

# Accounting standard in bangladesh

[Countries](#), [Bangladesh](#)



A REPORT ON APPLICATION OF BANGLADESH ACCOUNTING STANDARDS IN BUSINESS [pic] DEPARTMENT OF FINANCE UNIVERSITY OF DHAKA REPORT ON APPLICATION OF BANGLADESH ACCOUNTING STANDARDS IN BUSINESS FINANCIAL ACCOUNTING - I F-103 Submitted To Dr. H. M. Mosarof Hossain Associate Professor Department of Finance Faculty of Business Administration University of Dhaka Submitted By Members of Group-3 Section-B 14th Batch Department of Finance Names | Roll No | | Upoma Antara Husain | 14-052 | | Zubairia Khan | 14-050 | | Nazmul Ehsan Omiya | 14-054 | | Monowar Hossain | 14-008 | | Md. Rubel Ahmed | 14-030 | DATE OF SUBMISSION 1 May 2008 TABLE OF CONTENTS CHAPTER I: ?

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ANNEXURE ? BIBLIOGRAPHY CHAPTER I INTRODUCTION The rules and guidelines adopted and implemented worldwide in accounting record keeping and statement preparation for maintaining uniformity are known as International Accounting Standard (IAS). IAS were issued between 1973 and 2001 by the board of the International Accounting Standards Committee (IASC).

Bangladesh Accounting Standards (BAS) are adopted from IAS by Institute of Chartered Accountants of Bangladesh (ICAB) for preferred accounting practices in all kinds of business in Bangladesh. To standardize the accounting system with the level of IAS, the ICAB (Institute of Chartered Accountants of Bangladesh) has been adopting BAS since 1984. The Institute

of Chartered Accountants of Bangladesh is a professional accountancy body in the Bangladesh. It is the sole organisation in the Bangladesh with the right to award the Chartered Accountant designation.

The ICAB updated and adapted many important and the time demanding standards in several time BAS is a set of standards which controls the system of accounting in Bangladesh. In our country Companies listed with Dhaka & Chittagong Stock exchange are to prepare their accounts according to the Securities and Exchange Rules 1987 and the International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh known as Bangladesh Accounting Standards (BAS). At present the (TRC) Technical research Committee of ICAB screens and evaluates IFRSs and recommends particular IFRS to the council of the ICAB for adoption.

Prime Bank Limited is one of the promising banks in our banking sector. It is listed with Dhaka and Chittagong Stock Exchange. The financial statements of the Bank are prepared under the historical cost convention except investments and in accordance with the Bank Companies Act, 1991, Bangladesh Bank Circulars, International Accounting Standards and International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Bangladesh as BAS, Companies act 1994, SEC Rules 1987 and other laws and rules applicable in Bangladesh.

IAS ADOPTED AS BAS BAS are developed by the ICAB and are based on older IASs – generally those developed by the IASC rather than the improved IASs and new IFRSs developed by the IASB. The Technical and Research Committee of the ICAB develops the standards. Adoption requires approval

of the ICAB Council. A list of IASs Adopted as BASs is shown below.

Version of IAS	BAS Number	Remarks	Adopted in Bangladesh
IAS 1: Presentation of Financial Statements	1987   BAS 1	2003 revisions not yet considered	
IAS 2 : Inventories	1992   BAS 2	2003 revisions not yet considered	
IAS 7 : Cash Flow Statements	1992   BAS 7	—	
IAS 8 : Accounting Policies, Changes in Accounting Estimates, and Errors	1993   BAS 8	2003 revisions not yet considered	
IAS 10: Events After the Balance Sheet	1999   BAS 10	—	
IAS 11: Construction Contracts	1993   BAS 11	—	
IAS 12: Income Taxes	2000   BAS 12	—	
IAS 14: Segment Reporting	1997   BAS 14	—	
IAS 16: Property, Plant and Equipment	1997   BAS 16	2003 revisions not yet considered	
IAS 17: Leases	1998   BAS 17	2003 revisions not yet considered	
IAS 18: Revenue	1993   BAS 18	—	
IAS 19; Employee Benefits	2002   BAS 19	2003 and later revisions not yet considered	
IAS 20; Accounting for Government Grants and Disclosure of Government Assistance	1983   BAS 20	—	
IAS 21: The Effects of Changes in Foreign Exchange Rates	1993   BAS 21	2003 and later revisions not yet considered	
IAS 22: Business Combinations	1998   BAS 22	IAS 22 has been superseded by IFRS 3, which has not yet been considered	
IAS 23: Borrowing Costs	1993   BAS 23	—	
IAS 24: Related Party Disclosures	1994   BAS 24	2003 revisions not yet considered	
IAS 25: Accounting for Investments	1987   BAS 25	IAS 25 has been superseded by IAS 39, which has not yet been considered	
IAS 26: Accounting and Reporting by	1987   BAS 26	—	

