special type of statements but these issues are not covered by IASs. So IASs will not serve the purpose these countries. Table-7.1 shows some specific problems of D/NICs and relevant statements they require solving these problems.

Singapore is the only country known to the author that has issued an accounting standard on value added statement. Though such standards are not available in Bangladesh yet some listed companies voluntarily prepared value added statement as an integral part of financial statements.

Bangladesh is not included in the above study but undoubtedly Bangladesh remains in D/NICs. Problems of these countries are more or less similar to problems of Bangladesh. So question may arise:

To what extent IASs are relevant to Bangladesh?

Does IASs environment prevail in Bangladesh? etc.

Parry, M. J. (1984): During 1984 a workshop was arranged by the Institute of Chartered Accountants of Bangladesh (ICAB) in association with The United Nations Department of Technical Cooperation for Development (UNDTCD) at Dhaka on "Accounting: Some Aspects in Relation to Bangladesh". Mr. M.J. Parry presented two papers at the workshop. One on "International Accounting Standards: Their Relevance to Bangladesh" and another on "Workshop on Accounting Policies". In his first paper the author raised some vital question as regards adoption of IASs in Bangladesh. These are:

Are Accounting Standards relevant in Bangladesh?

If the are, are the International Accounting Standards the most appropriate standards?

How should Standards be implemented?

Should there be sanctions against members for non-compliance with standards?

He argued that IASs are not for Bangladesh. According to him:

> Bangladesh, by any measure, is one of the poorest countries in the world. Its per capita GNP is forth from the bottom of the world league table; life expectancy at birth is fifth from the shortest. However, not only is Bangladesh poor, but it is also a dominantly rural society, with some 91.2% of the population living in the rural areas. This contrasts to a very low level of industrialization – in 1977 the industrial labor force was less than 400000. Furthermore, capital markets are very undeveloped in Bangladesh. There is a nascent stock exchange, but little trading is carried out. Finance for industry and commerce is provided mainly by the state-owned banks. Thus there is little separation between ownership and management of companies. Furthermore a large proportion of

> industry is state-owned; in 1977 value added in the state sector was taka 2,572 million; in the private sector it was taka 1,974 million.

The author depicted the above picture of Bangladesh about 20 years ago. Situation of the country has changed to some extent between this period but not remarkable. Still today the contribution of agricultural and forestry sector to GDP is 18.23% where contribution of industrial sector to GDP is 15.91% (large scale 11.20%, small scale 4.71%)*. So Bangladesh economy is still agro-based. Where large-scale industries are weak, sophisticated accounting devices like IASs will not work properly. The author further stated that there are no regulations in Bangladesh that prohibit IASs to adopt in Bangladesh, but there are substantial practical difficulties to implement IASs. The author raised another important point about appropriateness of IASs in the context of countries like Bangladesh. He stated that IASC was seen originally as an 'Anglo-Saxon Club', primarily giving international status to standards already formulated in Britain and North America. With a view to get rid of the above allegation the involvement of the United Nations in the standards setting process become an urgent need. At present IASC has been restructured into IASB and they are trying to accommodate the developing countries in standards setting process. Specific standards for Small and Medium-Sized Entities and emerging economies are under development process. The trustee of the IASC foundation wrote in their 2002 annual report: "the Trustees also support efforts by the IASB to examine issues particular to emerging economies and to small and medium-sized enterprises". These standards might be more useful and relevant to countries like Bangladesh. But IASs issued so far are not relevant to Bangladesh in many contexts. For example IAS 29 is already declared by the ICAB not suitable for Bangladesh.

7.3 Issue: Acceptance Process of IASs/IFRS

PricewaterhouseCoopers (2000): PricewaterhouseCoopers is a big professional accounting firm in the world. They carried out a research work in Europe regarding acceptance and implementation process of IASs in Europe. The title of the research was "International Accounting Standards in Europe - 2005 or now". They conducted this survey in Europe on immediate acceptability of IASs in Europe though the European Commission (EC) has already been taken necessary steps to implement IASs in Europe by 2005.

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* Bangladesh Economic Review 2003, Ministry of Finance, Govt. of Bangladesh. p.22

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Background of the survey: European Union (EU) comprises of 25 developed countries of Europe. They have the capability to develop a set of Accounting Standards on their own. But the EU itself did not attempt to produce a distinct body of developing accounting standards. They thought that this would miss the trend towards globalization of financial markets and weaken the ability to raise capital by EU companies on third country markets. Therefore, an internationally recognized set of standards appears to be the most suitable basis for financial reporting in the EU. In its 1995 Accounting Strategy Communication, the European Commission (EC) expressed its preference for IASs as the set of standards for EU companies wishing to raise capital on an international basis. But the Commission wanted IASs as well convergence and globally accepted standards. During 1996 the IASC has undertaken a gradual and in-depth process of revision and development of the standards and during 1999 the IASC finalized the core set of standards agreed with International Organization of Securities Commissions (IOSCO). Thus IASs provide a comprehensive and conceptually robust set of standards for financial reporting specifically intended to serve the needs of the international business community. On March 2000 the European Council meet at Lisbon where they emphasized on the need to accelerate completion of the internal market for financial services, set the deadline of 2005 to implement the Commission's Financial Services Action Plan including application of IASs. Finally they thought that a Regulation is necessary to ensure that by 2005 all listed EU companies apply International Accounting Standards. It will also ensure early take-up and provide the right signals to the markets. By complying with IAS, the quality of financial statements will be dramatically improved and there will be an increasing degree of comparability (Commission 2000, 3, 7, 8).

In such a situation the PricewaterhouseCoopers conducted the survey during 2000 on 700 Chief Financial Executives (CFOs) of 16 countries in Europe. Result of the survey reveals strong support across Europe in favor of implementation of International Accounting Standards (IASs). The output of the survey were as follows:

The survey reveals positive attitudes towards changing to IASs. A vast majority of companies that have been through the process state that there are more benefits than drawbacks in converting to IASs. Most of those who do not yet use IAS also say it will be beneficial. 79% of CFOs supports the European Commission's recommendation that IAS

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should be mandatory for listed companies by 2005. Over two-third of CFOs would prefer to make IAS the sole standards or an alternative to national accounting standards, if offered a choice of financial reporting standards in Europe. Supports for IAS and the desire to change are remarkably consistent between countries across the survey. Only 19% of the companies surveyed currently use IAS; 68% use only their national accounting standards. Against this background, the consensus for IAS is very strong. Of those that have not yet used IAS, 75% saw merit in starting to publish IAS data ahead of a 2005 deadline. 48% of all CFOs say planning to meet a deadline of 2005 should start by 2002 at the least. However, some 19% of non-IAS users are waiting to see if the EC's proposal on IAS is made final before they make any plans. Europe's CFOs are divided in their attitudes towards the EC's proposed *'endorsement mechanism'*, which could create a European version of IAS. Those in global companies and those who already use IASs are most strongly against using the endorsement mechanism to create European standards that duffer from IASs. 40% (and a majority of nationally based companies) seem to favor the idea.

Finally, PricewaterhouseCoopers believe that widespread adoption of IASs will bring benefits to companies and investors. It will help bring down the cost of capital and help companies compete more effectively for international funds. It will enable better investment and management decision-making and will make international capital market more efficient. It will stimulate economic growth.

Here the most noteworthy thing is that EU has allowed the users of IASs sufficient time to get ready to adopt IASs. Though IASs are not still mandatory, yet many companies uses IASs voluntarily. But the case of Bangladesh was not like that. Where situation of keeping records of financial transactions is week, IASs have been made mandatory by the SEC of Bangladesh over night without allowing any time to the listed companies to get ready.

7.4 Issue: Standards Setting Process:

Richardson, A. J and I. R. Hutchinson (1999): The authors carried out a work on "The Case for International Accounting Standards in Canada: A Detailed Report" under the sponsorship of Certified General Accountants Association (CGAA) of Canada.

IASs/IFRS are not permitted in Canada. Financial Statements are prepared according to Canadian Generally Accepted Accounting Principles (GAAP). In this report the authors

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strongly argued for adopting IASs in Canada. This paper analyses the consequences for Canada of adopting Financial Accounting Standards Board (FASB) standards versus the International Accounting Standards (IASs) of the International Accounting Standards Committee (IASC), in the wake of the Canadian Institute of Chartered Accountants' Task Force on Standard Setting (TFOSS) report. The analysis is based on a model of the roles that standards play in society. The study suggests that before selecting a set of Accounting Standards in comparison to others the following factors to be taken into consideration:

(1) the quality of the standards and standard-setting process, specifically:

(A) the ability of standards to protect vulnerable interests; and,

(B) the openness of the standard-setting process to the expression of affected interests.

(2) the relative size of the communities using each standard considering:

(A) the specific community in which Canada is embedded (in terms of trade and capital flows); and,

(B) the global acceptance of each standard-setting regime and the growth rates of each community.

(3) the costs of using each standard including:

(A) direct compliance costs;

(B) affects on the cost of capital; and

(C) costs of the standard-setting process.

The above considerations are relevant if Bangladesh goes for developing her own accounting standards. Bangladesh is a poor country. It is a question whether a local accounting standards setting body is cost-effective or affordable to the country. Because setting accounting standards involves huge amount of costs and skilled accounting experts of international norm. Bangladesh lacks both from expertise and fund for development of Accounting standards. So what she (Bangladesh) can do is to adopt IASs reshaping them suitable and relevant for the country. In this reshaping process should be open to all the concerned groups to strengthen the implementation process. Canada is a developed country; comparison between Canada and Bangladesh is not logical. But some of the considerations of this study report are relevant for Bangladesh. The authors believe that:

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> Accounting standards are social-choice mechanisms. There must, therefore, be some effective mechanism in any new standard-setting process to allow interest groups to affect the variant of international standards adopted in Canada.

Bangladesh does not have any standards setting body but the ICAB has a committee on IASs issues. Very recently ICAB has published ___ IASs those have so far been adopted in Bangladesh in original form as published by the IASB. In this situation various interest groups did not have any scope to say something on IASs issue but to accept them without any question.

7.5 Issue: Development of Local Accounting Standards:

Briston, R. J. (1978): In his article "The Evolution of Accounting in Developing Countries" he emphasized on the uniqueness or individuality of an accounting system for a particular country. He said that each country has its own political, social, economic, and cultural characteristics, and it is highly probable that the goals and thus the information needs of the managers of the economy will differ from one country to another. So accounting system of a particular country should be appropriate if it is according to their needs. In spite of that the IASC, United Nations, and OECD, World Bank etc. are all attempting to harmonize the private sector financial reporting around the world. Local professional accounting bodies are also getting involved in this process. The author thus disappointed that this will widen the gap between accountants and economists. As a result a satisfactory information system for national economic planning and control will ever be attainable.

Hove, M. R. (1986): The title of the article written by the author is, "Accounting Practices in Developing Countries: Colonialism's Legacy of Inappropriate Technologies". It was published in *International Journal of Accounting, Education, and Research.* In this paper the writer described Accounting as Technology. He identified some reasons that like other technology, accounting technology has been transferred from developed countries to developing countries. These reasons are:

(1) as an inheritance of colonialism;

(2) presence of transnational corporations;

(3) as a condition of economic aid ;

(4) influence of professional accountancy institutes of developed countries; etc.

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Since there exists a gulf of difference between developed countries and their colonies as regards socio-economic condition, accounting system of Ruler countries cannot serve the purpose of their colonies. The author argued that accounting has not evolved in the industrialized world as an absolute science, however, but as a response to the economic and social factors prevailing in those parts of the world. This is the form of accounting that was imposed by the developed countries on developing countries. The interest behind this imposition was to facilitate some transnational corporations doing huge business in developing countries. He also argued that the economic aid given by international development organizations like the World Bank, the International Monetary Fund, perhaps best illustrates how accounting practices in developed countries have been imposed on third world countries. The author observed that the countries having weak professional accounting bodies are easily convinced to take imposed accounting system rather than developing own accounting system. Here it is important to state that the World Bank is playing a key role to implement IASs in Bangladesh.

Since today is the age of open market economy and cross-border investment is a present reality and necessity, especially for developing countries like Bangladesh, global harmonization of accounting system will facilitate the cross-border investors to understand security and prospect of their investment. At the same time it is also true that Bangladesh is not in a position to adopt highly technical accounting devices like IASs/IFRSs. So what Bangladesh can do in the short run is that, it can develop its own accounting standards within the framework of IASs/IFRSs. In the long run these local standards will move towards convergence with IASs/IFRSs.

7.6 Issue: Legal Framework and status of IASs in Bangladesh:

ROSC: Bangladesh Accounting and Auditing (2003): ROSC Stands for Report on the Observance of Standards and Codes. The World Bank has established a program named the Reports on the Observance of Standards and Codes (ROSC) to assist its member countries in implementing international accounting and auditing standards for strengthening the financial reporting regime. The World Bank conducts reviews of accounting and auditing within the ROSC initiative at the invitation of a country. The World Bank utilizes a diagnostic tool having four components, these are:

(i) Diagnostic Tool-Part-1: Assessment of the Accounting and Auditing Environment;

(ii) Diagnostic Tool-Part-2: Assessment of National Accounting Standards with Reference to International Accounting Standards;

(iii)Diagnostic Tool-Part-3: Assessment of Actual Accounting Practices (Review of Compliance with Selected Local Accounting Requirements);

(iv)Diagnostic Tool-Part-4: Assessment of Auditing Standards Practices;

These diagnostic tools were developed to gather pertinent information for preparing the Accounting and Auditing ROSC. The objectives of this program are two-fold:

(a) Analyze comparability of national accounting and auditing standards with international standards, determine the degree with which applicable accounting and auditing standards are complied, and assess strengths and weaknesses of the institutional framework in supporting high-quality financial reporting.

(b) Assist the country in developing and implementing a country action plan for improving institutional capacity with a view to strengthening the country's corporate financial reporting regime.

The World Bank has prepared the report (the entire report is available in *Appendix - 6.7*) on the assumption that IASs/IFRSs are necessary to be implemented in Bangladesh. Whether these are relevant to or appropriate for Bangladesh, the World Bank did not go for that evaluation. On the other hand the World Bank team used the same diagnostic tools for all countries to assess the status of accounting practices and IASs, but legal and socio-economic condition differs country to country. Bangladesh is a developing country where procedural standards of accounting are not well established. There are several limitations of Bangladesh including dearth of trained accounts personnel, lack of well-organized capital market etc. In this situation it is natural that enforcement of IASs will bring no good result, and their application will be distorted. The World Bank team could have to take these limitations into consideration. It is necessary to create a IASs friendly environment before expecting an accounting practice of international Standards. Bangladesh needs sufficient time and efforts to produce financial statement according to IASs/IFRSs.

7.7 Other literature related to International Accounting Standards:

Simmonds, A. and O. Azieres (2000):

A recent study titled *Accounting for Europe, Success by 2000 AD?*, conducted by *Simmonds & Azieres* and sponsored by *Touche Ross Europe* gave an interesting perspective

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on the relative degrees of conservatism of different European countries' accounting practices. The firm prepared alternative sets of consolidated financial statements for a multinational group according to assumptions and accounting policies most likely to be applied in each of the seven European countries. The purpose of the study was to ascertain which countries' accounting practices would yield the most and least conservative renderings of profit. The principal differences were the treatment of goodwill and deferred taxation. The United Kingdom showed the highest profit and Spain showed the lowest, as follows (expressed in million European Currency Units, Ecus):

Table: 7.2- Shows Profit of some selected countries in comparison to the UK

Country	Profit (Million Ecu's)	% of UK Level
United Kingdom	192	100.00
Italy	174	90.60
France	149	77.60
Netherlands	140	72.90
Belgium	135	70.30
Germany	133	69.30
Spain	131	68.20

Muller III (1997): *"The Valuation Implications of International Accounting Diversity: An Examination of the United Kingdom".*

The emergence of global competition has coincided with, and, to some extent, given rise to major changes in the financial environment. A distinct feature of the new international financial environment is the trend towards greater integration of the world's capital markets, which has presented market participants with a host of new problems. A commonly cited investor problem is the difficulty they face interpreting financial statements based on the diverse set of generally accepted accounting standards (GAAP) across countries. Naturally, differences in accounting practices across countries are important, as one must know whether they are reading financial statements prepared according to Swiss, Japanese, or American accounting principles. However, the measurement differences in GAAP across countries are of practical significance (i.e.,

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would make a difference in an investor's valuation decision) has remained relatively unexplored.

In this dissertation, the issue of whether differences in GAAP across countries are of practical significance is examined. Specifically, the valuation implications of three of the largest accounting practices that are followed in the United Kingdom but not in the United States of America are investigated: the valuation (and subsequent revaluation) of brand names and publishing titles, the partial-allocation method of accounting for deferred income taxes, and the separate disclosure of acquisition accounting components. The United Kingdom is the focus of this dissertation due to its economic significance relative to other countries.

The findings indicate that accounting differences across countries can be of practical significance, at least difference between the United Kingdom and United States. In addition, the findings contribute to our understanding of the usefulness of accounting measurement practices currently being debated by international accounting policy makers.

Steinberg, M. I., D. W. Arner, and C. D. Olive (1999): "The Development of Internationally Acceptable Accounting Standards: A Universal Language for finance in the 21st Century?" This article examines the efforts of the European Union, the International Organization of Securities Commission, and the International Accounting Standards Committee to develop and harmonize International Accounting Standards. It details the conflicts between domestic and international standards and discusses the prospect for successful adoption and usage of these standards.

7.8 Published articles on IASs/IFRSs in Bangladesh:

The researcher has reviewed some articles published in Bangladesh for the last four/five years. A plenty of articles has been published on IASs in Bangladesh especially in the Journal of ICAB, "The Accountant". Apart from this the ICAB regularly reproduces the original IASs/IFRSs released by the IASC/IASB in their journal. Some of the articles published in "the Accountant" focused on the problems and prospects of adopting IASs in Bangladesh, some focused on the comparative picture of legal provisions and IASs regarding financial disclosure. Only five articles have been published in the journal of

ICMAB, "The Cost and Management Accountants", on IASs and related to IASs since January 1995 to October 2004. The titles of the articles and name of authors are as follows:

Table: 7.3- Shows list of Articles published by the ICAB, the ICMAB and the ICSMB on International Accounting Standards

The Accountant (Quarterly Journal of the ICAB)		
SL.	***Issue***	***Titles of the Articles***
	2003: April-June	Presentation of Financial Statements: A Study of the Listed Cement Companies By- Mohammad Badrul Muttakin & Md. Shakawat Hossain
2	2003: Oct/03 -Mar/04	World Economy Needs IAS By- David Illingworth IAS too Shaky to Implement By- Peter Williams Countdown to IFRS Begins By- Anne Molyneux
3	2001: Oct-Dec	IAS-30 "Disclosure in the Financial Statements of Banks and Similar Financial Institutions"
4	1998: Apr-Jun	*International Accounting Standards IAS 34: Interim Financial Reporting* ***Reproduction*** International Accounting Standards: Serious Storm Ahead By- Syed Aftab Haider
5	1999: Oct-Dec	*International Accounting Standards IAS 10 (Revised) Events After Balance Sheet Date* - ***Reproduction*** Application of IAS in Bangladesh: Problems and Prospects By-MA Baree FCA IAS 33: Earnings Per Share By- MA Baree & Dr. Jamaluddin Ahemed Commentry: Application of IAS in Bangladesh: Problems and Prospects By-Anwaruddin Chowdhury
6	1999: Apr-Jun	*International Accounting Standards IAS 17 (Revised 1997) Leases* - ***Reproduction*** IAS-30 Disclosures in Financial Statements of Banks and Similar Financial Institutions By- By-Anwaruddin Chowdhury Accounting Standards and Companies Act 1994 By- Dr. Md. Abdul Hai & Md. Badrul Muttakin
7	1998: Jan-Mar	*International Accounting Standards IAS 14 Segment Reporting* ***Reproduction*** Are the Bells Tolling for International Accounting Standards? By- Syed Aftab Haider *The Public Interest, Benchmark Standards and Meeting Expectations*

		By- Michael Sharpe
8	1997: Oct-Dec	*International Accounting Standards IAS 1 Presentation of Financial Statements* ***Reproduction*** International Accounting Standards vis-à-vis Developing Countries By- Syed Aftab Haider
9	1997: Jul-Sept	*Exposure Draft E56: Leases* ***Reproduction*** *A Comparative Evaluation and Rationale for Adoption of IAS 30 in Bangladesh* By- Anwaruddin Chowdhury FCA
10	1999: Jul-Sept	*International Accounting Standards IAS 134 Interim Financial Reporting – reproduction & application*
11	1993: Jul-Sept	*Revenue- International Accounting Standards 18 (revised 1993)* ***Reproduction***
12	1999: Jan-Mar	*International Accounting Standards IAS 22 (revised ~~1998-1993~~)* Business Combination- ***Reproduction***

The Cost and Management Accountants (By-monthly Journal of the ICMAB)

SL.	*Issue*	*Titles of the Articles*
1	Nov-Dec 1996	Enforcement of Accounting Standards: Proposed Arrangements for Bangladesh By- Anwarul Islam Chowdhury, ACMA Alamgir Kabir Chowdhury Md. Abdus Salam
	Jul-Aug 2000	EPS (Earnings Per Share) Reporting in Bangladesh By- Ataur Rahman Belal, MBA, FCA, FCMA
2	Jan-Feb 2003	Interim Financial Reporting Practice in Bangladesh By-Mohammad Badrul Muttakin Md. Shakawat Hossain
3	May-Jun 2003	Disclosure in Notes to the Financial Statements: A regulatory Framework By-Mamtaz Uddin Ahmed,FCMA, Swapan Kumar Bala, FCMA
4	Jul-Aug 2003	Bangladesh Perspective on Accounting Standards, Problem Faced and Progress made to date and steps towards Harmonization with IFRS By-A.K.M. Delwer Hussain, FCMA

The Chartered Secretary (Quarterly Journal of the ICSMB)

SL.	*Issue*	*Titles of the Articles*
1	Jan-Mar 2002	Application of IAS in Preparing Financial Statements By- Dilip Kumar Sen
2	Jul-Dec 2002	Application of International Accounting Standards: IAS-1 Presentation of Financial Statements By- Md. Abdus Salam

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7.9 Some Empirical Research Works:

Summary of some of these research works (quoted from Wallace, R.S. Olusegun and Helen Gernon, 1991: 209-264) are stated below chronologically:

Table: 7.4 - Shows Summary of some related research works

Authors	Subject Covered	*Conclusions*
(1) Jaggi [1973]	Accounting Studies of developing countries before 1972.	This literature is essentially descriptive and weak on testing of concepts and hypothesis.
(2) Mueller [1979]	Academic research in multinational accounting was categorized into six divisions: descriptive, comparative, empirical, traditional normative, bibliographical-historical, and behavioral research. Each subdivision was illustrated by annotated references.	Academic research in this field lags behind the real world of facts and issues with which it deals. A gradual movement away from the purely descriptive to a more analytical work that is comparative, empirical, and behavioral is noticed. Ten suggestions for future research were offered.
(3) Schoenfeld [1981]	A survey of international accounting describing its development and scope, problems and current attempts at international standardization and future directions.	Empirical research has been limited to a few areas such as foreign currency, transfer pricing, and comparative disclosure levels. Comparative international accounting research needs to strengthen in-depth, topical analysis of accounting practice in non-English language countries.
(4) Smith and Shalchi [1981]	Contributions of research efforts in the area of international accounting and the specification of research problems in need of attention and research methodologies that could improve International Comparative Financial Accounting Research (ICFAR).	Research efforts are descriptive in nature, lack rigorous methodology and analysis, but provide significant insight on similarities and differences of accounting practices across the world. They have not provided a sound enough basis for recommendations and theory development.
(5) Bavishi [1981]	A critical review of eight research studies of international disclosure practices.	Methodology for comparing disclosure by reporting enterprises from across the world needs further development. There is a need for internationally agreed standards of measurement. There is also a need.
(6) Gray [1983]	A review of the extent of development of UK research in the field of international accounting from 1970 through 1981. It deals specifically with ICFAR, international harmonization, international financial reporting issues, and international managerial decision making and financial control.	There have been relatively few studies that provide a comparative analysis of accounting between rather than a description and analysis of accounting in the context of a particular country or on a country-by-country basis. Even then, research has been restricted to the USA, the USSR, France, Germany, and the

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		Netherlands.
(7) Samuels and Piper [1985]	A critical, book-length survey of international accounting literature, including a discussion of accounting in developing countries, trends, and future directions of the diverse research and its methodologies.	A lot needs to be done at the research level to develop theories.
(8) Gray [1985]	An extension of Gray [1983] beyond the UK. It covers the scope and methodology of international accounting, comparative international accounting, international financial reporting issues, and international accounting harmonization.	Conclusions similar to the ones reached in Gray [1983]
(9) Bindon and Gernon [1987]	A brief review of the maturity of research in international financial (limited to foreign currency translation, inflation, and consolidation) and managerial (limited to transfer pricing, performance evaluation and control, and investing and financial decision) accounting.	A few of the reported efforts have developed beyond the comparison and analysis of observed phenomena.
(10) Houston [1989]	A review and synthesis of research on foreign currency translation reporting requirements of the FASB.	Exchange rate determination is not well understood and the methods currently used to translate foreign financial statements are theoretically flawed.
(11) Needles Jr. [1989]	A review of the literature on research in the field of international auditing over the last ten years. The review also suggests possible research directions.	Research output is meager. Very little research in theory-building and empirical testing has been published. Obstacles to growth are cost, data availability, and language differences.
(12) Meek and Saudagaran [1990]	A review of synthesis of the literature on the regulation and practices of financial reporting by transnational enterprises for users of their accounts at home and abroad.	There is still to learn about the economic, political, and cultural factors that affect accounting regulation and practices observed at both national and transnational levels. Given the dynamic nature of accounting and its environment, there is a continual need to compare patterns of accounting over time to asses the manner in which accounting is converging or diverging around the world. There is a pressing need for a better understanding of user reaction to various aspects of corporate disclosure in the international arena.
(13) Cooke and Wallace	A review of the literature on the study of accounting and its environment and an extension of the research through an	Two problems with existing studies are the absence of a well-defined theory for specifying the linkage between the

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[1990]	empirical examination of the association between nominal accounting regulation and its environment.	regulation of accounting disclosure and its environment and the inability of empirical tests to specify his linkage.
(14) Wallace [1990b]	An extensive review of the literature of accounting in the developing countries.	The literature is broad in the scope of coverage but thin on the development and testing of theories and on empirical research and studies that compare one developing country with another.

Source: Wallace, R.S. Olusegun and Helen gernon (1991: 209-264).

7.10 Synthesis of the review of Literature:

Almost all the above researches, review papers and articles were on the comparative international accounting, diversity in international accounting, loopholes in research methodology, accounting practices in developing countries, multinational accounting etc. None of the works was on the International Accounting Standards and their use except the study carried out by PricewaterhouseCoopers. Especially no such research work on International Accounting Standards was found in Bangladesh.

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PART-III: THE EMPIRICAL SURVEY

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Chapter-8

Findings of the Study

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CHAPTER-8

FINDINGS OF THE STUDY

8.1 Introduction:

The empirical part of this study is based on an opinion survey. Data have been collected through administering questionnaire to five groups of respondents, involved in the process of implementation process of IASs in Bangladesh and another group involved in using financial statements based on IASs. Thus, the findings of the study have been planned for presentation in the following format.

Relevancy of IASs in Bangladesh

Implementation of IAS in Bangladesh:

(a) Acceptance Process

(b) Enforcement Process

(c) Monitoring Process

(d) Development of local Standards

(e) Cost-benefit impact of IASs

Impediments of IASs adoption in Bangladesh

Reaction of the Accounts Preparers

Degree of Compliance

Proposed ways of IASs Implementation

Reaction of the Academicians

Satisfaction of the users of Financial Statement

8.1.1 Personal Characteristics of the Respondents:

Before going into detail analysis of the respondents' views, it seems relevant to know and explore the personal characteristics of the respondents. Sometimes response on a particular issue might depend on the personal characteristics of the respondents. So to know the personal profile of the respondents is an important part of data analysis.

The following tables (table no. 8.1 - 8.7) give a picture of the personal characteristics of the respondents.

Response Rate: Response rate is the ratio between responses and the sample size. The Following table (8.1) shows that overall response rate is 70.2%. Academicians responded at the highest rate, which is 80%, and the response rate from the Business Leaders was

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frustrating which is 0%. Despite of repeated attempts from the researcher, they did not respond. Response rates of other groups were quite satisfactory. Their response rates are shown in table-8.1:

Table-8.1: Shows the distribution of response rate by different respondents group

Respondents	Response rate		Sample size
Set A: Accounts Preparers	17	68.0%	25
Set B: Professionals	21	77.8%	27
Set C: Regulators	4	66.7%	6
Set D: Business Leaders	0	00.0%	2
Set E: Academicians	8	80.0%	10
Set F: Users of FS	16	66.7%	24
Total/Overall	66	70.2%	94 (100%)

Respondents by academic qualifications: The following table (8.2) shows that out of total respondents 15.2% are graduate, 81.8% are post-graduate and only 3.0% are post-graduate with Ph.D. Maximum graduates belong to professionals group, which is 80% (8 out of 10) of the total graduates and 100% of the post-graduates with Ph.D. degree holders belong to academicians group.

Table-8.2: Shows the distribution of Respondents by Academic Qualifications

Respondents	Academic Qualifications						Total	
	Graduate		Post Graduate		Post Graduate & Ph.D.			
Set A: Accounts Preparers	1	10%	16	29.6%			17	25.8%
Set B: Professionals	8	80%	13	24.1%			21	31.8%
Set C: Regulators			4	7.4%			4	6.1%
Set D: Business Leaders							0	00.0%
Set E: Academicians			6	11.1%	2	100%	8	12.1%
Set F: Users of FS	1	10%	15	27.8%			16	24.2%
Total (by respondents group)	10	100%	54	100%	2	100%	66	100%
Percent by academic qualifications	10	15.2%	54	81.8%	2	3.0%	66	100%

Respondents by professional qualifications: The following tables (8.3 & 8.3a) show that 68.2% respondents have professional qualifications, either CA or CMA or both. All the five groups (except Business Leaders) have respondents with professional degree. 64.7% accounts preparers, 75% (all chartered accountants) of regulators, 75% (no chartered accountants) of academicians and 25% of users of financial statements have professional degree. Since 75% respondents of regulators are chartered accountants, it might be difficult

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to judge difference in opinion between regulators group and professional accountants group.

Table-8.3: Shows the distribution of Respondents by Professional Qualifications

Respondents	Professional Qualifications											
	ACA	FCA	ACMA	FCMA	FCA & CFC	MAAT	FCMA & CMA	CA – CC	ACA, ACMA, CPA	FCA & FCMA	Others	Total
Set A: A/Cs Preparers	1	5	1	2	1		1	2			4	17
Set B: Professionals	1	17					1		1	1		21
Set C: Regulators		3									1	4
Set D: Business Leaders												
Set E: Academicians			1	5		1					1	8
Set F: Users of FS	1	1		2							12	16
Total	3	26	2	9	1	1	2	2	1	1	18	66

Table-8.3a: Summary table of Table 8.3

Respondents	Professional Qualifications				
	CA and/or CMA	CA-CC	MAAT	Others	Total
Set A: Accounts Preparers	11 (64.7%)	2		4	17
Set B: Professionals	21				21
Set C: Regulators	3 (75%)			1	4
Set D: Business Leaders	0				0
Set E: Academicians	6 (75%)		1	1	8
Set F: Users of FS	4 (25%)			12	16
Total	45	2	1	18	66
Percent by qualifications	68.2%	3.0%	1.5%	27.3%	100%

Table- 8.4: Shows the distribution of Respondents by Age

Respondents	Age						Total	
	31 years to 40 years		41 years to 50 years		51 years and above			
Set A: Accounts Preparers	5	27.8%	11	34.4%	1	6.2%	17	25.8%
Set B: Professionals	5	27.8%	6	18.7%	10	62.5%	21	31.8%
Set C: Regulators	2	11.1%			2	12.5%	4	6.1%
Set D: Business Leaders	0		0		0		0	
Set E: Academicians	4	22.2%	3	9.4%	1	6.3%	8	12.1%
Set F: Users of FS	2	11.1%	12	37.5%	2	12.5%	16	24.2%
Total	18	100%	32	100%	16	100%	66	100%
Percentage by age	18	27.3%	32	48.5%	16	24.2%	66	100%

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Respondents by Age: Table-8.4 shows the respondents by age. Out of total respondents, 27% respondents belong to 31-40 years group, 48.5% respondents belong to 41-50 years group and 24.2% respondents belong to 51 and above years group. Maximum respondents are middle aged. Sometimes response varies significantly because of age factor. Young peoples are more dynamic than the elders. Young peoples are responsive to any change for betterment whereas elders are relatively conservative.

Respondents by Basic Education: Basic education might be a factor in understanding IASs. This is why the respondents were classified by basic education. The following table-8.5 shows that most of the respondents have come from commerce or business education group, i.e., 93.9% respondents were from commerce group. While only 1.5% respondents were from arts group and 4.5% were from science group.

Table- 8.5: Shows the distribution of Respondents by Basic Education

Respondents	Basic Education						Total	
	Commerce/ Business		Arts		Science			
Set A: Accounts Preparers	17						17	25.8%
Set B: Professionals	19				2		21	31.8%
Set C: Regulators	3		1				4	6.1%
Set D: Business Leaders	0						0	
Set E: Academicians	8						8	12.1%
Set F: Users of FS	15				1		16	24.2%
Total	62	100%	1	100%	3	100%	66	100%

Table- 8.6: Shows the distribution of Respondents by Experience in Present Position

Respondents	Experience in Present Position								Total	
	Up to 5 years		6 to 10 years		11 to 15 years		Above 15 years			
Set A: A/Cs Preparers	3		5		4		5		17	25.8%
Set B: Professionals	1		3		5		12		21	31.8%
Set C: Regulators	1		1				2		4	6.1%
Set D: Business Leaders									0	
Set E: Academicians			2		4		2		8	12.1%
Set F: Users of FS			2		7		7		16	24.2%
Total	5	7.6%	13	19.7%	20	30.3%	28	42.4%	66	100%

Respondents by Experience in Present Position: Experience can change the perception of a man towards a particular thing. The opinion of long experienced peoples will be more reliable than less experienced peoples. In table-8.6 the respondents were grouped on the

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basis of their experience in present position. Only 7.6% respondents have less than or up to five years experience. Maximum respondents have more than 15 years experience, where 19.7% have six to 10 years and 30.3% have eleven to 15 years of experience. So response to same question may differ due to experience factor.

Respondents by Acquaintance with IASs: Since the present study is based on IASs, respondents' acquaintance with IASs seems another important factor. It is expected that opinion of respondents having more experience in IASs will be more reliable and perfect. The following table8.7 shows the respondents experience in IASs. Only 3% respondents have up to two years experience in IASs, 6.1% have three to four years experience, 51.5% have five to ten years of experience and 39.3% respondents have more than 10 years of experience, i.e., about 91% respondents has come from 5-10 years experience group.

Table- 8.7: Shows the distribution of Respondents by Acquaintance with IASs

Respondents	Acquaintance with IASs								Total	
	Up to 2 years		3 to 4 years		5 to 10 years		Above 10 years			
Set A: Accounts Preparers	1	50%	3	75%	8	24%	5	19%	17	25.8%
Set B: Professionals	1	50%			9	26%	11	42%	21	31.8%
Set C: Regulators			1	25%	2	6%	1	4%	3	6.1%
Set D: Business Leaders										
Set E: Academicians					2	6%	6	23%	8	12.1%
Set F: Users of FS					13	38%	3	12%	16	24.2%
Total	2	3.0%	4	6.1%	34	51.5%	26	39.3%	66	100%

8.1.2 Research issues and Corresponding hypotheses of the Study:

The study has specific problems and objectives (already stated in methodology of the study). These problems and objectives are based on specific research issues. Each and every issue has corresponding hypothesis. The following table shows the research issues and their corresponding hypotheses of the study at a glance:

Table-8.8: Shows Research issues and Corresponding Hypothesis of the Study

Research issues	Corresponding hypotheses
a) Relevancy of IASs in Bangladesh	(1) H_0: There exists no significant difference among the interest groups regarding relevancy of all IASs in Bangladesh.
b) Implementation of IAS in Bangladesh: *Acceptance Process*	(2) H_0: There exists no significant difference among the interest groups regarding Acceptance of IASs by the ICAB, SEC and Bangladesh Bank. (3) H_0: There exists no significant difference among the interest groups regarding involvement of all concerned parties in the

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	acceptance process of IASs in Bangladesh.
Enforcement Process	(4) **H_0:** There exists no significant difference among the interest groups regarding present enforcement process of IASs in Bangladesh.
Monitoring Process	(5) **H_0:** There exists no significant difference among the interest groups regarding present monitoring system to ensure the proper application of IASs in Bangladesh.
Development of local Standards	(6) **H_0:** There exists no significant difference among the interest groups that the users of financial statements are indifferent between having IASs and not having IASs. (7) **H_0:** There exists no significant difference among the interest groups regarding Development of local Accounting Standard.
Cost-benefit impact of IASs	(8) **H_0:** There exists no significant difference among the interest groups on the issue that Benefits of IASs are greater than the costs of adopting them.
c) Impediments of IASs adoption in Bangladesh:	(9) **H_0:** There exists no significant difference among the interest groups regarding impediments of adopting IASs in Bangladesh.
d) Reaction of the Accounts Preparers	(10) **H_0:** There exits no significant difference between the sample mean and an arbitrary value (such as '3' and '5' in a 5-point scale).
e) Degree of Compliance	(11) **H_0:** There exists no significant difference among the interest groups regarding compliance of IASs.
f) Proposed ways of IASs Implementation	(12) **H_0:** There exists no significant difference among the interest groups regarding some proposal on successful implementation of IASs in Bangladesh.
g) Reaction of the Academicians	(13) **H_0:** There exits no significant difference between the sample mean and an arbitrary value (such as '3' and '5' in a 5-point scale).
h) Satisfaction of the users of Financial Statement	(14) **H_0:** There exits no significant difference between the sample mean and an arbitrary value (such as '3' and '5' in a 5-point scale).

8.2 Relevancy of IASs in Bangladesh

Almost all the IASs have been adopted in Bangladesh. Since Accounts Preparers are the right personnel to tell about the relevancy of IASs, they were asked to express their views regarding (i) use of IASs in their own organization and (ii) use of IASs in other organization. Seventeen Accounts Preparers were randomly taken from seventeen organizations. Users were from different nature of business organizations, such as, two were from pharmaceutical industry, one from lease-finance industry, two from insurance industry, one form banking industry, one from textile industry, one from service (Hotel) industry, one from investment banking industry and other eight were from different manufacturing industries. Since respondents were from diversified nature of business, apparently all IASs would not be relevant to all organizations. For example IAS-30 (Financial Statements of Banks and Similar Financial Institutions) is especially for Banking

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and other Financial Institutions. IAS-17 (Leases) is for the leasing industry as well as assets purchased under lease agreement. IAS-2 (Inventories) has no use to the Service industry because they do not have any inventories. So the need for IASs to a particular Accounts Preparer does not bear enough evidence of the relevancy of IASs to Bangladesh. Sometimes, an account preparer feels that a particular IAS is relevant to them, but in real life situation, they are not found to use them. To what extent they adopt a particular IAS in preparing their financial statements, answer to this question remains unexplored and it might be a topic for further study. However the findings of the basis of collected data are depicted below:

Table-8.9: Shows Accounts Preparers response (Yes/No) on use of specific IASs.

Var. No.	Variable Name	Yes	N0
36.1	Presentation of Financial Statements (IAS-1)	17	00
36.2	Preparation of Value Added Statement	3	14
36.3	Inventories and Their Valuation (IAS-2)	12	5
36.4	Cash Flow Statement (IAS-7)	17	0
36.5	Adjustment for Fundamental Errors (IAS-8)	4	13
36.6	Events after Balance Sheet date (IAS-10)	8	9
36.7	Construction Contracts (IAS-11)	1	16
36.8	Income Taxes (IAS-12)	0	17
36.9	Segment Reporting (IAS-14)	1	16
36.10	Information Reflecting the Effect of Changing Prices	1	16
36.11	Property Plant and Equipment - (IAS-16)	12	5
36.12	Leases (IAS-17)	5	12
36.13	Revenue recognition (IAS-18)	16	1
36.14	Post Employment Benefits (IAS-19)	0	17
36.15	Accounting for Govt. Grants (IAS-20)	0	16
36.16	Foreign Exchange Rates (IAS-21)	11	6
36.17	Business Combination (IAS-22)	0	16
36.18	Borrowing Costs (IAS-23)	11	6
36.19	Related Party Disclosure (IAS-24)	5	12
36.20	Retirement Benefits Plan (IAS-26)	1	14
36.21	Consolidated Financial Statements (IAS-27)	2	14
36.22	Accounting for Investment in Associates (IAS-28)	3	12
36.23	FS in Hyperinflationary Economies (IAS-29)		
36.24	FS for Banks and Similar Financial Institution (IAS-30)	3	13
36.25	Interests in Jointly Controlled Operation (IAS-31	0	16
36.26	Financial Instruments (IAS-32)	5	12
36.27	Relevancy of IAS: Earning per Share (IAS-33)	17	0
36.28	Interim Financial Reporting (IAS-34)	11	6
36.29	Discontinuing Operation (IAS-35)	1	15
36.30	Impairment of Assets (IAS-36)	1	15
36.31	Contingent Assets (IAS-37)	8	9
36.32	Accounting for intangible assets (IAS-38)	5	11
36.33	Relevancy of IAS: Financial Instruments (IAS-39	0	16
36.34	Investment Properties (IAS-40)	1	15
36.35	Relevancy of IAS: Agriculture (IAS-41)	0	15

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(i) Use of IASs in their (respondents') own organization: Though they were asked to answer only Yes/No, yet chi-square test was not performed because the respondents were from different nature of business enterprises. There are some IASs those are common for all enterprises and there are some IASs those are special for special nature of business.

There are some IASs those are not used by any of the seventeen respondents. These IASs may be grouped as irrelevant to Bangladesh context. But this conclusion is based on only seventeen respondents of accounts preparers group. There might be some other users of IASs (not included in the sample size of the present study) to whom these IASs might have some relevance. These IASs are:

- Income Taxes (IAS-12)
- Post Employment Benefits (IAS-19)
- Accounting for Govt. Grants (IAS-20)
- Business Combination (IAS-22)
- Interests in Jointly Controlled Operation (IAS-31)
- Financial Instruments (IAS-39)
- Agriculture (IAS-41)

There are some reasons behind identifying the above IASs as irrelevant to the accounts preparers. The Income Tax Ordinance 1994 did not incorporate many provisions laid down in IAS-12. For example issue of *deferred tax* arises out of *permanent differences* and *timing differences*. The issue of Post Employment Benefits including Pension (IAS-19) is almost absent in Bangladesh. Some reputed and big organizations maintain Contributory Provident Fund, Gratuity Fund for their employees. Provision of group insurance is evident in many business organizations. Only Government service in Bangladesh is pensionable, no private service (including service in a listed company) provides pension benefits to its employees. All listed companies have own service rules. So to adopt IAS-19, employers should have the intention to give pension benefits to their employees and accordingly the service rules must be revised and amended. The issue of Government Grants and Disclosure of Government Assistance rarely prevail in Bangladesh. Different financial incentives or tax benefits are there in Income Tax, VAT, Customs and Excise duty Acts but no business organization get any direct Grants from the Government. As a result the use of IAS-19 is not a relevant matter. Business Combination is a rare event in Bangladesh, but infrequently

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it takes place for some multinational companies those are not listed in the stock exchange. For example, '*Grindlays Bank*' with '*Standard Chartered*', '*Shell Exploration*' with '*Cairn Energy*' etc. Interest in Jointly Controlled Operation (IAS-31) is also rare in Bangladesh. But there are some companies those have jointly controlled operation. Such as '*Beximco Group*', '*Pran Group*' etc. May be, either the concerned listed companies did not included in the sample size or they did not follow IAS-31 for some reasons. The same comment can be passed for IAS-39 (Financial Instrument: Recognition and Measurement). Situation is not matured enough in Bangladesh to adopt IAS-41 (Agriculture). IAS-41 prescribes the accounting treatment, financial statement presentation and disclosures related to agricultural activity. Bangladesh has agro-based economy but there is no agricultural company listed in any Stock Exchanges. Another important thing is that local laws regulate many accounting issues. When variations arise between local law and IASs, preparers naturally will try to comply with local laws rather then IASs. Until and unless local laws accommodate IASs, it is very difficult to implement them. But the limitation of this conclusion is that the sample size (seventeen in number) may not be the appropriate representation of all the listed business enterprises of Bangladesh. Situation might be such that the issues relating to particular IAS rarely prevail in Bangladesh but the sample size did not include that particular company. .

(ii) Accounts Preparers' and Non-accounts Preparers' (Professionals, Regulators Academicians) views regarding use of IASs by organizations other than their own: Here the respondents (above four groups) were asked to pass their opinion regarding use of a particular IAS by an organization. They were allowed to choose one option out of predefined four (four point scale from 1 to 4) options. Where: 1= Common to All, 2= Common to Some, 3= Very Rare and 4=Common to None. Here the respondents were asked to pass their opinion about the use of IASs by an organization other than of his own organization.

Null hypothesis was:

(I) H_0*: There exists no significant difference among the interest groups regarding relevancy of all IASs in Bangladesh.*

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Table-8.10: Shows agreement or disagreement among the four respondent groups (Accounts Preparers, Professionals, Regulator and Academicians) regarding relevancy of IASs in Bangladesh

Var. No.	Variable Name	d. f.	Chi-Sq.	Sig.	Result at 5% level
C_36.1A	Presentation of Financial Statements (IAS-1)	3	6.400	.094	Insignificant
C_36.2A	Preparation of Value Added Statement	3	1.724	.632	Insignificant
C_36.3A	Inventories and Their Valuation (IAS-2)	3	7.869	.049	Significant
C_36.4A	Cash Flow Statement (IAS-7)	3	11.952	.008	Significant
C_36.5A	Adjustment for Fundamental Errors (IAS-8)	3	23.827	.000	Significant
C_36.6A	Events after Balance Sheet date (IAS-10)	3	4.070	.254	Insignificant
C_36.7A	Construction Contracts (IAS-11)	3	6.577	.087	Insignificant
C_36.8A	Income Taxes (IAS-12)	3	18.940	.000	Significant
C_36.9A	Segment Reporting (IAS-14)	3	1.877	.598	Insignificant
C_36.10A	Info. Reflecting the Effect of Changing Prices (IAS-15)	3	7.877	.049	Significant
C_36.11A	Property Plant and Equipment -(IAS-16)	3	.838	.840	Insignificant
C_36.12A	Leases (IAS-17)	3	5.736	.125	Insignificant
C_36.13A	Revenue recognition (IAS-18)	3	1.002	.801	Insignificant
C_36.14A	Post Employment Benefits (IAS-19)	3	9.219	.027	Significant
C_36.15A	Accounting for Govt. Grants (IAS-20)	3	8.450	.038	Significant
C_36.16A	Foreign Exchange Rates (IAS-21)	3	5.982	.113	Insignificant
C_36.17A	Business Combination (IAS-22)	3	4.308	.230	Insignificant
C_36.18A	Borrowing Costs (IAS-23)	3	2.824	.420	Insignificant
C_36.19A	Related Party Disclosure (IAS-24)	3	1.423	.700	Insignificant
C_36.20A	Retirement Benefits Plan (IAS-26)	3	7.342	.062	Insignificant
C_36.21A	Consolidated Financial Statements (IAS-27)	3	4.993	.172	Insignificant
C_36.22A	Accounting for Investment in Associates (IAS-28)	3	5.520	.137	Insignificant
C_36.23A	FS in Hyperinflationary Economies (IAS-29)	3	9.361	.025	Significant
C_36.24A	FS for Banks and Similar Financial Institution (IAS-30)	3	6.086	.108	Insignificant
C_36.25A	Interests in Jointly Controlled Operation (IAS-31	3	13.505	.004	Significant
C_36.26A	Financial Instruments (IAS-32)	3	2.657	.448	Insignificant
C_36.27A	Relevancy of IAS: Earning per Share (IAS-33)	3	5.071	.167	Insignificant
C_36.28A	Interim Financial Reporting (IAS-34)	3	4.174	.243	Insignificant
C_36.29A	Discontinuing Operation (IAS-35)	3	2.480	.479	Insignificant
C_36.30A	Impairment of Assets (IAS-36)	3	3.254	.354	Insignificant
C_36.31A	Contingent Assets (IAS-37)	3	5.100	.165	Insignificant
C_36.32A	Accounting for intangible assets (IAS-38)	3	1.400	.706	Insignificant
C_36.33A	Financial Instruments (IAS-39)	3	15.455	.001	Significant
C_36.34A	Investment Properties (IAS-40)	3	18.379	.000	Significant
C_36.35A	Agriculture (IAS-41)	3	14.196	.003	Significant

Analysis (from IAS-1 to IAS-41) on the basis of the above table-8.10 and 8.11:

Presentation of Financial Statements (IAS-1): Table-8.10 shows that there exists no significant difference of opinion among the four respondent groups regarding use of IAS-1 in preparing financial statements. At the same time the average score of response is 1.26 with a standard deviation of 0.44. It means, all the respondents believe that use of IAS-1 is common to all.

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Preparation of Value Added Statement: Value added statement is not required by any IAS but it is practiced in Bangladesh by some companies. According to Table-8.10, there exists no significance difference of opinion among the four respondent groups regarding Preparation of Value Added Statement. Since average score of response is 2.60 with a standard deviation of 0.67 (Table-8.11), it indicates that this statement is rarely used by the listed companies in Bangladesh.

Table-8.11: Shows mean and standard deviation of four respondents groups (Accounts Preparers, Professionals, Regulator and Academicians) regarding relevancy of IASs in Bangladesh

Var. No.	Variable Name	N	Mean	SD
C_36.1A	Presentation of Financial Statements (IAS-1)	50	1.26	.443
C_36.2A	Preparation of Value Added Statement	50	2.60	.670
C_36.3A	Inventories and Their Valuation (IAS-2)	50	1.72	.607
C_36.4A	Cash Flow Statement (IAS-7)	50	1.36	.525
C_36.5A	Adjustment for Fundamental Errors (IAS-8)	50	2.18	.825
C_36.6A	Events after Balance Sheet date (IAS-10)	50	2.40	.904
C_36.7A	Construction Contracts (IAS-11)	48	2.40	.765
C_36.8A	Income Taxes (IAS-12)	48	2.94	.932
C_36.9A	Segment Reporting (IAS-14)	48	3.02	.601
C_36.10A	Information Reflecting the Effect of Changing Prices (IAS-15)	48	3.40	.676
C_36.11A	Property Plant and Equipment -(IAS-16)	50	1.56	.787
C_36.12A	Leases (IAS-17)	50	2.38	.805
C_36.13A	Revenue recognition (IAS-18)	50	1.40	.700
C_36.14A	Post Employment Benefits (IAS-19)	50	2.90	.789
C_36.15A	Accounting for Govt. Grants (IAS-20)	47	2.81	.798
C_36.16A	Foreign Exchange Rates (IAS-21)	48	2.27	.736
C_36.17A	Business Combination (IAS-22)	47	3.09	.717
C_36.18A	Borrowing Costs (IAS-23)	48	2.33	.753
C_36.19A	Related Party Disclosure (IAS-24)	48	2.58	.710
C_36.20A	Retirement Benefits Plan (IAS-26)	46	3.26	.801
C_36.21A	Consolidated Financial Statements (IAS-27)	49	2.57	.707
C_36.22A	Accounting for Investment in Associates (IAS-28)	46	2.67	.762
C_36.23A	FS in Hyperinflationary Economies (IAS-29)	47	3.68	.594
C_36.24A	FS for Banks and Similar Financial Institution (IAS-30)	50	1.98	.553
C_36.25A	Interests in Jointly Controlled Operation (IAS-31	47	2.96	.658
C_36.26A	Financial Instruments (IAS-32)	49	2.67	.987
C_36.27A	Relevancy of IAS: Earning per Share (IAS-33)	48	1.52	.743
C_36.28A	Interim Financial Reporting (IAS-34)	49	1.84	.800
C_36.29A	Discontinuing Operation (IAS-35)	47	3.26	.675
C_36.30A	Impairment of Assets (IAS-36)	47	3.28	.772
C_36.31A	Contingent Assets (IAS-37)	47	2.26	.871
C_36.32A	Accounting for intangible assets (IAS-38)	49	2.41	.814
C_36.33A	Relevancy of IAS: Financial Instruments (IAS-39)	47	3.09	.855
C_36.34A	Investment Properties (IAS-40)	47	2.72	.926
C_36.35A	Relevancy of IAS: Agriculture (IAS-41)	46	3.37	.826

Inventories and Their Valuation (IAS-2): The respondents differ significantly regarding the use of IAS-2. Service organizations do not have any inventory. So IAS-2 is not relevant to

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them. This might be the reason that the respondents differ significantly on IAS-2 issue. Since average score of response is 1.72 with a standard deviation of 0.607 (Table-8.11), it indicates that IAS-2 is relevant to some companies, especially to goods manufacturing or trading companies.

Cash Flow Statement (IAS-7): Every listed company is supposed to prepare cash flow statement because it is mandatory by the Securities and Exchange Rules 1987. The Companies Act 1994 does not provide for cash flow statement, so unlisted companies are not supposed to prepare cash flow. This might be the reason that respondents differ significantly regarding preparation of cash flow statement. Since average score of response is 1.36 with a standard deviation of 0.525 (Table-8.11), it indicates that IAS-7 is relevant to all or some companies.

Adjustment for Fundamental Errors (IAS-8): Adjustment for fundamental errors has income tax consequences, i.e., it can increase or decrease the profit position. Issues covered by IAS-8 are not usual. When errors take place, use of IAS-8 is relevant. So use of IAS-8 can never be a common accounting practice. This is why respondents differ significantly on the issue. Since average score of response is 2.18 with a standard deviation of 0.825 (Table-8.11), it indicates that IAS-8 rarely becomes usable to the accounts preparers.

Events after Balance Sheet date (IAS-10): In Bangladesh financial statement is approved by the concerned authority after 3/4 month from the balance sheet date. So the issue of events after balance sheet date is there. Since users of financial statements are not so sensitive to those events, most of the listed companies do not bother for disclosing the event after balance sheet date. All the respondents groups agreed with this fact and data provide evidence that there exists no significant difference of opinion regarding disclosure of events after balance sheet date in the financial statement. Average score of response is 2.40 with a standard deviation of 0.904, it indicates that IAS-10 is rarely used by the listed companies.

Construction Contracts (IAS-11): There are some construction companies in Bangladesh but they are not listed in any stock exchange. So there is no scope or a little scope to use IAS-11 in Bangladesh. The respondents were agreed unanimously because there exists no significant difference of opinion regarding use of IAS-11. Since average score of response

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is 2.40 with a standard deviation of 0.932, it indicates that IAS-11 is rarely used in Bangladesh. But in near future the situation might be changed.

Income Taxes (IAS-12): As stated earlier that the Income Tax Ordinance 1994 did not incorporate many provisions (such as *deferred tax* issue as a result of *permanent differences and timing differences)* laid down in IAS-12. As a result accounts could not adopt IAS-12 because they had to prefer local law instead of IASs in case of any material conflict arise. This is why the respondents differ significantly on use of IAS-12 by the listed companies. At the same time their average score is 2.94 that indicates IAS-12 as a rarely followed accounting standard. Standard deviation is also large (0.923), it is a sign of variation between the opinions of different groups. So Income Tax laws should be soft enough to accommodate IAS-12 for its better implementation.

Segment Reporting (IAS-14): The issue of segment reporting is very rare in Bangladesh. Out of seventeen companies (Accounts Preparers group) only one company named 'Agricultural Marketing Company Ltd.' has prepared their financial statements disclosing segment wise information such as sales, operating expense, cost of goods sold, material consumed etc. Others have no experience about segment reporting since the issue is absent. They altogether agreed with insignificance difference that IAS-14 is rarely relevant to Bangladesh. Because the average score of response is 3.02 with a standard deviation of .601.

Information Reflecting the Effect of Changing Prices (IAS-15): IAS-15 is also used very rarely in Bangladesh. A few companies revalued their assets as per IAS-16 and at best they disclose the adjustment of depreciation for the revalued amount. Since the issue is rare, accounts preparers are not well aware about the use of IAS-15. This might be the reason that the respondents differ significantly on the issue. Since the average score of response is 3.40 at four-point scale with a standards deviation 0.676, it means the use of IAS-15 is very rare.

Property Plant and Equipment (IAS-16), Leases (IAS-17) and Revenue Recognition (IAS-19): Data (Table 8.10) provide evidence that there exists no significance difference of opinion among the different respondents groups regarding use of IAS-16, IAS-17 and IAS-18. Since average score of response for IAS-16 is 1.56 with a standard deviation of 0.787 it indicates that IAS-16 is common to some companies. Apparently it is also true because

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service organization like bank, insurance, leasing companies do not have any Property, plant and equipment. In case of IAS-17, the average score of response is 2.38 with a standard deviation of 0.805, it indicates that IAS-17 is rarely used by the companies. IAS-17 is only usable to those companies having leased assets. In case of IAS-18 average score and standard deviation is 1.40 and .070 respectively. It means IAS-18 is followed by some companies. The issue of revenue recognition is a common problem of all companies irrespective of their nature of business. But respondents believe that some companies follow IAS-18 whereas some do not in preparing their financial statements.

Post Employment Benefits (IAS-19) and Accounting for Government Grants (IAS-20): As stated earlier the issues as stated by IAS-19 and IAS-20 is very rare in Bangladesh. This is why the respondents differ significantly regarding use of IAS-19 and IAS-20. At the same time their average score of response is 2.90 (SD=0.789) and 2.81 (SD=0.789) respectively for IAS-19 and IAS-20, it indicates that these IASs are rarely used in Bangladesh.

Foreign Exchange Rates (IAS-21), Business Combination (IAS-22), Borrowing Costs (IAS-23), Related Party Disclosure (IAS-24), Retirement Benefits Plan (IAS-26), Consolidated Financial Statements (IAS-27) and Accounting for Investment in Associates (IAS-28): There are many companies those have import/export business. So, IAS-21 on Foreign Exchange Rates would be quite relevant for them. The issue of Business Combination (IAS-22) is very rare in the context of Bangladesh economy. In case of different multinational companies (as stated earlier), business combination has taken place but they are not enlisted with any stock exchanges in Bangladesh. Issue of Borrowing Costs (IAS-23) is also present, it would be relevant only to them those borrowed funds. The issue of Related Party Disclosure (IAS-24), Consolidated Financial Statements (IAS-27), Accounting for Investments in Associates (IAS-28) is also existed but question is: how much the companies are committed to adopt the provisions laid down in different IASs. However data provide evidence (Table-8.10) that there exists no significant difference of opinion regarding the use of above IASs. Since the average scores of response for the above IASs is more than 2 *[i.e., for IAS-21: average is 2.27 and SD is 0.736; for IAS-22: average is 3.09 and SD is 0.717; for IAS-23: average is 2.33 and SD is 0.753; IAS-24: average is 2.58 and SD is 0.710; for IAS-26: average is 3.26 and SD is 0.801; for IAS-27: average is 2.57 and*

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SD is 0.707; and for IAS-28: average is 2.67 and SD is 0.762], it indicates that these IASs are rarely used or followed by the listed companies.

Financial Statements in Hyperinflationary Economies (IAS-29): This is the only IAS on which the ICAB opined that hyperinflation does not exist in Bangladesh, so IAS-29 is not applicable to Bangladesh. They set this IAS aside from acceptance process. Though there exists a significance difference of opinion among the respondents regarding use of IAS-29, yet the average score indicates that this IAS is not applicable to Bangladesh. The average score is 3.68 (it is the highest average) in a four-point scale with a standard deviation of 0.594.

Financial Statements for Banks and Similar Financial Institutions (IAS-30): This is a especial IAS that covers some especial type of problems of Banks and other financial institutions. Banks are under the direct supervision of Bangladesh Bank (Central Bank of Bangladesh). Bangladesh Bank has made IAS-30 mandatory for all banks regulated by the Banking Companies Act 1991. It is true Bangladesh Bank closely monitors the activities of all banks. This institution is more active than any other regulatory authority in Bangladesh. So it is expected that the banks under the supervision of Bangladesh Bank will adopt IAS-30 in a more appropriate way. Data also supports this proposition. The respondents were agreed unanimously without any significance difference regarding use of IAS-30. Since the average score is only 1.98 with a standard deviation of 0.553, it indicates that IAS-30 is useful to some companies.

