Adoption of International Financial Reporting Standards in Bangladesh: Benefits and Challenges

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Abstract
The study focuses on the recent adoption status of International Financial Reporting Standards (IFRS) in a developing economy like Bangladesh. The objectives of this paper are to identify the development of the accounting profession in Bangladesh, the legal and regulatory framework of accounting, IFRS adoption process, benefits and challenges of adopting IFRS in Bangladesh. The issues raised in the paper are drawn mainly from prior works of literature and secondary information. IFRS adoption promises a lot of benefits like decreased cost of capital, improved financial reporting quality, increased ability to secure borders-listing, better Access to Global Capital Markets and attraction of foreign direct investment, etc. Some challenges also exist like the development of a legal and regulatory framework, low audit fees, awareness campaign and training of personnel etc. which must be overcome for successful adoption of IAS/IFRS. The paper also argues that the Financial Reporting Council (FRC), as proposed by the draft Financial Reporting Act 2013 (FRA) should not be handled by non-experts body. This paper strongly recommends that the ICAB council may be reformed consisting of Three Board - (i) Accounting Standard Board (ii) Auditing Standard Board and (iii) Financial Reports Review Board to ensure compliance of international standard and effective implementation.
Keywords: International Financial Reporting Standards, Adoption, benefits and challenges, ICAB, Bangladesh.

1. Introduction

International Accounting Standards Board (IASB) based in London, England, was established in April 2001 as the successor to the International Accounting Standards Committee (IASC). It is the responsibility of the IASB for developing and implementing International Financial Reporting Standards (the new name of International Accounting Standards (IAS) issued after 2001) by its member countries around the world. Adoption of IFRS has received much attention in the professional and academic literature of the developed, emerging, developing and underdeveloped countries universal. International Financial Reporting Standards (IFRS) refer to a widespread, high-quality set of accounting standards and interpretations used in the preparation of financial statements. IFRS are considered a principles-based set of standards in that they set up broad rules with greater importance on interpretation and the use of judgment, rather than reliance on specific bright-lines. (Tomaszewski & Showerman2009)1. Due to growing international business among countries, there is strong support in favor of IFRS. IFRS is a well-structured set of accounting standards which will increase transparency, understandability and promote global acceptance on financial reporting (Edwards, 2009).2

Globalization of capital markets is an unalterable development, and there are many prospective benefits to be gained from mutually recognized and valued international accounting standards. The adoption of standardized standards cut the costs of doing business across borders by reducing the need for complementary information. They make information more comparable, thereby enhancing evaluation and analysis by users of financial statements (Adekoye, 2011). The study carried out by Esptein (2009) highlighted that universal financial reporting standards will raise market liquidity, reduce transaction costs for investors; lower cost of capital and facilitate international capital formation and flows. Whereas there are more arguments that IFRS is unsuited to developing countries, although they are adopting it because IFRS is an outcome with network effects (Odia & Ogeido, 2013).

Further, there was the need to be a focus for capital from investors, creditors and financial institutions both locally and externally, for extension of businesses and also setup new ones. It gives birth to the need of a global set of accounting standards. Before the harmonization of International Financial Reporting Standards, different countries developed their individual countrywide accounting standards or adopted that of other countries. Fosbre, Kraft & Fosbre (2009) stated this when they indicated that there was a movement of business toward a global economy and have accelerated the need to move toward global accounting standards.

There is a well-built and growing demand around the world for global, high-quality accounting standards that deal clearness and comparability. This demand has been strengthened in recent years by massive increases in cross-border trade and investment. Improved impetus has come from the need for reliable financial information in developing and transitional countries. Application of International Standards are also mandated / desired by the World Bank (WB), Asian Development Bank (ADB), European Union (EU), United Nation (UN), agencies and other development associates on borrowers and recipients of foreign aid and technical support. Moreover, there are irresistible global pressures, affecting the Bangladesh economy, which warrant the Accountancy Profession to execute standardization of accountancy practices through implementation of IAS/IFRS. Therefore, Bangladesh has adopted IFRS in July 2006.