Retirement Benefit Plans | | | | IAS 27: Consolidated and Separate | 1998 |  
 BAS 27 | 2003 revisions not yet considered | | Financial Statements | | | by  
 ICAB | | IAS 28:

Investments in Associates | 1998 | BAS 28 | 2003 revisions not yet  
 considered | | | | by ICAB | | IAS 29: Financial Reporting in | Not yet Adopted  
 |— |— | | Hyperinflationary Economies | | | | IAS 30 : Disclosures in the  
 Financial | 1990 | BAS 30 | IAS 30 has been superseded by IFRS | |  
 Statements of Banks and Similar Financial | | | 7 (effective 2007), which has  
 not | | Institutions | | | yet been considered by ICAB | | IAS 31: Interests In  
 Joint Ventures | 1999 | BAS 31 | 2003 revisions not yet considered | | | | by  
 ICAB | | IAS 32 : Financial Instruments: Disclosure | Not yet adopted |— |— | |  
 and Presentation | | | | IAS 33: Earnings Per Share | 1999; | BAS 33 | 2003  
 revisions not yet considered | | | | by ICAB | | IAS 34: Interim Financial  
 Reporting | 1998 | BAS 34 |— | | IAS 35: Discontinuing Operations | 1998 |  
 BAS 35 | IAS 35 has been superseded by IFRS | | | | 5, which has not yet  
 been | | | | considered by ICAB | | IAS 36: Impairment of Assets | 1998 | BAS  
 36 | 2004 revisions not yet considered | | | | by ICAB | | IAS 37: Provisions,  
 Contingent Liabilities| 1998 | BAS 37 | 1998 | | and Contingent Assets | | | |  
 IAS 38: Intangible Assets | 1998 | BAS 38 | 2004 revisions not yet considered  
 | | | | by ICAB | | IAS 39: Financial Instruments: Recognition| Not yet adopted |  
 — |— | | and Measurement | | | | IAS 40: Investment Property | 2000 | BAS  
 40 | 2003 revisions not yet considered | | | | by ICAB | | IAS 41: Agriculture |  
 Not yet adopted |— |— | SHORT DESCRIPTION ON BAS • BAS 1: Presentation  
 of Financial Statements

This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. A complete set of financial statements comprises: (a) a statement of financial position as at the end of the period; (b) a statement of comprehensive income for the period; (c) a statement of changes in equity for the period; (d) a statement of cash flows for the period; e) notes, comprising a summary of significant accounting policies and other explanatory information; and (f) a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

- **BAS 2: Inventories** The objective of this Standard is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Inventories shall be measured at the lower of cost and net realisable value.
- **BAS 7: Cash Flow Statements**

The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of

a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.