Interest in Jointly Controlled Operation (IAS-31): As stated earlier that there is a very limited scope to use IAS-31 because of absence of the issue. Though there exists a significance difference of opinion among the respondents regarding use of IAS-31, average score of the response indicates that the listed companies rarely use IAS-31. The average score of response is 2.96 with a standard deviation of 0.658.

Financial Instruments (IAS-32), Earning per Share (IAS-33), Interim Financial Reporting (IAS-34), Discontinuing Operation (IAS-35), Impairment of Assets (IAS-36), Contingent Assets (IAS-37), and Accounting for Intangible Assets (IAS-38): Data provide evidence that there exists no significance difference of opinion regarding the use of above IASs, but the status of all the IASs are sot same. Specific statuses are explained below: Issues relating to IAS-32 are present in Bangladesh, but the provisions laid down in the standard are not

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followed. Especially fair values of financial instruments and instruments carried at a value in excess of that fair value are not evident in any financial statements of listed companies. Earning per Share (IAS-33) and Interim Financial Reporting (IAS-34) are widely used in Bangladesh. IAS-35 is a presentation and disclosure Standard. It focuses on how to present a discontinuing operation in an enterprise's financial statements. So IAS-35 is not for regular practice, it depends on occurrence of the situation. Impairment of Assets (IAS-36) is a highly technical standard. In Bangladesh assets are recorded on historical costs basis. Whereas IAS-36 states that an impairment loss should be recognized whenever the recoverable amount of an asset is less than its carrying amount (sometimes called "book value"). So scope to use IAS-36 is still very limited in Bangladesh. Use of Provisions, Contingent Assets and Liabilities (IAS-37) and Accounting for Intangible Assets (IAS-38) is evident in the financial statements of listed companies. However the respondents unanimously agreed on the use of above IASs, i.e., there exists no significance difference of opinion regarding use of IAS-32, IAS-33, IAS-34, IAS-35, IAS-36, IAS-37 and IAS-38. Since average score of response for IAS-32 is 2.67 with a standard deviation of 0.987, it implies IAS-32 is rarely followed; score for IAS-33 is 1.52 with a standard deviation of 0.743, it is proved that IAS-33 is more or less used by all companies; score for IAS-34 is 1.84 with a standard deviation of 0.80, it implies that IAS-34 is used by some companies; score for IAS-35 is 3.26 with a standard deviation of 0.675, it is rarely used by the companies; score for IAS-36 is 3.28 with a standard deviation of 0.772, it is also rarely used by the companies; score for IAS-37 is 2.26 with a standard deviation of 0.871, it is used by some companies; and score for IAS-38 is 2.41 with a standard deviation of 0.814 it is also used by some companies of Bangladesh.

Financial Instruments (IAS-39), Investment Properties (IAS-40), and Agriculture (IAS-41): Data provide evidence that there exists significance difference of opinion among the respondents regarding use of IAS-39, IAS-40 and IAS-41. Yet their average score of response indicate that IAS-39 is very rarely used in Bangladesh because its average score is 3.09 with a standard deviation of 0.855; IAS-40 and IAS-41 are also rarely used in Bangladesh because their average score is 2.72 and 3.37 respectively with the standard deviation of 0.926 and 0.826 respectively.

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8.3 Implementation of IASs in Bangladesh

The researcher has divided implementation process of IASs in Bangladesh into the following five parts. These are:

(a) Acceptance Process

(b) Application Process

(c) Monitoring Process

(d) Development of local Standards

(e) Cost-benefit impact of IASs

Each part has separate hypothesis those are tested and analyzed henceforth:

8.3.1 Acceptance Process *(Variables no. 14-19):* In Bangladesh IASs are enforceable by the Securities and Exchange Rules (SER) 1987 but they are accepted by the ICAB. The ICAB is not the regulator of the SER 1987. To make the enforcement mechanism more effective, other interest groups should get involved in the acceptance process of IASs. So the present acceptance process lacks integrity. In this context it is hypothesized that:

(2) H_0: There exists no significant difference among the interest groups regarding involvement of all concerned parties in the acceptance process of IASs in Bangladesh.

Overall analysis: *Taking four groups at a time*

Same questions were asked to different respondents groups on the present acceptance process of IASs followed in Bangladesh. To test the overall agreement or disagreement of the four respondents group on the acceptance process of IASs in Bangladesh, Kruskal-Wallis 'K' test has been used (i.e., H_0: $\mu_1 = \mu_2 = \mu_3 = \mu_4$). Table-8.12 (i) shows the result of 'K' test (it has already been stated in the Methodology chapter that all statistical analysis and calculations were carried out by SPSS).

The respondents were asked three questions. The table-8.12 (i) shows that in case of first question, the respondents differ significantly regarding inclusion of different interest groups in IASs acceptance committee of the ICAB. Reasons behind this disagreement might be the reluctance of professional groups to include other groups in this acceptance committee. On the other hand 75% respondents of the regulators group are professional (member of ICAB). They (regulators) also might differ with accounts preparers or/and academicians. Since the average score [table-8.12 (ii)] of response of Accounts preparers regulator is 3.29 with standard deviation (SD) of 0.920, it means that they agreed

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'moderately' on the issue. Professionals average score is 2.62 (SD=0.805), it means they agreed on the issue 'to some extent'. Regulators average score is 3 (SD=1.15), it means they also agreed 'moderately' on the issue but high standard deviation indicates there exists a big variation within themselves. Academicians average score is 4.00 (SD=.756), they agreed on the matter to a 'grate extent'.

The second question was whether they support the present composition of the IASs acceptance committee. Data [Table-8.12 (ii)] provide evidence that there exists no significance difference of opinion among the different respondents group on the issue. Since the average score of four groups (preparers, professionals, regulators and academicians) are 2.65 (SD=1.105), 2.24 (SD.831), 3.25 (SD=.957) and 2.25 (SD=1.165) respectively, it means that the respondents support the present composition of the IASs acceptance committee 'to some extent'.

The third question was whether the present process of IASs acceptance is appropriate. The respondents do not differ significantly on the issue. Since average score of response of the four groups are 2.53 (SD=. 943), 3.05 (SD=.973), 3.00 (SD=1.155) and 2.25 (SD=1.165), it means that the respondents agreed on the issue to 'some extent'.

Table-8.12 (i): Shows overall agreement or disagreement among the four respondents groups on IASs acceptance process followed in Bangladesh (Details in Table 8.28)

Var. No.	Variable Name	Chi-Square	Degree of Freedom (d.f.)	Sig.	Status at 95% confidence level
b_14.1	Inclusion of different Interest group in IASs accepting committee of ICAB	12.264	3	.007	Rejected
b_14.2	Supporting the present composition of IASs accepting committee of ICAB	4.445	3	.217	Not Rejected
b_14.3	Appropriateness of the process followed by IASs accepting committee	4.508	3	.212	Not Rejected

Table-8.12 (ii): Shows Means and Standard deviation of different respondent group on IASs acceptance process followed in Bangladesh

Var. no.	Variables	Set-A		Set-B		Set-C		Set-E	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
b_14.1	Inclusion of different Interest group in IASs accepting committee of ICAB	3.29	.920	2.62	.805	3.00	1.155	4.00	.756
b_14.2	Supporting the present composition of IASs accepting committee of the ICAB	2.65	1.057	2.24	.831	3.25	.957	2.25	1.165
b_14.3	Appropriateness of the process followed by IASs acceptance committee	2.53	.943	3.05	.973	3.00	1.155	2.25	1.165

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Inter-group analysis: *Taking two groups at a time*

Taking two out of four groups, six combinations of respondents can be formed for each variable. Here inter-group agreement or disagreement on different issues has been examined [Table-8.12 (iii)].

Inclusion of different Interest group in IASs accepting committee of ICAB:

Out of six combinations of different groups, hypothesis has been rejected at 95% confidence level for the combination of Accounts Preparers (Set-A) versus Professionals (Set-B) and combination of Professionals (Set-B) versus Academicians (Set-E). It means that there exists a significant difference of opinion between Accounts Preparers versus Professionals group and Professionals versus Academicians group regarding inclusion of different interest groups in the IASs acceptance committee. Here one thing is noteworthy that out of four respondents in the Regulators group, two simultaneously belong to professionals group. This might be the reason that there exists no significant difference of opinion between Professionals and Regulators group, because hypothesis has been accepted. Thus one thing has come out that Professionals differ with all other interest groups regarding inclusion of all interest groups in the IASs acceptance process.

Supporting the present composition of IASs accepting committee of the ICAB & Appropriateness of the process followed by IASs acceptance committee:

When the different groups of respondents were asked to pass their opinion on supporting the present composition of acceptance committee and appropriateness of the process followed by IASs accepting committee, null hypothesis were accepted in all combination cases. It meant there exists no significant difference of opinion among the groups regarding present composition of the acceptance committee. But here it may be noted that the average score of all the four groups are below the mid value of 3 (Table-8.2, variable no. 2 & 3) except two cases. This implies that the respondents agreed with insignificant difference in a state lies between 'to some extent' and 'moderate extent'.

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Table-8.12 (iii): Shows inter-group agreement or disagreement on IASs acceptance process followed in Bangladesh: output of the Mann-Whitney U-test (details in Table-8.29 to 8.34)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [NR]=Not Rejected					
		Set-A Vs. Set-B	Set-A Vs. Set-C	Set-A Vs. Set-E	Set-B Vs. Set-C	Set-B Vs. Set-E	Set-C Vs. Set-E
b_14.1	Inclusion of different Interest group in IASs accepting committee of ICAB	.025 [R]	.634 [NR]	.084 [NR]	.508 [NR]	.001 [R]	.145 [NR]
b_14.2	Support the present composition of IASs accepting committee of ICAB	.223 [NR]	.300 [NR]	.354 [NR]	.053 [NR]	.788 [NR]	.150 [NR]
b_14.3	Appropriateness of the process followed by IASs accepting committee	.134 [NR]	.449 [NR]	.424 [NR]	.937 [NR]	.071 [NR]	.266 [NR]

(3) H_0: There exists no significant difference among the interest groups regarding Acceptance of IASs by the ICAB, SEC and Bangladesh Bank.

Overall Analysis: *Taking four groups at a time*

Here the respondents were asked to answer seven questions on acceptance of IASs by the ICAB, SEC and Bangladesh Bank. Six out of seven cases [Table-8.13 (i)] the respondents differ significantly at 95% level of confidence. The ICAB, the SEC and the Bangladesh Bank (BB) are directly or indirectly involved in the IASs acceptance process, while the other respondents like preparers and academicians are not. Naturally The ICAB, the SEC or the BB will support their position but preparers and academicians my not support. This might be the reason of disagreement among the respondents group on the issue.

At first they were asked whether the present stand of the SEC is appropriate in IASs acceptance process. The respondents differ significantly on the issue. The average score [Table-8.13 (ii)] of response were: Accounts Preparers 2.06 (SD=0.695), Professionals 2.95 (SD=1.071), Regulators 3.25 (SD=0.957) and Academicians 3.63 (SD=1.188). This scores implies that the accounts preparers support the SEC's stand to 'some extent' but other three groups support it to 'moderate extent'.

Thereafter they were asked on the issue that the SEC should have an active participation on IASs acceptance process. Here the respondents differ significantly. Their average score [Table-8.13 (ii)] of response were: Accounts Preparers 3.71 (SD=0.686), Professionals 2.10 (SD=1.044), Regulators 2.50 (SD=1.000) and Academicians 2.38 (SD=1.188). This result indicates, accounts preparers want the SEC to get involved in the

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IASs acceptance process to 'great extent', while the other three groups want it in between to 'some extent' and 'moderate extent'.

Next question was on role of Bangladesh Bank to adopt IAS-30 unilaterally. The respondents were asked: to what extent they support Bangladesh Bank in this regard. Here the respondents do not differ significantly. Data provide evidence that the respondents do not support Bangladesh Bank strongly, rather they support Bangladesh bank to 'some extent' or 'moderately'. Because their average score of response is more that 2 but less than 3. These are: Accounts Preparers 2.18 (SD=0.951), Professionals 2.76 (SD=1.044), Regulators 2.75 (SD=1.500) and Academicians 2.88 (SD=0.835).

Next question was on the implementation aspect of IAS-30. i.e., if the acceptance process was bilateral rather than unilateral, implementation would be more effective. Here the respondents differ significantly on the issue. The accounts preparers and the academicians believe to 'great extent' that the implementation would be more effective if the acceptance process were bilateral between Bangladesh Bank and other commercial banks. Because their average scores were 3.94 (SD=1.029) for accounts preparers and 4.00 (SD=00) for academicians. Since the average score of professionals is 2.95 (SD=0.973) and average score of regulators is 3.00 (SD=1.155), they believe to 'some extent' or to 'moderate extent' about the effectiveness of implementation of IAS-30.

Next question was on suitability of all the IASs for Bangladesh. Since all the IASs have not been adopted in Bangladesh, it was argued that all IASs are not suitable for Bangladesh. The respondents did not agree with the statements, they differ significantly. The accounts preparers agreed to 'moderate extent' or 'great extent' that all the IASs are not suitable for Bangladesh, because their average score is 3.47 (SD=0.943). On the other hand the professionals, regulators and academicians agreed to 'some extent' or 'moderately' on the issue. Because their average scores are more than 2 but less than 3. These are 2.33 (SD=1.111), 2.25 (SD=0.957) and 2.00 (SD=1.195) respectively. Probably these three groups think that there might be some other reasons for not accepting all the IASs for Bangladesh.

Next question was on the biasness of the standard setters or acceptors. It was argued that if standards setters or acceptors act as external auditors of a listed company, they might be biased in setting or accepting standards. Here the respondents did not agree with the

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statement unanimously, they differ significantly. Accounts preparers and academicians 'moderately' believe that this biasness may occur, because their mean score is 3.18 (SD=1.074) and 3.13 (SD=0.991) respectively. But professionals and regulators believe to 'some extent' that this biasness may occur because their mean score is 2.14 (SD=1.315) and 2.00 (SD=1.155) respectively.: Since professionals and 75% regulators are the members of the ICAB, this might be the probable reason behind this disagreement among the four groups. So they belong to acceptors group and at the same time external auditors group.

Next question was on the independence of standards setters or acceptors, i.e., the acceptance committee should be independents of any financial interest with the listed companies. Here the respondents differ significantly. The accounts preparers and the academicians strongly support this idea because their average score of response is 4.53 (SD=0.624) and 3.88 (SD=1.553) respectively. On the other hand the professionals and the regulators support the idea moderately since their average score is 3.29 (SD=1.678) and 3.00 (SD=1.414) respectively. Their standard deviation is high that indicate the variances of opinion within themselves on the issue. Many chartered informed verbally that to perform as a standard setter and auditor simultaneously is not a problem at all.

Table-8.13 (i): Shows overall agreement or disagreement among the four respondents groups on acceptance of IASs by *the ICAB, SEC and Bangladesh Bank*: output of Kruskal-Wallis 'K' test (Details in Table-8.28)

Var. No.	Variable Name	Chi-Square	Degree of Freedom	Sig.	Status at 95% confidence level
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	12.928	3	.005	Rejected
b_15.2	The role that should be played by the SEC in IASs acceptance process	18.722	3	.000	Rejected
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	4.031	3	.258	Not Rejected
b_16.2	Effective implementation of IAS-30 by the schedule banks	12.151	3	.007	Rejected
b_17	Suitability of all the IAS in Bangladesh	13.184	3	.004	Rejected
b_18	Biasness of accounting roles accepted/set by the external auditors	8.730	3	.033	Rejected
b_19	IASs acceptance committee and their independency	7.987	3	.046	Rejected

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Table-8.13 (ii): Shows Means and Standard deviation of different respondent groups on acceptance of IASs by *the ICAB, SEC and Bangladesh Bank*

Var. no.	Variables	Set-A		Set-B		Set-C		Set-E	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	2.06	.659	2.95	1.071	3.25	.957	3.63	1.188
b_15.2	The role that should be played by the SEC in IAS acceptance process	3.71	.686	2.10	1.044	2.50	1.000	2.38	1.188
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	2.18	.951	2.76	1.044	2.75	1.500	2.88	0.835
b_16.2	Effective implementation of IAS-30 by the schedule banks	3.94	1.029	2.95	.973	3.00	1.155	4.00	0.000
b_17	Suitability of all the IAS in Bangladesh	3.47	.943	2.33	1.111	2.25	.957	2.00	1.195
b_18	Biasness of accounting roles accepted/set by the external auditors	3.18	1.074	2.14	1.315	2.00	1.155	3.13	.991
b_19	AS acceptance committee and their independency	4.53	.624	3.29	1.678	3.00	1.414	3.88	1.553

Inter-group analysis: *Taking two groups at a time*

Appropriateness of the stand of the SEC in present acceptance process & the role that should be played by the SEC in IAS acceptance process:

Here the different combinations of four respondent groups were asked to pass their opinion on appropriateness of the stand of the SEC in present acceptance process and the role that should be played by the SEC in IASs acceptance process. In both cases Accounts Preparers versus Professionals, Accounts Preparers versus Regulators and Accounts Preparers versus Academicians differ significantly. Professionals versus Regulators, Professionals versus Academicians and Regulators versus Academicians do not differ significantly. Here noteworthy thing is that Accounts Preparers Group do not agree with other three groups. It means the Accounts Preparers group opines that the stand and role of the SEC in IASs acceptance process is not according to the desire of the Accounts Preparers. They believe that the stand of the SEC in IASs acceptance process is appropriate to some extent (average score = 2.06) and they also expect an active role of the SEC in IASs acceptance process (average score = 3.71).

IAS-30: Adopted by Bangladesh Bank unilaterally & Effective implementation of IAS-30 by the schedule banks:

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Here respondents were asked to pass their opinion on the statement that the present unilateral process of adopting IAS-30 by the Bangladesh Bank is a proper way. There exists no significant difference on the above issue among the different combination of four respondent groups. Since the average score of four sets A, B, C and E were 2.18, 2.76, 2.75 and 2.88 respectively; it means that they were agreed without a significant difference in a state between 'to some extent' and 'moderate extent'. In case of variable no. b_16.2 significant difference exists between the combination of Accounts Preparers versus Professionals, Professionals versus Academicians and Regulators versus Academicians because of rejection of null hypothesis. That is, they do not agree with the statement that bilateral process between Bangladesh Bank and other schedule banks and other financial institutions would be more effective from implementation point of view. In other three combinations there exists no significant difference. These are Accounts Preparers versus Regulators, Accounts Preparers versus Academicians and Professionals versus Regulators.

Suitability of all the IAS in Bangladesh:

Here the respondents were asked to express their opinion on the statement that partial acceptance of IASs indicates the unsuitability of all IASs in Bangladesh. Accounts Preparers versus Professionals, Accounts Preparers versus Regulators and Accounts Preparers versus Academicians differ significantly with the above statement, but the combination of Professionals versus Regulators, Professionals versus Academicians and Regulators versus Academicians do not differ significantly. Here things to note is that Accounts Preparers belongs to first three combinations and they differ with other three group of respondents. Since mean score of Accounts Preparers group is 3.47, they strongly believe that all IASs are not suitable for Bangladesh, but other three groups believe the statement in between 'to some extent' and 'moderate extent' because their average score is 2.33 (Professionals), 2.25 (Regulators) and 2.00 (Academicians).

Biasness of accounting roles accepted/set by the external auditors:

Here the respondents were asked to pass their opinion on the statement that any accounting rules and standards set for business enterprises by the ICAB members would be biased since they are the external auditors of those business enterprises. Accounts Preparers versus Professionals and Professionals versus Academicians differ significantly on the above statement, because null hypothesis has been rejected (Table: 8.1). Professionals and

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Regulators do not differ, because, as stated earlier, out of four Regulators two belong to Professionals group. Other combinations of respondents do not differ significantly. The directly involved group i.e., the Professionals group believes that they can set rules and they can perform external audit simultaneously without any biasness. But other groups differ significantly with their believe.

Accounting Standards acceptance committee and their independence:

Here the respondents were asked to pass their opinion on the statement that members of any accounting standards setting body should be independent of any financial and non - financial benefits from the listed companies. Accounts Preparers versus Professionals and Accounts Preparers versus Regulators (includes 50% professionals) differ significantly on the above issue. Specifically the professionals group thinks that the Accounting Standards setting body needs not to be independent. All other combinations of the respondent groups believe that Accounting Standards setters or acceptance body should be independent.

Table-8.13 (iii): Shows inter-group agreement or disagreement on acceptance of IASs by the ICAB, SEC and Bangladesh Bank: Output of the Mann-Whitney U-test (details in Table: 8.29 to 8.34)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [NR]=Not Rejected					
		Set-A vs. Set-B	Set-A vs. Set-C	Set-A vs. Set-E	Set-B vs. Set-C	Set-B vs. Set-E	Set-C vs. Set-E
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	.008 [R]	.025 [R]	.003 [R]	.637 [NR]	.158 [NR]	.533 [NR]
b_15.2	The role that should be played by the SEC in IAS acceptance process	.000 [R]	.017 [R]	.004 [R]	.409 [NR]	.556 [NR]	.784 [NR]
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	.086 [NR]	.450 [NR]	.079 [NR]	1.00 [NR]	.797 [NR]	.929 [NR]
b_16.2	Effective implementation of IAS-30 by the schedule banks	.006 [R]	.134 [NR]	.796 [NR]	.938 [NR]	.004 [R]	.036 [R]
b_17	Suitability of all the IAS in Bangladesh	.002 [R]	.019 [R]	.004 [R]	.939 [NR]	.447 [NR]	.653 [NR]
b_18	Biasness of accounting roles accepted/set by the external auditors	.015 [R]	.078 [NR]	.901 [NR]	.812 [NR]	.048 [R]	.114 [NR]
b_19	AS acceptance committee and their independency	.022 [R]	.013 [R]	.595 [NR]	.539 [NR]	.240 [NR]	.213 [NR]

8.3.2 Enforcement Process:

The Securities and Exchange Commission of Bangladesh has made IASs mandatory for the listed companies. The listed companies were not allowed any time to get ready with skilled

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manpower to adopt IASs. It was imposed on them simply by amending the section 12(2) of the SER 1987. In this context it is hypothesized that:

(4) H_0: There exists no significant difference among the interest groups regarding present enforcement process of IASs in Bangladesh.

Overall analysis: *Taking four groups at a time*

Seven questions were asked to four respondents groups to express their opinion on the enforcement process of IASs in Bangladesh. Kruskal-Wallis 'K' test has been used (i.e., H_0: $\mu_1 = \mu_2 = \mu_3 = \mu_4$) to test the overall agreement or disagreement of the four respondents groups on the enforcement process of IASs in Bangladesh. Table-8.14 (i) shows the result of 'K' test. Out of seven cases the respondents were agreed with insignificant differences in six cases. Only in one case they differ significantly.

First question was on the imposition of IASs by the SEC on the listed companies. Respondents were asked to opine whether this imposition was welcoming to them. All the four respondents groups agreed with insignificant difference on the issue. Since the average scores [Table-8.14 (ii)] for accounts preparers, professionals, regulators and academicians were 3.29 (SD=1.105), 3.67(SD=0.796), 3.25(SD=0.957) and 3.50(SD=0.535), it implies that the respondents were happy with the decision of the SEC 'moderately' or to 'great extent'. But high standard deviation of accounts preparers group indicates that they differ on the issue with each other within the group.

Next question was on sufficiency of manpower to adopt IASs, i.e., whether the listed companies are well equipped with skilled manpower. The respondents differ significantly on the issue. The accounts preparers, professionals and regulators believe that to 'some extent' or 'moderate extent' the country is well equipped with skilled manpower to adopt IASs, because their average score of responses are: accounts preparers 2.35 (SD=0.606), professionals 2.90 (SD=0.625) and regulators 2.00 (SD=0.00). On the other had the academicians believe it 'moderately' or to 'great extent', because their average score is 3.13 (SD=0.641).

The SEC has made IASs mandatory for the listed companies. Next question was: to what extent the respondents support this enforcement. The respondents agreed on the issue with insignificant difference in opinion. The level of their agreement is reflected in average scores. These are: accounts preparers 3.18 (SD=0.951), professionals 3.67 (SD=0.577),

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regulators 3.25 (SD=0.957) and academicians 3.63 (SD=0.744). These scores indicate that the respondents support the decision of the SEC 'moderately' or to 'great extent'.

The next question was on the assessment of users' need before enforcing IASs, i.e., enforcement without assessing users' need might induce negative motivation towards implementation of IASs. There exists no significant difference of opinion among the respondents groups on the issue. Since their average scores of response is less than three but more than two, they support the idea to 'some extent' or 'moderately'. Their average scores with standard deviations were: accounts preparers 2.76 (SD=1.147), professionals 2.00 (SD=0.949), regulators 2.00 (SD=0.816) and academicians 2.75 (SD=1.581). So the respondents do not strongly believe that present enforcement mechanism will have a negative impact.

Next question was on the enforcement of IAS-30 by the Bangladesh Bank, i.e., unilateral enforcement by Bangladesh Bank might have negative impact on the users of IASs. Here the respondents agreed with the statement with no significant difference. They agreed with the statement to 'some extent' or sometimes 'not at all', because their average scores were below 2 for professionals and regulators groups. Scores are as follows: accounts preparers 2.29 (SD=0.686), professionals 1.95 (SD=0.973), regulators 1.5 (SD=0.577) and academicians 2.00 (SD=0.756).

Next question was on demand for professional enforceability by the members of the ICAB. Here the respondents also agreed with the demand with no significant difference. Since their mean scores are more than three, the respondents strongly agreed (great extent) with demand made by some members of the ICAB. Mean scores were as follows: accounts preparers 2.59 (SD=1.543), professionals 3.14 (SD=1.108), regulators 3.50 (SD=1.291) and academicians 3.88 (SD=0.991).

The last question was on Voluntary implementation of IAS in Bangladesh. All the respondents agreed on the issue with insignificant difference but their mean scores of response are less than 2 but greater than 1. Their mean scores were as follows: accounts preparers 1.65 (SD=0.996), professionals 1.62 (SD=0.805), regulators 1.75 (SD=0.500) and academicians 1.75 (SD=0.886). These results indicate that the respondents do not support the idea of voluntary implementation of IASs in Bangladesh.

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Table-8.14 (i): Shows overall agreement or disagreement among the four respondents group on enforcement process of IASs in Bangladesh. (*Details in Table **8.28***)

Var. No.	Variable Name	Chi-Square	Degree of Freedom (d.f.)	Sig.	Status at 95% confidence level
b_20.1	Imposition of IASs by the SEC	1.582	3	.663	Not Rejected
b_20.2	Sufficiency of manpower to adopt IASs	14.984	3	.002	Rejected
b_20.3	Making IASs mandatory for the listed companies	3.339	3	.342	Not Rejected
b_20.4	Unilateral enforcement of IASs and reaction of interest group	4.713	3	.194	Not Rejected
b_21	Unilateral enforcement of IAS-30 by BB and reaction of interest group	5.504	3	.138	Not Rejected
b_22	Demand for professional enforceability by the members of ICAB	5.376	3	.146	Not Rejected
b_23	Voluntary implementation of IAS in Bangladesh	0.789	3	.852	Not Rejected

Table-8.14 (ii): Shows Means and Standard deviation of different respondent groups on enforcement process of IASs in Bangladesh

Var. no.	Variables	Set-A		Set-B		Set-C		Set-E	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
b_20.1	Imposition of IAS by the SEC	3.29	1.105	3.67	.796	3.25	.957	3.50	.535
b_20.2	Sufficiency of manpower to adopt IASs	2.35	.606	2.90	.625	2.00	.000	3.13	.641
b_20.3	Making IASs mandatory for the listed companies	3.18	.951	3.67	.577	3.25	.957	3.63	.744
b_20.4	Unilateral enforcement of IAS and reaction of interest group	2.76	1.147	2.00	.949	2.00	.816	2.75	1.581
b_21	Unilateral enforcement of IASs by BB and reaction of interest group	2.29	.686	1.95	.973	1.50	.577	2.00	.756
b_22	Demand for professional enforceability by the members of ICAB	2.59	1.543	3.14	1.108	3.50	1.291	3.88	.991
b_23	Voluntary implementation of IAS in Bangladesh	1.65	.996	1.62	.805	1.75	.500	1.75	.886

Inter-group analysis: *Taking two groups at a time*

Imposition of IAS by the SEC:

Here the respondents were asked to pass their opinion on the way in which the SEC imposed IASs on the business houses, i.e., whether this imposition was welcoming to them or not. Since null hypothesis has been accepted (*Table- 8.iv*), all the combinations of four respondents groups are agreed in the same way and there exists no significant difference of opinion regarding the issue. It has also authenticated by Kruskal-Wallis 'K' test *(Table: 8.v)* where null hypothesis has been accepted and there is no significant difference of opinion among the groups of respondents on the issue.

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Sufficiency of manpower to adopt IASs:

Here the respondents were asked to express their opinion whether they were well equipped with sufficient manpower to adopt IASs. All the six combinations of four groups differ significantly on the issue except Accounts Preparers versus Regulators and Professionals versus Academicians. These two combinations do not differ significantly. The overall position as per Kruskal-Wallis 'K' test reveals that there exists significant difference of opinion among the respondents groups because of rejection of null hypothesis.

Making IASs mandatory for the listed companies

Here the respondents were asked to express their opinion on whether the decision of the SEC to make IASs mandatory for all the listed companies were welcoming to them. Since null hypothesis has been accepted for all the respondents groups, there exists no significant difference of opinion among the respondents on the issue. The same output has been derived from Kruskal-Wallis 'K' test where null hypothesis has been accepted.

Unilateral enforcement of IAS and reaction of interest group:

Users need for IASs was never assessed in Bangladesh. In this situation the respondents were asked to pass their opinion on whether the enforcement of IASs by the SEC will be taken negatively by the users of IASs. Null hypothesis has been accepted for all the respondents groups except for Accounts Preparers versus Professionals. This difference of opinion between Accounts Preparers and Professionals groups has been overruled by the Kruskal-Wallis 'K' test where null hypothesis has been accepted, i.e., the difference of opinion is insignificant among the respondents.

Unilateral enforcement of IASs by BB and reaction of interest group:

Bangladesh bank imposed IASs-30 on the scheduled banks. The respondents were asked to pass their opinion on the issue that this unilateral imposition of IASs will not be taken by the users positively. Null hypothesis has been accepted for all the respondents groups except for Accounts Preparers versus Regulators. This difference of opinion between Accounts Preparers and Regulators group has been overruled by the Kruskal-Wallis 'K' test where null hypothesis has been accepted, i.e., the difference of opinion is insignificant among the respondents.

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Demand for professional enforceability by the members of ICAB:

Here the respondents were asked to pass their opinion on the professional enforceability of IASs by the professional accountants. All the combinations of the respondents group were agreed on the issue except Accounts Preparers versus Academicians group. According to Kruskal-Wallis 'K' test there exists no significant difference of opinion among the different respondent groups since the test has accepted the null hypothesis.

Voluntary implementation of IASs in Bangladesh:

Many concerned personnel believe that voluntary implementation of IASs would be better than compulsory implementation. In this context the respondents were asked to pass their opinion on the above issue. 'U' statistic provides evidence that all the respondents groups were aligned and there exists no significant differences of opinion among the respondents groups on the above issue. The same thing was seen from Kruskal-Wallis 'K' test where null hypothesis were accepted.

Table-8.14 (iii): Shows inter-group agreement or disagreement on enforcement process of IASs in Bangladesh: Output of the Mann-Whitney U-test (details in table-8.29 to 8.34)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [NR]=Not Rejected					
		Set-A vs. Set-B	Set-A vs. Set-C	Set-A vs. Set-E	Set-B vs. Set-C	Set-B vs. Set-E	Set-C vs. Set-E
b_20.1	Imposition of IAS by the SEC	.303 [NR]	.924 [NR]	.711 [NR]	.387 [NR]	.446 [NR]	.705 [NR]
b_20.2	Sufficiency of manpower to adopt IAS	.007[R]	.228 [NR]	.008[R]	.008[R]	.397 [NR]	.010[R]
b_20.3	Making IAS mandatory for the listed companies	.086 [NR]	.850 [NR]	.282 [NR]	.401 [NR]	.763 [NR]	.583 [NR]
b_20.4	Unilateral enforcement of IAS and reaction of interest group	.039[R]	.233 [NR]	.904 [NR]	.874 [NR]	.240 [NR]	.482 [NR]
b_21	Unilateral enforcement of IAS by BB and reaction of interest group	.062 [NR]	.016[R]	.418 [NR]	.411 [NR]	.630 [NR]	.266 [NR]
b_22	Demand for professional enforceability by the members of ICAB	.187 [NR]	.252 [NR]	.045[R]	.591 [NR]	.137 [NR]	.589 [NR]
b_23	Voluntary implementation of IAS in Bangladesh	.804 [NR]	.395 [NR]	.649 [NR]	.483 [NR]	.706 [NR]	.854 [NR]

8.3.3 Monitoring Process:

The SEC is the regulator of the Securities and Exchange Rules 1987. So it is the primary responsibility of the SEC to monitor as well as look after the implementation aspect of IASs in Bangladesh, but the SEC does not have any effective monitoring system so far application of IASs is concerned. In this context it is hypothesized that:

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(5) H_0: There exists no significant difference among the interest groups regarding present monitoring system to ensure the proper application of IASs in Bangladesh.

Overall analysis: *Taking four groups at a time*

The respondents were asked to answer seven questions (issues) on the monitoring process of IASs in Bangladesh. Kruskal-Wallis 'K' test has been used (i.e., H_0: $\mu_1 = \mu_2 = \mu_3 = \mu_4$) to test the overall agreement or disagreement of the four respondents groups on the monitoring process of IASs in Bangladesh. Table-8.15 (i) shows the result of 'K' test. The respondents were agreed with no significant difference on four issues and disagreed on three issues, i.e., they differ significantly.

The first question was on monitoring the application of IASs by the SEC. The SEC frames rule but it has no separate monitoring cell. So enforcement aspect is being overlooked. The respondents agreed with no significant difference on the issue, i.e., they strongly believe that simply farming rules signify nothing if there is no strong monitoring system. Their average score of response was more that 3 but less than 5. These were: accounts preparers 4.24 (SD=0.664), professionals 3.48 (SD=1.030), regulators 4.25 (SD=0.500) and academicians 3.75 (SD=1.165).

Since the ICAB is looking over the implementation aspect, it is unnecessary for the SEC to monitor the matter. Respondents differ significantly on the issue. The accounts preparers, regulators and academicians do not agree with the issue, i.e., they want the SEC should monitor the implementation aspect of IASs. Because their mean scores are less than 2 but more than 1. These were: accounts preparers 1.29 (SD=0.772), regulators 1.25 (SD=0.500) and academicians 1.25 (SD=0.707). On the other hand the professionals support the situation to 'some extent' or 'moderately', because their mean score was 2.38 (SD=1.499).

The SEC does not have sufficient skilled manpower to monitor the implementation aspect of IASs in Bangladesh; this was the next issue to opine. The respondents agreed on the issue with insignificant difference. They strongly (to great extent) believe that the SEC does not have sufficient skilled manpower to monitor the implementation aspect of IASs. Because their mean scores were: accounts preparers 3.76 (SD=1.147), professionals 3.52 (SD=1.123), regulators 4.00 (SD=1.414) and academicians 2.75 (SD=0.886).

Bangladesh Bank (BB) has a separate *branch control division*, one of the activity of which to perform audit of commercial banks. The audit team of the BB is well equipped with

skilled manpower in IASs, this was the issue to pass opinion. Here the respondents differ insignificantly on the issue. But they do not think that the BB audit team has skilled manpower to look after the IASs issues, because their mean scores are less than 3 but more than 1. These were: accounts preparers 2.35 (SD=0.931), professionals 1.90 (SD=0.768), regulators 1.50 (SD=0.577), and academicians 2.00 (SD=0.756).

Next issue was the reflection of IASs in annual financial reports of listed companies. Since the professionals certify that the financial statement have been prepared in accordance with adopted IASs in Bangladesh, financial statements of the listed companies reflected the true picture of Bangladesh. The respondents differ significantly on the issue. The accounts preparers professionals and academicians believe that the statement is true to 'some extent' or sometimes 'moderately', because their mean scores of response were accounts preparers 2.06 (SD=0.577), professionals 2.57 (SD=0.811), and academicians 2.00 (SD=0.756). Only regulators believe that the statement is true to 'great extent', their mean score is 3.50 (SD=1.291).

Next issue was to set up an *Implementation and Monitoring Cell* under the supervision of the SEC. Here the respondents differ significantly on the issue. Accounts preparers, regulators and academicians strongly support the idea because their mean scores were 3.94 (SD=0.899), 4.00 (SD=1.414) and 4.13 (SD=0.835) respectively. But the mean score of the professionals groups is 2.62 (SD=1.024), which indicates that they do not strongly support the idea. Some of the professionals might reject the idea since their standard deviation is high. So there is great conflict between the SEC and the ICAB.

Next issue was: whether the respondents support the idea of legal proceedings against the listed companies for non-compliance with IASs. The respondents agreed on the issue with insignificant difference. They strongly support the idea of legal proceedings because their mean scores were accounts preparers 3.35 (SD=1.115), professionals 3.43 (SD=1.121), regulators 4.00 (SD=0.816) and academicians 4.00 (SD=1.309) respectively. Of these score of accounts preparers is the lowest (3.35), may be they think that without getting fully prepared to adopt IASs, legal proceedings will not be justified.

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Table- 8.15 (i): Shows overall agreement or disagreement among the four respondents group on monitoring process of IASs in Bangladesh *(Details in table-8.28)*

Var. No	Variable Name	Chi-Square	d. f.	Sig.	Confidence level95%
b_24.1	Over looking monitoring by the SEC	6.184	3	.103	Not Rejected
b_24.2	Necessity of monitoring by the SEC	8.622	3	.035	Rejected
b_24.3	Dearth of skilled manpower of the SEC	6.223	3	.101	Not Rejected
b_25	Dearth of skilled manpower of the Bangladesh Bank	4.053	3	.256	Not Rejected
b_26	Reflection of IASs in annual financial reports of listed companies	9.015	3	.029	Rejected
b_27	Establishment of Implementation and Monitoring Cell	16.775	3	.001	Rejected
b_28	Legal Proceedings for non-compliance with IASs	2.836	3	.418	Not Rejected

Table- 8.15 (ii): Shows Means and Standard deviations of different respondent groups on monitoring process of IASs in Bangladesh

Var. no.	Variables	Set-A		Set-B		Set-C		Set-E	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
b_24.1	Over looking monitoring by the SEC	4.24	.664	3.48	1.030	4.25	.500	3.75	1.165
b_24.2	Necessity of monitoring by the SEC	1.29	.772	2.38	1.499	1.25	.500	1.25	.707
b_24.3	Dearth of skilled manpower of the SEC	3.76	1.147	3.52	1.123	4.00	1.414	2.75	.886
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	2.35	.931	1.90	.768	1.50	.577	2.00	.756
b_26	Reflection of IAS in annual financial reports of listed companies	2.06	.556	2.57	.811	3.50	1.291	2.00	.756
b_27	Establishment of Implementation and Monitoring Cell	3.94	.899	2.62	1.024	4.00	1.414	4.13	.835
b_28	Legal Proceedings for non-compliance with IAS	3.35	1.115	3.43	1.121	4.00	.816	4.00	1.309

Inter-group analysis: *Taking two groups at a time*

Over looking monitoring by the SEC:

Here the respondents were asked to express their opinion on the issue that mere framing rules signify nothing if its proper enforcement aspect is overlooked. All the combinations of respondents groups were agreed on the issue except the combination of Accounts Preparers versus Professionals group. Overall position of the respondents groups reveals that there exists no significant difference in opinion since null hypothesis has been accepted as per Kruskal-Wallis 'K' test.

Necessity of monitoring by the SEC:

Here the respondents were asked to pass their opinion on the issue the issue that it is unnecessary for the SEC to look after the implementation aspect of IASs. Significant difference in opinion exists in case of Accounts Preparers versus Professionals group and

Professionals versus Academicians group, because null hypothesis has been rejected. Other respondents groups were agreed and aligned in the same way, i.e., they do not differ significantly. K statistic reveals that the respondents differ significantly on the issue since null hypothesis has been rejected.

Dearth of skilled manpower of the SEC:

The SEC do not have sufficient manpower to look after the implementation aspect of IASs – the respondents were asked to pass their opinion on the above issue. Mann Whitney's U statistic provide evidence that there exists no significance difference of opinion among the different respondents groups except Accounts Preparers versus Academicians group, since null hypothesis has been accepted. The overall position as per Kruskal-Wallis 'K' test has been overruled this differences. K-test provides that there exists no significant difference of opinion among the respondents groups on the issue.

Dearth of skilled manpower of the Bangladesh Bank (BB):

Here the respondents were asked to pass their opinion on the issue that the audit teams of Bangladesh Bank are well equipped with skilled manpower to look after the implementation aspect of IASs especially IAS-30 in the banking sector of Bangladesh. The U statistic provides evidence that there exists no significant difference in opinion among the respondents groups except Accounts Preparers versus Regulators group. Here it may be noted that out of four respondents of the Regulator group, there were two respondents from Bangladesh Bank. It means the respondents from Bangladesh Bank differ with other respondents on the issue. But the overall position shown by the Kruskal-Wallis 'K' test reveals that there exists no significant difference among the respondents groups on the above issue.

Reflection of IAS in annual financial reports of listed companies

Here the respondents were asked to express their opinion on the issue that auditors report is the perfect reflection of status of IASs in Bangladesh. All the combinations of different respondents group were agreed with insignificant difference of opinion except Accounts Preparers versus Regulators. Kruskal-Wallis 'K' statistic shows that there exists significant difference in opinion among the different respondent groups on the issue. It means some respondents believe that auditor's report is the perfect reflection of status of IASs in Bangladesh, but some respondents do not.

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Establishment of Implementation and Monitoring Cell

Here the respondents were asked to express their views on the establishment of an Implementation and Monitoring Cell under the framework of the SEC to supervise and monitor the implementation aspect of IASs in Bangladesh. Two respondents combination differ significantly on the issue. They are Accounts Preparers versus Professionals and Professionals versus Academicians. Other combinations agreed with insignificant difference in opinion. But Kruskal-Wallis K statistic provides evidence that the different respondents differ significantly on the above issue, because the null hypothesis has been rejected.

Legal Proceedings for non-compliance with IASs:

Here the respondents were asked to express their opinion on whether they support any legal proceedings against the listed companies for non-compliance with IASs. All the respondents groups were agreed with insignificant difference in opinion on the issue. The same result has been come out from Kruskal-Wallis K statistic because the null hypothesis has been accepted.

Table- 8.15 (iii): Shows inter-group agreement or disagreement on monitoring process of IASs in Bangladesh: Output of the Mann-Whitney U-test (Details in Table 8.29 to 8.34)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [Nr]=Not Rejected					
		Set-A vs. Set-B	Set-A vs. Set-C	Set-A vs. Set-E	Set-B vs. Set-C	Set-B vs. Set-E	Set-C vs. Set-E
b_24.1	Over looking monitoring by the SEC	.016[R]	.959 [NR]	.306 [NR]	.129 [NR]	.609 [NR]	.478 [NR]
b_24.2	Necessity of monitoring by the SEC	.016[R]	.793 [NR]	.784 [NR]	.185 [NR]	.048[R]	.695 [NR]
b_24.3	Dearth of skilled manpower of the SEC	.406 [NR]	.603 [NR]	.038[R]	.269 [NR]	.050 [NR]	.109 [NR]
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	.172 [NR]	.042[R]	.454 [NR]	.338 [NR]	.753 [NR]	.266 [NR]
b_26	Reflection of IAS in annual financial reports of listed companies	.053 [NR]	.016[R]	.838 [NR]	.108 [NR]	.124 [NR]	.051 [NR]
b_27	Establishment of Implementation and Monitoring Cell	.000[R]	.623 [NR]	.702 [NR]	.063 [NR]	.002[R]	.928 [NR]
b_28	Legal Proceedings for non-compliance with IASs	.963 [NR]	.300 [NR]	.147 [NR]	.290 [NR]	.243 [NR]	.719 [NR]

8.3.4 Development of local Standards:

The researcher thinks that the users of the financial statements in Bangladesh are not sensitive to financial information in taking investment decision. i.e., (i) they are indifferent

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between the situation of having IASs and not having IASs and (ii) it is better to develop local accounting standards on the basis of local needs within the framework of IASs. Two hypothesizes have been developed covering the above two issues. The first hypothesis is:

(6) H_0: *There exists no significant difference among the interest groups that the users of financial statements are indifferent between having IASs and not having IASs.*

Overall analysis: *Taking four groups at a time*

The respondents were asked to answer one question (issue) on the development of local standards for Bangladesh. Kruskal-Wallis 'K' test has been used (i.e., H_0: $\mu_1 = \mu_2 = \mu_3 = \mu_4$) to test the overall agreement or disagreement of the four respondents groups on the monitoring process of IASs in Bangladesh. Table-8.16 (i) shows the result of 'K' test.

It is assumed that the users of financial statements are indifferent between having IASs and not having IASs. The respondents differ significantly on the issue. The accounts preparers and the professionals strongly agreed with the statement, because their average scores [Table-8.16 (ii)] were 4.24 (SD=1.091) and 3.48 (SD=1.123) respectively. But the regulators and the academicians agreed with the statement to 'some extent' or 'moderate extent' because their mean score was 2.75 (SD=1.50) and 2.50 (SD=1.069).

Table- 8.16 (i): Shows agreement or disagreement of the respondents on development of local Standards (Details in Table 8.28)

Var. No	Variable Name	Chi-Square	Degree of Freedom (d.f.)	Sig.	Status at 95% confidence level
b_29	Impact of IASs on the users	12.347	3	.006	Rejected

Table- 8.16 (ii): Shows Means and Standard deviations of different respondent groups on development of local Standards

Var. no.	Variables	Set-A		Set-B		Set-C		Set-E	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
b_29	Impact of IASs on the users	4.24	1.091	3.48	1.123	2.75	1.500	2.50	1.069

Inter-group analysis: *Taking two groups at a time:*

Impact of IAS on the users:

In this variable the respondents were asked to pass their opinion on the statement that most of the users of financial statements are indifferent between having or not having IASs in Bangladesh. All the combinations of different respondents groups differ significantly on the issue except Professionals versus Regulators group and Professionals versus

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Academicians group. The overall position of the four respondents groups as per K statistic reveals that they differ significantly because the null hypothesis has been rejected.

Table- 8.16 (iii): Shows inter-group agreement or disagreement on Development of local Standards: Output of the Mann-Whitney U-test (Details available in Table-8.29 to 8.34)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [NR]=Not Rejected					
		Set-A vs. Set-B	Set-A vs. Set-C	Set-A vs. Set-E	Set-B vs. Set-C	Set-B vs. Set-E	Set-C vs. Set-E
b_29	Impact of IAS on the users	.026[R]	.041[R]	.004[R]	.312 [NR]	.042[R]	.849 [NR]

(7) H_0: There exists no significant difference among the interest groups regarding Development of local Accounting Standard.

Overall analysis: *Taking four groups at a time*

The respondents were asked to answer four questions (issues) on the development of local standards for Bangladesh. Kruskal-Wallis 'K' test has been used (i.e., H_0: $\mu_1 = \mu_2 = \mu_3 = \mu_4$) to test the overall agreement or disagreement of the four respondents groups on the monitoring process of IASs in Bangladesh. Table-8.17 (i) shows the result of 'K' test.

Many countries like the USA, the UK, India etc. have developed local accounting standards within the framework of IASs. So Bangladesh can do that, this was the first issue. The respondents agreed on the issue with no significant difference of opinion. Since their average score of response were more than 3 but less than 4, it can be concluded that issue was not strongly supported by the respondents. Respondents mean scores were: accounts preparers 3.29 (SD=0.772), professionals 3.19 (SD=1.030), regulators 3.25 (SD=0.957) and academicians 2.38 (SD=1.302) respectively.

Next question was on the establishment of strong accounting standards setting body. The respondents differ significantly on the issue. Their mean scores indicate that the professionals group do not strongly want an accounting standard setting body to be established, because their mean score of response was 2.76 (SD=1.375). But other three groups support the issue to a 'great extent' because their mean scores were: accounts preparers 3.94 (SD=0.899), regulators 3.50 (SD=1.000) and academicians 4.50 (SD=0.530). Here a question may be raised. If the respondents do not want to develop local accounting standards, why they are interested to set-up a strong accounting standards setting body. Possible reason behind this would be: they want IASs but not in original

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form, IASs must be modified to include local values and that job is to be done by the proposed accounting standards setting body.

Next questions were on the voluntary implementation of IASs and compulsory implementation of local standards. The respondents were agreed on the issues with no significance difference. But they do not support the idea of voluntary implementation of IASs because mean scores for voluntary implementation of IASs were: accounts preparers 2.59 (SD=1.004), professionals 1.90 (SD=1.044), regulators 1.75 (SD=0.50) and academicians 2.25 (SD=1.389). While the mean scores for compulsory implementation of local accounting standards were: accounts preparers 3.71 (SD=0.686), professionals 3.05 (SD=1.244), regulators 3.25 (SD=0.957) and academicians 3.00 (SD=1.195). It means they moderately or strongly supports the idea of compulsory implementation of accounting standards.

Table- 8.17 (i): Shows agreement or disagreement of the respondents on development of local Standard *(*Kruskal-Wallis 'K' test ***Details available in Table 8.28)***

Var. No	Variable Name	Chi-Square	Degree of Freedom (d.f.)	Sig.	Status at 95% confidence level
b_30	Development of local standards rather that IASs	He 3.454	3	.327	Not Rejected
b_31	Establishment of strong standards setting body	13.496	3	.004	Rejected
b_32.1	IASs for voluntary implementation	4.822	3	.185	Not Rejected
b_32.2	Local standards for compulsory implementation	3.462	3	.326	Not Rejected

Table- 8.17 (ii): Shows Means and Standard deviation of different respondent groups development of local Standards

Var. no.	Variables	Set-A		Set-B		Set-C		Set-E	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
b_30	Development of local standards rather that IAS	3.29	.772	3.19	1.030	3.25	.957	2.38	1.302
b_31	Establishment of strong standards setting body	3.94	.899	2.76	1.375	3.50	1.000	4.50	.535
b_32.1	IASs for voluntary implementation	2.59	1.004	1.90	1.044	1.75	.500	2.25	1.389
b_32.2	Local standards for compulsory implementation	3.71	.686	3.05	1.244	3.25	.957	3.00	1.195

Inter-group analysis: *Taking two groups at a time:*

Development of local standards rather that IAS:

Here the respondents were asked to pass their opinion on the statement that Accounting standards should be developed at national level keeping the socio-econo-cultural environment in mind rather implementing IASs directly. Since the null hypothesis has been accepted, data provide evidence that there exists no significant difference among the different respondents groups on the above issue. It means all respondent groups are agreed with above issue. K statistic also shows that mean values of four respondent groups are equal with insignificant difference.

Establishment of strong standards setting body:

Here the respondents were asked to pass their opinion on the statement that there should be a strong standards setting body in Bangladesh to develop local accounting standards keeping IASs in mind as guideline. All the combination of different respondent group, except Accounts Preparers versus Professionals and Professionals versus Academicians, were agreed with the issue and there exists no significant difference in opinion among them. Noteworthy thing is that the Professionals are against the establishment of strong accounting standards setting body.

IASs for voluntary implementation & Local standards for compulsory implementation

Here the respondents were asked to pass their opinion on the statement that (1) IASs should be left for voluntary implementation; and (2) local standards are to be made compulsory for all companies. All the combination of different respondent group, except Accounts Preparers versus Professionals were agreed with the issues and there exists no significant difference in opinion among them.

Table- 8.17 (iii): Shows inter-group agreement or disagreement on development of local standards: Output of the Mann-Whitney U-test (details in Table 8.29 to 8.34)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [NR]=Not Rejected					
		Set-A vs. Set-B	Set-A vs. Set-C	Set-A vs. Set-E	Set-B vs. Set-C	Set-B vs. Set-E	Set-C vs. Set-E
b_30	Development of local standards rather that IASs	.687 [NR]	.961 [NR]	.080 [NR]	.876 [NR]	.124 [NR]	.253 [NR]
b_31	Establishment of strong standards setting body	.008[R]	.353 [NR]	.116 [NR]	.325 [NR]	.003[R]	.053 [NR]
b_32.1	IAS for voluntary implementation	.032[R]	.115 [NR]	.470 [NR]	.904 [NR]	.678 [NR]	.722 [NR]
b_32.2	Local standards for compulsory implementation	.100 [NR]	.326 [NR]	.146 [NR]	.785 [NR]	.918 [NR]	.784 [NR]

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8.3.5 Cost-benefit impact of IASs:

(a) Benefits of IASs are greater than costs of adopting them:

Adoption of IASs involves some costs. It is thought that benefits of using IASs based financial statements are more than the costs involved. Thus it is hypothesized that:

(8) H_0: There exists no significant difference among the interest groups on the issue that Benefits of IASs are greater than the costs of adopting them.

The respondents were asked to pass their opinion on the issue that the benefits (financial or non-financial) of adopting IASs are higher that the costs incurred to adopt these. Whether they agreed (yes) or disagreed (no) with the statement. Fifty respondents out of fifty (Table-8.18) were agreed with the statement. So statistical test (chi-square) become useless. So there exists no difference in opinion among the respondents. Thus null hypothesis is accepted and it is proved that benefits of IASs are greater than the costs of adopting them.

Table-8.18: Shows costs benefit impact of IASs

Var. No.	Variable Name	Number of respondents			Chi-Square	d. f.	Signi-ficance	Result
		Yes	N0	Total				
35	Costs-benefits impact of IASs	50	0	50	This variable is constant. Chi-Square Test cannot be performed.			

(b) Types of costs incurred to adopt IASs:

Table- 8.19: Shows frequency of respondents on additional costs of IASs implementation and result of Chi-Square Test

Var. No.	Variable Name	Number of respondents			Chi-Square	d. f.	Signi-ficance	Result at 5% sig.
		Yes	N0	Total				
33.1	Appointment of skilled personnel	23	13	36	2.778	1	.096	Not Rejected
33.2	Increased audit fees	25	11	36	5.444	1	.020	Rejected
33.3	Costs for redesigning accounting system	26	10	36	7.111	1	.008	Rejected
33.4	Training costs for existing accounts personnel	28	8	36	11.111	1	.001	Rejected
33.5	Costs for additional work load	22	13	35	2.314	1	.128	Not Rejected
33.6	Any other costs for implementation of IAS?	1	3	4	1.000	1	.317	

Cost for Appointment of skilled personnel

Here the respondents were asked whether they incur any cost for appointment of skilled accounts personnel. Data provide evidence that there exists no significant difference between observed value and expected value. So data is unbiased either to 'Yes' or 'No'.

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Therefore, it cannot be concluded with certainty that costs for appointment of skilled personnel incurred.

Cost for increased audit fees, Costs for redesigning accounting system and cost for training of existing accounts personnel:

In case of incurring three types of costs as stated above, data provide evidence that there exists significant difference between the observed value and expected value. It implies the data are biased. Since the frequency of 'Yes' is higher than the 'no', the respondents agreed that the above three types of costs are incurred by the listed companies.

Costs for additional workload

In case of cost for additional workload, there exists no significant difference between the observed value and expected value. Therefore, it cannot be concluded with certainty that costs for additional workload incurred.

8.4 Impediments on the way to adopt IASs in Bangladesh:

Bangladesh is a developing country and her capital market is not competitive. So it is natural that adoption of IASs will face several problems. The researcher has tried to identify some of these problems as well as impediments. He thinks that the respondent groups will recognize these impediments. Thus he hypothesize that

(9) H_0: There exists no significant difference among the interest groups regarding impediments of adopting IASs in Bangladesh.

Overall analysis: *Taking four groups at time*

The respondents were asked to answer fourteen questions (issues) on the impediments of adopting IASs in Bangladesh. Kruskal-Wallis 'K' test has been used (i.e., H_0: $\mu_1 = \mu_2 = \mu_3 = \mu_4$) to test the overall agreement or disagreement of the four respondents groups on the impediments of adopting IASs in Bangladesh. Table-8.17 (i) shows the result of 'K' test.

First question was: benefits of IASs are not clear to the business community. The respondents differ significantly on the issue. Accounts preparers and professionals 'moderately' or 'strongly' support the issue because their mean scores are 3.47 (0.800) and 3.29 (1.056) respectively, but regulators and academicians believe that the business community know the benefits of IASs, because their mean scores are 2.75 (0.957) and 1.38 (0.518) respectively.

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Second issue was: the users are not sensitive to financial information in taking investment decision. Respondents also differ on the issue significantly. Accounts preparers and professionals 'moderately' or to 'great extent' support the issue because their mean scores are 3.76 (1.300) and 3.52 (0.873) respectively, but regulators and academicians support the statement to 'some extent' or 'moderately' because their mean scores are 3.00 (0.816) and 2.25 (1.165) respectively.

The above two issues are synonymous and respondents are consistent between the issues. So it cannot be concluded that ignorance about benefits of IASs of business community and insensitivity of the users to financial information are the impediments of IASs implementation.

Next issues were: instability of socio-political environment, lack of good corporate governance and lack of good audit practice are the impediments on the way to proper implementation of IASs in Bangladesh. The respondents agreed unanimously on the above three issues with no significant difference. Their mean scores were less than 3 and more than 1, i.e., the highest score was 2.50 and lowest was 1.59 [*Table- 8.20 (ii)*]. So the respondents believe that these are not strong obstacles for IASs adoption in Bangladesh, rather to 'some extent' these might be the impediments.

Next issue was that the situation of financial reporting in Bangladesh has improved after enforcing IASs by the SEC. The respondents agreed on the issue with no significant difference. Since their mean scores are: accounts preparers 2.35 (SD=0.606), professionals 2.95 (SD=0.921), regulators 2.75 (SD=0.957) and academicians 2.88 (SD=0.835), it indicates, to 'some extent' or 'moderately' they believe that the quality of financial reporting in Bangladesh has improved after enforcing IASs by the SEC.

Next issue was: the people of Bangladesh are not rational in taking financial decision rather fatalistic. They like to depend on luck instead of rational financial information. This attitude is an important impediment on the way to IASs adoption. The respondents differ significantly on the issue. The accounts preparers and the professionals agreed with the situation 'moderately' or someone to 'great extent', because their mean scores were 3.65 (SD=0.931) and 3.05 (SD=1.322) respectively. Whereas the regulators and academicians agreed with the issue to 'some extent' or 'moderately', because their average scores were 2.25 (SD=1.258) and 1.88 (SD=1.356) respectively.

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Next issue was: IASs emphasis on more disclosures but society is conservative in Bangladesh. The respondents passed different opinions and they differ significantly on the issue. The mean score of accounts preparers is more than 4.29 (SD=0.470), it means they support the statement 'great extent'. At the same time mean scores of professionals and regulators were 3.24 (SD=1.261) and 3.00 (SD=1.155) respectively, so they support the statement 'moderately'. Academicians support it to 'some extent' because their mean score was 2.88 (0.835).

Next, the respondents were asked to pass their opinion on a common allegation that many organizations prepare more than one set of books of accounts. The respondents agreed on the issue with insignificant difference. Since the average scores of response is greater than 2 and less than 4 [Table- 8.20 (ii)], they moderately believe the statement is true. So it is a common problem in Bangladesh. In such an environment adoption of IASs is very difficult.

Lack of stable econo-political environment is identified as another impediment to adopt IASs in Bangladesh. The respondents agreed with insignificant difference on the above issue. Since the mean scores of response lies between 2 to 4, [i.e., accounts preparers 3.59 (SD=0.712), professionals 3.14 (SD=1.153), regulators 3.00 (SD=1.414) and academicians 2.25 (SD=0.916)], the respondents 'moderately' agreed with the statement. So it is not a strong impediment of IASs adoption in Bangladesh.

Auditors' independence is an important precondition for proper implementation of IASs, but for variety of reasons auditors cannot perform their duties independently. The respondents agreed with the statement with insignificant difference. Their mean scores were: accounts preparers 2.94 (SD=1.197), professionals 3.05 (SD=1.244), regulators 2.25 (SD=0.500) and academicians 2.88 (SD=0.835). It implies that the respondents agreed with the statement to 'some extent' or 'moderately'. Noteworthy thing is that the mean score of professionals group was the highest one.