The Institute of Chartered Accountants of Bangladesh (ICAB), which is a supreme body for the development of accounting profession in Bangladesh, has been functioning for the adoption and improvement of accounting standards. The ICAB has a program to adopt IAS as Bangladesh Accounting Standards (BAS). It is also mentioned that, most of these carbon copies of original IASs. While processing has been done than Security Exchange Commission of Bangladesh (SEC) hold the responsibilities and became delegated of Government of Bangladesh to keep an eye on compliance all those standards by listed company in Bangladesh (Mir & Rahman, 2005).

This study concentrates on the process of adopting the IFRS in Bangladesh as a developing economy. Specifically, the study examined the development of the accounting profession in Bangladesh, the legal and regulatory framework of accounting, IFRS adoption process, benefits and challenges of IFRS adoption. Finally, conclusions are drawn and the recommendation made.

The study suffers from some limitations also. The issues raised in the paper are drawn mainly from prior works of literature and secondary sources, i.e., research papers, articles, working paper and different books etc. The study is qualitative in nature. It is, therefore, difficult to examine the issues through quantitative tools. It is mentionable that the IFRS implementation procedure is yet to be completed in Bangladesh. The paper, therefore, does not deliberate the post-IFRS implementation impact on corporate Bangladesh financial reporting system.

2. Objectives of the Study

The objectives of the research are to:

i. portray the process of adopting the IFRS in Bangladesh as a developing economy.

ii. identify the development of the accounting profession in Bangladesh, the legal and regulatory framework of accounting.

iv. present the benefits as well as challenges of IFRS adoption and

v. present some policy recommendations for adoption and implementation of IFRS for ensuring good financial reporting.

3. Literature Review

There are a number of studies that have examined the various aspects of IFRS adoption and implementation in developing countries. IFRS are standards and interpretations adopted by the International Accounting Standards Board (IASB). They include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretation originated by the International Reporting Standards Interpretation Committee (IFRSIC) (Oyedele, 2011). Jacob and Madu (2009) recognized IFRS as a single set of high-quality, globally accepted accounting standards that can enhance comparability of financial reporting across the globe. This increased comparability of financial information could result in better investment decisions and ensure a more optimal allocation of resources across the global economy. Cai and Wong (2010) added that having a single set of internationally acceptable financial reporting standards will eradicate the need for restatement of financial statements, yet ensure accounting variety among countries, thus facilitating cross-border movement of capital and greater integration of the global financial markets.

For countries wishing to adopt IFRS Sunder (2010) proposes six bases for decision as: involvement to wealth and prosperity of society, inclusion of pertinent information from all parts of the economy, stability over time, adaptability to changes in economic environment, strength against manipulations, and confrontation to capture by narrow interest groups

Several scholars have established that adoptions of IFRS at country level has increased direct foreign investment (Irvine& Lucas, 2006), high Level of global market integration and develop quality accounting indicators (Chai, Tang, Jiang, & Lin, 2010). Additionally, adoption of IFRS at the firm Level has improved accounting quality (Meeks & Swann, 2009; Barth, 2008) and financial performance (Latridis, 2010)

The study conducted by Bhattacharjee and Islam (2009) mentioned that ensuring disclosure quality of financial information is mandatory for reducing information asymmetry and solving agency problem in the corporate sector. It has been discovered in the existing pieces of literature that there are considerable improvements in accounting quality following IFRS adoption (Barth et al., 2008; Barth et al., 2006; Gassen & Sellhorn, 2006; Hung & Subramanyam, 2007)

Chamisa (2000)[16] have examined the international standards' role in improving the quality of financial information twisted for a stock market in the developing countries. He distinguished that these standards are critically and crucially important for the developing countries with an active financial and capital market and are devoid of such significance regarding the other developing countries. Moreover, on examining the development of accounting regulations in Jordan, Al-Akra et al. (2009) have analyzed the impact of economic, political, legal and cultural factors on promoting the accounting practices. They come to an end that the political and economic factors are the elements which contribute most to this development.