- **BAS 8: Accounting Policies, Changes in Accounting Estimates, and Errors** The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities.
- **BAS 10: Events After the Balance Sheet Date** The objective of this Standard is to prescribe: a) When an entity should adjust its financial statements for events after the reporting period; and (b) The disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting period. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.
- **BAS 11: Construction Contracts** The objective of this Standard is to prescribe the accounting treatment of revenue and costs associated with construction contracts. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

Therefore, the primary issue in accounting for construction contracts is the allocation of contract revenue and contract costs to the accounting periods in which construction work is performed. This Standard shall be applied in

accounting for construction contracts in the financial statements of contractors. • **BAS 12: Income Taxes** The objective of this Standard is to prescribe the accounting treatment for income taxes. For the purposes of this Standard, income taxes include all domestic and foreign taxes which are based on taxable profits. Income taxes also include taxes, such as withholding taxes, which are payable by a subsidiary, associate or joint venture on distributions to the reporting entity.

The principal issue in accounting for income taxes is how to account for the current and future tax consequences of: (a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in an entity's balance sheet; and (b) Transactions and other events of the current period that are recognized in an entity's financial statements. • **BAS 16: Property, Plant and Equipment** The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them. • **BAS 17: Leases**

The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. The classification of leases adopted in this Standard is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the



lessor or the lessee. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. • BAS 18: Revenue The primary issue in accounting for revenue is determining when to recognize revenue.

Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognized. It also provides practical guidance on the application of these criteria. Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. This Standard shall be applied in accounting for revenue arising from the following transactions and events: (a) the sale of goods; (b) the rendering of services; and c) the use by others of entity assets yielding interest, royalties and dividends. • BAS 19: Employee Benefits Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognize: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) An expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits. • BAS 20: Accounting for Government Grants and Disclosure of Government Assistance

This Standard shall be applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance. Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity. Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria.

Government assistance for the purpose of this Standard does not include benefits provided only indirectly through action affecting general trading conditions, such as the provision of infrastructure in development areas or the imposition of trading constraints on competitors.

- BAS 21: The Effects of Changes in Foreign Exchange Rates An entity may carry on foreign activities in two ways. It may have transactions in foreign currencies or it may have foreign operations. In addition, an entity may present its financial statements in a foreign currency. The objective of this Standard is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.
- BAS 22: Business Combinations The objective of this standard is to prescribe the accounting treatment for business combinations

(both acquisitions and, in exceptional instances in which the acquirer cannot be identified uniting of interests). It provides guidance on the classification of a business combination, which includes whether an acquirer can be identified, and whether shareholders of the combining entities share mutually in the risks and benefits of the combined entity. • BAS 23: Borrowing Costs Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense • BAS 24: Related Party Disclosures The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. • BAS 26: Accounting and Reporting by Retirement Benefit Plans

This Standard shall be applied in the financial statements of retirement benefit plans where such financial statements are prepared. Retirement benefit plans are arrangements whereby an entity provides benefits for employees on or after termination of service (either in the form of an annual income or as a lump sum) when such benefits, or the contributions towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the entity's practices. The financial statements of a defined contribution plan shall contain a statement of net assets available for benefits and a description of the funding policy. • BAS 27: Consolidated and Separate Financial Statements

The objective of BAS 27 is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. The Standard specifies: (a) the circumstances in which an entity must consolidate the financial statements of another entity (being a subsidiary); (b) the accounting for changes in the level of ownership interest in a subsidiary; (c) the accounting for the loss of control of a subsidiary; and (d) the information that an entity must disclose to enable users of the financial statements to evaluate the nature of the relationship between the entity and its subsidiaries.

- BAS 28: Investments in Associates

This Standard shall be applied in accounting for investments in associates.

However, it does not apply to investments in associates held by: (a) venture capital organizations, or (b) Mutual funds, unit trusts and similar entities including investment-linked insurance funds.

- BAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions

The objective of BAS30 is to prescribe appropriate presentation and disclosure standards for banks and similar financial institutions as a supplement of the requirements of other standards. It provides the Requirement for classification of items in the income statement and balance sheet by their nature, and for the balance sheet in order of relative liquidity. Identifies the income statement and balance sheet line items requiring disclosure. ?

Additional disclosure requirements, including concentration of assets, liabilities and off-balance items, losses on loans and advances, and general banking risks.