Shortage of skilled manpower is the vital factor and at the same time it is a serious impediments on the way to IASs implementation in Bangladesh. The respondents agreed with the statement with insignificant difference. Since their mean scores are more that 3 but less than 4, data provide evidence that the respondents agreed with the statement to 'great extent' or sometimes to 'moderate extent'. Their average scores were: accounts preparers

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3.59 (SD=1.064), professionals 3.71 (SD=0.902), regulators 3.50 (SD=1.291) and academicians 3.13 (SD=1.356).

Next issue was that the internal environment of the business organizations in Bangladesh is not IASs friendly. The respondents were not agreed with the statement, i.e., they differ significantly. Data provide evidence that the accounts preparers, professionals and regulators agreed with the statement 'moderately' or to 'great extent', because their mean scores are between 3 and 4. These were: accounts preparers 3.12 (SD=0.781), professionals 3.10 (SD=1.044), regulators 3.25 (SD=0.957) and academicians 1.75 (SD=0.463). But academicians agreed with the statement to 'some extent', because their mean score was 1.75 (SD=0,463).

Table- 8.20 (i): Shows overall agreement or disagreement of the respondents on impediments on the way to adoption of IASs in Bangladesh: Output of Kruskal-Wallis 'K' test (details in Table-8.35)

Var. No	Variable Name	Chi-Square	(d.f.)	Sig.	Confidence level 95%
d_50	Benefits of IASs are not clear to the business community	18.399	3	.000	Rejected
d_51	Users are not sensitive to financial information	9.654	3	.022	Rejected
d_52.1	Socio-econo-political environment is stable in Bangladesh	3.552	3	.314	Not Rejected
d_52.2	Good corporate governance prevail in Bangladesh	1.342	3	.719	Not Rejected
d_52.3	Good audit practice prevail in Bangladesh	7.241	3	.065	Not Rejected
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	5.203	3	.158	Not Rejected
d_53	Adoption of IAS is difficult in a fatalistic society	10.908	3	.012	Rejected
d_54	IASs emphasis on more disclosures but society is conservative	12.798	3	.005	Rejected
d_55	Preparation of more than one set of books of accounts	5.600	3	.133	Not Rejected
d_56	Lack of stable econo-political environment to adopt IASs	5.405	3	.144	Not Rejected
d_57	Disturbance of auditors independence	1.630	3	.653	Not Rejected
d_58	Shortage of skilled manpower	1.378	3	.711	Not Rejected
d_59	Organizations in Bangladesh are not IASs friendly	12.503	3	.006	Rejected
d_60	Inefficient capital market	7.712	3	.052	Not Rejected

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Last issue on impediments was inefficient capital market, the market is not in semi-strong form. This inefficiency of the capital market is an important impediment of IASs adoption in Bangladesh. The respondents agreed with the situation with insignificant difference. The respondents 'moderately' or to 'some extent' believe that inefficient capital market is an impediment of IASs adoption in Bangladesh. Because mean scores were: accounts preparers 3.53 (SD=0.800), professionals 2.81 (SD=1.078), regulators 2.00 (SD=0.000) and academicians 2.88 (SD=1.553).

Inter-group analysis: *Taking two groups at a time*

Table- 8.20 (ii): Shows mean and standard deviation of different respondents groups on impediments of IASs adoption in Bangladesh

Var. no.	Variables	Preparers		Professionals		Regulators		Academics	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
d_50	Benefit if IAS is not clear to the business community	3.47	.800	3.29	1.056	2.75	.957	1.38	.518
d_51	Users are not sensitive to financial information	3.76	1.300	3.52	.873	3.00	.816	2.25	1.165
d_52.1	Socio-econo-political environment is stable in Bangladesh	1.59	.507	2.14	1.014	2.50	1.732	2.00	.756
d_52.2	Good corporate governance prevail in Bangladesh	1.88	.332	2.10	.889	2.00	.000	1.75	.463
d_52.3	Good audit practice prevail in Bangladesh	2.00	.354	2.29	.784	2.25	.500	1.63	.518
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	2.35	.606	2.95	.921	2.75	.957	2.88	.835
d_53	Adoption of IAS is difficult in a fatalistic society	3.65	.931	3.05	1.322	2.25	1.258	1.88	1.356
d_54	IASs emphasis on more disclosures but society is conservative	4.29	.470	3.24	1.261	3.00	1.155	2.88	.835
d_55	Preparation of more than one set of books of accounts	3.06	1.197	2.57	1.207	2.25	1.258	3.50	.926
d_56	Lack of stable econo-political environment to adopt IAS	3.59	.712	3.14	1.153	3.00	1.414	2.63	.916
d_57	Disturbance of auditors independence	2.94	1.197	3.05	1.244	2.25	.500	2.88	.835
d_58	Shortage of skilled manpower	3.59	1.064	3.71	.902	3.50	1.291	3.13	1.356
d_59	Organizations in Bangladesh are not IASs friendly	3.12	.781	3.10	1.044	3.25	.957	1.75	.463
d_60	Inefficient capital market	3.53	.800	2.81	1.078	2.00	.000	2.88	1.553

Benefit if IAS is not clear to the business community & Users are not sensitive to financial information

Here the respondents were asked to express their opinion on the consciousness of benefits of IASs to the business communities. Out of six combinations of four groups, three

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combinations were agreed that the business communities are not clearly aware about the benefits of IASs while the other three combinations differ significantly on the issue. Overall positions of the six combinations of four groups reveals the respondents differ significantly on the issue. It proves that the business communities do not have clear idea about the benefits of IASs, this assumption is not true in all cases.

Socio-econo-political environment is stable in Bangladesh, Good corporate governance prevail in Bangladesh, Good audit practice prevail in Bangladesh & Enforcement by SEC results good financial reporting in Bangladesh

Here the respondents were asked to express their opinion on different environmental variables such as stability of socio-econo-political environment, good corporate governance, good audit practice, good financial reporting. Data provide evidence that with a few exceptions there exists no significant difference of opinion on the issues.

In case of first variable the mean score of the four respondents groups were 1.59, 2.14, 2.50, 2.00 with standard deviation of .507, 1.014, 1.732, .756 respectively. It implies that the respondents do not strongly believe that the socio-political environment of Bangladesh is stable. In case of second variable the mean score of the respondents groups were 1.88, 2.10, 2.00, 1.75 with standard deviation of .332, .889, .000, .463 respectively. A relatively high average has high standard deviation. It signifies, respondents are agreed unanimously that good corporate governance does not prevail in Bangladesh. In case of third variable the mean score of the respondents groups were 2.00, 2.29, 2.25, 1.63 with standard deviation of .354, .784, .500, .518 respectively. It signifies, respondents are agreed unanimously that good corporate governance does not prevail in Bangladesh

Eight variables [(a)-(e) and (a)-(c) below]:

Here the respondents were asked to express their opinion on different impediments on the way to IASs implementation in Bangladesh. Out of total eight variables, respondents did not differ significantly in case of five variables. In other three cases the respondents varies significantly. It means, the respondents recognizes the following impediments are there on the way to successful implementation of IASs in Bangladesh:

(a) In many cases accounting practices is not fair. Preparation of more than one set of books of accounts is evident to avoid tax liability;

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(b) Instability in econo-political environment is an obstacle to adopt IASs in Bangladesh;

(c) In many cases auditors cannot enjoy independence to express their opinion on financial statements;

(d) Shortage of skilled manpower is an important impediment on IASs implementation in Bangladesh;

(e) Capital markets in Bangladesh are not efficient enough to adopt IASs.

Table- 8.20 (iii): Shows inter-group agreement or disagreement of the respondents on impediments of IASs adoption in Bangladesh: Output of the Mann-Whitney U-test (details in Table-8.36 to Table-8.41)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [NR]=Not Rejected					
		Set-A vs. Set-B	Set-A vs. Set-C	Set-A vs. Set-E	Set-B vs. Set-C	Set-B vs. Set-E	Set-C vs. Set-E
d_50	Benefits if IASs are not clear to the business community	.751 [NR]	.152 [NR]	.000 [R]	.300 [NR]	.000 [R]	.017 [R]
d_51	Users are not sensitive to financial information	.242 [NR]	.244 [NR]	.011 [R]	.129 [NR]	.008 [R]	.212 [NR]
d_52.1	Socio-econo-political environment is stable in Bangladesh	.092 [NR]	.281 [NR]	.166 [NR]	.814 [NR]	.876 [NR]	.855 [NR]
d_52.2	Good corporate governance prevail in Bangladesh	.567 [NR]	.482 [NR]	.409 [NR]	1.00 [NR]	.378 [NR]	.294 [NR]
d_52.3	Good audit practice prevail in Bangladesh	.210 [NR]	.239 [NR]	.045 [R]	.965 [NR]	.030 [R]	.083 [NR]
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	.031 [R]	.360 [NR]	.095 [NR]	.695 [NR]	.897 [NR]	.786 [NR]
d_53	Adoption of IAS is difficult in a fatalistic society	.163 [NR]	.045 [R]	.003 [R]	.270 NR]	.036 [R]	.464 [NR]
d_54	IAS emphasis on more disclosures but society is conservative	.011 [R]	.018 [R]	.000 [R]	.695 [NR]	.573 [NR]	.856 [NR]
d_55	Preparation of more than one set of books of accounts	.170 [NR]	.198 [NR]	.354 [NR]	.539 [NR]	.053 [NR]	.081 [NR]
d_56	Lack of stable econo-political environment to adopt IAS	.178 [NR]	.362[A]	.015 [R]	.939 [NR]	.224 [NR]	.529 [NR]
d_57	Disturbance of auditors independence	.684 [NR]	.352 [NR]	.899 [NR]	.225 [NR]	.859 [NR]	.194 [NR]
d_58	Shortage of skilled manpower	.773 [NR]	.887 [NR]	.393 [NR]	.717 [NR]	.244 [NR]	.593 [NR]
d_59	Organizations in Bangladesh are not IAS friendly	.827 [NR]	.738 [NR]	.001 [NR]	.842 [NR]	.003 [R]	.013 [R]
d_60	Inefficient capital market	.042 [R]	.004 [R]	.498 [NR]	.149 [NR]	.836 [NR]	.469 [NR]

But in the following cases respondents differs significantly. It means they do not believe collectively that the following factors are impediments on IASs adoption in Bangladesh. These are:

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(a) Adoption of IAS is difficult in a fatalistic society like Bangladesh;

(b) IASs emphasis on more disclosures but society is conservative in Bangladesh;

(c) Organizations in Bangladesh are not IASs friendly.

8.5 Reaction of the Accounts Preparers

To know the degree of implementation of IASs the researcher had some questions based on different applicable IASs to the Accounts Preparers only.

Inventories:

Here the researcher asked the respondents a few questions on IAS-2, i.e., on inventories. At first the 17 Accounts Preparers were asked whether they have any inventories. They responded as follows:

Reply	Frequency	Percent
Yes	12	70.58
No	5	29.42
Total	17	100

First follow up question if the answer was 'yes' was on the method of inventory valuation they follow. They responded as follows:

Methods of stock valuation	Frequency	Percent
Lower of costs and NRV	3	25
FIFO	1	8.33
Weighted average	5	41.67
Others	2	16.67
Lower of costs, NRV and FIFO	1	8.33
Total	12	100

The above table shows that 41.67% companies follow weighted average method 25% companies follow lower of costs and NRV methods. Remaining companies use FIFO, lower of costs, NRV and FIFO methods. Whereas IAS-2 supports only 'weighted average' and 'lower of costs and NRV' methods.

In response to another questions all the twelve respondents having inventories has replied that during the last five years they didn't change their inventory policy and even their external auditors didn't suggest to change their inventory policy.

Depreciation:

Here the respondents were asked to pass their opinion on depreciation (IAS-4, later on merged with IAS-16) policy as prescribed by the IAS-16. When the test value is set at 5 and 3, data provide evidence that there exists significance difference between the set values and the average score of the respondents. But there exists no significance difference

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between the set value of 4 and average score of the respondents at 95% level of confidence. It implies, the respondents believe that they accommodate all the guidelines of depreciation as prescribed by the IAS-16 to a 'great extent'.

Table- 8.21: Shows respondents view on compliance with depreciation guidelines as prescribed by IAS-16 (level of confidence=95%)

Variable Name	df	Test Value = 5		Test Value = 4		Test Value = 3	
		t	Sig. (2-tailed)	t	Sig. (2-tailed)	t	Sig. (2-tailed)
Compliance with depreciation policy (IAS-4 now merged with IAS-16)	16	-9.07	0.000 Rejected	-2.06	0.056 Not Rejected	4.95	0.000 Rejected

Property, Plants and Equipments:

Here the respondents were asked to pass their opinion on revaluation of Property, Plants and Equipments (PPE) as in conformity with IAS-16. Out of seventeen respondents, sixteen responded and one remained silent. In response to a question, three out of sixteen, informed that they revalued their PPE and the other thirteen answered that they never revalued any of their PPE. IAS-16 allows revaluation of PPE to reflect true and fair view of financial position. The above analysis reveals that in Bangladesh revaluation of PPE is taking place to some extent.

In response to some other questions the accounts preparers informed that they got their PPE revalued by the professional appraiser with a view to reveal true and fair view of fixed assets and not with a view to increase capital reserve and issuance of bonus share or any other reasons. A little number i.e., only 18.75% respondents (three out of sixteen, who got their PPE revalued) supported the provision of revaluation of PPE.

Income Tax:

Here the respondents were asked to express their opinion on depreciation policy and IAS for income tax (IAS-12). They were asked whether depreciation rate as per their policy differs with the rate prescribed by the Income Tax Ordinance 1994. Seventeen respondents responded as follows:

Response	Frequency	Percent
Yes	14	82.36
No	1	5.88
Some areas differ, Some areas do not	2	11.76
Total	17	100.00

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Fourteen out of seventeen respondents responded that depreciation rate as per their policy differs with the rate prescribed by the Income Tax Ordinance. Two respondents recognized the difference for some areas. The follow-up question for the 'yes' group was whether they maintain any provision for the difference in profit due to difference in depreciation. Fifteen respondents answered that they do not maintain any provision for this purpose. So the next follow-up question regarding use of deferral method or liability method becomes useless. Finally they (fourteen in number) agreed that their tax accounting differs from the guidelines laid down in IAS-12.

Research and development (R & D) costs:

Here the respondents were asked about research and development (R & D) costs. First question was whether they have any R & D costs. If their answer was 'yes' then follow-up question was about the treatment of R & D costs. Finally they were asked whether their present practice differ from provisions laid down in IAS-8 (later on merged with IAS-38). The following table shows: out of seventeen respondents seven answered that they have R & D costs and ten answered that they do not have.

Do you have research and development costs?		
Answer	Frequency	Percent
Yes	7	41.17%
No	10	58.83%
Total	17	100.00%

In response to the follow-up question regarding treatment of R & D costs, all the seven respondents having R & D costs treated this as *revenue expenditure.* Finally they informed that their practice is in conformity with IAS-8 as well as IAS-38.

Related party disclosure:

Here the respondents were asked whether they have any related party as defined in IAS-24. In response to this question they replied as under:

Do you have related parties as per IAS-24?		
Answer	Frequency	Percent
Yes	4	23.53%
No	12	70.59%
Silent	1	5.88%
Total	17	100.00%

The above table shows that some organizations in Bangladesh have related parties and hence IAS-24 has some use also.

The follow-up question to the respondents giving 'yes' answer was on the impact of related party transactions on users of financial statements. Especially regarding disclosure of 'nature of relationship' and 'nature and amount of transactions' with the related parties. The response to this question analyzed as follows:

Table-8.22: Shows respondents view on impact of related party transactions as per IAS-24 on users of Financial Statements (level of confidence=95%)

Variable Name	d. f.	Test Value = 5		Test Value = 4		Test Value = 3	
		t	Sig. (2-tailed)	t	Sig. (2-tailed)	t	Sig. (2-tailed)
Impact of related party transactions on users of FS	3	-3.00	.058 Accepted	-1.00	.391 Accepted	1.00	.391 Accepted

The above table shows that in all the three cases (when test value is 5, 4 or 3) hypothesis has been accepted. i.e., there exists no significance difference between the test value and average score of the respondents. It implies, the respondents believe that disclosure of related party transaction has an impact on the users of financial statements to a very great extent. In response to another follow-up question all the respondents said 'yes' to a question whether their financial statements comply with the disclosure requirement of IAS-24.

Leases:

Here the respondents were asked some questions on leased assets. Out of seventeen respondents eight said that they have leased assets. In response to four follow-up questions they responded as per following table:

Table-8.23: Table shows response to questions on leased assets

Have your organizations any leased assets?	Types of lease as per IAS-17		Is there any purchase option?		Present practice different from IAS-17?		Support to adopt IAS-17 in Bangladesh?	
Yes=8	Capital	Operating	Yes	No	Yes	No	Yes	No
	2	6	7	1	7	1	5	3
Percentage	25%	75%	87.5%	12.5%	87.5%	12.5%	62.5%	37.5%

The above table shows that 25% respondents are using capital lease and 75% are using operating lease but 87.5% respondents have purchase option. It means even in case of operating lease there is purchasing option. 87.5% respondents agreed that their present practice differs with the provisions laid down in IAS-17. Here it may be noted that in Bangladesh lessees are not allowed to disclose their leased assets in the balance sheet. Because it is assumed that lessees are not the owners. As a result they cannot charge any

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depreciation on the leased assets. IAS-17 provides that leased assets should be disclosed in the lessee's balance sheet. So local practice as well as laws are not in harmony with IAS-17. There exists some contradiction between IAS-17 and local laws and practices.

Segment Reporting:

Here the respondents were asked to opine on Segment Reporting (IAS-14). They were asked whether they have any 'business segment' and/or 'geographical segment' as defined by IAS-14. The follow-up question was whether their practice differs from disclosure requirement of IAS-14.

Only one respondent out of seventeen said 'yes' to the first question and in response to the follow-up question he said that their present practice is in conformity with the disclosure requirements of IAS-14.

Borrowing costs:

This variable was on borrowing costs i.e., IAS-23. The respondent were asked whether they have any borrowing costs, what was the purpose of borrowing and how did they treat it. Do you have any borrowing costs?

Answer	Frequency	Percent
Yes	14	82.4%
No	3	17.6%
Total	17	100.0%

The above table shows that 82.4% respondents acknowledged that they have borrowing costs. The following table shows that purpose of borrowing is multiple. They borrowed fund to provide working capital, to purchase fixed assets or for the both or for any other purpose. According to IAS-23 the treatment of borrowing costs depends on the purpose of borrowing.

What is the purpose of borrowing?

Purpose	Frequency	Percent
Provide working capital	6	42.9%
Purchase/development of fixed assets	2	14.3%
Provide WC and Purchase of FA	5	35.7%
Other	1	7.1%
Total	14	100.0%

Six respondents borrowed fund to provide working capital, five respondents borrowed both for working capital and purchasing fixed assets, two respondents borrowed purely for acquiring fixed assets. So at least two respondents should capitalize their borrowing costs.

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But the following table shows that only one organization has capitalized their borrowing costs. It proves that present practice does not comply with the provisions of IAS-23.

Treatment of borrowing costs

Treatment	Frequency	Percent
Expensed against revenue	10	71.4%
Capitalized with fixed assets	1	7.1%
Both expensed and capitalized	3	21.4%
Total	14	100.0%

Consolidated financial statements

Here the respondents were asked to pass their opinion regarding use of IAS-27 in preparing consolidated financial statements. In response to the first question only one respondent, out of total seventeen, informed that they have subsidiary. Their percentage of holding is more 50% and they prepare consolidated financial statements. So IAS-27 has some use in preparing consolidated financial statements of concerned companies.

Investment in Associates:

Here the respondents were asked to pass their opinion on use of IAS-28 (Investment in Associates). First question to the respondents was whether they have any investment in any companies other than in subsidiaries. Their response to the question was as follows:

Investment in companies other than subsidiary

Answer	Frequency	Percent
Yes	3	17.6
No	14	82.4
Total	17	100.0

Three out of seventeen respondents informed that they have investment in other companies other than subsidiaries. In response to another follow-up question two out of three believe that disclosure of this information has a significant impact on the investors in taking decision, whereas left over one respondent believe it has no impact on the investors. Two accounts preparers follow Costs method and one follows Equity method in recording and disclosing such information in financial statements.

Business combination:

Here the respondents were asked to opine on the use of IAS-22 (Business Combinations). All the seventeen respondents said that *no 'business combination'* has so far been taken place in their organizations. They also informed in near future there is no possibility (ticked at 'not at all') to combine two or more business entities. The following table shows their response to two questions:

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Business combination took place in the past?

Answer	Frequency	Percent
Yes	0	5.9%
No	17	94.1%
Total	17	100.0%

Possibility of business combination in near future

Answer	Frequency	Percent
Not at all	16	94.1%
Some extent	1	5.9%
Total	17	100.0%

8.6 Degree of Compliance:

As a mater of legal obligation auditor's reports of all the listed companies state that financial statements have been prepared in compliance with IASs as adopted by the ICAB. It is thought that the interested groups do not agree with this statement of the auditors. This is why the following null hypothesis has been developed:

(11) H_0: There exists no significant difference among the interest groups regarding compliance of IASs.

Overall analysis: *Taking four groups at a time*

As stated earlier that Kruskal-Wallis 'K' test has been used (i.e., H_0: $\mu_1 = \mu_2 = \mu_3 = \mu_4$) to test the overall agreement or disagreement of the four respondents groups on the degree of compliance with IASs in Bangladesh. Table-8.24 (i) shows the result of 'K' test.

First issue was that the financial statements of Bangladesh complied with the disclosure requirement of IASs. The respondents were agreed with insignificant difference on the issue. Since the average score of the four respondents groups are: accounts preparers 2.12 (SD=0.718), professionals 2.33 (SD=0.913), regulators 2.75 (SD=0.500) and academicians 2.38 (SD=1.188), the respondents agreed together that the financial statements published in Bangladesh are complied with IASs to 'some extent' or sometimes to 'moderate extent'. So compliance of financial statements with IASs is not strongly supported by the respondents.

Next issue was that the financial statements of Bangladesh contains all the four qualitative characteristics as described in *para-24 of the Framework for the Preparation and Presentation of Financial Statements* of the IASB. The respondents differ significantly on the issue. Accounts preparers, professionals and regulators believe that the statement is true to 'some extent' or 'moderately', because their mean scores and standard deviations

(SD) were 2.18 (SD=0.393), 2.33 (SD=0.796) and 2.75 (SD=0.957) respectively. The academicians believe that the statement is true to 'some extent' or 'not at all' because their means score was 1.5 (SD=0.535) [Table- 8.24(ii)].

So it is not strongly supported by the respondents that the financial statements of Bangladesh contain all the four qualitative characteristics.

Inter-group analysis: *Taking two groups at a time*

Financial Statements (FS) of Bangladesh complied with IASs:

Here the respondents were asked to express their opinion on degree of compliance of the published financial with IASs those adopted in Bangladesh. Table-8.xiii shows that there exists no significant difference in opinion among the respondents regarding degree of compliance of financial statements with IASs.

Table- 8.24(i): Shows overall agreement or disagreement of the respondents on Degree of Compliance with IASs: Output of Kruskal-Wallis 'K' test (details available in Table 8.21)

Var. No	Variable Name	Chi-Square	Degree of Freedom (d.f.)	Sig.	Status at 95% confidence level
F_70	Financial Statements (FS) of Bangladesh complied with IASs	2.810	3	.422	Not Rejected
F_71	FS of Bangladesh contains all four qualitative characteristics	12.172	3	.007	Rejected

Table- 8.24(ii): Shows mean and standard deviation of different respondent group on Degree of Compliance with IASs

Var. no.	Variables	Set-A		Set-B		Set-C		Set-E	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
f_70	Financial Statements (FS) of Bangladesh complied with IASs	2.12	.781	2.33	.913	2.75	.500	2.38	1.188
f_71	FS of Bangladesh contains all four qualitative characteristics	2.18	.393	2.33	.796	2.75	.957	1.50	.535

Financial Statements of Bangladesh contains all four qualitative characteristics

Here the respondents were asked to opine on the financial statements published in Bangladesh that they contain all the four qualitative characteristics as stated in para-24 of the *Framework for the Preparation and Presentation of Financial Statements*. Out of six combinations of four respondents group, three combinations agreed with insignificant differences and the rest three combinations differ significantly on the issue.

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Table- 8.24 (iii): Shows inter-group agreement or disagreement of the respondents on Degree of Compliance with IASs: Output of the Mann-Whitney U (details in Table)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [NR]=Not Rejected					
		Set-A vs. Set-B	Set-A vs. Set-C	Set-A vs. Set-E	Set-B vs. Set-C	Set-B vs. Set-E	Set-C vs. Set-E
F_70	Financial Statements (FS) of Bangladesh complied with IASs	.503 [NR]	.086 [NR]	.681 [NR]	.148 [NR]	.979 [NR]	.480 [NR]
F_71	FS of Bangladesh contains all four qualitative characteristics	.737 [NR]	.132 [NR]	.003[R]	.302 [NR]	.006[R]	.026[R]

8.7 Proposed ways of IASs Implementation *(Variable no. 72-80):*

It is thought that the present implementation process of IASs in Bangladesh is not appropriate. Keeping it in mind some proposals have been developed in this study and placed before the different respondents groups to judge their acceptability and accordingly the following null hypothesis has been developed:

(12) H_0: *There exists no significant difference among the interest groups regarding some proposal on successful implementation of IASs in Bangladesh.*

Overall analysis: *Taking four groups at a time*

Kruskal-Wallis 'K' test has been used (i.e., H_0: $\mu_1 = \mu_2 = \mu_3 = \mu_4$) to test the overall agreement or disagreement of the four respondents groups on the Proposed ways of IASs Implementation in Bangladesh. Table-8.25 (i) shows the result of 'K' test.

At first the respondents were asked to pass their opinion on the statement that IASs are to be made mandatory for all limited companies. The respondents agreed with insignificant difference on the issue. Since their mean scores were: accounts preparers 4.06 (SD=1.197), professionals 3.86 (SD=1.315), regulators 4.00 (SD=0.000) and academicians 3.38 (SD=1.061), the issue is strongly supported by the respondents.

Next issue was: human resource needs to be developed for successful implementation of IASs and at the same time different motivational measures are to be taken by the ICAB, the ICMAB and/or the SEC to motivate the users of IASs. Both the statements were strongly supported by the respondents with insignificant differences, because in both cases mean scores were more than 4 and less than 5 [Table-8.25 (ii)].

Next issue was: It is necessary to issue proper guidelines to the listed companies based on IASs so that that they can design their accounting system. A regulatory body like SEC should take this responsibility. The respondents agreed with insignificant difference

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on the issue. Since their average scores were: accounts preparers 3.82 (SD=0.636), professionals 2.81 (SD=1.289), regulators 3.25 (SD=1.500) and academicians 3.75 (SD=1.035), the respondents support the issue 'moderately' or sometimes to 'great extent'.

Establishment of monitoring cell under the supervision of the SEC is another urgent need to ensure the proper application of IASs. The respondents differ significantly on the issue. The mean scores of accounts preparers and regulators were 4 (SD=0.500) and 4 (SD=0.000) respectively. So they support the issue to 'great extent'. But mean scores of professionals and academicians were 3.10 (SD=0.944) and 3.88 (SD=0.835) respectively. It means these two groups support the idea 'moderately'. Many professionals informally expressed their opinion that they don't want the SEC to monitor the implementation aspect of IASs. They think that the SEC is not equipped with experienced manpower to monitor the implementation of IASs in Bangladesh. This attitude is the factor that the respondents differ significantly.

It is argued that the users of IASs do not have any understandable idea about benefits of adopting IASs. Otherwise voluntary implementation of IASs would take place. The respondents agreed with insignificant difference on the issue [Table- 8.25 (i)]. Since their mean scores ranges from 3 to 3.50, they support the issue 'moderately' or sometimes to 'great extent'.

The users as well as accounts preparers should understand the benefits of IASs. Otherwise enforcement may distort the use of IASs. The respondents agreed with insignificant difference on the issue. Their average scores are ranges from 1.63 to 2.53, it means they support the proposition to 'some extent' or sometimes 'moderately'.

Table- 8.25 (i): Shows overall agreement or disagreement of the respondents on Proposed ways of IASs Implementation in Bangladesh: output of Kruskal-Wallis 'K' test

Var. No	Variable Name	Chi-Square	Degree of Freedom (d.f.)	Sig.	Status at 95% confidence level
F_72	IASs to be made mandatory for all limited companies	2.814	3	.421	Not Rejected
g_73	Human resource needs to be developed	2.293	3	.514	Not Rejected
g_74	Motivational measures is necessary	1.133	3	.769	Not Rejected
g_75	Guidelines to design accounting system is necessary	6.992	3	.072	Not Rejected
g_77	Establishment of monitoring cell is necessary	12.917	3	.005	Rejected
g_78	Voluntary implementation will take place if benefit is known	1.906	3	.592	Not Rejected
g_79	Enforcement without motivation will distort IASs	7.235	3	.065	Not Rejected
g_80	Development of national standards	4.146	3	.246	Not Rejected

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Development and enforcement of local accounting standards like India and Sri-Lanka within the framework of IASs will be more effective than enforcing IASs directly. The respondents were asked to pass their opinion on the issue and they agreed on the issue without significance difference. Since their average scores were ranging from 2.00 to 3.12, respondents support the idea to 'some extent' or sometimes 'moderately'.

Inter group analysis: *Taking two groups at a time*

IASs to be made mandatory for all limited companies:

Here the respondents were asked to pass their opinion regarding use of IASs both by the listed and unlisted limited companies. *Table- 8.25(iii)* indicates that there exists no significance difference of opinion among the respondents groups of different combinations. All the combinations of respondents unanimously agreed that IASs are to be made mandatory both for the listed and unlisted companies.

Table- 8.25 (ii): Shows mean and standard deviation of different respondent group on Proposed ways of IASs Implementation in Bangladesh

Var. no.	Variables	Set-A		Set-B		Set-C		Set-E	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
f_72	IASs to be made mandatory for all limited companies	4.06	1.197	3.86	1.315	4.00	.000	3.38	1.061
g_73	Human resource needs to be developed	4.41	.870	4.14	1.153	4.25	.500	4.75	.463
G_74	Motivational measures is necessary	4.53	.514	4.24	.944	4.25	.500	4.50	.535
G_75	Guidelines to design accounting system is necessary	3.82	.636	2.81	1.289	3.25	1.500	3.75	1.035
G_77	Establishment of monitoring cell is necessary	4.00	.500	3.10	.944	4.00	.000	3.88	.835
G_78	Voluntary implementation will take place if benefit is known	3.41	1.121	3.48	.814	3.50	1.000	3.00	.926
G_79	Enforcement without motivation will distort IAS	2.53	.800	2.38	.921	2.25	.500	1.63	.518
G_80	Development of national standards	3.12	.781	2.67	1.238	2.00	1.414	2.38	1.302

Human resource needs to be developed

At first a proposal was on development of human resources. Table- 8.25(iii) shows that there exists no significant difference in opinion regarding the issue within six combinations of four respondents groups. All the combinations of respondents unanimously agreed that the respondents support the idea of developing human resources before adopting IASs.

Motivational measures is necessary

Next proposal was on motivational measures. The users of IASs should be positively motivated. Data provide evidence that there exists no significant difference of opinion

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between the respondents of six different combinations. The unanimously agreed with the statement that Motivational measures is necessary.

Guidelines to design accounting system is necessary

Here the respondents were asked to pass their opinion on a proposal that a regulatory body like SEC should issue guidelines to the users of IASs to design their accounting system. Data provide evidence that there exists no significant difference among the respondents group on the issue except between the combination of Accounts Preparers and Professionals. It implies that respondents support the proposal with great extent while some support moderately and finally the difference is insignificant [Table: 8.25(iii)]

Establishment of monitoring cell is necessary

Here the respondents were asked to express their opinion on establishment of a monitoring cell under the supervision of SEC. Taking all the four respondents group together; data provide evidence that there exists no significance difference in opinion on the issue. Out of the four respondents group, the professional group disagrees with the proposal because their average score is 3.10 with a standard deviation of 0.944. The reasons behind this is that the professionals themselves want to monitor the matter.

Table- 8.25 (iii): Shows inter-group agreement or disagreement on Proposed ways of IASs Implementation in Bangladesh (output of the Mann-Whitney U-test)

Var. no.	Variables Name	Level of significance, status of null hypothesis at 95% confidence level, where [R]=Rejected and [NR]=Not Rejected					
		Set-A vs. Set-B	Set-A vs. Set-C	Set-A vs. Set-E	Set-B vs. Set-C	Set-B vs. Set-E	Set-C vs. Set-E
f_72	IASs are to be made mandatory for all limited companies	.594 [NR]	.446 [NR]	.127 [NR]	.637 [NR]	.232 [NR]	.254 [NR]
g_73	Human resource needs to be developed	.514 [NR]	.451 [NR]	.437 [NR]	.716 [NR]	.238 [NR]	.113 [NR]
g_74	Motivational measures is necessary	.481 [NR]	.326 [NR]	.893 [NR]	.684 [NR]	.666 [NR]	.428 [NR]
g_75	Guidelines to design accounting system is necessary	.012[R]	.679 [NR]	.949 [NR]	.562 [NR]	.077 [NR]	.649 [NR]
g_77	Establishment of monitoring cell is necessary	.001[R]	1.00 [NR]	.608 [NR]	.041[R]	.060 [NR]	.702 [NR]
g_78	Voluntary implementation will take place if benefit is known	.948 [NR]	.884 [NR]	.309 [NR]	.857 [NR]	.167 [NR]	.354 [NR]
g_79	Enforcement without motivation will distort IAS	.549 [NR]	.489 [NR]	.008[R]	.840 [NR]	.036[R]	.083 [NR]
g_80	Development of national standards	.211 [NR]	.092 [NR]	.161 [NR]	.300 [NR]	.563 [NR]	.656 [NR]

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Voluntary implementation will take place if benefit is known, enforcement without motivation will distort IASs, & Development of national standards:

Here the respondents were asked to express their opinion on the issue that (i) Voluntary implementation of IASs in will take place if the benefits of IASs are clear to the users, (ii) If there is no positive motivation, enforcement will distort IASs application, and (iii) Development of National Accounting Standards might be better that adoption of IASs. There exists insignificant difference between six combinations of four respondents groups.

8.8 Reaction of the Academicians

Academicians are a vital part of IASs implementation process not only in Bangladesh but also in any country. They are the founder of the accounting profession. They produce skilled accounting personnel. So the academicians may play a vital role in the development of accounting profession as well as acceptance and implementation process of IASs in Bangladesh. Keeping this in mind the academicians were asked some questions regarding adoption of IASs and development of accounting profession in Bangladesh.

Table-8.26 (i): Shows reaction of the Academicians and result of t-test (A=3)

Var. No.	Variable Name	N	Mean	S.D.	A=Assumed mean value=3			
					t-value	d.f.	Sig.	Result at 95% level
81	Objective of Education System	8	2.75	0.886	-0.797	7	0.451	Not Rejected
82.1	Academicians role to produce accounting graduates	8	4.375	0.916	4.245	7	0.003	Rejected
82.2	Awareness of Academicians as regards need of the country	8	1.75	0.462	-7.637	7	0.000	Rejected
83	An academicians with a professional degree would be a good teacher	8	3.75	1.035	2.049	7	0.079	Not Rejected
84	Professional Accountants earn more than academicians	8	4	0.925	3.055	7	0.018	Rejected
85	Real life experience is necessary to be a good teacher on IAS	8	2.875	1.642	-0.215	7	0.835	Not Rejected
86	Existing course curricula is sufficient to produce skill manpower	8	2.875	0.834	-0.423	7	0.684	Not Rejected
89	Liaison between academics and professionals is necessary	8	4.25	0.462	7.637	7	0.000	Rejected
90	Text books should pay attention to cover IAS issue	8	4.25	0.462	7.637	7	0.000	Rejected

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Table-8.26 (ii): Shows reaction of the Academicians and result of t-test (A=5)

Var. No.	Variable Name	N	Mean	S.D.	A=Assumed mean value=5			
					t-value	d.f.	Sig.	Result at 95% level
81	Objective of Education System	8	2.75	0.886	-7.179	7	0.000	Rejected
82.1	Academicians role to produce accounting graduates	8	4.375	0.916	-1.929	7	0.094	Not Rejected
82.2	Awareness of Academicians as regards need of the country	8	1.75	0.462	-19.857	7	0.000	Rejected
83	An academicians with a professional degree would be a good teacher	8	3.75	1.035	-3.415	7	0.011	Rejected
84	Professional Accountants earn more than academicians	8	4	0.925	-3.055	7	0.018	Rejected
85	Real life experience is necessary to be a good teacher on IAS	8	2.875	1.642	-3.660	7	0.008	Rejected
86	Existing course curricula is sufficient to produce skill manpower	8	2.875	0.834	-7.202	7	0.000	Rejected
89	Liaison between academics and professionals is necessary	8	4.25	0.462	-4.582	7	0.002	Rejected
90	Text books should pay attention to cover IAS issue	8	4.25	0.462	-4.582	7	0.002	Rejected

Analysis:

Objective of Education System:

Here the respondents (only academicians) were asked express their opinion about the objectives of education especially accounting education system. When the assumed mean was 3, the hypothesis was accepted. It means that the respondents score does not differ significantly with the mean score 3 [(Table-8.26 (i)] but it differs significantly when assumed mean score is 5 [Table-8.26 (ii)]. So the academicians are moderately agreed with the fact that accounting education system of Bangladesh fails to provide skilled manpower in IASs.

Academicians' role to produce accounting graduates:

Here the respondents were asked to opine whether the academicians can play a vital role to produce accounting graduates according to need of the country. When the assumed mean is 3 the respondents differ significantly but the respondents do not differ when the assumed mean value is 5. It means, the academicians strongly believe that they can play a vital role to produce accounting graduates.

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Awareness of Academicians as regards need of the country

Whether the academicians are aware about the need for accounts personnel of the country, this was the question. In both the cases, i.e., when assumed mean is 3 and 5, the respondents differ significantly. Since the mean score is 1.75 with a standard deviation of 0.462, the respondents are aware about the need for accounts personnel of the country to 'some extent'.

An academician with a professional degree would be a good teacher

An academician with a professional degree would be a good teacher on IASs. When assumed mean is 3, the respondents do not differ significantly. When it is 5 they differ significantly. It means that the respondents do not strongly agree rather moderately believe that an academician with a professional degree would be a good teacher on IASs.

Professional Accountants earn more than academicians

Professionals earn several times more than the academicians and this is why academicians with a professional degree are very rare in Bangladesh. The respondents differ significantly in both the cases, whether assumed mean is 3 or 5. Since average score is 4 with a standard deviation of 0.925, the respondents agreed with the statement to great extent'.

Real life experience is necessary to be a good teacher on IAS

Real life experience is necessary to be a good teacher on IASs. The statement is accepted when assumed mean is 3 and rejected when assumed mean is 5. It implies that the respondents moderately agreed with the statements.

Existing course curricula is sufficient to produce skill manpower

The existing course curriculum on IASs is sufficient to meet the real life demand for skilled accounting graduates. The statement is accepted when assumed mean is 3 and rejected when assumed mean is 5. It means the respondents moderately agreed with the statement.

Liaison between academics and professionals is necessary

A formal liaison is necessary between academicians and professionals is necessary to produce good accounting graduates. The statement is rejected in both the cases, when assumed mean is 3 or 5. Since mean score is 4.25 with a standard deviation of 0.462, the respondents agreed with statement to 'great extent'.

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Textbooks should pay attention to cover IAS issue

Accounting textbooks should pay sufficient attention to cover the issues of IASs. The statement is rejected in both the cases, when assumed mean is 3 or 5. Since mean score is 4.25 with a standard deviation of 0.462, the respondents agreed with statement to 'great extent'.

8.9 Satisfaction of the users of Financial Statements

One of the important objectives of IASs/IFRSs is to disclose financial information in the financial statements according to the need of the users. So satisfaction of the users of financial statements is an important factor. To assess the satisfaction of the users of financial statements, they (users) asked some questions as per Table-8.27 (i) or 8.27 (ii).

Table-8.27 (i): Reaction of the Users of financial statements and result of t-test (A=3)

Var. No.	Variable Name	N	Mean	S.D.	A=Assumed mean value=3			
					t-value	d.f.	Sig.	Result at 95% level
92	Users of FS are reasonably conscious about the benefits of IASs	16	1.875	0.718	-6.260	15	0.000	Rejected
93	Users do not know how IAS can protect their interest	16	3.312	0.873	1.431	15	0.172	Not Rejected
94	Users minutely go through the FS to invest	16	2.187	0.543	-5.9753	15	0.000	Rejected
95	Information published in FS is relevant	16	2.687	0.793	-1.575	15	0.135	Not Rejected
96	Users can understand the difference between having and not having IAS	16	3.75	0.683	4.391	15	0.000	Rejected
97	Users are satisfied with the information published in FS	16	2.875	1.024	-0.487	15	0.632	Not Rejected
98	FS can meet the need of the users	16	3.312	0.946	1.320	15	0.206	Not Rejected
99	FS does not represent "true and fair view" of the organization	16	4.187	0.834	5.694	15	0.000	Rejected
100	Adoption of IAS has increased the credibility, transparency, and comparability of FS	16	2.187	0.75	-4.333	15	0.000	Rejected
101.1	Users do not understand FS	16	2.937	0.997	-0.250	15	0.805	Not Rejected
101.2	Figures disclosed in FS are not dependable	16	3.625	0.885	2.824	15	0.012	Rejected
101.3	FS has no impact on investment decision	16	3.562	0.727	3.093	15	0.007	Rejected
101.4	Management conceal information in the FS	16	3.812	0.910	3.569	15	0.002	Rejected

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Analysis:

Users of FS are reasonably conscious about the benefits of IASs:

In both cases, when assumed mean is 3 and 5, the respondents differ significantly. Since the mean score is 1.875 with a standard deviation of 0.718, it means they agreed with the statement to 'some extent' or respondents are not reasonably conscious about the benefits of IASs.

Users do not know how IASs can protect their interest:

When assumed mean is 3 the respondents agreed with the statement with insignificant difference, but when it 5, the respondents differ significantly. It means that the respondents moderately believe that they are ignorance about the benefits of IASs or average number of respondents do not know how IASs can protect their interest.

Table-8.27 (ii): Reaction of the Users of financial statements and result of t-test (A=5)

Var. No.	Variable Name	N	Mean	S.D.	A=Assumed mean value=5			
					t-value	d.f.	Sig.	Result at 95% level
92	Users of FS are reasonably conscious about the benefits of IAS	16	1.875	0.718	-17.390	15	.000	Rejected
93	Users do not know how IASs can protect their interest	16	3.312	0.873	-7.730	15	.000	Rejected
94	Users minutely go through the FS to invest	16	2.187	0.543	-20.683	15	.000	Rejected
95	Information published in FS is relevant	16	2.687	0.793	-11.661	15	.000	Rejected
96	Users can understand the difference between having and not having IAS	16	3.75	0.683	-7.319	15	.000	Rejected
97	Users are satisfied with the information published in FS	16	2.875	1.024	-8.295	15	.000	Rejected
98	FS can meet the need of the users	16	3.312	0.946	-7.131	15	.000	Rejected
99	FS does not represent "true and fair view" of the organization	16	4.187	0.834	-3.896	15	.001	Rejected
100	Adoption of IAS has increased the credibility, transparency, and comparability of FS	16	2.187	0.75	-15	15	.000	Rejected
101.1	Users do not understand FS	16	2.937	0.997	-8.267	15	.000	Rejected
101.2	Figures disclosed in FS are not dependable	16	3.625	0.885	-6.214	15	.000	Rejected
101.3	FS has no impact on investment decision	16	3.562	0.727	-7.904	15	.000	Rejected
101.4	Management conceal information in the FS	16	3.812	0.910	-5.2164	15	0.000	Rejected

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Users minutely go through the FS to invest:

Users minutely go through the financial statements before taking investment decision. In both cases, when assumed mean is 3 and 5, the respondents differ significantly with the statement. Since the mean score is 2.175 with a standard deviation of 0.543, to 'some extent' the investors go through the financial statements before taking investment decision. That is, they do not think it important in taking investment decision.

Information published in FS is relevant:

Information published in financial statement is relevant for investment decision. When assumed mean is 3, the respondents agreed with the statement with insignificant difference, but when it is 5, they differ significantly. It means, the respondents moderately believe that the information published in financial statement is relevant for investment decision.

Users can understand the difference between having and not having IASs:

In both cases, when assumed mean is 3 and 5, the respondents differ significantly with the statement. Since the mean score is 3.75 with a standards deviation of 0.683, it means that the respondents are indifferent between the situation of having IASs and not having IASs. Introduction of IASs do not have any impact on the users of financial statements.

Users are satisfied with the information published in Financial Statements

When the assumed mean is 3, the respondents agreed with the statement with insignificant difference. But when it is 5, they differ significantly. So the respondents moderately satisfied with the information published in the financial statements. Might be they cannot depend on the information

FS can meet the need of the users:

When the assumed mean is 3, the respondents agreed with the statement with insignificant difference. But when it is 5, they differ significantly. It means, the respondents moderately believe that financial statements can meet the need.

FS does not represent "true and fair view" of the organization:

In both cases, when assumed mean is 3 and 5, the respondents differ significantly with the statement. Since the mean score is 4.187 with a standards deviation of 0.834, the respondents strongly believe that financial statements do not represent "true and fair view" of an organization.

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Adoption of IAS has increased the credibility, transparency, and comparability of Financial Statement

In both cases, when assumed mean is 3 and 5, the respondents differ significantly with the statement. Since the mean score is 2.187 with a standards deviation of 0.75, the respondents believe to 'some extent' that adoption of IASs has increased the credibility, transparency, and comparability of financial statements in Bangladesh. That is the respondents do not feel confident in using financial information even after adoption of IASs in Bangladesh.

Users do not understand Financial Statement:

When assumed mean is 3, the respondents agreed with the statement with insignificant difference, but when it 5, the respondents differ significantly. It means an average number of users do not understand financial statements.

Figures disclosed in FS are not dependable:

In both cases, when assumed mean is 3 and 5, the respondents differ significantly with the statement. Since the mean score is 3.625 with a standard deviation of 0.885, the users strongly believe that the figures disclosed in financial statements are not dependable.

Financial statements have no impact on investment decision.

In both cases, when assumed mean is 3 and 5, the respondents differ significantly with the statement. Since the mean score is 3.562 with a standard deviation of 0.727, the users strongly believe that the financial statements have no impact on investment decision.

Variable No. 101: Management conceals information in the financial statements. In both cases, when assumed mean is 3 and 5, the respondents differ significantly with the statement. Since the mean score is 3.812 with a standard deviation of 0.910, the users strongly believe that the management conceals information in the financial statements.

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Chapter-9

Summary of Findings

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CHAPTER-9

SUMMARY OF FINDINGS

9.1 Introduction:

This is summing up chapter. In this chapter, findings of the previous chapter have been summed up to give a concrete picture about the output of the study. The layout of this chapter is kept similar to the previous chapter, i.e., chapter-8.

9.2 Relevancy of IASs in Bangladesh:

International Accounting Standards or International Financial Reporting Standards are being developed for global use. Bangladesh is a developing nation. This is why all the issues covered by IASs/IFRSs do not prevail in Bangladesh. As a result, there are some IASs which are not applicable to Bangladesh. The respondents of the study also think that all IASs are not relevant to Bangladesh. Respondents think that the following IASs do not have any use in Bangladesh:

- Income Taxes (IAS-12)
- Post Employment Benefits (IAS-19)
- Accounting for Govt. Grants (IAS-20)
- Business Combination (IAS-22)
- Interests in Jointly Controlled Operation (IAS-31)
- Financial Instruments (IAS-39)
- Agriculture (IAS-41)

Apart from this the respondents differ significantly regarding relevancy of other IASs to different organizations. *Thus null hypothesis (1) has been rejected.* It proves that they do not have any clear idea whether a particular IASs is relevant or irrelevant to the users of Bangladesh. Introduction of IASs in Bangladesh is very much recent. In near future IASs might be more relevant to Bangladesh with the change of economic activities and business environment.

9.3 Implementation of IAS in Bangladesh:

Implementation of IASs in Bangladesh has the following sub-heads:

9.3.1 Acceptance Process: The respondents differ significantly as regards inclusion of all concerned parties in the IASs acceptance process. Professional accountants do not support the idea of inclusion of other interest groups in acceptance process, but other respondents

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group support the idea. *Thus null hypothesis (2) has been rejected.* So disputes prevail on the issue.

Null hypothesis (3) was on acceptance of IASs by the ICAB, the SEC and the Bangladesh Bank (BB). Respondents differ significantly on the issue. It means that the ICAB, SEC and BB give acceptance to IASs; respondents (including representatives from ICAB, SEC and BB) do not agree unanimously on the issue. *Thus null hypothesis (3) has been rejected.*

9.3.2 Enforcement Process: The SEC and the BB are enforcing IASs. Out of seven questions, respondents agreed with insignificant differences in case of six questions. Thus data provide evidence that *the null hypothesis (4) cannot be rejected.* Since in most of the cases the mean scores were below 3, it indicates that issues in the questions were not strongly supported by the respondents. That is, unilateral imposition of IASs by the SEC and enforcement of IAS-30 by the Bangladesh Bank were not strongly supported by the respondents.

9.3.3 Monitoring Process: Since the SEC and the BB enforce IASs, it is their responsibility to monitor the implementation aspect of IASs in Bangladesh. Seven questions were asked on different issues of present monitoring process. Respondents agreed with insignificant difference on four issues and differed significantly on three issues. *Thus null hypothesis (5) has been rejected.* The respondents unanimously agreed that the SEC and BB do not have sufficient skilled manpower to monitor the implementation aspect of IASs. They also believed that monitoring is equally important like enforcing IASs, and the users should be punished for non-compliance with IASs. Published financial statements show perfect reflection of IASs, the ICAB looks after the implementation aspect so the SEC should remain reluctant, these issues were not unanimously supported by the respondents.

9.3.4 Development of local Standards: The users of financial statements were indifferent between situations of having IASs or not having IASs in Bangladesh, respondents were asked to pass their opinion on this issue. The respondents differ significantly on the issue. *Thus the null hypothesis (6) has been rejected.* It implies that the users of financial statements were indifferent between situations of having IASs or not having IASs. It proves IASs based financial information is not important to some users.

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Another issue was development of local accounting standards. The respondents differ significantly on establishment of local accounting standards setting body. They do not strongly support the idea of local accounting standards. At the same time they believed that voluntary implementation of IASs in Bangladesh will not work, enforcement should be there. *Thus the null hypothesis (7) has been rejected.*

9.3.5 Cost-benefit impact of IASs: Here the research issue was that the benefit of adopting IASs is higher than the costs of adopting them. All the respondents of all groups unanimously agreed that benefit of adopting IASs is higher than their costs. *Thus null hypothesis (8) has not been rejected.* Every respondent believed adoption of IASs is cost effective.

9.4 Impediments of IASs adoption in Bangladesh:

IASs have been made mandatory only for the listed companies in Bangladesh. The respondents have identified several impediments. Dearth of skilled human resources is the top listed impediments on the way to successful implementation of IASs. This scarcity exists in both academic field and implementation field. Inefficient capital market is another important impediment. In such an inefficient market investors are less sensitive to published financial information and demand for more disclosure does not exists. Auditors cannot perform their statutory duty independently. Otherwise, they have to lose their client. In this situation they have to compromise with the implementation aspect of IASs. Apart from this, instability of socio-econo-political environment, lack of good corporate governance, malpractice of good accounting system with a view to avoid tax liability etc. were identified as impediments on the way to successful implementation of IASs in Bangladesh.

9.5 Reaction of the Accounts Preparers:

Most of the accounts preparers passed their opinion in favor of adopting IASs. At the same time they also believed that because of several impediments (as stated above), environment for hundred percent implementation of IASs/IFRSs does not prevail in Bangladesh. Formally they are telling that financial statements have been prepared in accordance with the requirement of applicable laws and IASs/IFRSs as adopted by the ICAB, but informally they admit the fact that they cannot prepare their financial statements as per the

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requirements of IASs. So there exists a clear gap between the real life practice of accounting and financial reports published publicly. However, they are hopeful that with the improvement of efficiency of capital markets, efficiency of accounts preparers, attitude of management and improvement of other concerned factors, proper application of IASs would be possible and investors, and other concerned groups will enjoy the benefits of IASs/IFRSs.

9.6 Degree of Compliance:

Auditor's reports of all listed companies in Bangladesh state that financial statements has been prepared in accordance with the requirements of applicable laws and IASs as adopted by the ICAB. All the respondents groups (including professionals) do not believe the auditor's report to 'some extent' or 'moderately'. So these compliance reports are simply paper work. The auditors gave such report just to comply with the law rather than IASs. The respondents also do not believe that the financial reports of the listed companies possess all the four qualitative characteristics (*understandability, relevance, reliability and comparability*) as prescribed in the para-24 of the framework for the preparation and presentation of financial statements of the IASB.

9.7 Proposed ways of IASs Implementation:

In view of several impediments on IASs adoption in Bangladesh some proposal have been made in the present study. The respondents unanimously supported some proposals. For example: (i) human resources development scheme is to be initiated (Word Bank has already funded such project); (ii) IASs/IFRSs are to me made mandatory for all limited companies; (iii) a supervising authority should issue guidelines to the users of IASs/IFRSs to design their accounting system; (iv) a strong monitoring cell is to be established; (v) benefits of IASs/IFRSs are to be exposed to the different interest groups with a view to motivate them regarding IASs/IFRSs.

9.8 Reaction of the Academicians:

The academicians think that they can contribute a lot in developing skilled human resources. As regards IASs/IFRSs real life experience is necessary along with academic skill. This is why many academicians think there should be an effective liaison between professional accounting bodies and academic institutions/universities. The teachers might

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have professional degrees. They also think that all accounting books should be developed on the basis of conceptual and real life application of IASs/IFRSs.

9.10 Satisfaction of the users of Financial Statement:

Most of the users think that the financial information disclosed in the financial statements is not reliable. Financial statements do not reveal the 'true and fair view' of a business organization. Management conceals sensitive information in the financial statements. They do not think that adoption of IASs in Bangladesh has improved the credibility, transparency or reliability position of financial statements.

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Chapter - 10

Conclusion and Recommendations

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CHAPTER - 10

CONCLUSIONS AND RECOMMENDATIONS

10.1 Introduction

Bangladesh is a developing country. She is developing in many respect of economic activities including accounting practices at global standard or international norm. It is true IASs/IFRSs have been developed for preparing financial statements with a view to disclosing financial information for better investment decision. These are suitable for developed economic environment, but the economic environment of Bangladesh is not like that. A developing country like Bangladesh might have some special need as regards accounting standards, which are not covered by IASs/IFRSs. At the same time there are some issues in the IASs/IFRSs, which are not relevant for Bangladesh. In this situation enforcement of IASs/IFRSs in Bangladesh will not work properly. It will take time, how long the time will be, it is also difficult to predict.

However, as a member of global village, Bangladesh has adopted IASs/IFRSs for the listed companies. The outcome of this study reveals that the way in which the IASs/IFRSs are being adopted here in Bangladesh, should be democratic for their better and successful implementation. Users' confidence on financial statements as well as financial information needs to be restored. It was a common allegation against the IASC that it is an organization of developed countries. They are trying to export the accounting system of developed countries to the developing countries in the name of an international body like IASC. With a view to get rid of this allegation, IASC has been restructured into IASB so that the accounting experts or national accounting standards setters of different countries including developing countries can participate in the development process of IASs/IFRSs. As an apex body of IASs/IFRSs, IASB is more democratic than its predecessor IASC. So this should be a lesson for Bangladesh. It is expected by the all concerned groups except professionals that the acceptance, enforcement and implementation process of IASs/IFRSs should be democratic.

10.2: Recommendations

In view of the findings as stated earlier, the present study recommends certain measures with a view to solving the above problems.

- A separate independent accounting standards body is to be formed comprising accounting experts and other concerned groups with a view to accepting IASs/IFRSs and/or

develop Bangladesh Accounting Standards within the framework of IASs/IFRSs and based on local needs;

- This body will assess the need for a particular IAS/IFRS before being adopted;
- This body will issue proper guidelines for proper implementation of IASs/IFRSs;
- This body will monitor the implementation aspect of IASs/IFRSs so that authentic financial information could be disclosed. The confidence of the users needs to be restored;
- This body will identify the discrepancies of financial information with the requirement of IASs/IFRSs, and will lodge charge against the concerned company;
- This body will give verdict for any misstatement of financial information and/or for non-compliance with the requirement of IASs/IFRSs. Thus the users of financial statements will feel confident regarding authenticity of financial information;

- IASs/IFRSs are to be made mandatory for all limited companies, viz. listed and unlisted public limited companies and private limited companies. To do this the Companies Act 1994 is to be amended to accommodate IASs/IFRSs. This action will create a general congenial environment for;
- Syllabi of graduation levels of different universities, and syllabi of ICAB and ICMAB are to be developed in the light of IASs/IFRSs. This will generate skilled human resources on IASs/IFRSs who will have a positive perception as regards implementation of IASs/IFRSs in Bangladesh.

10.3: Scope for future research

The present study has tried to evaluate the acceptance, enforcement and implementation of process of IASs/IFRSs in Bangladesh. There exists many unexplored area in relation to IASs/IFRSs in which one can carry out research work. The potential research area may be as follows:

(i) Research work can be carried out on the content of each IASs/IFRSs, whether a particular IASs/IFRSs are being adopted by their users (accounts preparers) or not;

(ii) Impact of IASs on investors can be explored with a view to justify the need for IASs in Bangladesh;

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(iii) Identifying the reasons, why the investors are reluctant to use financial information in taking investment decision;

(iv) Assessment of financial and non-financial information need for invest decision;

(v) Comparative analysis of enforcement mechanism between Bangladesh and other developed or developing countries who have successfully implemented IASs in their countries;

(vi) Why the neighboring countries like India and Sri Lanka are using their national accounting standards instead of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs);

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APPENDIX – 5.1

THE BRIEF HISTORY AS WELL AS EVOLUTIONARY PROCESS OF IASs AND IFRSs

(This part has been compiled from the website of the DELOITTE - www.iasplus.com).

IAS 1: Presentation of Financial Statements

March 1974	Exposure Draft E1, Disclosure of Accounting Policies
January 1975	IAS 1, Disclosure of Accounting Policies
June 1975	E5, Information to Be Disclosed in Financial Statements
October 1976	IAS 5, Information to Be Disclosed in Financial Statements
July 1978	E14, Current Assets and Current Liabilities
November 1979	IAS 13, Presentation of Current Assets and Current Liabilities
1994	IAS 1, IAS 5, and IAS 13 were reformatted
July 1996	E53 Presentation of Financial Statements
August 1997	IAS 1 (1997), Presentation of Financial Statements, superseded IAS 1 (1975), IAS 5, and IAS 13 (1979)
1 July 1998	Effective Date of IAS 1 (1997)
18 December 2003	Revised version of IAS 1 issued by the IASB
1 January 2005	Effective date of IAS 1 (Revised 2003)

IAS 2: Inventories

September 1974	Exposure Draft E2, Valuation and Presentation of Inventories in the Context of the Historical Cost System
October 1975	IAS 2, Valuation and Presentation of Inventories in the Context of the Historical Cost System
August 1991	Exposure Draft E38, Inventories
December 1993	IAS 2 (1993), Inventories (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 2 (1993)
18 December 2003	Revised version of IAS 2 issued by the IASB
1 January 2005	Effective date of IAS 2 (Revised 2003)

IAS 3: Consolidated Financial Statements

Originally issued 1976, effective 1 Jan 1977. No longer effective. Superseded in 1989 by IAS 27 and IAS 28.

IAS 4: Depreciation Accounting

Withdrawn in 1999, replaced by IAS 16, 22, and 38, all of which were issued or revised in 1998.

IAS 5: Information to Be Disclosed in Financial Statements

Originally issued October 1976, effective 1 January 1997. No longer effective. Superseded by IAS 1 in 1997.

IAS 6: Accounting Responses to Changing Prices

. Superseded by IAS 15.