IFRS is such accounting standards which have led to eliminating the global accounting differences and standardizing reporting formats, IFRS eliminate many of the adjustments that analysts historically have made in order to make companies' financial information more comparable internationally. IFRS adoption, therefore, could make it less costly for investors to compare firms across markets and countries (e.g., Armstrong et al., 2010; Covrig, Defond, and Hung, 2007). Thus, a common set of accounting standards would reduce information asymmetries among investors and/or lower estimation risk by increasing comparability between lower and higher quality firms. The gain would be greatest for institutions that create large, standardized-format financial databases. Similarly, accounting diversity could be an impediment to cross-border investment (Bradshw, Bushee, and Miller, 2004). Thus, reducing international differences in accounting standards assists to some degree in facilitating international integration of capital markets (Covrig, Defond, and Hung, 2007) by removing barriers to cross-border acquisitions and divestitures, which in theory will reward investors with increased takeover premiums.

Although many countries have faced challenges in their decisions to adopt IFRS, its widespread adoption has been promoted by the argument that the benefits outweigh the costs (Iyoha and Faboyede, 2011).

Alp and Ustandag (2009) deliberated the development process of financial reporting standards around the world and its practical results in developing countries found that Turkey had encountered several complications in the adoption of IFRS. Such complications include the complex structure of the international standards, potential knowledge deficit and other difficulties in the application and enforcement issues.

Similarly, in a study on adoption of IFRS at firm level, Meeks and Swann (2009) revealed that firms adopting IFRS had exhibited higher accounting quality in the post-adoption period than they did in the pre-adoption period. In a study of financial data of firms covering 21 countries, Barth (2008) confirmed that firms applying IAS/IFRS experienced an improvement in accounting quality between the pre-adoption and post-adoption periods.

There are more arguments that IFRS are inappropriate in developing and emerging economies. Irvine and Lucas (2006) reported that the development of a globalized set of accounting standards provides other benefits that are not so significant to developing and emerging nations. The adoption of IFRS will save expense of preparing financial statement as they have to prepare one set of account instead of different sets for different national jurisdictions, the professional status of accounting bodies will be enhanced and the big accounting firms will benefit in their efforts to expand the global market for their services.

As evident from the literature review, a good number of studies carried out in different countries have highlighted the benefits of having a single set of financial reporting standards across the globe. Few of the studies have also brought out the procedural aspects of the implementation of IFRS. Some of the studies have given a contradictory view wherein the articles talk about the difficulties and complications faced in implementing IFRS.

3.1. Development of Accounting Profession in Bangladesh: Brief Overview.

In Bangladesh, the profession of accountancy developed during the British colonial period. Today, it is represented by two professional bodies, the Institute of Cost & Management Accountants of Bangladesh (ICMAB) and the Institute of Chartered Accountants of Bangladesh (ICAB).

Chartered Accountants complete their training in practicing firms and specialize in financial accounting, financial audit, and tax. Cost and Management Accountant (CMA) receives particular training in cost audit, management audit, and management accounting, as well as general accounting and taxation. Both the ICMAB and ICAB are under the executive control of the Ministry of Commerce. The Government of Bangladesh considers both types of professional accountants' equal regarding employment in government services.

The Generally Accepted Accounting Principles (GAAP) in Bangladesh is based upon standards set by the ICAB, which has stated its intention to adopt International Financial Reporting Standards. Till now, IASC had issued 41 IAS of which 29 are presently valid (after necessary reformatting/revising/supersession and withdrawal). With the exception of IAS 29 on Hyperinflation, the ICAB has adopted all the other 28 IAS extent as BAS. ICAB has adopted 12 out of 13 IFRS issued to date by IASB as BFRS without any modification.

3.2. Institutional Legal Regulatory Frameworks in Bangladesh

IFRS are deliberate to be used for the preparation of general-purpose financial statements. However, IFRS-based financial statements could be also required to be prepared for statutory purposes as well. However, while extending the use of IFRS for such purposes might appear to be cost-efficient, it may create confusion between reporting entities and regulators, particularly in situations where the regulator for a given sector has specific financial reporting requirements that diverge from IFRS.