- BAS 31: Interests in Joint Venture: This Standard shall be applied in accounting for interests in joint ventures and the reporting of joint

venture assets, liabilities, income and expenses in the financial statements of ventures and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to ventures' interests in jointly controlled entities held by: 1. (a) venture capital organizations, or 2. b) Mutual funds, unit trusts and similar entities including investment-linked insurance funds.

- BAS 33: Earnings Per Share The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. The focus of this Standard is on the denominator of the earnings per share calculation. This Standard shall be applied by entities whose ordinary shares or potential ordinary shares are publicly traded and by entities that are in the process of issuing ordinary shares or potential ordinary shares in public markets.

An entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with this Standard.

- Bas 34: Interim Financial Reporting The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity. This Standard applies if an entity is required or elects to publish an interim financial report in accordance with International Financial Reporting Standards.

Interim financial report means a financial report containing either a complete set of financial statements (as described in IAS 1 Presentation of Financial Statements (as revised in 2007)) or a set of condensed financial statements (as described in this Standard) for an interim period. Interim period is a financial reporting period shorter than a full financial year.

- **BAS 35: Discontinuing Operations** The objective of this standard is to enhance the ability to make financial projections by segregating information about discontinuing operations from information about continuing operations. BAS 35 does not establish any recognition or measurement principles in relation to discontinuing operations-these are dealt with under other BAS.

In particular, BAS 35 provides guidance on how to apply BAS 36, Impairment of Assets, and BAS 37, Provisions Contingent Liabilities and Contingent Assets, to discontinuing operations.

- **BAS 36: Impairment of Assets** The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognize an impairment loss. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.
- **BAS 37: Provisions, Contingent Liabilities and Contingent Assets**

The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent

liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount. IAS 37 prescribes the accounting and disclosure for all provisions, contingent liabilities and contingent assets, except: (a) Those resulting from executory contracts, except where the contract is onerous. Executory contracts are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent; (b) Those covered by another Standard. • BAS 38: Intangible Assets

The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognize an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets. An intangible asset is an identifiable non-monetary asset without physical substance. • BAS 40: Investment Property The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.

Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) Sale in the ordinary course of business. OBJECTIVES OF USING BAS IN BUSINESS • Standardized Accountings : The objective of applying BAS in business is to standardize the accounting issues and preparation of financial

statements. • International Recognition: To keep consistency with International Business the use of International Accounting Standards adopted as BAS is important. It helps the businesses to gain international recognition.

• Maintaining Uniformity:

Accounting standards are maintained in order to ensure uniformity in recording accounts and preparing financial statements within the businesses both in country and abroad. • Ensuring Transparency: An important objective of applying BAS is to ensure proper disclosure of necessary information in the financial statements. It provides transparency in the statements. •

Providing Reliability: The application of BAS provides reliability and consistency in the accounting record keeping and financial statements to the outside parties. CHAPTER II [pic] ABOUT PRIME BANK LIMITED The Prime Bank Limited (“ the Bank”) was incorporated as the public limited company in Bangladesh under companies Act, 1994.

It commenced its banking business with one branch from April 17, 1995 under the license issued by Bangladesh Bank. Presently the Bank has 61 branches all over Bangladesh and a booth located at Dhaka Club, Dhaka. The Bank had no overseas branches as at 31 December 2007. The Bank went for Initial Public Offerings in 1999 and its share is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company for its general class of shares. VISION The vision of the Bank is to be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity. MISSION



The mission of the Bank is to build Prime Bank Limited into an efficient, market driven, customer focused institution with good corporate governance structure. Continuous improvement in the business policies, procedure and efficiency through integration of technology at all levels. STRATEGIC PRIORITY

The strategic priority of the Bank is to have sustained growth, broaden and improved range of products and services in all areas of banking activities with the aim to add increased value to share holders' investments and offer highest possible benefits to the customers. CORE VALUE • For customers It refers to become most caring Bank by providing the most courteous and efficient services in every area of our business. For employees It promotes well-being of the employees. • For shareholders It ensures fair return on the investments of the shareholders through generating stable profit. • For the community As a socially responsible corporate entity the Bank maintains close adherence to national policies and objectives. [pic]BAS FOLLOWED IN