IAS 7: Cash Flow Statement

June 1976	Exposure Draft E7, Statement of Source and Application of Funds
October 1977	IAS 7, Statement of Changes in Financial Position

July 1991	Exposure Draft E36, Cash Flow Statements
December 1992	IAS 7 (1992), Cash Flow Statements
1 January 1994	Effective Date of IAS 7 (1992)

IAS 8: Accounting Policies Changes in Accounting Estimates and Errors

October 1976	Exposure Draft E8, The Treatment in the Income Statement of Unusual Items and Changes in Accounting Estimates and Accounting Policies
February 1978	IAS 8, Unusual and Prior Period Items and Changes in Accounting Policies
July 1992	Exposure Draft E46, Extraordinary Items, Fundamental Errors and Changes in Accounting Policies
December 1993	IAS 8 (1993), Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 8 (1993)
18 December 2003	Revised version of IAS 8 issued by the IASB
1 January 2005	Effective date of IAS 8 (Revised 2003)

IAS 9: Accounting for Research and Development Activities

IAS 9 Accounting for Research and Development Activities. Superseded by IAS 38 effective 1.7.99

IAS 10: Events after the Balance Sheet Date

July 1977	Exposure Draft E10, Contingencies and Events Occurring After the Balance Sheet Date
October 1978	IAS 10, Contingencies and Events Occurring After the Balance Sheet Date, effective 1 January 1980
1994	IAS 19 (1978) was reformatted
August 1997	Exposure Draft E59, Provisions, Contingent Liabilities and Contingent Assets
September 1998	IAS 37, Provisions, Contingent Liabilities and Contingent Assets
1 July 1999	Effective Date of IAS 37, which superseded those portions of IAS 19 (1978) dealing with contingencies
November 1998	Exposure Draft E63, Events After the Balance Sheet Date
May 1999	IAS 10 (1999), Events After the Balance Sheet Date, superseded those portions of IAS 10 (1978) dealing with events after the balance sheet date
1 January 2000	Effective Date of IAS 10 (1999)

IAS 11: Construction Contracts

December 1977	Exposure Draft E11, Accounting for Construction Contracts
March 1979	IAS 11 Accounting for Construction Contracts
1 January 1980	Effective Date of IAS 11
May 1992	Exposure Draft E42, Construction Contracts
December 1993	IAS 11 (1993), Construction Contracts (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 11 (1993)

IAS 12: Income Taxes

April 1978	Exposure Draft E13, Accounting for Taxes on Income

July 1979, IAS 12	Accounting for Taxes on Income
January 1989	Exposure Draft E33, Accounting for Taxes on Income
1994	IAS 12 (1979) was reformatted
October 1994	Modified and Re-exposed as Exposure Draft E49, Income Taxes
October 1996	IAS 12, Income Taxes
1 January 1998	Effective Date of IAS 12 (1996)
October 2000	Limited Revisions to IAS 12
1 January 2001	Effective Date of IAS 12 (2000), Income Taxes

IAS 13: Presentation of Current Assets and Current Liabilities

IAS 13 Presentation of Current Assets and Current Liabilities. Superseded by IAS 1.

IAS 14: Segment Reporting

March 1980	Exposure Draft E15, Reporting Financial Information by Segment
August 1981	IAS 14, Reporting Financial Information by Segment
1 January 1983	Effective Date of IAS 14 (1981)
1994	IAS 14 (1981) was reformatted
December 1995	Exposure Draft E51, Reporting Financial Information by Segment
August 1997	IAS 14, Segment Reporting
1 July 1998	Effective Date of IAS 14 (1997)

IAS 15: Information Reflecting the Effects of Changing Prices

January 1976	Exposure Draft E6, Accounting Treatment of Changing Prices
June 1977	IAS 6, Accounting Responses to Changing Prices
1 January 1978	Effective date of IAS 6
August 1980	Exposure Draft E17, Information Reflecting the Effects of Changing Prices
November 1981	IAS 15, Information Reflecting the Effects of Changing Prices, superseded IAS 6
1 January 1983	Effective Date of IAS 15 (1981)
October 1989	IASC Board voted to make the IAS 15 disclosures optional and added a statement to that effect at the front of IAS 15
1994	Reformatted
2001	IASB tentatively decided to withdraw IAS 15
December 2003	*Withdrawn* effective 1 January 2005

IAS 16: Property, Plant and Equipment

August 1980	Exposure Draft E18, Accounting for Property, Plant and Equipment in the Context of the Historical Cost System
March 1982	IAS 16, Accounting for Property, Plant and Equipment
1 January 1983	Effective Date of IAS 16 (1982)
May 1992	Exposure Draft E43, Property, Plant and Equipment
December 1993	IAS 16, Accounting for Property, Plant and Equipment (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 16 (1993), Property, Plant and Equipment
1998	IAS 16 was revised by IAS 36, Impairment of Assets
1 July 1999	IAS 16 (1998) effective date of 1998 revisions to IAS 16
18 December 2003	Revised version of IAS 16 issued by the IASB
1 January 2005	Effective date of IAS 16 (Revised 2003)

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IAS 17: Leases

October 1980	Exposure Draft E19, Accounting for Leases
September 1982	IAS 17, Accounting for Leases
1 January 1984	Effective Date of IAS 17 (1982)
1994	IAS 17 (1982) was reformatted
April 1997	Exposure Draft E56, Leases
December 1997	IAS 17, Leases
1 January 1999	Effective Date of IAS 17 (1997), Leases
18 December 2003	Revised version of IAS 17 issued by the IASB
1 January 2005	Effective date of IAS 17 (Revised 2003)

IAS 18: Revenue Recognition

April 1981	Exposure Draft E20, Revenue Recognition
December 1982	IAS 18, Revenue Recognition
1 January 1984	Effective Date of IAS 18 (1982)
May 1992	E41, Revenue Recognition
December 1993	IAS 18, Revenue Recognition (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 18 (1993), Revenue Recognition
December 1998	Amended by IAS 39, Financial Instruments: Recognition and Measurement, effective 1 January 2001

IAS 19: Employee Benefits

April 1980	Exposure Draft E16, Accounting for Retirement Benefits in Financial Statements of Employers
January 1983	IAS 19, Accounting for Retirement Benefits in Financial Statements of Employers
1 January 1985	Effective Date of IAS 19 (1983)
December 1992	E47, Retirement Benefit Costs
December 1993	IAS 19, Retirement Benefit Costs (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 19 (1993), Retirement Benefit Costs
October 1996	E54, Employee Benefits
February 1998	IAS 19 (1998), Employee Benefits
1 January 1999	Effective Date of IAS 19 (1998), Employee Benefits
October 2000	Limited Revisions to IAS 19
1 January 2001	Effective Date of IAS 19 (2000), Employee Benefits
May 2002	'Asset Ceiling' amendment to IAS 19 (2000), Employee Benefits
31 May 2002	Effective Date of IAS 19 (2002), Employee Benefits
5 December 2002	Amendments to IAS 19.144-152 are proposed as part of the IASB's project on Share-Based Payment
February 2004	IAS 19.144-152 on equity compensation benefits are replaced by IFRS 2 Share-based Payment
29 April 2004	Exposure Draft of Proposed Amendments to IAS 19

IAS 20: Accounting for Government Grants and Disclosure of Government Assistance

September 1981	Exposure Draft E21, Accounting for Government Grants and Disclosure of Government Assistance

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April 1983, IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
1 January 1984	Effective Date of IAS 20 (1983)
1994	IAS 20 (1983) was reformatted

IAS 21: The Effects of Changes in Foreign Exchange Rates

December 1977	Exposure Draft E11, Accounting for Foreign Transactions and Translation of Foreign Financial Statements
March 1982	E11 was modified and re-exposed as Exposure Draft E23, Accounting for the Effects of Changes in Foreign Exchange Rates
July 1983	IAS 21, Accounting for the Effects of Changes in Foreign Exchange Rates
1 January 1985	Effective Date of IAS 21 (1983)
1993	IAS 21 (1983) was revised as part of the comparability of financial statements project
May 1992	Exposure Draft E44, The Effects of Changes in Foreign Exchange Rates
December 1993	IAS 21 (1993), The Effects of Changes in Foreign Exchange Rates (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 21 (1993)
18 December 2003	Revised version of IAS 21 issued by the IASB
1 January 2005	Effective date of IAS 21 (Revised 2003)

IAS 22: Business Combinations

September 1981	Exposure Draft E22, Accounting for Business Combinations
November 1983	IAS 22, Accounting for Business Combinations
1 January 1985	Effective Date of IAS 22 (1983)
June 1992	Exposure Draft E54, Business Combinations
December 1993	IAS 22 (1993), Business Combinations (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 22 (1993)
August 1997	Exposure Draft E61, Business Combinations
September 1998	IAS 22 (1998), Business Combinations
1 July 1999	Effective Date of IAS 22 (1998), Business Combinations
31 March 2004	*IAS 22 is superseded by IFRS 3 effective 1 January 2005*

IAS 23: Borrowing Costs

November 1982	Exposure Draft E24, Capitalization of Borrowing Costs
March 1984	IAS 23, Capitalization of Borrowing Costs
1 January 1986	Effective Date of IAS 23 (1984)
August 1991	Exposure Draft E39, Capitalization of Borrowing Costs
December 1993	IAS 23 (1993), Borrowing Costs (revised as part of the 'Comparability of Financial Statements' project based on E32)
1 January 1995	Effective Date of IAS 23 (1993), Borrowing Costs

IAS 24: Related Party Disclosures

March 1983	Exposure Draft E25, Disclosure of Related Party Transactions
July 1984	IAS 24, Related Party Disclosures
1 January 1986	Effective Date of IAS 24 (1984), Related Party Disclosures
1994	IAS 24 was reformatted

18 December 2003	Revised version of IAS 24 issued by the IASB
1 January 2005	Effective date of IAS 24 (Revised 2003)

IAS 25: Accounting for Investments

IAS 25 Accounting for Investments. Superseded by IAS 39 and IAS 40 effective 2001.

IAS 26: Accounting and Reporting by Retirement Benefit Plans

July 1985	Exposure Draft E27, Accounting and Reporting by Retirement Benefit Plans
January 1987	IAS 26, Accounting and Reporting by Retirement Benefit Plans
1 January 1990	Effective Date of IAS 26 (1987)
1994	IAS 26 was reformatted

IAS 27: Consolidated Financial Statements

September 1987	Exposure Draft E30, Consolidated Financial Statements and Accounting for Investments in Subsidiaries
April 1989	IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries
1 January 1990	Effective Date of IAS 27 (1989)
1994	IAS 26 was reformatted
December 1998	IAS 27 was amended by IAS 39, Financial Instruments: Recognition and Measurement, effective 1 January 2001
18 December 2003	Revised version of IAS 27 issued by the IASB
1 January 2005	Effective date of IAS 27 (Revised 2003)

IAS 28: Investments in Associates

July 1986	Exposure Draft E28, Accounting for Investments in Associates and Joint Ventures
April 1989	IAS 28, Accounting for Investments in Associates
1 January 1990	Effective Date of IAS 28 (1989)
1994	IAS 26 was reformatted
December 1998	IAS 28 was amended by IAS 39, Financial Instruments: Recognition and Measurement, effective 1 January 2001
18 December 2003	Revised version of IAS 28 issued by the IASB
1 January 2005	Effective date of IAS 28 (Revised 2003)

IAS 29: Financial Reporting in Hyperinflationary Economies

November 1987	Exposure Draft E31, Financial Reporting in Hyperinflationary Economies
July 1989	IAS 29, Financial Reporting in Hyperinflationary Economies
1 January 1990	Effective Date of IAS 29 (1989)
1994	IAS 29 was reformatted

IAS 30: Disclosures in Financial Statements of Banks and Similar Financial Institutions

April 1987	Exposure Draft E29, Disclosures in Financial Statements of Banks
July 1989	Exposure Draft E29 was modified and re-exposed as Exposure Draft E34, Disclosures in Financial Statements of Banks and Similar Financial Institutions
August 1990	IAS 29, Disclosures in Financial Statements of Banks and Similar Financial Institutions

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1 January 1991	Effective Date of IAS 30 (1990)
1994	IAS 26 was reformatted
December 1998	IAS 30 was amended by IAS 39, Financial Instruments: Recognition and Measurement, effective 1 January 2001

IAS 31: Interests in Joint Ventures

December 1989	Exposure Draft E35, Financial Reporting of Interests in Joint Ventures
December 1990	IAS 31, Financial Reporting of Interests in Joint Ventures
1 January 1992	Effective Date of IAS 31 (1990)
1994	IAS 31 was reformatted
December 1998	IAS 31 was revised by IAS 39 effective 1 January 2001
18 December 2003	Revised version of IAS 31 issued by the IASB
1 January 2005	Effective date of IAS 31 (Revised 2003)

IAS 32 Financial Instruments: Disclosure and Presentation

September 1991	Exposure Draft E40, Financial Instruments
January 1994	E40 was modified and re-exposed as Exposure Draft E48, Financial Instruments
June 1995	The disclosure and presentation portion of E48 was adopted as IAS 32, Financial Instruments: Disclosure and Presentation. Work on recognition and measurement continued.
1 January 1996	Effective Date of IAS 32 (1995)
December 1998	IAS 32 was revised by IAS 39, effective 1 January 2001.
17 December 2003	Revised version of IAS 32 issued by the IASB
1 January 2005	Effective date of IAS 32 (Revised 2003)

IAS 33: Earnings Per Share

January 1996	Exposure Draft E33, Earnings Per Share
February 1997	IAS 33, Earnings Per Share
1 January 1999	Effective Date of IAS 33 (1997)
18 December 2003	Revised version of IAS 33 issued by the IASB
1 January 2005	Effective date of IAS 33 (Revised 2003)

IAS 34: Interim Financial Reporting

August 1997	Exposure Draft E57, Interim Financial Reporting
June 1998	IAS 34, Interim Financial Reporting
1 July 1999	Effective Date of IAS 34 (1998

IAS 35: Discontinuing Operations

August 1997	Exposure Draft E58, Discontinuing Operations
June 1998	IAS 35, Discontinuing Operations
1 July 1999	Effective Date of IAS 35 (1998)
31 March 2004	*IAS 35 is superseded by IFRS 5 effective 1 January 2005*

IAS 36: Impairment of Assets

May 1997	Exposure Draft E55, Impairment of Assets
June 1998	IAS 36, Impairment of Assets
1 July 1999	Effective Date of IAS 36 (1998)
31 March 2004	IAS 36 Revised
1 April 2004	Effective Date of March 2004 revisions to IAS 36

IAS 37: Provisions, Contingent Liabilities and Contingent Assets

August 1997	Exposure Draft E59, Provisions, Contingent Liabilities and Contingent Assets
September 1998	IAS 37, Provisions, Contingent Liabilities and Contingent Assets
1 July 1999	Effective Date of IAS 37 (1998)

IAS 38: Intangible Assets

February 1977	Exposure Draft E9, Accounting for Research and Development Costs
July 1978	IAS 9 (1978), Accounting for Research and Development Costs
1 January 1980	Effective Date of IAS 9 (1978)
August 1991	Exposure Draft E37, Research and Development Activities
December 1993	IAS 9 (1993), Research and Development Costs
1 January 1995	Effective Date of IAS 9 (1993)
June 1995	Exposure Draft E50, Intangible Assets
August 1997	E50 was modified and re-exposed as Exposure Draft E59, Intangible Assets
September 1998	IAS 38, Intangible Assets
1 July 1999	Effective Date of IAS 38 (1998)
31 March 2004	IAS 38 Revised
1 April 2004	Effective Date of March 2004 revisions to IAS 36 (1 April 2004 or date of adoption of IFRS 3 for intangibles acquired in a business combination)

IAS 39: Financial Instruments: Recognition and Measurement

October 1984	Exposure Draft E26, Accounting for Investments
March 1986	IAS 25, Accounting for Investments
1 January 1987	Effective Date of IAS 25
September 1991	Exposure Draft E40, Financial Instruments
January 1994	E40 was modified and re-exposed as Exposure Draft E48, Financial Instruments
June 1995	The disclosure and presentation portion of E48 was adopted as IAS 32. Work on recognition and measurement continued
March 1997	Discussion Paper: Accounting for Financial Assets and Financial Liabilities
June 1998	Exposure Draft E62, Financial Instruments: Recognition and Measurement
December 1998	IAS 39, Financial Instruments: Recognition and Measurement
April 2000	Withdrawal of IAS 25 following the approval of IAS 40, Investment Property
October 2000	Limited revisions to IAS 39 effective 1 January 2001
1 January 2001	Effective Date of IAS 39 (1998)
21 August 2003	Exposure Draft on Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk (Macro Hedging) issued for public comment
17 December 2003	Revised version of IAS 39 issued by the IASB
31 March 2004	IAS 39 revised to reflect Macro Hedging
1 January 2005	Effective date of IAS 39 (Revised 2003)

IAS 40: Investment Property

October 1984	Exposure Draft E26, Accounting for Investments
March 1986	IAS 25, Accounting for Investments

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1 January 1987	Effective Date of IAS 25
December 1999	Exposure Draft E64, Investment Property
April 2000	IAS 40, Investment Property, superseded those portions of IAS 25 that addressed investment property and withdrew IAS 25
1 January 2001	Effective Date of IAS 40 (2000)
18 December 2003	Revised version of IAS 40 issued by the IASB
1 January 2005	Effective date of IAS 40 (Revised 2003)

IAS 41: Agriculture

July 1999	Exposure Draft E65, Agriculture
December 2000	IAS 41, Agriculture
1 January 2003	Effective Date of IAS 41 (2000). Earlier application encouraged

History of IFRS

IFRS 1: First-time Adoption of International Financial Reporting Standards

September 2001	Project added to IASB agenda
July 2002	Exposure Draft ED 1 issued. Comment deadline 31 October 2002.
June 2003	IFRS 1 Issued.
1 January 2004	Effective date of IFRS 1 is for the first IFRS financial statements for a period beginning on or after 1 January 2004

IFRS 2: Share-based Payment

July 2001	Project added to IASB agenda
September 2001	Comments Invited on G4+1 Discussion Paper
November 2002	Exposure Draft ED 2 Share-based Payment
February 2004	IFRS 2 Share-based Payment
1 January 2005	Effective Date of IFRS 2

IFRS 3: Business Combinations

1 April 2001	Project carried over from the old IASC
July 2001	Project added to IASB agenda
5 December 2002	Exposure Draft Business Combinations and related exposure drafts proposing amendments to IAS 36 and IAS 38
31 March 2004	IFRS 3 Business Combinations and related amended versions of IAS 36 and IAS 38 IFRS 3 supersedes IAS 22
1 April 2004	Generally: Business combinations agreed to after 31 March 2004. Special provisions for previously recognized goodwill, negative goodwill, intangible assets, and equity accounted investments.
29 April 2004	Exposure Draft of Proposed Amendments to IFRS 3

IFRS 4: Insurance Contracts

1 April 2001	Comprehensive insurance contracts project carried over from IASC to new IASB
May 2002	Short-term insurance contracts project split off from comprehensive project
31 July 2003	Exposure Draft ED 5 Insurance Contracts
31 March 2004	IFRS 4 Insurance Contracts
1 January 2005	Effective Date of IFRS 4

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IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

September 2002	Project added to IASB agenda
24 July 2003	Exposure Draft ED 4 Disposal of Non-current Assets and Presentation of Discontinued Operations
31 March 2004	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
1 January 2005	Effective Date of IFRS 5

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APPENDIX - 6.1

PART-1 (SECTION 185) OF SCHEDULE XI OF THE COMPANIES ACT 1994: BALANCE SHEET

A. Horizontal Form

Liabilities		Assets	
Figures for the last year (Taka)	Figures for the current year (Taka)	Figures for the last year (Taka)	Figures for the current year (Taka)
Share Capital (authorized, issued, subscribed, called up and paid up capital) *Reserve and surplus* (1) Capital reserve (2) Capital redemption reserve (3) Share premium Accounts (4) Other reserves (5) Balance of profit and loss account, after providing for proposed allocations, namely a dividends bonus and reserves (6) Proposed additions to reserves (7) Sinking field *Long term Secured Loans:* (13) Debentures (14) Loans and advances from banks (15) Loans and advances from subsidiaries (16) Other loans and advances *Long-term Unsecured loans:* (7) Fixed deposits (8) Loans and advances from subsidiaries (9) Other loans and advances (a) From banks (b) From Others		*Fixed Assets* *Investments:* (1) Investment in Government or trust Securities (2) Investment in Shares, Debentures or Bonds (3) Investment in immovable properties Investment in capital of partnership firm *Current Assets, Loans and Advances:* (4) Interest accrued on Investment (5) Loose tools (6) Inventories of Stores & spare parts, raw materials, stock in trade, work-in-progress (7) Debtors: (a) Debts outstanding for a period exceeding six months (b) Other debts less provision (8) Cash: (a) in hand (b) in bank (9) Loans and Advances: (a) Advances and loans in subsidiaries (b) Advances and loans to partnership firms in which the company or nay of its subsidiaries is a partner (10) Bills of Exchanges (11) Balances with Agents Advances recoverable in cash or in kind or for value to be received e.g., rates, taxes, insurance, etc.	

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Current Liabilities and provisions: (A) Current Liabilities- (1) Short term loans and advance (a) From bank (b) From Others (2) Current posting of long term liabilities (3) Sundry Creditors (a) for goods (b) for services (4) Subsidiary companies (5) Advance payments (6) Unclaimed dividend (7) Interest on loans (a) accrued and due (b) accrued but not due (8) Other liabilities (if ay) (B) Provisions (9) Provision for taxation (10) Proposed dividends (11) For contingencies (12) For provident fund scheme (13) For insurance, pension and similar staff benefit schemes. Other provisions *Following foot-note to the balance sheet may be added to separately:* (1) Claims again the company not acknowledge as debt; (2) Uncalled liabilities on shares partly paid (3) Arrears of fixed cumulative dividend (4) Estimated amount of contracts remaining to be executed on capital account and not provided for. Other money for which the company is contingently liable.	(12) Balance with Customs port trust, etc. where payable on demand. *Miscellaneous expenditures (to the extent not written off or adjusted)* (1) Preliminary expenses (2) Expenses including commission or brokerage as on underwriting or subscription of share or debentures. (3) Discount allowed on issue of shares or debentures (4) Interest paid out of capital during construction (5) Development expenditure not adjusted (6) Other items.

Notes: General Instruction for preparation of balance sheet.

(a) All material information should be disclosed that is necessary to make the balance sheet clear and understandable.

(b) Any restriction on the title to assets should be clearly stated.

(c) The balance sheet should include a brief description of the nature of the activities of the enterprise.

(d) Going concern, consistency and accrual are fundamental accounting assumptions, which shall be followed in the preparation of balance sheet. If a fundamental accounting assumption is not followed that fact should be disclosed together with reasons.

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(e) Balance should include clear and concise disclosure of all significant accounting policies, which have been used.

(f) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with reasons. The effect of the change should, if material, be disclosed and quantified.

(g) A statement of changes in financial position shall be included as an integral part of the financial statements, and shall be presented for each period for which the profit and loss account is prepared.

(h) Assets and liabilities should be adjusted for events occurring after the balance sheet date that provide additional evidence to assist with the estimation of amounts relating to conditions existing at the balance sheet date or that indicate that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. Assets and liabilities should not be adjusted for, but disclosure should be made of, those events occurring after the balance sheet date that do not effect the condition of assets or liabilities at the balance sheet date but are of such importance that non-disclosure would after the ability of the users of the financial statements to make proper and evaluations decisions.

(i) Dividends declared by subsidiary companies after the date of balance sheet should not be included unless they are in respect of periods which closed on or before the date of the balance sheet.

(j) Any reference to benefits expected from contracts to the extent not executed shall not be made in the balance sheet but shall be made in they are in the Boards Reports.

(k) Current accounts with directors, managing agents, managers, whether they are in credit or debit shall be shown separately.

(l) The information required to be given under any of the items or sub-items in this form, if it can not be conveniently included in the balance sheet itself, shall be furnished in a separate schedule or schedules to be annexed to and to form part of the balance sheet. This recommended when items are numerous.

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Schedule XI
Part-I
Balance Sheet

B. Vertical Form

Serial No.	Subject Matter	Schedule	Figures as at the end of current financial year	Figures as at the end of previous financial year
1	2	3	4	5
I	**Sources of funds:** (1) Shareholders funds: a. Capital b. Reserves and surplus (2) Loan funds: a. Secured loans b. Unsecured loans Total:			
II	**Application of funds:** (1) Fixed assets: a. Gross block b. Less depreciation c. Net block (2) Investments (3) Current assets: a. Inventories b. Sundry debtors c. Cash in Bank d. Other current assets e. Loans and advances Less: Current liabilities and provisions: a. Liabilities b. Provisions Net current assets: (4) Miscellaneous a. Expenditure to the extent not written off or adjusted b. Profit and loss account Total:			

Notes:

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1. Details under each of the above items shall be given in separate schedules. The schedules shall incorporate all the information required to be given under A-Horizontal Form read with notes containing general instruction for preparation of balance sheet.

2. The schedules, referred to above, accounting policies and explanatory notes that may be attached shall form an integral part of the balance sheet.

3. The figures in the balance sheet may be rounded off to the nearest '000' or '00' as may be convenient or may be expressed in terms of decimals of thousands.

4. A footnote to the balance sheet may be added to show separated contingent liabilities.

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APPENDIX - 6.2

PART-II OF SCHEDULE XI OF THE COMPANIES ACT 1994: PROFIT AND LOSS ACCOUNT

The Companies Act 1994 provides two formats for Balance Sheet (Horizontal form and Vertical form) but does not provide any format for profit and loss account. However the contents of a profit and loss account should include the following contents (Kasem, 2004, 42):

1. Turnover and volumes by class of goods
2. Commission and discount paid
3. Raw material costs and volume by items
4. Opening and closing Stock
5. Work-in-progress
6. Depreciation
7. Taxes
8. Provisions
9. Consumption of spares and stores
10. Power and fuel
11. Rent
12. Salaries, wages and Bonus (and other detail)
13. Repairs to building and machinery (Separately)
14. Contribution of provident fund and other funds
15. Staff welfare expenses
16. Insurance
17. Property rates and taxes
18. Income from Investment
19. Profit or loss on disposal of investments
20. Detailed remuneration of Directors and Managers
21. Dividend paid, declared and unclaimed
22. Auditor's remuneration split by service
23. Installed capacity and actual production
24. Value of imports by category
25. Proportion of local raw materials, spares etc. to total
26. Foreign exchange spent on raw materials and spares imported
27. Foreign exchange spent on royalties, professional fees etc.
28. Number of resident shareholders, their shareholders and foreign exchange spent on dividend to them
29. Details of foreign exchange earnings

Part-II of the Schedule-XI of the Companies Act 1994 stipulates regarding preparation of Profit and Loss Account:

Schedule-XI: Part-II: Requirements for Profit and Loss Account

1. The provisions of this Part shall apply to the income and expenditure account referred to in sub-section (2) of section 185 of the companies Act, 1994 in like manner as they apply to a profit and loss account, but subject to the modification of references as specified in the sub-section.

2. The profit and loss account -

(a) shall so made out as clearly disclose the result of the working of the company during the period covered by the account; and

(b) shall disclose every material feature, including credits or receipts and debit or expense in respect of non-requiring transactions or transaction of an exceptional nature.

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3. The profit and loss account shall setout the various items relating to the income and expenditure of the company arranged under most convenient heads, and in particular, shall disclose the following information in respect of the period covered by the account: -

(a) the turn over, that is the aggregate amount for which sales are affected by the company, giving the amount of sales in respect of each class of goods dealt with by the company, and indicating the quantities of such sales for each class separately.

(b) commission paid to selling agents.

(c) brokerage and discount on sales, other than the usual trade discount.

(d) In the case of manufacturing companies -

(i) The value of the raw materials consumed, giving item-wise breakup, as far as possible, all important basic raw materials shall be shown as separate items. The intermediates of components produced from other manufactures may, if their list is to large to be included in the breakup, be grouped under suitable headings without mentioning the quantities, provided all those items which in value individually account for 100% or more of the total value of raw materials consumed shall be shown as separate and distinct items with quantities thereof in the breakup.

(ii) The opening and closing stock of goods produced, giving breakup in respect of each class of goods and indicating the quantities thereof.

(e) In the case of trading companies, the purchase made and the opening and closing stock giving breakup in respect of each class of traded in by the company and indicating the quantities thereof.

(f) In the case of companies rendering or supplying services, the gross income derived from services rendered or supplied.

(g) In the case of the company, wills false under more than one of the categories mentioned in (d) and (e) above, it shall be sufficient compliance with requirements here in if the total amounts are shown in respect of the opening and closing stocks, purchase, sales and consumption of raw materials with value and quantitative breakup and the gross income from services rendered and shown.

(h) In the case of other companies, the gross income derived under different heads.

Notes:

1. The quantities of raw materials, purchase, stock and turnover, shall be expressed in quantitative denominations in which these are normally purchased or sold in the market.

2. For the purpose of items (d), (e) and (g), the items for which the company is holding separate industrial license, shall be treated as separate class of goods, but where a company has more than one industrial license for production of the same items at different places for expansion of the licensed capacity, the item covered by all such license shall be treated as one class. In the case trading companies, the imported items shall be classified in accordance with the classification adopted by the Chief Controller of Imports and Exports in granting the import license.

3. In giving the breakup of purchase, stocks and turnover, items like spare parts and accessories, the list of which is not large to be included in the breakup may be grouped under suitable headings without quantities, provided all these items, value individually account for 10% or more of the total purchase, stocks, or turnover, as the case may be, are shown as separate and distinct items with quantities thereof in the breakup.

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(i) In the case of all concerns having work-in-progress, the amounts for which works and such have been completed at the commencement and at the end of accounting period.

(j) The amount provided for depreciation, renewals or diminution in value of fixed assets. If such provision is not made by means of depreciation charge, the method adopted for making such provision.

If such provision is not made for depreciation, the fact that no provision has been made shall be stated and the quantum of arrears of depreciation computed in accordance with the law shall be disclosed by way of a note.

(k) The amount of interest on the company's debentures and other fixed loans, that is to say, loans for fixed period stating separately the amount of interest, if any, paid or payable to the managing director, the managing agent and the manager, if any.

(l) The amount of charge for income tax and other taxation on profits, including, where practicable, with income tax or any taxation imposed to the extend of the relief, if any, from income tax and distinguishing, where practicable, between income tax and other taxes.

(m) The amount reserved for -

(i) Repayment of share capital; and

(ii) Repayment of loans.

(n) (i) the aggregate, if material, of any amounts set aside or proposed to be set aside, to reserves, but not including provisions made to meet any specific liability, contingency or commitment know to exist at the date as at which the balance sheet is made up.

(ii) the aggregate, if material, of any amounts withdrawn from such reserves.

(o) (i) the aggregate, if material, of any amounts set aside to provisions made for meeting specific liabilities, contingency of commitment.

(ii) the aggregate if materials of the amount withdrawn from such provisions, as no longer required.

(p) Expenditure incurred on each of the following items, separately for each items:-

(i) Consumption of stores and spare parts.

(ii) Power and fuel.

(iii) Rent.

(iv) Repairs to building.

(v) Repairs to machinery.

(vi) (1) salaries, wages and bonus.

(2) contribution to provident fund and other funds.

3. Workmen and staff welfare expense to the extent not adjusted from any previous provision or reserve.

Notes:

4. Information in respect of the above items should not also be given in the balance sheet under the relevant provision or reserve account.

5. In respect of sub-items (i) and (ii) above the Profit and Loss Account shall also contain by way of note, breakup of the expenditure incurred on employees who-

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(i) if employed through the financial year were in receipt of remuneration for that year which in the aggregate was not less than Tk. 36,000/= ; or

(ii) if employed for a part of the financial year were in receipt of remuneration for that part of the year which is in aggregate not less than Tk.3000/= per month.

The said note shall also indicate the number of employees falling in each of the above two categories, remuneration shall include honoraria. The monetary value of the perquisites shall be calculated in accordance with the provisions of the income tax Ordinance, 1984 (XXXVI of 1984), and the rules made there under.

(q) Insurance.

(r) Rates and taxes, excluding taxes on income.

(s) Miscellaneous expenses:

Provided that any item under which the expenses exceed 1 percent of the total revenue of the company or Tk. 5000 whichever is higher, shall be shown as a separate and distinct item against an appropriate account head in the profit and loss account and shall not be combined with any other item to be shown under miscellaneous expenses.

(t) (i) The amount of income from investment, distinguishing between trade investment and other investments.

(ii) Other income by way of interest, specifying the nature of the income.

(iii) The amount of income tax deducted if the gross income is stated under sub-paragraph (a) and (b) above.

(u) Profit or loss on investment (showing distinctly the extent, of the profit or losses earned or incurred on account of membership of a partnership firm) to the extent not adjusted from any previous provisions or reserve.

Notes:

6. Information in respect of this item should also be given in the balance sheet under the relevant provision of reserve account.

7. Profit or losses in respect of transactions of a kind not usually undertaken by the company or undertaken in circumstances of an exceptional or non-recurring nature, if material in amount.

8. Miscellaneous income

(v) (i) Dividends from subsidiary companies.

(ii) Provisions for losses of subsidiary companies.

(w) the aggregate amounts of dividends paid, and proposed and stating whether such amounts are subject to deduction of income tax or not.

(x) Amount, if material, by which any items shown in profit and loss account are affected by any change on the basis of accounting.

4. The profit and loss account shall also contain or give by way of a note detailed information, showing separately the following payments provided or made during the financial year to the directors, including managing director, the managing agents or manager, if any, by the company, the subsidiaries of the company and any other person:-

(a) managerial remuneration paid or payable during the financial year to the directors, managing agent or manager, if any;

(b) expense reimbursed to the managing agent;

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(c) commission or other remuneration payable separately to a managing agent or his associate;

(d) commission received or receivable by the managing agent or his associate as selling or buying agent of their concerns in respect of contracts entered into by such concerns with the company;

(e) the money value of the contracts for the sale or purchase of goods and materials or supply of services, entered into by the company with the managing agent or his associate during the financial year;

(f) any other perquisites or benefits in cash or in kind stating, approximate money value where applicable;

(g) other allowances and commission including guarantee commission (details to be given);

(h) pension, etc. --

(i) pensions,

(ii) gratuities,

(iii) payments from provident funds, in excess of own subscription and interest thereon;

(iv) compensation for loss of office;

(v) consideration in connection with retirement from office.

(7) The profit and loss account shall contain or give by way of a note a statement showing the computation of net profits in accordance with Section 119 of the companies Act 1994, with relevant details of the calculation of the commissions payable by way of percentage of such profits to the directors including managing directors, managing agent or manager, if any.

(8) The profit and loss account shall further contain or give by way of note detailed information in regard to amounts paid to the auditor, whether as fees, expenses or other wise for service rendered -

(a) as auditor;

(b) as advisor, or in any other capacity, in respect of --

(i) taxation matters;

(ii) company law matters;

(iii) management services; and

(c) in any other manner.

7. In case of manufacturing company, he profit and loss account shall also contain, by way of note in respect of each class of goods manufactured, detailed quantitative information in regard to the following, namely --

(a) The licensed capacity; where license is in force;

(b) The installed capacity; and

(c) The actual production.

Notes:

9. The licensed capacity and installed capacity of the company as on the last date of the year to which the profit and loss account relates, shall be mentioned against items (a) and (b) above respectively.

10. Against (c), the actual production in respect of the finished products meant for sale shall be

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mentioned. In cases where semi-processed products are also sold by the company, separate details thereof shall be given.

11. for the purpose of this paragraph, the item for which the company is holding separate industrial license shall be treated separate classes of goods but where the company has more than one industrial license for production of the same item at different places or for expansion of the licensed capacity, the item covered by all such licenses shall be stated as one class

9. (1) The profit and loss account shall also contain by way of note the following information, namely-

(a) Value of imports calculated on C.I.F. basis by the company during financial year in respect of: -

- Raw materials;
- Components and spare parts;
- Capital goods;

(a) expenditure in foreign currency during the financial year on account of royalty, know-how, professional consultancy fees, interest and other matters;

(b) value of all imported raw materials, spare parts and components consumed during the financial year and value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;

(c) the amount remitted during the year in foreign currencies on account of dividends with a specific mention of the number of non-resident shareholders, the number of shares held by them on which the dividends were due and the year to which the dividends, related;

(d) earning in foreign exchange classified under the following heads namely: -

(i) exports for goods calculated on F.O.B. basis;

(ii) royalty, know-how, professional and consultation fees;

(iii) interest and dividends;

(iv) other income, indicating the nature thereof.

9. The government may direct that a company shall not be obliged to show the amount set aside to provisions other than those relating to depreciation, renewal or diminution in value of assets, if the government is satisfied that the information should not be disclosed in the public interest and would prejudice the company, but subject to the condition that it may heading stating an amount arrived at after taking into account the amount set aside as such, the provisions shall be so framed or marked as to indicate that fact.

10. (1) Except in the case of the first profit and loss account laid before the company after the commencement of the companies Act, 1994 the corresponding amount for the immediately preceding financial year for all items shown in the profit and loss account shall also be given in the profit and loss account.

(2) The requirement in sub-clause (1) shall in the case of companies preparing quarterly or half-yearly accounts, relates to the profit and loss account for the period which ended on the corresponding date of the previous year.

Schedule-XI: Part-III: Interpretation

For the purpose of part-I and II of this schedule, unless the context otherwise requires:

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(e) the expression "provision" shall, subject to sub-clause (2) of this clause, mean any amount written off or retained by way of providing depreciation, renewals or diminution in the value of assets, or retained by way of providing for any unknown liability of which the amount cannot be determined with substantial accuracy;

(f) the expression "reserve" shall not, subject to the provision of clause (d) include any amount written off or retained by way of providing for depreciation, renewals or diminution in the value of assets or retained by way of providing for any unknown liability;

(g) the expression "capital reserve" shall not include any amount regarded as free for distribution through the profit and loss account; and

(h) the expression "revenue reserve" shall mean any reserve other than capital reserve.

Provided that in this sub-clause the expression "liability" shall include a liability in respect of expenditure contracted for and all disputed or contingent liabilities.

(2) Where -

(a) any amount retained, written off or retained by way of providing for depreciation, renewals or diminution in the value of assets, not being an amount written off in relation to fixed assets before the commencement of this companies Act, 1994; or

(b) any amount retained by way of providing for any known liability, is in excess of the amount which in the opinion of the directors is reasonable necessary for the purpose, the excess shall be treated for the purpose, of this schedule as a reserve and not as a provision.

12. For the purposes of clause II, the expression "quoted investment" means an investment as respects which there has been granted a quotation or permission, to deal on a recognized stock exchange, and the expression "unquoted investment" shall construed accordingly.

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APPENDIX-6.3

SCHEDULE OF PART-1 OF THE SECURITIES AND EXCHANGE RULES 1987

Part-I: Schedule [See rule 12(2)]:
REQUIREMENTS AS TO BALANCE SHEET

1. Requirements as to Balance Sheet:
The assets and liabilities shall be classified under the headings appropriate to the company's business, distinguishing as regards assets between fixed assets, long-term prepayments and deferred costs, investments loans and advances and current assets, and as regards liabilities between share capital and reserves, long-term loans and deferred liabilities and current liabilities and provisions.

2. Fixed assets: -

(A) Fixed assets shall be distinguished between tangible and intangible and shall be classified under appropriate sub-heads, duly itemized, such as:

(i) Tangible:
(a) land (distinguish between free-hold and leasehold);
(b) building (distinguishing between buildings on freehold land and those on leasehold land);
(c) plant and machinery;
(d) furniture and fittings;
(e) vehicles;
(f) capital work in progress including interest paid out of capital, if any; and
(g) others.
(h) Intangible:
(i) goodwill;
(j) patents, copyright, trade marks and designs; and
(k) others.

(B) Under each sub-head, other than capital work in progress, the original cost, and the additions thereto and deductions there from since the date of the previous balance sheet shall be stated and the aggregate amount written off, or provided or retained, up to the date of the balance sheet, by way of provision for depreciation or amortization or diminution in value shall be shown as deduction there from.

(C) Where sums have been written off on a reduction of capital or revaluation of assets and where sums have been added by writing up the assets, every balance sheet subsequent to the reduction or revaluation or writing up shall show the original cost, the reduced or increased figures, as the case may be, along with the date of and amount of the reduction or increase made.

(D) In the case of a company which immediately before the commencement of these Rules, was providing for depreciation or amortization or diminution in value by way of lump sum charge to profit or loss account or as appropriation of profit, without allocating the amount so provided to different sub-heads, the amount retained in the books of the company at the commencement of the said Rules as provision or reserve for depreciation or amortization or diminution in value shall be allocated against the respective sub-heads.

(E) In every case where the original cost cannot be ascertained without unreasonable expense or delay, the valuation shown by the books shall be given. Such valuation shall be the net amount at which an asset stood in the books or the company as at the commencement of these rules after deduction of the amounts previously provided or written off for depreciation or amortization or diminution in value.

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3. Long-term prepayments and deferred costs. -
Long-term prepayments and deferred costs shall include prepayments for services or benefits to be received after twelve months from the date of the balance sheet. Any material items shall be stated separately together with the basis on which each item is being amortized or written off, and in respect of each item of deferred costs the reasons for carrying forward such costs shall be stated.
4. Investments loans and advances.-
(A) There shall be shown under separate sub-heads the aggregate amounts respectively of the company's

(i) investments in and loans and advances to subsidiary companies controlled firms and other associated undertakings,
(ii) investments in listed companies other than investments in subsidiary companies and other associated undertakings,
(ii) investments in un-listed companies other than investments in subsidiary companies, and other associated undertakings,
(iii) investments in debentures and bonds issued by a Government, Municipal Committee or other local authority,
(iv) investments in immovable properties and
(v) other investments, loans and advances

(B) There shall be stated under sub-head 4(A) (i) the names of the subsidiary companies, controlled firms and other associated undertaking and the nature and extent of the investment made and loans and advances given in each case, showing separately, in the case of each subsidiary company and other associated undertaking, shares of different classes and of different paid-up values, debentures, loans and advances and, in the case of each controlled firm, the amount invested as capital and the amounts of loans and advances. In the case of loans and advances, the nature of collateral security shall be stated. A company whose principal business is lending of money may give such information in consolidated form in the balance sheet and the details about the names and the extent of investments etc. in an annexure to the balance sheet.
(C) There shall be stated under sub-head 4(A) (ii) the names of the bodies corporate (in every case with the name of the managing agent, if any) in whose shares or debentures or bonds, investments have been made and the nature and extent of the investment made in each case, showing separately, shares of different classes and of different paid-up values, nature of the debentures, e.g. whether straight, convertible or redeemable and the rate of interest etc. A company whose principal business in lending of money may give such information in consolidated form in the balance sheet and the details about the names and the extent of investments etc. in an annexure to the balance sheet.

(D) There shall be stated under sub-head 4 (A) (iii) the names of the unlisted companies (in every case with the name of the managing agent, if any) in whose shares or debentures or bonds investments have been made and the nature and extent of the investment made in each case, showing separately, shares of different classes and of different paid-up values, nature of debentures, e.g. whether straight convertible or redeemable and the rate of interest etc. A company whose principle business is leading of money may give such information in consolidated form in the balance sheet and the details about the names and the extent of investments etc. in an annexure to the balance sheet.

(E) There shall be stated under sub-head 4 (A) (iv) the names of the Governments Municipal Committees and other local authorities in whose debentures or bonds investments have been made and the nature and extent of the investment made in each case.

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(F) The mode of valuation of investments, e.g. cost or market value, shall be stated separately and, if investments in listed companies are valued otherwise than at market value, the aggregate amount of the market value thereof shall be shown.

(G) Loans and advances due for payment after a period of twelve months from the date of the balance sheet shall be shown under this head.

(H) The following particulars shall be stated separately by way of a note of respect of sub-head 4(A) (vi):

(a) aggregate amount due by directors (including the managing director), managing agents, managers and other officers of the company and any of them severally or jointly with any other person; and
(b) aggregate amount due by associated undertakings.

(I) Provisions, if any, made for diminution in the value of investments and in respect of losses of subsidiary companies shall be shown as deduction from the gross amounts of the respective sub-heads.

5. Current assets: -

(A) Current assets shall be classified under sub-heads appropriate to the company's affairs, including, where applicable, the following:

(i) stores, spare parts and loose tools, distinguishing each from the other;
(ii) stock-in-trade, distinguishing, where practicable, between (a) stock of raw materials and components, (b) work in progress, (c) stock of finished products and (d) other stock;
(iii) sundry debtors, which shall include amounts but in respect of goods sold or services rendered or in respect of other contractual obligations but shall not include the amounts which are in the nature of loans or advances. Debts considered good and debts considered doubtful or bad shall be separately stated. Debts considered good shall be distinguished between those which are secured and those for which the company holds no security other that the debtor's personal security;
(iv) Loans and advances due for repayment within a period of twelve months from the date of the balance sheet, showing separately the amounts due from subsidiaries, controlled firms and other associated undertakings and also the amounts lent out to employees of the company. Loans and advances considered good and loans and advances considered doubtful or bad shall be separately stated;
(v) trade deposits and short term prepayments for which services or benefits are to be received within twelve months from the date of the balance sheet and current account balances with statutory authorities.
(vi) bills receivable;
(vii) interest accrued or interest outstanding ;
(viii) balances on current account with the managing agents, managers and directors the maximum amount held by any of them at any time since the date of incorporation or since the date of the previous balance sheet, whichever is the later, being stated by way of a note ;
(ix) tax refunds due from Government, showing separately excise duties, customs duties, sales tax, income-tax etc. and
(x) cash and bank balances, distinguishing between (a) amount in hand, (b) amount in transit and (c) balances with banks and agents.

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(B) In the case of sub-heads 5(A) (i) and (ii) the respective basis of valuation shall be stated. If the basis such as "cost", "Market value" or "cost or market value, whichever is lower" is given, there shall also be given, to the extent practicable a general indication of the method of determining the "cost" or "market value" e.g. "average cost", "first-in, first out" or "last in, first out".

(C) in respect of each of the sub-heads 5(A) (iii) and (iv) the following particulars shall be stated separately :

(a) aggregate amount due by directors (including managing director), managing agents, managers and other officers of the company and any of them severally or jointly with any other person;
(b) aggregate amount due by associated undertakings;
(c)) maximum amount of debts, under each of the preceding items (a) and (b) at any time since the date of incorporation of since the date of the previous balance sheet, whichever is the later (by way of a note).

6. Assets in respect of which different methods or bases of valuation or of provision for depreciation or diminution in value are used shall be regarded as assets of different classes.

7. Preliminary expenses, discount allowed on the issue of shares and expenses incurred on the issue of shares or debentures, including any sums paid by way of commission or brokerage on the issue of shares or debentures, to the extent not written off or adjusted, shall be treated as assets and shown separately under each head.

8. *Share capital and reserves: -*

(A) Share capital and reserves shall be classified under the following sub-heads:

(i) paid up capital, distinguishing between different classes of preference and equity shares and the amount paid up in respect of each class. In the case of forfeited shares, the amount already paid thereon shall be added to the paid-up capital. Calls paid in advance shall also be added to the paid-up capital: and

(ii) reserves, distinguishing between capital reserves and revenue reserves. Capital reserves shall include capital redemption reserve, share premium account, surplus on revaluation of fixed assets, profit prior to incorporation or on reissue of forfeited shares or any reserve not available for distribution by way of dividend (to be specified), while revenue reserves shall include general reserve, dividend equalization reserve, other reserves created out of profit (to be specified), and inappropriate profit i.e. credit balance of profit and loss account after appropriations for the period to the date of balance sheet. Additions to and deductions from each item of reserves shall be shown in the balance sheet under the respective items unless they are disclosed in the profit and loss account or a statement or a report annexed thereto.

(B) There shall be shown in the balance sheet:

(i) authorized share capital distinguishing between various classes of shares and stating the number and value of each class;
(ii) issued share capital, distinguishing between various classes of shares and stating the number and value in respect of each class ;
(iii) subscribed share capital, distinguishing between various classes of shares and stating the number and value in respect of each class ;
(iv) called up share capital, distinguishing between various classes of share and stating the number, value and the amount called up in respect of each calls;

(v) calls unpaid as a deduction from called up share capital, distinguishing calls unpaid by (a) directors (including managing director) (b) managing agents, (c) managers, (d) officers and (e) others;
(vi) paid up share capital, distinguishing in respect of each class between (a) shares allotted for consideration paid in cash, (b) shares allotted for consideration other than cash and © bonus shares and stating the number and value of each class.
(vii) particulars of any option on unissued shares, such as amount of option, class of shares, issue price, period during which option is exercisable etc.
(viii) in the case of redeemable preference shares, the terms of redemption or conversion, if any, together with the earliest date on which the company has power to redeem or the company or the holder of the shares has power to convert the shares; and
(ix) (ix) in the case of subsidiary companies, the number of shares class held by the holding company as well as by the ultimate company, if any, and its subsidiaries.

(C) Where circumstances permit, authorized, issued, subscribed, and paid up capital or any two or more of them may be shown as one item. (D) The word fund, in relation to any 'reserve' shall be used only where such a reserve is represented by specifically earmarked Investment or other assets realizable as and when required at not less than the amount of fund.

9. *Long term loans and deferred liabilities.* -

(A) Long-term loans and deferred liabilities shall mean loans and liabilities which become due for payment after twelve months from the date of the balance sheet. Deferred liabilities shall include such other liabilities as are under normal accounting principles appropriately so classified.

(B) Long-term loans shall be classified as secured and unsecured, under each class shall be shown separately

(i) debentures ;
(ii) loans from banking companies and other financial institutions;
(iii) loans for subsidiary companies, controlled firms and other undertaking;
(iv) loans from directors (including managing director), managing agents and managers; and
(v) other loans.

(C) Where any of the long-term loans or any other deferred liabilities are secured otherwise than by the operation of law on any assets of the company the fact that the liabilities are so secured shall be stated, together with a statement of the assets upon which they are secured, and, where more than one class of liabilities is so secured, their relative priorities with respect to payment of interest and redemption.

(D) The rate of interest and terms of redemption or conversion if any of the debentures issued shall be stated together with the earliest date on which they may be redeemed or converted into shares and it shall also be stated if any, sinking fund arrangement exists.

(E) There shall be stated, by way of a note or otherwise, particulars of any redeemed debentures which the company has power to reissue.

(F) Where any of the company's debentures are held by a nominee of, or a trustee for, the company, the amount thereof, calculated on the same basis as the total amount standing in the balance sheet in

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respect of the debentures of that class , shall, unless and until the debentures so held are reissued or canceled be shown as deduction from the total by way of a note.

(G) Deferred liabilities shall include items such as (i) deferred liability for taxation, (ii) consumer's deposits with utility companies and (iii) amounts allocated or set aside and retained for Workers' Participation Fund, provident fund, pension, gratuity insurance and other staff benefit schemes. Every material item shall be stated separately.

10. Current liabilities. -

9(A) Current liabilities shall mean liabilities due and payable (other than liabilities the payment of which may at the company's option, be postponed) within twelve months from the date of the balance sheet, together with such other liabilities as are under normal accounting principles appropriately so classified.

(B) Current liabilities and provisions shall, so far as they are appropriate to the company's business be classified under the following sub-heads:

(1) Short-terms loans, distinguishing between secured and unsecured and between loans taken from -
(a) banking companies, and other financial institutions;
(b) subsidiary companies controlled firms and other associated undertakings;
(c) directors (including managing directors), managing agents and managers;
(d) installments of long-terms debt; and
(e) others;
(2) Deposit;
(3) creditors;
(4) accrued expenses;
(5) bills payable;
(6) advance payment and un-expired discounts for the portion for which value is still to be given, e.g., in the case of newspapers, clubs and steamship companies;
(7) interest accrued on secured loans ;
(8) interest accrued on unsecured loans;
(9) other liabilities if any (to be specified), e.g. , unclaimed dividend, unpaid dividend;
(10) provision for taxation, showing separately excise duties, customs duties, sales tax, income tax, etc.;
(11) proposed dividend; and
(12) other provisions, if any (to be specified):-

(C) Where any short-term loans of any other liabilities of the company are secured otherwise than by the operation of law on any assets of the Company, the fact that the liabilities are so secured shall be stated, together with a statement of the assets upon which they are secured and where more than one class of liabilities is so secured, their relative priorities with respect to payment of interest and redemption.

11. No liability shall stand in the balance sheet at a value less than the amount at which is its repayable (unless the quantum of repayment is at the option of the company) at the date of the balance sheet or, if it is not then repayable, at the amount at which it will first become so repayable thereafter, less where appropriate, a reasonable deduction for discount until that date.

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12. There shall be added a foot-note to the balance sheet, showing separately: -

(1) claims against the company not acknowledged as debt;
(2) uncalled liability on partly shares;
(3) arrears of fixed cumulative dividends on preference shares together with the period for which the dividends are in arrears. If there is more than one class of preference shares, the gross amount of dividends in arrears, on each such class, shall be stated separately;
(4) the aggregate amount of contracts for capital expenditure remaining to be executed and not provided for ; and
(5) other sums for which the company is contingently liable. The aggregate amount of any guarantees given by the company on behalf of the directors (including managing director), managing agents, managers or other officers of the company or any of them severally or jointly with any other person shall be stated separately, and where practicable, the general nature and amount of each such contingent liability, if material, shall also be specified;
(6) Where determinable, the capacity of the industrial until actual production and the reasons for shortfall, if any , except in a case where the Authority upon an application agrees that such information need not be disclosed in the public interest.

13. Where there has been any change in the basis of accounting, e.g. change in the mode of valuation of the stock-in-trade, change in the method of changing depreciation, such changes, together with the effects thereof, shall be stated by way of a note.

14. There shall be stated, by way of a note or otherwise-

(1) the basis on which foreign currencies have been converted into taka; and
(2) the general nature of any credit facilities available to the company under any contact, other than trade credit available in the ordinary course of business, and not availed of at the date of the balance sheet.

15. If in the opinion of directors, any of the current assets and investments loans and advances do not have, on realization in the ordinary course of business, a value at least equal to the amounts at which they are stated, the fact the directors are of that opinion shall be stated by way of a note.
16. Except for the balance sheet for the year ending after the date of commencement of these rules, every balance sheet shall also give the corresponding amounts at the end of the immediately preceding accounting year for all items shown in the balance sheet. This requirement shall, in the case of companies preparing quarterly or half-yearly accounts relate to the balance sheet as on the last day of the period which ended on the corresponding date of the immediately preceding year.
17. Where any items shown in the balance sheet or included in amounts shown therein cannot be determined with substantial accuracy an estimated amount described as such shall be included in respect of that items together with the description of the item.
18. No provision with respect to the information to be given in the balance sheet shall be deemed to require the amount of any items that is of no material significance to be given separately.
19. Any information required to be given in respect of any of the items in the balance sheet, if it cannot be included in the balance sheet itself, be furnished in a separate schedule or schedules to be attached to, and to form part of, the balance sheet.

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APPENDIX - 6.4

SCHEDULE OF PART-II OF SER 1987: PROFIT AND LOSS ACCOUNT

Part-II : SCHEDULE [See rule 12(2)]:
REQUIREMENT AS TO PROFIT AND LOSS ACCOUNT

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

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

(a) commission paid to sole selling agents;
(b) commission paid to other selling agents; and
(c) brokerage and discount of sales, other than the usual trade discount.

(2) income from investments, showing separately income from each subsidiary company, from each controlled firms, from each associated undertaking and from other investments;
(3) income by way of interest on loans and advances and other interest;
(4) income from sale of bonus vouchers;
(5) profit on sale of investments;
(6) profit on sale of items of fixed assets;
(7) profit in respect of transactions, of an exceptional or non-recurring nature, not usually undertaken by the company or not envisaged in the normal course of business; and
(8) other income, showing separately every material item and the nature of each such items;

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

(C) Expenditure on -

(1) stores and spare parts consumed ;
(2) fuel and power;
(3) salaries and wages (including bonus, contributions to provident and other funds recognized under the Income Tax Ordinance, 1984 and expenses on staff welfare), distinguishing 1984 and expenses on staff welfare, distinguishing between manufacturing salaries and wages, if any, and other salaries and wages and also showing by way of a note the amount included in salaries and wages in respect of persons who are directors (including managing director) of the company ;
(4) rent municipal rates and local taxes (excluding taxes on income and capital gains);
(5) insurance;
(6) repairs and maintenance (being repairs to and maintenance of the company's fixed assets); and
(7) patents, copyrights, trade marks, design, royalties and technical assistance;

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

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

(F) the amount provided for depreciation, renewals or diminution in value of fixed assets. The value of the assets by various groups, the additions or depletion's thereto, the rate at which depreciation is charged, the rate (s) at which depreciation, accelerated or for extra shifts, is charged shall be shown in the form of an annexure. Where such provision is not made by means of a charge for depreciation, the method adopted for making such provision shall be stated. If no provision for

no provision for depreciation or for extra shift depreciation is made during the period, the fact that no provision has been made and the reasons for not making it shall be stated, and the amount which should have been provided and the quantum of arrears of depreciation, if any, shall be disclosed.

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

(2) loss on sale of investments;

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

(4) debts written off as irrecoverable;

(5) provision for doubtful or bad debts;

(6) provision for diminution in value of investments;

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

(8) remuneration of managing agents;

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

(10) other provision for meeting specific liabilities, contingencies or components.

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

(2) the amount of the dividend proposed.

2. The profit and the loss arising from 'hedge' and 'forward' contracts, trading in 'futures' and 'badla' (contango and backwardation), and other transactions of a similar nature carried forward or completed by 'meeting the difference' and not resulting in actual purchase or sale of stock-in-trade, shall not be deducted from or added to the cost of item (B) (2) in paragraph 1 of this Part, and shall be shown separately in the profit and loss account.

3. There shall be stated by way of a note the respective amounts included in items (G) (4) and (5) of paragraph 1 of this Part for

(a) debts due by the directors (including managing director) managing agents, managers and other officers of the company and any of them severally or jointly with any other person

(b) debts due by associated undertakings.