The legal, Regulatory Framework for Financial Reporting and Audit of Corporate Entities in Bangladesh are governed by the Companies Act 1994 and Securities Exchange Rules 1987. The professional responsibilities and conduct of Chartered Accountants are governed by the Bangladesh Chartered Accountants Bye-laws 1973. The enforceability status for compliance with the accounting and auditing standards, adopted by the ICAB, emanates from these sources – being legally compulsory (force of Law) or professionally obligatory (Bye-laws requirement).

The Companies Act 1994 does not hold any provision for the compulsory observance of the adopted IAS in practice. The Chartered Accountants Bye-laws 1973 have also not been amended to entail compulsory compliance of the adopted standards by ICAB members. Hence in the absence of any broad statutory or professional requirements, the implementation of the adopted IAS/IFRS is regarded as pinpointing of good, standard accounting practices. Despite the adoption of IAS by ICAB, there was no legal enforceability of these standards till the end of 1997. Implementation of the adopted standards was neither backed by Law nor professionally obligatory (as in India, Pakistan, Nepal, and Sri Lanka).

The SER 1987 (Rule 12, Sub-rules 2&3) were amended in 1997, whereby all listed entities are required to comply mandatorily with the requirements of all applicable IAS/IFRS, (as adopted by ICAB), in the preparation and presentation of their Financial Statement (FS); and all audit practices are required to ensure compliance with relevant ISA, (as adopted by the ICAB), in the conduct of and reporting on the audit of FS of listed entities. Hence the IAS and ISA duly adopted by the ICAB as the BAS and BSA, now have a legally enforceable mandatory implementation status for all listed companies in Bangladesh.

The ICAB Council intends to amend its Bye-laws in the immediate foreseeable future to mandate “professional enforceability” of BAS and BSA (adopted IAS and ISA) among its members irrespective of whether engaged in the profession, service, business, and academia or otherwise.

4. According to IFRS, financial statements consist of the

► Statement of financial position,
► Statement of comprehensive income,
► Cash flow statement, a statement of changes in equity, and
► Explanatory notes. Note disclosures must include:
• Accounting policies followed
• Judgments made by management in applying critical accounting policies
• Key assumptions about the future and other important sources of estimation uncertainty.

5. Methodology

This study is qualitative in nature and does not use any quantitative tool to analyze the data. It is conducted on the basis of the prior pieces of literature and secondary information. There are various research papers, articles, working paper and different books have been used for the study. Also, the personal interview with some qualified accountants has been conducted.

6. IAS/IFRS Adoption in Bangladesh

The institutional actors involved in the adoption of IASs in Bangladesh include the Government of Bangladesh, the World Bank, Asian Development Bank (ADB) and the Institute of Chartered Accountants of Bangladesh (ICAB). The IASs adoption process was initiated in August 1999 following a US $ 200,000 World Bank grant to the Bangladeshi Government for the development of Accounting and Auditing Standards in Bangladesh (Mir & Rahaman, 2005). The World Bank’s Institutional Development Fund (IDF) grant was targeted at enhancing the institutional capacity of the ICAB for the adoption of IASs in the country. On its part, the ICAB was required to provide the additional US $ 20,000 required to help accomplish this task. The Government then delegated the process to the Securities and Exchange Commission (SEC) as the main institution responsible for overseeing the process (Mir & Rahaman, 2005).

ICAB is responsible for adopting and implementing International Financial Reporting Standards in Bangladesh and adopted IFRS as Bangladesh Reporting Financial Standards. ICAB has been performing the convergence process of IFRS. It also updates those standards as an ongoing process to enhance comparability and credibility of audited financial information. In the adoption process, an IAS/IFRS is first considered by the Technical and Research Committee (TRC) of the Council ICAB. Thereafter it is critically reviewed by a nominated sub-committee comprising of one or two members who would undertake a stringent vetting exercise to ensure elimination of any anomalies or inconsistencies and ensure conformity with the requirement of the existing legal regulatory requirements. Based on the recommendations of the Sub-committee and taking into consideration necessary modifications, the TRC then formulates its recommendation to the Council for adoption. Once approved by the Council, it becomes a definitively adopted Bangladesh Financial Reporting Standards (BFRS).