PRIME BANK The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). While preparing the financial statements, Prime Bank allied most of IAS and IFRS as adopted by ICAB. Details are given below:

Name of the BAS	BAS no	Status
Presentation of Financial Statements	1	Applied
Stationeries	2	Applied
Cash Flow Statements	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Date	10	Applied
Construction Contracts	11	

N/A		
Income Taxes	12	Applied
Segment Reporting	14	Applied
Property, Plant and Equipment	16	Applied
Leases	17	Applied

Revenue | 18 | Applied | | Employee Benefits | 19 | Applied | | Accounting for Government Grants and Disclosure of Government Assistance | 20 | N/A | | The Effects of Changes in Foreign Exchange Rates | 21 | Applied | | Borrowing Costs | 23 | Applied | | Related Party Disclosures | 24 | Applied | | Accounting for Investments | 25 | Applied | | Accounting and Reporting by Retirement Benefit Plans | 26 | Applied | | Consolidated and Separate Financial Statements | 27 | Applied | | Investments in Associates | 28 | N/A | | Disclosures in the Financial Statements of Banks and similar Financial Institutions | 30 | Applied | | Interests in Joint Ventures | 31 | N/A | | Earnings per share | 33 | Applied | | Interim Financial Reporting | 34 | Applied | | Impairment of Assets | 36 | Applied | | Provisions, Contingent Liabilities and Contingent Assets | 7 | Applied | | Intangible Assets | 38 | N/A | | Investment Property | 40 | Applied | | Agriculture | 41 | N/A | | Name of the BFRS | BAS no | Status | | Share Based Payment | 2 | N/A | | Business Combinations | 3 | N/A | | Non-current Assets Held for Sale and Discontinued Operations | 5 | N/A | | Exploration for and Evaluation of Mineral Resources | 6 | N/A | \*N/A= not applicable [pic]

#### APPLICATION OF BAS IN PRIME BANK LIMITED

For the convenience of discussion we are showing the effect of some important BASs

in record keeping and accounting of Prime Bank Limited. • BAS No. 1:

Preparation of Financial Statements: The financial statements of the bank are prepared in accordance with BAS-1 to give a fair view of the state of the Bank's affairs and of the results of the operations and cash flows.

The financial reports for the year ended in 31 December 2007 are given as

annexure for viewing. • BAS No. 7: Cash Flow Statement Cash flow

statement has been prepared in accordance with the BAS-7 “ Cash Flow

Statement” under direct method as recommended in BRPD Circular No. 14, dated June 25 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank. • BAS No. 12: Income Taxes Provision for current income tax has been made @ 45% as prescribed in the Finance Act, 2007 on the accounting profit made by the Bank after considering some of the add backs to the income and disallowances as expenditure as per income tax laws in compliance with BAS-12 “ Income Taxes”. • BAS No. 16: Property, Plant and Equipment

All fixed assets are stated at cost less accumulated depreciation as per BAS-16 “ Property, Plant and Equipment”. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes. • BAS No. 17: Leases Leases are classified as finance leases whenever the ‘ terms of the lease’ transfers substantially all the risks and rewards of ownership to the lessee as per BAS-17 “ Leases”. ? The Bank as lessor Amount due from lessees under finance leases are recorded as receivables at the amount of the Bank’s net investment in the leases. The Bank as lessee Assets held under finance lease s are recognized as assets of the Bank at the date of acquisition or if lower, at the present value of the minimum lease payments. • BAS No. 18: Revenue ? Interest income In terms of the provisions of the BAS-18 “ Revenue”, the interest income is recognized on accrual basis. ? Investment income Interest income on investments is recognized on accrual basis. ? Fees and commission income Fees and commission income arises on services provided by the Bank are recognized on a cash receipt basis. ? Dividend

income on share Dividend income on share is recognized during the period in which declared and ascertained. Interest paid and other expenses in

Conventional Banking In terms of the provision of the BAS-1 “ Presentation of Financial Statements” interest and other expenses are recognized on accrual basis. ? Profit paid on deposits in Islamic Banking Profit paid to mudaraba depositors is recognized on accrual basis as per provisional rate. • BAS No.