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

(i) the aggregate amounts paid during the period to or in respect of, or provided during the period for payment to or in respect of, the directors (including managing director), managing agents and officers by the company and its subsidiary companies, controlled firms and other

associated undertaking as fees, remuneration, allowances, commission, perquisites or benefits in any other form or manner and for any services rendered, and shall give full particulars of such aggregate amounts, separately for the directors (including managing director), managing agents and officers, under appropriate heads such as :

(a) fees;

(b) managerial remuneration;

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

(d) reimbursable expenses;

(e) pensions; gratuity ; company's contribution to provident, superannuating and other staff funds (showing by way of a not payments actually made out of such funds, during the period being amounts in excess of members' own subscriptions and interest thereon); compensation for loss of office and in connection with retirement from office;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX - 6.5

THE ICAB-WORLD BANK DISCLOSURE CHECKLIST

PART-I: SCHEDULE-I: BALANCE SHEET		YES/NO/NOT APPLICABLE	
1.	ASSETS		
1.1	Have assets been classified as SCH.I-1		
	a) fixed assets		
	b) long-term prepayments and deferral costs		
	c) investments		
	d) loans and advances		
	e) current assets		
2.	FIXED ASSETS (OTHER THAN INVESTMENTS)		
2.1	Are tangible assets properly distinguished from intangible assets?	Sch.I-2	
2.2	Does the classification of tangible assets disclose? The following sub-heads where applicable those being acquired on installment purchase plans or lease items:		
	a) land – freehold – leasehold		
	b) building - on freehold property building - on leasehold property		
	c) plant and machinery		
	d) furniture and fittings		
	e) vehicles		
	f) capital work-in-progress (significant items)		
	g) others (to be specified)	Sch.I-2Ai	
2.3	Does the classification of intangible assets include the following sub-heads?		
	a) goodwill		
	b) patents, copyright, trade marks and designs		
	c) others (to be specifies)	Sch.I-2Aii	
2.4	For each of the above, except capital work-in-progress, do disclosure include:	Sch.I-2B	
	a) original cost or the amount and valuation since the date of the previous balance sheet where the original cost cannot be ascertained without unreasonable expense or delay?		
	b) additions during the current period		
	c) deletions during the current period		
	d) aggregate amount of depreciation or amortization, up to the balance sheet date, shown as deduction from the carrying value of each sub-head of fixed assets	Sch.I-2B	---
	e) net book value		
	f) depreciation/amortization for the year	Sch.I-2B	
2.5	Where the fixed assets have been revalued, do disclosures, in the first balance sheet subsequent to revaluation, include the following in respect of each of the sub-heads:	Sch.I-2C	
	a) original costs		
	b) incremental value as a consequence of revaluation or amount of reduction in value		
	c) revalued or reduced carrying values of each class of fixed		

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	assets		
	d) date of revaluation		
	e) basis of revaluation		
	f) name and qualification of the valuer		
3.	LONG-TERM PREPAYMENTS AND DEFERED COSTS		
3.1	Are the following disclosed detailing every material item thereof separately	Sch.I-3	
	a) long-term deposits		
	b) long-term prepayments		
	c) deferred costs		
3.2	Are the following disclosed separately as part of deferred costs, to the extent not written-off:	Sch.I-7	
	a) preliminary expenses		
	b) discount on issue of shares		
	c) Expenses incurred on issue of shares		
	d) commission or brokerage on issue of shares		
	e) pre-operating expenses		
3.3	Is reason stated for carrying forward of deferred costs?	Sch.I-3	
3.4	Is disclosure made of the basis or period over which deferred costs & prepayments are to be amortized?	Sch.I-3	
4.	LONG-TERM INVESTMENT		
4.1	Does accounting policy describe mode/method of valuation of investment?	Sch.I-4H	
4.2	Are aggregate amount of investment in each of the following disclosed separately?	Sch.I-4A	
	a) subsidiary company (indicating whether quoted or unquoted)	Sch.I-4B	
	b) controlled firm	Sch.I-4B	
	c) Other associated undertakings (indicating whether quoted or unquoted)	Sch.I-4B	
	d) Listed companies (other than above)	Sch.I-4C	
	e) unlisted companies (other than above)	Sch.I-4D	
	f) immovable properties	Sch.I-4A	
	g) debenture and bonds issued by the government, municipal committee or local authority or public companies	Sch.I-4E	
	h) other investment (to be specified)	Sch.I-4H	
4.3	Do disclosures in respect of each of the above include the following:	Sch.I-4A-H	
	a) the nature of investment		
	b) amount invested		
	c) name of the investee		
	d) in case of shares:		
	- the class of share		
	- paid-up value and numbers		
	- terms of redemption in respect of preference shares		
	g) in case of debentures and bonds:		
	- rate of interest		
	- terms of redemption	Sch.I-4E	
5.	INVESTMENT LOANS AND ADVANCES		

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5.1	In respect of long-term loans and advances to:		
	- subsidiary companies		
	- controlled firms		
	- other associated or related undertakings, do disclosures include the following:	Sch.I-4B	
	a) aggregate amount due distinguishing between those considered:	Sch.I-4B	
	- good		
	- bad or doubtful		
	b) name of each borrower	Sch.I-4B	
	c) amount due from each borrower	Sch.I-4B	
	d) terms of loan	Sch.I-4B	
	e) particulars of collateral securities held	Sch.I-4B	
5.2	In respect of long-term loans and advances to:	Sch.I-4H	
	- directors		
	- chief executives		
	- managing agents		
	- executives		
	Do disclosures include the following:		
	a) separate aggregate amount due from each of the above, distinguishing between those considered		
	- good		
	- bad or doubtful	Sch.I-4H	
6.	CURRENT ASSETS		
6.1	Are separate disclosures made for the assets listed below?	Sch.I-5A	
6.2	Stores, Spare and Loose Tools		
6.2.1	Are stores, spare and loose tools classified as a separate class of current assets?	Sch.I-5Ai	
6.2.2	Where practicable, are the respective aggregate value disclosed separately in respect of:		
	- stores		
	- spares		
	- loose tools	Sch.I-5Ai	
6.2.3	Does the expression of accounting policy define:		
	- the basis of valuation		
	- a general indication of the method of determining cost	Sch.I-5Ai	
6.2.4	Is the basis of valuation consistent with the preceding year?		
6.2.5	If the answer is 'NO' to above, is the reason for the change together with the monetary impact thereof?	Sch.I-5Bi	
6.2.6	Is there departure from recognized accounting principles and if so, is disclosure made of the reasons therefore along with financial impact?	Sch.I-15	
6.2.7	Is the provision made for diminution in value shown as deduction against the gross amount?	Sch.I-15	
6.3	STOCK-IN-TRADE		
6.3.1	Where practicable, are the respective aggregate value disclosed separately in respect of :		
	- raw materials and components		
	- work in progress		

	- finished goods	Sch.I-5Aii	
	- other goods		
6.3.2	Does the expression of accounting policy define:		
	- the basis of valuation		
	- a general indication of method of determining cost	Sch.I-5B	
6.3.3	Is disclosure made where:		
	a) fixed production overhead is excluded as a cost component		
	b) FIFO or average cost method is not used		
	c) LOFO or base stock method is used		
6.3.4	Are stock valued at the lower of historical cost and net realizable value?		
6.3.5	Is the basis of valuation consistent with the preceding year?		
6.3.6	If the answer is 'NO' to above, is the reason given for the change together with the monetary impact thereof?		
6.3.7	Is provision made for diminution in value shown as deduction against the gross amount?	Sch.I-15	
6.4	TRADE DEBTS		
6.4.1	Are trade debts classified between those considered good and doubtful or bad?	Sch.I-5Aiii	
6.4.2	Are trade debts considered good distinguished between those secured and unsecured?	Sch.I-5Aiii	
6.4.3	Are the aggregate trade due from the following disclosed separately, together with the maximum aggregate amount outstanding during the last year:		
	- directors		
	- chief executives		
	- managing agents		
	- executives		
	- associated undertakings/companies		
	- controlled firms		
	- related parties		
	- subsidiary companies		
6.4.4	Is the provision made against trade debts shown as deduction against the gross amount?	Sch.I-15	
6.5	LOANS AND ADVANCES		
6.5.1	Are loans and advances due within 12 months distinguished between those considered good and doubtful or bad?	Sch.I-5Aiv	
6.5.2	Are the aggregate amount of loans and advances due from the following disclosed separately together with the maximum aggregate amount outstanding during the last year:		
	- directors		
	- chief executives		
	- managing agents		
	- executives		
	- associated undertakings/companies		
	- controlled firms		
6.5.3	Is the provisions made against loans and advances shown as		

	deduction against the gross amount?	Sch.I-5Aiv	
6.6	DEPOSITS AND PREPAYMENTS		
6.6.1	Are the following disclosed separately:		
	- trade deposits		
	- short-term prepayments		
	- current account balances with statutory authorities	Sch.I-5Av	
6.7	BILLS RECEIVABLES		
6.7.1	Is the aggregate amount of bills receivables shown?	Sch.I-5Avi	
6.8	MARKEABLE SECURIRIES		
	To the extent applicable, same information needs to be disclosed as in the case of long-term investment listed in this check-list		
6.9	ACCCRUED INTEREST , TAX REFUND:		
6.9.1	Are following disclosed separately?		
6.9.2	Accrued interest or interest outstanding	Sch.I-5Avii	
6.9.3	Other receivables, specifying separately the material items		
6.9.4	Tax refunds due from government showing separately:		
	- customs duties		
	- VAT		
	- income tax	Sch.I-5Aix	
6.10	CASH AND BANK BALANCES		
6.10.1	Are the following shown separately:		
	- cash in hand		
	- cash in transit and subsequent clearance		
	- bank balance, indicating the nature- current, term deposits, etc.		
7	CAPITAL		
7.1	Is the share capital divided into different classes of shares, namely equity, preference , etc.	Sch.I-8A	
7.2	For each separate class of share capital, are the following disclosed:		
	a) Authorized Capital - No. of shares	Sch.I-8Bi	
	- Nominal value		
	b) Issued Capital - No. of shares	Sch.I-8Bii	
	- Nominal value		
	c) Subscribed Capital - No. of shares		
	- Nominal value	Sch.I-8Biii	
	d) Called up Capital - No. of shares		
	- Amount called up	Sch.I-8Biv	
	e) Paid up Capital - No. of shares	Sch.I-8Bvi	
	- Amount paid up		
	Where circumstances permit, authorized, issued, subscribed, and paid up capital or any two or more of them may be shown as one item	Sch.I-8C	
7.3	Is the paid up capital distinguished between shares issued		
	a) for consideration in cash		
	b) for consideration other than cash		
	c) as fully or partly paid bonus shares	Sch.I-8Bvi	
7.4	Is the amount paid-up on forfeited shares shown as addition		

	to paid up capital?	Sch.I-8Bv	
7.5	Are the calls paid in advance shown separately as share money deposits and not as addition to paid-up capital?	Sch.I-8Ai	
7.6	Are the calls unpaid shown as a deduction from called-up share capital distinguishing between those unpaid by:	Sch.I-8Bv	
	- directors (including chief executive)		
	- managing agents		
	- executives		
	- others		
7.7	In case of redeemable preference shares, is disclosure made:		
	a) of the rate of dividend	Sch.I-8Bviii	
	b) the terms of redemption/conservation, if redeemable or convertible to shares, stating		
	- earlier date of redemption		
	- general description of voting right	Sch.I-8Bviii	
7.8	Is the holding of the parent company shown in the case of subsidiary company?	Sch.I-8Bix	
7.9	Is the movement of share capital during the year shown?		
7.10	Are particulars of any option on un-issued shares disclosed stating, amount of option		
	- number and class of shares		
	- option or issue price		
	- period during which option is exercisable	Sch.I-8Bvii	
	- employee option scheme		
8.	RESERVES	Sch.I-8Aii	
8.1	Are capital reserves and revenue reserves clearly distinguished?		
8.2	Is the movement during the year in each item of reserve shown, indicating restriction, if any, on distribution?	Sch.I-8Aii	
8.3	Is the categorization of reserves as 'revenue' and 'capital' appropriate in accordance with accepted principles of accounting?		
8.4	Is the adverse balance of profit and loss account shown as deduction from the aggregate of paid-up capital and reserve?	Sch.I-8Aii	
9	LONG-TERM LOANS	Sch.I-9	
9.1	Are long-term loans secured and unsecured clearly distinguished?	Sch.I-9A	
9.2	Are the aggregate amounts of the loans from the following sources separately disclosed?	Sch.I-9Bi-v	
	a) banking companies and financial institutions		
	b) subsidiary companies		
	c) controlled firms		
	d) managed modarabas or		
	e) other associated undertakings or related parties		
	f) directors including chief executive		
	g) managing agents		
	h) employees		
	i) Others.		

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9.3	Are the current portions of long-term debt obligations presented as current liabilities?	Sch.I-9a	
9.4	In respect of each loan which is secured otherwise than by operation of law, does disclosure of security include:		
	a) a general description of the assets upon which the loan is secured, and		
	b) the relative priority with respect to payment of interest and redemption, where more than		
9.5	Is disclosure made of the general nature of any credit facilities available and not availed of at the balance sheet date?	Sch.I-14ii	
10.	DEBENTURES AND LOANS		
10.1	In respect of each class of debentures and loans, is proper disclosure made of :		
	- the rate of interest or profit		
	- covenants, subordinations and conversion or redemption features	Sch.I-9d	
	- the earliest date of redemption or conversion		
	- the particulars of any debenture redeemed which the company has power to reissue	Sch.I-9c	
	- the sinking fund, if any, which may exits		
	- a general description of the assets upon which the debentures are secured		
10.2	Where any of the companies debentures are held by a nominee of, or a trustee for the company, has the amount thereof, (calculated on the same basis as the total amount standing in the balance sheet in respect of the debenture of that class, unless and until the debenture so held are reissued or cancelled) been shown as deduction from the total?	Sch.I-9I	
11.	DEFERRED LIABILITIES SCH. I-9GII		
11.1	Does the company account for:		
	a) deferred taxation	Sch.9Gi	
	b) deferred liabilities for retirement and other staff benefits.	Sch.9Giii	
	c) any other deferred liability		
11.2	Are the deferred liabilities listed above distinguished and disclosed separately?	Sch.9G	
12	LONG-TERM DEPOSITS		
12.1	Are the aggregate amount of deposits from the following separately classified together with terms, if any:		
	a) from customers		
	b) from employees		
	c) from others	Sch.9GII	
13	CURRENT LIABILITIES SCH.I-10(A)		
13.1	Are short-term loans secured and unsecured clearly distinguished?	Sch.I-10A	
13.2	Are the aggregate amount of short-term loans from the following sources separately disclosed:	Sch.I-10(B)I(A-E)	
	a) banking companies and financial institutions	Sch.I-10bia	
	b) subsidiary companies	Sch.I-10bib	

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	c) controlled firms	Sch.I-10bib	
	d) other associated undertakings or related parties	Sch.I-10bib	
	e) directors including chief executive	Sch.I-10bic	
	f) managing agents	Sch.I-10bic	
	g) Others	Sch.I-10Bie	
13.3	Are current portions of all long-term debt obligations presented as current liabilities?		
13.4	Is disclosure made of the general nature of any credit facilities available and not availed of at balance sheet date?	Sch.I-14(2)	
13.5	Have the following been disclosed separately:		
	a) creditors	Sch.I-10b3	
	b) accrued payables	Sch.I-10b4	
	c) bills payable	Sch.I-10b5	
	d) advance payments, unexpired discount and deferred income	Sch.I-10b6	
	e) interest accrued on secured loans	Sch.I-10b7	
	f) interest accrued on unsecured loans	Sch.I-10b8	
	g) deposits	Sch.I-10b2	
	h) unclaimed dividend	Sch.I-10b9	
	i) unpaid dividend	Sch.I-10b9	
	j) proposed dividends	Sch.I-10b11	
	k) other liabilities, to be specified for example (for other finance, expense, capital expense)	Sch.I-10b12	
13.6	Are the liabilities in respect of the following taxes and duties separately disclosed:	Sch.I-10b10	
	a) excise duties/VAT		
	b) custom duties		
	c) VAT		
	d) taxes on companies' income		
	e) others (to be specified)	Sch.I-10B12	
14	CONTINGENCIES AND COMMITMENTS		
14.1	Does disclosure made of guarantees given by the company on behalf of the following, included where practicable, a general description and amount of guarantees:	Sch.I12 (5)	
	a) chief executive		
	b) directors		
	c)managing agents		
	d) employees		
	e)subsidiaries		
	f) associated undertakings and related parties		
	g) any other person, to be specified separately, if material		
14.2	For loss or gain contingencies not accrued or paid, do disclosure indicate:		
	a) nature of contingency		
	b) the uncertain factors that may affect the future outcome		
	c) a estimate of possible loss/gain or range of loss/gain, or a statement that such a statement cannot be made	Sch.I-12 (5)	
14.3	In respect of partly paid shares held as investment, is the		

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	amount of uncalled liability thereon disclosed?	Sch.I-12 (2)	
14.4	Is disclosure made, where practicable, of the amount or estimated amount, if material of commitment for capital expenditure, to the extent not provided for?	Sch.I-12iv	
14.5	Are the following disclosed:	Sch.I-12 (1)	
	a) any other sum for which the company is contingently liable		
	b) the general nature of any other commitment, if material		
PART II: SCHEDULE II PROFIT AND LOSS ACCOUNT		YES/NO/NOT APPLICABLE	
1.	Does the profit and loss account of the company is to made out to disclose clearly:		
	a) result of operation separately if the company have more than one line or segment of business?		
	b) period covered by the accounts		
	c) accounts are arranged under most convenient heads		
	d) every material feature of gross income and gross expenditure		
	e) turnover/aggregate sales after deduction of VAT, commission, brokerage, discount on sales		
2	Is disclosure made of the following items of income:		
	a) income from investment showing separately such income from each associated undertakings or related parties	Sch.II Aii	
	b) interest on - loans and advances	Sch.II-IAiii	
	- others		
	c) income from XPB	Sch.II Aiv	
	d) profit on sale of investment	Sch.II Av	
	e) profit on sale of fixed assets, when the sale is otherwise through a regular auction:	Sch.II Avii	
	- to chief executive or a director or managing agent or an executive or a shareholder carrying not less than twenty percent of the voting shares of the company or any associated undertaking, irrespective of the value of the assets;	Sch.II 4ii	
	Does disclosure include the following:	Sch.II 4ii	
	a) particulars of the assets sold		
	b) aggregate cost or valuation		
	c) aggregate book value		
	d) aggregate sales price		
	e) mode of disposal		
	f) particular of the purchase	Sch.II I Avi & 4ii	
	g) income arising from unusual items specifying the nature thereof	Sch.II 1A	
3	Does the profit and loss account disclosure cost of sales by stating:		
	a) opening stock		
	b) closing stock		
	c) purchase of materials components, work-in-progress and		

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	finished products	Sch.II 1B	
4	Check up to ensure that profit/loss arising form 'hedge', forward contracts, 'future' and 'badla' are not included in purchases or cost of sales but disclosed separately.	Sch.II-2	
5	Are the following items of expenses disclosed separately:		
	a) stores and spare parts consumed	Sch.II 1ci	
	b) fuel and power	Sch.II 1cii	
	c) salaries and wages including staff welfare expense	Sch.II 1ciii	
	d) rent, rates and taxes	Sch.II 1civ	
	e) insurance	Sch.II 1cv	
	f) repairs and maintenance	Sch.II 1cvi	
	g) patents, copyright, trademarks, designs, royalties and technical fees	Sch.II 1cvii	
	h) nature and amount of any other material item of expense	Sch.II 1E	
6.	Does disclosure of auditors' remuneration indicate separately	Sch.II 1D	
	- audit fees		
	- nature and remuneration for any other services		
7.	Does disclosure of interest on borrowing and loans show separately interest on:		
	a) company's debenture		
	b) long-term loans		
	c) short-term loans		
	d) borrowings from associated undertakings		
	e) borrowings from directors (including chief executive)		
	f) managing agent	Sch.II 1Gi	
	Is disclosure made of borrowing costs capitalized, if any		
8.	Are the following disclosed separately:		
	a) loss on sale of investment	Sch.II 1Gii	
	b) loss on sale of fixed assets, disclosing same information as above	Sch.II 1Giii	
	c) book debt written off showing separately those due by:	Sch.II 1Giii&iv	
	- directors		
	- chief executive		
	- managing agent		
	- executives		
	- associated undertakings	Sch.II 1Giv&3	
	d) other debts written off showing separately those due by:	Sch.II 1Giii&iv	
	- directors		
	- chief executive		
	- managing agent		
	- executives		
	- associated undertakings	Sch.II 1Giv&3	
	e) provisions for bad and doubtful debts distinguishing between trade and other debts and also showing separately in respect of:		
	- directors		
	- chief executive		
	- managing agent		

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	- executives		
	- associated undertakings	Sch.III 1Gv&3	
	f) provision for diminution in value of investment	Sch.III 1Gvi	
	g) loss or expenses and provisions thereof in respect of unusual items		
	h) loss or expenses and provisions thereof in respect of prior period items		
	i) extent of loss actually incurred or provision for losses of:		
	- subsidiaries		
	- controlled firms		
	- associated undertakings	Sch.II 1Gvii	
	j) any other provision, showing separately every material item		
9.	Is the tax charge shown separately for:		
	- taxation of income		
	- capital gain tax		
	- deferred tax		
	- any other tax	Sch.II 1Gix	
10.	Are the following shown separately:		
	a) amount appropriated or proposed to be appropriated to each class of reserve	Sch.II 1Hi	
	b) proposed dividend	Sch.II 1Hii	
11.	Is separate disclosure made of aggregate amount of remuneration charged in respect of following:		
	- directors	Sch.II 4i	
	- chief executive	Sch.II 4i	
	- managing agent	Sch.II ig8	
	- executives	Sch.II ig8	
12.	Are the number of directors and executives disclosed in respect of remuneration?	Sch.III 4i	
13.	With reference to above, does the disclosure of components of remuneration include?	Sch. 4ia.k	
	a) fees		
	b) managerial remuneration	4ib	
	c) remuneration or commission based on net profit or turnover or otherwise	4ic	
	d) reimbursable expenses which are in the nature of perquisite or benefits	1id	
	e) perquisites or benefits in cash or kind indicating the nature and where practicable, their approximate money values	4h&i	
	f) pension, gratuity, company's contribution to provident, superannuation and other staff fund	4c	
	g) commission indicating the nature and basis for buying, selling, managing agents, percentage of net profit	Sch.II4f,g,j,l	
14.	Is disclosure made of the monetary impact, if material, of change in accounting policy, on any component of remuneration listed above?	SchII 4im	
15.	Are the aggregate amount of following transactions or		

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	arrangements with associated undertakings or related parties disclosed:	Sch. 4k	
	a) purchase of goods and services indicating pricing policies		
	b) sales of goods and services indicating pricing policies		
PART-III: OTHER DISCLOSURES		YES/NO/NOT APPLICABLE	
1.1	Are the following particulars disclosed with regard to the industrial unit:		
	a) capacity of the industrial unit		
	b) actual production		
	c) reasons for variation	Sch.12vi	
	If any of the above disclosures are not made, is explanation given for the same?		
1.2	Is there a statement given giving a basis on which foreign currencies have been translated into local currency? Monetary or otherwise	Sch.14i	
1.3	Are the corresponding figures for the immediately preceding financial year disclosed?	Sch. 16 & 7A	
1.4	Where any material item shown in the financial statements or included in amounts shown therein cannot be determined with substantial accuracy, an estimated amount described as such shall be included in respect of that item together with the description of the item.	Sch.17	
1.5	No provision with respect to the information to be given in the financial statements shall be deemed to require the amount of any item that is of no material significance to be given separately	Sch.18	
1.6	Any information required to be given in respect of any of the items in the financial statements shall, if cannot be included in such statements, be furnished in a separate note, schedule of the statements to be attached to, and which shall be seemed to form an integral part of the financial statement.	Sch.19 & 8of II	
1.7	The figures in the financial statements may be rounded off to the nearest taka-thousand or lac or million.		
2.	CASH FLOW STATEMENT	IAS 7, SEC Rule Part III	
2.1	Has the cash flow statement been included and identified as an integral part of the financial statements?	IAS 7	
2.2	Is separate disclosure made of:		
	a) Cash Flows form operating activities		
	b) Cash Flows from investing activities	IAS 7	
	c) Cash Flows form financing activities		
2.3	Does the form of presentation of the Statement appear to be suitable and most informative in the circumstances of the company and in the line with part-III of SEC Rule 1987 or IAS/BAS?	IAS 7	
2.4	Is the disclosure made of significant amount of cash and cash equivalent at the balance sheet date together with a reconciliation of opening and closing balances in the financial statements?		

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PART-IV: ADDITIONAL DISCLOSURES AND COMPLIANCE CHECKLIST ACCORING TO IAS (BAS)			
GENERAL		YES/NO/NOT APPLICABLE	
1.	INFORMATION ABOUT THE COMPANY		
1.1	Does the financial statements disclose (Para 102)		
	a) Name of the company	IAS 1	
	b) Legal status of the company, if not apparent, otherwise	IAS 1	
	c) Country of incorporation	IAS 1	
	d) Nature of activities of business of the company and each reported industry segment, if not apparent otherwise	IAS 1	
1.2	Are the financial statements suitably titled?		
1.3	Does the financial statement indicate period covered and is it properly dated?	IAS 1	
1.4	Does each statement include a general reference to the notes or schedules that are in integral part of the financial statements presentation?		
1.5	Is the currency in which financial statements are expressed stated?	IAS 1	
2.	FUNDAMENTAL ACCOUNTING ASSUMPTIONS		
2.1	Have the fundamental accounting assumptions been followed in the preparation of financial statements?		
	- Going concern (Para 23)		
	- Accrual concept (Para 25)	IAS 1	
2.2	If the response to above is 'No' has the disclosure been made to that effect together with reasons thereof.	IAS 1	
3.	SIGNIFICANT ACCOUNTING POLICIES		
3.1	Is a description of all significant accounting policies of the reporting company presented in one place? (Para 21)	IAS 1	
3.2	Are accounting policies adopted for the year consistent with the preceding year?	IAS 1	
3.3	In case the response to above is 'No' does the disclosure in the financial statements include: (Para) 23		
	a) description of the nature of change		
	b) reasons for the change including an explanatory why newly adopted policy is preferable		
	c) monetary effect of the change	IAS 1	
3.4	Are accounting policies or treatments selected relating to the following areas, where judged material are critical in determining results for the period and in stating financial position, disclosed:		
	a) overall valuation policy – historical cost, replacement value, etc.	IAS 15	
	b) accounting for taxation including deferrals	IAS 12	
	c) accounting for retirement benefit	IAS 1, 19	
	d) depreciation method (superseded by IAS 16, 22 and IAS 38)	IAS 4	
	e) repairs and renewals	IAS 16, 36	
	f) goodwill	IAS 22	
	g) investment (superseded by IAS 39, IAS 40)	IAS 25	
	h) amortization of intangible assets	IAS 38	
	i) amortization of deferred costs (superseded by IAS 38)	IAS 9	

	j) valuation of stores, spares and tools	IAS 2	
	k) valuation of inventories	IAS 2	
	l) long-term contacts for construction	IAS 11	
	m) receivables	IAS 38	
	n) conversion or translation of assets and liabilities in foreign currencies including the disposition, gains and losses	IAS 21	
	o) exchange gains or losses from foreign currency loan taken for acquiring depreciable assets	IAS 21	
	p) revenue recognition	IAS 18	
	q) research and development costs (superseded by IAS 38)	IAS 9	
	r) accounting for borrowing costs	IAS 23	
	s) warranties for products or services	IAS 37	
	t) hire purchase, installment sales and leasing	IAS 17	
	u) Property development transactions	IAS 16	
	v) government grants or assistance	IAS 20	
3.5	Analyze significant accounting policies to see if there is any departure from generally accepted accounting principles particularly in terms of concepts, method of application or phraseology used to described the policy		
3.6	Are the corresponding figures for the immediately preceding financial years disclosed?		
4.	BALANCE SHEET		
4.1	Is the movement in share capital during the year is shown? (Para- 74)	IAS 1	
4.2	Where current portion of a long-term liability is excluded from current liabilities if the enterprise intends to refinance the obligation on a long-term basis, is disclosure made of :		
	a) the amount of the liability		
	b) the terms of refinancing	IAS 1	
4.3	In respect of each loan, is proper disclosure made of:		
	- the rate of interest		
	- installment or period or terms of repayment		
	- subordination		
	- conversion features		
	- unamortized premium or discount	IAS 1	
4.4	Is disclosure made of any other covenant, material terms and conditions governing each loan?	IAS 1	
4.5	If recognition of exchange differences on long-term borrowings (arising on repayment and/or translation of year-end balances) is deferred, is disclosure made the cumulative deferred amount still to be credited or charged to income?	IAS 21	
4.6	Are the deferred liabilities distinguished and disclosed separately?	IAS 1, 12, 19	
4.7	Is proper disclosure made of provisions for accruals or contingencies?	IAS 10	
4.8	Is the total of current liabilities disclosed?	IAS 1	
4.9	Are assets and liabilities adjusted:		
	a) for events occurring after the balance sheet date which provide additional evidence related to conditions existing at		

	the balance sheet date		
	b) where the going concern assumption in relation to whole or a part of the enterprise is not appropriate	IAS 10	
4.10	Does the expression of accounting policy and other disclosures relating to fixed assets include: (Para)		
	a) depreciation method used	IAS 16	
	b) depreciation rates or the estimated useful lives for each class of fixed assets	IAS 16	
	c) method of determining the carrying value	IAS 16	
	d) treatment of major repairs and renewals		
	e) gains or losses on disposal of fixed assets		
4.11	Is the depreciation method consistent with the preceding year?		
4.12	Are the rates of depreciation or estimated useful lives of fixed assets consistent with the preceding year?		
4.13	If response to above is 'No' has the following been disclosed:		
	a) reasons for the change		
	b) monetary impact of the change	IAS 1	
4.14	Are the tax effects of revaluation disclosed?	IAS 12	
4.15	Are exchange variances included in the carrying values of fixed assets?		
4.16	If answer to the above is 'yes' has the amount relating to the current year added to or deducted from the carrying values of various sub-heads of fixed assets been disclosed?	IAS 21	
4.17	If recognition of exchange differences on long-term 'monetary assets' (both arising on realization or translation of year-end balances) is deferred, is disclosure made of the cumulative deferred amount still to be credited or charged to income?		
4.18	If trade debts are included in their entirely in current assets, is disclosure made of the amount not expected to be realized within one year?	IAS 1	
4.19	Is disclosure made of balances in accounts frozen by exchange restriction, if any	IAS 1	
4.20	Does disclosure of charge on the assets of the company included particulars of the charge and the amount secured?	IAS 1	
4.21	Is disclosure made of any property or assets acquired through the funds of the company not held in the name of the company or not in possession or control of the company disclosing:		
	a) description of the property		
	b) value of the property		
	c) name of the person possessing, controlling or holding the property	IAS 1	
4.22	With regard to segmental reporting, where applicable, is disclosure made of the identifiable net assets employed of each segment, expressed either in money amounts or as percentage of the consolidated total?	IAS 14	
4.23	Is the total amount of current assets disclosed?	IAS 1	

5.	TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	IAS 21	
	For the purpose of incorporation of financial statements of foreign operation in the financial statements of the reporting company, is disclosure made of :		
	a) the methods used		
	b) the net exchange difference taken to income or reserves		
	c) the procedure selected for translating income statements of foreign entities		
6.	PROFIT AND LOSS ACCOUNT		
6.1	Is separate disclosure made of manufacturing, trading and operating results in respect of each line or segment of business showing:		
	a) sales or other operating revenues distinguishing between those derived by customers outside and internal generation from segments	IAS 14	
	b) the basis of inter segment pricing		
6.2	Is disclosure made of		
	a) any changes in identification of segments		
	b) changes, if any, in accounting practices used, having a material effect in reporting segment information	IAS 14	
6.3	If answer to above is 'yes', does the disclosure include:		
	a) description of nature of change		
	b) explanation of the reasons for the change		
	c) the effect of the change, if the same is reasonably determinable	IAS 14	
6.4	Does the disclosure include the following:		
	a) income arising from unusual items specifying the nature thereof	IAS 8	
	b) government grants, assistance and government and or benefit derived stating its nature	IAS 20	
6.5	Are the following items of expenses disclosed separately:		
	a) research and development costs including amount amortized against deferred development costs	IAS 38	
6.6	Does disclosure of interest on borrowing and loans show separately interest on:		
	a) borrowing from associated undertaking	IAS 23, 28	
	b) borrowings from directors (including chief executive)		
	c) managing agent		
6.7	Is disclosure made of borrowing costs capitalized, if any	IAS 23	
6.8	Are the components of tax charge shown separately for:		
	a) unusual items and prior period items	IAS 12	
	b) is the tax charge shown separately for:		
	- taxation on income	IAS 1, 12	
	- capital tax gain		
	- any other taxes		
	c) is an explanation given of the relationship between tax expense and accounting income, if not apparent by the application of effective tax rates?	IAS 12	

	d) is disclosure made of:		
	- tax savings resulting from losses, if any, realized carried forward, for set off against current income		
	- potential tax savings related to a tax loss realized and available to be carried forward for set off against taxable income in future periods		
	- accumulated tax losses which would be available for set off in future for which related tax effect ha snot been taken in the current financial statements	IAS 12	
6.9	If there is no transactions with the associated undertakings or 'related parties', is disclosure made of the relationship where control exists?	IAS 24	
6.10	Does the financial statement disclose the circumstances in which the company may have postponed recognition of revenue pending the resolution of significant uncertainties?	IAS 18	

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APPENDIX - 6.6

REPORT ON THE OBSERVANCE OF STANDARDS AND CODES (ROSC) BANGLADESH: ACCOUNTING AND AUDITING

May 16, 2003

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I. Introduction
II. Institutional Framework
III. Accounting Standards as Designed and as Practiced
IV. Auditing Standards as Designed and as Practiced
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Executive Summary

The Bangladesh Securities and Exchange Commission and the Institute of Chartered Accountants of Bangladesh have demonstrated a keen interest in implementing International Accounting Standards (IAS) and International Standards on Auditing (ISA) to upgrade the quality of corporate financial reporting. Various steps have already been taken, however, further results will require the design and implementation of a comprehensive action plan on accountancy reform. This report includes policy recommendations, which may be used as inputs for such an action plan. This report provides an assessment of accounting and auditing practices within the broader context of the Bangladesh institutional framework and capacity needed to ensure the quality of corporate financial reporting. The accounting and auditing practices in Bangladesh suffer from institutional weaknesses in regulation, compliance, and enforcement of standards and rules. The preparation of financial statements and conduct of audits, in many cases, are not consistent with internationally acceptable standards and practices. Better-qualified graduates generally do not join the accounting profession because it is not viewed as a stepping-stone to a rewarding and prestigious career. The out-of-date legal requirements, widespread noncompliance with accounting and auditing standards, ineffective enforcement mechanism, poor quality accounting education and training, and inadequate adherence to professional ethics have contributed to the weakness of the financial reporting regime.

The policy recommendations 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. The Financial Reporting Council will be responsible for adoption, monitoring, and enforcement of IAS and ISA with respect to financial reporting by the public-interest entities. In addition, arrangements will need to be made to develop a simplified financial reporting framework for small- and medium-size enterprises.

[This report was prepared by a team from the World Bank, based on findings from a diagnostic review carried out in Bangladesh in January–March 2003. The team comprised M. Zubaidur Rahman (OPCFM) and Suraiya Zannath (SARFM). The review was conducted through a participatory process involving various stakeholders and led by the country authorities.]

I. INTRODUCTION

1. This report provides a systematic assessment of strengths and weaknesses of accounting and auditing practices in Bangladesh. The assessment was carried out as a part of the World Bank and the International Monetary Fund (IMF) joint initiative on Reports on the Observance of Standards

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and Codes (ROSC). This initiative appraised actual practices and analyzed the efficacy of the monitoring and enforcement mechanism for formal standards, rules, and regulations for accounting, auditing, and corporate financial reporting. National specialists used a diagnostic template developed by the World Bank to collect data for the assessment. This data was complemented by the findings of a due diligence exercise conducted by Bank staff, based on a series of meetings with key stakeholders.

2. Despite sustained domestic and international efforts to improve economic and demographic prospects, Bangladesh remains poor. The country has a population of about 133 million within a geographic boundary of 143,998 square kilometers (56,160 square miles).

Although more than half of the gross domestic product (GDP) is generated through the service sector, nearly two-thirds of the population are employed in agriculture. Major impediments to growth include frequent natural disasters, inefficient state-owned enterprises, inadequate infrastructure, weak private and foreign investments, and slow implementation of economic reforms. Weak national financial architecture, inadequate transparency and accountability, and a dearth of appropriate policy interventions are among the impediments cited for the country's slow economic development.

II. INSTITUTIONAL FRAMEWORK

A. Statutory Framework

3. **The Companies Act 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh.** The Companies Act 1994, which replaced the Companies Act 1913, provides the requirements for preparation and publication of financial statements, disclosures, and auditing, among other provisions. However, in most cases, the Act lacks clarity with regard to statutory requirements on disclosures in the financial statements of the incorporated companies. The formats for presentation of financial statements and requirements on disclosures prescribed in the Act need updating or removing. Moreover, some accounting requirements prescribed by the Act are incompatible with International Accounting Standards (IAS)[8*]. For example, contrary to IAS, the Companies Act requires capitalization of gains and losses arising from changes in foreign exchange rates under all circumstances. Inconsistencies between IAS and the Companies Act need to be eliminated. The committee, which has been formed by the Government for updating the Companies Act, should take it into consideration.

4. **The Securities and Exchange Commission (SEC) regulates financial reporting practices of listed companies.** Listed companies are required to comply with SEC accounting and disclosure requirements, despite inconsistencies with the requirements of the Companies Act 1994. The SEC, in protecting investor interests, issues various rules that apply to listed companies, including accounting and auditing requirements that, according to SEC Ordinance 1969 (Provision 2CC), supersede requirements set by the Companies Act. The October 1997 SEC rule required listed companies to follow IAS and International Standards on Auditing (ISA) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB)[2] Since the October 1997 SEC rule did not mandate full compliance with all IAS and ISA, the SEC revised the requirements on accounting and auditing by listed companies. In February 2000, the SEC issued a new rule on the format of audit reports specifying that auditors will verify that the financial statements have been prepared in accordance with IAS and the audit has been carried out in accordance with ISA. The SEC claims that its February 2000 rule on audit reports has mandated full compliance with IAS, although this

[8] Within this report, IAS refers to all standards and related interpretations issued by the former International Accounting Standards Committee (IASC), and the International Financial Reporting Standards (IFRS) and related interpretations issued by IASC's successor body, International Accounting Standards Board (IASB).

[2] The ICAB prepared Bangladesh Accounting Standards (BAS) and Bangladesh Standards on Auditing (BSA) on the basis of IAS and ISA, respectively.

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requirement does not appear to have the force of law. To ensure compliance and clarify its position, the SEC should issue a rule for mandatory observance of IAS in preparing statutory financial statements.

5. **The Bank Companies Act 1991 authorizes the Bangladesh Bank to regulate financial reporting by banks** *(Bangladesh Bank is the central bank of Bangladesh).* The accounting and auditing requirements set by the Bank Companies Act 1991 are in addition to the requirements set by Companies Act 1994. The Bank 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 statements for external users. The Bank Companies Act empowered the Bangladesh Bank to approve appointment of bank auditors. In practice, the Bangladesh Bank maintains a list of approved auditors. The list contains both large and small audit firms.

6. **The Chief Controller of Insurance under the Insurance Act 1938 regulates the financial reporting practices of insurance companies.** Financial statements must comply with formats provided in the Insurance Act, but the accounting and disclosure rules prescribed by the Act are, in most cases, not consistent with IAS accounting principles. The Insurance Act specifies that insurance companies' annual audited financial statements should be submitted to the Chief Controller of Insurance within six months from the balance sheet date.

7. **Tax laws influence presentation and disclosure in general-purpose financial statements.** Taxation authorities do not accept some IAS-compatible accounting treatments for determining taxable profit, for example, recognizing finance leases, prior period adjustments, and expensing of pre-operation costs. Although there is no legal requirement on observance of tax accounting rules in external financial reporting, those who prepare and audit financial statements generally ensure that the accounting treatments that are acceptable to the taxation authorities are used not only for tax reporting purposes but also for preparing the general purpose financial statements.

8. **All companies registered under the Companies Act 1994 or its predecessor Companies Act 1913, must prepare and present annual audited financial statements.** The directors of limited companies—both private and public—are responsible for filing annual audited financial statements with the Registrar of Joint Stock Companies within 30 days of the annual general meeting. An annual general meeting should be held within 15 months of the previous annual general meeting. However, it is possible to get permission from the Registrar for a three-month extension. Listed companies' financial statements are required to be audited within 120 days of the end of accounting period. The Companies Act 1994 allows both sole practitioners and partnership firms to act as auditors. However, according to SEC rules, only partnership firms with seven-years experience in professional practice are allowed to audit listed companies. The SEC requires auditor rotation once every three years, except where the company declares dividends at a rate prescribed by the SEC, in which case the same auditor can continue in office. The practice of linking auditor rotation with the company's dividend declaration is highly unusual, and it is not clear what purpose it serves.

9. **Companies Act provisions are not fully in line with IAS requirements on preparing consolidated financial statements.** The Companies Act 1994 governs group accounting in Bangladesh, defining holding and subsidiary company relationships and providing requirements on financial reporting of holding companies by broadly prescribing certain disclosures regarding group activities and profit and loss status of subsidiaries. The Companies Act requires that a set of financial statements for each subsidiary, together with some additional statements be annexed to the holding company's balance sheet. This practice, which pre-dates the Companies Act 1994, is inconsistent with generally accepted accounting principles regarding preparation of consolidated financial statements and with IAS.

10. **The Companies Act supports long-term employment of an auditor.** The company auditor, according to the Companies Act 1994, is appointed through a resolution passed at the annual general meeting of the shareholders. Another provision in the Act appears to guarantee lifetime

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appointments for auditors, unless they are proven dishonest or unqualified, or if they resign. This provision is not in the interest of shareholders who should be able to change auditors freely.

B. The Profession

11. **The accountancy profession is regulated by the Institute of Chartered Accountants of Bangladesh (ICAB).** The ICAB was established in 1973 by a Presidential Order, which links ICAB with the Ministry of Commerce from which ICAB receives annual grants. This professional body was modeled on the Institute of Chartered Accountants of England and Wales and acts as both an examining body for awarding chartered accountant certification and the licensing authority for members engaged in public auditing practice. The ICAB began with 78 members who had professional qualifications from the United Kingdom and Pakistan. In February 2003, membership reached 700, out of which 260 are in public practice in Bangladesh, with most of the remaining members working in industry and government. Some members work and live abroad. An elected Council, whose members hold a three-year term, is in charge of overall management of the Institute. The ICAB president, who is also the chief executive officer, is elected to a one-year term by the Council. The Council is assisted by various committees of volunteer members. The ICAB is a member of the International Federation of Accountants (IFAC), South Asian Federation of Accountants (SAFA), and Confederation of Asian and Pacific Accountants (CAPA).

12. **The ICAB capacity needs to be strengthened.** ICAB does not have the capacity to adequately function as an effective professional accountancy body. It has not yet implemented adequate quality assurance arrangements with respect to performance of its members. The ICAB does not provide sufficient guidance to its members on how to improve the quality of audits. Its Investigation and Disciplinary Committee is not proactive with respect to disciplining errant public practitioners. Moreover, ICAB has no effective measures to ensure that its members maintain current professional standards through continuous professional development.

13. **Despite the presence of accounting firms associated with Big Four international networks, some local audit firms have significant market share.** There are 185 audit service providers—firms and sole practitioners—including the local associates of international network accounting firms. The Big Four internationally associated firms audit almost all the local subsidiaries/affiliates of foreign companies, most of the banks and other financial institutions, and large nongovernmental organizations. The clients of local firms and sole practitioners include a significant number of listed companies, many public sector enterprises, as well as small- and medium-size business entities.

14. **The professional accountants' code of ethics needs updating.** The ICAB has a code of professional conduct for both of its practicing and non-practicing members. This code focuses on the characteristics of objectivity, neutrality, knowledge, and skills. The code as adopted by the ICAB needs updating in line with the IFAC Code of Ethics for Professional Accountants issued in November 2001.

15. **The Institute of Cost and Management Accountants of Bangladesh (ICMAB) is actively involved in training and related activities.** The ICMAB was established under the Cost and Management Accountants Ordinance (1977) and is attached to the Ministry of Commerce. The main focus of ICMAB activities is to educate and train qualified and student members to develop their knowledge, skills, and competence in cost and management accounting. The total number of members of the ICMAB was 700 in mid-June 2003. The ICMAB training curriculum includes topics relating to IAS, but capacity is constrained by the shortage of well-trained instructors and resources, leaving ICMAB unable to deliver high quality training programs on the practical application of international standards.

C. Professional Education and Training.

16. **Generally, the best students are not attracted to the accountancy profession.** A bachelor's degree in any discipline is the prerequisite for entering a professional accountancy training program prior to taking the qualification examinations. The curriculum at higher education institutions does not include all necessary building blocks for students entering the accountancy profession. Also, there is a lack of adequate number of teachers to teach practical application of IAS and ISA. The

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better-educated students are not attracted to the profession, which suffers from a poor image, largely because of the inadequate quality of professional training. Also, without sufficient command of the English language, students are handicapped since the training materials are in English. The ICAB needs to develop a strategy for attracting high-quality students to the profession.

17. **Professional education and training are not adequate for future accountants' skills development.** The quality of higher education suffers from the lack of modern curriculum and skilled instruction. Accounting courses in the bachelor's degree program do not include practical application of national and/or international accounting and auditing standards. Many accounting teachers lack the experience and adequate knowledge to teach either the theoretical or practical aspects of IAS and ISA. Undergraduate-level teaching in accounting and auditing mainly focuses on elementary topics and application of some basic standards. The outdated curriculum and lack of appropriate literature leaves students without an applicable background for modern accounting and auditing. The academic programs do not challenge students to improve critical thinking.

18. **The training programs offered by the ICAB during students' pre-qualification period appear to be inadequate**. The ICAB lacks capacity for providing training in line with the IFAC-proposed International Education Standards for Professional Accountants. Students are not receiving adequate development in technical and functional skills, organizational and business management skills, interpersonal and communication skills, and skills in forming professional judgments. In addition to lacking detailed knowledge in the practical aspects of IAS and ISA, many instructors in ICAB-administered pre-qualification classes lack adequate knowledge of the IFAC Code of Ethics for Professional Accountants. In fact, professional ethics for accountants is not taught in pre-qualification educational programs, as required by the proposed International Education Standards. The ICAB-developed training manuals for the qualifying examinations do not include recent developments in the many areas of accounting and auditing. Out-of-date materials are not useful to students.

19.**There is a large supply of unqualified accountants.** A very low passing rate in the professional qualification examinations conducted by the ICAB has created a type of accountant that is known as "CA Course Complete" (CC accountant). Because of the limited supply of well-skilled, qualified accountants (chartered accountant), corporations often hire the lesser qualified CC accountants for their accounting departments. There are estimated to be more than 9,000 CC accountants and about 700 qualified chartered accountants in Bangladesh. Between 1972 and end-June 2003, 11,026 students enrolled with the ICAB as trainee accountants (articleship). In December 2002, 4 out of 56 trainee accountants passed the final examination and qualified as chartered accountants. The trainee students often complain of inconsistencies between the contents of the pre-examination training programs offered by the ICAB and the examination questions. The Examination Committee of the Council of ICAB carries out all activities connected with the qualification examinations.

20.**Continuing professional education and development need to be strengthened, monitored, and enforced**. The ICAB annual requirement for continuing professional education is 12 hours for practicing members and 10 hours for non-practicing members, but there is no effective monitoring or enforcement mechanism. Weak arrangements for continuing professional education and development mean that many qualified accountants lack up-to-date knowledge on international developments for financial reporting, auditing, and other related subjects. According to international best practice, every practicing auditor should keep pace with new developments in auditing and accounting; this requires at least 30 hours of continuing professional education per year.

D. Setting Accounting and Auditing Standards

21. **The ICAB issues Bangladesh Accounting Standards (BAS).** As the professional body of accountants, ICAB regulates its members; however, it has no legal mandate for setting accounting standards. Despite that, ICAB develops and issues BAS, which are not legally binding by corporate

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management. The ICAB expects its members, who prepare and audit financial statements, to observe the local standards. The ICAB has a standard-setting committee that selects particular IAS as the basis for drafting BAS. The BAS is prepared by adapting IAS to reflect specific local requirements under Bangladesh laws and regulations. The draft BAS is submitted to the Council of the ICAB for discussion, finalization, and adoption.

22. **The ICAB issues Bangladesh Standards on Auditing (BSA) to be observed by its members.** An ICAB committee sets and issues local auditing standards following the same process as for setting accounting standards. Although BSAs are based on ISAs, no attempt is made to update the local standards when the international standards are revised. Thus, many new ISAs are not yet reflected in BSAs. No implementation guidelines on BSA or ISA exist from ICAB or any other authority, so the approach of interpretation and implementation may differ from auditor to auditor.

E. Ensuring Compliance with Accounting and Auditing Standards

23. **No effective mechanism exists to enforce requirements for accounting and financial reporting provided in the Companies Act 1994.** The Office of the Registrar of Joint Stock Companies (RJSC) has legal authority to enforce the provisions of Companies Act 1994. The RJSC has no technical capacity to identify accounting and auditing violations; in most cases it does not even enforce timely filing of annual audited financial statements. The RJSC records lack up-to-date information to verify the number of companies that have not submitted the required annual audited financial statements and returns.

24. **The SEC is the only regulatory body working to improve the quality of financial reporting.** The SEC lacks sufficiently trained staff to conduct detailed analyses to monitor compliance with accounting and financial reporting requirements. In a preliminary quick review of financial statements up to end-February 2003, SEC staff identified 16 listed companies that appeared to have disclosure deficiencies and/or indications of accounting manipulations. However, all these financial statements received unqualified audit opinion. Using its regulatory powers, the SEC made arrangements for second audits of these companies, selecting specific partners in five audit firms to do so, using SEC-specified terms of reference. Three of the company management groups challenged the SEC decision to conduct a second audit, and then obtained court orders prohibiting auditors from entering their premises. The inability to conduct these special audits has undermined SEC's regulatory authority to protect public interest. In the case of the other 13 SEC second audits, various infractions were discovered in the annual financial statements.

25. **The banking regulator has no mechanism to monitor and enforce accounting and financial reporting requirements.** The Bangladesh Bank, as the regulator of banking and non-banking financial institutions, conducts routine supervision exercises to monitor and enforce prudential regulations. Bangladesh Bank inspectors examine whether financial statements have been prepared in accordance with established regulations. In this inspection process, no attempt is made to assess the degree of compliance with requirements on preparing general-purpose financial statements[3]. Also, no attempt is made to determine the reliability of the auditor's opinion on a set of financial statements.

26. **Financial statements prepared by insurance companies are not subjected to monitoring and enforcement actions.** The Insurance Act 1938 vested adequate power in the Chief Controller of Insurance to regulate the financial reporting of insurance companies. In practice, these powers are rarely exercised to ensure compliance with financial reporting requirements. Every year the Chief Controller appoints external auditors to conduct special audits in order to prepare reports on compliance with various prudential requirements. To conduct these special audits, the Chief

[3] General-purpose financial statements are primarily addressed to external users. They may or may not be same as the regulatory reports submitted by banks for meeting the requirements of regulators. There is limited capacity in Bangladesh Bank with respect to the concepts of general-purpose financial statements and IAS.

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Controller normally appoints small audit firms and sole practitioners, who in many cases lack knowledge of the insurance industry.

27. **No effective and efficient institutional arrangement exists to ensure compliance with auditing standards and code of ethics.** The ICAB has not established an effective and efficient mechanism to ensure member compliance with established auditing standards and the professional code of ethics. The ICAB has not made an effective effort to review the practices of the auditors and audit firms to evaluate the degree of compliance with the auditing requirements.

III. ACCOUNTING STANDARDS AS DESIGNED AND AS PRACTICED

28. **Gaps exist between Bangladesh Accounting Standards and International Accounting Standards.** The ICAB has developed 16 BAS on the basis of IAS. However, as revised IASs are issued, the BASs are not updated. Moreover, 18 IASs have no counterparts in BAS. For non-listed companies, financial reporting formats and disclosure requirements set by the Companies Act 1994 are mandatory; these requirements are not consistent with IAS. For listed companies, the SEC requires full compliance with IAS.

29. **Accounting and reporting requirements for banks and insurance companies are not consistent with IAS.** Recognizing the shortcomings of financial reporting requirements under the Bank Companies Act, the Bangladesh Bank has recently issued a rule requiring compliance with prescribed reporting formats and some bank-specific disclosure requirements. Although this rule is based on IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, it does not require observance of all other IAS[4]. Under the Insurance Act, insurance companies in Bangladesh are required to prepare financial statements in accordance with formats that are not consistent with the requirements of IAS. Moreover, the accounting and disclosure requirements under the Insurance Act lead to significant deviations from IAS requirements.

30. **No organization in Bangladesh, including ICAB, issues implementation guidelines on either the BAS or the IAS**. Without guidelines, these standards are applied inconsistently. The lack of detailed knowledge about IAS and the absence of implementation guidelines often give rise to misunderstandings, creating a gap between IAS requirements and actual practices. Moreover, due to provisions of the Companies Act 1994, a general belief is that IAS requirements on finance leases and preparing consolidated financial statements are not applicable in Bangladesh.

31. **Information on "compliance gaps"[5] demonstrates serious weaknesses of corporate financial reporting.** The review of published financial statements, conducted by World Bank consultants for the preparation of this assessment revealed compliance gaps. The review involved an examination of 46 sets of financial statements of major listed companies, including 8 banks and 3 insurance companies; and interviews with experienced corporate accountants, practicing auditors, academics, professional bodies, and regulators. The financial statements of these companies make claims to have been prepared in accordance with both BAS and IAS. Since the SEC of Bangladesh mandated the use of IAS by listed companies, the checklist used for determining compliance included selected IAS requirements as benchmarks. In general, actual accounting and disclosure practices in Bangladesh fall far short of the applicable requirements. Some examples follow:

- ***Consolidated financial statements.*** It is common practice not to comply with the IAS requirements on consolidation.
- ***Statement of changes in equity.*** Many companies' financial statements did not include this.
- ***Segment reporting.*** Few companies reported segment sales and only one company disclosed segment assets and liabilities in addition to segment income and expenditure. Most companies that

[4] Paragraph 4 of IAS 30 reads, "This Standard supplements other International Accounting Standards, which also apply to banks unless they are specifically exempted in a Standard."

[5] Compliance gap" refers to the difference between applicable accounting standard and actual practice.

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apparently had business segments and geographical segments did not comply with the segment reporting requirements.

• ***Effects of changes in foreign exchange rates.*** Some companies that had exchange difference arising on outstanding foreign currency loans on the balance sheet date adopted a capitalization method instead of expensing. Although this is permitted under Companies Act 1994, it is a violation of IAS. In other cases, export receivables were disclosed at the exchange rate prevailing on transaction date instead of balance sheet date as required by IAS.

• ***Related party transactions.*** Detailed disclosures in accordance with IAS requirements were not found in any sets of financial statements. For instance, the ownership structure[6] of many companies suggested that related parties and related party transactions existed, but in most cases there were limited or no disclosures.

• ***Revenue recognition.*** Many companies did not properly disclose the accounting policy on revenue recognition. It is common practice for installment sale business in Bangladesh to recognize sales on cash rather than accrual basis as required by IAS.

• ***Property, plant, and equipment.*** In cases where fixed assets were revalued, detailed disclosures required under the IAS were not available. Moreover, none of the companies addressed the IAS requirements on impairment of assets.

• ***Employee benefits.*** Many companies disclosed the existence of employee pension benefits but failed to disclose information required by the relevant IAS. In many cases, the liability for employee benefit expenses was not recognized on an accrual basis. No disclosure was made as to whether actuarial or any other forms of valuations had been made to quantify outstanding liabilities for employees' post employment benefits. One of the major listed companies in Bangladesh was discovered to have appropriated loans from the employee provident fund and the workers' profit participation fund. The loans outstanding are several times the annual contributions made to these funds. Details of the terms and conditions of these loans and reconciliation of the movements of these funds were not disclosed.

• ***Dividends.*** Many companies did not disclose the amount of dividend per share; some merely stated the rate of dividend.

• ***Earnings per share (EPS).*** Many companies did not disclose EPS. Companies that showed EPS did not disclose the numerator or denominator, or both.

• ***Pre-operating expenses.*** Bangladesh accounting practice generally treats preoperational expenses as assets on the face of the balance sheet, and then writes off these expenses over several years. These assets are not intangible and should have been expensed.

• ***Taxation.*** The general practice in Bangladesh is not to account for deferred taxes.

• ***Contingencies.*** Many reviewed companies do not disclose contingent liabilities for obligations that may arise from past events.

• ***Leases.*** There are a number of leasing companies operating in Bangladesh. The principal business operations are in the nature of finance leases, but very attractive fiscal incentives encourage lessors and lessees to treat them as operating leases, contrary to IAS requirements.

• ***Interim financial reporting.*** While presenting half-yearly reports, all companies failed to present the Statement of Changes in Equity and Notes to the Financial Statements.

• ***Additional disclosure by banks.*** Banks did not disclose aggregate amounts included in the balance sheet for loans and advances on which interest is not being accrued. Banks provided no information or commentary on the risk management policy. For financial instruments, terms and conditions, particularly the rate of interest and security for financial assets and liabilities, were not disclosed. Several banks included as assets in their financial statements large amounts as "suspense accounts" and "inter-branch balances" (unreconciled differences), and no explanation was provided for such treatment.

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[6] Family ownership of more than one company; members of a group of companies, etc.

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• ***Disclosures by insurance companies.*** The Insurance Act 1938 in Bangladesh prohibits the issuance of insurance policies without receipt of the premium except under certain prescribed conditions. The assessment revealed that some companies disclosed as assets substantial amounts as "Premiums Outstanding" and the circumstances and reasons for such outstanding amounts were not disclosed.

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IV. AUDITING STANDARDS AS DESIGNED AND AS PRACTICED

32. **The Bangladesh Standards on Auditing are based on the International Standards on Auditing.** The ICAB has issued many BSAs that need updating to reflect revisions of ISAs. For example, major changes in ISA relating to "Going Concern" and "The Auditor's Report on Financial Statements" need immediate consideration. Moreover, many ISAs do not exist in Bangladesh[7]. And none of the 13 International Auditing Practice Statements issued by IFAC have been adopted.

33. **The lack of methodological guidelines hinders application of auditing standards.** With the exception of audit firms associated with the international network of accounting firms, most audit firms have no access to quality audit-practice manuals. Lacking practice-oriented methodological guidelines, auditors generally find it difficult to handle important concepts, such as audit risks, audit planning, internal control, materiality, documentation, and going concern. It is difficult to apply normal audit procedures regarding related-party transactions due to the lack of legal requirements concerning group accounting and consolidation.

34. **In general, actual practices diverge from ISA.** To assess actual auditing practices, the ROSC team interviewed practicing auditors and senior leaders of the auditing profession. Facilitated discussions were conducted with a group of partners representing ten large- and medium-size audit firms, from which the following points were made on auditing practice in Bangladesh:

• The knowledge gap regarding practical application of ISA and IFAC Code of Ethics, coupled with the absence of any enforcement mechanism, adversely affect audit quality.

• It is difficult to find audit firms that comply fully with the ISA on quality control.

• Intense work pressures force many large audit firms to comply more in form than in substance.

• Small firms find it difficult to bear the cost of implementing proper quality control arrangements.

• The shortage of audit staff with industry-specific knowledge and expertise in information technology erodes quality.

• Auditors seldom note any material irregularities in their audit reports. If a set of financial statements deserved audit qualification(s) due to material deviations, the auditors usually bring the situation to the attention of management through the

Management Letter rather than acting on the problem.

• Poorly supervised trainee students who work for audit firms carry out most audits.

With rare exceptions, audit firm partners seldom visit clients. Furthermore, professional interaction between the trainee students and experienced senior manager/partner is very limited.

35. **Of the 46 sets of financial statements of listed companies reviewed by World Bank consultants, the audit report rarely complied with the SEC-prescribed format.** Most of the reviewed financial statements had material noncompliance with one or more requirements of the

[7] These include ISA240, The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements; ISA250, Consideration of Laws and regulations in an Audit of Financial Statements; ISA260, Communications of Audit Matters with Those Charged with Governance; ISA402, Audit Considerations Relating to Entities using Service Organizations; ISA501, Audit Evidence—Additional Considerations for Specific Items; ISA505, External Confirmations; ISA510, Initial engagements—Opening Balances; ISA550, Related Parties; ISA560, Subsequent Events; ISA580, Management Representations; ISA710, Comparatives; ISA800, The Auditor's Report on Special Purpose Audit Engagements; ISA910, Engagements to Review Financial Statements; ISA920, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information; and ISA930, Engagements to Compile Financial Information.

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applicable IASs. Despite these irregularities, the auditors issued an unqualified audit report on the financial statements.

V. PERCEPTION OF THE QUALITY OF FINANCIAL REPORTING

36. **The quality of audited financial statements is a concern to investors and other users of financial statements.** Interviews and discussions with various stakeholders, including foreign and local investors, investment bankers, financial analysts, and regulators revealed serious concerns about the quality of financial reporting, as well as the competence and integrity of most professional auditors. There was a widespread view that the low-level skills among accounting professionals and the lack of enforcement mechanisms contribute to noncompliance with established accounting requirements and auditing standards. There is consensus that lack of transparency in audited financial statements discourages foreign investors. From discussions, leaders of the foreign banking community sent a strong message—"If you want investment, you need to produce decent sets of financial statements." Representatives of the investment community generally agree that audited financial statements are rarely reliable and free from material misstatement. The investment analysts and various accounting and finance experts commented that actual accounting practices in Bangladesh need to improve in all areas covered by IAS. Most interviewees shared the opinion that improving the quality of financial reporting requires a robust regulatory regime and effective enforcement mechanisms for ensuring compliance with accounting and auditing standards and an auditors' professional code of ethics.

VI. POLICY RECOMMENDATIONS

37. The policy recommendations outlined in this section benefited from valuable inputs from the country stakeholders. These recommendations will be useful as inputs for preparing and implementing a country action plan for accounting and auditing reforms in Bangladesh.

38. **Improve the statutory framework of accounting and auditing.** Steps should be taken to ensure that the legal and regulatory requirements on accounting, auditing, and financial reporting fully protect the public interest. This recommendation might necessitate the enactment of a new Financial Reporting Act and the repeal of the provisions on accounting, auditing, and financial reporting in Companies Act 1994, Bank Companies Act 1991, Insurance Act 1938, and other related regulations. It will be easy to update accounting, auditing, and financial reporting requirements from time to time by simply amending the single Financial Reporting Act. The new Act should focus on making legal arrangements for the following:

• ***Fully adopt IAS/IFRS and ISA*** without modifications and ensure mandatory observance of these standards. Adopt IAS/IFRS and related interpretations issued by the IASB as legally enforceable standards applicable to the preparation of the legal entity and consolidated financial statements of all public interest entities[8]. The audit of financial statements prepared by public interest entities should be carried out in accordance with ISA and other related pronouncements issued by IFAC. Also mandate the IFAC Code of Ethics for Professional Accountants for all practicing accountants and auditors.