As indicated in Appendix I (A & B), the IASC had issued 41 IAS of which 29 are presently applicable (after necessary reformatting/revising/supersession and withdrawal). With the exception of IAS 29 on Hyperinflation, the ICAB has adopted all the other 28 IAS extent as BAS. ICAB has adopted 12 out of 13 IFRS issued to date by IASB as BFRS. It has also adopted IFRS for SMEs as Bangladesh Financial Reporting Standard BFRS for SMEs, with an effective date on or after Jan 2013.BFRS for SMEs includes all modules except section 31: Financial Reporting in Hyperinflationary Economies. Although the IFRS for SMEs has been adopted by ICAB and made available in Bangladesh, but application and implementation of such standards may not be enforceable, as there are no obligations from any regulatory authority that has jurisdiction over SMEs.

The Cabinet of Bangladesh Government approved the Financial Reporting Act- 2013 on 19th August, 2013 to set up FRC (Financial Reporting Council) for strengthening the monitoring of accounting standards and the accountancy profession (Khan, 2013). The Institute of Chartered Accountants of Bangladesh (ICAB) has agreed to accept the proposed Financial Reporting Act (FRA), under which Financial Reporting Council (FRC) will be formed to oversee functions of the auditors. The institute, however, placed a five-point demand before the government for its consideration in finalising the FRA draft as it, ICAB said, will help shun various impediments in ensuring quality audit and achieve purposes of the law. The council is comprised of 1) governor of Bangladesh Bank, 2) chairman of Bangladesh Securities and Exchange Commission (BSEC), 3) chairman of Insurance Development and Regulatory Authority (IDRA), 4) chairman of National Board of Revenue (NBR), 5) president of ICAB, 6) president of ICMAB, 7) three representatives from the finance and commerce ministries, 8) two experts in accounting and audit other than members from ICAB and ICMAB, 9) the CEO who will be member secretary to FRC.

7. Benefits of Adopting IAS/IFRS

The use of IAS/IFRS gives users of Financial Statements high-quality financial information that satisfy the "qualitative characteristics" of application of IAS/IFRS thereby understandability, relevance, reliability, and comparability. Standards application of IAS/IFRS thereby benefits users and issuers by giving them access to a larger pool of foreign capital at a lower cost.

Researchers have given various opinions on the benefits of adoption of IFRSs across the globe as a single set of Reporting Standards. Benefits include that the adoption of IFRS decreased cost of capital(Leuz & Verrecchiia, 2000; Daske, Hail, Leuz &Verdi, 2008), efficiency of capital allocation (Bushman & Piotroski, 2006), easier international capital mobility (Okundi, 2013; Young & Guenther, 2008),capital market development(Ahmed, 2011),improved and higher market liquidity and value (Adekoya, 2011), enhanced comparability(Okere,2009), cross border movement of capital, (Bhattacharjee & Hossain 2010) and improved transparency of results (Essien-Akpan, 2011; Mike,2009).

A research conducted by Gordon (2008) listed the benefits from adoption of IFRS over the world as :(i) Better financial information for shareholders;(ii) better financial information for regulators; (iii) enhanced comparability; (iv) improved transparency of results; (v) increased ability to secure cross -border listing; (vi) better management of global operations; and (vii) decreased cost of capital.

Jain (2011) point out the benefits from adoption as: (i) Better Access to Global Capital Markets; (ii) Easier Global Comparability; (iii) Easy Cross-Border Listing; (iv) Better Quality of Financial Reporting; and (v) Elimination of Multiple Reporting.

Bhattacharjee and Islam (2009) highlighted the vulnerability of small investors which has been a long time established problem and has been a big impediment for the stock market development in Bangladesh. IFRS adoption which improves financial reporting quality helps the small investors to compete better with informed professionals and hence reduces their trading risk.

The benefit is that the companies who had no obligation to follow IFRS and who are SMEs, they have now a full set of globally compatible standard to follow. It will ultimately help the SMEs who want to prepare and present their Financial Statements that are acceptable nationally and globally.

Jermakowicz (2004) concluded that the adoption of IFRS will increase comparability of consolidated accounts as well as levels of transparency form any companies, e.g. through expanded segment disclosures, reporting unfunded pension obligations and the recognition of derivatives on balance sheets at fair value.