19: Employee benefits The retirement benefits accrued for the employees of the Bank as on reporting date have been accounted for in accordance with the provisions of BAS-19, “ Employee Benefit”. Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below: ?

Provident fund Provident fund benefits are given to the permanent employees of the Bank in accordance with Bank’s service rules. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the fund. The Bank also contributes equal amount of the employees’ contribution. ? Gratuity fund Actuarial valuation of gratuity scheme had been made to assess the adequacy of the liabilities provide for the scheme as per BAS-19, “ Employee Benefits”. ? Welfare fund Prime Bank’s employees’ welfare fund is subscribed by monthly contribution of the employees. The Bank also contributes to the Fund from time to time.

Disbursement from the fund is done as per rules for employees’ welfare fund. ? Incentive bonus

Prime Bank started an incentive bonus scheme for its employees. 10% of net profit after tax is given to the employees in every year as incentive bonus. This bonus amount is being distributed among the employees based on their performance. • BAS No. 21: The Effects of Changes in Foreign Exchange

Rates Foreign currency transactions are converted into equivalent Taka using the ruling exchange rates on the dates of respective transactions as per BAS-21, “ The Effects of Changes in Foreign Exchange Rates”. Foreign currency balances held in US Dollar are converted into Taka at weighted average rate of inter-bank market as determined by Bangladesh Bank on the closing date of every month.

Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into Taka equivalent. • BAS No. 33: Earnings per Share Basic earnings per share have been calculated in accordance with BAS-33, “ Earnings per Share” which has been shown on the face of the profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares are standing during the year. The bonus shares issued during the year 2007 were treated as if they had been in issue in previous year also (declared for 2006 result). Hence, in computing the basic earning per share of 2006, the total number of shares including the said bonus shares has been considered as weighted average no. of shares outstanding during the year 2006 as per BAS-33, “ Earning per Share”. • BAS No. 37: Provisions, Contingent Liabilities and Contingent Assets A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37, “ Provisions contingent Liabilities and Contingent Assets”. [pic] IMPORTANCE OF APPLYING BAS IN PBL • Abiding By The Rules: Adopted BASs are enforceable for listed companies by SEC rules.

So proper application of BAS in PBL is maintained to abide by the regulations of the nation. Guideline For Accounting Issues: BAS provides guidelines on different accounting issues to contribute to a common strategy and framework of reference for accountancy development and ensures transparent financial reporting, in accordance with sound corporate governance.

- Presenting Relevant & Reliable Information: Applying BAS in the record keepings and preparation of financial statements makes the accounting information relevant and reliable to all involved parties.
- Assistance in International Business: Application of BAS is important for keeping up to the International Standards which is important for International business.
- Co-operation Between Different Parties:

The use of BAS helps promote co-operation between governments, the accountancy and other professions, the international financial institutions, regulators, standard setters, capital providers and issuers. CONCLUSION In the world of globalization it is essential for businesses around the world to standardize the accounting record keepings and preparation of financial statements. The government of Bangladesh has made the International Accounting Standards adopted by Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards enforceable for all listed companies in order to ensure transparency and standard in accounting issues. Like other listed companies of our country Prime Bank Limited record their accounts and prepare their financial statements in compliance with these standards.