• ***Develop a simplified financial reporting framework for small and medium enterprises.*** All but the smallest enterprises may be subjected to the simplified financial reporting framework[9]. Until

[8] Public interest entities may be defined by the nature of their business, their size, and their number of employees; or by their corporate status by virtue of their range of stakeholders. Examples of public interest entities might include banks, insurance companies, investment funds, pension funds, listed companies, and large enterprises. The large enterprises may be defined as follows: individual enterprises and groups of enterprises that meet two of three following thresholds should be considered as public interest entities—(a) total number of employees exceeding [a number to be decided in consultation with various stakeholders]; (b) total assets on the balance sheet exceeding [amount to be decided in consultation with various stakeholders]; and (c) total turnover exceeding [amount to be decided in consultation with various stakeholders].

[9] The definition of micro-enterprise in the context of financial reporting will need to be developed.

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finalization of the IASB project, Accounting by Small and Medium Entities and in Emerging Economies, the national accounting standard setter should set standards for small- and medium-size enterprises in conformity with the IAS. However, if the national accounting standard setter deems it necessary to derogate from IAS, it should have the authority to do so provided it clearly explains and justifies the reasons for the derogation.

39. **Establish an independent oversight body to monitor and enforce accounting and auditing standards and codes.** Empower the oversight body to monitor and enforce accounting and auditing requirements with respect to general-purpose financial statements. These activities related to general-purpose financial statements are different from the banking and insurance supervisors' actions that deal with regulatory reporting in compliance with prudential regulations. The proposed Financial Reporting Act should establish a new independent oversight body, which may be called Financial Reporting Council. The accountants in public practice should not dominate the operations and management of this Council, nor should professional accountants dominate the Governing Body. The members of the Governing Body of the Council may be drawn from the SEC, Bangladesh Bank, Bangladesh Bar Council, Federation of Bangladesh Chambers of Commerce and Industry, Dhaka Stock Exchange, Chittagong Stock Exchange, ICAB, ICMAB, Department of Accounting of Dhaka University, and Institute of Business Administration of Dhaka University. The secretariat of the Governing Body may be housed at the SEC. The main focus of Financial Reporting Council's activities would be as follows:

• ***Setting accounting and auditing standards.*** The Financial Reporting Council will adopt, without modification, all IASs, ISAs, and IFAC-issued Code of Ethics for Professional Accountants, for observance by the public interest companies with respect to financial reporting. In addition, it will develop implementation guidelines on practical application of IAS/IFRS and ISA in Bangladesh. The Financial Reporting Council should also be entrusted with the responsibility of developing accounting and auditing requirements for small- and medium-size enterprises. A unit of the Financial Reporting Council may be entrusted with the task of preparing and disseminating standards and related implementation guidelines.

• ***Monitoring compliance with accounting standards.*** A monitoring unit of the Financial Reporting Council will be responsible for identifying and forwarding findings on noncompliance to the Enforcement Unit along with recommendations on the nature of sanctions to be imposed on the parties responsible for infractions. Adequate legal backing will be necessary for effective conduct of monitoring activities. The Monitoring Unit should have experienced staff— full-time or part-time —with capacity to conduct an in-depth review of financial statements. The policies and procedures for carrying out monitoring activities will be developed by the Unit and approved by the Governing Body of the Financial Reporting Council.

• ***Reviewing auditors' practice.*** A review team would be responsible for reviewing the practices of independent auditors and audit firms that audit the financial statements of public interest entities. This Financial Reporting Council will maintain a register of auditors and audit firms approved to audit public interest entities. A unit of the Financial Reporting Council will be responsible for carrying out practice review of auditors and audit firms. The practice review will evaluate an audit firm's quality assurance arrangements, its audit approach, and the working papers with regard to selected audit engagements. In addition, valid complaints against auditors and audit firms will be investigated. In the case of material infractions, the responsible unit of the Financial Reporting Council will recommend appropriate actions against the auditor and forward them to the enforcement unit for implementation. In addition, this unit will oversee public interest activities undertaken by the ICAB and assess whether the auditing profession is properly serving the interests of stakeholders, including the public. .

• ***Enforcing sanctions for violations.*** The enforcement unit of the Financial Reporting Council will determine appropriate actions against the violators of accounting and auditing standards and codes. In addition to resorting to the national legal system, the unit should be empowered to impose enhanced administrative sanctions against management of enterprises, auditors, and audit firms for

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their roles in violating accounting, auditing, and financial reporting requirements. The enhanced administrative sanctions would facilitate enforcement without depending fully on the lengthy legal process. The administrative sanctions recommended by the Enforcement Unit will be discussed and approved by the Governing Body of the Financial Reporting Council.

40. **Strengthen capacity of the regulatory bodies**. Take necessary steps to strengthen capacity of the Securities and Exchange Commission, Bangladesh Bank, and Controller of Insurance for enabling these regulatory bodies to effectively deal with accounting and financial reporting practices of the regulated entities.

41. **Take preventive measures to improve the degree of compliance with accounting requirements by the publicly traded companies.** The SEC should raise awareness among top management of listed companies on the importance of compliance with accounting and auditing requirements. Through outreach programs, top management would be briefed on their responsibility for compliance with standards and on enforcement policies. These programs should also present case studies that demonstrate the strengths and weaknesses of financial reporting in the country. Efforts should also be made to present international developments on improving transparency of corporate financial reporting, new dimensions of regulatory regimes affecting accounting and auditing, and the role of transparent financial reporting in attracting both strategic and portfolio foreign investments.

42. **Upgrade the procedure of licensing accountants and auditors in public practice.** To obtain professional accounting qualifications, practitioners should meet minimum requirements based on IFAC standards. The curriculum and system of qualification examinations should be improved to conform to IFAC-proposed International Education Standard for Professional Accountants. Moreover, arrangements should be made for regular ICAB monitoring of the quality of practical training provided by authorized providers (audit firms) to trainee accountants and auditors.

43. **Improve the professional education and training arrangement of ICAB.** The ICAB should revamp instruction manuals to make them compatible with internationally comparable learning materials for trainee accountants and auditors. Current global developments in accounting and auditing education and training must be reflected in the training curriculum of ICAB. Business ethics should be taught extensively as a separate subject. The ICAB should employ trained instructors with adequate knowledge of the practical dimensions of IAS and ISA. Arrangements should be made to facilitate the development of in-house training facilities in audit firms.

44. **Ensure effective continuing professional education and development of the accountants and auditors in public practice.** The requirements on continuing professional education and development of qualified members should be improved in line with the IFAC issued continuing professional education and development—proposed International Education Guideline for Professional Accountants. According to the Code of Ethics for Professional Accountants, each qualified accountant/auditor is obliged not only to maintain competence, but also to continually seek personal improvement. Therefore, the professional body should arrange delivery of high-quality training programs and facilitate access to programs offered by universities and other training providers. The ICAB should develop a mechanism for monitoring and enforcement of the requirements on continuing professional education of the practicing members.

45. **Strengthen the capacity of ICAB by establishing twinning arrangements with a developed professional accountancy body.** For this purpose, a professional body should be identified in Europe, North America, Australia, or New Zealand. Through a long-term twinning arrangement, best practices of the twinning partner would be transferred to the ICAB. In view of recent developments around the world in regulation of the accountancy profession and reform of the role of professional bodies, ICAB governance requires restructuring and strengthening. For example, the Council of the ICAB should include nonmembers.

46. **Strengthen ICMAB capacity to deliver high-quality training programs on practical implementation of IAS.** The ICMAB can play a vital role in the implementation of IAS since it provides training to existing and potential corporate accountants. To ensure IAS compliance when

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preparing corporate financial statements, corporate accountants should have access to effective and high-quality training programs. ICMAB capacity should be strengthened to provide effective training on practical application of IAS.

47. **Improve curriculum and teaching in accounting programs of universities and colleges.** Ensuring that a minimum quality standard is maintained in teaching accounting and auditing courses in all Bangladesh universities and colleges, a centrally coordinated initiative is necessary for curriculum development and training-the-trainers activities. Review and update the accounting curriculum to include international accounting and auditing standards and practical-oriented teaching at the undergraduate level. Supported by case studies, the ethical dimensions of business management, corporate finance, accounting, and auditing should be taught in undergraduate business/commerce programs. The reform of accounting curriculum and teaching methodology should raise English communication skills and increase critical thinking ability of students. A train-the-trainers program is required to enhance the capacity of higher educational institutions for teaching accounting and auditing courses with international components.

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Table-8.28: Shows the congruence or otherwise between the Accounts Preparers (Set-A), Professionals (Set-B) Regulators (Set-C) and Academicians (Set-E) relating to implementation process of IASs in Bangladesh (*N=Number, MR= Mean Rank*)

Var_No	Variable Name	Set-A		Set-B		Set-C		Set-E		Chi-Square	Degree of Freedom	Significance Level	Diagnosis at 95% confidence level
		N	MR	N	MR	N	MR	N	MR				
Acceptance Process													
b_14.1	Inclusion of different Interest group in AS accepting committee of ICAB	17	28.38	21	18.69	4	24.25	8	37.88	12.264	3	.007	Rejected
b_14.2	Supporting the present composition of AS accepting committee of ICAB	17	28.00	21	22.76	4	36.25	8	22.00	4.445	3	.217	Not Rejected
b_14.3	Appropriateness of the process followed by IAS accepting committee	17	22.94	21	29.52	4	28.75	8	18.75	4.508	3	.212	Not Rejected
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	17	16.29	21	27.98	4	31.88	8	35.38	12.928	3	.005	Rejected
b_15.2	The role that should be played by the SEC in IAS acceptance process	17	37.06	21	18.12	4	23.25	8	21.44	18.722	3	.000	Rejected
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	17	20.09	21	27.90	4	27.38	8	29.75	4.031	3	.258	Not Rejected
b_16.2	Effective implementation of IAS-30 by the schedule banks	17	32.00	21	18.48	4	19.75	8	33.00	12.151	3	.007	Rejected
b_17	Suitability of all the IAS in Bangladesh	17	35.38	21	21.52	4	20.00	8	17.69	13.184	3	.004	Rejected
b_18	Biasness of accounting roles accepted/set by the external auditors	17	31.41	21	20.02	4	17.75	8	31.19	8.730	3	.033	Rejected
b_19	AS acceptance committee and their independency	17	31.79	21	21.29	4	15.38	8	28.25	7.987	3	.046	Rejected
Application Process													
b_20.1	Imposition of IAS by the SEC	17	23.29	21	28.21	4	22.13	8	24.75	1.582	3	.663	Not Rejected
b_20.2	Sufficiency of manpower to adopt IAS	17	18.79	21	30.26	4	11.50	8	34.25	14.984	3	.002	Rejected
b_20.3	Making IAS mandatory for the listed companies	17	21.18	21	28.81	4	22.75	8	27.38	3.339	3	.342	Not Rejected
b_20.4	Unilateral enforcement of IAS and reaction of interest group	17	30.26	21	21.14	4	21.88	8	28.63	4.713	3	.194	Not Rejected
b_21	Unilateral enforcement of IAS by BB and reaction of interest group	17	30.47	21	23.00	4	16.50	8	26.00	5.504	3	.138	Not Rejected

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b_22	Demand for professional enforceability by the members of ICAB	17	20.21	21	25.86	4	29.63	8	33.75	5.376	3	.146	Not Rejected
b_23	Voluntary implementation of IAS in Bangladesh	17	24.15	21	25.12	4	30.00	8	27.13	.789	3	.852	Not Rejected
Monitoring Process													
b_24.1	Over looking monitoring by the SEC	17	30.91	21	20.57	4	31.00	8	24.19	6.184	3	.103	Not Rejected
b_24.2	Necessity of monitoring by the SEC	17	21.41	21	31.36	4	22.25	8	20.44	8.622	3	.035	
b_24.3	Dearth of skilled manpower of the SEC	17	28.71	21	25.38	4	32.50	8	15.50	6.223	3	.101	Not Rejected
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	17	29.74	21	23.79	4	16.25	8	25.63	4.053	3	.256	Not Rejected
b_26	Reflection of IAS in annual financial reports of listed companies	17	21.03	21	28.55	4	39.00	8	20.25	9.015	3	.029	Rejected
b_27	Establishment of Implementation and Monitoring Cell	17	31.65	21	15.95	4	32.88	8	33.81	16.775	3	.001	Rejected
b_28	Legal Proceedings for non-compliance with IAS	17	23.35	21	23.83	4	31.13	8	31.63	2.836	3	.418	Not Rejected
Development of Local Standards													
b_29	Impact of IAS on the users	17	33.82	21	24.55	4	17.13	8	14.50	12.347	3	.006	Rejected
b_30	Development of local standards rather that IAS	17	27.97	21	26.24	4	27.50	8	17.31	3.454	3	.327	Not Rejected
b_31	Establishment of strong standards setting body	17	29.59	21	18.12	4	23.88	8	37.00	13.496	3	.004	Rejected
b_32.1	IAS for voluntary implementation	17	31.26	21	21.74	4	21.25	8	25.25	4.822	3	.185	Not Rejected
b_32.2	Local standards for compulsory implementation	17	30.41	21	22.95	4	24.38	8	22.31	3.462	3	.326	Not Rejected

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Table-8.29: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Professional Accountants (Set-B) relating to implementation process of IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set B: Professionals			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
Acceptance Process											
b_14.1	Inclusion of different Interest group in AS accepting committee of ICAB	23.74	403.50	17	16.07	337.50	21	106.50	-2.249	.025	Rejected
b_14.2	Supporting the present composition of AS accepting committee of ICAB	21.76	370.00	17	17.67	371.00	21	140.00	-1.218	.223	Not Rejected
b_14.3	Appropriateness of the process followed by IAS accepting committee	16.65	283.00	17	21.81	458.00	21	130.00	-1.499	.134	Not Rejected
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	14.47	246.00	17	23.57	495.00	21	93.00	-2.644	.008	Rejected
b_15.2	The role that should be played by the SEC in IAS acceptance process	27.32	464.50	17	13.17	276.50	21	45.50	-4.150	.000	Rejected
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	16.24	276.00	17	22.14	465.00	21	123.000	-1.715	.086	Not Rejected
b_16.2	Effective implementation of IAS-30 by the schedule banks	24.82	422.00	17	15.19	319.00	21	88.000	-2.745	.006	Rejected
b_17	Suitability of all the IAS in Bangladesh	25.35	431.00	17	14.76	310.00	21	79.000	-3.072	.002	Rejected
b_18	Biasness of accounting roles accepted/set by the external auditors	24.18	411.00	17	15.71	330.00	21	99.000	-2.427	.015	Rejected
b_19	AS acceptance committee and their independency	23.82	405.00	17	16.00	336.00	21	105.000	-2.297	.022	Rejected
Application Process											
b_20.1	Imposition of IAS by the SEC	17.59	299.00	17	21.05	442.00	21	146.000	-1.030	.303	Not Rejected
b_20.2	Sufficiency of manpower to adopt IAS	14.62	248.50	17	23.45	492.50	21	95.500	-2.690	.007	Rejected
b_20.3	Making IAS mandatory for the listed companies	16.32	277.50	17	22.07	463.50	21	124.500	-1.718	.086	Not Rejected
b_20.4	Unilateral enforcement of IAS and reaction of interest group	23.41	398.00	17	16.33	343.00	21	112.000	-2.060	.039	Rejected
b_21	Unilateral enforcement of IAS by BB and reaction of interest group	22.65	385.00	17	16.95	356.00	21	125.000	-1.868	.062	Not Rejected

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b_22	Demand for professional enforceability by the members of ICAB	16.91	287.50	17	21.60	453.50	21	134.500	-1.321	.187	Not Rejected
b_23	Voluntary implementation of IAS in Bangladesh	19.06	324.00	17	19.86	417.00	21	171.000	-.248	.804	Not Rejected
Monitoring Process											
b_24.1	Over looking monitoring by the SEC	23.91	406.50	17	15.93	334.50	21	103.500	-2.401	.016	Rejected
b_24.2	Necessity of monitoring by the SEC	15.35	261.00	17	22.86	480.00	21	108.000	-2.399	.016	Rejected
b_24.3	Dearth of skilled manpower of the SEC	21.03	357.50	17	18.26	383.50	21	152.500	-.831	.406	Not Rejected
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	21.97	373.50	17	17.50	367.50	21	136.500	-1.365	.172	Not Rejected
b_26	Reflection of IAS in annual financial reports of listed companies	16.24	276.00	17	22.14	465.00	21	123.000	-1.936	.053	Not Rejected
b_27	Establishment of Implementation and Monitoring Cell	26.29	447.00	17	14.00	294.00	21	63.000	-3.521	.000	Rejected
b_28	Legal Proceedings for non-compliance with IAS	19.41	330.00	17	19.57	411.00	21	177.000	-.046	.963	Not Rejected
Development of Local Standards											
b_29	Impact of IAS on the users	23.76	404.00	17	16.05	337.00	21	106.000	-2.226	.026	Rejected
b_30	Development of local standards rather that IAS	20.26	344.50	17	18.88	396.50	21	165.500	-.403	.687	Not Rejected
b_31	Establishment of strong standards setting body	24.47	416.00	17	15.48	325.00	21	94.000	-2.633	.008	Rejected
b_32.1	IAS for voluntary implementation	23.59	401.00	17	16.19	340.00	21	109.000	-2.143	.032	Rejected
b_32.2	Local standards for compulsory implementation	22.56	383.50	17	17.02	357.50	21	126.500	-1.645	.100	Not Rejected

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Table-8.30: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Regulators (Set-C) relating to implementation process of IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set C: Regulators			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
Acceptance Process											
b_14.1	Inclusion of different Interest group in AS accepting committee of ICAB	11.29	192.00	17	9.75	39.00	4	29.000	-.476	.634	Not Rejected
b_14.2	Supporting the present composition of AS accepting committee of ICAB	10.35	176.00	17	13.75	55.00	4	23.000	-1.037	.300	Not Rejected
b_14.3	Appropriateness of the process followed by IAS accepting committee	10.53	179.00	17	13.00	52.00	4	26.000	-.757	.449	Not Rejected
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	9.65	164.00	17	16.75	67.00	4	11.000	-2.246	.025	Rejected
b_15.2	The role that should be played by the SEC in IAS acceptance process	12.24	208.00	17	5.75	23.00	4	13.000	-2.382	.017	Rejected
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	10.53	179.00	17	13.00	52.00	4	26.000	-.755	.450	Not Rejected
b_16.2	Effective implementation of IAS-30 by the schedule banks	11.94	203.00	17	7.00	28.00	4	18.000	-1.499	.134	Not Rejected
b_17	Suitability of all the IAS in Bangladesh	12.38	210.50	17	5.13	20.50	4	10.500	-2.346	.019	Rejected
b_18	Biasness of accounting roles accepted/set by the external auditors	12.12	206.00	17	6.25	25.00	4	15.000	-1.763	.078	Not Rejected
b_19	AS acceptance committee and their independency	12.50	212.50	17	4.63	18.50	4	8.500	-2.495	.013	Rejected
Application Process											
b_20.1	Imposition of IAS by the SEC	11.06	188.00	17	10.75	43.00	4	33.000	-.095	.924	Not Rejected
b_20.2	Sufficiency of manpower to adopt IAS	11.59	197.00	17	8.50	34.00	4	24.000	-1.206	.228	Not Rejected
b_20.3	Making IAS mandatory for the listed companies	10.88	185.00	17	11.50	46.00	4	32.000	-.189	.850	Not Rejected
b_20.4	Unilateral enforcement of IAS and reaction of interest group	11.74	199.50	17	7.88	31.50	4	21.500	-1.192	.233	Not Rejected
b_21	Unilateral enforcement of IAS by BB and reaction of interest group	12.18	207.00	17	6.00	24.00	4	14.000	-2.400	.016	Rejected

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b_22	Demand for professional enforceability by the members of ICAB	10.26	174.50	17	14.13	56.50	4	21.500	-1.145	.252	Not Rejected
b_23	Voluntary implementation of IAS in Bangladesh	10.50	178.50	17	13.13	52.50	4	25.500	-.850	.395	Not Rejected
Monitoring Process											
b_24.1	Over looking monitoring by the SEC	11.03	187.50	17	10.88	43.50	4	33.500	-.051	.959	Not Rejected
b_24.2	Necessity of monitoring by the SEC	10.88	185.00	17	11.50	46.00	4	32.000	-.262	.793	Not Rejected
b_24.3	Dearth of skilled manpower of the SEC	10.68	181.50	17	12.38	49.50	4	28.500	-.520	.603	Not Rejected
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	12.12	206.00	17	6.25	25.00	4	15.000	-2.032	.042	Rejected
b_26	Reflection of IAS in annual financial reports of listed companies	9.62	163.50	17	16.88	67.50	4	10.500	-2.420	.016	Rejected
b_27	Establishment of Implementation and Monitoring Cell	10.71	182.00	17	12.25	49.00	4	29.000	-.491	.623	Not Rejected
b_28	Legal Proceedings for non-compliance with IAS	10.35	176.00	17	13.75	55.00	4	23.000	-1.036	.300	Not Rejected
Development of Local Standards											
b_29	Impact of IAS on the users	12.26	208.50	17	5.63	22.50	4	12.500	-2.048	.041	Rejected
b_30	Development of local standards rather that IAS	11.03	187.50	17	10.88	43.50	4	33.500	-.049	.961	Not Rejected
b_31	Establishment of strong standards setting body	11.53	196.00	17	8.75	35.00	4	25.000	-.928	.353	Not Rejected
b_32.1	IAS for voluntary implementation	11.97	203.50	17	6.88	27.50	4	17.500	-1.578	.115	Not Rejected
b_32.2	Local standards for compulsory implementation	11.56	196.50	17	8.63	34.50	4	24.500	-.982	.326	Not Rejected

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Table-8.31: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Academicians (Set-E) relating to implementation process of IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set E: Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
Acceptance Process											
b_14.1	Inclusion of different Interest group in AS accepting committee of ICAB	11.35	193.00	17	16.50	132.00	8	40.000	-1.731	.084	Not Rejected
b_14.2	Supporting the present composition of AS accepting committee of ICAB	13.88	236.00	17	11.13	89.00	8	53.000	-.927	.354	Not Rejected
b_14.3	Appropriateness of the process followed by IAS accepting committee	13.76	234.00	17	11.38	91.00	8	55.000	-.800	.424	Not Rejected
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	10.18	173.00	17	19.00	152.00	8	20.000	-2.983	.003	Rejected
b_15.2	The role that should be played by the SEC in IAS acceptance process	15.50	263.50	17	7.69	61.50	8	25.500	-2.898	.004	Rejected
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	11.32	192.50	17	16.56	132.50	8	39.500	-1.756	.079	Not Rejected
b_16.2	Effective implementation of IAS-30 by the schedule banks	13.24	225.00	17	12.50	100.00	8	64.000	-.259	.796	Not Rejected
b_17	Suitability of all the IAS in Bangladesh	15.65	266.00	17	7.38	59.00	8	23.000	-2.849	.004	Rejected
b_18	Biasness of accounting roles accepted/set by the external auditors	13.12	223.00	17	12.75	102.00	8	66.000	-.124	.901	Not Rejected
b_19	AS acceptance committee and their independency	13.47	229.00	17	12.00	96.00	8	60.000	-.531	.595	Not Rejected
Application Process											
b_20.1	Imposition of IAS by the SEC	12.65	215.00	17	13.75	110.00	8	62.000	-.371	.711	
b_20.2	Sufficiency of manpower to adopt IAS	10.59	180.00	17	18.13	145.00	8	27.000	-2.650	.008	Rejected
b_20.3	Making IAS mandatory for the listed companies	11.97	203.50	17	15.19	121.50	8	50.500	-1.075	.282	Not Rejected
b_20.4	Unilateral enforcement of IAS and reaction of interest group	13.12	223.00	17	12.75	102.00	8	66.000	-.121	.904	Not Rejected
b_21	Unilateral enforcement of IAS by BB and reaction of interest group	13.65	232.00	17	11.63	93.00	8	57.000	-.811	.418	Not Rejected

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b_22	Demand for professional enforceability by the members of ICAB	11.03	187.50	17	17.19	137.50	8	34.500	-2.004	.045	Rejected
b_23	Voluntary implementation of IAS in Bangladesh	12.59	214.00	17	13.88	111.00	8	61.000	-.455	.649	Not Rejected
Monitoring Process											
b_24.1	Over looking monitoring by the SEC	13.97	237.50	17	10.94	87.50	8	51.500	-1.023	.306	Not Rejected
b_24.2	Necessity of monitoring by the SEC	13.18	224.00	17	12.63	101.00	8	65.000	-.274	.784	Not Rejected
b_24.3	Dearth of skilled manpower of the SEC	15.00	255.00	17	8.75	70.00	8	34.000	-2.074	.038	Rejected
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	13.65	232.00	17	11.63	93.00	8	57.000	-.748	.454	Not Rejected
b_26	Reflection of IAS in annual financial reports of listed companies	13.18	224.00	17	12.63	101.00	8	65.000	-.205	.838	Not Rejected
b_27	Establishment of Implementation and Monitoring Cell	12.65	215.00	17	13.75	110.00	8	62.000	-.382	.702	Not Rejected
b_28	Legal Proceedings for non-compliance with IAS	11.59	197.00	17	16.00	128.00	8	44.000	-1.451	.147	Not Rejected
Development of Local Standards											
b_29	Impact of IAS on the users	15.79	268.50	17	7.06	56.50	8	20.500	-2.895	.004	Rejected
b_30	Development of local standards rather that IAS	14.68	249.50	17	9.44	75.50	8	39.500	-1.751	.080	Not Rejected
b_31	Establishment of strong standards setting body	11.59	197.00	17	16.00	128.00	8	44.000	-1.571	.116	Not Rejected
b_32.1	IAS for voluntary implementation	13.71	233.00	17	11.50	92.00	8	56.000	-.722	.470	Not Rejected
b_32.2	Local standards for compulsory implementation	14.29	243.00	17	10.25	82.00	8	46.000	-1.455	.146	Not Rejected

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Table-8.32: Shows the congruence or otherwise between the Professionals (Set-B) and Regulators (Set-C) relating to implementation process of IASs in Bangladesh

Var_No	Variable Name	Set B: Professionals			Set C: Regulators			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
Acceptance Process											
b_14.1	Inclusion of different Interest group in AS accepting committee of ICAB	12.62	265.00	21	15.00	60.00	4	34.000	-.661	.508	Not Rejected
b_14.2	Supporting the present composition of AS accepting committee of ICAB	11.86	249.00	21	19.00	76.00	4	18.000	-1.933	.053	Not Rejected
b_14.3	Appropriateness of the process followed by IAS accepting committee	13.05	274.00	21	12.75	51.00	4	41.000	-.079	.937	Not Rejected
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	12.71	267.00	21	14.50	58.00	4	36.000	-.473	.637	Not Rejected
b_15.2	The role that should be played by the SEC in IAS acceptance process	12.50	262.50	21	15.63	62.50	4	31.500	-.826	.409	Not Rejected
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	13.00	273.00	21	13.00	52.00	4	42.000	.000	1.000	Not Rejected
b_16.2	Effective implementation of IAS-30 by the schedule banks	12.95	272.00	21	13.25	53.00	4	41.000	-.078	.938	Not Rejected
b_17	Suitability of all the IAS in Bangladesh	13.05	274.00	21	12.75	51.00	4	41.000	-.077	.939	Not Rejected
b_18	Biasness of accounting roles accepted/set by the external auditors	13.14	276.00	21	12.25	49.00	4	39.000	-.238	.812	Not Rejected
b_19	AS acceptance committee and their independency	13.38	281.00	21	11.00	44.00	4	34.000	-.614	.539	Not Rejected
Application Process											
b_20.1	Imposition of IAS by the SEC	13.50	283.50	21	10.38	41.50	4	31.500	-.865	.387	Accepted
b_20.2	Sufficiency of manpower to adopt IAS	14.52	305.00	21	5.00	20.00	4	10.000	-2.632	.008	Rejected
b_20.3	Making IAS mandatory for the listed companies	13.48	283.00	21	10.50	42.00	4	32.000	-.840	.401	Not Rejected
b_20.4	Unilateral enforcement of IAS and reaction of interest group	12.90	271.00	21	13.50	54.00	4	40.000	-.158	.874	Not Rejected
b_21	Unilateral enforcement of IAS by BB and reaction of interest group	13.48	283.00	21	10.50	42.00	4	32.000	-.822	.411	Not Rejected

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b_22	Demand for professional enforceability by the members of ICAB	12.67	266.00	21	14.75	59.00	4	35.000	-.538	.591	Not Rejected
b_23	Voluntary implementation of IAS in Bangladesh	12.60	264.50	21	15.13	60.50	4	33.500	-.702	.483	Not Rejected
Monitoring Process											
b_24.1	Over looking monitoring by the SEC	12.12	254.50	21	17.63	70.50	4	23.500	-1.516	.129	Not Rejected
b_24.2	Necessity of monitoring by the SEC	13.79	289.50	21	8.88	35.50	4	25.500	-1.325	.185	Not Rejected
b_24.3	Dearth of skilled manpower of the SEC	12.36	259.50	21	16.38	65.50	4	28.500	-1.106	.269	Not Rejected
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	13.57	285.00	21	10.00	40.00	4	30.000	-.958	.338	Not Rejected
b_26	Reflection of IAS in annual financial reports of listed companies	12.07	253.50	21	17.88	71.50	4	22.500	-1.606	.108	Not Rejected
b_27	Establishment of Implementation and Monitoring Cell	11.86	249.00	21	19.00	76.00	4	18.000	-1.857	.063	Not Rejected
b_28	Legal Proceedings for non-compliance with IAS	12.36	259.50	21	16.38	65.50	4	28.500	-1.058	.290	Not Rejected
Development of Local Standards											
b_29	Impact of IAS on the users	13.62	286.00	21	9.75	39.00	4	29.000	-1.010	.312	Not Rejected
b_30	Development of local standards rather that IAS	12.90	271.00	21	13.50	54.00	4	40.000	-.156	.876	Not Rejected
b_31	Establishment of strong standards setting body	12.40	260.50	21	16.13	64.50	4	29.500	-.984	.325	Not Rejected
b_32.1	IAS for voluntary implementation	12.93	271.50	21	13.38	53.50	4	40.500	-.121	.904	Not Rejected
b_32.2	Local standards for compulsory implementation	12.83	269.50	21	13.88	55.50	4	38.500	-.273	.785	Not Rejected

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Table-8.33: Shows the congruence or otherwise between the Professionals (Set-B) and Academicians (Set-E) relating to implementation process of IASs in Bangladesh

Var_No	Variable Name	Set B: Professionals			Set E: Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
Acceptance Process											
b_14.1	Inclusion of different Interest group in AS accepting committee of ICAB	12.00	252.00	21	22.88	183.00	8	21.000	-3.250	.001	Rejected
b_14.2	Supporting the present composition of AS accepting committee of ICAB	15.24	320.00	21	14.38	115.00	8	79.000	-.269	.788	Not Rejected
b_14.3	Appropriateness of the process followed by IAS accepting committee	16.67	350.00	21	10.63	85.00	8	49.000	-1.805	.071	Not Rejected
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	13.69	287.50	21	18.44	147.50	8	56.500	-1.412	.158	Not Rejected
b_15.2	The role that should be played by the SEC in IAS acceptance process	14.45	303.50	21	16.44	131.50	8	72.500	-.589	.556	Not Rejected
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	14.76	310.00	21	15.63	125.00	8	79.000	-.257	.797	Not Rejected
b_16.2	Effective implementation of IAS-30 by the schedule banks	12.33	259.00	21	22.00	176.00	8	28.000	-2.911	.004	Rejected
b_17	Suitability of all the IAS in Bangladesh	15.71	330.00	21	13.13	105.00	8	69.000	-.760	.447	Not Rejected
b_18	Biasness of accounting roles accepted/set by the external auditors	13.17	276.50	21	19.81	158.50	8	45.500	-1.975	.048	Rejected
b_19	AS acceptance committee and their independency	13.90	292.00	21	17.88	143.00	8	61.000	-1.174	.240	Not Rejected
Application Process											
b_20.1	Imposition of IAS by the SEC	15.67	329.00	21	13.25	106.00	8	70.000	-.763	.446	Not Rejected
b_20.2	Sufficiency of manpower to adopt IAS	14.29	300.00	21	16.88	135.00	8	69.000	-.846	.397	Not Rejected
b_20.3	Making IAS mandatory for the listed companies	15.26	320.50	21	14.31	114.50	8	78.500	-.302	.763	Not Rejected
b_20.4	Unilateral enforcement of IAS and reaction of interest group	13.90	292.00	21	17.88	143.00	8	61.000	-1.176	.240	Not Rejected
b_21	Unilateral enforcement of IAS by BB and reaction of interest group	14.57	306.00	21	16.13	129.00	8	75.000	-.482	.630	Not Rejected

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b_22	Demand for professional enforceability by the members of ICAB	13.60	285.50	21	18.69	149.50	8	54.500	-1.488	.137	Not Rejected
b_23	Voluntary implementation of IAS in Bangladesh	14.67	308.00	21	15.88	127.00	8	77.000	-.377	.706	Not Rejected
Monitoring Process											
b_24.1	Over looking monitoring by the SEC	14.52	305.00	21	16.25	130.00	8	74.000	-.512	.609	Not Rejected
b_24.2	Necessity of monitoring by the SEC	16.71	351.00	21	10.50	84.00	8	48.000	-1.975	.048	Rejected
b_24.3	Dearth of skilled manpower of the SEC	16.76	352.00	21	10.38	83.00	8	47.000	-1.958	.050	Not Rejected
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	14.71	309.00	21	15.75	126.00	8	78.000	-.314	.753	Not Rejected
b_26	Reflection of IAS in annual financial reports of listed companies	16.33	343.00	21	11.50	92.00	8	56.000	-1.539	.124	Not Rejected
b_27	Establishment of Implementation and Monitoring Cell	12.10	254.00	21	22.63	181.00	8	23.000	-3.073	.002	Rejected
b_28	Legal Proceedings for non-compliance with IAS	13.90	292.00	21	17.88	143.00	8	61.000	-1.169	.243	Not Rejected
Development of Local Standards											
b_29	Impact of IAS on the users	16.88	354.50	21	10.06	80.50	8	44.500	-2.030	.042	Rejected
b_30	Development of local standards rather that IAS	16.45	345.50	21	11.19	89.50	8	53.500	-1.539	.124	Not Rejected
b_31	Establishment of strong standards setting body	12.24	257.00	21	22.25	178.00	8	26.000	-2.960	.003	Rejected
b_32.1	IAS for voluntary implementation	14.62	307.00	21	16.00	128.00	8	76.000	-.415	.678	Not Rejected
b_32.2	Local standards for compulsory implementation	15.10	317.00	21	14.75	118.00	8	82.000	-.103	.918	Not Rejected

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Table-8.34: Shows the congruence or otherwise between the Regulators (Set-C) and Academicians (Set-E) relating to implementation process of IASs in Bangladesh

Var_No	Variable Name	Set C: Regulators			Set-E : Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
Acceptance Process											
b_14.1	Inclusion of different Interest group in AS accepting committee of ICAB	4.50	18.00	4	7.50	60.00	8	8.000	1.459	.145	Not Rejected
b_14.2	Supporting the present composition of AS accepting committee of ICAB	8.50	34.00	4	5.50	44.00	8	8.000	1.439	.150	Not Rejected
b_14.3	Appropriateness of the process followed by IAS accepting committee	8.00	32.00	4	5.75	46.00	8	10.000	1.112	.266	Not Rejected
b_15.1	Appropriateness of the stand of the SEC in present acceptance process	5.63	22.50	4	6.94	55.50	8	12.500	.623	.533	Not Rejected
b_15.2	The role that should be played by the SEC in IAS acceptance process	6.88	27.50	4	6.31	50.50	8	14.500	.275	.784	Not Rejected
b_16.1	IAS-30: Adopted by Bangladesh Bank unilaterally	6.38	25.50	4	6.56	52.50	8	15.500	.089	.929	Not Rejected
b_16.2	Effective implementation of IAS-30 by the schedule banks	4.50	18.00	4	7.50	60.00	8	8.000	2.098	.036	Rejected
b_17	Suitability of all the IAS in Bangladesh	7.13	28.50	4	6.19	49.50	8	13.500	.450	.653	Not Rejected
b_18	Biasness of accounting roles accepted/set by the external auditors	4.25	17.00	4	7.63	61.00	8	7.000	1.582	.114	Not Rejected
b_19	AS acceptance committee and their independency	4.75	19.00	4	7.38	59.00	8	9.000	1.245	.213	Not Rejected
Application Process											
b_20.1	Imposition of IAS by the SEC	6.00	24.00	4	6.75	54.00	8	14.000	.378	.705	Not Rejected
b_20.2	Sufficiency of manpower to adopt IAS	3.00	12.00	4	8.25	66.00	8	2.000	2.569	.010	Rejected
b_20.3	Making IAS mandatory for the listed companies	5.75	23.00	4	6.88	55.00	8	13.000	.549	.583	Not Rejected
b_20.4	Unilateral enforcement of IAS and reaction of interest group	5.50	22.00	4	7.00	56.00	8	12.000	.703	.482	Not Rejected
b_21	Unilateral enforcement of IAS by BB and reaction of interest group	5.00	20.00	4	7.25	58.00	8	10.000	1.112	.266	Not Rejected

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b_22	Demand for professional enforceability by the members of ICAB	5.75	23.00	4	6.88	55.00	8	13.000	.540	.589	Not Rejected
b_23	Voluntary implementation of IAS in Bangladesh	6.75	27.00	4	6.38	51.00	8	15.000	.184	.854	Not Rejected
Monitoring Process											
b_24.1	Over looking monitoring by the SEC	7.50	30.00	4	6.00	48.00	8	12.000	.710	.478	Not Rejected
b_24.2	Necessity of monitoring by the SEC	6.88	27.50	4	6.31	50.50	8	14.500	.392	.695	Not Rejected
b_24.3	Dearth of skilled manpower of the SEC	8.75	35.00	4	5.38	43.00	8	7.000	1.603	.109	Not Rejected
b_25	Dearth of skilled manpower of the Bangladesh Bank (BB)	5.00	20.00	4	7.25	58.00	8	10.000	1.112	.266	Not Rejected
b_26	Reflection of IAS in annual financial reports of listed companies	9.25	37.00	4	5.13	41.00	8	5.000	1.956	.051	Not Rejected
b_27	Establishment of Implementation and Monitoring Cell	6.63	26.50	4	6.44	51.50	8	15.500	.090	.928	Not Rejected
b_28	Legal Proceedings for non-compliance with IAS	6.00	24.00	4	6.75	54.00	8	14.000	.360	.719	Not Rejected
Development of Local Standards											
b_29	Impact of IAS on the users	6.75	27.00	4	6.38	51.00	8	15.000	.190	.849	Not Rejected
b_30	Development of local standards rather that IAS	8.13	32.50	4	5.69	45.50	8	9.500	1.143	.253	Not Rejected
b_31	Establishment of strong standards setting body	4.00	16.00	4	7.75	62.00	8	6.000	1.936	.053	Not Rejected
b_32.1	IAS for voluntary implementation	6.00	24.00	4	6.75	54.00	8	14.000	.356	.722	Not Rejected
b_32.2	Local standards for compulsory implementation	6.88	27.50	4	6.31	50.50	8	14.500	.275	.784	Not Rejected

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Table-8.35: Shows the congruence or otherwise between the Accounts Preparers (Set-A), Professionals (Set-B) Regulators (Set-C) and Academicians (Set-E) relating to impediments of IASs in Bangladesh (*N=Number, MR= Mean Rank*)

Var_No	Variable Name	Set-A		Set-B		Set-C		Set-E		Chi-Square	Degree of Freedom	Significance Level	Diagnosis at 95% confidence level
		N	MR	N	MR	N	MR	N	MR				
d_50	Benefit if IAS is not clear to the business community	17	30.79	21	29.02	4	21.75	8	6.88	18.399	3	.000	Rejected
d_51	Users are not sensitive to financial information	17	30.88	21	26.86	4	19.75	8	13.38	9.654	3	.022	Rejected
d_52.1	Socio-econo-political environment is stable in Bangladesh	17	20.56	21	28.00	4	29.13	8	27.63	3.552	3	.314	Not Rejected
d_52.2	Good corporate governance prevail in Bangladesh	17	24.85	21	27.02	4	27.50	8	21.88	1.342	3	.719	Not Rejected
d_52.3	Good audit practice prevail in Bangladesh	17	24.50	21	28.88	4	29.75	8	16.63	7.241	3	.065	Not Rejected
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	17	19.59	21	29.05	4	26.00	8	28.50	5.203	3	.158	Not Rejected
d_53	Adoption of IAS is difficult in a fatalistic society	17	32.38	21	26.00	4	17.50	8	13.56	10.908	3	.012	Rejected
d_54	IAS emphasis on more disclosures but society is conservative	17	34.91	21	22.36	4	19.00	8	17.00	12.798	3	.005	Rejected
d_55	Preparation of more than one set of books of accounts	17	27.94	21	22.05	4	18.00	8	33.13	5.600	3	.133	Not Rejected
d_56	Lack of stable econo-political environment to adopt IAS	17	30.71	21	24.67	4	24.00	8	17.38	5.405	3	.144	Not Rejected
d_57	Disturbance of auditors independence	17	25.15	21	27.02	4	17.63	8	26.19	1.630	3	.653	Not Rejected
d_58	Shortage of skilled manpower	17	25.88	21	27.21	4	24.75	8	20.56	1.378	3	.711	Not Rejected
d_59	Organizations in Bangladesh are not IAS friendly	17	28.18	21	28.48	4	30.25	8	9.63	12.503	3	.006	Rejected
d_60	Inefficient capital market	17	31.71	21	23.07	4	12.50	8	25.19	7.712	3	.052	Not Rejected

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Table-8.36: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Professional Accountants (Set-B) relating to impediments of IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set B: Professionals			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
d_50	Benefit if IAS is not clear to the business community	20.09	341.50	17	19.02	399.50	21	168.500	-.317	.751	Not Rejected
d_51	Users are not sensitive to financial information	21.68	368.50	17	17.74	372.50	21	141.500	-1.170	.242	Not Rejected
d_52.1	Socio-econo-political environment is stable in Bangladesh	16.41	279.00	17	22.00	462.00	21	126.000	-1.687	.092	Not Rejected
d_52.2	Good corporate governance prevail in Bangladesh	18.56	315.50	17	20.26	425.50	21	162.500	-.572	.567	Not Rejected
d_52.3	Good audit practice prevail in Bangladesh	17.56	298.50	17	21.07	442.50	21	145.500	-1.253	.210	Not Rejected
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	15.56	264.50	17	22.69	476.50	21	111.500	-2.164	.031	Rejected
d_53	Adoption of IAS is difficult in a fatalistic society	22.21	377.50	17	17.31	363.50	21	132.500	-1.395	.163	Not Rejected
d_54	IAS emphasis on more disclosures but society is conservative	24.32	413.50	17	15.60	327.50	21	96.500	-2.546	.011	Rejected
d_55	Preparation of more than one set of books of accounts	22.03	374.50	17	17.45	366.50	21	135.500	-1.373	.170	Not Rejected
d_56	Lack of stable econo-political environment to adopt IAS	22.00	374.00	17	17.48	367.00	21	136.000	-1.347	.178	Not Rejected
d_57	Disturbance of auditors independence	18.74	318.50	17	20.12	422.50	21	165.500	-.407	.684	Not Rejected
d_58	Shortage of skilled manpower	18.97	322.50	17	19.93	418.50	21	169.500	-.288	.773	Not Rejected
d_59	Organizations in Bangladesh are not IAS friendly	19.09	324.50	17	19.83	416.50	21	171.500	-.218	.827	Not Rejected
d_60	Inefficient capital market	23.32	396.50	17	16.40	344.50	21	113.500	-2.030	.042	Rejected

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Table-8.37: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Regulators (Set-C) relating to impediments of IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set C: Regulators			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
d_50	Benefit if IAS is not clear to the business community	11.88	202.00	17	7.25	29.00	4	19.000	-1.433	.152	Not Rejected
d_51	Users are not sensitive to financial information	11.74	199.50	17	7.88	31.50	4	21.500	-1.164	.244	Not Rejected
d_52.1	Socio-econo-political environment is stable in Bangladesh	10.38	176.50	17	13.63	54.50	4	23.500	-1.079	.281	Not Rejected
d_52.2	Good corporate governance prevail in Bangladesh	10.76	183.00	17	12.00	48.00	4	30.000	-.704	.482	Not Rejected
d_52.3	Good audit practice prevail in Bangladesh	10.53	179.00	17	13.00	52.00	4	26.000	-1.178	.239	Not Rejected
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	10.50	178.50	17	13.13	52.50	4	25.500	-.916	.360	Not Rejected
d_53	Adoption of IAS is difficult in a fatalistic society	12.26	208.50	17	5.63	22.50	4	12.500	-2.004	.045	Rejected
d_54	IAS emphasis on more disclosures but society is conservative	12.29	209.00	17	5.50	22.00	4	12.000	-2.370	.018	Rejected
d_55	Preparation of more than one set of books of accounts	11.79	200.50	17	7.63	30.50	4	20.500	-1.288	.198	Not Rejected
d_56	Lack of stable econo-political environment to adopt IAS	11.50	195.50	17	8.88	35.50	4	25.500	-.912	.362	Not Rejected
d_57	Disturbance of auditors independence	11.53	196.00	17	8.75	35.00	4	25.000	-.931	.352	Not Rejected
d_58	Shortage of skilled manpower	11.09	188.50	17	10.63	42.50	4	32.500	-.142	.887	Not Rejected
d_59	Organizations in Bangladesh are not IAS friendly	10.79	183.50	17	11.88	47.50	4	30.500	-.335	.738	Not Rejected
d_60	Inefficient capital market	12.76	217.00	17	3.50	14.00	4	4.000	-2.854	.004	Rejected

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Table-8.38: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Academicians (Set-E) relating to impediments of IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set E: Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
d_50	Benefit if IAS is not clear to the business community	16.82	286.00	17	4.88	39.00	8	3.000	-3.908	.000	Rejected
d_51	Users are not sensitive to financial information	15.47	263.00	17	7.75	62.00	8	26.000	-2.553	.011	Rejected
d_52.1	Socio-econo-political environment is stable in Bangladesh	11.76	200.00	17	15.63	125.00	8	47.000	-1.387	.166	Not Rejected
d_52.2	Good corporate governance prevail in Bangladesh	13.53	230.00	17	11.88	95.00	8	59.000	-.825	.409	Not Rejected
d_52.3	Good audit practice prevail in Bangladesh	14.41	245.00	17	10.00	80.00	8	44.000	-2.008	.045	Rejected
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	11.53	196.00	17	16.13	129.00	8	43.000	-1.669	.095	Not Rejected
d_53	Adoption of IAS is difficult in a fatalistic society	15.91	270.50	17	6.81	54.50	8	18.500	-2.950	.003	Rejected
d_54	IAS emphasis on more disclosures but society is conservative	16.29	277.00	17	6.00	48.00	8	12.000	-3.615	.000	Rejected
d_55	Preparation of more than one set of books of accounts	12.12	206.00	17	14.88	119.00	8	53.000	-.928	.354	Not Rejected
d_56	Lack of stable econo-political environment to adopt IAS	15.21	258.50	17	8.31	66.50	8	30.500	-2.443	.015	Rejected
d_57	Disturbance of auditors independence	12.88	219.00	17	13.25	106.00	8	66.000	-.127	.899	Not Rejected
d_58	Shortage of skilled manpower	13.82	235.00	17	11.25	90.00	8	54.000	-.854	.393	Not Rejected
d_59	Organizations in Bangladesh are not IAS friendly	16.29	277.00	17	6.00	48.00	8	12.000	-3.437	.001	Rejected
d_60	Inefficient capital market	13.62	231.50	17	11.69	93.50	8	57.500	-.677	.498	Not Rejected

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Table-8.39: Shows the congruence or otherwise between the Professionals (Set-B) and Regulators (Set-C) relating to impediments of IASs in Bangladesh

Var_No	Variable Name	Set B: Professionals			Set C: Regulators			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
d_50	Benefit if IAS is not clear to the business community	13.62	286.00	21	9.75	39.00	4	29.000	-1.036	.300	Not Rejected
d_51	Users are not sensitive to financial information	13.83	290.50	21	8.63	34.50	4	24.500	-1.519	.129	Not Rejected
d_52.1	Socio-econo-political environment is stable in Bangladesh	12.86	270.00	21	13.75	55.00	4	39.000	-.236	.814	Not Rejected
d_52.2	Good corporate governance prevail in Bangladesh	13.00	273.00	21	13.00	52.00	4	42.000	.000	1.000	Not Rejected
d_52.3	Good audit practice prevail in Bangladesh	12.98	272.50	21	13.13	52.50	4	41.500	-.043	.965	Not Rejected
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	13.24	278.00	21	11.75	47.00	4	37.000	-.393	.695	Not Rejected
d_53	Adoption of IAS is difficult in a fatalistic society	13.69	287.50	21	9.38	37.50	4	27.500	-1.104	.270	Not Rejected
d_54	IAS emphasis on more disclosures but society is conservative	13.24	278.00	21	11.75	47.00	4	37.000	-.392	.695	Not Rejected
d_55	Preparation of more than one set of books of accounts	13.36	280.50	21	11.13	44.50	4	34.500	-.614	.539	Not Rejected
d_56	Lack of stable econo-political environment to adopt IAS	13.05	274.00	21	12.75	51.00	4	41.000	-.077	.939	Not Rejected
d_57	Disturbance of auditors independence	13.74	288.50	21	9.13	36.50	4	26.500	-1.213	.225	Not Rejected
d_58	Shortage of skilled manpower	13.21	277.50	21	11.88	47.50	4	37.500	-.362	.717	Not Rejected
d_59	Organizations in Bangladesh are not IAS friendly	12.88	270.50	21	13.63	54.50	4	39.500	-.199	.842	Not Rejected
d_60	Inefficient capital market	13.86	291.00	21	8.50	34.00	4	24.000	-1.442	.149	Not Rejected

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Table-8.40: Shows the congruence or otherwise between the Professionals (Set-B) and Academicians (Set-E) relating to impediments of IASs in Bangladesh

Var_No	Variable Name	Set B: Professionals			Set E: Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
d_50	Benefit if IAS is not clear to the business community	18.38	386.00	21	6.13	49.00	8	13.000	-3.621	.000	Rejected
d_51	Users are not sensitive to financial information	17.29	363.00	21	9.00	72.00	8	36.000	-2.638	.008	Rejected
d_52.1	Socio-econo-political environment is stable in Bangladesh	15.14	318.00	21	14.63	117.00	8	81.000	-.156	.876	Not Rejected
d_52.2	Good corporate governance prevail in Bangladesh	15.76	331.00	21	13.00	104.00	8	68.000	-.882	.378	Not Rejected
d_52.3	Good audit practice prevail in Bangladesh	16.83	353.50	21	10.19	81.50	8	45.500	-2.164	.030	Rejected
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	15.12	317.50	21	14.69	117.50	8	81.500	-.129	.897	Not Rejected
d_53	Adoption of IAS is difficult in a fatalistic society	17.00	357.00	21	9.75	78.00	8	42.000	-2.100	.036	Rejected
d_54	IAS emphasis on more disclosures but society is conservative	15.52	326.00	21	13.63	109.00	8	73.000	-.563	.573	Not Rejected
d_55	Preparation of more than one set of books of accounts	13.24	278.00	21	19.63	157.00	8	47.000	-1.933	.053	Not Rejected
d_56	Lack of stable econo-political environment to adopt IAS	16.14	339.00	21	12.00	96.00	8	60.000	-1.217	.224	Not Rejected
d_57	Disturbance of auditors independence	15.17	318.50	21	14.56	116.50	8	80.500	-.178	.859	Not Rejected
d_58	Shortage of skilled manpower	16.07	337.50	21	12.19	97.50	8	61.500	-1.164	.244	Not Rejected
d_59	Organizations in Bangladesh are not IAS friendly	17.76	373.00	21	7.75	62.00	8	26.000	-2.965	.003	Rejected
d_60	Inefficient capital market	14.81	311.00	21	15.50	124.00	8	80.000	-.208	.836	Not Rejected

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Table-8.41: Shows the congruence or otherwise between the Regulators (Set-C) and Academicians (Set-E) relating to impediments of IASs in Bangladesh

Var_No	Variable Name	Set C: Regulators			Set-E : Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
d_50	Benefit if IAS is not clear to the business community	9.75	39.00	4	4.88	39.00	8	3.000	-2.381	.017	Rejected
d_51	Users are not sensitive to financial information	8.25	33.00	4	5.63	45.00	8	9.000	-1.247	.212	Not Rejected
d_52.1	Socio-econo-political environment is stable in Bangladesh	6.75	27.00	4	6.38	51.00	8	15.000	-.183	.855	Not Rejected
d_52.2	Good corporate governance prevail in Bangladesh	7.50	30.00	4	6.00	48.00	8	12.000	-1.049	.294	Not Rejected
d_52.3	Good audit practice prevail in Bangladesh	8.63	34.50	4	5.44	43.50	8	7.500	-1.735	.083	Not Rejected
d_52.4	Enforcement by SEC results good financial reporting in Bangladesh	6.13	24.50	4	6.69	53.50	8	14.500	-.271	.786	Not Rejected
d_53	Adoption of IAS is difficult in a fatalistic society	7.50	30.00	4	6.00	48.00	8	12.000	-.733	.464	Not Rejected
d_54	IAS emphasis on more disclosures but society is conservative	6.75	27.00	4	6.38	51.00	8	15.000	-.181	.856	Not Rejected
d_55	Preparation of more than one set of books of accounts	4.25	17.00	4	7.63	61.00	8	7.000	-1.743	.081	Not Rejected
d_56	Lack of stable econo-political environment to adopt IAS	7.38	29.50	4	6.06	48.50	8	12.500	-.630	.529	Not Rejected
d_57	Disturbance of auditors independence	4.75	19.00	4	7.38	59.00	8	9.000	-1.298	.194	Not Rejected
d_58	Shortage of skilled manpower	7.25	29.00	4	6.13	49.00	8	13.000	-.534	.593	Not Rejected
d_59	Organizations in Bangladesh are not IAS friendly	9.75	39.00	4	4.88	39.00	8	3.000	-2.473	.013	Rejected
d_60	Inefficient capital market	5.50	22.00	4	7.00	56.00	8	12.000	-.724	.469	Not Rejected

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Table-8.42: Shows the congruence or otherwise between the Accounts Preparers (Set-A), Professionals (Set-B) Regulators (Set-C) and Academicians (Set-E) relating to compliance with IASs in Bangladesh (*N=Number, MR= Mean Rank*)

Var_No	Variable Name	Set-A		Set-B		Set-C		Set-E		Chi-Square	Degree of Freedom	Significance Level	Diagnosis at 95% confidence level
		N	MR	N	MR	N	MR	N	MR				
f_70	FS of Bangladesh complied with IAS	17	22.91	21	25.64	4	35.25	8	25.75	2.810	3	.422	Not Rejected
f_71	FS of Bangladesh contains all four qualitative characteristics	17	26.62	21	27.64	4	34.50	8	13.00	12.172	3	.007	Rejected
f_72	IAS to be made mandatory for all limited companies	17	28.44	21	26.10	4	23.50	8	18.69	2.814	3	.421	Not Rejected

Table-8.43: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Professional Accountants (Set-B) relating to compliance with IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set B: Professionals			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
f_70	FS of Bangladesh complied with IAS	18.32	311.50	17	20.45	429.50	21	158.500	.669	.503	Not Rejected
f_71	FS of Bangladesh contains all four qualitative characteristics	19.00	323.00	17	19.90	418.00	21	170.000	.336	.737	Not Rejected
f_72	IAS to be made mandatory for all limited companies	20.50	348.50	17	18.69	392.50	21	161.500	.534	.594	Not Rejected

Table-8.44: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Regulators (Set-C) relating to to compliance with IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set C: Regulators			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
f_70	FS of Bangladesh complied with IAS	9.97	169.50	17	15.38	61.50	4	16.500	-1.718	.086	Not Rejected
f_71	FS of Bangladesh contains all four qualitative characteristics	10.26	174.50	17	14.13	56.50	4	21.500	-1.507	.132	Not Rejected
f_72	IAS to be made mandatory for all limited companies	11.47	195.00	17	9.00	36.00	4	26.000	-.763	.446	Not Rejected

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Table-8.45: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Academicians (Set-E) relating to compliance with IASs in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set E: Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
f_70	FS of Bangladesh complied with IAS	12.62	214.50	17	13.81	110.50	8	61.500	-.411	.681	Not Rejected
f_71	FS of Bangladesh contains all four qualitative characteristics	15.35	261.00	17	8.00	64.00	8	28.000	-2.955	.003	Rejected
f_72	IAS to be made mandatory for all limited companies	14.47	246.00	17	9.88	79.00	8	43.000	-1.525	.127	Not Rejected

Table-8.46: Shows the congruence or otherwise between the Professionals (Set-B) and Regulators (Set-C) relating to compliance with IASs in Bangladesh

Var_No	Variable Name	Set B: Professionals			Set C: Regulators			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
f_70	FS of Bangladesh complied with IAS	12.17	255.50	21	17.38	69.50	4	24.500	-1.448	.148	Not Rejected
f_71	FS of Bangladesh contains all four qualitative characteristics	12.45	261.50	21	15.88	63.50	4	30.500	-1.033	.302	Not Rejected
f_72	IAS to be made mandatory for all limited companies	13.29	279.00	21	11.50	46.00	4	36.000	-.472	.637	Not Rejected

Table-8.47: Shows the congruence or otherwise between the Professionals (Set-B) and Academicians (Set-E) relating to to compliance with IASs in Bangladesh

Var_No	Variable Name	Set B: Professionals			Set E: Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
f_70	FS of Bangladesh complied with IAS	15.02	315.50	21	14.94	119.50	8	83.500	-.027	.979	Not Rejected
f_71	FS of Bangladesh contains all four qualitative characteristics	17.29	363.00	21	9.00	72.00	8	36.000	-2.774	.006	Rejected
f_72	IAS to be made mandatory for all limited companies	16.12	338.50	21	12.06	96.50	8	60.500	-1.195	.232	Not Rejected

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Table-8.48: Shows the congruence or otherwise between the Regulators (Set-C) and Academicians (Set-E) relating to compliance with IASs in Bangladesh

Var_No	Variable Name	Set C: Regulators			Set-E : Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
f_70	FS of Bangladesh complied with IAS	7.50	30.00	4	6.00	48.00	8	12.000	-.707	.480	Not Rejected
f_71	FS of Bangladesh contains all four qualitative characteristics	9.50	38.00	4	5.00	40.00	8	4.000	-2.220	.026	Rejected
f_72	IAS to be made mandatory for all limited companies	8.00	32.00	4	5.75	46.00	8	10.000	-1.141	.254	Not Rejected

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Table-8.49: Shows the congruence or otherwise between the Accounts Preparers (Set-A), Professionals (Set-B) Regulators (Set-C) and Academicians (Set-E) relating to proposed ways of IASs implementation in Bangladesh

(N=Number, MR= Mean Rank)

Var_No	Variable Name	Set-A		Set-B		Set-C		Set-E		Chi-Square	Degree of Freedom	Significance Level	Diagnosis at 95% confidence level
		N	MR	N	MR	N	MR	N	MR				
g_73	Human resource needs to be developed	17	26.44	21	23.79	4	20.50	8	30.50	2.293	3	.514	Not Rejected
g_74	Motivational measures is necessary	17	27.44	21	24.33	4	20.88	8	26.75	1.133	3	.769	Not Rejected
g_75	Guidelines to design accounting system is necessary	17	30.59	21	19.60	4	25.75	8	30.06	6.992	3	.072	Not Rejected
g_77	Establishment of monitoring cell is necessary	17	31.97	21	17.64	4	32.50	8	28.88	12.917	3	.005	Rejected
g_78	Voluntary implementation will take place if benefit is known	17	26.26	21	26.69	4	27.63	8	19.69	1.906	3	.592	Not Rejected
g_79	Enforcement without motivation will distort IAS	17	29.47	21	26.60	4	25.25	8	14.31	7.235	3	.065	Not Rejected
g_80	Development of national standards	17	30.32	21	24.74	4	17.00	8	21.50	4.146	3	.246	Not Rejected