IFRS can lead to improved comparability across borders and within global industries, with worldwide peers and competitors. A more specific consideration may reveal individual benefits as hereunder:

› **International Investors**
• Easier access to foreign capital funding and cross-border stock exchange listings – the need to attract international investors and to enable easy monitoring of overseas investments.
› **Multi-national Companies**
• Gaining better access to foreign investor funds.
• Improved management control from harmonized internal financial communication
• Facilitating of appraisal of foreign for purposes of takeovers and mergers.
• Ensuring easy compliance with reporting requirements of overseas stock exchanges
• Facilitating of consolidation of foreign subsidiaries and associated companies.
• Achieving the reduction in audit costs.
• Enhancing transferability/mobility of accounting staff across national borders.
• Facilitating determination of tax assessments regarding foreign income.
› **Governments and National standard setting bodies**
• Assist governments in attracting international investors as adoption of IFRS enables international investors easy monitoring of overseas investments.
› **Local and domestic companies**
• Improved comparability of reported financial information by entities – owing to improved transparency and enhanced disclosures and seal of quality.
• Optimization of tax planning – the ability to analyze impact on tax-related issues
• Ability to understand interaction with strategic initiatives to generate value from synergies – this also facilitates more effective management of enterprises and efficient processes since IFRS reporting is performance based.
• Easier access to external capital;

The above benefits are perceived benefits of adoption of IFRS. Researchers are yet to be carried out to understand actual benefits of adoption of IFRS.

8. Challenges of IFRS Adoption

These challenges have been supported by previous studies conducted by researchers. Challenges include that the adoption of IFRS potential knowledge shortfall (Alp & Ustundag, 2009), high demand for education and training (Irvine & Lucas, 2006), legal system effect (Li & Meeks, 2006), tax system effect (Shleifer and Vishny, 2003), enforcement and compliance mechanism (Martins, 2011).

Adoption of IFRS is not an easy job. There are a lot of technical Challenges faced by the users while adopting IFRSs. A lot of conflicts with local GAAP, especially in developing countries, with IFRSs were observed. The concepts of "present value" and "fair value" have complexities with IFRS. In IFRS framework, treatments of expenses like premium payable on redemption of debentures, discount allowed on debentures, underwriting commissions paid, etc is different from generally accepted method. This would lead to a change in the income statement and would bring about confusion and complexities. IFRS accounting concepts do conflicts with local GAAP concepts and sometimes work as a limit to the adoption of IFRS. For example, IFRS does not permit to use of LIFO as an inventory valuation method. The alteration from LIFO to FIFO or weighted average cost, both accepted IFRS methods of inventory valuation, typically results in higher ending inventory balances, lower cost of goods sold and higher earnings per share (EPS) in a rising cost environment. Adoption is IFRS would mean that financial statement users would need to adapt to the new method of inventory valuation, and its impact on earnings, cash flow, assets and equity.

The further challenges are discussed as follow

- Adoption of IFRS means a complete set of different reporting standards has to bring in. The awareness of these reporting standards is still not there among the stakeholders like Firms, Banks, Stock Exchanges, Commodity Exchanges etc.. To bring a full awareness of these standards among these parties is a complex task.
- Low level of awareness and inadequate availability of quality training. Moreover training materials on IFRS are scarce, particularly in languages other than English. Furthermore, proper application of certain measurement requirements in IFRS requires input from competent professionals in other areas such as actuary, property valuation, and others. Lack of technical capacity poses a significant barrier to the successful implementation of IFRS.
- Knowledge gap (professionals, regulators & preparers)
- Implementation of standards entails incremental costs to reporting entities in ensuring compliance with IAS through the employment of appropriately eligible personnel for the preparation of Financial Statements.
- Standards are often inflexible and may tend to stifle independent judgment and prohibit local accounting in dealing conditions which may be peculiar to a particular entity This may have an unfavorable outcome on professional development, restricting accountants and auditors to checking compliance with rules and disclosures.