The effects of these standards provide guidance and reliability in the accounting information. CHAPTER III ANNEXURE [pic] Balance Sheet As at 31 December 2007 2007 2006 PROPERTY AND ASSETS Taka Taka Cash In hand (including foreign currencies) 663, 028, 189 452, 560, 474 Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies) 4, 755, 788, 872 3, 662, 426, 602 5, 418, 817, 061 4, 114, 987, 076 Balance with other banks and financial institutions

In Bangladesh 1, 625, 581, 391 627, 964, 960 Outside Bangladesh 791, 887, 088 485, 749, 435 2, 417, 468, 479 1, 113, 714, 395 Money at call and short notice - 1, 490, 000, 000 Investments Government 12, 090, 285, 095 7, 673, 700, 299 Others 607, 735, 533 170, 682, 648 12, 698, 020, 628 7, 844, 382, 947 Loans and advances/investments Loans, cash credits, overdrafts, etc 53, 814, 967, 656 41, 307, 504, 065 Bills purchased and discounted , 868, 053, 856 3, 702, 713, 983 57, 683, 021, 512 45, 010, 218, 048 Fixed assets including premises, furniture 660, 490, 066 412, 107, 309 Other assets 710, 613, 052 914, 107, 309 Non-banking assets - - Total assets 79, 588, 430, 798 60, 899, 475, 793 2007 2006 LIABILITIES AND CAPITAL Taka Taka Liabilities Borrowing from other banks, financial institutions 390, 869, 490 345, 944, 757 Deposits and other accounts

Current/ al-wadeeah current deposits 10, 590, 463, 357 8, 261, 264, 165 Bills payable 1, 144, 540, 968 528, 231, 748 Savings bank 6, 027, 260, 878 4, 125, 622, 204 Term deposits 52, 750, 109, 722 41, 808, 962, 467 Bearer certificate of deposit - - Other deposits - - 70, 512, 374, 925 54, 724, 080, 584 Other liabilities 3, 411, 909, 021 1, 969, 561, 728 Total liabilities 74,

315, 153, 436 57, 039, 587, 069 Capital/ Shareholders' equity Paid-up capital  
 2, 275, 000, 000 1, 750, 000, 000 Statutory reserve 1, 873, 543, 597 1, 404,  
 170, 652 Revaluation gain 2, 723, 913 - Other reserve - - Retained earnings  
 1, 112, 009, 852 705, 718, 072 Total Shareholders' equity 5, 273, 277, 362  
 3, 859, 888, 724 Total liabilities and Shareholders' equity 79, 588, 430, 798  
 60, 899, 475, 793 Balance Sheet as at 31 December 2007 [pic] 2007 2006  
 Taka Taka OFF-BALANCE SHEET ITEMS Contingent liabilities

Acceptances and endorsements - - Letters of guarantee 10, 480, 381, 241 9,  
 476, 314, 713 Irrevocable letters of credit 21, 193, 628, 862 17, 392, 748,  
 116 Bills for collection 1, 414, 716, 406 1, 060, 486, 687 Other contingent  
 liabilities - - 33, 088, 726, 509 27, 929, 549, 516 Other commitments

Documentary credits - - Forward assets purchased - - Undrawn ote issuance -  
 - Undrawn formal standby facilities - - Liabilities against forward purchase  
 and sale - - Others - - 33, 088, 726, 509 27, 929, 549, 516 Other

memorandum items Value of travellers' cheques in hand 141, 383, 952 14,  
 284, 764 Value of Bangladesh Patras in hand 1, 348, 897, 500 346, 193, 975  
 1, 490, 281, 452 360, 478, 739 Total 34, 579, 007, 961 28, 290, 028, 255

Profit and Loss Account For the year ended 31 December 2007 [pic] 2007  
 2006 Taka Taka

Interest income 7, 170, 099, 616 5, 198, 790, 368 Interest paid on deposits  
 (5, 226, 592, 564) (3, 698, 441, 036) Net interest 1, 903, 507, 052 1, 500,  
 349, 332 Investment income 1, 294, 205, 056 419, 496, 059 Commission,  
 exchange 1, 198, 942, 404 998, 117, 247 Other operating income 419, 555,  
 862 314, 073, 525