Table-8.50: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Professional Accountants (Set-B) relating to proposed ways of IASs implementation in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set B: Professionals			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
g_73	Human resource needs to be developed	20.65	351.00	17	18.57	390.00	21	159.000	.652	.514	Not Rejected
g_74	Motivational measures is necessary	20.76	353.00	17	18.48	388.00	21	157.000	.705	.481	Not Rejected
g_75	Guidelines to design accounting system is necessary	24.29	413.00	17	15.62	328.00	21	97.000	2.510	.012	Rejected
g_77	Establishment of monitoring cell is necessary	25.53	434.00	17	14.62	307.00	21	76.000	3.265	.001	Rejected
g_78	Voluntary implementation will take place if benefit is known	19.38	329.50	17	19.60	411.50	21	176.500	.066	.948	Not Rejected
g_79	Enforcement without motivation will distort IAS	20.62	350.50	17	18.60	390.50	21	159.500	.599	.549	Not Rejected
g_80	Development of national standards	21.91	372.50	17	17.55	368.50	21	137.500	1.251	.211	Not Rejected

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Table-8.51: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Regulators (Set-C) relating to proposed ways of IASs implementation in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set C: Regulators			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
g_73	Human resource needs to be developed	11.44	194.50	17	9.13	36.50	4	26.500	-.753	.451	Not Rejected
g_74	Motivational measures is necessary	11.56	196.50	17	8.63	34.50	4	24.500	-.982	.326	Not Rejected
g_75	Guidelines to design accounting system is necessary	11.24	191.00	17	10.00	40.00	4	30.000	-.414	.679	Not Rejected
g_77	Establishment of monitoring cell is necessary	11.00	187.00	17	11.00	44.00	4	34.000	.000	1.000	Not Rejected
g_78	Voluntary implementation will take place if benefit is known	10.91	185.50	17	11.38	45.50	4	32.500	-.146	.884	Not Rejected
g_79	Enforcement without motivation will distort IAS	11.41	194.00	17	9.25	37.00	4	27.000	-.692	.489	Not Rejected
g_80	Development of national standards	12.06	205.00	17	6.50	26.00	4	16.000	-1.687	.092	Not Rejected

Table-8.52: Shows the congruence or otherwise between the Accounts Preparers (Set-A) and Academicians (Set-E) relating to proposed ways of IASs implementation in Bangladesh

Var_No	Variable Name	Set A: Accounts Preparers			Set E: Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
g_73	Human resource needs to be developed	12.35	210.00	17	14.38	115.00	8	57.000	-.778	.437	Not Rejected
g_74	Motivational measures is necessary	13.12	223.00	17	12.75	102.00	8	66.000	-.135	.893	Not Rejected
g_75	Guidelines to design accounting system is necessary	13.06	222.00	17	12.88	103.00	8	67.000	-.064	.949	Not Rejected
g_77	Establishment of monitoring cell is necessary	13.44	228.50	17	12.06	96.50	8	60.500	-.512	.608	Not Rejected
g_78	Voluntary implementation will take place if benefit is known	13.97	237.50	17	10.94	87.50	8	51.500	-1.017	.309	Not Rejected
g_79	Enforcement without motivation will distort IAS	15.44	262.50	17	7.81	62.50	8	26.500	-2.634	.008	Rejected
g_80	Development of national standards	14.35	244.00	17	10.13	81.00	8	45.000	-1.403	.161	Not Rejected

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Table-8.53: Shows the congruence or otherwise between the Professionals (Set-B) and Regulators (Set-C) relating to proposed ways of IASs implementation in Bangladesh

Var_No	Variable Name	Set B: Professionals			Set C: Regulators			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
g_73	Human resource needs to be developed	13.21	277.50	21	11.88	47.50	4	37.500	-.363	.716	Not Rejected
g_74	Motivational measures is necessary	13.24	278.00	21	11.75	47.00	4	37.000	-.407	.684	Not Rejected
g_75	Guidelines to design accounting system is necessary	12.64	265.50	21	14.88	59.50	4	34.500	-.581	.562	Not Rejected
g_77	Establishment of monitoring cell is necessary	11.76	247.00	21	19.50	78.00	4	16.000	-2.047	.041	Rejected
g_78	Voluntary implementation will take place if benefit is known	12.90	271.00	21	13.50	54.00	4	40.000	-.180	.857	Not Rejected
g_79	Enforcement without motivation will distort IAS	13.12	275.50	21	12.38	49.50	4	39.500	-.202	.840	Not Rejected
g_80	Development of national standards	13.64	286.50	21	9.63	38.50	4	28.500	-1.037	.300	Not Rejected

Table-8.54: Shows the congruence or otherwise between the Professionals (Set-B) and Academicians (Set-E) relating to proposed ways of IASs implementation in Bangladesh

Var_No	Variable Name	Set B: Professionals			Set E: Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
g_73	Human resource needs to be developed	14.00	294.00	21	17.63	141.00	8	63.000	-1.180	.238	Not Rejected
g_74	Motivational measures is necessary	14.62	307.00	21	16.00	128.00	8	76.000	-.432	.666	Not Rejected
g_75	Guidelines to design accounting system is necessary	13.33	280.00	21	19.38	155.00	8	49.000	-1.766	.077	Not Rejected
g_77	Establishment of monitoring cell is necessary	13.26	278.50	21	19.56	156.50	8	47.500	-1.881	.060	Not Rejected
g_78	Voluntary implementation will take place if benefit is known	16.19	340.00	21	11.88	95.00	8	59.000	-1.381	.167	Not Rejected
g_79	Enforcement without motivation will distort IAS	16.88	354.50	21	10.06	80.50	8	44.500	-2.094	.036	Rejected
g_80	Development of national standards	15.55	326.50	21	13.56	108.50	8	72.500	-.579	.563	Not Rejected

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Table-8.55: Shows the congruence or otherwise between the Regulators (Set-C) and Academicians (Set-E) relating to proposed ways of IASs implementation in Bangladesh

Var_No	Variable Name	Set C: Regulators			Set-E : Academicians			Mann-Whitney U	Calculated Value of Z	Asymp. Sig. (2-tailed)	Diagnosis at 95% level of confidence
		Mean Rank	Sum of Rank	N	Mean Rank	Sum of Rank	N				
g_73	Human resource needs to be developed	4.50	18.00	4	7.50	60.00	8	8.000	-1.586	.113	Not Rejected
g_74	Motivational measures is necessary	5.50	22.00	4	7.00	56.00	8	12.000	-.793	.428	Not Rejected
g_75	Guidelines to design accounting system is necessary	5.88	23.50	4	6.81	54.50	8	13.500	-.455	.649	Not Rejected
g_77	Establishment of monitoring cell is necessary	7.00	28.00	4	6.25	50.00	8	14.000	-.383	.702	Not Rejected
g_78	Voluntary implementation will take place if benefit is known	7.75	31.00	4	5.88	47.00	8	11.000	-.927	.354	Not Rejected
g_79	Enforcement without motivation will distort IAS	8.63	34.50	4	5.44	43.50	8	7.500	-1.735	.083	Not Rejected
g_80	Development of national standards	5.88	23.50	4	6.81	54.50	8	13.500	-.445	.656	Not Rejected

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APPENDIX-II

QUESTIONNAIRE

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Department of Accounting
University of Dhaka

Research Title: **International Accounting Standards: A Study of Their Implications for Accounting Practices in Bangladesh**

Set-A: Questionnaire for Accounts Preparers

Part - A: Respondent's Profile

1. Name of the Respondent (Optional): _____
2. Organization/Institution: _____
3. Position Held: ☐ Chief Financial Officer ☐ 2nd Line Officer ☐ 3rd Line Officer
4. Academic Qualifications (*please tick off the highest one*): ☐Under Graduate ☐Graduate ☐Post Graduate ☐Others (*please specify*): _____
5. Professional Qualifications: ☐ACA ☐FCA ☐ACMA ☐FCMA ☐Others (*please specify*): _____ ☐ Others
6. Please specify which one of the following age group do you belong to:
   - 6.1 Below 25 years ☐
   - 6.2 25 years to 30 years ☐
   - 6.3 31 years to 40 years ☐
   - 6.4 41 years to 50 years ☐
   - 6.5 51 years and above ☐
7. Please state your basic discipline of education:
   - 7.1 Business/Commerce ☐
   - 7.2 Arts ☐
   - 7.3 Science ☐
8. Please specify the period of your experience in the field of your present occupation (*consider your previous accounts related jobs also*) as stated in 3 above:
   - 8.1 Up to 5 years ☐
   - 8.2 6 to 10 years ☐
   - 8.3 11 to 15 years ☐
   - 8.4 Above 15 years ☐
9. Please specify the period of your working experience in or acquaintance with (as the case may be) International Accounting Standards (IASs) from the view point of your present position:
   - 9.1 Up to 2 years ☐
   - 9.2 3 to 4 years ☐
   - 9.3 5 to 10 years ☐
   - 9.4 Above 10 years ☐
10. Would you please specify the state of your up gradation regarding IASs through Continuing Professional Education (CPE) administered by the ICAB and the ICMAB?
    - 10.1 Adequately up graded ☐
    - 10.2 Moderately up graded (workable standard) ☐
    - 10.3 Requires further up gradation (not workable standard) ☐
    - 10.4 Not applicable to me ☐
11. Do you feel confident in dealing with IASs treatments?
    ☐ Yes ☐ No

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12. When did you come to know about IASs first?
    12.1 Before making IASs mandatory by 'the SER 1987' during 1997 ☐
    12.2 After making IASs mandatory by 'the SER 1987' during 1997 ☐
    [*SER: Securities and Exchange Rules*]
13. From where (sources) did you come to know about IASs first?
    13. 1 From the class room of University/college ☐
    13. 2 From the class room of ICAB/ICMAB ☐
    13. 3 From external auditors ☐
    13. 4 From the Principal of the CA firm ☐
    13. 5 From Superiors/Management of the organization ☐
    13. 6 From Chamber of Commerce and Industry ☐
    13. 7 From the SEC ☐
    13. 8 From other sources ☐

Part - B: Present Implementation Process of IASs

Acceptance Process

14. At present, a committee named 'Research and Technical Committee' under the ICAB is working to give acceptance to the IASs for adoption in Bangladesh. The committee comprises of thirteen members and all of them are Chartered Accountants. *[Here it may be noted that in many countries (the USA, the UK, India, Sri Lanka etc.) of the world, different concerned groups like professional accountants, bank representatives, academicians, employed accountants, representatives from chamber of commerce and industry, representatives from different regulatory bodies etc. are involved in the development and/or acceptance process of accounting standards].* In view of the above:

(i) To what extent do you agree with the statement that different interest-groups (regulators, other professional accountants like CMAs, non-professional preparers & trainers, regulated, business communities, institutional users of financial statements etc.) could have some contribution in accepting and/or developing accounting standards if they were allowed to participate in the above committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you support the composition of the present committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the present process followed by the ICAB is an appropriate way of giving acceptance to the IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

15. According to the Section-12(2) of the Securities and Exchange Rules 1987, *'the financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.'* That is, the Securities and Exchange Commission (SEC) does not participate in the IASs acceptance process. All responsibilities lie with the ICAB. But the SEC is the only regulatory body in Bangladesh enforcing IASs for the listed companies. Here it may be noted that the US SEC does not participate in the accounting standards development process also. Because the US have a strong and independent standards setting body like FASB. In this situation:

(i) To what extent do you agree with the statement that the stand of the SEC in the process of IASs acceptance is appropriate?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

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(ii) To what extent do you agree with the statement that in the absence of an independent accounting standards setting body in Bangladesh, the SEC should have an active participation in the IASs acceptance process?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

16. A professional accountant of Bangladesh written in a paper on IAS-30, 'At current stage, supervisory and control procedures executed by Bangladesh Bank is unilateral. Bangladesh Bank imposes regulations and these regulations may often change. These create problems to assert as they required. There should be bilateral consultation for setting policies for the schedule banks by the Bangladesh Bank.'

(i) To what extent do you agree with the statement that the present unilateral process of adopting IAS-30 by the Bangladesh bank is a proper way?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that a bilateral process, between Bangladesh bank and other scheduled banks along with other financial institutions, of accepting and adopting IAS-30 in preparing financial statement will be more effective from implementation point of view?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

17. According to their circular dated 5th October 2000, the ICAB has adopted 23 IASs (of which 19 are currently effective) out of total 40 IASs (of which 36 are currently effective) as Bangladesh Accounting Standards (BAS).

To what extent do you agree with the statement that this partial acceptance indicates the unsuitability of all the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

18. The ICAB gives acceptance to the IASs. These IASs are applied to the listed companies. Members of the ICAB are appointed as external auditors of these listed companies. So there exists a relation of financial interest between listed companies and the auditors. In such a situation, any accounting rules accepted or set by the ICAB members only may be biased.

To what extent do you agree with the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

19. To what extent do you agree with the statement that the members of the standards accepting body should be independent of any financial or non-financial benefits from the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Application Process

20. The SEC made IASs (as adopted by the ICAB) mandatory for the listed companies during the year 1997 by the Securities and Exchange Rules 1987. IASs are very much technical and sophisticated accounting devices. It is alleged that through a unilateral process of acceptance and adoption these (IASs) have been imposed by the SEC on the business houses. In this situation,

(i) To what extent the decision of the SEC was welcoming to you?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent are you well equipped with sufficient manpower to adopt IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent did you welcome the decision of the SEC to make IASs obligatory by law for the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with the statement that without assessing the users' need, this unilateral legal enforcement of IASs may induce the negative motivation of their (IASs) users'?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

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21. Bangladesh Bank has made IAS-30 mandatory for all the scheduled banks (both listed and unlisted banks) in preparing their financial statements. It is also alleged that Bangladesh Bank has also unilaterally imposed IAS-30 on the schedule banks.

To what extent do you agree with this statement that this unilateral legal enforcement by Bangladesh Bank might have a negative motivational impact on the management of the banks regarding application of IASs especially IAS-30?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

22. At present IASs has got legal enforceability by the Securities and Exchange Rules 1987. Some professional accountants demand for professional enforceability by amending the Bangladesh Chartered Accountants Bye-laws 1973 to ensure mandatory observance of the adopted standards by all its members irrespective of whether one is engaged in practice, service or business.

To what extent do you agree with the above demand?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

23. Many concerned personnel believe that voluntary application of IASs might be more effective than mandatory application to mitigate distortion of IASs.

To what extent do you support the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Monitoring Process

24. Since the SEC is the regulatory authority, its responsibility is to frame rules and at the same time to ensure the proper application of the rules. The SEC has made IASs mandatory for the listed companies in preparing financial reports. But it has no separate implementation and monitoring cell to look after the issues of IASs application. Till to date, there exists no evidence of taking legal proceedings by the SEC against any listed company for non-compliance with IASs. In view of the above:

(i) To what extent do you agree with the statements that mere framing rules signify nothing if the enforcement aspect of the rules is over looked?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) Since ICAB is monitoring the matter, the SEC thinks that it is unnecessary for them to look after the implementation aspect of IASs. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the SEC do not have sufficient skilled manpower to look after the implementation aspect of IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

25. Bangladesh Bank is the regulator of banking sector. It has a separate branch control division to monitor the activities of banks.

To what extent do you agree with the statement that the officers in the audit team are well equipped and well trained to ensure the implementation of IASs (especially IAS-30) in the banking sector?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

26. The ICAB has the legal responsibility to look after the implementation aspect of IASs (compliance with IASs) in external financial reporting by the issuers through its members i.e., auditors. Accordingly the auditors certify that the financial statements are complied with IASs.

To what extent do you believe that that this report is the perfect reflection of status of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

27. To what extent do you support the establishment of an *Implementation and Monitoring Cell* under the framework of SEC to supervise and monitor the implementation aspect of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

28. To what extent do you support the legal proceedings against the listed companies for non-compliance with IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Development of local standards

29. To what extent do you agree with the statement that most of the users of financial statements are indifferent between *having* or *not having* the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

30. To what extent do you agree with the statement that accounting standards are need to be developed at national level keeping the socio-econo-cultural environment in mind rather implementing IASs directly?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

31. To what extent do you support the establishment of a strong and independent accounting standards setting body like many other countries (India, Sri Lanka, the USA, The UK etc.) to develop local accounting standards keeping the IASs in mind as a guideline?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

32. It is alleged that the application of IASs are being distorted in Bangladesh because of their mandatory implementation. So, it will give better output if IASs are opened for voluntary implementation. At the same time the local standards developed as per the proposed body in the above question may be made mandatory. In view of the above:

(i) To what extent do you support IASs for voluntary implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent support the local standard for compulsory implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Cost-benefit impact of IASs:

33. What are the additional costs do you incur to implement IASs in your enterprise?

Serial No.	Costs	Incur	Do not incur
1	Appointment for additional skilled accounts personnel	☐	☐
2	Increased audit fee	☐	☐
3	Cost for redesigning the accounting system	☐	☐
4	Costs for trained up the existing accounts personnel	☐	☐
5	Costs for additional work load	☐	☐
6	Others: (*please specify and use extra sheet if necessary*)	☐	☐

34. What are the benefits of adopting IASs in Bangladesh? [*Please rank* (like 1st, 2nd, 3rd etc.) *the following benefits*]

Sl. No.	Benefits of adopting IASs in Bangladesh	Rank
1	Investors can safely rely on the IASs based Financial Statements (FS). As a result an enterprise can easily procure fund from the capital market at minimum costs.	
2	The financial statements of Bangladesh has got acceptability in the international arena;	
3	Foreign Direct Investment (FDI) has increased significantly after adopting IASs in Bangladesh;	
4	Adoption of IASs has enhanced the understandability, transparency and comparability of financial statements than it was in the past. As a result its utility has increased both to the local and foreign investors in taking investment decisions;	
5	Bangladesh has got a readymade set of accounting standards of international type and hence incurred no costs for standards setting;	

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6	Professional accountants of Bangladesh have got the opportunity to attain the quality in accounting service at international norm. They are now quite competent to serve internationally.	
8	Adoption of IASs in Bangladesh will facilitate the Bangladeshi companies to raise fund from foreign capital markets in near future;	
9	After adoption of IASs in Bangladesh, participation of foreign investors in the capital market has been increased;	
10	Other: (*please specify and use extra sheet if necessary*)	

35. Do you agree with the statement that the benefits (either in monetary or non-monetary form) derived from adoption of IASs are greater than the costs for implementing IASs?

☐ Yes ☐ No

Part C: Relevancy of IASs:

36. Please tick off (☑) the appropriate box of the following table:

Accounting Issues Requiring Standards Treatment	Does the issue present in your enterprise?		What is your opinion about the presence of the issue in other enterprises familiar to you?			
	Yes	*No*	*Common to all*	*Common Some*	*Very Rare*	*Totally absent*
1. Presentation of financial statements: Balance sheet, Income statement, Cash flow statement, Statement showing changes in equity (IAS-1)	☐	☐	☐	☐	☐	☐
2. Preparation of Value Added Statement	☐	☐	☐	☐	☐	☐
3. Inventories and their valuation (IAS-2)	☐	☐	☐	☐	☐	☐
4. Preparation of Cash Flow Statement (IAS-7)	☐	☐	☐	☐	☐	☐
5. Disclosure of net profit or loss for the period and their adjustment for fundamental errors and changes in accounting policies (IAS-8)	☐	☐	☐	☐	☐	☐
6. Disclosure of events occurred between the balance sheet date and the reporting date (IAS-10)	☐	☐	☐	☐	☐	☐
7. Accounting for enterprises involved in construction contracts (IAS-11)	☐	☐	☐	☐	☐	☐
8. Accounting for income taxes as well as maintaining deferred tax provision on timing differences (IAS-12)	☐	☐	☐	☐	☐	☐
9. Reporting by business segment and by geographical segment (IAS-14)	☐	☐	☐	☐	☐	☐
10. Disclosure of information reflecting the effects of changing prices (IAS-15)	☐	☐	☐	☐	☐	☐
11. Measurement and recognition of Property, Plant & Equipment along with their depreciation (IAS-16)	☐	☐	☐	☐	☐	☐
12. Accounting for and disclosure of leased assets (IAS-17)	☐	☐	☐	☐	☐	☐

13. Recognition and measurement of revenue (IAS-18)	☐	☐	☐	☐	☐	☐
14. Accounting for post employment benefits including pensions and their disclosure (IAS-19)	☐	☐	☐	☐	☐	☐
15. Accounting for disclosure and recognition of government grants and assistance (IAS-20)	☐	☐	☐	☐	☐	☐
16. Accounting for effects of changes in foreign exchange rates (IAS-21)	☐	☐	☐	☐	☐	☐
17. Accounting for business combinations (IAS-22)	☐	☐	☐	☐	☐	☐
18. Accounting for borrowing costs (IAS-23)	☐	☐	☐	☐	☐	☐
19. Disclosures of nature and amount of transactions with the related parties (IAS-24)	☐	☐	☐	☐	☐	☐
20. Accounting and Reporting by Retirement Benefit Plans (IAS-26)	☐	☐	☐	☐	☐	☐
21. Preparation of consolidated financial statements for holding company and its subsidiaries (IAS-27)	☐	☐	☐	☐	☐	☐
22. Accounting for investments in associate companies (IAS-28)	☐	☐	☐	☐	☐	☐
23. Preparation of financial statements in hyperinflationary environment (IAS-29)	☐	☐	☐	☐	☐	☐
24. Preparation of financial statements of specialized enterprises like banks and similar financial institutions (IAS-30)	☐	☐	☐	☐	☐	☐
25. Accounting for interests in jointly controlled operations or assets or entities and their reporting (IAS-31)	☐	☐	☐	☐	☐	☐
26. Disclosure and presentation of financial instruments (IAS-32)	☐	☐	☐	☐	☐	☐
27. Determination of earnings per share (IAS-33)	☐	☐	☐	☐	☐	☐
28. Preparation of financial statements for interim reporting (IAS-34)	☐	☐	☐	☐	☐	☐
29. Accounting for discontinuing a business operations (IAS-35)	☐	☐	☐	☐	☐	☐
30. Accounting for and disclosure of impairment of assets (IAS-36)	☐	☐	☐	☐	☐	☐
31. Provisions, Contingent Liabilities and Contingent Assets	☐	☐	☐	☐	☐	☐
32. Accounting for intangible assets including goodwill, research and development costs etc. (IAS-38)	☐	☐	☐	☐	☐	☐
33. Recognition and measurement of financial instruments (IAS-39)	☐	☐	☐	☐	☐	☐
34. Accounting for and disclosure of	☐	☐	☐	☐	☐	☐

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investment property (IAS-40)						
35. Accounting treatment, financial statement presentation and disclosures related to agricultural activity (IAS-41)	☐	☐	☐	☐	☐	☐

37. Did you ever face any contradiction (regarding accounting treatments, measurement of assets and liabilities, disclosure requirements, accounting terminologies etc.) between the provisions/requirements of IASs, the Companies Act 1994, the Securities and Exchange Rules 1987 or any other local laws/rules in preparing financial statements for external reporting purpose?

Yes ☐ No ☐

If your answer to the above question is 'yes', please specify the nature of contradiction (*use extra sheet if necessary*) _____

_____

_____

_____

38. Do you have inventories in your organization?

Yes ☐ No ☐

If your answer is 'Yes', please give answer to the question # (1) to (3), otherwise skip.

(1) What valuation policy do you follow for this item (tick off the appropriate one)?

☐ Lower of cost and net realizable value
☐ FIFO
☐ LIFO
☐ Weighted average
☐ Current cost
☐ Other, please specify _____

(2) Did you change the valuation policy within last 5 years?

Yes ☐ No ☐

If your answer is 'Yes', please state the effective date: _____

(3) Did your auditor ever suggest you to change your valuation policy?

Yes ☐ No ☐

39. IAS-4 prescribes about depreciation accounting of long lived assets other than land. Though this IAS has been merged with IAS 16, yet the summary of the guide lines for depreciation accounting are as follows:

(1) Long-lived assets other than land are depreciated on a systematic basis over their useful lives.
(2) Depreciation base is cost less estimated residual value.
(3) The depreciation method should reflect the pattern in which the asset's economic benefits are consumed by the enterprise.
(4) If assets are revalued, depreciation is based on the revalued amount.
(5) The useful life should be reviewed periodically and any change should be reflected in the current period and prospectively.
(6) Significant costs to be incurred at the end of an asset's useful life should either be reflected by reducing the estimated residual value or by charging the amount as an expense over the life of the asset.

To what extent do you think that your depreciation policy accommodates all these guidelines?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

40. Did you ever revalue your Property, Plant and Equipments?

☐ Yes ☐ No

If your answer is 'Yes', please give answer to the question # (1) to (4), otherwise skip.

(1) Please state the name of assets revalued:

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Assets: value of which increased: (i) _____ (ii) _____
Assets: value of which decreased: (i) _____ (ii) _____

(2) Who are the persons involved in this revaluation process?

☐ External Auditor;

☐ Management Personnel;

☐ Professional Appraiser;

☐ Other, please specify: _____

(3) What are the consequences of this revaluation (increase/decrease)?

☐ Increase in capital reserve, issuance of Bonus Shares or decrease in reserve;

☐ Increase in depreciation, increase in production costs and vise versa;

☐ Reveal true and fair view of fixed assets;

(4) Do you support the practice of revaluation of assets?

☐ Yes ☐ No

41. Do depreciation as per your policy and depreciation as per income tax law differs?

☐ Yes ☐ No

If your answer is 'Yes', please give answer to the question # (1) to (3), otherwise skip.

(1) Do you maintain any provision for the difference in profit due to difference in depreciation?

☐ Yes ☐ No

(2) If the above answer is 'yes', which method do you follow in calculating this provision?

☐ Deferral method ☐ Liability method

(3) Does your tax accounting differ from the guidelines laid down in IAS-12?

☐ Yes ☐ No

42. Do you have any Research and Development Costs?

☐ Yes ☐ No

If your answer is 'Yes', please give answer to the question # (1) and (2), otherwise skip.

(1)How do you treat this Research and Development Costs in Accounting?

☐ As capital expenditure☐ As revenue expenditure

(2)Does your present practice differ from IAS-9 (merged with IAS 38)?

☐ Yes ☐ No

43. Does your organization have related parties as defined by the IAS 24?

☐ Yes ☐ No

If your answer is 'Yes', please give answer to the question # (1) and (2), otherwise skip.

(1) To what extent do you think that the disclosure of 'nature of relationship' and 'nature and amount of transactions' with the related parties have material impact on the users of financial statements users?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(2) Do your financial statements comply with the disclosure requirement of IAS 24?

☐ Yes ☐ No

44. Does your organization have any asset acquired under lease agreement?

☐ Yes ☐ No

If your answer is 'Yes', please give answer to the question # (1) to (4), otherwise skip.

(2) Do you have the purchase option at the end of the lease period?

☐ Yes ☐ No

(3) Does your present practice different from prescribed practice as per IAS-17?

☐ Yes ☐ No

(4) Do you support adoption of IAS-17 in Bangladesh by the concerned authority?

☐ Yes ☐ No

45. (1) Have your organization any 'business segment' and/or 'geographical segment' as defined by the IAS-14?

☐ Yes ☐ No

(2) If the answer to the above question is 'Yes', does your present practice as regards segment reporting different from the disclosure requirement of IAS-14?

☐ Yes ☐ No

46. Do you have any borrowing costs?

☐ Yes ☐ No

If your answer is 'Yes', give answer to the question # (1) and (2), otherwise skip.

(1) What is the purpose of your borrowing?

☐ Provide working capital;
☐ Purchase/development of fixed asset;
☐ Other purpose

(2) How do you treat the borrowing costs?

☐ Expensed against revenue
☐ Capitalized with the fixed assets

47. Does your organization have any subsidiary/subsidiaries as defined in IAS-27?

☐ Yes ☐ No

If your answer is 'Yes', please give answer to the questions # (1) and (2), otherwise skip.

(1) What percent of ownership of the subsidiary/subsidiaries do you have?

☐ Below 50% ☐ More than 50%

(2) Do you prepare consolidated financial statements for external reporting?

☐ Yes ☐ No

48. Do you have any ownership i.e., investment in other company/companies (other than investment in subsidiaries, if any)?

☐ Yes ☐ No

If your answer is 'Yes', please give answer to the questions # (1) and (2), otherwise skip.

(1) What type of influence do you have in the decision making process of the investee company/companies?

☐ Significant ☐ Insignificant ☐ Not at all

(2) Which method do you follow for your investment in other company/companies?

☐ Cost method ☐ Equity method

49. (1) Did your organization ever combine two or more companies in the past?

☐ Yes ☐ No

(3) To what extent there is a possibility to combine your organization with other organization(s) in the foreseeable future?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-D: Impediments of IASs adoption

50. The business organizations in Bangladesh never wanted IASs, because they do not know how IASs can bring benefits to them. As a result of ignorance about the benefits of IASs, they were never interested to adopt IASs on their own. It is simply imposed on them by the SEC.

To what extent do you agree with this statement?

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1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

51. The local investors in Bangladesh are not so responsive and sensitive to the financial information/reporting in taking investment decision. As a result the demand for disclosure of financial information was never created in Bangladesh.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

52. The IASs require a congenial and stable socio-econo-political environment for their proper adoption. At the same time, the stability of the capital markets and money markets in any country is greatly depends on the following three principles: (a) good corporate governance; (b) good auditing; and (c) good financial reporting.

(i) To what extent do you agree with this statement that a stable socio-econo-political environment is present in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with this statement that an environment of good corporate governance prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with this statement that a good auditing practice prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with this statement that after the enforcement of IASs by the SEC, there exists a good financial reporting by the listed companies in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

53. The people of Bangladesh are very much fatalistic. People with this attitude generally depend on luck. In most of the cases they take investment decision arbitrarily rather than rationally. In the word of scholars, 'If the dominant belief is that there is no control over events of life in general, then there is little need for planning, budgeting, performance evaluation of other means of control.' In this situation, to what extent do you agree with the statement that it is very difficult to use a highly sophisticated accounting device like IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

54. Culturally the people of Bangladesh are secretive. Moreover the people of business community think that disclosure of financial information means disclosure of their 'secret of successes. In the word of intellectuals, 'where the people are secretive, they are not likely to provide more information to others.'

To what extent do you agree with the statement that this type of way of thinking is an impediment on the way to successful implementation of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

55. It is alleged that many business enterprises maintains two or three sets of accounts. For example, one for external financial reporting, one for loan application one for income tax purpose etc. These reports are also authenticated by the external auditors. Certainly, some ill motives and interests are active at the back of this malpractice.

To what extent do you agree with the statement that the above allegation is true?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

56. Bangladesh is highly instable from political and economic point of view. According to a scholar, *"... in general, economic instability tends to result in more conservative accounting practices ..."* But IASs emphasize on disclosure of financial information. Another scholar said, *"The IAS (specifically about IAS-30) requires a congenial economic and socio-political condition. In the absence of macro-economic stability, frequent changes in exchange rates, banks cannot function properly."*

So, to what extent do you agree with the statement that lack of a friendly and stable econo-political environment is an important impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

57. Auditors' independence is one of the important preconditions for implementation of IASs in any country. But the situations prevailing in Bangladesh are not congenial for independent professional opinion regarding financial statements of a company.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

58. Apart from all other problems, an important problem with the business enterprises in adopting IASs is the shortage of skilled accounts personnel.
In this situation, to what extent do you agree with the statement that the most of the business enterprises are suffering from shortage of skilled accounts personnel?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

59. The internal environment (organizational structure, skilled manpower, internal audit system, good corporate governance etc.) of the business organizations of Bangladesh are not IASs friendly.
To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

60. IASs are suitable for semi-strong form of capital market. But the capital markets of Bangladesh are not efficient in the semi-strong form. So, without developing the capital market to semi-strong form, it is an unnecessary endeavor to adopt IASs in Bangladesh.
In this situation, to what extent do you agree with the statement that the inefficient capital market is an impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part E: Reaction of the Accounts Preparers

61. When you first came to know that the SEC has made IASs mandatory for the listed companies, you became very pleased because it was expected and you were waiting for the moment.
To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

62. IASs are sophisticated and specialized accounting devices. Sufficient time is required to form a ground for its implementation. You were allowed by the regulating authority sufficient time in this regard before making those (IASs) mandatory for your organization.
To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

63. To comply with the IASs in preparing financial statements existing set of manpower (accounts personnel) is not sufficient. i.e., additional skilled staff is required for this purpose.
To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

64. Do you solicit any guidance from the ICAB and/or the SEC on IASs for their implementation?

☐ Yes ☐ No

If your answer to the above question is Yes, please specify (by ranking) how can ICAB and/or SEC can help you:

No.	Action	Rank
1	Issuing of IASs implementation guidelines	
2	Acting as an interpretation authority on any issue of IASs in dispute	
3	Conducting training courses IASs for the accounts preparers	
4	Monitoring the implementation aspect of IASs	
5	Taking necessary legal proceedings for non-compliance with IASs	

6	Receiving allegations on financial reports from the concerned people and taking necessary action against the specific company.	
7	Others, please specify (use extra sheet, if necessary):	

65. It is argued that implementation of IASs in Bangladesh has multi facet benefits. For example: it makes inter company and/or inter year comparison justified, it ensures reliability and transparency of financial information, it attracts foreign investment, it reduces cost of fund procurement, it reduces risk, reporting standard will reach at international norm, etc. In view of the above:
(i) To what extent do you agree with the statement that your organization will be benefited from adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that the country as a whole will be benefited from adoption of IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

66. To what extent do you agree with the statement that your subordinates (2nd line or 3rd line Accounts Officers) are in parity with you as regards adoption of IASs in your organization?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

67. To what extent do you agree with the statement that your superiors (board of directors or CFO) support and cooperate to adopt IASs in your organization?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

68. Mr. Anwaruddin Chowdhury, FCA, written in a commentary (published in *'the Bangladesh Accountant'*, Oct-Dec issue 1999), "Lack of knowledgeability and familiarization with the IASs on the part of preparers and auditors of financial statements is an impediment to ensure proper application of the standards in the preparation and audit of financial information."
To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

69. Application of IASs for financial reporting is mandatory as per the Securities and Exchange Rules 1987. Proper interpretations and specific implementation guide lines must be issued by the appropriate authority for their successful adoption.
To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-F: Degree of Compliance

70. Para-11 of IAS-1 (revised 1997) states, *"An enterprise whose financial statements comply with International Accounting Standards should disclose the fact. Financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation of the Standing Interpretations Committee."*
In Bangladesh, auditor's report of the listed companies contains (among other things) a statement like, *"... ... ... the Financial Statements as prepared by the company in due conformance with the IASs adopted by the ICAB ... ..."* In view of the above, we can come to a general conclusion that there is no doubt about the compliance of the financial statements with IASs in Bangladesh.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

71. Para-24 of the Framework for the Preparation and Presentation of Financial Statements states, *"Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability."*
To what extent do you agree with the statement that the published financial statements in Bangladesh contain all the above four qualitative characteristics?

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1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

72. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-G: Proposed ways of IASs implementation

73. As a long-term strategy, action plan should be taken to produce skilled human resources. To do these, IASs should be made an integral part of accounting education of the country.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

74. Motivational measures (seminars, symposiums, workshops etc.) taking listed companies as the target group will improve the degree of IASs implementation. The SEC, the ICAB and the ICMAB (either individually or jointly) can perform this job.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

75. Well-designed organization structure and well designed accounting system are other important preconditions of IASs implementation in any country. A regulatory body like SEC should take the responsibility to issue necessary guidelines so that the limited companies can design their accounting system keeping harmony with the IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

76. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

77. Somebody demands to establish a monitoring and implementation cell under the SEC to look after the compliance of financial reports of the listed companies with IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

78. When the business organizations will realize the benefits of IASs on their own, they will go for voluntary implementation of IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

79. When the benefits of IASs will be understood by somebody other than the business organizations, voluntary implementation will not take place. In this situation legal enforcement of IASs will distort the spirit of IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

80. Development of national accounting standards like India and Sri Lanka for the domestic companies within the framework of IASs will be more effective than their (IASs) enforcement in Bangladesh. In this situation the foreign listed/unlisted companies may be allowed to follow IASs or accounting standards of their own countries.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

102. Please pass your comments about the research topic and the questionnaire. Your valued comment might give a direction to further research in this area. (*please use extra sheet if necessary*)._____

Thank you very much

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Department of Accounting
University of Dhaka
Research Title: **International Accounting Standards: A Study of Their Implications for Accounting Practices in Bangladesh**

Set-B: Questionnaire for Professionals

Part - A: Respondent's Profile

1. Name of the Respondent (Optional): _____
2. Organization/Institution: _____
3. Position Held: ☐ Chief Financial Officer ☐ 2nd Line Officer ☐ 3rd Line Officer
4. Academic Qualifications (*please tick off the highest one*): ☐Under Graduate ☐Graduate ☐Post Graduate ☐Others (*please specify*): _____
5. Professional Qualifications: ☐ACA ☐FCA ☐ACMA ☐FCMA ☐Others (*please specify*): _____ ☐ Others
6. Please specify which one of the following age group do you belong to:
   - 6.1 Below 25 years ☐
   - 6.2 25 years to 30 years ☐
   - 6.3 31 years to 40 years ☐
   - 6.4 41 years to 50 years ☐
   - 6.5 51 years and above ☐
7. Please state your basic discipline of education:
   - 7.1 Business/Commerce ☐
   - 7.2 Arts ☐
   - 7.3 Science ☐
8. Please specify the period of your experience in the field of your present occupation (*consider your previous accounts related jobs also*) as stated in 3 above:
   - 8.1 Up to 5 years ☐
   - 8.2 6 to 10 years ☐
   - 8.3 11 to 15 years ☐
   - 8.4 Above 15 years ☐
9. Please specify the period of your working experience in or acquaintance with (as the case may be) International Accounting Standards (IASs) from the view point of your present position:
   - 9.1 Up to 2 years ☐
   - 9.2 3 to 4 years ☐
   - 9.3 5 to 10 years ☐
   - 9.4 Above 10 years ☐
10. Would you please specify the state of your up gradation regarding IASs through Continuing Professional Education (CPE) administered by the ICAB and the ICMAB?
    - 10.1 Adequately up graded ☐
    - 10.2 Moderately up graded (workable standard) ☐
    - 10.3 Requires further up gradation (not workable standard) ☐
    - 10.4 Not applicable to me ☐

Part - B: Present Implementation Process of IASs

Acceptance Process

14. At present, a committee named 'Research and Technical Committee' under the ICAB is working to give acceptance to the IASs for adoption in Bangladesh. The committee comprises of thirteen members and all of them are Chartered Accountants. *[Here it may be noted that in many countries (the USA, the UK, India, Sri Lanka etc.) of the world, different concerned groups like professional accountants, bank representatives, academicians, employed accountants, representatives from chamber of commerce and industry, representatives from different regulatory bodies etc. are involved in the development and/or acceptance process of accounting standards].* In view of the above:

(i) To what extent do you agree with the statement that different interest-groups (regulators, other professional accountants like CMAs, non-professional preparers & trainers, regulated, business communities, institutional users of financial statements etc.) could have some contribution in accepting and/or developing accounting standards if they were allowed to participate in the above committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you support the composition of the present committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the present process followed by the ICAB is an appropriate way of giving acceptance to the IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

15. According to the Section-12(2) of the Securities and Exchange Rules 1987, *'the financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.'* That is, the Securities and Exchange Commission (SEC) does not participate in the IASs acceptance process. All responsibilities lie with the ICAB. But the SEC is the only regulatory body in Bangladesh enforcing IASs for the listed companies. Here it may be noted that the US SEC does not participate in the accounting standards development process also. Because the US have a strong and independent standards setting body like FASB. In this situation:

(i) To what extent do you agree with the statement that the stand of the SEC in the process of IASs acceptance is appropriate?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that in the absence of an independent accounting standards setting body in Bangladesh, the SEC should have an active participation in the IASs acceptance process?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

16. A professional accountant of Bangladesh written in a paper on IAS-30, 'At current stage, supervisory and control procedures executed by Bangladesh Bank is unilateral. Bangladesh Bank imposes regulations and these regulations may often change. These create problems to assert as they required. There should be bilateral consultation for setting policies for the schedule banks by the Bangladesh Bank.'

(i) To what extent do you agree with the statement that the present unilateral process of adopting IAS-30 by the Bangladesh bank is a proper way?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that a bilateral process, between Bangladesh bank and other scheduled banks along with other financial institutions, of accepting and adopting IAS-30 in preparing financial statement will be more effective from implementation point of view?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

17. According to their circular dated 5th October 2000, the ICAB has adopted 23 IASs (of which 19 are currently effective) out of total 40 IASs (of which 36 are currently effective) as Bangladesh Accounting Standards (BAS).

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To what extent do you agree with the statement that this partial acceptance indicates the unsuitability of all the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

18. The ICAB gives acceptance to the IASs. These IASs are applied to the listed companies. Members of the ICAB are appointed as external auditors of these listed companies. So there exists a relation of financial interest between listed companies and the auditors. In such a situation, any accounting rules accepted or set by the ICAB members only may be biased.

To what extent do you agree with the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

19. To what extent do you agree with the statement that the members of the standards accepting body should be independent of any financial or non-financial benefits from the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Application Process

20. The SEC made IASs (as adopted by the ICAB) mandatory for the listed companies during the year 1997 by the Securities and Exchange Rules 1987. IASs are very much technical and sophisticated accounting devices. It is alleged that through a unilateral process of acceptance and adoption these (IASs) have been imposed by the SEC on the business houses. In this situation,

(i) To what extent the decision of the SEC was welcoming to you?

I	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent are you well equipped with sufficient manpower to adopt IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent did you welcome the decision of the SEC to make IASs obligatory by law for the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with the statement that without assessing the users' need, this unilateral legal enforcement of IASs may induce the negative motivation of their (IASs) users'?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

21. Bangladesh Bank has made IAS-30 mandatory for all the scheduled banks (both listed and unlisted banks) in preparing their financial statements. It is also alleged that Bangladesh Bank has also unilaterally imposed IAS-30 on the schedule banks.

To what extent do you agree with this statement that this unilateral legal enforcement by Bangladesh Bank might have a negative motivational impact on the management of the banks regarding application of IASs especially IAS-30?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

22. At present IASs has got legal enforceability by the Securities and Exchange Rules 1987. Some professional accountants demand for professional enforceability by amending the Bangladesh Chartered Accountants Bye-laws 1973 to ensure mandatory observance of the adopted standards by all its members irrespective of whether one is engaged in practice, service or business.

To what extent do you agree with the above demand?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

23. Many concerned personnel believe that voluntary application of IASs might be more effective than mandatory application to mitigate distortion of IASs.

To what extent do you support the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Monitoring Process

24. Since the SEC is the regulatory authority, its responsibility is to frame rules and at the same time to ensure the proper application of the rules. The SEC has made IASs mandatory for the listed companies in preparing financial reports. But it has no separate implementation and monitoring cell

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to look after the issues of IASs application. Till to date, there exists no evidence of taking legal proceedings by the SEC against any listed company for non-compliance with IASs. In view of the above:

(i) To what extent do you agree with the statements that mere framing rules signify nothing if the enforcement aspect of the rules is over looked?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) Since ICAB is monitoring the matter, the SEC thinks that it is unnecessary for them to look after the implementation aspect of IASs. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the SEC do not have sufficient skilled manpower to look after the implementation aspect of IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

25. Bangladesh Bank is the regulator of banking sector. It has a separate branch control division to monitor the activities of banks.

To what extent do you agree with the statement that the officers in the audit team are well equipped and well trained to ensure the implementation of IASs (especially IAS-30) in the banking sector?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

26. The ICAB has the legal responsibility to look after the implementation aspect of IASs (compliance with IASs) in external financial reporting by the issuers through its members i.e., auditors. Accordingly the auditors certify that the financial statements are complied with IASs.

To what extent do you believe that that this report is the perfect reflection of status of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

27. To what extent do you support the establishment of an *Implementation and Monitoring Cell* under the framework of SEC to supervise and monitor the implementation aspect of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

28. To what extent do you support the legal proceedings against the listed companies for non-compliance with IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Development of local standards

29. To what extent do you agree with the statement that most of the users of financial statements are indifferent between *having* or *not having* the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

30. To what extent do you agree with the statement that accounting standards are need to be developed at national level keeping the socio-econo-cultural environment in mind rather implementing IASs directly?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

31. To what extent do you support the establishment of a strong and independent accounting standards setting body like many other countries (India, Sri Lanka, the USA, The UK etc.) to develop local accounting standards keeping the IASs in mind as a guideline?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

32. It is alleged that the application of IASs are being distorted in Bangladesh because of their mandatory implementation. So, it will give better output if IASs are opened for voluntary implementation. At the same time the local standards developed as per the proposed body in the above question may be made mandatory. In view of the above:

(i) To what extent do you support IASs for voluntary implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent support the local standard for compulsory implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Cost-benefit impact of IASs:

33. What are the additional costs do you incur to implement IASs in your enterprise?

Serial No.	Costs	Incur	Do not incur
1	Appointment for additional skilled accounts personnel	☐	☐
2	Increased audit fee	☐	☐
3	Cost for redesigning the accounting system	☐	☐
4	Costs for trained up the existing accounts personnel	☐	☐
5	Costs for additional work load	☐	☐
6	Others: (*please specify and use extra sheet if necessary*)	☐	☐

34. What are the benefits of adopting IASs in Bangladesh? [*Please rank* (like 1st, 2nd, 3rd etc.) *the following benefits*]

Sl. No.	Benefits of adopting IASs in Bangladesh	Rank
1	Investors can safely rely on the IASs based Financial Statements (FS). As a result an enterprise can easily procure fund from the capital market at minimum costs.	
2	The financial statements of Bangladesh has got acceptability in the international arena;	
3	Foreign Direct Investment (FDI) has increased significantly after adopting IASs in Bangladesh;	
4	Adoption of IASs has enhanced the understandability, transparency and comparability of financial statements than it was in the past. As a result its utility has increased both to the local and foreign investors in taking investment decisions;	
5	Bangladesh has got a readymade set of accounting standards of international type and hence incurred no costs for standards setting;	
6	Professional accountants of Bangladesh have got the opportunity to attain the quality in accounting service at international norm. They are now quite competent to serve internationally.	
8	Adoption of IASs in Bangladesh will facilitate the Bangladeshi companies to raise fund from foreign capital markets in near future;	
9	After adoption of IASs in Bangladesh, participation of foreign investors in the capital market has been increased;	
10	Other: (*please specify and use extra sheet if necessary*)	

35. Do you agree with the statement that the benefits (either in monetary or non-monetary form) derived from adoption of IASs are greater than the costs for implementing IASs?

☐ Yes ☐ No

Part C: Relevancy of IASs:

36. Please tick off (☑) the appropriate box of the following table:

Accounting Issues Requiring Standards Treatment	What is your opinion about the presence of the issue in different enterprises?			
	Common to all	*Common t Some*	*Very Rare*	*Totally absent*
1. Presentation of financial statements: Balance sheet, Income statement, Cash flow statement, Statement showing changes in equity (IAS-1)	☐	☐	☐	☐
2. Preparation of Value Added Statement	☐	☐	☐	☐
3. Inventories and their valuation (IAS-2)	☐	☐	☐	☐

5. Disclosure of net profit or loss for the period and their adjustment for fundamental errors and changes in accounting policies (IAS-8)	☐	☐	☐	☐
6. Disclosure of events occurred between the balance sheet date and the reporting date (IAS-10)	☐	☐	☐	☐
7. Accounting for enterprises involved in construction contracts (IAS-11)	☐	☐	☐	☐
8. Accounting for income taxes as well as maintaining deferred tax provision on timing differences (IAS-12)	☐	☐	☐	☐
9. Reporting by business segment and by geographical segment (IAS-14)	☐	☐	☐	☐
10. Disclosure of information reflecting the effects of changing prices (IAS-15)	☐	☐	☐	☐
11. Measurement and recognition of Property, Plant & Equipment along with their depreciation (IAS-16)	☐	☐	☐	☐
12. Accounting for and disclosure of leased assets (IAS-17)	☐	☐	☐	☐
13. Recognition and measurement of revenue (IAS-18)	☐	☐	☐	☐
14. Accounting for post employment benefits including pensions and their disclosure (IAS-19)	☐	☐	☐	☐
15. Accounting for disclosure and recognition of government grants and assistance (IAS-20)	☐	☐	☐	☐
16. Accounting for effects of changes in foreign exchange rates (IAS-21)	☐	☐	☐	☐
17. Accounting for business combinations (IAS-22)	☐	☐	☐	☐
18. Accounting for borrowing costs (IAS-23)	☐	☐	☐	☐
19. Disclosures of nature and amount of transactions with the related parties (IAS-24)	☐	☐	☐	☐
20. Accounting and Reporting by Retirement Benefit Plans (IAS-26)	☐	☐	☐	☐
21. Preparation of consolidated financial statements for holding company and its subsidiaries (IAS-27)	☐	☐	☐	☐
22. Accounting for investments in associate companies (IAS-28)	☐	☐	☐	☐
23. Preparation of financial statements in hyperinflationary environment (IAS-29)	☐	☐	☐	☐
24. Preparation of financial statements of specialized enterprises like banks and similar financial institutions (IAS-30)	☐	☐	☐	☐
25. Accounting for interests in jointly controlled operations or assets or entities and their reporting (IAS-31)	☐	☐	☐	☐
26. Disclosure and presentation of financial instruments (IAS-32)	☐	☐	☐	☐

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27. Determination of earnings per share (IAS-33)	☐	☐	☐	☐
28. Preparation of financial statements for interim reporting (IAS-34)	☐	☐	☐	☐
29. Accounting for discontinuing a business operations (IAS-35)	☐	☐	☐	☐
30. Accounting for and disclosure of impairment of assets (IAS-36)	☐	☐	☐	☐
31. Provisions, Contingent Liabilities and Contingent Assets	☐	☐	☐	☐
32. Accounting for intangible assets including goodwill, research and development costs etc. (IAS-38)	☐	☐	☐	☐
33. Recognition and measurement of financial instruments (IAS-39)	☐	☐	☐	☐
34. Accounting for and disclosure of investment property (IAS-40)	☐	☐	☐	☐
35. Accounting treatment, financial statement presentation and disclosures related to agricultural activity (IAS-41)	☐	☐	☐	☐

37. Did you ever observe any contradiction (regarding accounting treatments, measurement of assets and liabilities, disclosure requirements, accounting terminologies etc.) between the provisions/requirements of IASs, the Companies Act 1994, the Securities and Exchange Rules 1987 or any other local laws/rules in preparing financial statements for external reporting purpose?

☐ Yes ☐ No

If your answer to the above question is 'yes', please specify the nature of contradiction (use extra sheet if necessary):_____

Part-D: Impediments of IASs adoption

50. The business organizations in Bangladesh never wanted IASs, because they do not know how IASs can bring benefits to them. As a result of ignorance about the benefits of IASs, they were never interested to adopt IASs on their own. It is simply imposed on them by the SEC.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

51. The local investors in Bangladesh are not so responsive and sensitive to the financial information/reporting in taking investment decision. As a result the demand for disclosure of financial information was never created in Bangladesh.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

52. The IASs require a congenial and stable socio-econo-political environment for their proper adoption. At the same time, the stability of the capital markets and money markets in any country is greatly depends on the following three principles: (a) good corporate governance; (b) good auditing; and (c) good financial reporting.

(i) To what extent do you agree with this statement that a stable socio-econo-political environment is present in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with this statement that an environment of good corporate governance prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with this statement that a good auditing practice prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with this statement that after the enforcement of IASs by the SEC, there exists a good financial reporting by the listed companies in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

53. The people of Bangladesh are very much fatalistic. People with this attitude generally depend on luck. In most of the cases they take investment decision arbitrarily rather than rationally. In the word of scholars, 'If the dominant belief is that there is no control over events of life in general, then there is little need for planning, budgeting, performance evaluation of other means of control.' In this situation, to what extent do you agree with the statement that it is very difficult to use a highly sophisticated accounting device like IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

54. Culturally the people of Bangladesh are secretive. Moreover the people of business community think that disclosure of financial information means disclosure of their 'secret of successes. In the word of intellectuals, 'where the people are secretive, they are not likely to provide more information to others.'

To what extent do you agree with the statement that this type of way of thinking is an impediment on the way to successful implementation of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

55. It is alleged that many business enterprises maintains two or three sets of accounts. For example, one for external financial reporting, one for loan application one for income tax purpose etc. These reports are also authenticated by the external auditors. Certainly, some ill motives and interests are active at the back of this malpractice.

To what extent do you agree with the statement that the above allegation is true?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

56. Bangladesh is highly instable from political and economic point of view. According to a scholar, "... *in general, economic instability tends to result in more conservative accounting practices ...*" But IASs emphasize on disclosure of financial information. Another scholar said, *"The IAS (specifically about IAS-30) requires a congenial economic and socio-political condition. In the absence of macro-economic stability, frequent changes in exchange rates, banks cannot function properly."*

So, to what extent do you agree with the statement that lack of a friendly and stable econo-political environment is an important impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

57. Auditors' independence is one of the important preconditions for implementation of IASs in any country. But the situations prevailing in Bangladesh are not congenial for independent professional opinion regarding financial statements of a company.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

58. Apart from all other problems, an important problem with the business enterprises in adopting IASs is the shortage of skilled accounts personnel.

In this situation, to what extent do you agree with the statement that the most of the business enterprises are suffering from shortage of skilled accounts personnel?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

59. The internal environment (organizational structure, skilled manpower, internal audit system, good corporate governance etc.) of the business organizations of Bangladesh are not IASs friendly.58

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To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

60. IASs are suitable for semi-strong form of capital market. But the capital markets of Bangladesh are not efficient in the semi-strong form. So, without developing the capital market to semi-strong form, it is an unnecessary endeavor to adopt IASs in Bangladesh.
In this situation, to what extent do you agree with the statement that the inefficient capital market is an impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-F: Degree of Compliance

70. Para-11 of IAS-1 (revised 1997) states, *"An enterprise whose financial statements comply with International Accounting Standards should disclose the fact. Financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation of the Standing Interpretations Committee."*
In Bangladesh, auditor's report of the listed companies contains (among other things) a statement like, *"... ... ... the Financial Statements as prepared by the company in due conformance with the IASs adopted by the ICAB... ... ."* In view of the above, we can come to a general conclusion that there is no doubt about the compliance of the financial statements with IASs in Bangladesh.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

71. Para-24 of the Framework for the Preparation and Presentation of Financial Statements states, *"Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability."*
To what extent do you agree with the statement that the published financial statements in Bangladesh contain all the above four qualitative characteristics?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

72. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-G: Proposed ways of IASs implementation

73. As a long-term strategy, action plan should be taken to produce skilled human resources. To do these, IASs should be made an integral part of accounting education of the country.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

74. Motivational measures (seminars, symposiums, workshops etc.) taking listed companies as the target group will improve the degree of IASs implementation. The SEC, the ICAB and the ICMAB (either individually or jointly) can perform this job.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

75. Well-designed organization structure and well-designed accounting system are other important preconditions of IASs implementation in any country. A regulatory body like SEC should take the responsibility to issue necessary guidelines so that the limited companies can design their accounting system keeping harmony with the IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

76. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

77. Somebody demands to establish a monitoring and implementation cell under the SEC to look after the compliance of financial reports of the listed companies with IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

78. When the business organizations will realize the benefits of IASs on their own, they will go for voluntary implementation of IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

79. When the benefits of IASs will be understood by somebody other than the business organizations, voluntary implementation will not take place. In this situation legal enforcement of IASs will distort the spirit of IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

80. Development of national accounting standards like India and Sri Lanka for the domestic companies within the framework of IASs will be more effective than their (IASs) enforcement in Bangladesh. In this situation the foreign listed/unlisted companies may be allowed to follow IASs or accounting standards of their own countries.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

102. Please pass your comments about the research topic and the questionnaire. Your valued comment might give a direction to further research in this area. (*Please use extra sheet if necessary*)_____

_____

Thank you very much.

----------XXXX----------

Dhaka University Institutional Repository

Department of Accounting

University of Dhaka

Research Title: **International Accounting Standards: A Study of Their Implications for Accounting Practices in Bangladesh**

Set-C: Questionnaire for Regulators

Part - A: Respondent's Profile

1. Name of the Respondent (Optional): _____
2. Organization/Institution: _____
3. Position Held: _____
4. Academic Qualifications (*please tick off the highest one*): ☐Under Graduate ☐Graduate ☐Post Graduate ☐Others (*please specify*):_____
5. Professional Qualifications: ☐ACA ☐FCA ☐ACMA ☐FCMA ☐Others (*please specify*): _____ ☐ Others
6. Please specify which one of the following age group do you belong:
   - 6.1 Below 25 years ☐
   - 6.2 25 years to 30 years ☐
   - 6.3 31 years to 40 years ☐
   - 6.4 41 years to 50 years ☐
   - 6.5 51 years and above ☐
7. Please state your basic discipline of education:
   - 7.1 Business/Commerce ☐
   - 7.2 Arts ☐
   - 7.3 Science ☐
8. Please specify the period of your experience in the field of your present occupation as stated in 3 above:
   - 8.1 Up to 5 years ☐
   - 8.2 6 to 10 years ☐
   - 8.3 11 to 15 years ☐
   - 8.4 Above 15 years ☐
9. Please specify the period of your working experience in or acquaintance with (as the case may be) International Accounting Standards (IASs) from the view point of your own position:
   - 9.1 Up to 5 years ☐
   - 9.2 6 to 10 years ☐
   - 9.3 11 to 15 years ☐
   - 9.4 Above 15 years ☐

10A. Would you please specify the category you belong to by ticking off the appropriate box:
   - 10A.1 Enact ants ☐
   - 10A.2 Registrar of Joint Stock Companies ☐
   - 10A.3 Controller of Capital Issues ☐
   - 10A.4 Chairman/member of SEC ☐
   - 10A.5 Executive/council member of ICAB ☐
   - 10A.6 Executive/council member of ICMAB ☐
   - 10A.7 Dhaka/Chittagong Stock Exchange ☐
   - *10A.8* International Financial Agencies ☐

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Part - B: Present Implementation Process of IASs

Acceptance Process

14. At present, a committee named 'Research and Technical Committee' under the ICAB is working to give acceptance to the IASs for adoption in Bangladesh. The committee comprises of thirteen members and all of them are Chartered Accountants. *[Here it may be noted that in many countries (the USA, the UK, India, Sri Lanka etc.) of the world, different concerned groups like professional accountants, bank representatives, academicians, employed accountants, representatives from chamber of commerce and industry, representatives from different regulatory bodies etc. are involved in the development and/or acceptance process of accounting standards].* In view of the above:

(i) To what extent do you agree with the statement that different interest-groups (regulators, other professional accountants like CMAs, non-professional preparers & trainers, regulated, business communities, institutional users of financial statements etc.) could have some contribution in accepting and/or developing accounting standards if they were allowed to participate in the above committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you support the composition of the present committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the present process followed by the ICAB is an appropriate way of giving acceptance to the IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

15. According to the Section-12(2) of the Securities and Exchange Rules 1987, *'the financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.'* That is, the Securities and Exchange Commission (SEC) does not participate in the IASs acceptance process. All responsibilities lie with the ICAB. But the SEC is the only regulatory body in Bangladesh enforcing IASs for the listed companies. Here it may be noted that the US SEC does not participate in the accounting standards development process also. Because the US have a strong and independent standards setting body like FASB. In this situation:

(i) To what extent do you agree with the statement that the stand of the SEC in the process of IASs acceptance is appropriate?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that in the absence of an independent accounting standards setting body in Bangladesh, the SEC should have an active participation in the IASs acceptance process?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

16. A professional accountant of Bangladesh written in a paper on IAS-30, 'At current stage, supervisory and control procedures executed by Bangladesh Bank is unilateral. Bangladesh Bank imposes regulations and these regulations may often change. These create problems to assert as they required. There should be bilateral consultation for setting policies for the schedule banks by the Bangladesh Bank.'

(i) To what extent do you agree with the statement that the present unilateral process of adopting IAS-30 by the Bangladesh bank is a proper way?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that a bilateral process, between Bangladesh bank and other scheduled banks along with other financial institutions, of accepting and adopting IAS-30 in preparing financial statement will be more effective from implementation point of view?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

17. According to their circular dated 5th October 2000, the ICAB has adopted 23 IASs (of which 19 are currently effective) out of total 40 IASs (of which 36 are currently effective) as Bangladesh Accounting Standards (BAS).

To what extent do you agree with the statement that this partial acceptance indicates the unsuitability of all the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

18. The ICAB gives acceptance to the IASs. These IASs are applied to the listed companies. Members of the ICAB are appointed as external auditors of these listed companies. So there exists a relation of financial interest between listed companies and the auditors. In such a situation, any accounting rules accepted or set by the ICAB members only may be biased.