- The level of disclosure, often in the notes, has increased greatly over the last couple of decades. Measurement aspects covered by accounting standards of assets & liabilities or of profit & loss are often complex and may be controversial, thus affecting reported results.
- Corporate financial reporting is often non-compliant with the compulsory disclosure requirements as per Acts, rules & regulations and applicable IAS/IFRS by listed entities are not often reported by concerned auditors.
- There is often significant inconsistency in disclosure levels across various parts of annual reports.
- Inadequate evaluation and monitoring of corporate report by Security Exchange Commission (SEC) and Stock Exchanges.
- There is a lack of appropriate monitoring for implementation of the adopted standards by existing regulatory frameworks. Non-compliance with the requirements of a particular standard is often not reported and disciplinary action is rarely instituted.
- By any standard, the audit fees in Bangladesh are very low compared to the responsibilities involved and the time and efforts required doing a proper audit job. This obviously affects the approach and work of the Auditor.
- There is a lack of resources of ICAB to enable and to monitor effective financial reporting standard, ensuring Quality Assurance.
- There is often a contradiction between financial reporting and tax accounting can be challenging. Different countries have dealt with this in different ways: in some, tax requirements are linked to the same financial statements, while in others the commencement of IFRS has resulted in a division of tax rules from accounting standards.

9. Conclusion

With the development of science, technology and the fast growth of multinational entities, cross-border investments and the globalization of business activities in latest years have had a significant impact on the nature and quality of financial reporting. IFRSs bring in standardization and comparability of the financial statements which is prepared in different countries, it obviously helps the investors to understand and interpret the financial statements prepared by different companies or countries. The adoption and implementation of IAS/IFRS as a vehicle for financial reporting are progressively expanding with a wider focus on transparency and a variety of disclosures. The Government, business community, regulatory agencies and particularly the regional professional bodies, are expected to play a more proactive role in this respect.

The existing draft financial reporting act is not a good structure to give an intended result which is simply an attempt to tighten the mouth of bottle keeping a lot of leaks on it. We must ensure proper corporate governance, internal control, reporting framework etc. to get proper accounting ground. Moreover, the proposed Financial Reporting Council would be a traditional non- professional council rather than a result oriented professional institution. These are highly technical issues and cannot be handled by non-experts body like the proposed FRC and we believe that a political led non-professional council can never bring financial reporting transparency unless ICAB can work with full independence to enrich the profession. This paper strongly recommends that the ICAB council may be reformed consisting of 3(three) Board - (i) Accounting Standard Board (ii) Auditing Standard Board and (iii) Financial Reports Review Board to ensure compliance of international standard and effective implementation. The first two boards will consist of equal number of ICAB and ICMAB members to analyze and adopt standards in a professional manner and the last review board may be consisted of ICAB, ICMAB, Bangladesh Securities and Exchange Commission, Bangladesh Bank and other regulators with a chairman of civil society or professor having experience in accounting, finance and economics to ensure the review of financial report and oversight of professional integrity of accounting professional upon Suo Moto basis or submission of any review petition by the regulators to the Board. To implement

■ The professional accountancy bodies should support their ongoing professional education requirements with ICAB guidelines and constantly develop awareness among their members as well as non-members for easy understanding, interpretation and application of the adopted IAS/IFRS through relevant continuous research, follow up, problems shooting, news and views on the development of IFRS, its importance, need to be well circulated and published in the local bulletins, newspapers, journals, electronic medias and regular holding of conferences, seminars and workshops.

■ The government should establish an independent body to set monitor and administer accounting and auditing. The proposed body should be empowered to monitor and enforce accounting and auditing focusing on technically qualified personnel, practical training of inspectors, administrative support and necessary logistics arrangements.

■ Both SEC and ICAB should play an active role in confirming quality assurance through adequate monitoring and ensuring effective compliance of the provisions of law, financial reporting, and auditing standards.

■ Awareness and appropriate training should contribute to the process of adopting new language. ICAB should carry on relevant training & knowledge sharing with Office of the Comptroller and Auditor General, Bangladesh Bank, National Board of Revenue, Govt. Ministries and other concerned regulatory agencies.