Total operating income (A) 4, 816, 210, 375 3, 232, 036, 163 Salaries and allowances 725, 285, 435 561, 930, 122 Rent, taxes and insurances 159, 529, 399 113, 987, 335 Legal expenses 24, 728, 362 4, 951, 307 Postage, stamp 60, 999, 650 47, 690, 052 Stationery 121, 691, 050 63, 382, 686 Managing Directors' salary 9, 131, 448 6, 400, 000 Directors' fees 2, 224, 444 2, 734, 300 Auditors' fees 791, 725 570, 990 Charges on loan losses - - Depreciation and repair of Bank's assets 102, 185, 026 71, 657, 509 Other expenses 352, 779, 110 227, 768, 616 Total operating expenses (B) 1, 559, 345, 650 1, 101, 072, 827

Profit/ (Loss) before provision(c= A-B) 3, 256, 864, 725 2, 130, 963, 336  
 Provision for loans/investments Specific provision (350, 000, 000) (210, 000, 000) General provision (350, 000, 000) (180, 000, 000) Provision for off-balance sheet items (210, 000, 000) - (910, 000, 000) (390, 000, 000)  
 Provision for diminution - - Other provision - -

Total provision (D) (910, 000, 000) (390, 000, 000) Total profit / (loss) before taxes(C-D) 2, 346, 864, 725 1, 740, 963, 336 Provision for taxation Current tax (1, 015, 000, 000) (592, 362, 815) Deferred tax 68, 800, 000 96, 709, 995 Net profit after taxation 1, 400, 664, 725 1, 051, 890, 526 Retained earnings (previous) 180, 718, 073 2, 020, 213 1, 581, 382, 073 1, 053, 910, 739 Appropriations

Statutory reserve 469, 372, 945 348, 192, 667 General reserve - - 469, 372, 945 348, 192, 667 Retained surplus 1, 112, 009, 852 705, 718, 072 Earnings per share (EPS) 61. 57 46. 24 Cash Flow Statement For the year ended 31

December 2007 [pic] 2007 2006 Taka Taka A) Cash flows from operating activities

Interest receipts in cash 7, 076, 601, 586 5, 616, 509, 362 Interest payments (5, 266, 592, 564) (3, 698, 441, 036) Dividends receipts 7, 976, 958 1, 777, 066 Fees and commission receipts in cash 1, 198, 942, 404 998, 117, 247 Recoveries of loans 415, 867 - Cash payments to employees (729, 416, 883) (596, 830, 122) Cash payments to suppliers (286, 567, 522) (175, 315, 699) Income taxes paid (476, 148, 788) (590, 139, 079) Receipts from other operating activities 419, 555, 862 314, 067, 381 Payments for other operating activities (470, 041, 003) (296, 680, 802)

Cash generated from operating activities 1, 474, 725, 917 1, 573, 064, 318 Increase/ (decrease) in operating assets and liabilities Statutory deposits - - Purchase of trading securities (1, 197, 259, 262) (1, 161, 365, 969) Loans and advances to other banks - - Loans and advances to customers (12, 672, 803, 463) (13, 094, 105, 540) Other assets (3, 796, 358, 897) 2, 494, 489, 750) Deposits from other banks /borrowings 62, 890, 500 (490, 439, 000) Deposits from customers 15, 171, 985, 121 18, 833, 626, 261 Others liabilities accounts of customers 616, 309, 220 (140, 262, 287) Trading liabilities - - Other liabilities 1, 437, 147, 293 (177, 440, 778) (378, 089, 488) 1, 275, 522, 937 Net cash from operating activities 1, 096, 636, 429 2, 848, 587, 255 B) Cash flows from operating activities

Debentures 4, 932, 282 5, 000, 000 Proceeds from sale of securities - - Payments for purchase of securities (430, 320, 723) (58, 856, 689) Purchase of property (333, 719, 898) (98, 473, 598) Payment against lease obligation



(525, 000, - ||||| - | 000) || | Appropriation || || || || || - | - | - | - || || || - | || || -  
| 469, 372, 945 || (469, 372, - || || || - | 945) || | Balance as at 31 December  
2007 || || || || || | 2, 275, 000, 000 | 1, 873, 543, 597 | 12, 723,