To what extent do you agree with the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

19. To what extent do you agree with the statement that the members of the standards accepting body should be independent of any financial or non-financial benefits from the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Application Process

20. The SEC made IASs (as adopted by the ICAB) mandatory for the listed companies during the year 1997 by the Securities and Exchange Rules 1987. IASs are very much technical and sophisticated accounting devices. It is alleged that through a unilateral process of acceptance and adoption these (IASs) have been imposed by the SEC on the business houses. In this situation,

(i) To what extent the decision of the SEC was welcoming to you?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent are you well equipped with sufficient manpower to adopt IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent did you welcome the decision of the SEC to make IASs obligatory by law for the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with the statement that without assessing the users' need, this unilateral legal enforcement of IASs may induce the negative motivation of their (IASs) users'?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

21. Bangladesh Bank has made IAS-30 mandatory for all the scheduled banks (both listed and unlisted banks) in preparing their financial statements. It is also alleged that Bangladesh Bank has also unilaterally imposed IAS-30 on the schedule banks.

To what extent do you agree with this statement that this unilateral legal enforcement by Bangladesh Bank might have a negative motivational impact on the management of the banks regarding application of IASs especially IAS-30?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

22. At present IASs has got legal enforceability by the Securities and Exchange Rules 1987. Some professional accountants demand for professional enforceability by amending the Bangladesh Chartered Accountants Bye-laws 1973 to ensure mandatory observance of the adopted standards by all its members irrespective of whether one is engaged in practice, service or business.

To what extent do you agree with the above demand?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

23. Many concerned personnel believe that voluntary application of IASs might be more effective than mandatory application to mitigate distortion of IASs.

To what extent do you support the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

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Monitoring Process

24. Since the SEC is the regulatory authority, its responsibility is to frame rules and at the same time to ensure the proper application of the rules. The SEC has made IASs mandatory for the listed companies in preparing financial reports. But it has no separate implementation and monitoring cell to look after the issues of IASs application. Till to date, there exists no evidence of taking legal proceedings by the SEC against any listed company for non-compliance with IASs. In view of the above:

(i) To what extent do you agree with the statements that mere framing rules signify nothing if the enforcement aspect of the rules is over looked?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) Since ICAB is monitoring the matter, the SEC thinks that it is unnecessary for them to look after the implementation aspect of IASs. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the SEC do not have sufficient skilled manpower to look after the implementation aspect of IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

25. Bangladesh Bank is the regulator of banking sector. It has a separate branch control division to monitor the activities of banks.

To what extent do you agree with the statement that the officers in the audit team are well equipped and well trained to ensure the implementation of IASs (especially IAS-30) in the banking sector?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

26. The ICAB has the legal responsibility to look after the implementation aspect of IASs (compliance with IASs) in external financial reporting by the issuers through its members i.e., auditors. Accordingly the auditors certify that the financial statements are complied with IASs.

To what extent do you believe that that this report is the perfect reflection of status of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

27. To what extent do you support the establishment of an *Implementation and Monitoring Cell* under the framework of SEC to supervise and monitor the implementation aspect of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

28. To what extent do you support the legal proceedings against the listed companies for non-compliance with IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Development of local standards

29. To what extent do you agree with the statement that most of the users of financial statements are indifferent between *having* or *not having* the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

30. To what extent do you agree with the statement that accounting standards are need to be developed at national level keeping the socio-econo-cultural environment in mind rather implementing IASs directly?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

31. To what extent do you support the establishment of a strong and independent accounting standards setting body like many other countries (India, Sri Lanka, the USA, The UK etc.) to develop local accounting standards keeping the IASs in mind as a guideline?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

32. It is alleged that the application of IASs are being distorted in Bangladesh because of their mandatory implementation. So, it will give better output if IASs are opened for voluntary

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implementation. At the same time the local standards developed as per the proposed body in the above question may be made mandatory. In view of the above:

(i) To what extent do you support IASs for voluntary implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent support the local standard for compulsory implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Cost-benefit impact of IASs:

33. What are the additional costs do you incur to implement IASs in your enterprise?

Serial No.	Costs	Incur	Do not incur
1	Appointment for additional skilled accounts personnel	☐	☐
2	Increased audit fee	☐	☐
3	Cost for redesigning the accounting system	☐	☐
4	Costs for trained up the existing accounts personnel	☐	☐
5	Costs for additional work load	☐	☐
6	Others: (*please specify and use extra sheet if necessary*)	☐	☐

34. What are the benefits of adopting IASs in Bangladesh? [*Please rank* (like 1st, 2nd, 3rd etc.) *the following benefits*]

Sl. No.	Benefits of adopting IASs in Bangladesh	Rank
1	Investors can safely rely on the IASs based Financial Statements (FS). As a result an enterprise can easily procure fund from the capital market at minimum costs.	
2	The financial statements of Bangladesh has got acceptability in the international arena;	
3	Foreign Direct Investment (FDI) has increased significantly after adopting IASs in Bangladesh;	
4	Adoption of IASs has enhanced the understandability, transparency and comparability of financial statements than it was in the past. As a result its utility has increased both to the local and foreign investors in taking investment decisions;	
5	Bangladesh has got a readymade set of accounting standards of international type and hence incurred no costs for standards setting;	
6	Professional accountants of Bangladesh have got the opportunity to attain the quality in accounting service at international norm. They are now quite competent to serve internationally.	
8	Adoption of IASs in Bangladesh will facilitate the Bangladeshi companies to raise fund from foreign capital markets in near future;	
9	After adoption of IASs in Bangladesh, participation of foreign investors in the capital market has been increased;	
10	Other: (*please specify and use extra sheet if necessary*)	

35. Do you agree with the statement that the benefits (either in monetary or non-monetary form) derived from adoption of IASs are greater than the costs for implementing IASs?

☐ Yes ☐ No

Part C: Relevancy of IASs:

36. Please tick off (☑) the appropriate box of the following table:

Accounting Issues Requiring Standards Treatment	What is your opinion about the presence of the issue in different enterprises?			
	Common to all	*Common t Some*	*Very Rare*	*Totally absent*

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1.	Presentation of financial statements: Balance sheet, Income statement, Cash flow statement, Statement showing changes in equity (IAS-1)	☐	☐	☐	☐
2.	Preparation of Value Added Statement	☐	☐	☐	☐
3.	Inventories and their valuation (IAS-2)	☐	☐	☐	☐
4.	Preparation of Cash Flow Statement (IAS-7)	☐	☐	☐	☐
5.	Disclosure of net profit or loss for the period and their adjustment for fundamental errors and changes in accounting policies (IAS-8)	☐	☐	☐	☐
6.	Disclosure of events occurred between the balance sheet date and the reporting date (IAS-10)	☐	☐	☐	☐
7.	Accounting for enterprises involved in construction contracts (IAS-11)	☐	☐	☐	☐
8.	Accounting for income taxes as well as maintaining deferred tax provision on timing differences (IAS-12)	☐	☐	☐	☐
9.	Reporting by business segment and by geographical segment (IAS-14)	☐	☐	☐	☐
10.	Disclosure of information reflecting the effects of changing prices (IAS-15)	☐	☐	☐	☐
11.	Measurement and recognition of Property, Plant & Equipment along with their depreciation (IAS-16)	☐	☐	☐	☐
12.	Accounting for and disclosure of leased assets (IAS-17)	☐	☐	☐	☐
13.	Recognition and measurement of revenue (IAS-18)	☐	☐	☐	☐
14.	Accounting for post employment benefits including pensions and their disclosure (IAS-19)	☐	☐	☐	☐
15.	Accounting for disclosure and recognition of government grants and assistance (IAS-20)	☐	☐	☐	☐
16.	Accounting for effects of changes in foreign exchange rates (IAS-21)	☐	☐	☐	☐
17.	Accounting for business combinations (IAS-22)	☐	☐	☐	☐
18.	Accounting for borrowing costs (IAS-23)	☐	☐	☐	☐
19.	Disclosures of nature and amount of transactions with the related parties (IAS-24)	☐	☐	☐	☐
20.	Accounting and Reporting by Retirement Benefit Plans (IAS-26)	☐	☐	☐	☐
21.	Preparation of consolidated financial statements for holding company and its subsidiaries (IAS-27)	☐	☐	☐	☐
22.	Accounting for investments in associate companies (IAS-28)	☐	☐	☐	☐
23.	Preparation of financial statements in hyperinflationary environment (IAS-29)	☐	☐	☐	☐

24. Preparation of financial statements of specialized enterprises like banks and similar financial institutions (IAS-30)	☐	☐	☐	☐
25. Accounting for interests in jointly controlled operations or assets or entities and their reporting (IAS-31)	☐	☐	☐	☐
26. Disclosure and presentation of financial instruments (IAS-32)	☐	☐	☐	☐
27. Determination of earnings per share (IAS-33)	☐	☐	☐	☐
28. Preparation of financial statements for interim reporting (IAS-34)	☐	☐	☐	☐
29. Accounting for discontinuing a business operations (IAS-35)	☐	☐	☐	☐
30. Accounting for and disclosure of impairment of assets (IAS-36)	☐	☐	☐	☐
31. Provisions, Contingent Liabilities and Contingent Assets	☐	☐	☐	☐
32. Accounting for intangible assets including goodwill, research and development costs etc. (IAS-38)	☐	☐	☐	☐
33. Recognition and measurement of financial instruments (IAS-39)	☐	☐	☐	☐
34. Accounting for and disclosure of investment property (IAS-40)	☐	☐	☐	☐
35. Accounting treatment, financial statement presentation and disclosures related to agricultural activity (IAS-41)	☐	☐	☐	☐

37. Did you ever observe any contradiction (regarding accounting treatments, measurement of assets and liabilities, disclosure requirements, accounting terminologies etc.) between the provisions/requirements of IASs, the Companies Act 1994, the Securities and Exchange Rules 1987 or any other local laws/rules in preparing financial statements for external reporting purpose?

☐ Yes ☐ No

If your answer to the above question is 'yes', please specify the nature of contradiction (use extra sheet if necessary): _____

Part-D: Impediments of IASs adoption

50. The business organizations in Bangladesh never wanted IASs, because they do not know how IASs can bring benefits to them. As a result of ignorance about the benefits of IASs, they were never interested to adopt IASs on their own. It is simply imposed on them by the SEC.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

51. The local investors in Bangladesh are not so responsive and sensitive to the financial information/reporting in taking investment decision. As a result the demand for disclosure of financial information was never created in Bangladesh.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

52. The IASs require a congenial and stable socio-econo-political environment for their proper adoption. At the same time, the stability of the capital markets and money markets in any country is

greatly depends on the following three principles: (a) good corporate governance; (b) good auditing; and (c) good financial reporting.

(i) To what extent do you agree with this statement that a stable socio-econo-political environment is present in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with this statement that an environment of good corporate governance prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with this statement that a good auditing practice prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with this statement that after the enforcement of IASs by the SEC, there exists a good financial reporting by the listed companies in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

53. The people of Bangladesh are very much fatalistic. People with this attitude generally depend on luck. In most of the cases they take investment decision arbitrarily rather than rationally. In the word of scholars, 'If the dominant belief is that there is no control over events of life in general, then there is little need for planning, budgeting, performance evaluation of other means of control.' In this situation, to what extent do you agree with the statement that it is very difficult to use a highly sophisticated accounting device like IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

54. Culturally the people of Bangladesh are secretive. Moreover the people of business community think that disclosure of financial information means disclosure of their 'secret of successes. In the word of intellectuals, 'where the people are secretive, they are not likely to provide more information to others.'

To what extent do you agree with the statement that this type of way of thinking is an impediment on the way to successful implementation of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

55. It is alleged that many business enterprises maintains two or three sets of accounts. For example, one for external financial reporting, one for loan application one for income tax purpose etc. These reports are also authenticated by the external auditors. Certainly, some ill motives and interests are active at the back of this malpractice.

To what extent do you agree with the statement that the above allegation is true?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

56. Bangladesh is highly instable from political and economic point of view. According to a scholar, *"... in general, economic instability tends to result in more conservative accounting practices ..."* But IASs emphasize on disclosure of financial information. Another scholar said, *"The IAS (specifically about IAS-30) requires a congenial economic and socio-political condition. In the absence of macro-economic stability, frequent changes in exchange rates, banks cannot function properly."*

So, to what extent do you agree with the statement that lack of a friendly and stable econo-political environment is an important impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

57. Auditors' independence is one of the important preconditions for implementation of IASs in any country. But the situations prevailing in Bangladesh are not congenial for independent professional opinion regarding financial statements of a company.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

58. Apart from all other problems, an important problem with the business enterprises in adopting IASs is the shortage of skilled accounts personnel.

In this situation, to what extent do you agree with the statement that the most of the business enterprises are suffering from shortage of skilled accounts personnel?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

59. The internal environment (organizational structure, skilled manpower, internal audit system, good corporate governance etc.) of the business organizations of Bangladesh is not IASs friendly. To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

60. IASs are suitable for semi-strong form of capital market. But the capital markets of Bangladesh are not efficient in the semi-strong form. So, without developing the capital market to semi-strong form, it is an unnecessary endeavor to adopt IASs in Bangladesh.
In this situation, to what extent do you agree with the statement that the inefficient capital market is an impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-F: Degree of Compliance

70. Para-11 of IAS-1 (revised 1997) states, *"An enterprise whose financial statements comply with International Accounting Standards should disclose the fact. Financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation of the Standing Interpretations Committee."*
In Bangladesh, auditor's report of the listed companies contains (among other things) a statement like, *"... ... ... the Financial Statements as prepared by the company in due conformance with the IASs adopted by the ICAB... ... ."* In view of the above, we can come to a general conclusion that there is no doubt about the compliance of the financial statements with IASs in Bangladesh.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

71. Para-24 of the Framework for the Preparation and Presentation of Financial Statements states, *"Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability."*
To what extent do you agree with the statement that the published financial statements in Bangladesh contain all the above four qualitative characteristics?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

72. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-G: Proposed ways of IASs implementation

73. As a long-term strategy, action plan should be taken to produce skilled human resources. To do these, IASs should be made an integral part of accounting education of the country.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

74. Motivational measures (seminars, symposiums, workshops etc.) taking listed companies as the target group will improve the degree of IASs implementation. The SEC, the ICAB and the ICMAB (either individually or jointly) can perform this job.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

75. Well-designed organization structure and well-designed accounting system are other important preconditions of IASs implementation in any country. A regulatory body like SEC should take the

responsibility to issue necessary guidelines so that the limited companies can design their accounting system keeping harmony with the IASs.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

76. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

77. Somebody demands to establish a monitoring and implementation cell under the SEC to look after the compliance of financial reports of the listed companies with IASs.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

78. When the business organizations will realize the benefits of IASs on their own, they will go for voluntary implementation of IASs.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

79. When the benefits of IASs will be understood by somebody other than the business organizations, voluntary implementation will not take place. In this situation legal enforcement of IASs will distort the spirit of IASs.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

80. Development of national accounting standards like India and Sri Lanka for the domestic companies within the framework of IASs will be more effective than their (IASs) enforcement in Bangladesh. In this situation the foreign listed/unlisted companies may be allowed to follow IASs or accounting standards of their own countries.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

102. Please pass your comments about the research topic and the questionnaire. Your valued comment might give a direction to further research in this area. (*Please use extra sheet if necessary*)_____

_____

_____

_____

Thank you very much.

----------XXX----------

Dhaka University Institutional Repository

Department of Accounting

University of Dhaka

Research Title: **International Accounting Standards: A Study of Their Implications for Accounting Practices in Bangladesh**

Set-D: Questionnaire for Leaders of Business Houses

Part - A: Respondent's Profile

1. Name of the Respondent (Optional): _____
2. Organization/Institution: _____
3. Position Held: _____
4. Academic Qualifications (*please tick off the highest one*): ☐Under Graduate ☐Graduate ☐Post Graduate ☐Others (*please specify*):_____
5. Professional Qualifications: ☐ACA ☐FCA ☐ACMA ☐FCMA ☐Others (*please specify*): _____ ☐ Others
6. Please specify which one of the following age group do you belong:
   - 6.1 Below 25 years ☐
   - 6.2 25 years to 30 years ☐
   - 6.3 31 years to 40 years ☐
   - 6.4 41 years to 50 years ☐
   - 6.5 51 years and above ☐
7. Please state your basic discipline of education:
   - 7.1 Business/Commerce ☐
   - 7.2 Arts ☐
   - 7.3 Science ☐
8. Please specify the period of your experience in the field of your present occupation as stated in 3 above:
   - 8.1 Up to 5 years ☐
   - 8.2 6 to 10 years ☐
   - 8.3 11 to 15 years ☐
   - 8.4 Above 15 years ☐
9. Please specify the period of your working experience in or acquaintance with (as the case may be) International Accounting Standards (IASs) from the view point of your own position:
   - 9.1 Up to 5 years ☐
   - 9.2 6 to 10 years ☐
   - 9.3 11 to 15 years ☐
   - 9.4 Above 15 years ☐

Part - B: Present Implementation Process of IASs

Acceptance Process

14. At present, a committee named 'Research and Technical Committee' under the ICAB is working to give acceptance to the IASs for adoption in Bangladesh. The committee comprises of thirteen members and all of them are Chartered Accountants. *[Here it may be noted that in many countries (the USA, the UK, India, Sri Lanka etc.) of the world, different concerned groups like professional accountants, bank representatives, academicians, employed accountants, representatives from chamber of commerce and industry, representatives from different regulatory*

bodies etc. are involved in the development and/or acceptance process of accounting standards]. In view of the above:

(i) To what extent do you agree with the statement that different interest-groups (regulators, other professional accountants like CMAs, non-professional preparers & trainers, regulated, business communities, institutional users of financial statements etc.) could have some contribution in accepting and/or developing accounting standards if they were allowed to participate in the above committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you support the composition of the present committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the present process followed by the ICAB is an appropriate way of giving acceptance to the IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

15. According to the Section-12(2) of the Securities and Exchange Rules 1987, *'the financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.'* That is, the Securities and Exchange Commission (SEC) does not participate in the IASs acceptance process. All responsibilities lie with the ICAB. But the SEC is the only regulatory body in Bangladesh enforcing IASs for the listed companies. Here it may be noted that the US SEC does not participate in the accounting standards development process also. Because the US have a strong and independent standards setting body like FASB. In this situation:

(i) To what extent do you agree with the statement that the stand of the SEC in the process of IASs acceptance is appropriate?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that in the absence of an independent accounting standards setting body in Bangladesh, the SEC should have an active participation in the IASs acceptance process?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

16. A professional accountant of Bangladesh written in a paper on IAS-30, 'At current stage, supervisory and control procedures executed by Bangladesh Bank is unilateral. Bangladesh Bank imposes regulations and these regulations may often change. These create problems to assert as they required. There should be bilateral consultation for setting policies for the schedule banks by the Bangladesh Bank.'

(i) To what extent do you agree with the statement that the present unilateral process of adopting IAS-30 by the Bangladesh bank is a proper way?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that a bilateral process, between Bangladesh bank and other scheduled banks along with other financial institutions, of accepting and adopting IAS-30 in preparing financial statement will be more effective from implementation point of view?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

17. According to their circular dated 5th October 2000, the ICAB has adopted 23 IASs (of which 19 are currently effective) out of total 40 IASs (of which 36 are currently effective) as Bangladesh Accounting Standards (BAS).

To what extent do you agree with the statement that this partial acceptance indicates the unsuitability of all the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

18. The ICAB gives acceptance to the IASs. These IASs are applied to the listed companies. Members of the ICAB are appointed as external auditors of these listed companies. So there exists a

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relation of financial interest between listed companies and the auditors. In such a situation, any accounting rules accepted or set by the ICAB members only may be biased.

To what extent do you agree with the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

19. To what extent do you agree with the statement that the members of the standards accepting body should be independent of any financial or non-financial benefits from the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Application Process

20. The SEC made IASs (as adopted by the ICAB) mandatory for the listed companies during the year 1997 by the Securities and Exchange Rules 1987. IASs are very much technical and sophisticated accounting devices. It is alleged that through a unilateral process of acceptance and adoption these (IASs) have been imposed by the SEC on the business houses. In this situation,

(i) To what extent the decision of the SEC was welcoming to you?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent are you well equipped with sufficient manpower to adopt IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent did you welcome the decision of the SEC to make IASs obligatory by law for the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with the statement that without assessing the users' need, this unilateral legal enforcement of IASs may induce the negative motivation of their (IASs) users'?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

21. Bangladesh Bank has made IAS-30 mandatory for all the scheduled banks (both listed and unlisted banks) in preparing their financial statements. It is also alleged that Bangladesh Bank has also unilaterally imposed IAS-30 on the schedule banks.

To what extent do you agree with this statement that this unilateral legal enforcement by Bangladesh Bank might have a negative motivational impact on the management of the banks regarding application of IASs especially IAS-30?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

22. At present IASs has got legal enforceability by the Securities and Exchange Rules 1987. Some professional accountants demand for professional enforceability by amending the Bangladesh Chartered Accountants Bye-laws 1973 to ensure mandatory observance of the adopted standards by all its members irrespective of whether one is engaged in practice, service or business.

To what extent do you agree with the above demand?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

23. Many concerned personnel believe that voluntary application of IASs might be more effective than mandatory application to mitigate distortion of IASs.

To what extent do you support the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Monitoring Process

24. Since the SEC is the regulatory authority, its responsibility is to frame rules and at the same time to ensure the proper application of the rules. The SEC has made IASs mandatory for the listed companies in preparing financial reports. But it has no separate implementation and monitoring cell to look after the issues of IASs application. Till to date, there exists no evidence of taking legal proceedings by the SEC against any listed company for non-compliance with IASs. In view of the above:

(i) To what extent do you agree with the statements that mere framing rules signify nothing if the enforcement aspect of the rules is over looked?

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1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) Since ICAB is monitoring the matter, the SEC thinks that it is unnecessary for them to look after the implementation aspect of IASs. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the SEC do not have sufficient skilled manpower to look after the implementation aspect of IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

25. Bangladesh Bank is the regulator of banking sector. It has a separate branch control division to monitor the activities of banks.

To what extent do you agree with the statement that the officers in the audit team are well equipped and well trained to ensure the implementation of IASs (especially IAS-30) in the banking sector?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

26. The ICAB has the legal responsibility to look after the implementation aspect of IASs (compliance with IASs) in external financial reporting by the issuers through its members i.e., auditors. Accordingly the auditors certify that the financial statements are complied with IASs.

To what extent do you believe that that this report is the perfect reflection of status of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

27. To what extent do you support the establishment of an *Implementation and Monitoring Cell* under the framework of SEC to supervise and monitor the implementation aspect of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

28. To what extent do you support the legal proceedings against the listed companies for non-compliance with IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Development of local standards

29. To what extent do you agree with the statement that most of the users of financial statements are indifferent between *having* or *not having* the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

30. To what extent do you agree with the statement that accounting standards are need to be developed at national level keeping the socio-econo-cultural environment in mind rather implementing IASs directly?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

31. To what extent do you support the establishment of a strong and independent accounting standards setting body like many other countries (India, Sri Lanka, the USA, The UK etc.) to develop local accounting standards keeping the IASs in mind as a guideline?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

32. It is alleged that the application of IASs are being distorted in Bangladesh because of their mandatory implementation. So, it will give better output if IASs are opened for voluntary implementation. At the same time the local standards developed as per the proposed body in the above question may be made mandatory. In view of the above:

(i) To what extent do you support IASs for voluntary implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent support the local standard for compulsory implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Cost-benefit impact of IASs:

33. What are the additional costs do you incur to implement IASs in your enterprise?

Serial No.	Costs	Incur	Do not incur

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1	Appointment for additional skilled accounts personnel	☐	☐
2	Increased audit fee	☐	☐
3	Cost for redesigning the accounting system	☐	☐
4	Costs for trained up the existing accounts personnel	☐	☐
5	Costs for additional work load	☐	☐
6	Others: (*please specify and use extra sheet if necessary*)	☐	☐

34. What are the benefits of adopting IASs in Bangladesh? [*Please rank* (like 1st, 2nd, 3rd etc.) *the following benefits*]

Sl. No.	Benefits of adopting IASs in Bangladesh	Rank
1	Investors can safely rely on the IASs based Financial Statements (FS). As a result an enterprise can easily procure fund from the capital market at minimum costs.	
2	The financial statements of Bangladesh has got acceptability in the international arena;	
3	Foreign Direct Investment (FDI) has increased significantly after adopting IASs in Bangladesh;	
4	Adoption of IASs has enhanced the understandability, transparency and comparability of financial statements than it was in the past. As a result its utility has increased both to the local and foreign investors in taking investment decisions;	
5	Bangladesh has got a readymade set of accounting standards of international type and hence incurred no costs for standards setting;	
6	Professional accountants of Bangladesh have got the opportunity to attain the quality in accounting service at international norm. They are now quite competent to serve internationally.	
8	Adoption of IASs in Bangladesh will facilitate the Bangladeshi companies to raise fund from foreign capital markets in near future;	
9	After adoption of IASs in Bangladesh, participation of foreign investors in the capital market has been increased;	
10	Other: (*please specify and use extra sheet if necessary*)	

35. Do you agree with the statement that the benefits (either in monetary or non-monetary form) derived from adoption of IASs are greater than the costs for implementing IASs?

☐ Yes ☐ No

Part C: Relevancy of IASs:

36. Please tick off (☑) the appropriate box of the following table:

Accounting Issues Requiring Standards Treatment	What is your opinion about the presence of the issue in different enterprises?			
	Common to all	*Common t Some*	*Very Rare*	*Totally absent*
1. Presentation of financial statements: Balance sheet, Income statement, Cash flow statement, Statement showing changes in equity (IAS-1)	☐	☐	☐	☐
2. Preparation of Value Added Statement	☐	☐	☐	☐
3. Inventories and their valuation (IAS-2)	☐	☐	☐	☐
4. Preparation of Cash Flow Statement (IAS-7)	☐	☐	☐	☐
5. Disclosure of net profit or loss for the period and their adjustment for fundamental errors and changes in accounting policies (IAS-8)	☐	☐	☐	☐

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6.	Disclosure of events occurred between the balance sheet date and the reporting date (IAS-10)	☐	☐	☐	☐
7.	Accounting for enterprises involved in construction contracts (IAS-11)	☐	☐	☐	☐
8.	Accounting for income taxes as well as maintaining deferred tax provision on timing differences (IAS-12)	☐	☐	☐	☐
9.	Reporting by business segment and by geographical segment (IAS-14)	☐	☐	☐	☐
10.	Disclosure of information reflecting the effects of changing prices (IAS-15)	☐	☐	☐	☐
11.	Measurement and recognition of Property, Plant & Equipment along with their depreciation (IAS-16)	☐	☐	☐	☐
12.	Accounting for and disclosure of leased assets (IAS-17)	☐	☐	☐	☐
13.	Recognition and measurement of revenue (IAS-18)	☐	☐	☐	☐
14.	Accounting for post employment benefits including pensions and their disclosure (IAS-19)	☐	☐	☐	☐
15.	Accounting for disclosure and recognition of government grants and assistance (IAS-20)	☐	☐	☐	☐
16.	Accounting for effects of changes in foreign exchange rates (IAS-21)	☐	☐	☐	☐
17.	Accounting for business combinations (IAS-22)	☐	☐	☐	☐
18.	Accounting for borrowing costs (IAS-23)	☐	☐	☐	☐
19.	Disclosures of nature and amount of transactions with the related parties (IAS-24)	☐	☐	☐	☐
20.	Accounting and Reporting by Retirement Benefit Plans (IAS-26)	☐	☐	☐	☐
21.	Preparation of consolidated financial statements for holding company and its subsidiaries (IAS-27)	☐	☐	☐	☐
22.	Accounting for investments in associate companies (IAS-28)	☐	☐	☐	☐
23.	Preparation of financial statements in hyperinflationary environment (IAS-29)	☐	☐	☐	☐
24.	Preparation of financial statements of specialized enterprises like banks and similar financial institutions (IAS-30)	☐	☐	☐	☐
25.	Accounting for interests in jointly controlled operations or assets or entities and their reporting (IAS-31)	☐	☐	☐	☐
26.	Disclosure and presentation of financial instruments (IAS-32)	☐	☐	☐	☐
27.	Determination of earnings per share (IAS-33)	☐	☐	☐	☐

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28. Preparation of financial statements for interim reporting (IAS-34)	☐	☐	☐	☐
29. Accounting for discontinuing a business operations (IAS-35)	☐	☐	☐	☐
30. Accounting for and disclosure of impairment of assets (IAS-36)	☐	☐	☐	☐
31. Provisions, Contingent Liabilities and Contingent Assets	☐	☐	☐	☐
32. Accounting for intangible assets including goodwill, research and development costs etc. (IAS-38)	☐	☐	☐	☐
33. Recognition and measurement of financial instruments (IAS-39)	☐	☐	☐	☐
34. Accounting for and disclosure of investment property (IAS-40)	☐	☐	☐	☐
35. Accounting treatment, financial statement presentation and disclosures related to agricultural activity (IAS-41)	☐	☐	☐	☐

37. Did you ever observe any contradiction (regarding accounting treatments, measurement of assets and liabilities, disclosure requirements, accounting terminologies etc.) between the provisions/requirements of IASs, the Companies Act 1994, the Securities and Exchange Rules 1987 or any other local laws/rules in preparing financial statements for external reporting purpose?

☐ Yes ☐ No

If your answer to the above question is 'yes', please specify the nature of contradiction (use extra sheet if necessary): _____

Part-D: Impediments of IASs adoption

The business organizations in Bangladesh never wanted IASs, because they do not know how IASs can bring benefits to them. As a result of ignorance about the benefits of IASs, they were never interested to adopt IASs on their own. It is simply imposed on them by the SEC.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

50. The local investors in Bangladesh are not so responsive and sensitive to the financial information/reporting in taking investment decision. As a result the demand for disclosure of financial information was never created in Bangladesh.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

51. The IASs require a congenial and stable socio-econo-political environment for their proper adoption. At the same time, the stability of the capital markets and money markets in any country is greatly depends on the following three principles: (a) good corporate governance; (b) good auditing; and (c) good financial reporting.

(i) To what extent do you agree with this statement that a stable socio-econo-political environment is present in Bangladesh?

	at all		e Extent		erate Extent		t Extent		Great Extent

(ii) To what extent do you agree with this statement that an environment of good corporate governance prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with this statement that a good auditing practice prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

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(iv) To what extent do you agree with this statement that after the enforcement of IASs by the SEC, there exists a good financial reporting by the listed companies in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

52. The people of Bangladesh are very much fatalistic. People with this attitude generally depend on luck. In most of the cases they take investment decision arbitrarily rather than rationally. In the word of scholars, 'If the dominant belief is that there is no control over events of life in general, then there is little need for planning, budgeting, performance evaluation of other means of control.' In this situation, to what extent do you agree with the statement that it is very difficult to use a highly sophisticated accounting device like IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

53. Culturally the people of Bangladesh are secretive. Moreover the people of business community think that disclosure of financial information means disclosure of their 'secret of successes. In the word of intellectuals, 'where the people are secretive, they are not likely to provide more information to others.'
To what extent do you agree with the statement that this type of way of thinking is an impediment on the way to successful implementation of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

54. It is alleged that many business enterprises maintains two or three sets of accounts. For example, one for external financial reporting, one for loan application one for income tax purpose etc. These reports are also authenticated by the external auditors. Certainly, some ill motives and interests are active at the back of this malpractice.
To what extent do you agree with the statement that the above allegation is true?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

55. Bangladesh is highly instable from political and economic point of view. According to a scholar, *"... in general, economic instability tends to result in more conservative accounting practices ..."* But IASs emphasize on disclosure of financial information. Another scholar said, *"The IAS (specifically about IAS-30) requires a congenial economic and socio-political condition. In the absence of macro-economic stability, frequent changes in exchange rates, banks cannot function properly."*
So, to what extent do you agree with the statement that lack of a friendly and stable econo-political environment is an important impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

56. Auditors' independence is one of the important preconditions for implementation of IASs in any country. But the situations prevailing in Bangladesh are not congenial for independent professional opinion regarding financial statements of a company.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

57. Apart from all other problems, an important problem with the business enterprises in adopting IASs is the shortage of skilled accounts personnel.
In this situation, to what extent do you agree with the statement that the most of the business enterprises are suffering from shortage of skilled accounts personnel?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

58. The internal environment (organizational structure, skilled manpower, internal audit system, good corporate governance etc.) of the business organizations of Bangladesh are not IASs friendly.
To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

59. IASs are suitable for semi-strong form of capital market. But the capital markets of Bangladesh are not efficient in the semi-strong form. So, without developing the capital market to semi-strong form, it is an unnecessary endeavor to adopt IASs in Bangladesh.

In this situation, to what extent do you agree with the statement that the inefficient capital market is an impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-F: Degree of Compliance

70. Para-11 of IAS-1 (revised 1997) states, *"An enterprise whose financial statements comply with International Accounting Standards should disclose the fact. Financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation of the Standing Interpretations Committee."*

In Bangladesh, auditor's report of the listed companies contains (among other things) a statement like, *"... ... ... the Financial Statements as prepared by the company in due conformance with the IASs adopted by the ICAB... ... ."* In view of the above, we can come to a general conclusion that there is no doubt about the compliance of the financial statements with IASs in Bangladesh.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

71. Para-24 of the Framework for the Preparation and Presentation of Financial Statements states, *"Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability."*

To what extent do you agree with the statement that the published financial statements in Bangladesh contain all the above four qualitative characteristics?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

72. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-G: Proposed ways of IASs implementation

73. As a long-term strategy, action plan should be taken to produce skilled human resources. To do these, IASs should be made an integral part of accounting education of the country.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

74. Motivational measures (seminars, symposiums, workshops etc.) taking listed companies as the target group will improve the degree of IASs implementation. The SEC, the ICAB and the ICMAB (either individually or jointly) can perform this job.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

75. Well-designed organization structure and well-designed accounting system are other important preconditions of IASs implementation in any country. A regulatory body like SEC should take the responsibility to issue necessary guidelines so that the limited companies can design their accounting system keeping harmony with the IASs.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

76. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

77. Somebody demands to establish a monitoring and implementation cell under the SEC to look after the compliance of financial reports of the listed companies with IASs.

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To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

78. When the business organizations will realize the benefits of IASs on their own, they will go for voluntary implementation of IASs.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

79. When the benefits of IASs will be understood by somebody other than the business organizations, voluntary implementation will not take place. In this situation legal enforcement of IASs will distort the spirit of IASs.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

80. Development of national accounting standards like India and Sri Lanka for the domestic companies within the framework of IASs will be more effective than their (IASs) enforcement in Bangladesh. In this situation the foreign listed/unlisted companies may be allowed to follow IASs or accounting standards of their own countries.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

102. Please pass your comments about the research topic and the questionnaire. Your valued comment might give a direction to further research in this area. (*Please use extra sheet if necessary*)

_____

_____

Thank you very much.

----------XXXX----------

Department of Accounting

University of Dhaka

Research Title: **International Accounting Standards: A Study of Their Implications for Accounting Practices in Bangladesh**

Set-E: Questionnaire for Academicians

Part - A: Respondent's Profile

1. Name of the Respondent (Optional): _____
2. Organization/Institution: _____
3. Position Held: _____
4. Academic Qualifications (*please tick off the highest one*): ☐Under Graduate ☐Graduate ☐Post Graduate ☐Others (*please specify*):_____
5. Professional Qualifications: ☐ACA ☐FCA ☐ACMA ☐FCMA ☐Others (*please specify*): _____ ☐ Others
6. Please specify which one of the following age group do you belong:
   - 6.1 Below 25 years ☐
   - 6.2 25 years to 30 years ☐
   - 6.3 31 years to 40 years ☐
   - 6.4 41 years to 50 years ☐
   - 6.5 51 years and above ☐
7. Please state your basic discipline of education:
   - 7.1 Business/Commerce ☐
   - 7.2 Arts ☐
   - 7.3 Science ☐
8. Please specify the period of your experience in the field of your present occupation as stated in 3 above:
   - 8.1 Up to 5 years ☐
   - 8.2 6 to 10 years ☐
   - 8.3 11 to 15 years ☐
   - 8.4 Above 15 years ☐
9. Please specify the period of your working experience in or acquaintance with (as the case may be) International Accounting Standards (IASs) from the view point of your own position:
   - 9.1 Up to 5 years ☐
   - 9.2 6 to 10 years ☐
   - 9.3 11 to 15 years ☐
   - 9.4 Above 15 years ☐

10B. Area of interest: ☐Financial Accounting ☐Cost Accounting ☐Management Accounting ☐Auditing ☐ Other (please specify): _____

11A. Would you please specify the category you belong to by ticking off the appropriate box:
   - 11A.1 University Teacher ☐
   - 11A.2 University Teacher (Author on financial Accounting) ☐
   - 11A.3 University College Teacher ☐
   - 11A.4 University College Teacher (Author on fin. Accounting) ☐

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Part - B: Present Implementation Process of IASs

Acceptance Process

14. At present, a committee named 'Research and Technical Committee' under the ICAB is working to give acceptance to the IASs for adoption in Bangladesh. The committee comprises of thirteen members and all of them are Chartered Accountants. *[Here it may be noted that in many countries (the USA, the UK, India, Sri Lanka etc.) of the world, different concerned groups like professional accountants, bank representatives, academicians, employed accountants, representatives from chamber of commerce and industry, representatives from different regulatory bodies etc. are involved in the development and/or acceptance process of accounting standards].* In view of the above:

(i) To what extent do you agree with the statement that different interest-groups (regulators, other professional accountants like CMAs, non-professional preparers & trainers, regulated, business communities, institutional users of financial statements etc.) could have some contribution in accepting and/or developing accounting standards if they were allowed to participate in the above committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you support the composition of the present committee?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the present process followed by the ICAB is an appropriate way of giving acceptance to the IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

15. According to the Section-12(2) of the Securities and Exchange Rules 1987, *'the financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.'* That is, the Securities and Exchange Commission (SEC) does not participate in the IASs acceptance process. All responsibilities lie with the ICAB. But the SEC is the only regulatory body in Bangladesh enforcing IASs for the listed companies. Here it may be noted that the US SEC does not participate in the accounting standards development process also. Because the US have a strong and independent standards setting body like FASB. In this situation:

(i) To what extent do you agree with the statement that the stand of the SEC in the process of IASs acceptance is appropriate?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that in the absence of an independent accounting standards setting body in Bangladesh, the SEC should have an active participation in the IASs acceptance process?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

16. A professional accountant of Bangladesh written in a paper on IAS-30, 'At current stage, supervisory and control procedures executed by Bangladesh Bank is unilateral. Bangladesh Bank imposes regulations and these regulations may often change. These create problems to assert as they required. There should be bilateral consultation for setting policies for the schedule banks by the Bangladesh Bank.'

(i) To what extent do you agree with the statement that the present unilateral process of adopting IAS-30 by the Bangladesh bank is a proper way?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that a bilateral process, between Bangladesh bank and other scheduled banks along with other financial institutions, of accepting and adopting IAS-30 in preparing financial statement will be more effective from implementation point of view?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

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17. According to their circular dated 5th October 2000, the ICAB has adopted 23 IASs (of which 19 are currently effective) out of total 40 IASs (of which 36 are currently effective) as Bangladesh Accounting Standards (BAS).

To what extent do you agree with the statement that this partial acceptance indicates the unsuitability of all the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

18. The ICAB gives acceptance to the IASs. These IASs are applied to the listed companies. Members of the ICAB are appointed as external auditors of these listed companies. So there exists a relation of financial interest between listed companies and the auditors. In such a situation, any accounting rules accepted or set by the ICAB members only may be biased.

To what extent do you agree with the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

19. hat extent do you agree with the statement that the members of the standards accepting body should be independent of any financial or non-financial benefits from the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Application Process

20. The SEC made IASs (as adopted by the ICAB) mandatory for the listed companies during the year 1997 by the Securities and Exchange Rules 1987. IASs are very much technical and sophisticated accounting devices. It is alleged that through a unilateral process of acceptance and adoption these (IASs) have been imposed by the SEC on the business houses. In this situation,

(i) To what extent the decision of the SEC was welcoming to you?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent are you well equipped with sufficient manpower to adopt IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent did you welcome the decision of the SEC to make IASs obligatory by law for the listed companies?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with the statement that without assessing the users' need, this unilateral legal enforcement of IASs may induce the negative motivation of their (IASs) users'?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

21. Bangladesh Bank has made IAS-30 mandatory for all the scheduled banks (both listed and unlisted banks) in preparing their financial statements. It is also alleged that Bangladesh Bank has also unilaterally imposed IAS-30 on the schedule banks.

To what extent do you agree with this statement that this unilateral legal enforcement by Bangladesh Bank might have a negative motivational impact on the management of the banks regarding application of IASs especially IAS-30?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

22. At present IASs has got legal enforceability by the Securities and Exchange Rules 1987. Some professional accountants demand for professional enforceability by amending the Bangladesh Chartered Accountants Bye-laws 1973 to ensure mandatory observance of the adopted standards by all its members irrespective of whether one is engaged in practice, service or business.

To what extent do you agree with the above demand?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

23. Many concerned personnel believe that voluntary application of IASs might be more effective than mandatory application to mitigate distortion of IASs.

To what extent do you support the above statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Monitoring Process

24. Since the SEC is the regulatory authority, its responsibility is to frame rules and at the same time to ensure the proper application of the rules. The SEC has made IASs mandatory for the listed companies in preparing financial reports. But it has no separate implementation and monitoring cell to look after the issues of IASs application. Till to date, there exists no evidence of taking legal proceedings by the SEC against any listed company for non-compliance with IASs. In view of the above:

(i) To what extent do you agree with the statements that mere framing rules signify nothing if the enforcement aspect of the rules is over looked?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) Since ICAB is monitoring the matter, the SEC thinks that it is unnecessary for them to look after the implementation aspect of IASs. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that the SEC do not have sufficient skilled manpower to look after the implementation aspect of IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

25. Bangladesh Bank is the regulator of banking sector. It has a separate branch control division to monitor the activities of banks.

To what extent do you agree with the statement that the officers in the audit team are well equipped and well trained to ensure the implementation of IASs (especially IAS-30) in the banking sector?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

26. The ICAB has the legal responsibility to look after the implementation aspect of IASs (compliance with IASs) in external financial reporting by the issuers through its members i.e., auditors. Accordingly the auditors certify that the financial statements are complied with IASs.

To what extent do you believe that that this report is the perfect reflection of status of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

27. To what extent do you support the establishment of an *Implementation and Monitoring Cell* under the framework of SEC to supervise and monitor the implementation aspect of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

28. To what extent do you support the legal proceedings against the listed companies for non-compliance with IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Development of local standards

29. To what extent do you agree with the statement that most of the users of financial statements are indifferent between *having* or *not having* the IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

30. To what extent do you agree with the statement that accounting standards are need to be developed at national level keeping the socio-econo-cultural environment in mind rather implementing IASs directly?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

31. To what extent do you support the establishment of a strong and independent accounting standards setting body like many other countries (India, Sri Lanka, the USA, The UK etc.) to develop local accounting standards keeping the IASs in mind as a guideline?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

32. It is alleged that the application of IASs are being distorted in Bangladesh because of their mandatory implementation. So, it will give better output if IASs are opened for voluntary

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implementation. At the same time the local standards developed as per the proposed body in the above question may be made mandatory. In view of the above:

(i) To what extent do you support IASs for voluntary implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent support the local standard for compulsory implementation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Cost-benefit impact of IASs:

33. What are the additional costs do you incur to implement IASs in your enterprise?

Serial No.	Costs	Incur	Do not incur
1	Appointment for additional skilled accounts personnel	☐	☐
2	Increased audit fee	☐	☐
3	Cost for redesigning the accounting system	☐	☐
4	Costs for trained up the existing accounts personnel	☐	☐
5	Costs for additional work load	☐	☐
6	Others: (*please specify and use extra sheet if necessary*)	☐	☐

34. What are the benefits of adopting IASs in Bangladesh? [*Please rank* (like 1st, 2nd, 3rd etc.) *the following benefits*]

Sl. No.	Benefits of adopting IASs in Bangladesh	Rank
1	Investors can safely rely on the IASs based Financial Statements (FS). As a result an enterprise can easily procure fund from the capital market at minimum costs.	
2	The financial statements of Bangladesh has got acceptability in the international arena;	
3	Foreign Direct Investment (FDI) has increased significantly after adopting IASs in Bangladesh;	
4	Adoption of IASs has enhanced the understandability, transparency and comparability of financial statements than it was in the past. As a result its utility has increased both to the local and foreign investors in taking investment decisions;	
5	Bangladesh has got a readymade set of accounting standards of international type and hence incurred no costs for standards setting;	
6	Professional accountants of Bangladesh have got the opportunity to attain the quality in accounting service at international norm. They are now quite competent to serve internationally.	
8	Adoption of IASs in Bangladesh will facilitate the Bangladeshi companies to raise fund from foreign capital markets in near future;	
9	After adoption of IASs in Bangladesh, participation of foreign investors in the capital market has been increased;	
10	Other: (*please specify and use extra sheet if necessary*)	

35. Do you agree with the statement that the benefits (either in monetary or non-monetary form) derived from adoption of IASs are greater than the costs for implementing IASs?

☐ Yes ☐ No

Part C: Relevancy of IASs:

36. Please tick off (☑) the appropriate box of the following table:

Accounting Issues Requiring Standards Treatment	What is your opinion about the presence of the issue in different enterprises?			
	Common to all	*Common t Some*	*Very Rare*	*Totally absent*

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1. Presentation of financial statements: Balance sheet, Income statement, Cash flow statement, Statement showing changes in equity (IAS-1)	☐	☐	☐	☐
2. Preparation of Value Added Statement	☐	☐	☐	☐
3. Inventories and their valuation (IAS-2)	☐	☐	☐	☐
4. Preparation of Cash Flow Statement (IAS-7)	☐	☐	☐	☐
5. Disclosure of net profit or loss for the period and their adjustment for fundamental errors and changes in accounting policies (IAS-8)	☐	☐	☐	☐
6. Disclosure of events occurred between the balance sheet date and the reporting date (IAS-10)	☐	☐	☐	☐
7. Accounting for enterprises involved in construction contracts (IAS-11)	☐	☐	☐	☐
8. Accounting for income taxes as well as maintaining deferred tax provision on timing differences (IAS-12)	☐	☐	☐	☐
9. Reporting by business segment and by geographical segment (IAS-14)	☐	☐	☐	☐
10. Disclosure of information reflecting the effects of changing prices (IAS-15)	☐	☐	☐	☐
11. Measurement and recognition of Property, Plant & Equipment along with their depreciation (IAS-16)	☐	☐	☐	☐
12. Accounting for and disclosure of leased assets (IAS-17)	☐	☐	☐	☐
13. Recognition and measurement of revenue (IAS-18)	☐	☐	☐	☐
14. Accounting for post employment benefits including pensions and their disclosure (IAS-19)	☐	☐	☐	☐
15. Accounting for disclosure and recognition of government grants and assistance (IAS-20)	☐	☐	☐	☐
16. Accounting for effects of changes in foreign exchange rates (IAS-21)	☐	☐	☐	☐
17. Accounting for business combinations (IAS-22)	☐	☐	☐	☐
18. Accounting for borrowing costs (IAS-23)	☐	☐	☐	☐
19. Disclosures of nature and amount of transactions with the related parties (IAS-24)	☐	☐	☐	☐
20. Accounting and Reporting by Retirement Benefit Plans (IAS-26)	☐	☐	☐	☐
21. Preparation of consolidated financial statements for holding company and its subsidiaries (IAS-27)	☐	☐	☐	☐
22. Accounting for investments in associate companies (IAS-28)	☐	☐	☐	☐
23. Preparation of financial statements in hyperinflationary environment (IAS-29)	☐	☐	☐	☐
24. Preparation of financial statements of specialized enterprises like banks and similar financial institutions (IAS-30)	☐	☐	☐	☐

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25. Accounting for interests in jointly controlled operations or assets or entities and their reporting (IAS-31)	☐	☐	☐	☐
26. Disclosure and presentation of financial instruments (IAS-32)	☐	☐	☐	☐
27. Determination of earnings per share (IAS-33)	☐	☐	☐	☐
28. Preparation of financial statements for interim reporting (IAS-34)	☐	☐	☐	☐
29. Accounting for discontinuing a business operations (IAS-35)	☐	☐	☐	☐
30. Accounting for and disclosure of impairment of assets (IAS-36)	☐	☐	☐	☐
31. Provisions, Contingent Liabilities and Contingent Assets	☐	☐	☐	☐
32. Accounting for intangible assets including goodwill, research and development costs etc. (IAS-38)	☐	☐	☐	☐
33. Recognition and measurement of financial instruments (IAS-39)	☐	☐	☐	☐
34. Accounting for and disclosure of investment property (IAS-40)	☐	☐	☐	☐
35. Accounting treatment, financial statement presentation and disclosures related to agricultural activity (IAS-41)	☐	☐	☐	☐

37. Did you ever observe any contradiction (regarding accounting treatments, measurement of assets and liabilities, disclosure requirements, accounting terminologies etc.) between the provisions/requirements of IASs, the Companies Act 1994, the Securities and Exchange Rules 1987 or any other local laws/rules in preparing financial statements for external reporting purpose?

☐ Yes ☐ No

If your answer to the above question is 'yes', please specify the nature of contradiction (use extra sheet if necessary): _____

Part-D: Impediments of IASs adoption

The business organizations in Bangladesh never wanted IASs, because they do not know how IASs can bring benefits to them. As a result of ignorance about the benefits of IASs, they were never interested to adopt IASs on their own. It is simply imposed on them by the SEC.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

50. The local investors in Bangladesh are not so responsive and sensitive to the financial information/reporting in taking investment decision. As a result the demand for disclosure of financial information was never created in Bangladesh.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

51. The IASs require a congenial and stable socio-econo-political environment for their proper adoption. At the same time, the stability of the capital markets and money markets in any country is greatly depends on the following three principles: (a) good corporate governance; (b) good auditing; and (c) good financial reporting.

(i) To what extent do you agree with this statement that a stable socio-econo-political environment is present in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

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(ii) To what extent do you agree with this statement that an environment of good corporate governance prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with this statement that a good auditing practice prevails in the corporate sector of Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with this statement that after the enforcement of IASs by the SEC, there exists a good financial reporting by the listed companies in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

52. The people of Bangladesh are very much fatalistic. People with this attitude generally depend on luck. In most of the cases they take investment decision arbitrarily rather than rationally. In the word of scholars, 'If the dominant belief is that there is no control over events of life in general, then there is little need for planning, budgeting, performance evaluation of other means of control.' In this situation, to what extent do you agree with the statement that it is very difficult to use a highly sophisticated accounting device like IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

53. Culturally the people of Bangladesh are secretive. Moreover the people of business community think that disclosure of financial information means disclosure of their 'secret of successes. In the word of intellectuals, 'where the people are secretive, they are not likely to provide more information to others.'

To what extent do you agree with the statement that this type of way of thinking is an impediment on the way to successful implementation of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

54. It is alleged that many business enterprises maintains two or three sets of accounts. For example, one for external financial reporting, one for loan application one for income tax purpose etc. These reports are also authenticated by the external auditors. Certainly, some ill motives and interests are active at the back of this malpractice.

To what extent do you agree with the statement that the above allegation is true?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

55. Bangladesh is highly instable from political and economic point of view. According to a scholar, *"... in general, economic instability tends to result in more conservative accounting practices ..."* But IASs emphasize on disclosure of financial information. Another scholar said, *"The IAS (specifically about IAS-30) requires a congenial economic and socio-political condition. In the absence of macro-economic stability, frequent changes in exchange rates, banks cannot function properly."*

So, to what extent do you agree with the statement that lack of a friendly and stable econo-political environment is an important impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

56. Auditors' independence is one of the important preconditions for implementation of IASs in any country. But the situations prevailing in Bangladesh are not congenial for independent professional opinion regarding financial statements of a company.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

57. Apart from all other problems, an important problem with the business enterprises in adopting IASs is the shortage of skilled accounts personnel.

In this situation, to what extent do you agree with the statement that the most of the business enterprises are suffering from shortage of skilled accounts personnel?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

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58. The internal environment (organizational structure, skilled manpower, internal audit system, good corporate governance etc.) of the business organizations of Bangladesh are not IASs friendly.
To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

59. IASs are suitable for semi-strong form of capital market. But the capital markets of Bangladesh are not efficient in the semi-strong form. So, without developing the capital market to semi-strong form, it is an unnecessary endeavor to adopt IASs in Bangladesh.
In this situation, to what extent do you agree with the statement that the inefficient capital market is an impediment on the way to adoption of IASs in Bangladesh?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-F: Degree of Compliance

70. Para-11 of IAS-1 (revised 1997) states, *"An enterprise whose financial statements comply with International Accounting Standards should disclose the fact. Financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation of the Standing Interpretations Committee."*
In Bangladesh, auditor's report of the listed companies contains (among other things) a statement like, *"... ... ... the Financial Statements as prepared by the company in due conformance with the IASs adopted by the ICAB... ... ."* In view of the above, we can come to a general conclusion that there is no doubt about the compliance of the financial statements with IASs in Bangladesh.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

71. Para-24 of the Framework for the Preparation and Presentation of Financial Statements states, *"Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability."*
To what extent do you agree with the statement that the published financial statements in Bangladesh contain all the above four qualitative characteristics?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

72. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part-G: Proposed ways of IASs implementation

73. As a long-term strategy, action plan should be taken to produce skilled human resources. To do these, IASs should be made an integral part of accounting education of the country.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

74. Motivational measures (seminars, symposiums, workshops etc.) taking listed companies as the target group will improve the degree of IASs implementation. The SEC, the ICAB and the ICMAB (either individually or jointly) can perform this job.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

75. Well-designed organization structure and well-designed accounting system are other important preconditions of IASs implementation in any country. A regulatory body like SEC should take the responsibility to issue necessary guidelines so that the limited companies can design their accounting system keeping harmony with the IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

76. In a seminar recently held in Dhaka, it is called upon the Government to make compliance with the requirement of International Accounting Standards (IASs) mandatory for all limited companies. To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

77. Somebody demands to establish a monitoring and implementation cell under the SEC to look after the compliance of financial reports of the listed companies with IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

78. When the business organizations will realize the benefits of IASs on their own, they will go for voluntary implementation of IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

79. When the benefits of IASs will be understood by somebody other than the business organizations, voluntary implementation will not take place. In this situation legal enforcement of IASs will distort the spirit of IASs.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

80. Development of national accounting standards like India and Sri Lanka for the domestic companies within the framework of IASs will be more effective than their (IASs) enforcement in Bangladesh. In this situation the foreign listed/unlisted companies may be allowed to follow IASs or accounting standards of their own countries.
To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

Part E: Reaction of the Academicians

81. The main objective of an education system of any country is to provide educated and skilled manpower according to the need of the country.
To what extent do you agree with the statement that accounting education system of Bangladesh fails to provide the economy with the skilled manpower in IASs?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

82. During the year 1997, International Accounting Standards have been made mandatory by the Securities and Exchange Rules 1987 for the listed companies in preparing their external financial reports. Here it may be noted that IASs were being taught and applied by the ICAB since 1983. But it is a common allegation that there exist acute shortages of accounts personnel who are well conversant in IASs. In this situation, to what extent do you agree with the statement that:
(i) The academicians of our country can play a vital role to produce accounting graduate according to the need of the country?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) The academicians are not aware of the need of accounts personnel of the country.

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

83. IASs are sophisticated accounting device those are used in real life situation. So to teach IASs, real life experience is necessary. An academician with a professional degree would be a good teacher on IASs.
To what extent do you agree?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

84. In many countries most of the academicians have professional degree(s) which is a precondition of quality accounting education. In Bangladesh a professional accountant earns several times higher than an academician (even a full fledged Professor) can earn. Probably this is the main reason that no Chartered Accountant could be found who is a full time academician.

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To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

85. To be a good teacher on Financial Accounting, especially on IASs, real life experience is necessary.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

86. To what extent do you agree with the statement that existing course curricula on IASs is sufficient to meet the real life demand for skilled accounting graduates?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

87. Please specify the year of introducing IASs in the syllabi of your institution: _____
If not yet introduced, please write: *'not introduced'*

88. What are the problems faced by your institution to teach the students on International Accounting Standards? Please *rank* the problems:

(i) ☐ Dearth of faculties/teachers trained on IASs;
(ii) ☐ Scarcity of books and course materials on IASs;
(iii) ☐ Lack of knowledge about the real life application of IASs;
(iv) ☐ Lack of liaison between the professionals and the academicians;
(v) ☐ Others, please specify:_____

89. There should be a formal liaison between the academic institutions and the professional accounting bodies on accounting education issue so that the academicians can keep themselves in touch with the real life need and take necessary action to produce skilled accounting graduates accordingly.

To what extent do you agree with this statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

90. As a teacher or writer, to what extent do you agree with the statement that any text book on Financial Accounting at graduate or post graduate level should pay sufficient attention to cover the issues of IASs to make the book useful and contemporary with the real life situation?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

102. Please pass your comments about the research topic and the questionnaire. Your valued comment might give a direction to further research in this area. (*Please use extra sheet if necessary*).

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Thank you very much.

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Department of Accounting

University of Dhaka

Research Title: **International Accounting Standards: A Study of Their Implications for Accounting Practices in Bangladesh**

Set-F: Questionnaire for the Users of Financial Statements

Part - A: Respondent's Profile

1. Name of the Respondent (Optional): _____
2. Organization/Institution: _____
3. Position Held: _____
4. Academic Qualifications (*please tick off the highest one*): ☐Under Graduate ☐Graduate ☐Post Graduate ☐Others (*please specify*):_____
5. Professional Qualifications: ☐ACA ☐FCA ☐ACMA ☐FCMA ☐Others (*please specify*): _____ ☐ Others
6. Please specify which one of the following age group do you belong:
   - 6.1 Below 25 years ☐
   - 6.2 25 years to 30 years ☐
   - 6.3 31 years to 40 years ☐
   - 6.4 41 years to 50 years ☐
   - 6.5 51 years and above ☐
7. Please state your basic discipline of education:
   - 7.1 Business/Commerce ☐
   - 7.2 Arts ☐
   - 7.3 Science ☐
8. Please specify the period of your experience in the field of your present occupation as stated in 3 above:
   - 8.1 Up to 5 years ☐
   - 8.2 6 to 10 years ☐
   - 8.3 11 to 15 years ☐
   - 8.4 Above 15 years ☐
9. Please specify the period of your working experience in or acquaintance with (as the case may be) International Accounting Standards (IASs) from the view point of your own position:
   - 9.1 Up to 5 years ☐
   - 9.2 6 to 10 years ☐
   - 9.3 11 to 15 years ☐
   - 9.4 Above 15 years ☐

10C. Would you please specify the category you belong to by ticking off the appropriate box:
   - 10C.1 Small/Individual Investor ☐
   - 10C.2 Institutional Investor ☐

Part-I: Satisfaction of the Users

92. The users of financial statements in our country are reasonably conscious about the benefits of IASs.

To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

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93. The users of financial statements in Bangladesh are not aware of IASs. As a result they cannot guess how IASs can help them and protect their interest.

To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

94. Before taking a decision to invest in stock, all investors minutely go through the published financial statements of the issuing company.

To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

95. All the information published in the financial statements is relevant to the users.

To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

96. To what extent can you recognize the changes between the financial statements of pre-IASs period (before 1997) and post-IASs period (1997 onward)?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

97. To what extents do you satisfied with the information disclosed in the IASs based financial statements in comparison to financial statements preceding to 1997 (provided that you have got the experience of using financial statements of both the period)?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

98. To what extent do the financial statements can meet the requirement of your financial information?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

99. Many users think that information disclosed in the financial statements, in real sense, does not represent a 'true and fair view' of the financial position of a listed company.

To what extent do you agree with the statement?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

100. To what extent do you agree with the statement that after adoption of IASs in Bangladesh, credibility, transparency and comparability of financial reports have been improved significantly?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

101. It is a common allegation that the users of our country did hardly ever go through the published financial statements in taking investment decision. The following questions are based on some possible reasons behind this allegation:

(i) To what extent do you agree with the statement that they don't understand financial statements?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(ii) To what extent do you agree with the statement that the figures and other information disclosed in the financial statements is not dependable, as a result they don't find any interest to use them?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iii) To what extent do you agree with the statement that use of financial statements has no impact on the investment decision?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

(iv) To what extent do you agree with the statement that in many cases the management conceal information to hide their financial weaknesses?

1	Not at all	2	Some Extent	3	Moderate Extent	4	Great Extent	5	Very Great Extent

102. Please pass your comments about the research topic and the questionnaire. Your valued comment might give a direction to further research in this area. (*Please use extra sheet if necessary*)._____

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Thank you very much.

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