■ The regulatory agencies should be adequately made stronger through engagement of qualified professionals to ensure proper compliance and monitoring of the implementation of adopted IAS/IFRS for financial reporting and corporate governance practices.

■ Professionals should be dynamically involved as relevant experts in formulating national economic policies and instruments pertaining to such areas as legislative framework changes, privatization of SOEs, banking sector and financial reforms, capital market development, etc.

■ Recent changes in the legal regulatory framework now require mandatory compliance with all ICAB adopted IAS/IFRS by listed and not limited companies.

■ In IFRS and other nations reporting requirements, the differences between fair value and carrying value need to resolve in the measurement of most financial statements.

■ ICAB should strengthen its professional learning partnership with Institute of Chartered Accountants in England and Wales.

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APENDICES

Appendix I (A) - Adoption Status of International Accounting Standards (IAS) by ICAB as Bangladesh Accounting Standards (BAS)

IAS/ BAS	Title of Adopted IAS as BAS	Effective Date-Applicable on or after
1	Presentation of Financial Statements	1 Jan 2007
2	Inventories	1 Jan 2007
7	Statement of Cash Flows	1 Jan 1999
8	Accounting Policies, Changes in Accounting Estimates and Errors	1 Jan 2007
10	Events After the Reporting Period	1 Jan 1999
11	Construction Contracts	1 Jan 1999
12	Income Taxes	1 Jan 1999
16	Property, Plant and Equipment	1 Jan 2007
17	Leases	1 Jan 2007
18	Revenue	1 Jan 2007
19	Employee Benefits	1 Jan 2004
20	Accounting for Government Grants and Disclosure of Govt Assc	1 Jan 1999
21	The Effects of Changes in Foreign Exchange Rates	1 Jan 2007
23	Borrowing Costs	1 Jan 2010
24	Related Party Disclosures	1 Jan 2007
26	Accounting and Reporting by Retirement Benefit Plans	1 Jan 2007
27	Consolidated and Separate Financial Statements	1 Jan 2010
28	Investments in Associates	1 Jan 2007
29	Financial Reporting in Hyperinflationary Economics	Not adopted
31	Interests in Joint Ventures	1 Jan 2007
32	Financial Instruments: Presentation	1 Jan 2010
33	Earnings per Share	1 Jan 2007
34	Interim Financial Reporting	1 Jan 1999
36	Impairment of Assets	1 Jan 2005
37	Provisions, Contingent Liabilities and Contingent Assets	1 Jan 2007
38	Intangible Assets	1 Jan 2005
39	Financial Instruments: Recognition and Measurement	1 Jan 2010
40	Investment Property	1 Jan 2007
41	Agriculture	1 Jan 2007

Appendix I (B) - Adoption Status of International Financial Reporting Standards (IFRS) by ICAB as Bangladesh Financial Reporting Standards (BFRS)

SL #	IFRS / BFRS	Title of Adopted IFRS as BFRS	Effective Date-Applicable on or after
1.	**BFRS 1**	First-time Adoption of IFRS	1 Jan 2009
2.	**BFRS 2**	Share-based Payment	1 Jan 2007
3.	**BFRS 3**	Business Combinations	1 Jan 2010
4.	**BFRS 4**	Insurance Contracts	1 Jan 2010
5.	**BFRS 5**	Non-current Assets Held for Sale and Discontinued Operations	1 Jan 2007
6.	**BFRS 6**	Exploration & evaluation of Mineral Resources	1 Jan 2007
7.	**BFRS 7**	Financial Instruments: Disclosures	1 Jan 2010
8.	**BFRS 8**	Operating Segments	1 Jan 2010
9.	**IFRS 9**	Financial Instruments	Not Adopted
10.	**BFRS 10**	Consolidated Financial Statements	1 Jan 2013
11.	**BFRS 11**	Joint Arrangements	1 Jan 2013
12.	**BFRS 12**	Disclosure of Interests in Other Entities	1 Jan 2013
13.	**BFRS 13**	Fair Value Measurement	1 Jan 2013
IFRS for SMEs		BFRS for SMEs (Small Medium Size Entities)	1 Jan 2013

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